

Is the U.S. in an Economic Decline?

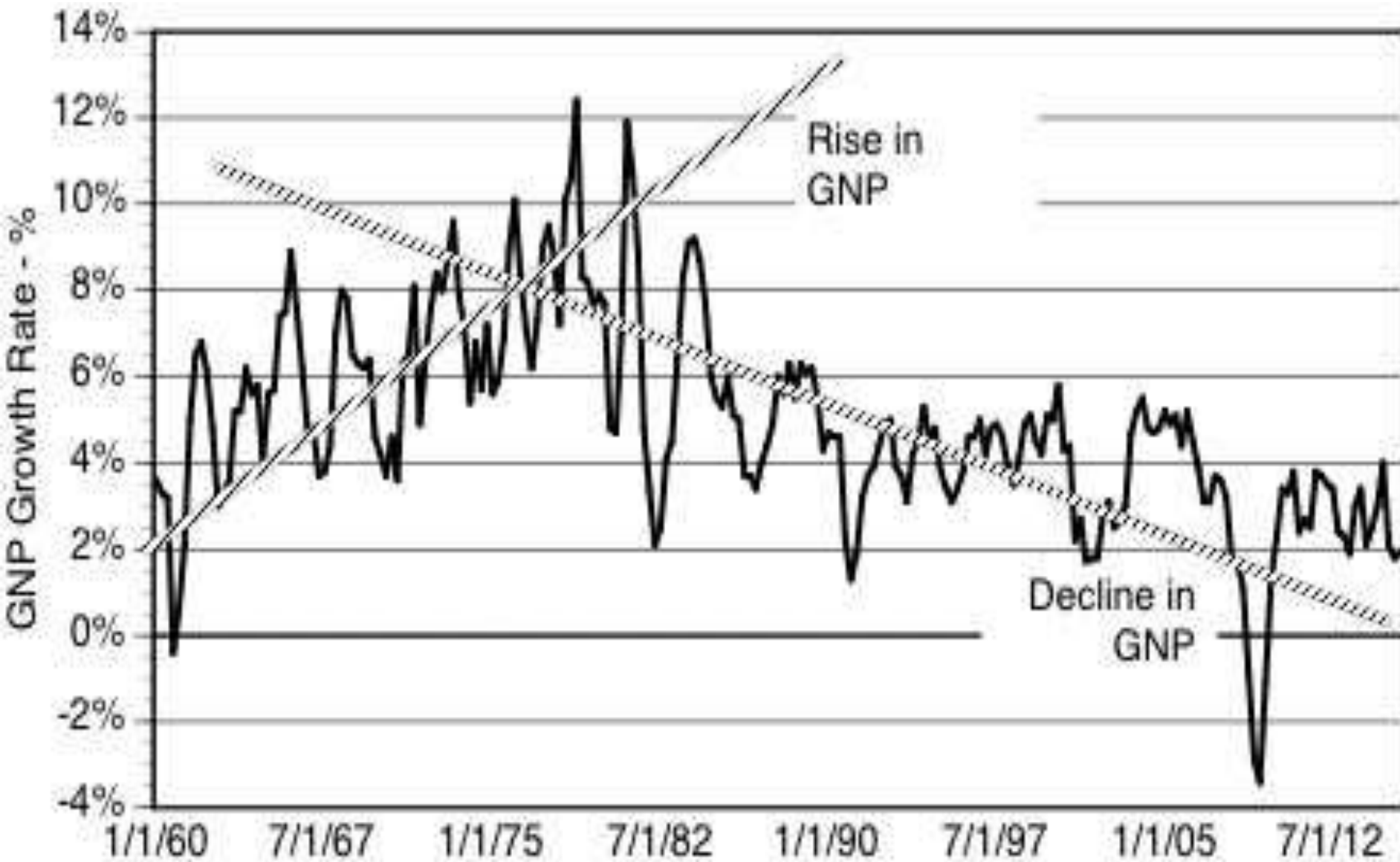
New Canaan Senior Men Club – January 29, 2016

Paul A. Strassmann

Presentation Outline

- Assessment of the Current Situation
- How to View the Stock Market
- Personal Prospects for Seniors
- How to Preserve Savings

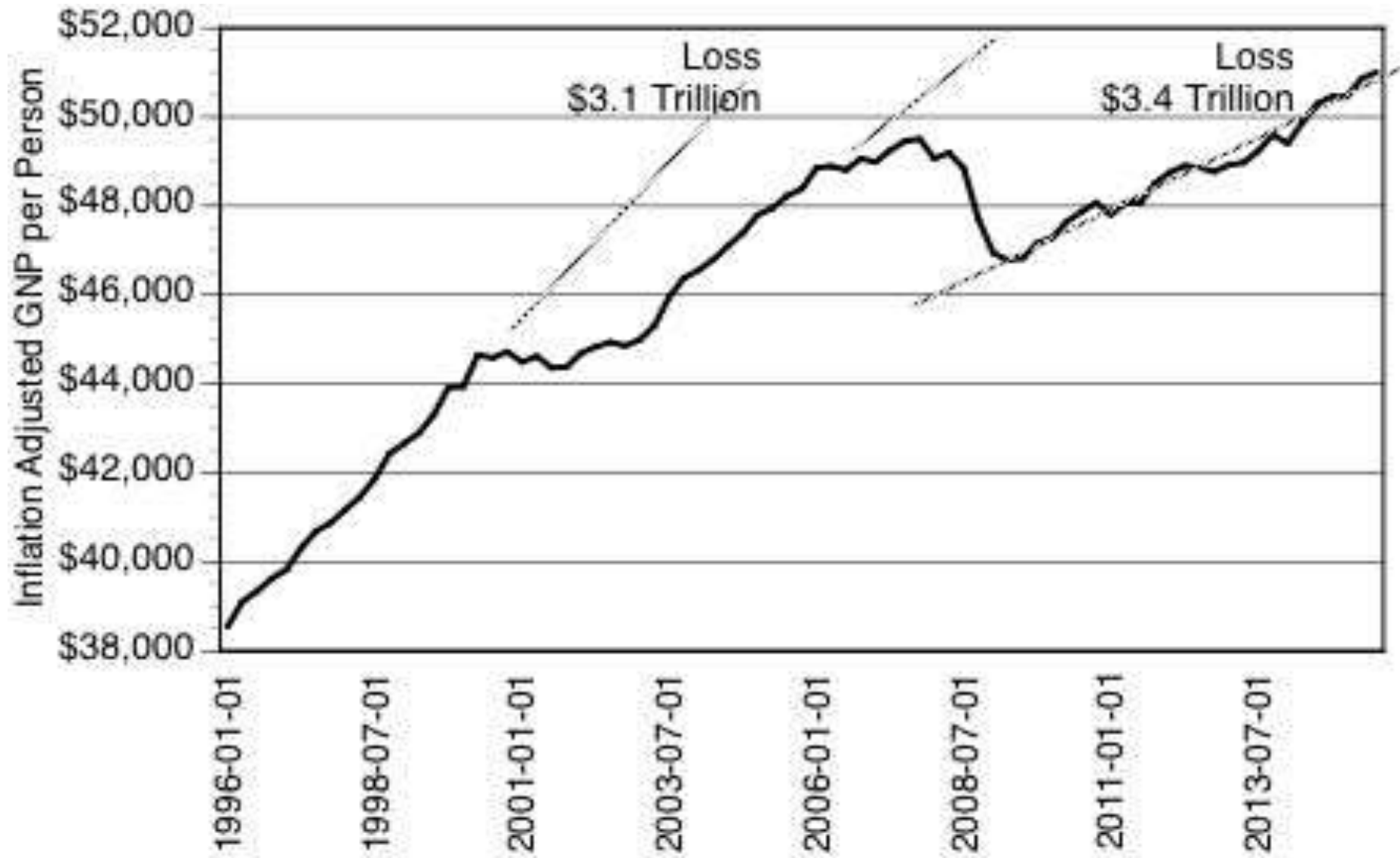
Underlying Cause of Decline: Gross National Product Trend



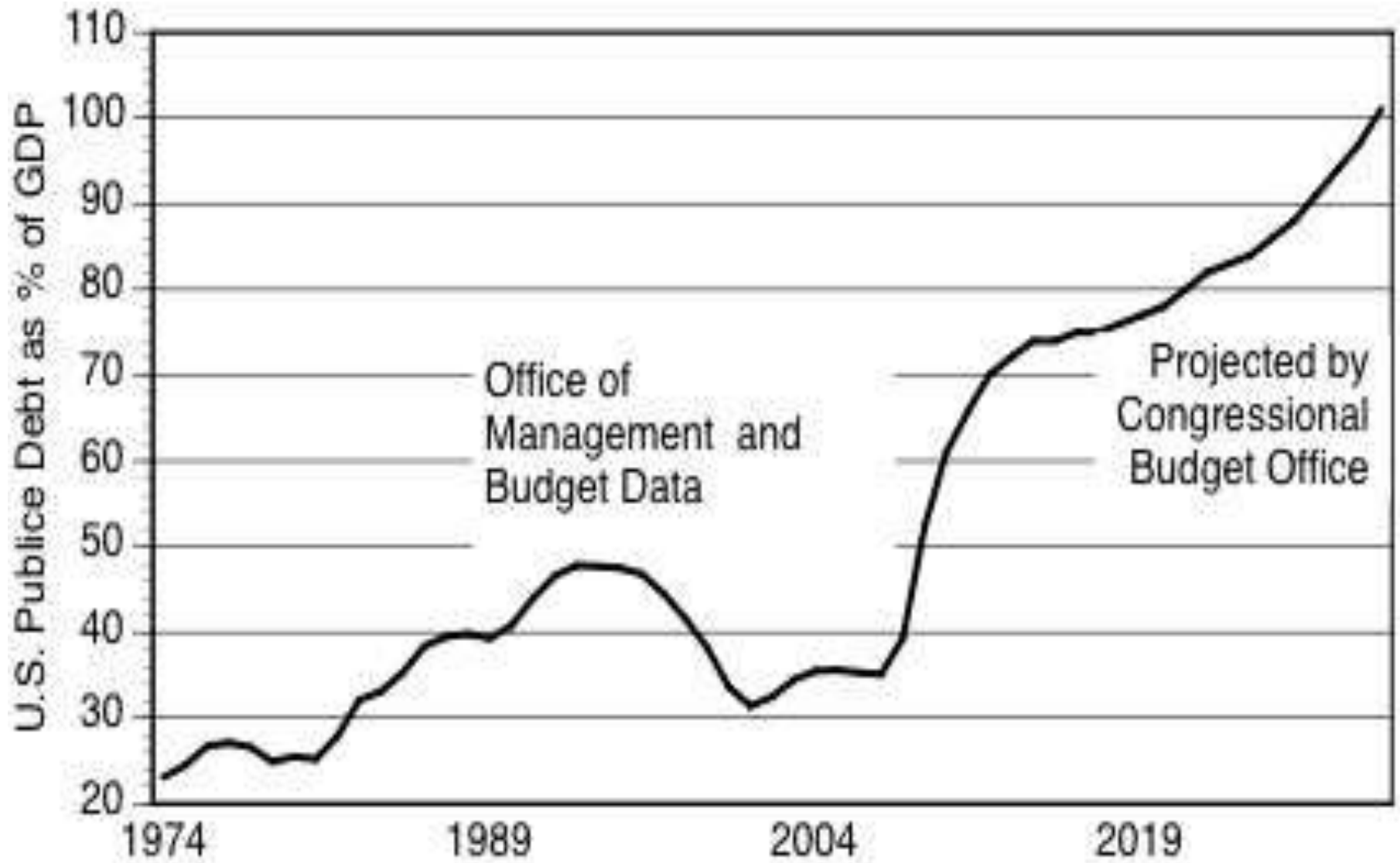
U.S. Is Still Prosperous: GNP/Capita Ranks #12 Of 224 Countries

Ranking	Country Name	GNP per Capita 2013
1	Luxembourg	\$113,727
2	Norway	\$102,832
3	Qatar	\$96,077
4	Macao	\$90,332
5	Bermuda	\$85,748
6	Switzerland	\$84,669
7	Australia	\$67,628
8	Sweden	\$60,283
9	Denmark	\$59,819
10	Singapore	\$55,980
11	Faeroe	\$54,118
12	United States	\$52,980
224	Malawi	\$240

