



PRING TURNER

*Investment Management*

FINANCIAL MARKET OUTLOOK:

WELCOME TO THE CHALLENGES IN 2016



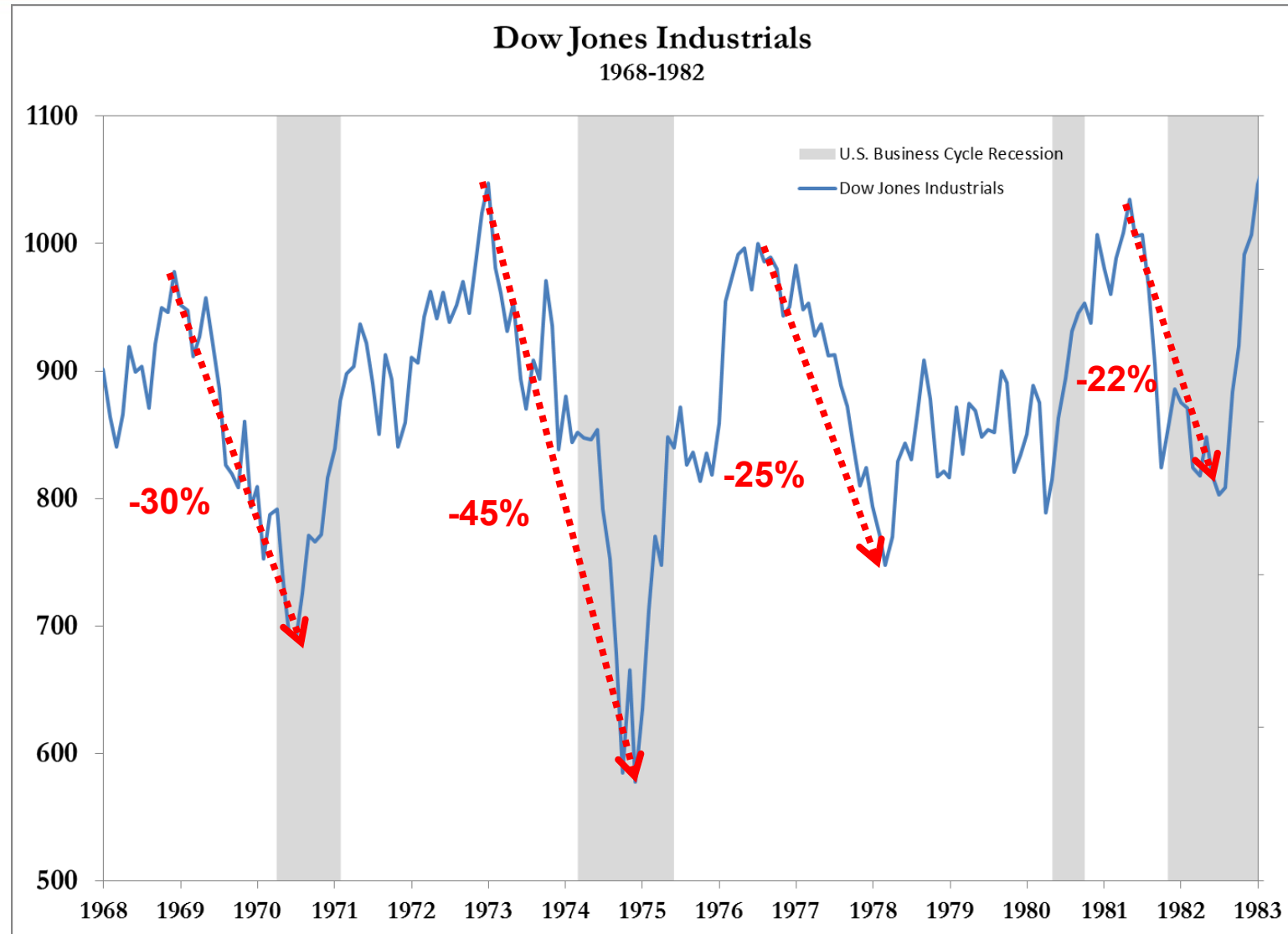
AAII Silicon Valley - January 2016 - Presented by: Tom Kopas

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## PRING TURNER'S ROOTS DATE BACK TO 1968 AND THE VOLATILE 1970's...

