

# Buetow Asset Management, LLC

11th St. Commons  
2632 S. 11<sup>th</sup> St.  
Kalamazoo, MI 49009



Phone 269-492-9701  
Toll Free 866-574-8279  
Fax 269-492-9704

Pam Wesley\*  
Advisor, Client Services

John Buetow\*  
Senior Advisor  
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Brittany Russell  
Data Entry

The most challenging aspect of managing your portfolio is determining which way the stock market is headed: Has it peaked and is primed for a pullback, or does it still have “some legs”? To assist me in making the “right call”, I subscribe to a research service at an annual cost of \$6,000. Unfortunately, the “experts” are seldom unanimous in where they think the market is headed. One of my research guys says that “we are in the 6<sup>th</sup> inning of the current bull market.”\* That optimistic outlook is tempered by the following: “Our current bull market is in its 54<sup>th</sup> month, dating back to April 2009. The median length of US bull markets has been 52 months ... this bull market is getting closer to the end than the beginning.”\*\* You can appreciate my daily dilemma: Which “expert” is right, and whose advice should I follow? As you are aware, my management style is to err on the side of caution. I will always trade market upside for capital preservation. It is certainly important to make money when the market is up, but in my opinion, the key to growing your wealth is to not give everything back when the market corrects.

Here is the strategy we employ: If indeed we are only in the “6<sup>th</sup> inning of the bull market”, we don’t want to miss out on the 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> inning rallies that are still coming. That being said, we don’t want to overpay for securities so we “buy on the dips”. For instance, Berkshire Hathaway (Warren Buffet’s company, ticker: BRK B) is one of our core holdings, which means that all of our advisory clients own it in their portfolios. The 52 week high is \$119.30/share. We don’t want to pay a premium to buy more shares in your account, so we wait for it “to go on sale” before we buy any more shares in your account. In the case of Berkshire Hathaway, we will buy more shares if the price drops to \$113.05/share (a limit buy). We follow this same strategy for all of the core holdings in your portfolio.\*\*\*

The latest Federal Reserve meeting was held on December 18, 2013. The Fed announced they will reduce the latest round of Quantitative Easing (QE3) by \$10 billion/month (down from \$85 billion/month to “just” \$75 billion/month. This is the long anticipated “tapering”). Equity markets beware: Every time the Fed has stopped Quantitative Easing, or hinted at stopping it, the stock market has dropped during these tapering periods. The tapering periods have averaged 84 days in length, and the market has lost an average of 16% during these periods\*\*\*\* To protect your gains, we have trailing stops entered for your core holdings (sell 50% of the security if the price drops by 10% off the 52 week high - this forces us to sell high). We pair that with limit buys of the same security at a comparable price (which forces us to buy low).

If you have any questions, please don’t hesitate to give me a call. I look forward to our next meeting.

John Buetow

\* True Wealth. December 4, 2013

\*\* Retirement Trader. December 4, 2013

\*\*\* Other core holding include: Investment Company of America (AICFX), SPDR Dividend Dominators (SDY). Powershares Buyback (PKW). Blackstone Group (BX), MFS Utilities (MMUFX). McDonald’s (MCD). Coca Cola (KO). T Rowe Price Global Tech (PRGTX). Proshares Ultra Health (RXL). Core holdings vary by portfolio size.

\*\*\*\* Daily Wealth. December 19, 2013

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