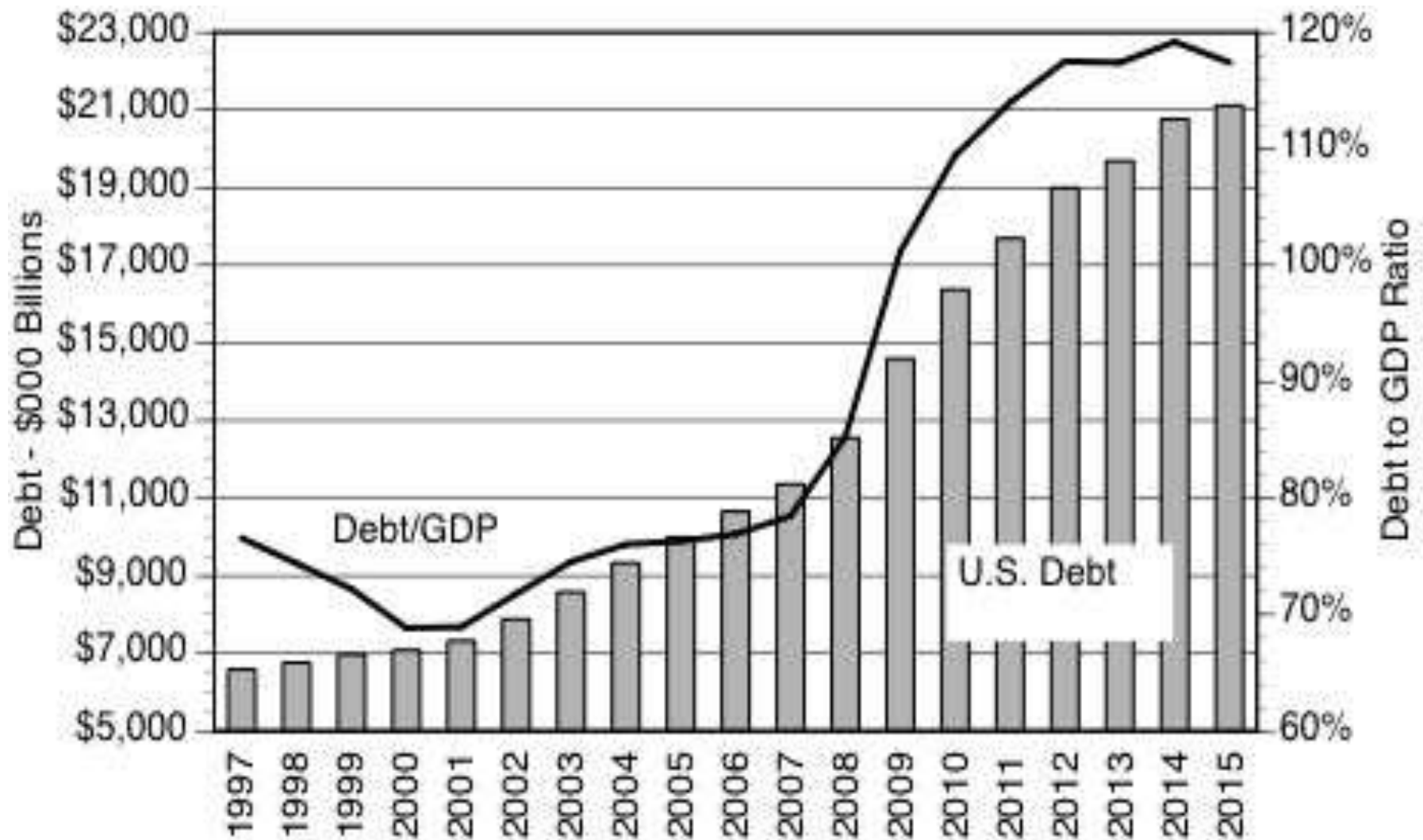
U.S. Stumble: Loss of Personal Income During Recent Recessions



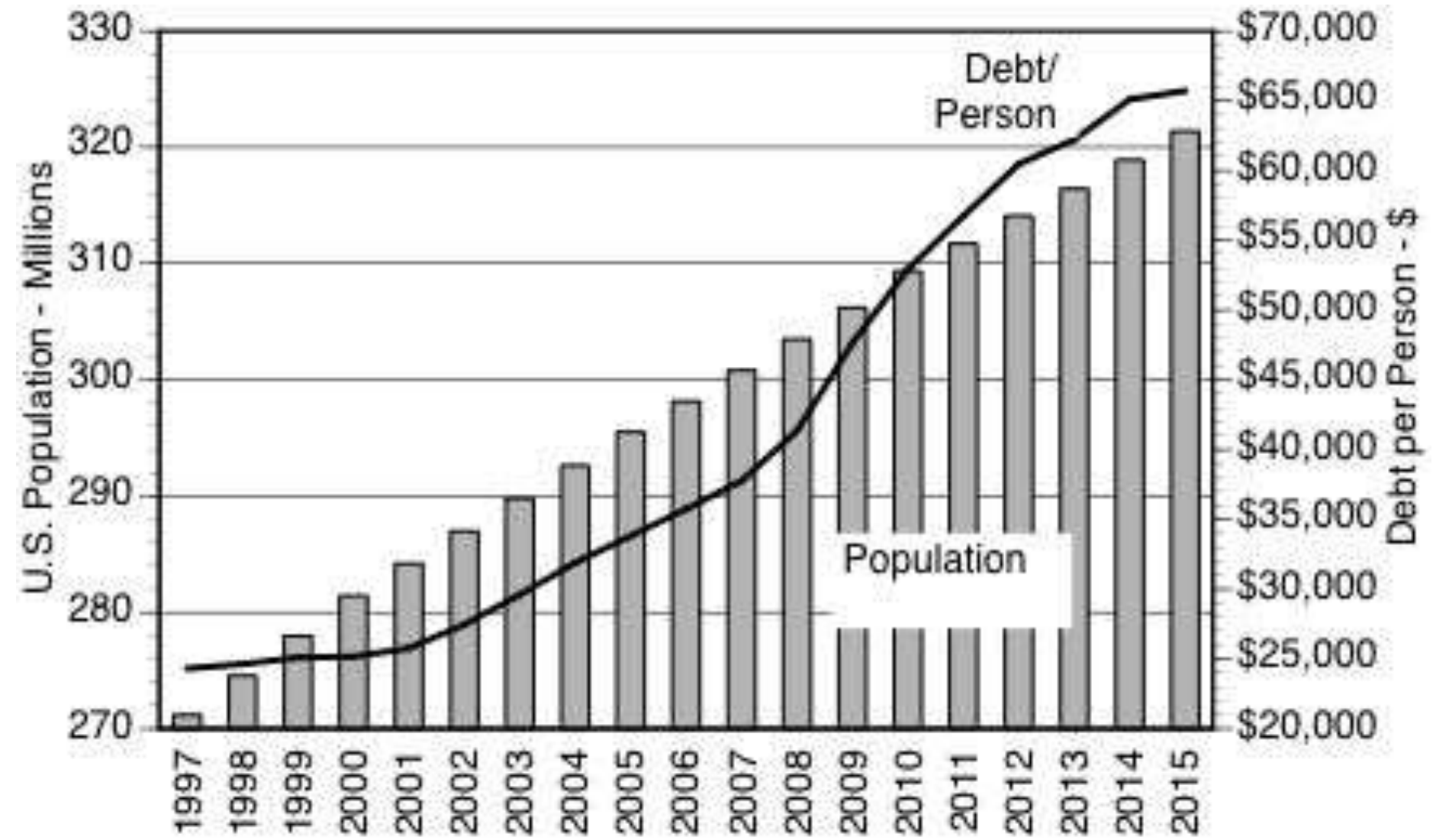
Outlook not Promising: Public Debt Projected to Exceed the GDP



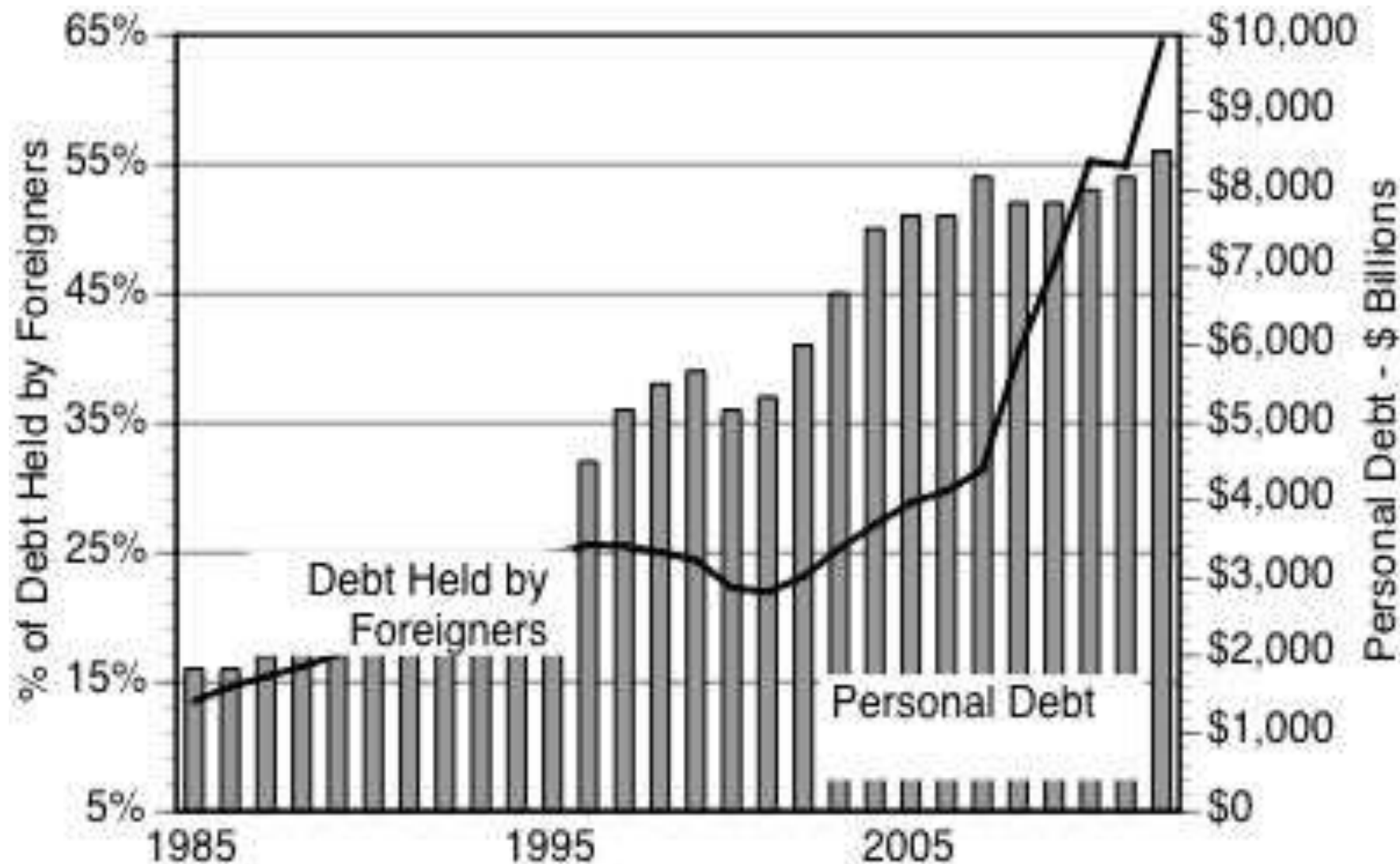
Major Hurdle: Debt More Than Doubled by \$14 Trillion



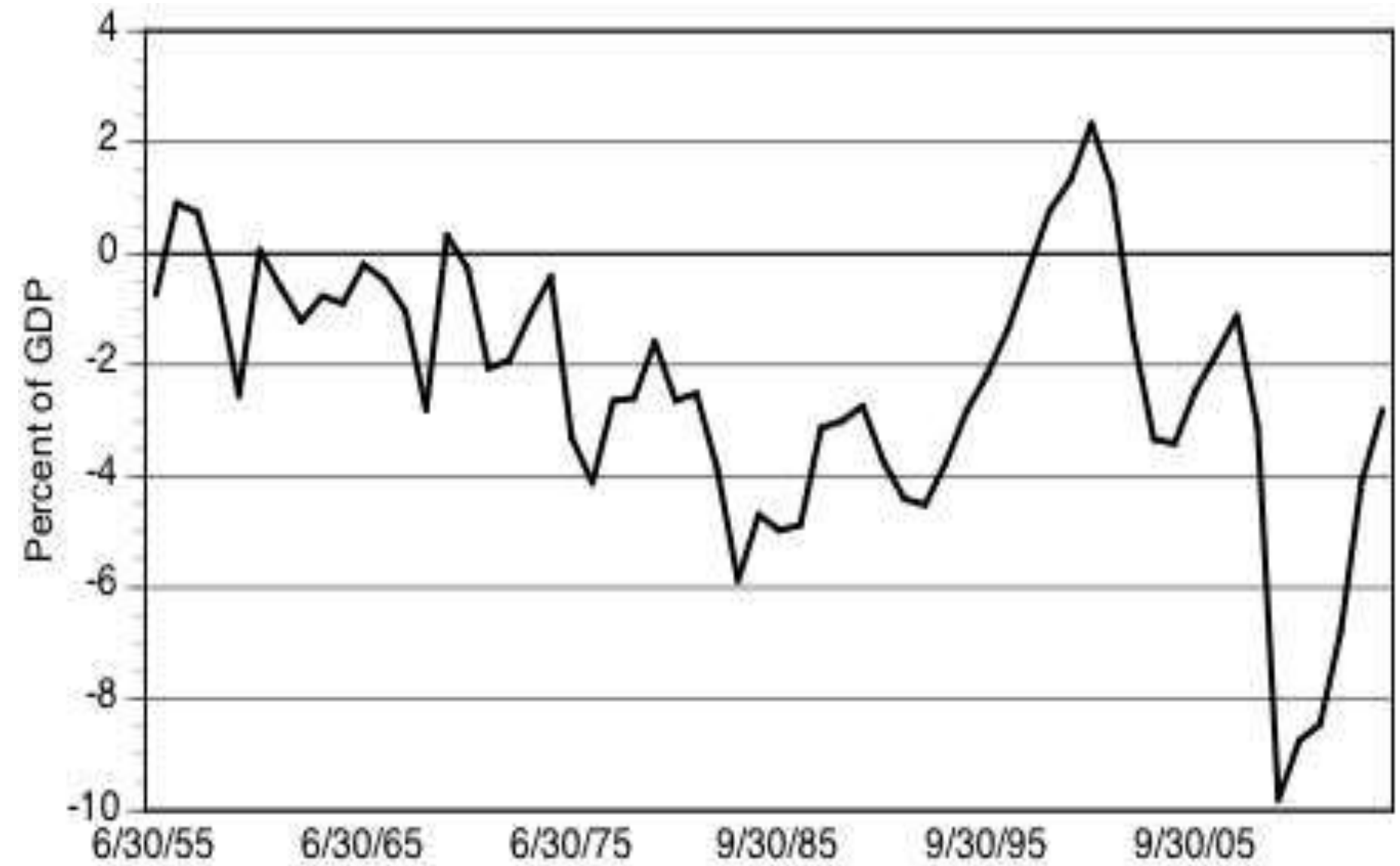
Adverse Indicator: Debt/Person Increased Faster Than Population



