

Campbell Capital Management

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Dear Money Management Client:

If you like drama and soap opera, then the current noisy mess in Washington over the budget, debt ceiling, and feared debt default has it all. There are villains, snollygosters, scapegoats, and incompetents. All those characters, known as politicians, do their best to keep us entertained. For investors, politics is just one big distraction that should largely be ignored. There hasn't been a federal budget in a thousand days, so why would it matter now. And the United States is not going to default, that would just be stupid.

When there are lots of distractions like the drama in Washington or fears regarding Federal Reserve policy, it's wise to be cautious. Our response has been to maintain higher than normal cash balances this year. We are respectful of the enormous role the Federal Reserve's "quantitative easing" has played with the stock market, and any talk of tapering rightfully worries investors. Interest rates jumped in May when the first tapering comments occurred and we suffered through some pretty abrupt declines in bond proxy investments like our REIT's. Despite not being in the consensus, we've stayed the course and are being rewarded. It always comes back to accounting; there is just too much debt in the world for interest rates to move much higher.

Managing money is all about building portfolios that suit you. Every investment we make is based on a consistent valuation approach that meets a long established risk/reward profile. As I like to say, the companies we own will be around in one form or another long after you and I are gone. We don't try to have the highest possible returns and we never own anything that would keep us up at night. Most importantly, "timing the market" is impossible, so we just don't do it.

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