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## Capital Wealth Management

Sean McGrath, President

# “What **investment strategies** will be most effective in 2014?”

By Sean McGrath

**Because we are in a period of time where uncertainty in the markets is high, the traditional rules of investing may not apply.** But to effectively manage that uncertainty does require a pragmatic and tactical strategy, that is, one based primarily on economic indicators.

We believe investment pragmatism begins with focusing on trend analysis of economic indicators, and on making monthly data-driven changes in a portfolio that reflect what is really happening in the market. Adjusting a portfolio every month allows investors to remain very agile—moving to safety in volatile periods and moving into equities in positive periods. Additionally, we advise utilizing exchange traded funds (ETFs) to add liquidity and diversification, with low expenses and transaction costs.

An ETF is an investment fund that tracks an index, a commodity or a basket of assets such as stocks or bonds and is traded like

a stock on exchanges. As they are bought and sold, ETFs change in price but tend to trade close to their asset value during any given day of trading. An ETF, which can have anywhere from 2,000 to 5,000 stocks within it, is effective at spreading risk across literally thousands of equities.

Warren Buffett famously said, “Be fearful when others are greedy, and greedy when others are fearful.” We will be facing more economic headwinds in 2014, so there will most likely be both fear and greed and always the possibility of dramatic shifts. **So it is important for investors to stay as limber as possible in order to protect their capital and take advantage of these dramatic shifts.**

While having a monthly investing rhythm does not allow you to foresee domestic or international crises, if they do occur, you can change course quickly. Simply put, if the trend analysis projects a favorable environment for risk, we advise clients to take

more risk. If the data analysis projects a trend breakdown, we counsel them to take a protective position. A testament to this approach’s efficacy is the fact that larger investment firms are following it more and more since they see that the numbers, in fact, do tell the truth.

**Another source for making pragmatic, fact-based decisions is investment history.** For example, if investors in rate-rising environments of the past profited by moving out of long-term bonds and buying hard assets, precious metals and real estate, it is not illogical to think that history may, in fact, repeat itself and that these strategies might work again. Does it make a history-based strategy foolproof? No. But the unemotional fact is it *has* worked.

In sum, not only can relying on trends in economic indicators, and emphasizing ETFs minimize risk, it can also help investors effectively manage their portfolios during a period of high market uncertainty. ☺

*“Because we are in a period of time where uncertainty in the markets is high, the traditional rules of investing may not apply.”*

—Sean McGrath

#### How to reach **Sean McGrath**

Each investor has a specific set of goals and expectations that are unique to his or her individual situation. To learn how we can meet and exceed your expectations, please contact me at 800.435.3550 or sean@capital-wm.com.

#### MY HOBBIES ARE...

Spending quality time with my family, surfing and swimming

#### MY GOALS FOR THE YEAR INCLUDE...

Continuing to streamline and improve tactical investment strategies for my clients



#### I NEVER LEAVE HOME WITHOUT...

Kissing my wife and kids

### About Sean McGrath

Sean McGrath established Capital Wealth Management in 2012 in order to provide independent and comprehensive financial advisory services to families and businesses. Western International Securities Inc. serves as broker/dealer and J.P. Morgan Clearing Corporation serves as custodian of assets. Capital Wealth Management has been named a Five Star Professional Wealth Manager for the past two years, recognized for the firm's commitment to clients and its extensive ability to help navigate any type of market condition. Mr. McGrath received his bachelor's degree from The University of Texas at Austin, where he was a 10-time All American swimmer. He resides in Newport Beach with his wife and three young children. Mr. McGrath is actively involved with local charities and is a volunteer baseball coach for the NHBA.

Financial Services Experience  
**12 years**

Minimum Fee for Initial Meeting  
**None required**

Minimum Asset Requirement  
**\$250,000 (in investable assets, investment services)**

Assets Under Management  
**Available on request**

Compensation Method  
**Fixed and asset-based fees**

Primary Custodian for Investor Assets  
**JP Morgan Clearing Corporation**

Professional Services Provided  
**Planning, investment advisory and money management services; insurance advice and products**

Website  
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Email  
**[sean@capital-wm.com](mailto:sean@capital-wm.com)**



Sean McGrath  
*President*

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