

# *Campbell Capital Management*

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Dear Money Management Client:

We've had a great start to the year. It's always nice when you have a plan that works. As discussed here many times since the "great recession" of 2008, we've been focused on owning assets that reward us with ample dividends and interest. We like businesses that go to work every day providing essential products and services. The rationale is simple, developed economies of the world will muddle along for years while they deal with the debt from the leveraging binge of past decades. Under those conditions you want to be very cautious about investing in companies that rely on "top line" growth.

Interest rates will remain low for much longer than anyone expects. We know all the dialogue out there about how rates are headed higher and inflation is just around the corner, but we just don't agree. Historically interest rates have had a pretty strong correlation with inflation, and inflation is not a problem today. In fact, central banks have been targeting 2% inflation without success. The deleveraging of debt in developed nations causes deflation and the sheer amount of debt on the books of developed nations means it will be a long time before interest rates move up. Rising rates now would quickly exasperate any developed nation's fiscal budget and lead to slower growth or recession. Just ask the Japanese, who have been caught in a deflationary debt quagmire for 25 years. In spite of sovereign debt exceeding twice the annual gross domestic product, Japanese interest rates have remained below 1% on average.

Our emphasis on income producing investments like REITs, utilities and preferred stocks has been very rewarding and we plan to stay the course until conditions warrant a change. We suffered a bit of "reversion to the mean" last year, but watched in delight as we played catch up during this year's first quarter. It's easy to get distracted with all the noise from "talking heads" on CNBC, but in the end accounting principles are more reliable.

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