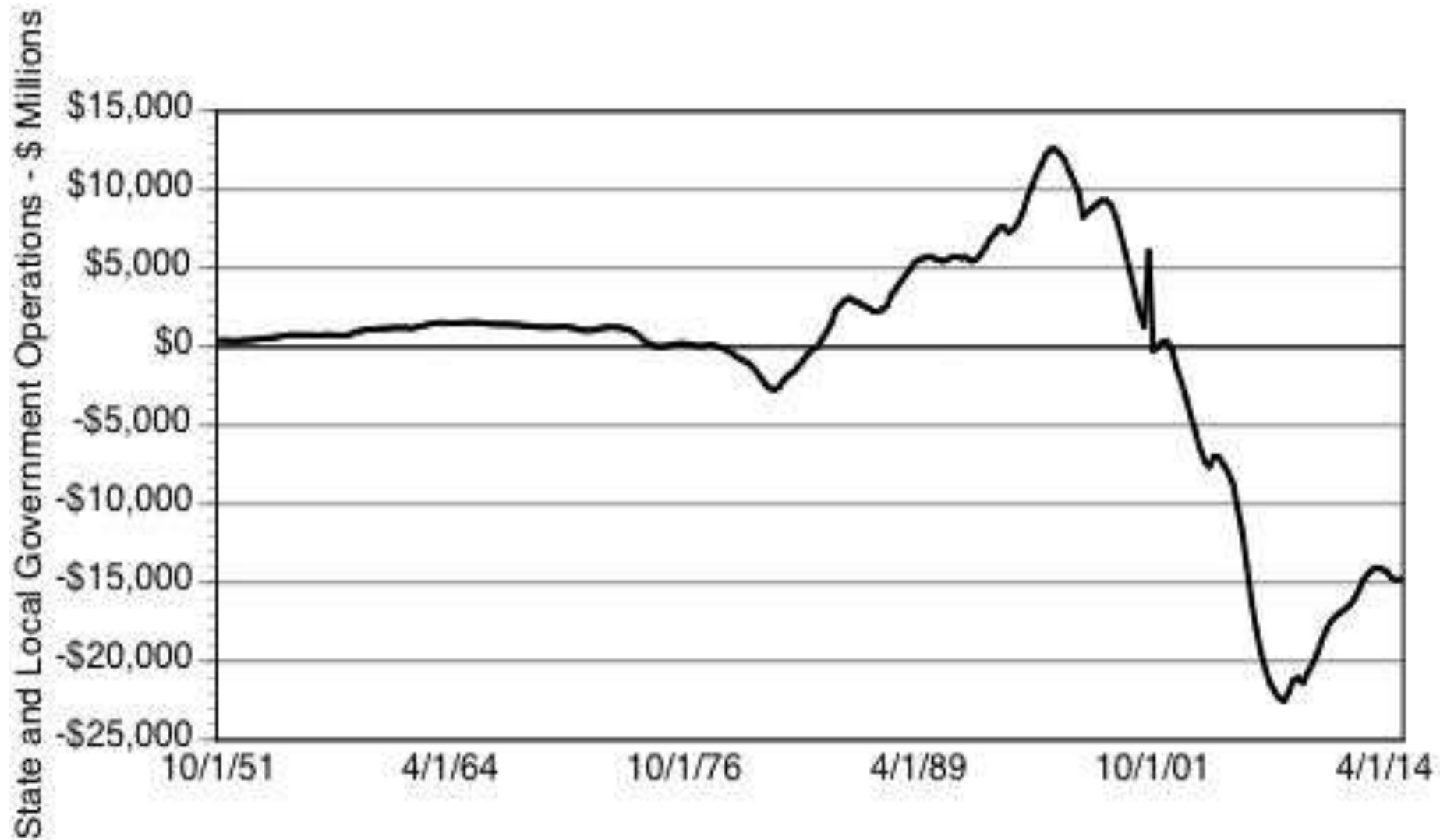
Is That a Threat? - Foreigners Hold 65% of Personal Debt



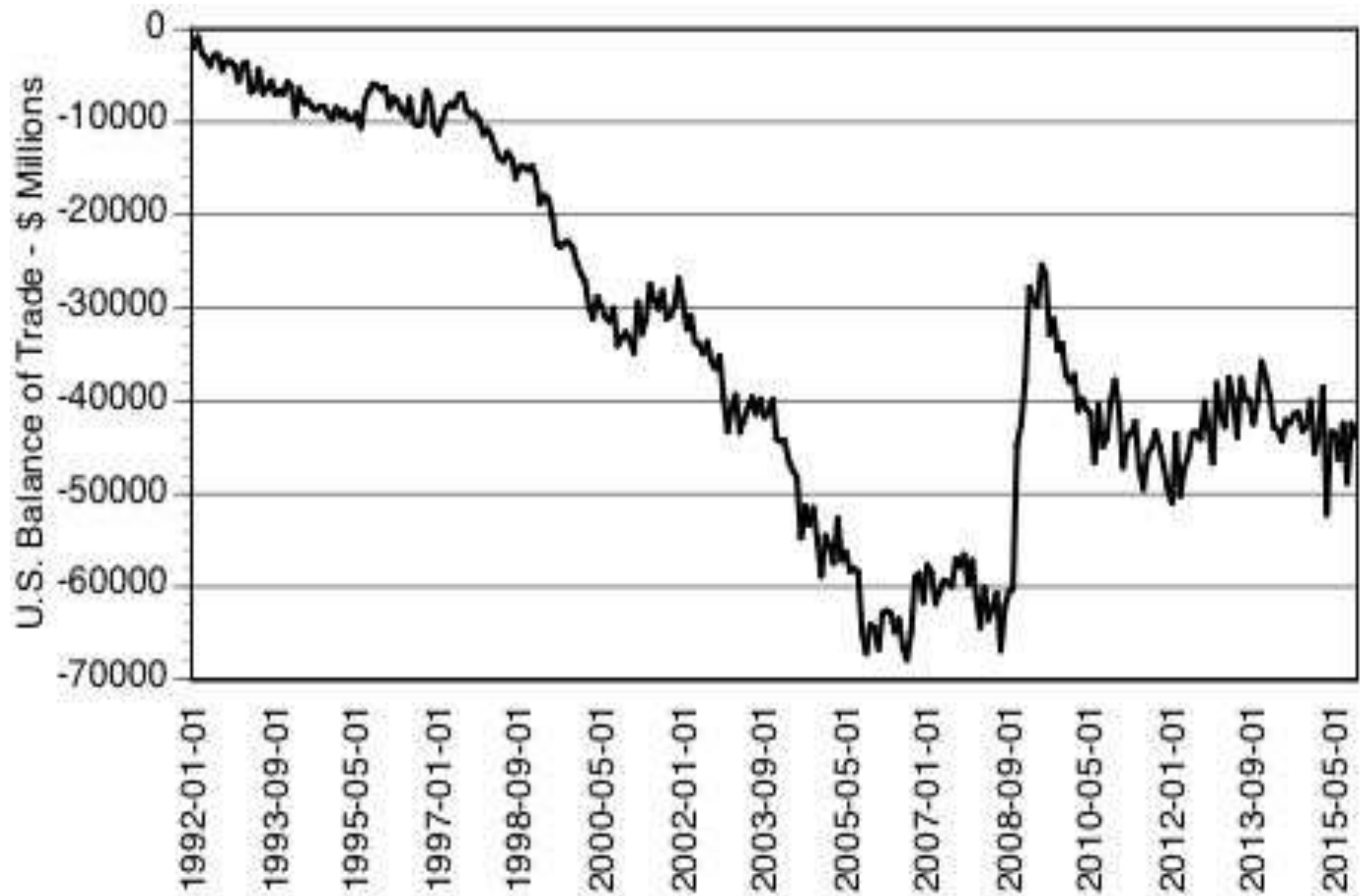
Bad News: Federal Government Deficit Continues to Increase



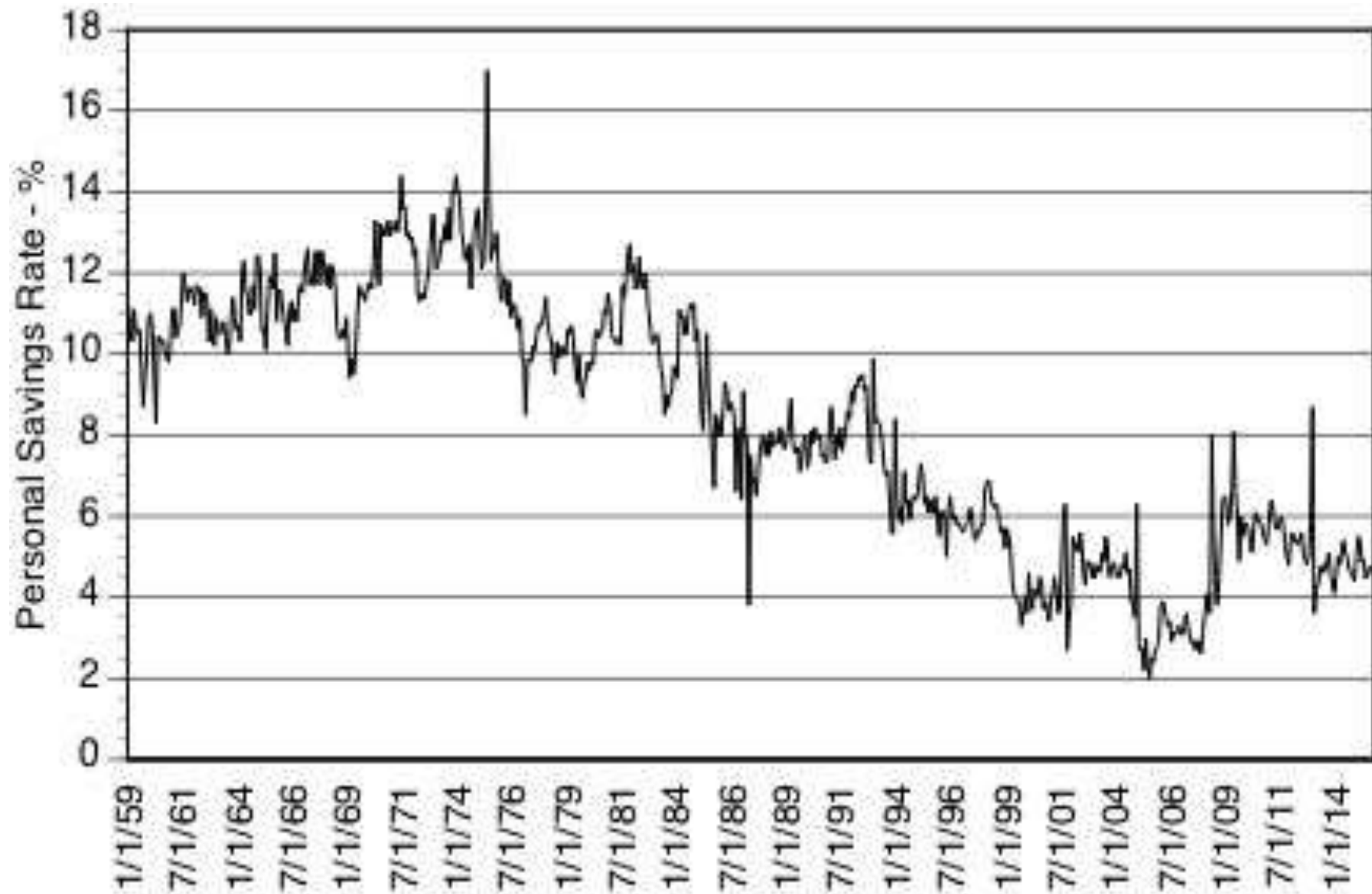
Bad News: Deficits of State and Local Government Increasing



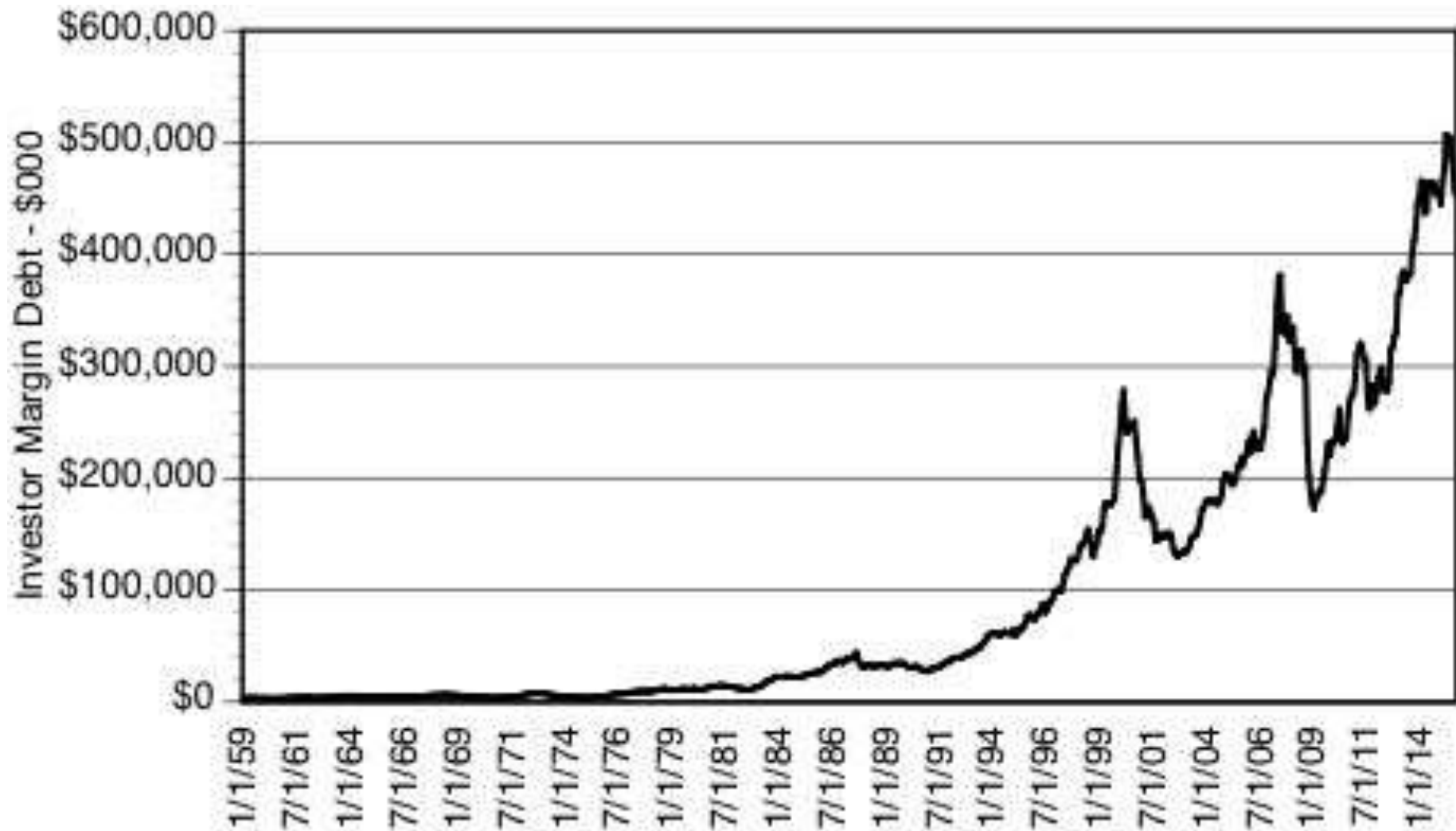
Unfavorable Trend: Negative Balance of U.S. Trade Since 1992



