"The increasingly desperate search for yield is the single greatest source of risk in the financial system."

—BlackRock Chief Executive - Laurence Fink

April 30th, 2015

A Look Back

The stock market was more volatile and less correlated in the first quarter of 2015 than in the recent past, enabling many active managers to outpace the S&P 500. The current bull market which began its run in March, 2009 remained in force, with the S&P 500 posting a gain of 0.95%, despite several 2% to 3% dips along the way. As the U.S. dollar continued to gain strength and the price of oil fell more than 10%, the S&P 500 had a bumpy ride. The index went negative in January, before hitting a new high in February and then returning to the red in March.

It is hard for active managers in a market where everything advances in lock-step (which has been the case in the recent past) to beat the leading stock market indices. In markets where there is less correlation between sectors and within sectors, active managers tend to do better. This is precisely what happened in the first quarter of 2015. The adage everything reverts to the mean certainly held true with regard to the performance of the utility sector in the first quarter. Utilities were the worst performer, losing 5.17% after experiencing a gain of 28.98% in 2014 including a 13.19% advancement in the final quarter of 2014. Four of the ten sectors that comprise the S&P 500 were in the red. The best performing sector was health care, increasing by 6.53%, followed by consumer discretionary which advanced by 4.80%.

First Quarter 2015 Performance

The vast majority of accounts that we have managed for multiple years demonstrated satisfactory results for the initial quarter of the current year. 2015 began eerily similar to last year when we experienced negative returns in January. Unlike last year, however, we were able to overcome the hole we dug for ourselves in the first month of the current year, and were able to post positive results for Q-1. Most accounts have large cash positions which negatively impacted first quarter results.

Although we would prefer to hold less cash, it is much more difficult today to find businesses that are available for purchase at bargain basement prices. Unless we are able to find an investment that affords us significant upside, and also provides a margin of safety we will continue to hold cash and wait for the right opportunity at the appropriate price. In a bull market that is approaching its sixth anniversary and where most stocks are fairly valued, holding cash and waiting for opportunities to unfold is not such a bad idea, even if it may temporarily negatively impact short-term performance.

A Look Ahead

The Strong U.S. Dollar

The steep rise in the dollar risks undermining business confidence in the U.S. and potentially sending the economy into a slowdown. The dollar has risen approximately 25% versus a basket of other currencies in the nine months from last June to March. It is true the U.S. economy as a whole is not overly exposed to exports, however, many of our largest and most influential companies are. This could possibly lead to an erosion in confidence on the part of CEO's with the potential to slow both investment decisions and future domestic growth. As we indicated in our year end letter to clients, large U.S. based entities doing business abroad will be adversely impacted by a rising dollar. During the current quarter a good many of these companies saw their common equity significantly underperform the Russell 2000, a basket of smaller businesses, who for the most part do little or no business outside the U.S. and are not faced with this headwind.

The Sharp Price Decline in Petro

The dramatic and swift decline in the price of oil is a double-edged sword. While estimates vary, some experts forecast the current price of oil will save consumers as much as $75 billion in 2015. Since consumer spending represents as much as 75% of the domestic U.S. economy this translates into a huge stimulus for certain sectors such as retailing, travel and entertainment just to name a few. There is usually a lag time, however, before the consumer feels comfortable enough with this new found wealth for them to actually spend it. Initially this money is saved. In support of this argument a spike in the savings rate has occurred since the price of oil has nosedived. On the negative side, the slide in the price of oil has seen capital expenditures in this sector plummet, a reduction in the labor force has commenced and a slide in real estate prices in certain oil producing states has materialized. This is worrisome as in the past few years some of the highest paying jobs have been created in this category.

Higher Interest Rates?

In all likelihood interest rates are headed higher, usually a headwind for equities. However, the recent weak jobs report might have pushed the inevitable increase back a quarter or two. Furthermore, rates are at such historically low levels that an increase, should not adversely affect equity valuations, at least initially. More worrisome is the risk that monetary easing has inflated asset prices as investors such as pension funds searching for yield in a low interest rate environment are pushed into riskier asset classes. The mix of growing assets and shrinking yields is creating a potentially dangerous imbalance. According to Larry Fink, the chief executive officer of Blackrock, "policy makers seem insufficiently attuned to the conundrum their actions are creating for investors: reach for high yield and continue to fuel an expanding bubble, or remain on the sidelines and watch unfunded liabilities grow unchecked."

Volatility

As we indicated to you in our year-end client letter, investing in the U.S. stock market during 2014 was not as easy as what the major averages indicated at year's end. The twelve month period featured some stomach-churning bouts of restlessness and at least three rounds of dips in the S&P 500 of more than 5 percent. The early part of October saw that index decline by almost 10%, before rallying to new all time highs. In the first quarter of the current year we have already experienced several 2%-3% declines....expect more of the same throughout 2015.