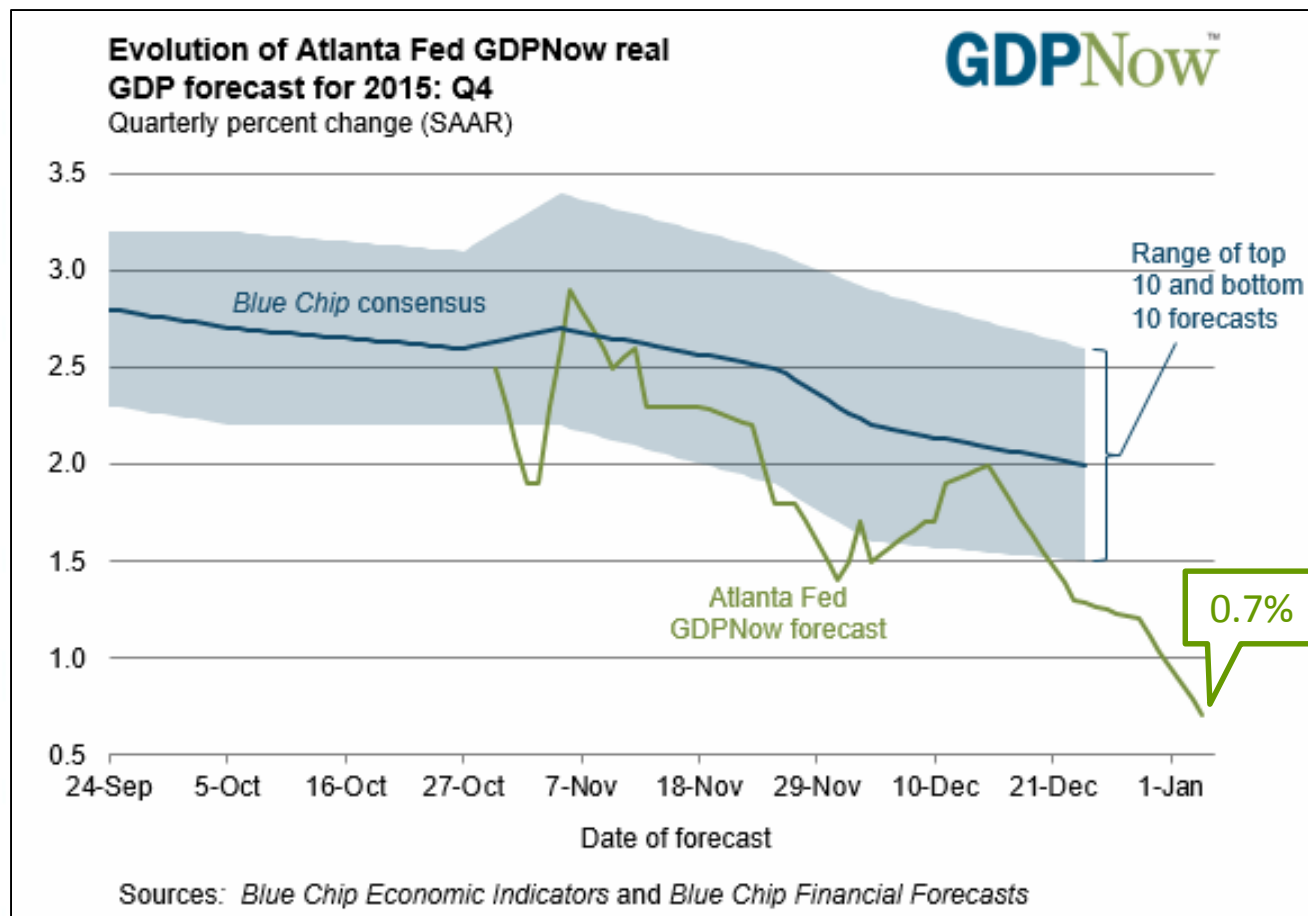


**... A STRATEGY WAS DESIGNED WITH KEY OBJECTIVE: NOT LOSING BIG IN MAJOR MARKET DECLINES**



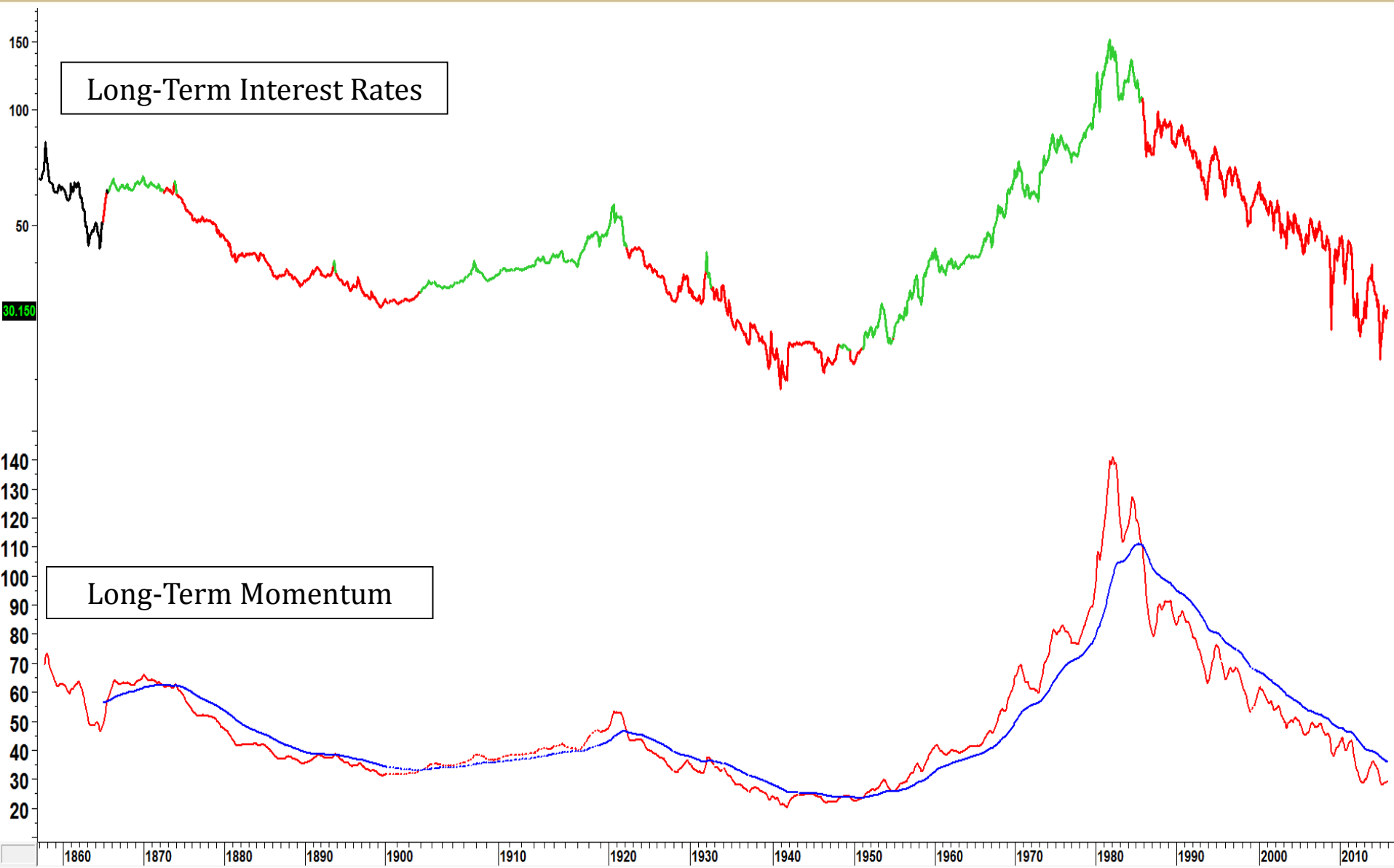
# Business Cycle Slowdown?