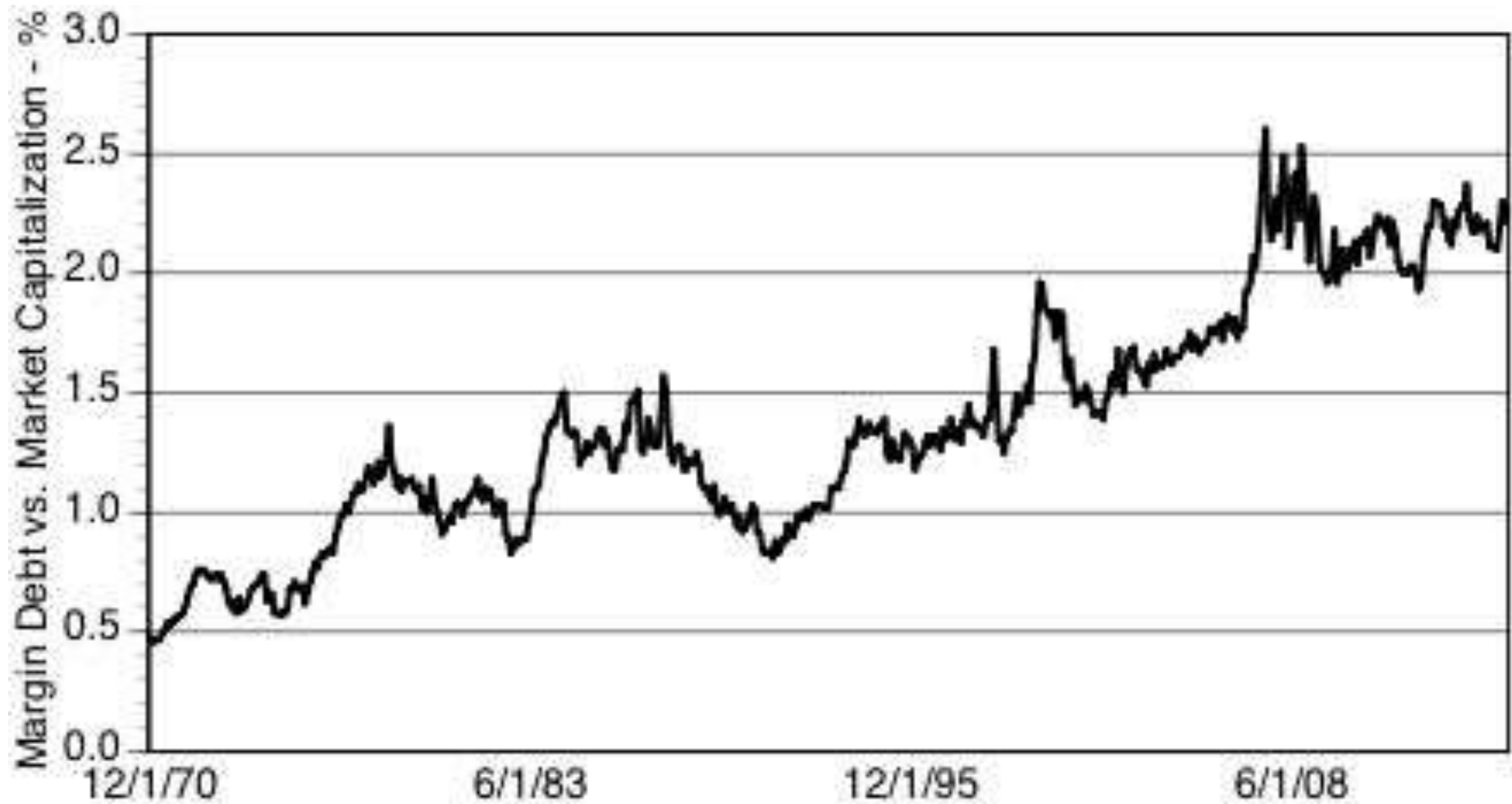
Unfavorable Trend: Personal Savings Rates Have Declined