Third Year of the Presidency

Going back to 1928, total returns including dividends for the S&P 500 or its predecessor have on average seen 18.6% gains in the third year of presidential terms; almost double that seen during the first or second years. The second-best performances are those of election years themselves. Because of the stock market's stellar performance during the years subsequent to the financial crisis and valuations that are somewhat higher than normal, we do not envision those types of returns for 2015. We do believe, however, the market will end the year modestly higher than where it began.

It’s Time in the Market, Not Market Timing That Matters

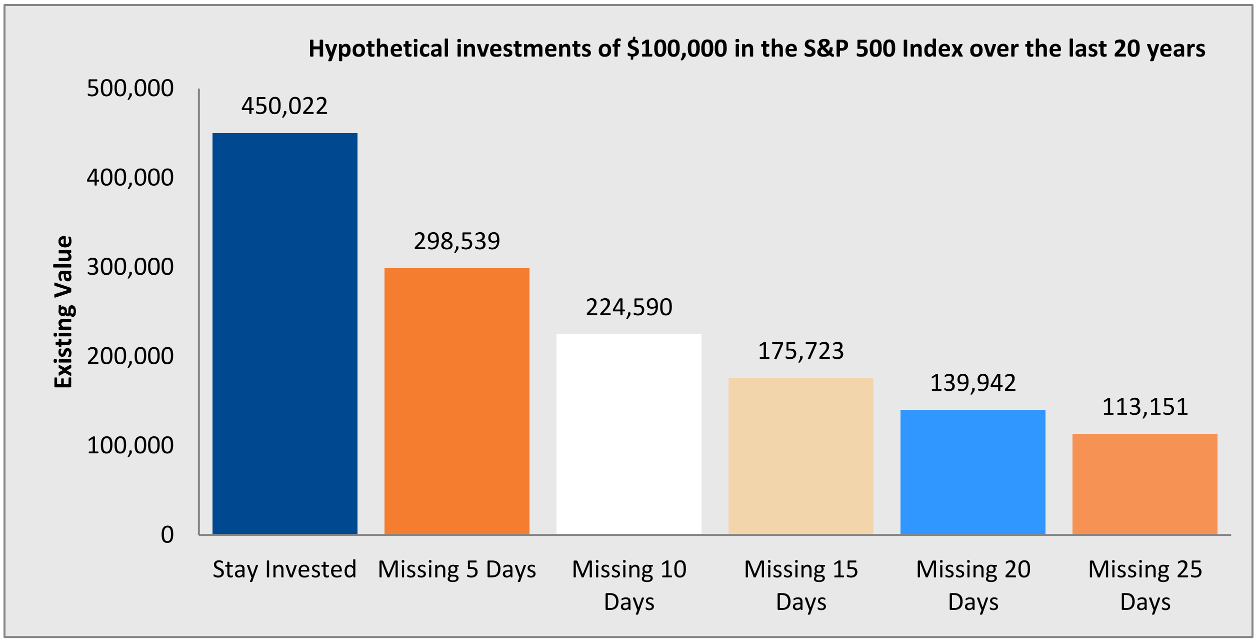
From time to time we like to remind clients (particularly during volatile periods, or market corrections) the importance of staying the course. It is usually during these periods investors panic and do the wrong thing. As Mike Tyson so aptly phrased it, "Every prize fighter has a plan until he gets punched in the face." We believe this applies to the stock market as well.

Investors frequently forget the powerful effect of compound interest. As Albert Einstein once said, "compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn't ...pays it." In fact time is one of investors' most powerful assets. It may be tempting to pull out of the market when it is shaky, but being out of the market can cause you to miss valuable opportunities if stocks should rise.

Volatile markets are a fact of life--but so are market recoveries. Between the Second World War and 2008, there were ten recessions, with an average market decline of 22.6%. But the gains after each recession (measured 12 months after the market low) have averaged a very impressive 32%.

It pays to stay in the market, and not attempt to market time. As the chart on the following page demonstrates, missing even a handful of days can be injurious to your long term financial well-being. The graph shows how a hypothetical investment in stocks would have been affected by missing the market's top-performing days over the 20 - year period from January 1, 1994 to December 31, 2013. For example, an individual who started with $100,000 and remained invested for the entire time period would have accumulated $582,287, while an investor who missed just five of the top-performing days during that period would have accumulated only $386,550.

Missing the Market's Top-Performing Days Can Hurt Your Return



Source: BlackRock

—Ameriprise Financial Website and Boyar Value Group

The Unintended Consequences of Government Regulations

(1) Here's a question that has been puzzling Patrick Doyle, the CEO of Domino's, for months, as he puts it: "How do we list the calorie content of our pizzas on a menu when we have 34 million different variations of pizza?" The new menu labeling law, a creation of the Affordable Care Act, could require his company to do just that.

