



# ATR Advisors

## ABSOLUTE TOTAL RETURN SECOND QUARTER 2015 COMMENTARY

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The second quarter of 2015 ended up almost completely flat, with the S&P 500 Index down about  $\frac{1}{4}$  of a percent in price, and up about  $\frac{1}{4}$  of a percent including dividends.

The best performing sectors of the S&P 500 Index were:

- a) Health Care, represented by XLV, the health sector ETF, up just under 5% for the quarter;
- b) Financials, represented by XLF, the financial sector ETF, up just under 2% for the year.

Interest rates began to rise in the second quarter, anticipating that the US Federal Reserve will begin to raise its rates some time later in the year.

As a result, we continue with the following adjustments to the ATR portfolio:

- 1) We increased our cash levels very significantly to protect against downside risks to the market – especially in the following areas:
  - a) China experienced its steepest stock-market decline in decades, with its broadest market index losing about  $\frac{1}{3}$  of its value very rapidly;
  - b) The Eurozone single currency area continues to experience very significant difficulty, especially with respect to Greece.
- 2) We continued to take advantage of volatile fluctuations in energy stocks, to gradually reduce our exposure to energy. We anticipate that energy stocks will remain weak for the near/mid-term future.
- 3) We increased our exposure to stocks in the developed European economies, while hedging against the risk of the rising US Dollar and declining Euro.
- 4) We also increased our exposure to American companies that consistently buy-back their own shares through long-term share repurchase programs.

We believe that the above trends will continue in 2015, as the European Central Bank (ECB) expands their Quantitative Easing (QE) program. Simultaneously, we expect the US Federal Reserve to maintain a relatively tighter policy, since the US economy is much stronger than the Eurozone economies.

As usual, our approach to analyzing stocks, which has guided the ATR strategy for the past decade, is based on our belief that when you buy a stock you're not just buying one thing which has a single value for everybody. Rather, you are buying a collection of legal rights that you as a shareholder have. This collection of shareholder rights can vary, but, in general, they usually include among others the following legal rights:

- The right to collect dividends that are announced by company management;

- The right to tender your shares of stock for "buybacks" when management announces share repurchases;

- The right to vote on important company matters, when management brings them to a shareholder vote;

- The right to sell your shares on the open market, when other investors are willing to pay more;

- The right to participate in buyouts, when either a public or a private company decides to purchase your company.

So, we continue to look out for long-term values in both the United States and in the developed Northern European economies.

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