An Unfavorable Indicator: Brokerage Debt is Increasing

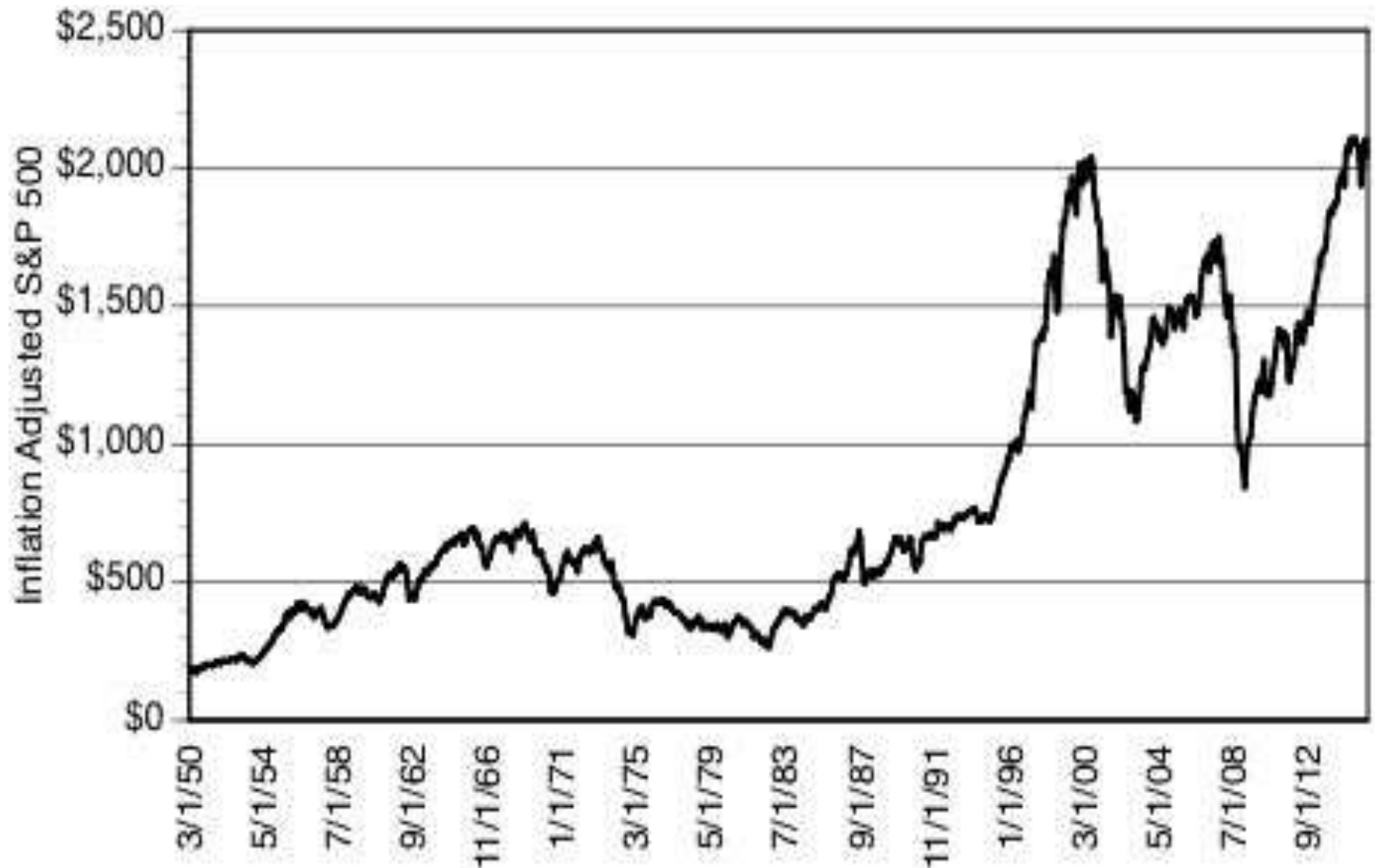


Bad Sign: Investor Margin Debt Now Exceeds Market Capitalization

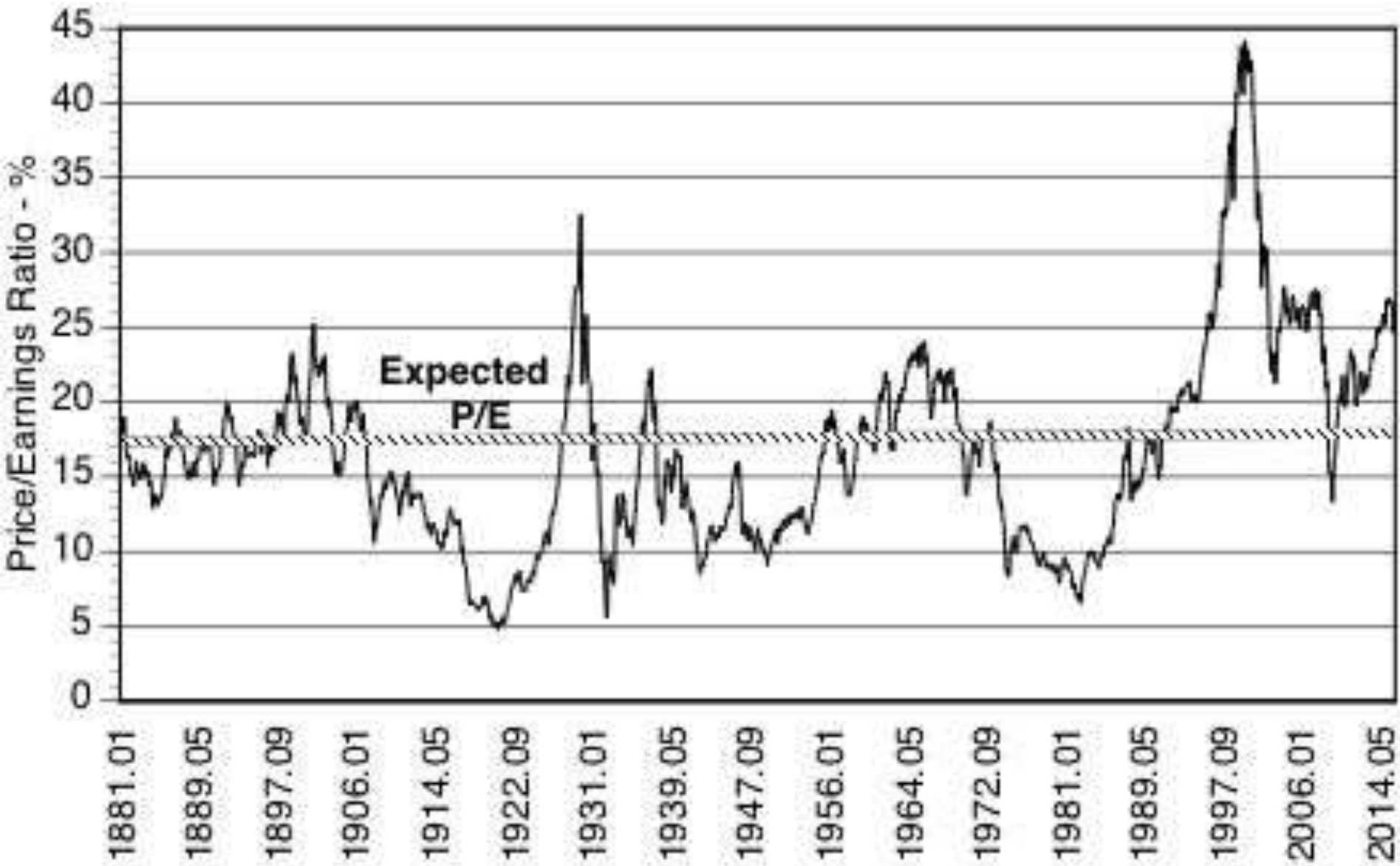


The Stock Market

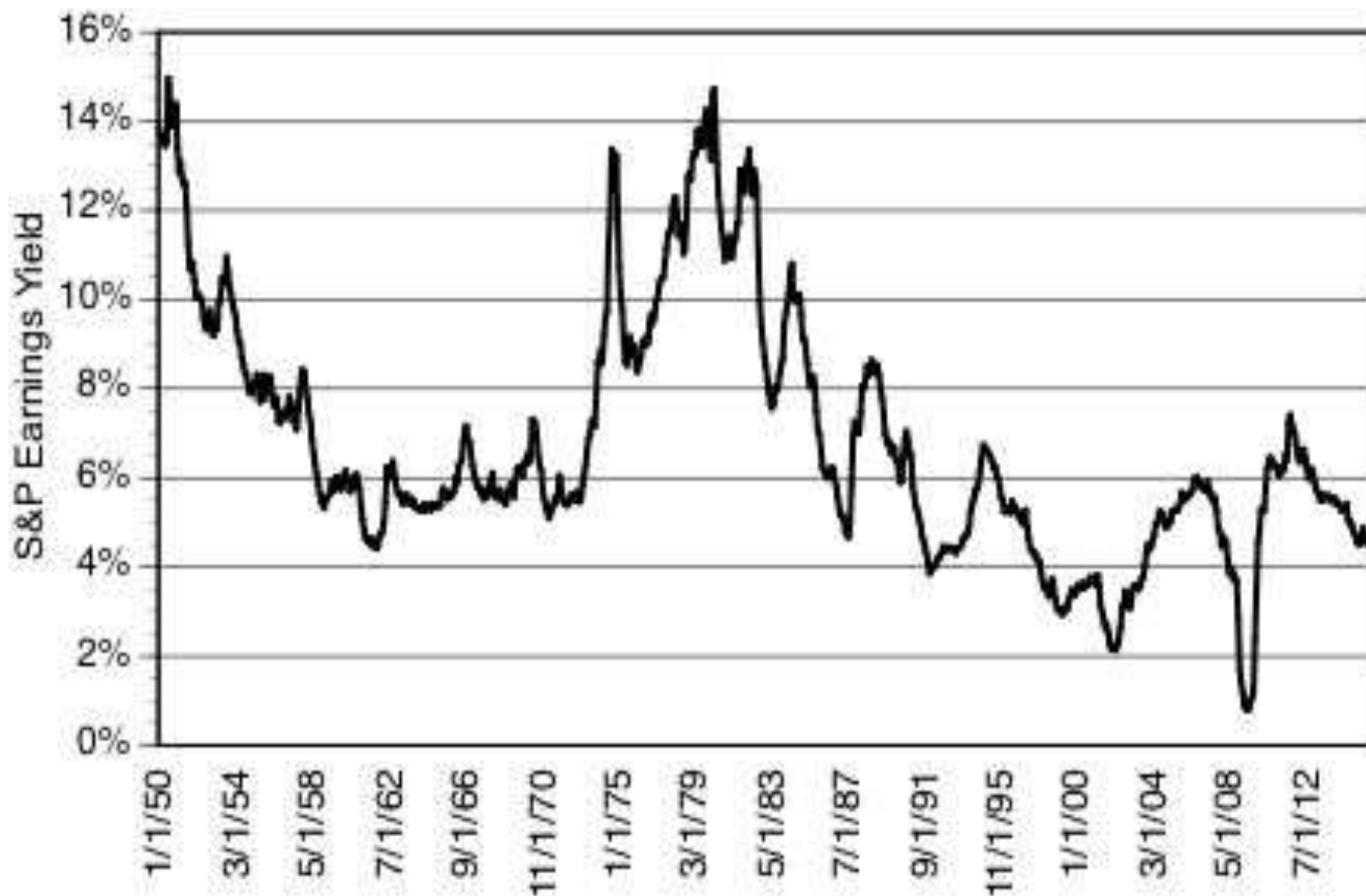
Unfavorable Indicator: S&P 500 Becomes Unstable After 2000



Stock Market Overvalued According to Yale Dept. of Economics



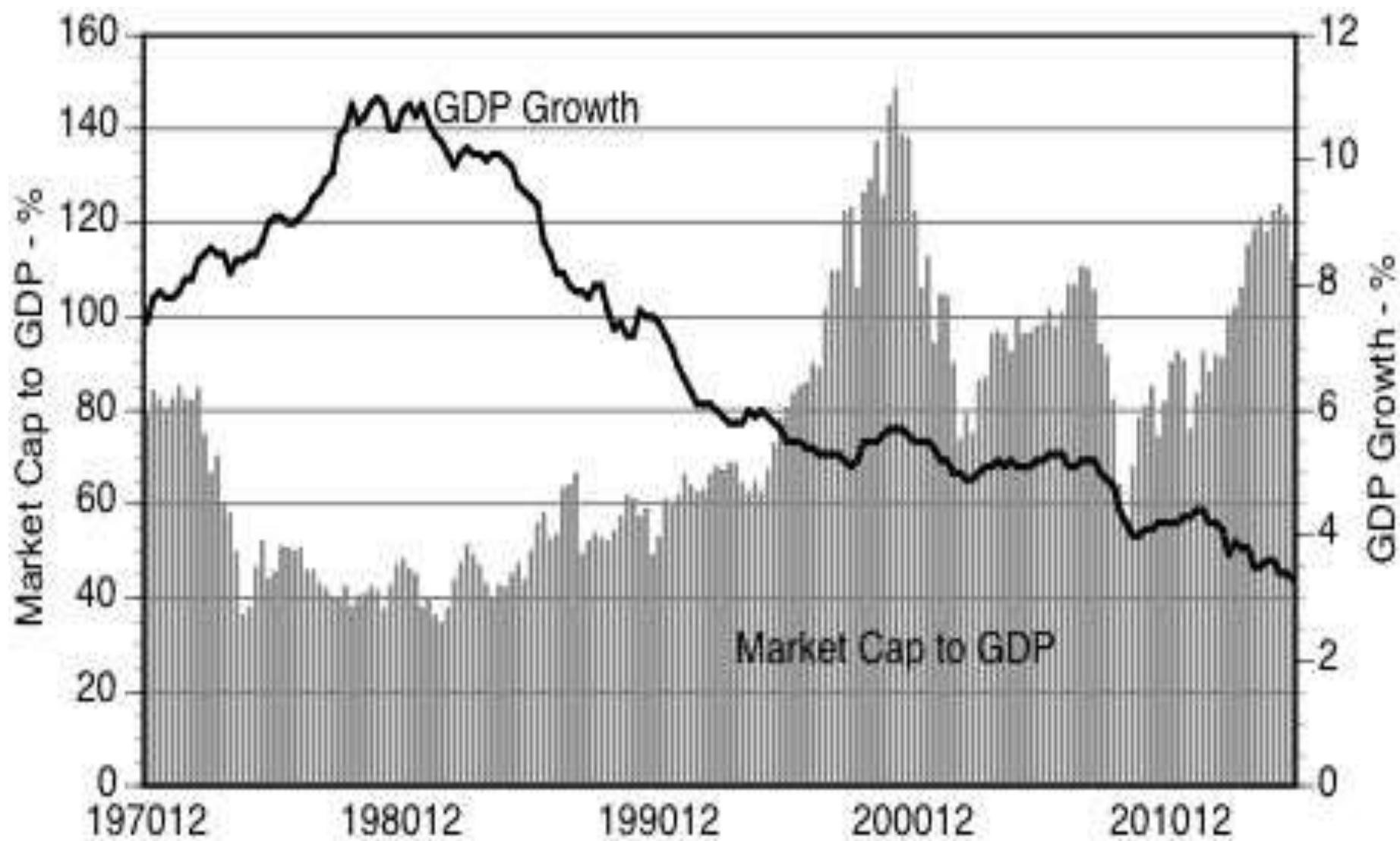
Confirmation of Adverse Trend: S&P Earnings Yields Have Declined



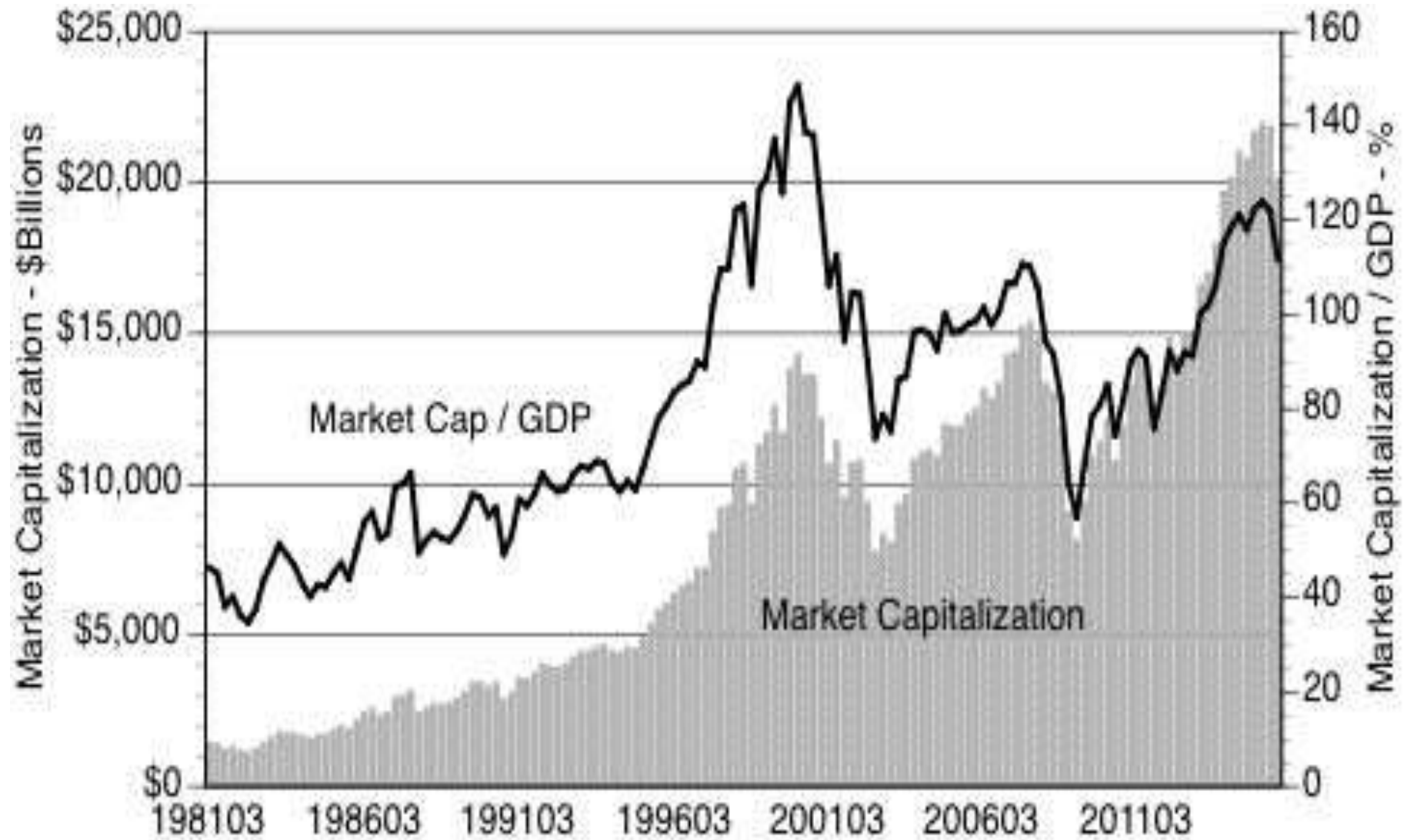
A Warning: Stock Market Returns Have Declined Close to Zero