- Revenues/Profits Decline
- Strong U.S. Dollar
- Wages Growing

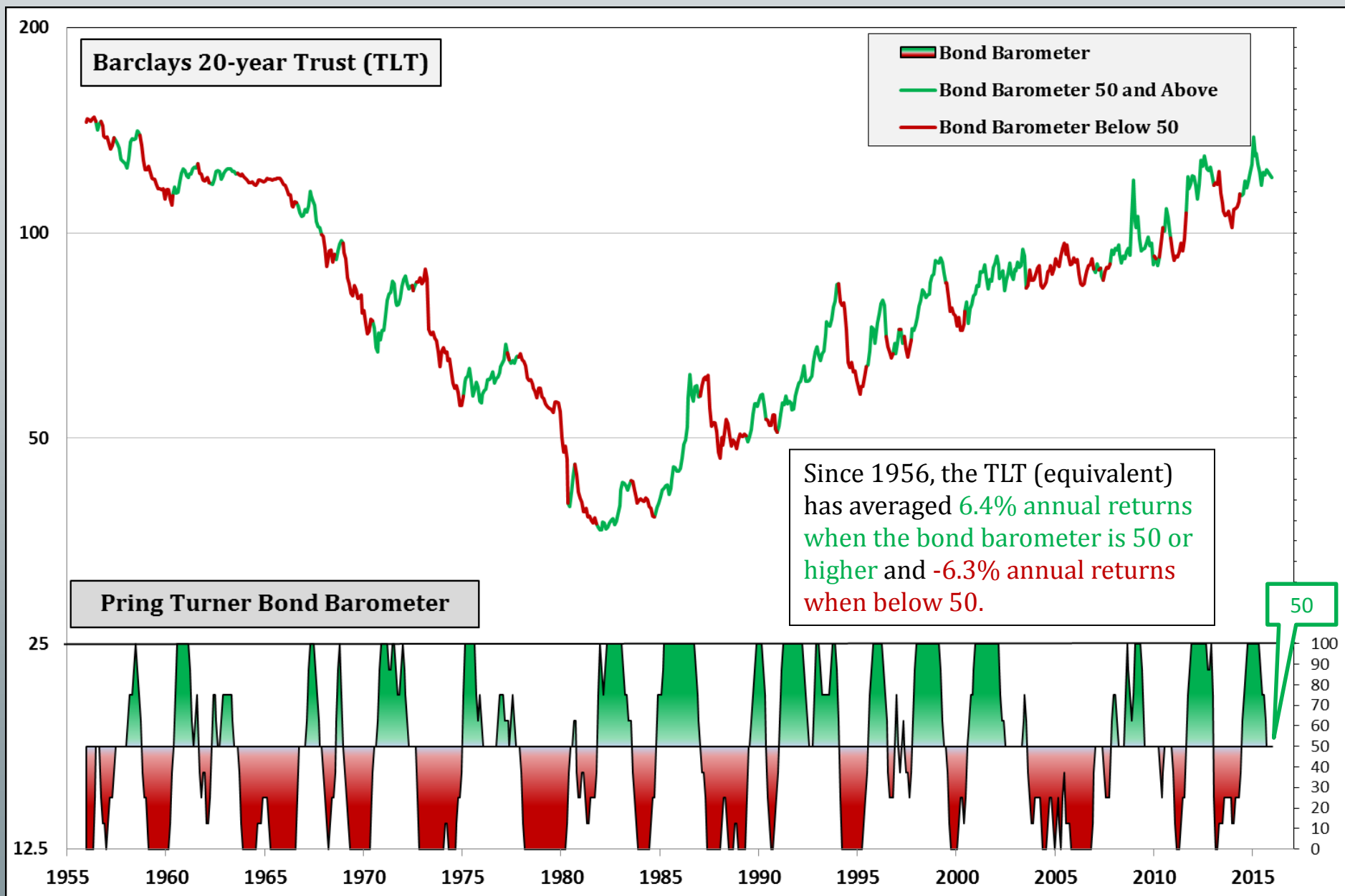


# Secular & Cyclical Outlook:

# IT IS LATE IN THE SECULAR BOND TREND...

