

Campbell Capital Management

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Dear Money Management Client:

We posted another great year, in spite of a massive list of geopolitical problems and economic uncertainty. 2014 began with overwhelming investor consensus that interest rates would rise. We never bought into the argument that inflation or interest rates would move higher, because debt burdens wouldn't allow it. Studies have shown that when sovereign debt reaches the levels like we're seeing in most developed nations, economic growth suffers and deflationary pressures mount. European nations have even higher levels of debt to GDP than the United States and their meager economic results reflect it. I wish I had some good news, like we're all working our debt down, but it's quite to the contrary. Debt levels for all developed nations have continued to increase each year since the "great recession" of 2008. Therefore we begin this year with the same outlook as we had last year; interest rates will remain low all year, and may in fact move lower. Once again, that's not the consensus of investor opinion.

The 10-year US government bond yield currently stands around 1.9%. The sovereign bond yields of Switzerland, Japan, Germany and other developed nations are below 1% and some are near zero. It really makes little sense for their yields to be that much lower than ours, hence we have another reason for our rates to decline further. That bodes well for financial assets, particularly income oriented equities like we hold in our portfolios.

Markets are likely to be more volatile this year. First, because investors remain very sensitive to central bank policies and the perceived systemic risk from Quantitative Easing (QE). And second, because the dramatic fall in oil prices has created a lot of uncertainty about who wins and who loses in the cheap oil environment. We'll go on record that the QE outcome will take many more years to understand, but cheap oil is an immediate huge net benefit to the US and other net oil importing nations, most of whom share our common interests. Some estimates show that every dollar drop in the price of a barrel of crude oil amounts to tens of billions of dollars in savings to US consumers, and oil has dropped nearly \$70 a barrel in the last six months. Consumer spending represents 70% of US GDP, so the savings from lower oil prices are an immediate benefit to economic growth.

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

SEC Disclosure:

As you know, Campbell Capital Management is registered as an investment adviser under the Investment Advisors Act of 1940. We are required to update the information in our Form ADV periodically, to ensure that it contains up-to-date information about our company. If you would like to receive a free copy of our most recent amendment to Part II of our Form ADV, please call or write us at the address below.

Please send your request to:

*Campbell Capital Management
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Campbell Capital Management Privacy Policy:

Campbell Capital Management (CCM) is committed to protecting your non-public information and considers this safeguarding of information a priority. We maintain procedures and technology designed to prevent access to your personal information. We employ physical, electronic, and procedural protections in accordance with industry standards. We restrict access to personal information to employees, our registered representatives and service providers for legitimate business purposes. We may share personal information we collect about our customers, prospects and former customers to service providers such as:

- Unaffiliated service providers such as securities clearing houses, printers for delivery of statements and other administrative services associated with your account(s).*
- Government agencies, such as tax reporting or court orders.*
- Other organizations such as consumer reporting agencies.*
- Other organizations, as permitted by law that protect your privacy such as fraud prevention.*

If CCM shares nonpublic personal information relating to a consumer with a nonaffiliated company under circumstances not covered by an exception under Regulation S-P, the firm will deliver to each affected consumer an opportunity to opt out of such information sharing.