Bad Signal: Market Cap to GDP Growth Now Exceeds GDP Growth

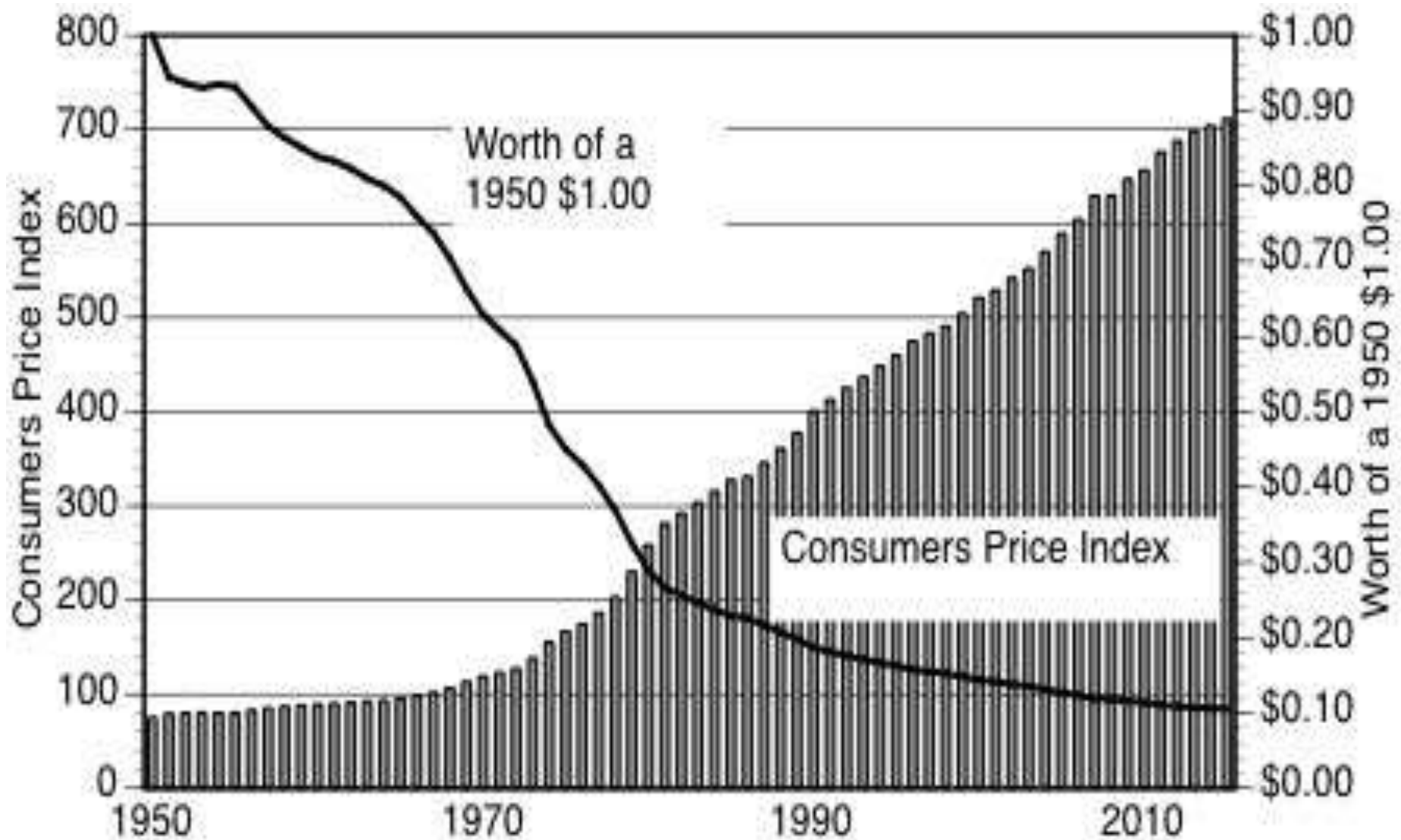


Bad Signal: Market Cap/GDP is Now Greater Than 100%

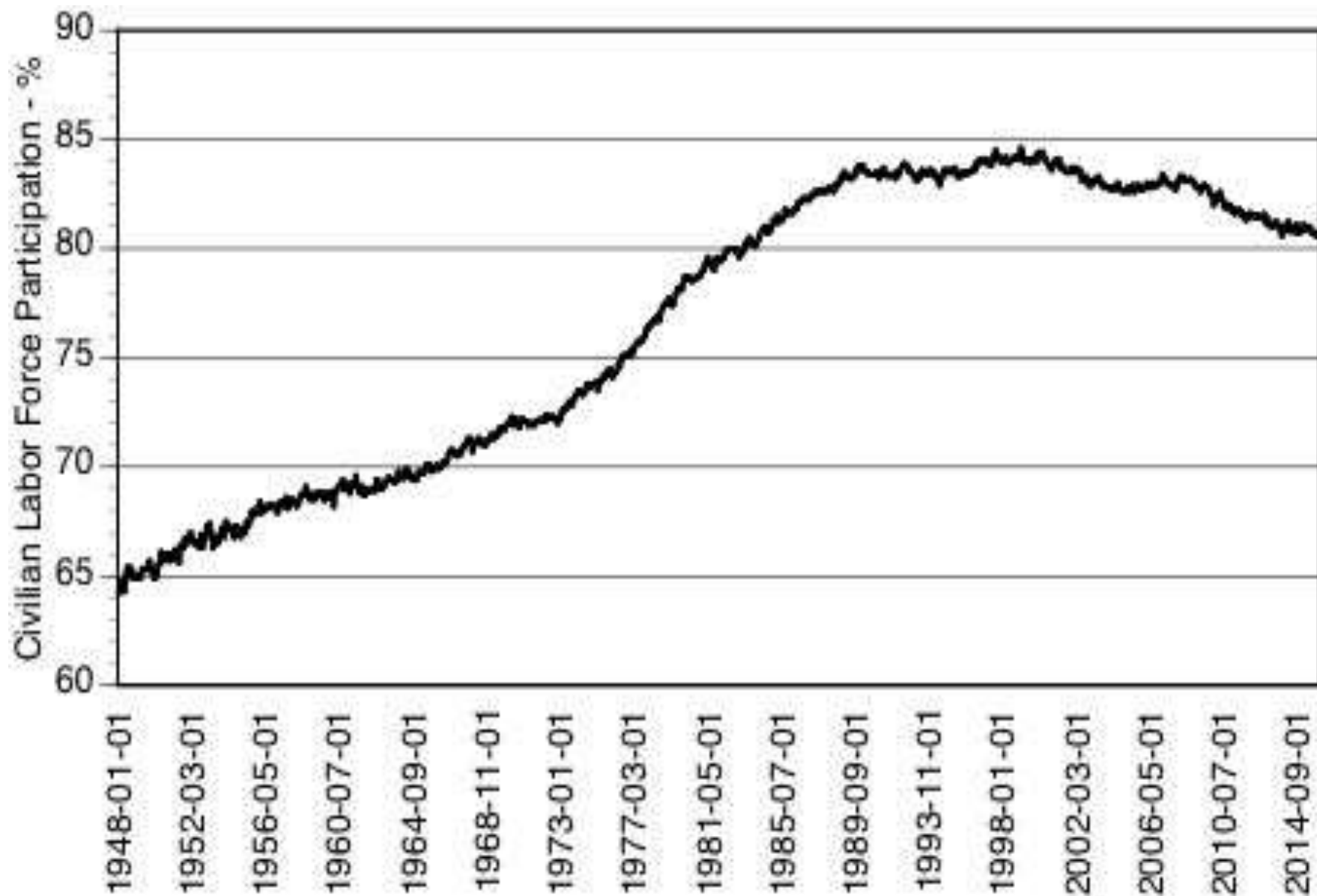


Personal Prospects

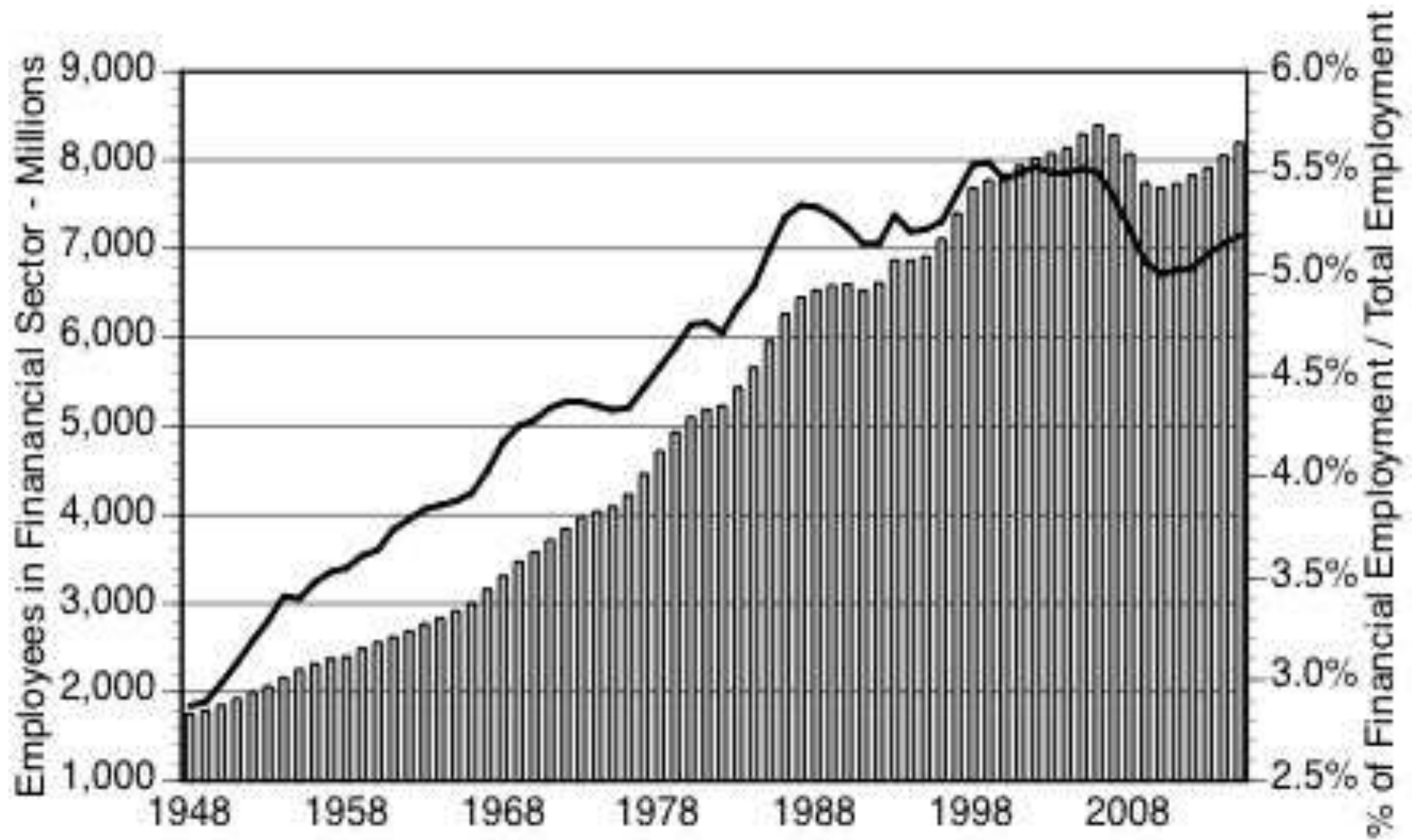
Unfavorable Trend: Decline in the Value of a Dollar



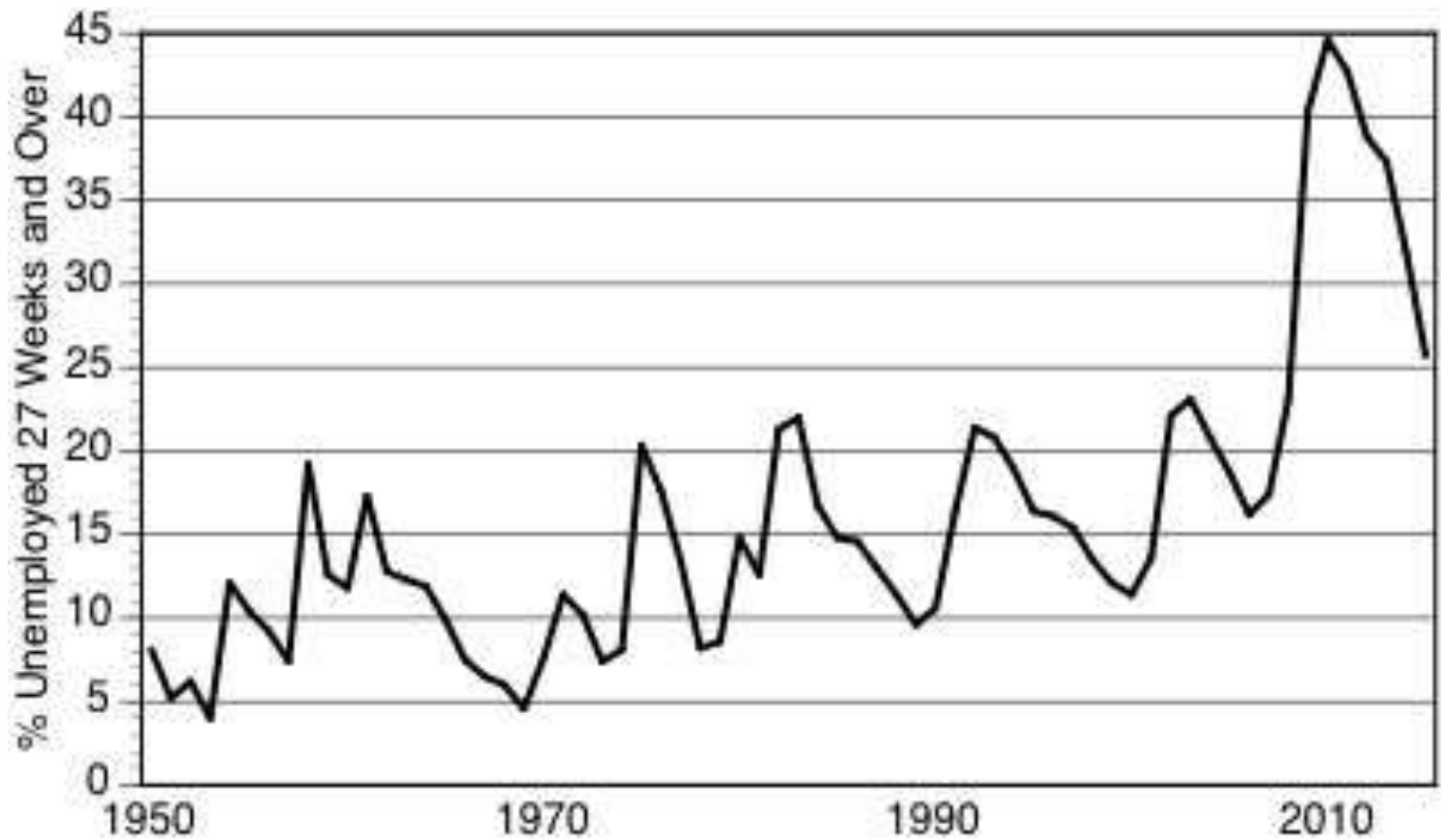
Unfavorable Trend: Labor Force Stopped Growing



