

Campbell Capital Management

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Dear Money Management Client:

Volatility is back, and it's not much fun. The stock market's recent performance was the worst we've seen in over eight quarters. Just about everything has been under selling pressure; with crude oil, gold and the grains at their lowest levels in over two years. Much of the weakness is likely attributable to the slowing economies in Europe, where fears of deflation and recession are causing double digit declines in their equity markets.

We have taken some profits and are happy to stay with the cash as this volatility does its damage. The US economy continues to slowly improve, and while interest rates stay anchored to the floor, inflation in abeyance, and central bank policies accommodative, our dividend income oriented portfolios make good sense. Heavy selling like we've seen lately obviously leaves few stocks unscathed, but great companies like we own will be the first to bounce back and relieve our pain. We are working on our buy lists while stocks get cheaper and we look forward to making some great purchases. These difficult periods when others lose their heads are when smart managers find the best opportunities to add value to their portfolios.

The 16th annual Geneva Report, written by very accomplished economists, predicts that interest rates worldwide will have to stay low for a "very, very long" time to enable households, companies and governments to service their enormous debts. The report documented that debts in both advanced and emerging economies have increased over the past few years, in spite of claims to the contrary. With the global debt-to GDP ratio still growing, borrowers would not be able to withstand any rise in rates, and thus the truism; if something can't happen, it won't.

There will come a time when recession looms or stock valuations cease to make sense, and we will become aggressive sellers, but that time is not now.

As always, we remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell, CPA