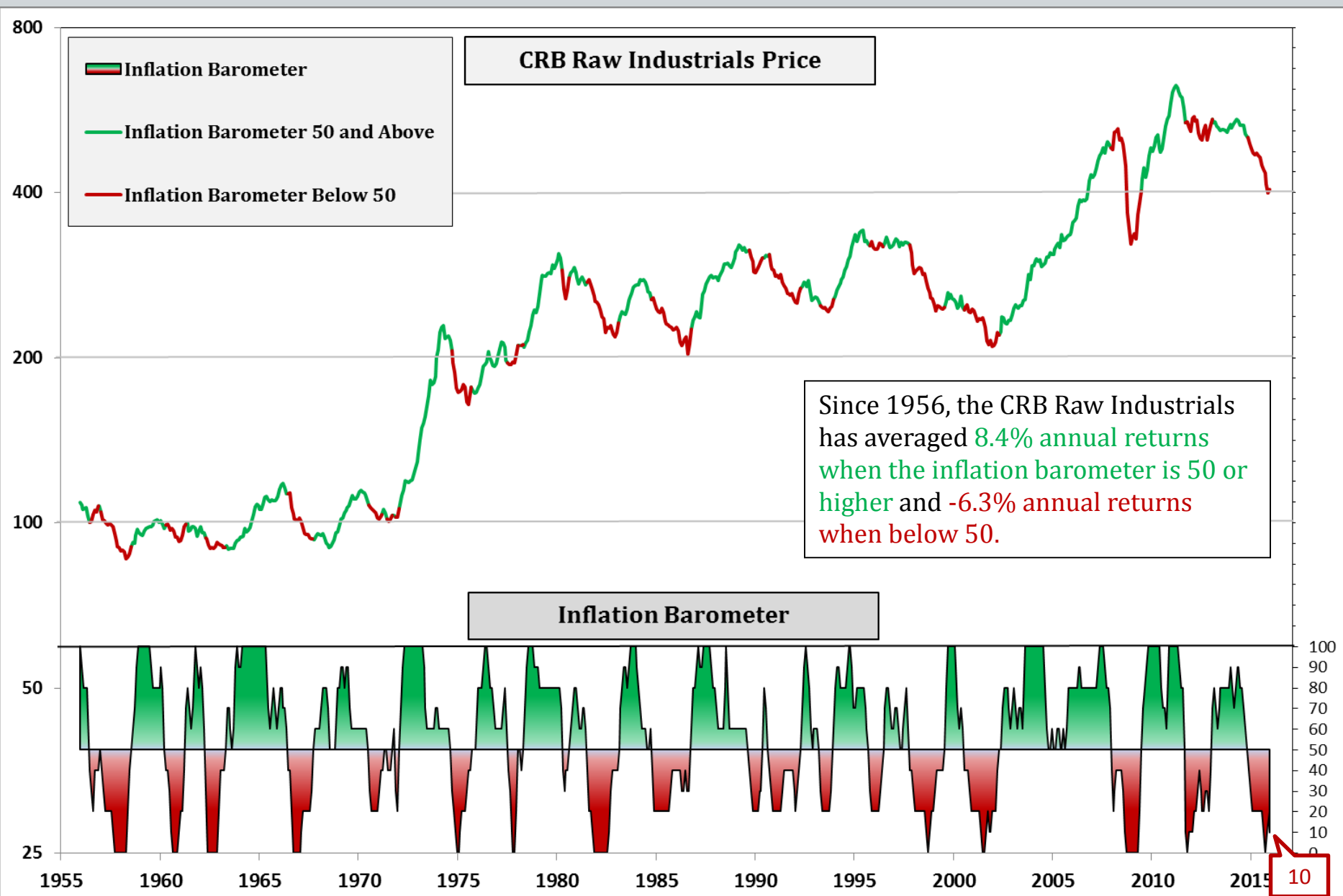


... BUT DON'T EXPECT A SHARP REVERSAL



*CYCLICAL OUTLOOK: STILL POSITIVE, BUT WEAKENING*





*CYCLICAL OUTLOOK: INFLATION TO REMAIN LOW*

