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2014 Year End Market Commentary **For the Clients of Majerko Investment Management**

It was an interesting year for the stock market. The S&P 500, which is comprised of large cap stocks primarily domiciled in the U.S., had a good year. It returned +11.34% on a price basis and +13.63% on a total return basis (includes reinvested dividends). Small company stocks and international stocks underperformed on a relative basis. The Russel 2000 (small cap index) gained +4.88% and the EAFE (international index) actually was down -.70%. I believe both of these asset classes belong in a diversified portfolio and may serve investors well over time. That is the essence of a diversified portfolio.

Now let's look to the future, a difficult task considering I am not a psychic but I do have 19+ years in the business.

The forward price earnings ratio is around 16 times, which is about the historical average. I think we will need a catalyst for the market to move higher. As I had written in my Client Letter and blog post in November 2012 "**The Case of Optimism**", I thought it could be an energy revolution. Guess what, it looks like it is happening. With consumption being 70% of our economy, low oil and gas prices serve as a tax cut for consumers. This may translate to an increase in corporate earnings down the road. As I have said repeatedly, I believe earnings is what drive the market in long-run. I continue to believe that long-term investors will be rewarded with solid returns in the future.

Please call us with any questions or concerns. We thank you for your loyalty and trust and hope for a prosperous and profitable 2015.

Your referrals are appreciated!

Stock investing involves risk including loss of principal

*The opinions voiced in this material are for general information only and are not intended to provide specific advice for any individual.

*S&P 500, Russel 2000, EAFE (Europe, Australasia, Far East) is an unmanaged index which cannot be invested into directly. Past performance is not a guarantee of future results. Market Data Source: Factset

*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.