DAVIDSON
WEALTH MANAGEMENT
of Wells Fargo Advisors

A 2015 Perspective

In some ways, these days, financial advisors and their clients are seeing the financial world a little differently. It's normal. We are human. Our societies are built on a calendar that starts January 1. Investment returns and taxes are calculated, weighed and measured on a quarterly basis. And yet, financial advisors design strategies that last as long as their clients do.

We get it. We are human also. We celebrate the New Year. We use a calendar. For the moment, however, we suggest resisting calendar measurement, comparing your progress to year-end standards of the DOW and Standard & Poor's 500. We think a broader reflection is merited. Why? Think "disjunction"; defined by Webster's dictionary as *a lack of connection between things that are related or should be connected.*

- The U.S. is in an economic recovery. The rest of the world, not so much.
- U.S. stocks have been rising. They may no longer be cheap. Outside of the U.S., many stocks lost money in calendar year 2014.
- The rise of the U.S. dollar and the fall of energy prices reflects the U.S. Economic Renaissance (see our website www.davidsonwealthmgt.com/publications, 2013, A U.S. Economic Renaissance – June 2013).
- The rest of the world is in varying degrees of distress. Deflation and stagnant economies are common - impacting their stocks. The strong U.S. dollar is presently hurting investment returns on assets invested outside the U.S. (Since we employ a global asset allocation in many cases - your portfolios might reflect this.)

10-year outlook for a long-term plan. Not every asset or strategy works in a given year. Our analysis leads us to believe in an global economic recovery. If so, we believe international and especially emerging markets could be attractive to a long-term strategy. Relatively, the United States looks a little expensive. Our long-term growth models are built around long term capital market assumptions provided by Wells Fargo Advisors. They include a number of asset categories, in addition to the U.S. to achieve diversification. We believe diversification is a prudent way to help investors succeed financially.

One year outlook. Simple. We do not know. Our review of numerous 2014 forecasts made last year, suggest that calendar forecasts are not particularly helpful to successful investing. Several possible outcomes exists, however, for consideration. Given uncertainty, we believe that investors should consider rebalancing around a strategic plan. (This may not provide the best returns but, certainly not the worst, in our view.)

Below are a few of the many economic outcomes that may occur during 2015.

1. Continuation of current conditions; steady U.S. GDP and corporate earnings growth, strong U.S. dollar, the Federal Reserve interest delays raising interest rates. Could this lead to a scenario where the rest of the world "buys America" and the U.S. stock market experiences a "melt up"? If so, 2015

could be a great year for U.S. stocks, leading to a possible "bubble". "When do you get off a moving train?"

2. "Sell Wall Street, buy Main Street". This quote, attributed to Merrill Lynch's Michael Hartnett, suggests a strong U.S. economy in 2015. If so, he forecasts the Federal Reserve could raise interest rates sooner-faster-higher. His theory follows that the US dollar rises in price more versus the world's currencies implying U.S. corporate profits weaken and U.S. stocks stagnate.

3. A crisis. Somewhere, somehow, strategists always worry about geopolitical events. In 2014, these events did not produce a major sell off. What about during 2015?

In short, the above scenarios do not cleanly fit a calendar. We understand that you will measure your results by a calendar. However, except for known and planned events, do you really want us to invest your money that way?

What we pledge to do for you in the calendar year of 2015.

- Remember why your customized strategy was constructed to begin with.
- Stay the course. Remember, "time in the market, not timing the market."
- We pledge to honor what we stated in our annual report- rely on an Envision®, plan for your retirement income, meet with you more often, and of course, listen.
- Stay vigilant with our monitoring of world events; Federal Reserve, oil prices, economic data, corporate earnings and how politicians "talk" about events. Daily portfolio monitoring and management.
- Re-balance strategic portfolios. Avoid getting greedy. Do not chase last calendar year performance.
- We will not over think, over allocate and guess calendar 2015's winners. Who guessed 2014 winners? (In order-biotechnology, REIT's, electric utilities and the 20-year U.S. Treasury bond.)
- Keep perspective and broaden the discussion.
- Report your progress on a calendar basis, because that is the way the world seems to work.
- Remember your birthday. A good reason to use a calendar!

While the above reflects our outlook, philosophy, and process, we credit John Authers, FT.com, January 2nd, 2015 article entitled Steady Re-balancing is Key to a Prosperous New Year All Around. This article helped us organize our thoughts.

Welcome to 2015!

Davidson Wealth Management of Wells Fargo Advisors.

130 Harbour Place Drive, Suite 200 • Davidson, NC 28036
Tel 704 655-7696 • Toll Free 866 996-7696 • Fax 704 655-9352
www.davidsonwealthmgt.com

Wells Fargo Advisors. LLC