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Aug. 20, 2014

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Monthly Musings

As measured by frequency of days under 90° this has been the coolest summer on record in the US. Sadly, being preoccupied with other things, we missed CT Light & Powers rate hikes and our electric bill spiked at each of our homes more than 30%! A call to a third-party supplier is definitely on the "to-do" list this month."

We've used the slightly slower summer pace to focus "on" our firm procedures and processes. From our investment idea generation, research, selection and management to our client service and support, we've looked for ways to do things better and faster for you. Some improvements may not be easily seen while others are very visible to you.

Our newly revamped website is one easy to see improvement. We still have a few tweaks to make but www.soundviewfa.com is easier to use and better than ever. Chelsey led the project and did a great job. Be sure to check out the website and let us know what you think.

If you don't have online access to your accounts yet while you are there, send Steffanie or Chelsey an email (new feature) to get set up. Among other benefits being online makes accessing tax documents much easier.

Things Financial

As a sailor checks the weather forecast, tides, and wind conditions prior to launching we start our investment idea generation with a high-level view of the investment climate.

We do this because securities like stocks, bonds, real estate, commodities, precious metals, etc. all have a particular climate in which they do well, do fairly and do poorly. Like weather conditions, the investment climate is often relatively predictable and consistent but can, at times, change drastically with only the slightest warning.

For example, the climate in recent years has highly favored stocks because inflation rates have been low and stable. The Price-to-Earnings (P/E) ratio is the major driver of stock prices. The P/E represents the number of years of earnings investors are paying for a stock. The P/E today is 26.5. The average P/E is about 15.5. Historically the P/E has ranged from a low of 10 to a high of 25.

At P/E 26.5 the stock market is clearly above fair value. If inflation remains low and stable the market could provide single digit returns going forward. Or, inflation could increase and derail the market. It is a question of distance, not time, which is why we must be vigilant about the climate change around us.

This preoccupation may cause us to miss a utility bill hike but it is worth the cost.

Thank you for your continued trust. Enjoy the remainder of your summer!

Sincerely,

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*Cresmont Research 7-7-2014 Derived from historical relationship of EPS and GDP
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