



2015 Behind, 2016 Ahead

Do you have friends in Atlanta?

Warren Financial now has offices in NYC, Hilton Head, and our newest location, Atlanta (Buckhead).



Let them know that your advisor is now local (Buckhead) and they should check us out. We always love to hear from friends of clients!! Have them start by looking at our website or following us on Facebook and Twitter.

Did you catch our latest Forbes article?

If not, just **GOOGLE**: “Forbes randy warren” and google will direct you to our Forbes page with all our articles. The article is titled: “*Sifting Through The Energy Wreckage for 2016 Golden Nuggets*”

Sifting and Vetting

Searching all markets across the globe and analyzing all sectors to find the best possible investment opportunities, taking into consideration risk and reward potential. Our most recent Forbes article sifted through the entire energy sector looking for beaten down gems in which we can invest.

5 Factors that Influenced 2015:






- 1) US GDP (measure of economic activity in the USA) did not top 3% growth. So while the economy continues to grow, many experts have characterized it as “anemic”, or “paltry”, or just plain “uninspiring”. Yet, growth is still better than contraction.
- 2) Core inflation has remained unusually low. Oil plunged in value. The Federal Reserve would like to see inflation at about a 2% level for the economy – a little inflation is considered a good thing. Yet with the prices of commodities (such as oil) plunging this year, inflation has remained stubbornly low. Remember, deflation is as dangerous, if not more dangerous, than inflation.
- 3) The Federal Reserve raised interest rates, not to slow the already “anemic” economy, but rather to re-set rates to more historically normal levels. It is considered abnormally stimulating for rates to be 0% as they have been for the past 7+ years.
- 4) The European Central bank has embarked on their own Quantitative Easing program in an attempt to stimulate growth in Europe.
- 5) The US dollar has surged to epic strong levels against other world currencies. NOTE: any “expert” that has predicted the end of the US as an economic power while rampant inflation spirals out of control and the dollar collapses was wrong. Again. These calls for economic disaster are not credible. Remember, the sun never set on the British Empire, yet their world domination ended 150 years ago. Still today, their people and their currency continue to live well. No country dominates

Warren Dividend Hedge Strategy

Pure dividend investing was not a good idea in 2015. Remember, at the end of 2012, we shifted the focus of the Warren Dividend Hedge Fund away from pure dividend investing because we seek a “total return” profile with a goal towards an 8-10% annual return. At the end of 2012, we believed that pure dividend investing in things like energy companies and utilities had run their course and would underperform going forward. We got that one correct. That’s why you may have noticed investments like Under Armour in the hedge fund (pays no dividend), or an underweight on utilities and an underweight on energy. (An underweight does not necessarily mean zero weight.)

Warren Macro-VIX Indicator (MVI)

The Warren Macro VIX Indicator is currently 35.

Warren Macro VIX Indicator (MVI)		
	0	All Clear – no need to adjust risk
	35	Yellow Flag – prepare to adjust risk
	65	Orange Flag – begin to reduce portfolio risk
	90	Red Flag – reduce portfolio risk
	100	Black Flag – critical stage...black swan event more likely to occur; last chance to reduce risk

forever, but the end of domination does not foretell collapse.

The things we invest in for your portfolio take all these type of thoughts into consideration. It’s important to note the things we DON’T invest in as well as the assets we DO choose. Warren Financial customer portfolios have been underweight, or completely avoiding most of the items that did so very poorly in 2015 including:

- Energy, especially anything related to oil
- Mining and materials, such as gold, silver, copper, aluminum, etc.
- Utilities
- International investing still not working
- Emerging markets were dismal

You might notice that there are a lot of traditionally large dividend paying companies in those underperforming asset classes. So, pure dividend investing was not a good idea in 2015

5 Trends Developing for 2016 and How We Will Adjust Portfolios:

- 1) US growth will likely accelerate while Global growth may also pick up this year. It’s likely that the European QE will have a positive impact on Europe’s growth. China has clearly slowed and is having all kinds of problems. The impact has been on world commodities, but the Chinese consumer is still flourishing.
- 2) Inflation will likely increase due to unemployment being below long term averages and commodities prices bottoming.
- 3) Oil and other commodities may take a respite in their decent. It’s not clear that they have completely hit bottom. We suspect that 2016 will be a stable to potentially positive year for energy, although we’re not ready to bet the farm on it – we have begun to make some small purchases, sifting through the rubble looking for gems (see the latest Forbes article).
- 4) While the US dollar may continue to get stronger, the rate-of-increase will be slower in 2016. This will help US corporations in their earnings power, and it will help commodities to stabilize. International investing will become easier and more profitable.
- 5) The political election cycle will be contentious. Obama’s approval ratings as with the approval ratings of congress are at historic lows. Therefore, candidates on both sides will “blast policies of the past” in order to set the stage



Big Dividend Hedge Strategy.



Baseball Scorecard:

Locus = Grandslam 600%

Novira = Super Grandslam 1600%

Coldlight = single 16%

MDI = strike out

7 more companies still at bat!