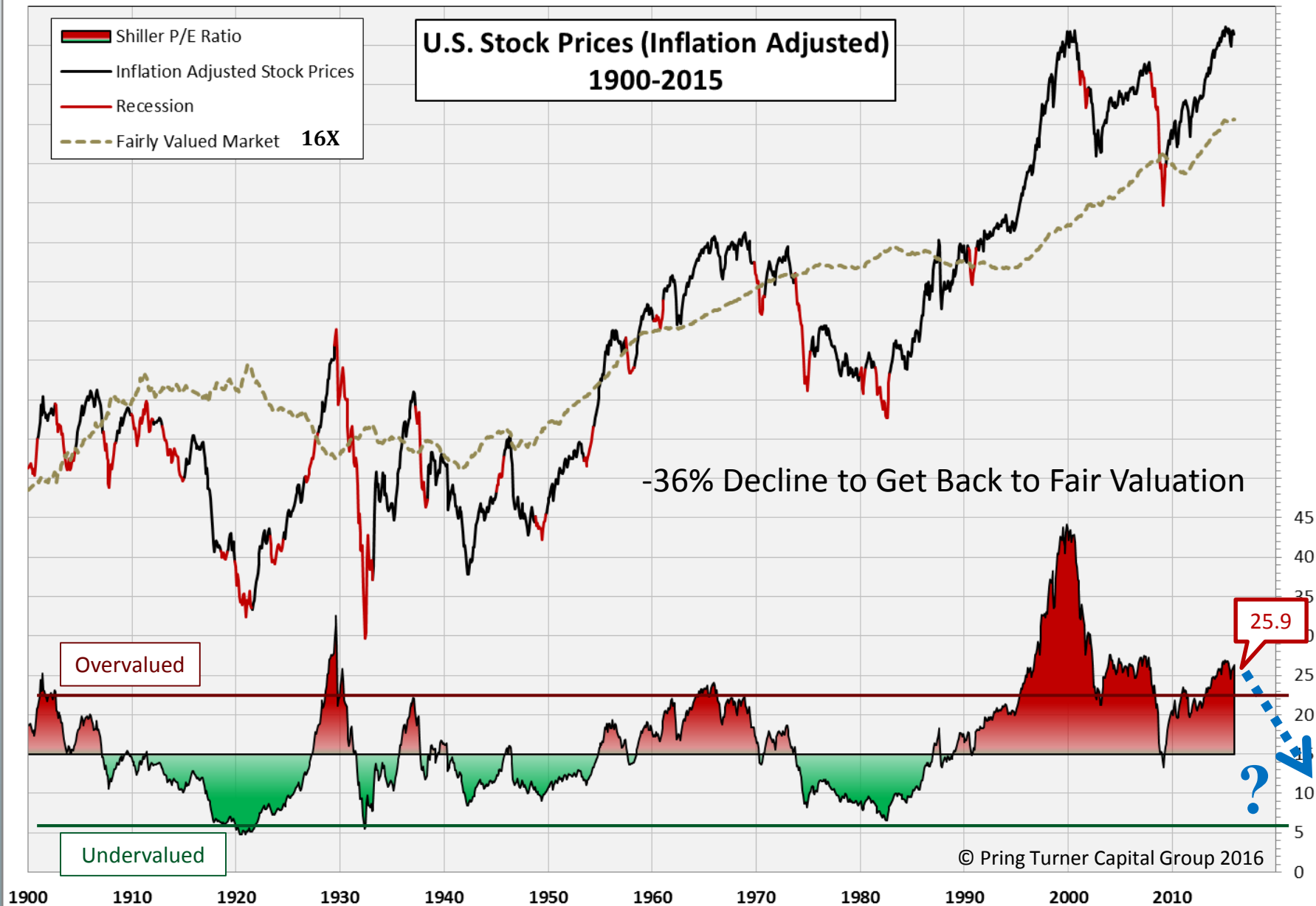


# STOCKS ARE CONSIDERABLY OVER-VALUED

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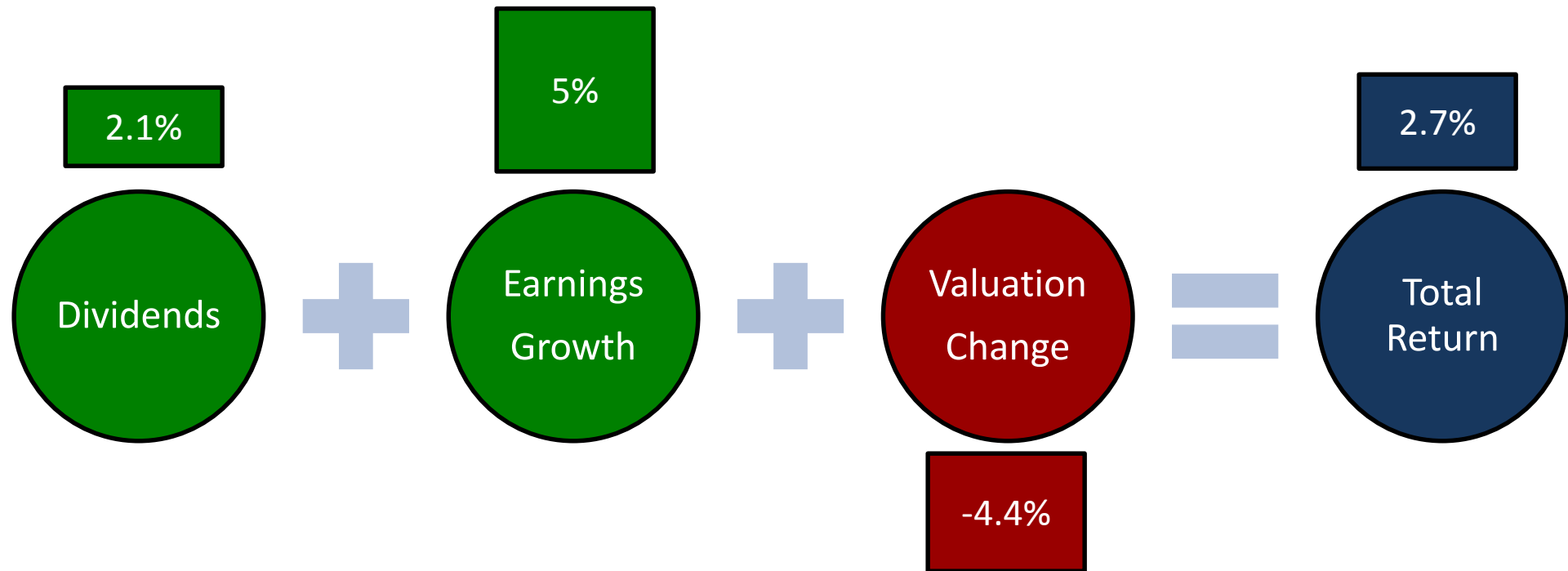