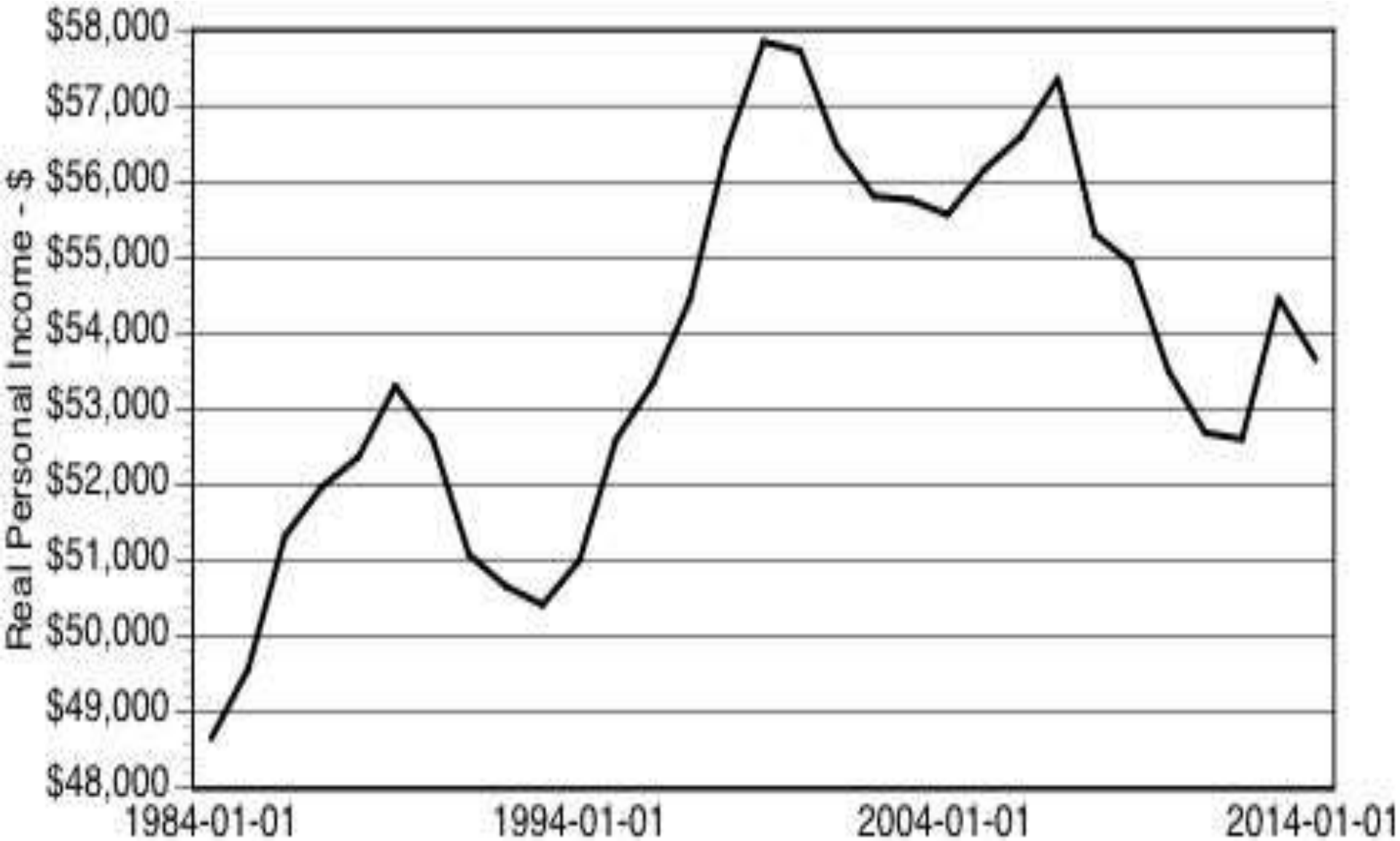
Of Interest to NC: Employment in Financial Sector Keeps Declining



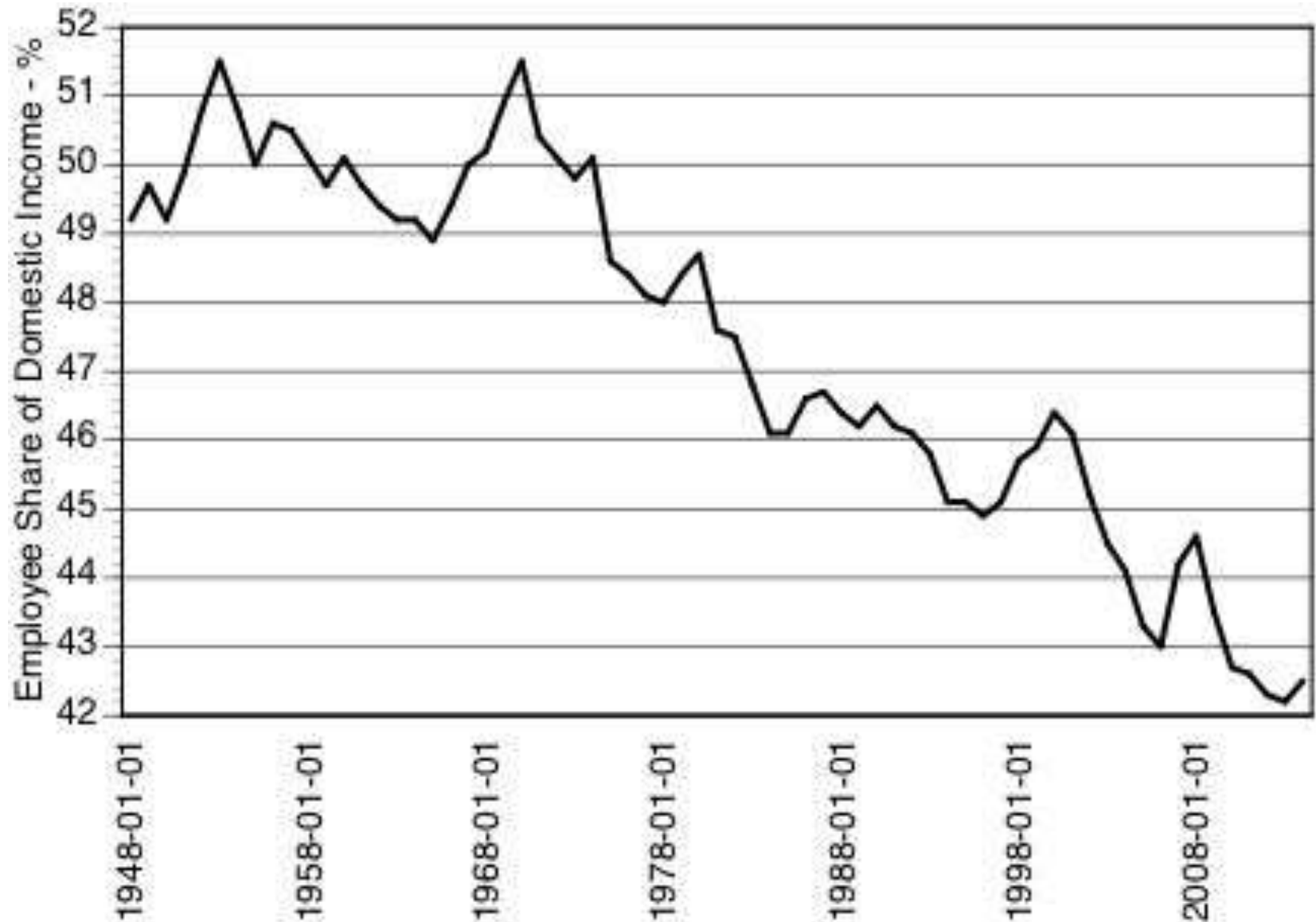
Unfavorable Trend: Long Term Unemployment is Rising



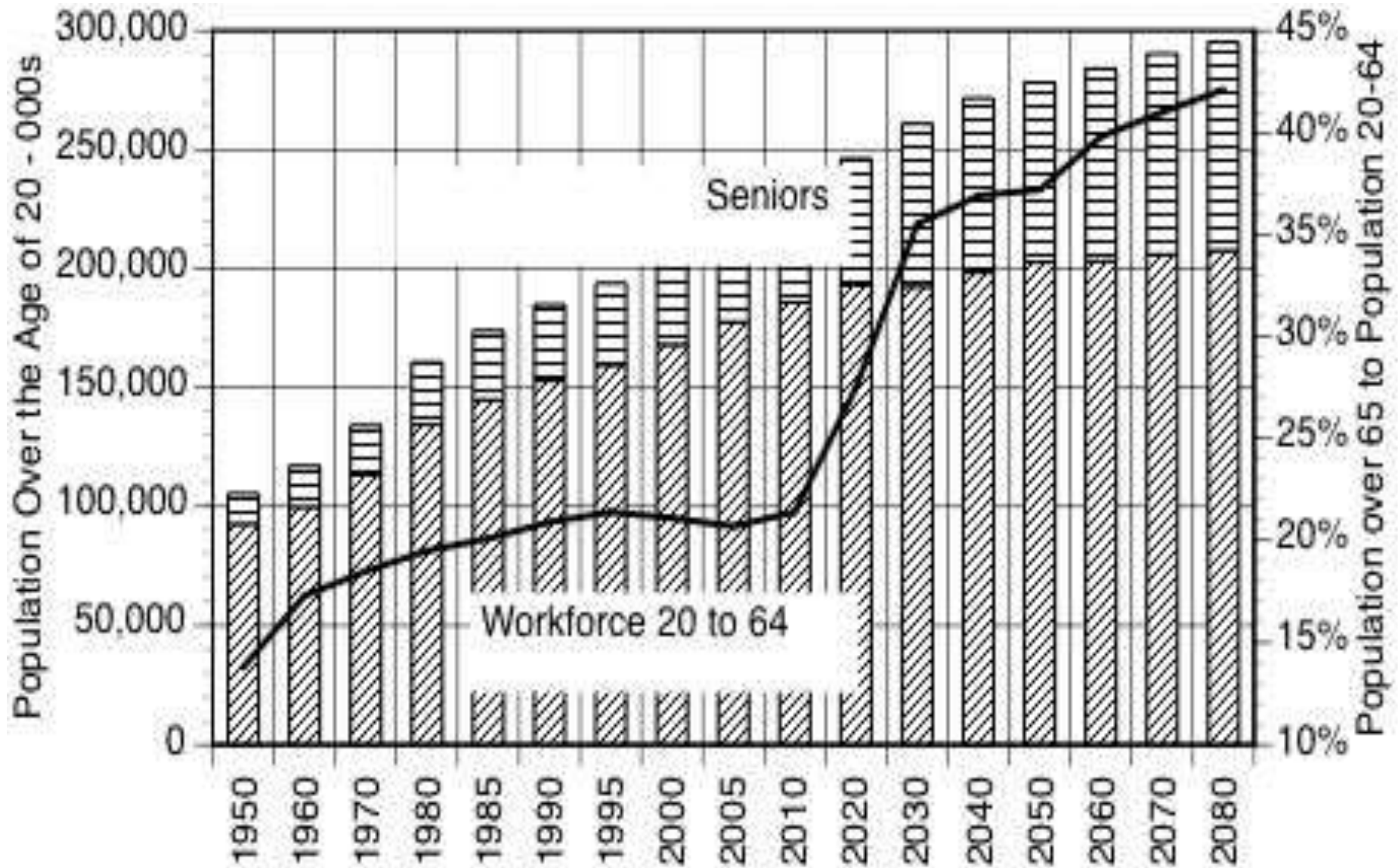
Unfavorable Trend: U.S. Real Median Income Declined Since 1990



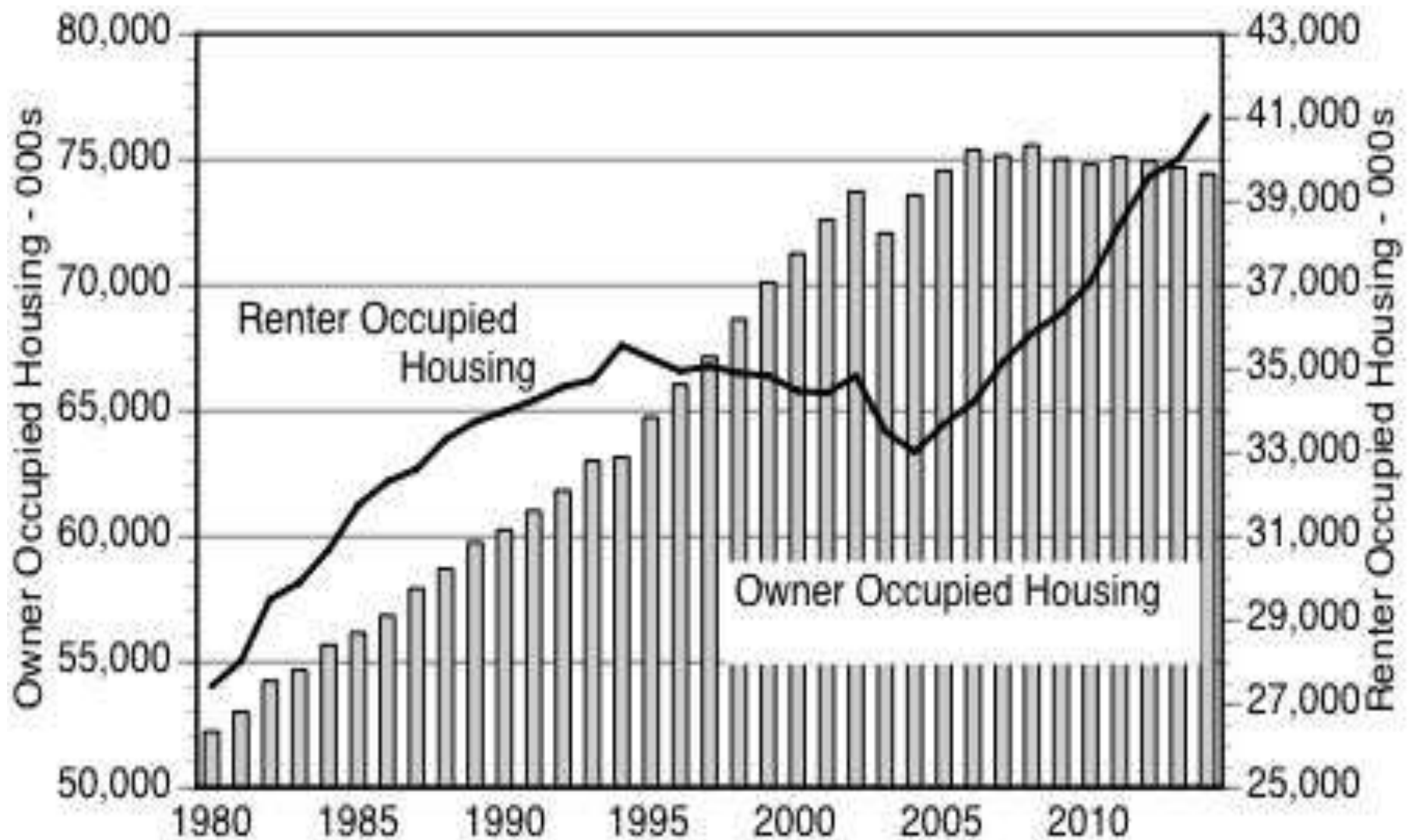
Employee Share of Domestic Income Has Declined Since 1968