Why do we have WFS Angles?

Why do we have Warren Dividend Hedge Strategy?

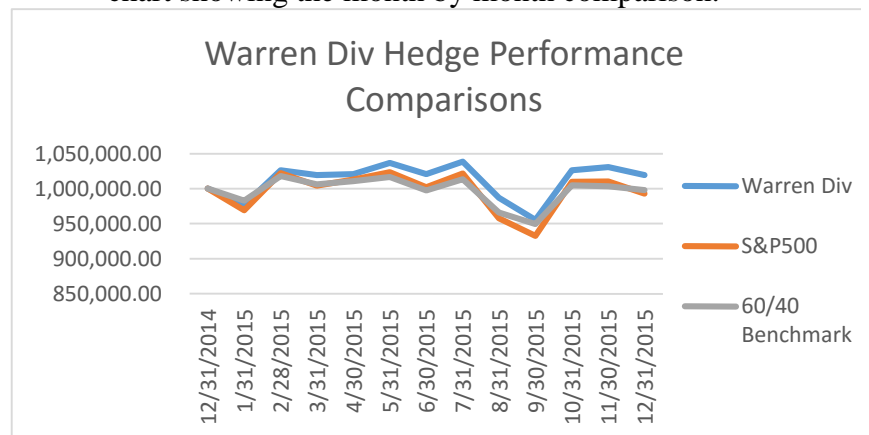
for the future. It will be ugly. But this won't have a huge impact on investing.

- 6) Last but not least, there is widespread negativity and bearishness entering the new year. Once all the nay-sayers and bears have sold, the market will have no further to go down and will start going back up again.

Warren Dividend Hedge Fund

Why Warren Dividend Hedge Strategy?

- Answer: because the downside protection creates an opportunity for you to experience "Safer-Equity Investing"
- Because it "keeps up" with the upside in equity markets while simultaneously protecting against the downside.
- The Warren Dividend Hedge Strategy beat the S&P500 this year as well as beating our official 60/40 benchmark (see website for details of the benchmark). Below is a chart showing the month by month comparison.



Refer to all disclosures on our website as well as in the entire Private Placement Memorandum

WFS Angels ... **Grandslam buy-out!**

Like TV's Shark Tank, only better, and more accessible to you.

Locus Energy got bought by a UK public company and we made a 600% return on that investment!

Novira Therapeutics got bought by Johnson & Johnson and we made 1,600% return on that investment!

We may raise funds for another WFS Angels, but the initial investment will be higher this time, probably a minimum of

Because we want to be different than all the other advisors. We want to offer our customers unique and significant financial engineering opportunities that they would not have access to from any other advisor, anywhere in the world.

Our hedge fund strategy is already hedging nearly ½ \$billion dollars and likely to be hedging several more \$billion before the end of 2016. Look for the signing of a major mutual fund company sometime this coming year.

And it's all because of you...
And it's all for you...
We appreciate our customers!
Thank you.

Did you catch Randy's West Chester University 2015 Commencement Address?

Go to our website to view it.



\$50k. Don't invest unless you can forget about it for 5-10 years and not worry about losing it all. I know that's a small number of customers, but for those willing and able, this is the right stuff, exciting and brimming with opportunity to change the world.

WFS ACTION Summary/Portfolio Strategy

- ▶ Expecting sentiment to change in the new year and become more bullish, thus adding to bullish positions such as Under Armour, Facebook, Google and more.
- ▶ The US Dollar will not be a headwind anymore for US international companies, instead it will become a neutral or net-positive helping big US companies increase earnings, thus large cap US companies will be better investments in the coming year.
- ▶ Oil is either bottomed or close to it – so we expect oil to be a net-neutral to net-positive for US companies in the coming year, thus we may begin to add positions in the strongest oil companies.
- ▶ International investing should become profitable this coming year as the dollar is no longer a headwind and Europe begins to slowly grow. China will remain sluggish but the Chinese consumer is strong. Thus we may start adding to existing small positions in Europe and US companies with exposure to the Chinese consumer.
- ▶ The Fed will probably raise rates another .25% this year because inflation will tick up – expect a June increase and maybe a post-election increase. Thus financials should be strong this year and we may be adding to those positions. We don't believe the rate increases will be painful enough to slow down great growth stories, so we will maintain and add to positions in great growth stocks.
- ▶ The world will continue to be a dangerous place. Thus we will continue to add to existing “defense” stocks such as Lockheed.
- ▶ There is a lot of negative sentiment and negative predictions for 2016, but don't listen to the noise. No one really knows. More important, we will respond if necessary by reducing portfolio risks in the case of any potential looming recession (no recession at this time).

DISCLOSURES: This information is not an offer or solicitation to buy or sell securities, nor a recommendation of any particular security. This information should only be considered in the context of all local, state, and federal laws, including securities laws, and applicable only where allowed by those laws, and otherwise ignored. If you are a client of Warren Financial, you are entitled once per year to a copy of the SEC Form Adv, Part II which we will supply on request.