## WHAT ARE EXPECTED 10 YEAR RETURNS?

# What are Realistic Rates of Return I Can Expect?

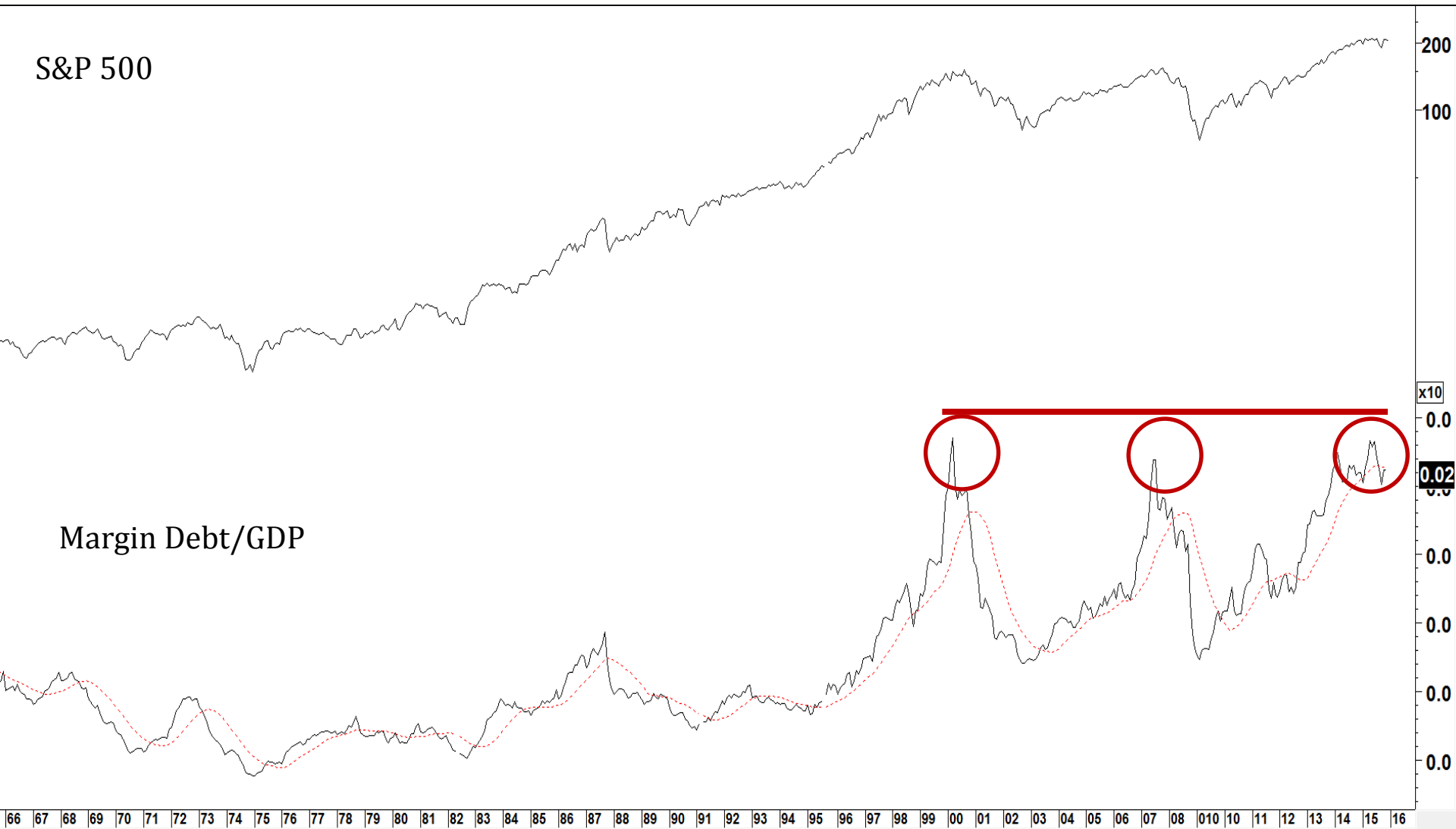
# U.S. STOCKS TOTAL RETURN COMPONENTS

1. Dividends
2. Earnings Growth
3. Valuation Change



Active Management Around Business Cycle Swings Is Our Solution

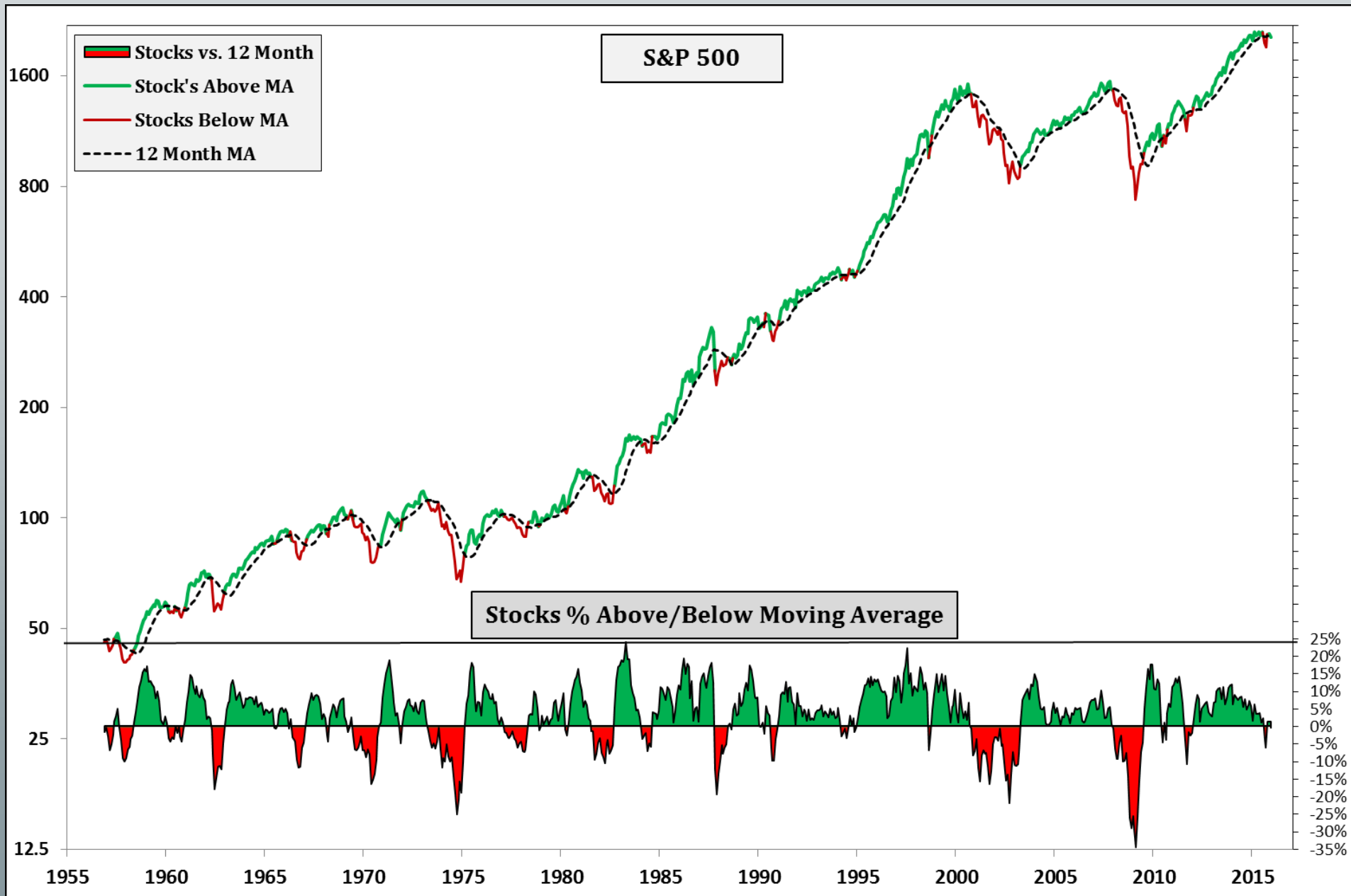
# STOCK MARKET MARGIN DEBT



***STOCK MARKET IS OVER-BELIEVED... A CYCLICAL CONCERN.