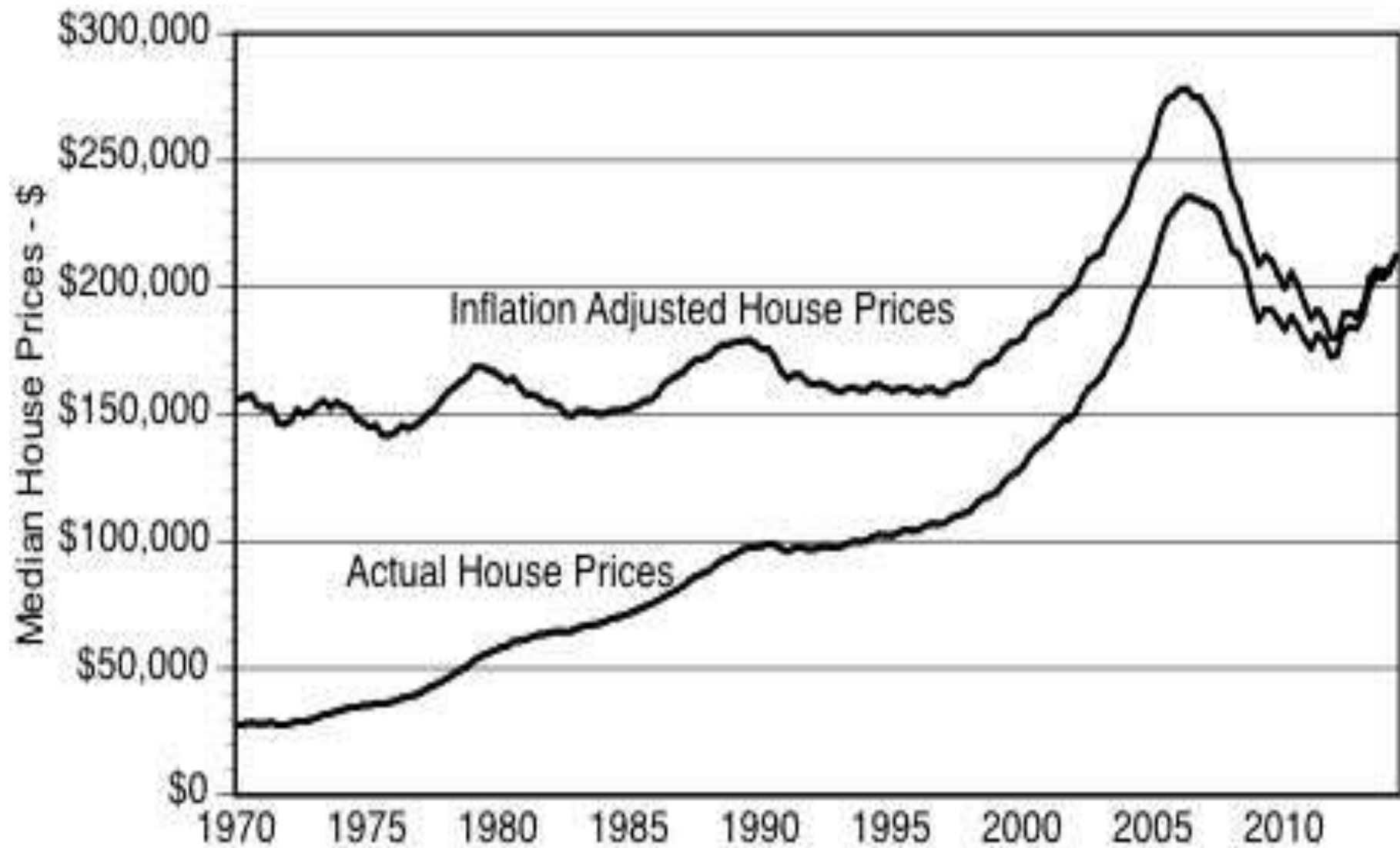
U.S. Seniors Will Require a Larger Support Population



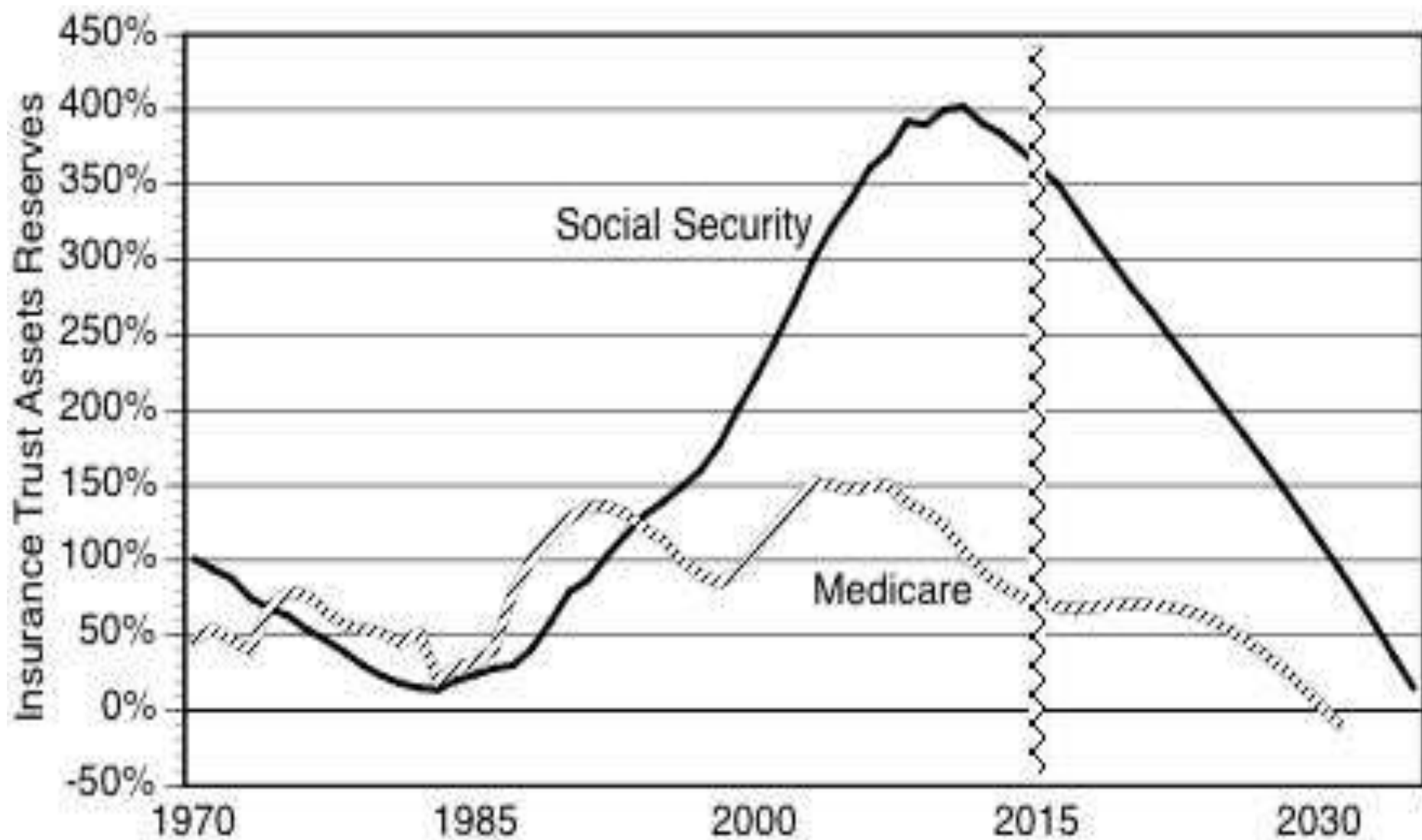
Occupancy of Housing is Shifting from Ownership to Rentals



Price of Homes Have Not Changed Since 2006







Social Security Trust Fund Declines



How to Preserve Savings

Option: Follow What Leading Investors Do

 <p>Bill Gates Bill & Melinda Gates Foundation Trust 2015-09-30 19 Stocks Value: 17,237 Mil</p>	 <p>Bill Nygren Oak Mark Fund 2015-09-30 57 Stocks Value: 15,745 Mil Turnover: 8%</p>	 <p>Bruce Berkowitz Fairholme Capital Management 2015-12-18 22 Stocks Value: 3,471 Mil</p>
 <p>Carl Icahn Icahn Capital Management LP 2015-12-29 24 Stocks Value: 27,876 Mil</p>	 <p>Charles Brandes Brandes Investment 2015-09-30 181 Stocks Value: 6,842 Mil Turnover: 10%</p>	 <p>Charlie Munger Daily Journal 2015-09-30 4 Stocks Value: 124 Mil Turnover: 0%</p>
 <p>Chris Davis Davis Selected Advisers 2015-09-30 190 Stocks Value: 24,055 Mil Turnover: 11%</p>	 <p>Chuck Akre Akre Capital Management, LLC 2015-09-30 35 Stocks Value: 4,311 Mil</p>	 <p>David Dreman Dreman Value Management 2015-09-30 487 Stocks Value: 994 Mil Turnover: 13%</p>
 <p>David Einhorn Greenlight Capital 2015-09-30 42 Stocks Value: 6,032 Mil Turnover: 18%</p>	 <p>David Swensen Yale University 2015-09-30 8 Stocks Value: 324 Mil Turnover: 33%</p>	 <p>David Tepper Appaloosa Management LP 2015-09-30 33 Stocks Value: 2,864 Mil</p>

Follow Performance of Leading Investors

Investor	Stocks Bought	10-year Return -%	Return Since Inception- %	Fund
Jim Simons	1491		30.0	Medallion Fund
David Tepper	1	20.1	26.7	Appaloosa Investment LP I
Prem Watsa	8	8.0	22.4	Fairfax Per Share Book Value
Daniel Loeb	24	12.3	19.6	Master Fund
Joel Greenblatt	492		19.1	Gotham Absolute Return Fund
Warren Buffett	8	10.1	19.0	Berkshire Hathaway Book Value
Vanguard Health Care Fund	20	12.7	17.6	Vanguard Healthcare Fund
Leucadia National	1	10.3	17.2	Leucadia Corp. Book Value
Carl Icahn	9		16.1	Private Equity
Private Capital	10	5.5	15.2	PCM Value Fund
Tom Russo	9	9.2	15.2	Semper Vic Partners
Ruane Cunniff	13	9.2	14.3	Sequoia Fund
Meridian Funds	0	7.7	14.2	Meridian Value Fund
Richard Snow	79	6.7	14.1	All Cap Equity Composite
FPA Capital Fund	11	7.4	14.0	FPA Capital Fund
Mariko Gordon	14	12.6	13.8	Small-Cap Composite - Daruma
PRIMECAP Management	45	10.3	13.8	Vanguard Primcap Fund
First Eagle Investment	1	9.4	13.7	First Eagle Global Fund
Dodge & Cox	21	7.1	13.5	Dodge & Cox Stock FUND

Opportunities: Select High Performance Funds

Sector Investment Returns	YTD(%)	1 Year(%)	3 Year(%)	5 Year(%)
Consumer Cyclical	2.87	15.21	16.56	15.81
Health	1.88	14.71	23.56	20.76
Technology	1.13	13.57	16.28	12.09
Real Estate	0.84	12.12	10.60	11.57
Consumer Defensive	2.98	10.57	13.20	12.74
Industrials	-3.74	8.80	16.82	12.04
Global Real Estate	0.45	6.96	7.09	6.85
Financial	-0.98	6.10	13.31	9.77
Communications	-0.20	5.55	8.24	7.86
Utilities	-6.41	0.40	8.76	9.43
Natural Resources	-12.86	-16.83	-5.24	-1.88
Energy Limited Partnership	-19.18	-20.66	2.16	4.92
Equity Energy	-13.63	-21.82	-3.76	-1.69
Equity Precious Metals	-12.18	-21.89	-28.76	-20.45

Pick High Potential Opportunities

International Business Machines Corp

★★★★★

\$128.11 ↑0(0%) Volume: 9,960,287 1:20AM EST
Avg Vol (1m): 5,146,417

2 Medium Warning Signs

6 Good Signs

Earnings Power Value
Net Current Asset Value
Tangible Book
Projected FCF
Median P/S Value
DCF (FCF Based)
DCF (Earnings Based)

Price: \$128.11

Market Cap 124.28 B P/E(ttm) 8.88
Enterprise Value 154.53 B P/B 9.33

Apr '15

Today's Updates:

Fourth quarter earnings in 2015 Release

Fourth quarter earnings Conference Call in 2015

IBM

+ Add to Portfolio

✉ Get Email Alerts

📄 Stock PDF

📡 RSS

🌐 Company Website

📄 SEC Reports

📄 Data Download

+ 20-Year

Summary

Guru Trades

15-Y Financials

NEW Analysis

DCF

Interactive Chart

Dividend

Insider

Ownership

Headlines

IBM - International Business Machines Corp Fair Value Calculator

1. Fair Value Calculator Tutorial
2. Fair Value Calculator Updates
3. Check out the list of Undervalued Predictable Companies
4. Reverse DCF: How It Works

Earnings Per Share : \$ 14.58

Growth Rate In the Next: 10 Years : 14. %

Business Predictability ★★★★★

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

➔

DCF Reverse DCF NEW

Tangible Book Value: \$ -20. ☐ Add to Fair Value

Growth Value: \$ 164.95

Terminal Value: \$ 123.71

= Fair Value: \$ 288.66

Price: 128.11

Margin Of Safety: 56%

Scoreboard

Needs Fixing	Needs Strengthening
Gross National Product	Employment
Loss of GNP	GNP/Capita Rank
Public Debt	Interest Rates
Debt per Person	Currency Gains
Foreginer Debt Holdings	Reduced Commodity Prices
Federal Deficit	Residential Real Estate
State and Local Deficit	International Position
Negative Balance of Trade	Corporate Earnings
Declining Savings	Agricultural Land
Margin Debt	Department of Defense
Market Overvalued	Entrepreneurship
S&P Earnaings Decline	Uniform Language
Small Stock Market Returns	Innovation
Labor Force Participation	Research & Development
Long Term Unemployment	University Innovation
Declining Median Income	Financial Markets
Social Security Trust Declines	Gegraphic Advatage

Is the U.S. in an Economic Decline?

- U.S. Still the Greatest Economy
- But U.S. Is Slipping – Needs Fixing

SMC Investment Recommendations

Rule # 1: Avoid Losses

Rule # 2: Get Incremental Gains