

TILIA NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Return Expectations

Capital markets continue to reward investors that are willing to take risks, especially via US stocks & bonds. While we remain positive on the outlook for the US economy & to a certain degree, an improving global picture, it may be unwise to expect or depend upon high short term returns in these asset classes. We've had a nice run since 2008. While a broad-based slow down doesn't look to be in the cards anytime soon, history shows that the highest forward returns for stocks come when the economy is in bad shape, unemployment is high, and markets are pricing in doom. Now that unemployment is back to pre-crises levels, the economy is growing again, and the market is priced accordingly, it is prudent to expect and prepare for lower forward returns. This is especially true with bonds. After a historic 30 year run of strong performance, bond investors need to have proper positioning and expectations that align with today's interest rate environment.



Market Volatility is Back

After a strong year of growth in equity prices January was very disappointing, down 7%. Wait that was what happened in 2014 !! Yes, January of 2014 was terrible, yet the year ended very well. Already in February market sentiment has improved, the market turned and companies like Apple are trading at all time highs. The ingredients for improved equity prices remain in 2015. We are witnessing neck snapping volatility thanks to a shift into the second half of the business cycle alongside massive reallocation of capital driven by low oil prices.

Our economy, the prime mover of asset prices, will grow again this year. Measured as GDP we expect to see 2.7% growth. Company earnings will grow too, lifting stock prices. Interest rates, we hope, will rise too. Higher interest rates signal economic growth, help bank earnings, and throw more interest income for spending and investment. Labor markets are improving. The latest employment information shows that one million jobs have been created in just the past three months. 2015 stands a good chance of rewarding fixed income and equity investors who have, and invest to, their plan.

Tilia in the Community

All members of the Tilia team continue to spend a great deal of their time outside of work on local causes. John is currently serving on the nominating committee at Landfall. He helps identify & interview candidates for the Landfall Council of Associations Board of Directors. Christine continues to be a steadfast supporter of several canine-related causes. Walker is now serving as Vice President of the board of the Historic Wilmington Foundation. Thomas Brafford is active in Young Life & William Fleming just finished up 2 terms as an officer on the Intrafraternity Council at UNCW. Know of a great local cause that we should be involved with? We'd love to hear about it!

CFA Results

This past December, Walker traveled to Charlotte to sit for the Chartered Financial Analyst® level 1 exam. After a month and a half wait, Walker recently learned that he successfully passed the exam. Approximately 47,000 candidates around the world sat for the exam on December 6th, and the pass rate was 44%. Two additional exams remain, but we are confident that Walker can complete the program. The CFA® credential has become the most recognized and respected investment designation in the world. Successful candidates on average take 4 years to complete the program. For more info, visit cfainstitute.org.

Protect Yourself From Fraud

An Interview with Kurt Meyers

Kurt Meyers serves as Chief of the Criminal Division in the Assistant U.S. Attorney's Office in the Western District of North Carolina. He supervises over fifty legal prosecutors and assistants who work on cases involving fraud. We were able to talk to Mr. Meyers recently, and ask him some questions about the best way to avoid becoming a victim of fraud. He gave a simple message - "If it is too good to be true, then it is." He also gave some insight into common scams to be aware of and practical ways to protect yourself against them.

Q) What should people know about fraud?

A) In many cases, the victim of fraud is preyed upon by someone they know and trust like a friend from church, a family member, or an insurance agent. If you are approached with an investment opportunity, make sure you can verify where the money is going. Also be cautious of "internationally flavored" investments, such as currency trading. Currency trading can be legitimate, it is just harder to verify.

Q) What are practical steps everyone should be taking to protect themselves?

A) Be rigorous about your passwords. Make them complex and change them frequently. Also, when choosing where to invest your money, look for someone who is audited and regulated by a well-respected institution.

Q) Large-scale data breaches seem to be occurring more frequently. What normally happens in these situations?

A) When these data breaches occur, don't assume nothing has happened. If someone was able to obtain your information, they will often lull you to sleep for 6 months, and then use it when you think everything has blown over. This is why it is important to change your passwords & pins.

Q) Are there any new fraudulent trends right now that people should be aware of?

A) There has been an increase in scams where someone will call claiming to be from the IRS or another government taxing authority. If you get a call like this, hang up the phone and call back with a verified number. It is important to verify the legitimacy of anyone asking for your personal information. A pastor in Charlotte recently fell victim to one of these scams and lost \$16,500. The *Charlotte Observer* ran a detailed article about the sophisticated scheme that led a well-educated community leader to lose his money.

The important takeaway is to not maintain a "it won't happen to me" bias. Take precautionary measures to help ensure that your hard-earned money is protected.