***

# ***S&P vs. 12 MONTH MOVING AVERAGE***

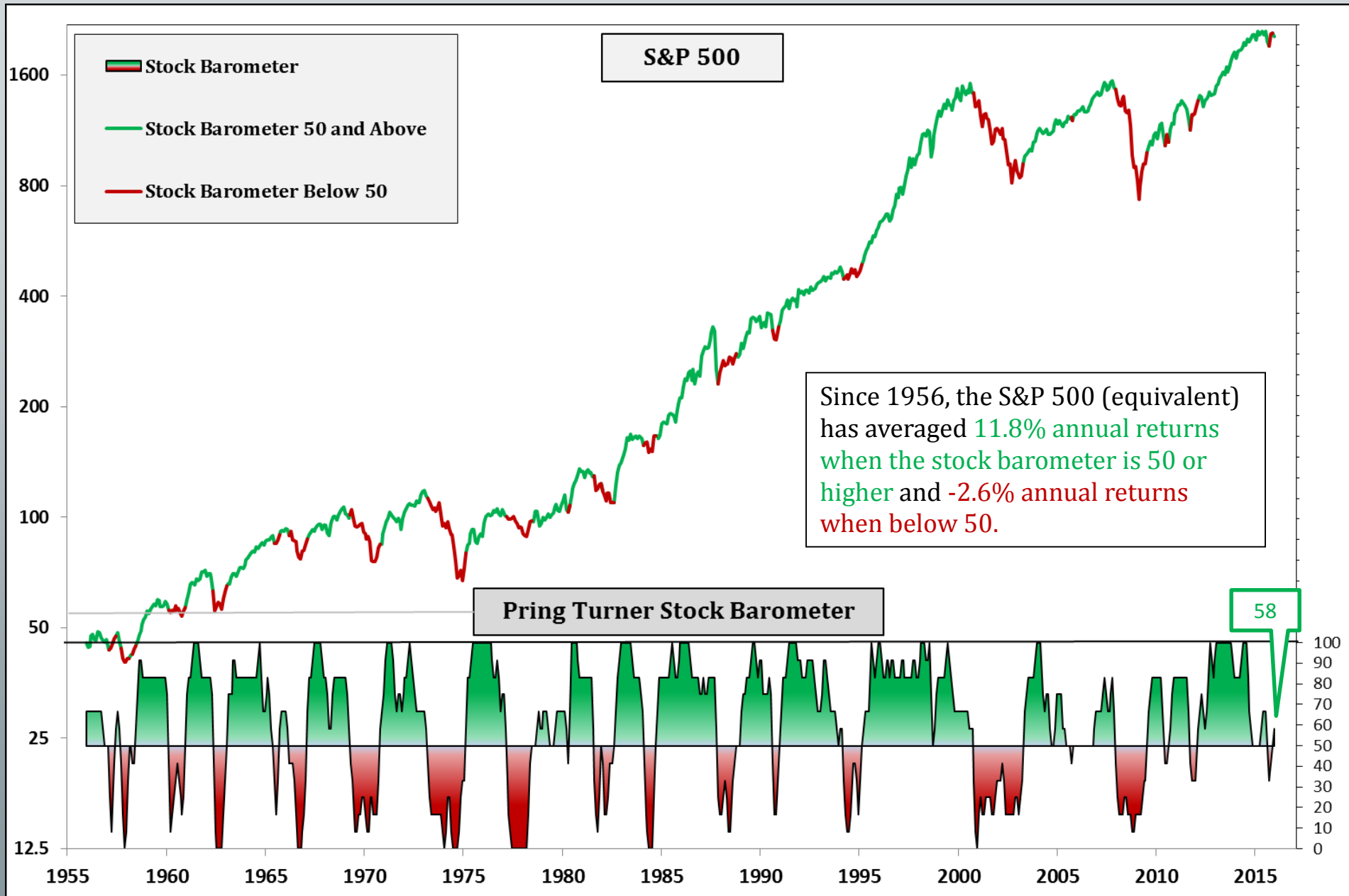
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***ONE STOCK BAROMETER COMPONENT FLASHING WARNING OF CYCLICAL TOP***

# PRING TURNER STOCK BAROMETER

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**PRECARIOUSLY POSITIONED, COULD MOVE BELOW 50 IN THE MONTHS AHEAD**

