

BILLS ASSET MANAGEMENT

BAM MARKET NOTE

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While most major US indices made new highs, the small cap Russell 2000 index has continued to languish in a wide trading range. The underperformance is worth noting as small caps usually lead the market to the upside/downside. We expect this relationship to reassert itself this year with this index leading the market higher or pulling it down.



Over the last 6 months, the energy sector has been punished relentlessly. We believe that energy will be one of the bright stories for 2015. However, it is not smart to buy a falling knife and there may be more pain before a bottom is established. Energy is a sector that we are watching carefully.

Our Point

2014 ended on a sour note as the markets experienced its worst New Year's Eve day since 2001. In fact, December as a whole was much ado about nothing as the major indices were mostly flat for the month. As the calendar changes, portfolio managers aren't constrained by window dressing their portfolios and will be making large changes to their portfolios. 2015 will likely bring many surprises (most years do) and the investment themes and trends of 2014 will be replaced with new ones (they always do). However, we will not change and will continue to seek out good risk adjusted returns while protecting our portfolios from life changing market slides. Happy New Year!

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