Implementing the SELECT Strategy
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June 2015

In the last quarterly newsletter, we introduced our SELECT investing methodology and explained the importance of investing in companies that not only meet strict financial criteria, but also incorporate sustainable strategies and practices. This commentary will discuss how we implement the SELECT strategy and apply our standards to identify the best sectors.

We first look at all 10 sectors within the S&P 500 to determine which has the strongest growth potential. Once we identify these sectors, we hone in on selecting the best individual stocks.

Lately, our focus has been on four sectors in particular: consumer discretionary, technology, finance and healthcare, and we have overemphasized our portfolios with equities in those sectors.

In this commentary, we will look at the consumer discretionary and technology sectors; finance and healthcare will be discussed in the next quarterly newsletter.

Consumer discretionary: There are a few factors and trends that make this sector attractive:

> Employment: We're seeing employment growth across the country, amounting to more than 200,000 jobs created monthly on average, and 280,000 added in May alone. When there are more people in the workforce, consumer spending follows suit.
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> Interest rates: Continued low interest rates are giving consumers more purchasing power. While it seems that many consumers are still reluctant to spend like they did before the recession, certain items need to be replaced. For instance, the average car has been on the market for nearly 11 years and will eventually need to be replaced, further contributing to consumer discretionary gains.
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> Oil prices: Interest rates aren't the only numbers at record lows; oil prices are lower, and that translates into increased purchasing power for consumers. Moreover, because oil production has continued to increase, and demands cannot keep [(6)] up with the increased supply, we believe oil prices will likely stay low.
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> Household wealth: The increase in average household wealth is another positive trend that we are monitoring. With upward trends in the stock and housing markets, consumers are starting to spend more and in turn, consumer sentiment has also been on the rise.

Technology: For years, the U.S. has been selling a lot of equipment, such as computers and storage devices. Now that most companies have purchased all of the hardware needed for their businesses, the new equipment needs to be implemented. We've taken a fresh look at this sector and focused on areas within the technology space that add value and help businesses with the application process, such as:

> Software engineering: Companies in this space help businesses in the application process, from hardware to solutions. We believe the next real opportunity for growth lies on the software side.

Cybersecurity: It seems that every other day a company is hacked. In June, LastPass, the online password manager designed to protect users from cyber-attacks, was hacked. It's become not a matter of if, but when the next attack will occur, which is why we are keeping a close eye on this industry, slated to be valued at $170 billion by 2020.

Consulting: Technology makes life easier, and there are companies who help businesses and individuals simplify everyday life. Services range from streamlining a company's HR process to supply chain optimization, among others.

Social media: Forty-six percent of web users research on social media before making a purchase. With eight out of ten small and mid-size [11] businesses using social media to drive growth, social media has become a respectable sub-sector in its own right.

After significant research, we see strong potential for clients' portfolios in the technology and consumer discretionary sectors. Those two, along with the finance and healthcare sectors, have become the cornerstone of our SELECT strategy as we continue to seek out companies that meet the strategy's strict criteria.

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