It's a textbook case of a mindless and arcane regulation, of Washington bureaucrats imposing on businesses costs that will have no effect on public health. "We have been voluntarily doing menu labeling for over a decade," says Mr. Doyle.

That isn't good enough for the Feds. The Food and Drug Administration is now insisting that everyone of the chain's 5,000 stores post menu boards on the wall with calorie counts. "It's crazy and it doesn't help consumers," Mr. Doyle says because "90% of Domino's orders arrive by phone or Internet and are for delivery, so fewer than one of ten customers will ever see these signs." The signs will cost about $2,000 at every store, and each change of menu will require new ones. This is about $10 million of extraneous costs nationwide for Domino's.

—From The Wall Street Journal, March 13th 2015 by Stephen Moore

(2) Lower oil prices are roughing up what has been a thriving U.S. oil patch, with some 74,000 layoffs since November and the drilling rig count down 38%. If politicians want to do more than wring their hands, they could save American jobs and investment by lifting the ban on oil exports - and soon.

Richard Nixon imposed the export ban during the oil-supply panic of the early 1970s and for decades it hardly mattered. U.S. oil production kept declining so export markets were not needed. Then came hydraulic fracking and horizontal drilling, which has turned the U.S. into the world's largest producer of petroleum and related liquids.

That production is now under pressure from lower prices, but the damage could be reduced if U.S. producers were able to export more of their product to meet demand in the global market. American frackers produce the light sweet crude known as West Texas Intermediate (WTI), and world refineries are eager for more.

But U.S. producers can't export their oil, and U.S. refineries are mainly built to process heavier oil imported from Mexico, Venezuela and Canada. This refining mismatch means that U.S. oil is piling up in storage or being sold at a discount. WTI now trades 20% below the world market price, which means additional pressure on U.S. producers to stop drilling.

That plays into the hands of Russia and Saudi Arabia, which are only too happy to see U.S. production fall so global prices can climb again. The Saudis all but said that undercutting U.S. drillers was their goal when they decided last year not to cut their production quotas.

The political fear is that lifting the ban would increase U.S. gasoline prices, but the opposite is true. U.S. pump prices are mainly tied to the price of Brent crude, which is freely traded on the world market and is higher than it might otherwise be because of the ban on U.S. exports.

If U.S. producers were allowed to compete globally, prices of Brent and WTI would converge over time, and U.S gasoline prices would come down all other things being equal.

—Excerpt from The Wall Street Journal, March 13th 2015

(3) Dodd Frank is a 2,300 page document that currently contains approximately 208 regulations that were passed by Congress in the aftermath of the financial crisis that is intended to prevent a similar event from occurring. There are still approximately 190 regulations that have not passed the House. If and when the entire piece of legislation is finalized the bill could contain 4,000 pages.

The bill either prevents banks from engaging in certain businesses that they were major participants in prior to the financial crisis, or makes it more difficult for them to engage in such activities because of newly enacted capital constraints they must adhere too. As a result new unregulated participants in those types of enterprises have emerged. These "shadow banks" have entered the mortgage lending business, for example, as banks continued their retreat from this type of venture. Nonbank lending rose to 37.5% of the market during 2014, up from 14% in 2011, according to the publication Inside Mortgage Finance.

Certainly some of the blame relating to the financial crisis rests with the lax lending standards of the banks. These lending institutions were subject to periodic audits by the Federal Reserve, and even with such a safeguard in place the worst housing crisis in U.S. history took place. Quite clearly, Dodd Frank did not envision that unregulated institutions would become such a large force in areas that major banks were once the dominant players. By excessively penalizing these institutions, by barring them from certain investment activities, or making it more difficult for them to be participants, a potentially more dangerous situation has arisen.

An additional unintended consequence of Dodd Frank has emerged. There is estimated to be more than $1 trillion of corporate and emerging market bonds in mutual funds, which could put the system under pressure should a wave of investors rush to withdraw, according to Morningstar, the data provider. In the past banks used to make markets in these types of securities, as well as hold them for their own account. It is now quite difficult to complete some bond trades because banks have withdrawn from the market and are no longer buying and selling as they once did. The lack of liquidity has been exacerbated by the Volker rule, which must be complied with by July. The rule prohibits banks from proprietary trading, restricting their roles as buyers and sellers in the market.