# HOW TO MANAGE RISK

## What Are Driving Conditions?

High Quality /  
Dividend Achievers

Quality

Lower Quality /  
Higher Beta

Defensive / Stable

Sector Emphasis

Offensive / Growth

Core

Stock Allocation %

Tactical





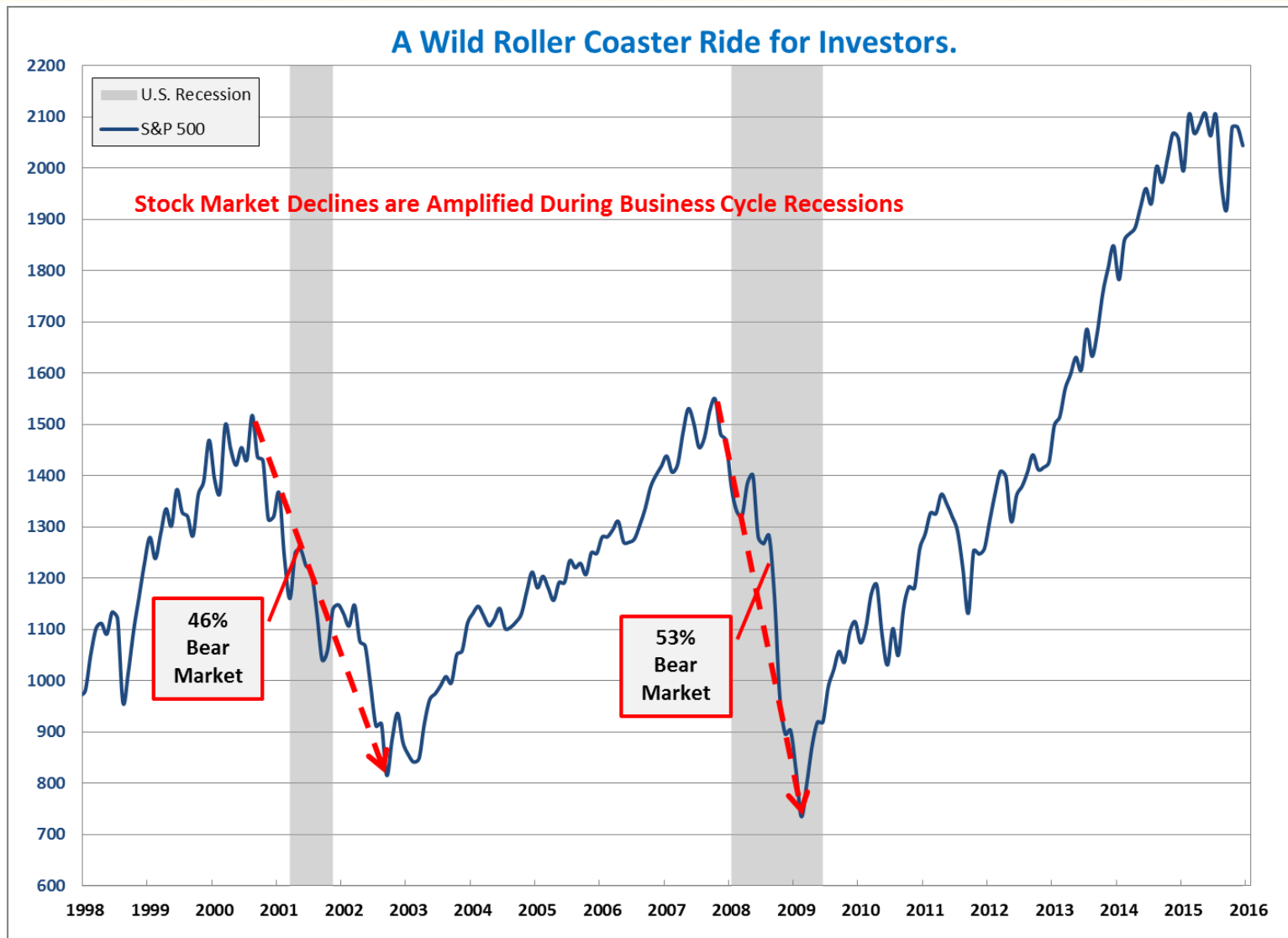
# Develop A Defensive Game Plan

- Reduce Equity Exposure
  - Sell Low Quality, High Beta, Low Yield
  - Hold High Quality, Low Beta, Dividend Growers
  - Trim Oversized Positions
  - Cull Portfolio Laggards
  
- Increase Cash/Bond Allocation
  - Reduce Portfolio Volatility
  - Build Reserves for Future Buying Opportunities
  - Increase Quality

# Considerations for Protecting and Growing Your Wealth

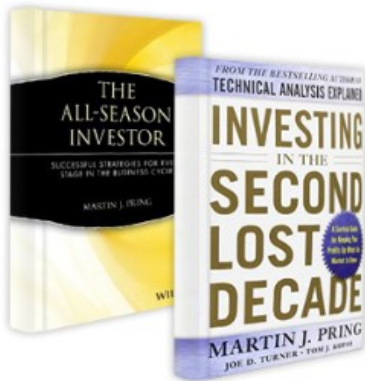
Asset Class	Secular Trend	Cyclical Trend	Observations
Stocks	Bear	Early Bear?	Overvalued Over-believed Passive Approach = Sub-par returns Lower Future Return Expectation Develop a Defensive Playbook
Bonds	Late Bull	Bull	Inflation/Deflation Battle Continues Lengthy "Normalization" Period Rates Could Stay Lower for Longer Develop Trading Range Tactics
Inflation Sensitive Assets	Bear?	Bear	Slower Global Growth Ongoing Deleveraging Process U.S. \$ = Wildcard

# A KEY TO SUCCESS THROUGH A SECULAR BEAR MARKET...



**... CAREFUL RISK MANAGEMENT – ESPECIALLY AROUND BUSINESS CYCLE SLOWDOWNS**

# THANK YOU FOR LISTENING



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