

2nd Quarter
2017

DOW 20,663
TSY 10 yr. 2.39%
(3-31-17)

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Hi dear clients and friends,

There is a different mood today in Washington and Wall Street. It is typically American that huge segments of the population think differently about the prospects. As always, I am confident in the ability of Corporate American to make money... and therefore bullish on the stock market. This quarter, some background on the Dow Jones Average. A bit of history on some very smart people and how to protect yourself against them. Some thoughts on the future.



The Dow Jones Industrial Average (DJIA) as of the end of the 1st quarter 2017 stood at 20,663. What does that mean? The DJIA is comprised of 30 companies (all household names) ranging from Apple Computer to McDonalds to Exxon Mobil and all touch our lives every day. The average was first constructed in 1885 and ever since has been the best-known benchmark of, "the market." Let's now talk about the market and its two companions, the economy and politics. I shake my head and smile when I think of how these

three topics are bantered about on golf courses, parties and Wall Street board rooms. Many observers are convinced there must be a way to arrange these three ingredients and come up with a fool-proof formula to figure out what the market will do.

Dr. Ravi Batra was a well-respected professor of Economics from SMU who in 1987 wrote a book *The Great Depression of 1990*. And what happened? 1990's saw the Dow go from 2700 to over 11,000. Then we were flooded by other books – *Dow 40,000* by Elias, *Dow 36,000* by Glassman and Hassett and *Dow 100,000* by Kadlec. And what happened? The Dow started the decade at 11,000 to went to a low of 6500 in early 2009. You can buy all these books now for a buck on Amazon.

These authors and many like them are not frauds; they didn't steal investor money like Bernie Madoff.. but they were arrogant enough to think they could game the system (somewhat akin to the High Frequency Trading of today). The bottom line is smart people will always be humbled by the markets. The markets need to be respected for what they are. At one extreme the market can deliver great wealth or at the other extreme, it can destroy wealth and leave you broke; both are real. The need to be prudent in assessing risk is the key to successful investing.

The Stock Exchanges are the heartbeat of our Capitalist system. My 40+ years in this business has taught me that investing is better than speculating. It may not be as fun, and it's a lot slower, but in my opinion, in the long run it's proven to be more profitable.

How do we guard against these common mistakes?

1. Have a qualified and experienced Financial Advisor, one you can trust and confide in.
2. Remove thoughts of windfalls like hot tips and inside information.
3. Accept that most of the knowledge investors have about investing is from advertising.

The Morgan Stanley Global Infrastructure Fund. In the last newsletter I talked about the Morgan Stanley



Insider_monkey; flickr

Global Infrastructure fund, a fund with its eye on the future. This fund can provide a way to participate in the rebuilding of American infrastructure (and the world), as there is diversification (57 stocks, as of 3/31/17). This fund includes companies whose primary revenue is derived from airports, roads, ports, oil and gas pipelines, wireless telecom towers and utility companies. This fund can be bought outright or thru an annuity. If you want more information on this fund, call or email me.

DISCLOSURE—The Morgan Stanley Global Infrastructure Fund is a fund of Morgan Stanley Investment Funds; the fund is managed by Morgan Stanley Investment Management (ACD) Limited, part of the Morgan Stanley group.

The California Department of Motor Vehicles took a big leap in March 2017. They published new proposed rules that would allow autonomous car companies to test cars without any human driver inside -- meaning self-driving cars would finally be truly driverless. Last month also, Intel, bought Mobileye \$15 billion, a tech company that develops vision-based driver assistance systems. Google “Waymo,” to see what its driverless car is up to.



The Tesla Motor Company (Elon Musk) presented a new product that may someday change the way we power our homes and cars— it's called ‘Solar Roof.’ Unlike traditional solar panels, which are bulky and attach on your current roof, the Solar Roof is designed to look like traditional roofing shingles. The purpose of this roof is to power your home AND car.

America’s “factories of the future” will have 3 components: Robots, Automation and Software which will revolutionize: productivity, cost control and profits. We may not like the changes it brings, as many labor-intensive jobs will be lost. However, let’s not forget that the primary objective here is profitability of Corporate America... which fuels the stock market. If your money is not pointed towards the future you will not participate in this new Industrial Age.

I feel mutual funds are well designed to participate in the future of American. Whatever the fund’s nature, it must be true to the prospectus, so we know what we’re buying. The fund managers do research on companies in these funds; they’re primarily concerned with the financial condition of these companies, and if a stock meets their criteria, it is added to the composition. As an example, there is a stock fund that has the following criteria: portfolio companies must increase their dividend at least 8 times every 10 years (with no reductions), the total increase every 10 years must be 100% and they need to reinvest at least 35% of their earnings in their own future growth (annually). If a company fails to maintain this criteria, it is weeded out of the portfolio. This fund currently contains 93 companies and can be bought outright or thru an annuity. If you want information on this or any other mutual fund, call or email me.

This Newsletter goes to both clients and prospects. If you are a client, thank you for trusting me with your money. If you’re not a client but like my thinking and the way I approach the markets, call or email me. Either way I love feedback.

If you have any questions or comments, you can call me at 352-775-8777 or email at Chris.Delzio@QuestCapital.com.

This Newsletter is 100% written by me. I do not purchase any pre-approved material

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