General Electric's recent announcement that it will sell its huge credit operation is another example of what happens when government overregulation occurs. Dodd-Frank designates certain institutions, mostly over $50 billion in size, as systematically important. They are saddled with SIFI status. Those firms have stronger capital requirements, make it more difficult for it to declare bankruptcy, or take advantage of FDIC protection if they fail. GE Chairman and CEO Jeff Immelt has been quoted as saying, "GE will work closely with (the regulators at the Financial Stability Oversight Council) to take the actions necessary to de-regulate GE Capital as a Systematically Important Institution (SIFI)." With the announced sale of this business who will have regulatory oversight of these entities?

Can Apple Maintain Its Mojo?

Apple's lofty stock-market capitalization may contain seeds of its own undoing. According to Doug Ramsey, the chief investment officer of the Leuthold Group, when a stock gets as big as Apple's relative to the market, that's tended to mark the peak. Specifically, when one stock's market value grows to comprise 4% of the Standard & Poor's 500, that tends to mark a ceiling, according to his research. At the time of his piece, Apple's market-cap was $748 billion, which he observed equaled the combined total of the bottom 106 stocks in the S&P 500. Apple also nearly equaled the market value of the entire S&P SmallCap 600 index, which then totaled $755 billion.

Since 1990, there have been four instances when a single stock took on the Brobdingnagian dimension of 4% of the S&P 500. Those included Microsoft, General Electric, Cisco Systems and ExxonMobil in their heydays. For those companies at the top, *sic transit gloria*. Microsoft was able to maintain that lofty status for just 12 months as did ExxonMobil, while GE managed to hold on for 15 months. But Cisco was able to stay at 4% of the S&P 500 for only a month at the top in the tech bubble, when its valuation was especially egregious. Uniquely, however, Apple was able to return to the Four Percent Club after its September 2012 peak and subsequent fall from grace.

"We'd bet heavily that capitalism and the law of large numbers will combine to drive Apple out of the Four Percent Club in the next several years," Ramsey writes. "But we'd concede that Apple remains considerably cheaper than Microsoft, GE, and Cisco Systems when those three stocks were members, and Apple has accomplished something especially rare with its re-admittance to the club after more than a two-year hiatus. All prior expulsions were permanent."

Ramsey concedes that fundamentals justify Apple's valuations more than its predecessors'. "Supporting Apple's three-quarter trillion dollar market cap is trailing 12-month net income of $44.5 billion — almost double that of the S&P 600 ($23.6 billion)! Superficially, then, Apple — up 100-fold in the past 12 years to the largest market valuation in history — is significantly cheaper than U.S. Small Caps."

History suggests that when a stock takes on the outsized dimension such as Apple's, it can't get any bigger. That is the essence of the law of large numbers; that something that big can't keep growing at the same rate. Whether Apple can defy that law is the question investors in the world's biggest stock need to answer.

—Excerpt from Barrons Apple Stock: Just too Big to Keep Growing?
Written by Randall W. Forsyth March 10, 2015

What Happened to Too Big To Fail?

The largest five banks in the U.S. now control nearly 45 percent of the industry's total assets, according to an analysis from SNL Financial that comes amid an earnings season that has been generally positive for the largest institutions.

Bank	Total assets ($B)	Share of industry assets (%)
JPMorgan Chase	2,074.95	13.34
Bank of America	1,574.09	10.12
Wells Fargo	1,532.78	9.86
Citibank	1,356.78	8.72
U.S. Bank	398.98	2.57

Source: SNL Financial

In total, the five institutions JPMorgan Chase, Bank of America, Wells Fargo, Citigroup, and U.S. Bank Corp had just under $7 trillion in total assets as of the end of 2014. That's good for 44.61 percent of the industry total. It also leaves the other 55.4 percent of the assets to be divided up among 6,504 other institutions. Banks had total assets of just over $15 trillion at year's end, a number that has grown to about $15.3 trillion in 2015, according to the Federal Reserve.

Excerpt from an article written by Jeff Cox on CNBC.com

If you have any questions or comments, please do not hesitate to call.

Best regards,

Mark A. Boyar

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Past performance is no guarantee of future results. Investing in equities and fixed income involves risk, including the possible loss of principal. *The S&P 500 Index is included to allow you to compare your returns against an unmanaged capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks representing all major industries. The Russell 2000 is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The NASDAQ Composite is a market-capitalization weighted index of the more than 3,000 common equities listed on the NASDAQ stock exchange. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The volatility of the above-referenced indices may be materially different from that of your account(s), and the holdings in your account(s) may differ significantly from the securities that comprise the above-referenced indices. Your results are reported gross of fees. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) $1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.50% annual investment advisory fee would be $15,566 in the first year, and cumulative effects of $88,488 over five years and $209,051 over ten years. This material is intended as a broad overview of Boyar Asset Management's, philosophy and process and is subject to change without notice. Account holdings and characteristics may vary since investment objectives, tax considerations and other factors differ from account to account.*