The *Investment* House LLC

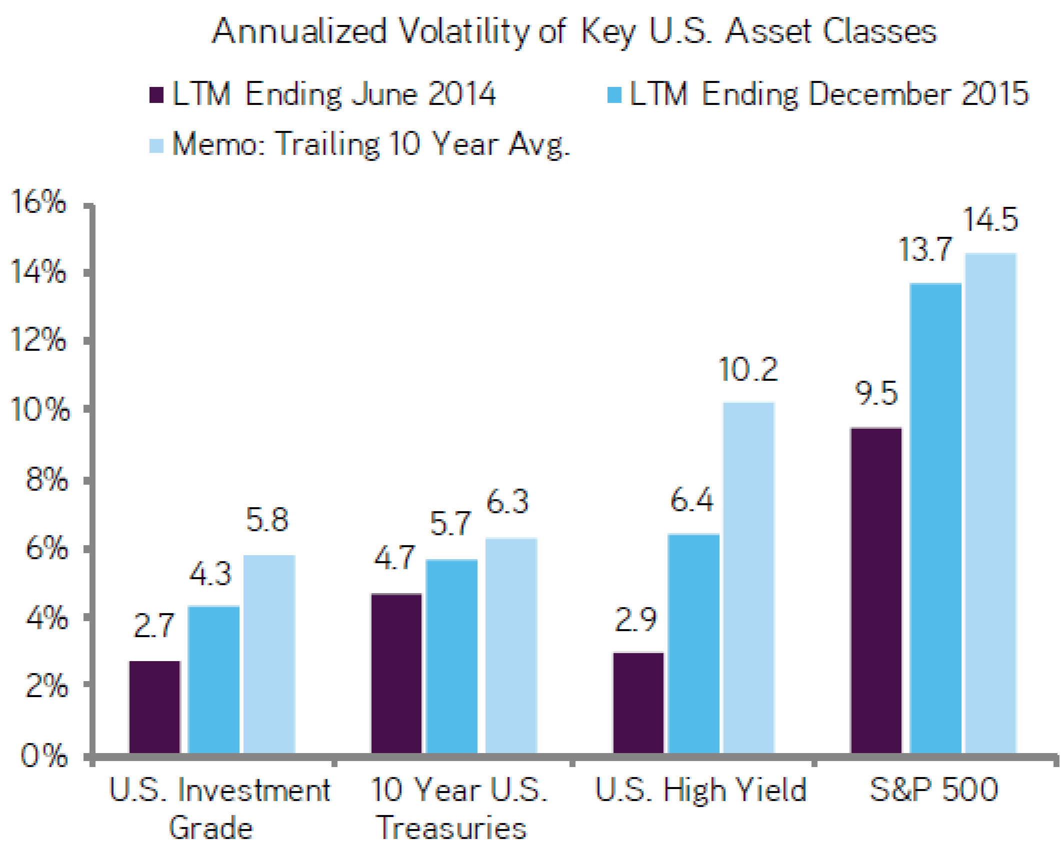
The Investment House Quarterly: December, 2015

Index %	2015	2014	2013
S&P 500	**+1.38%**	**+ 13.69**	**+32.39**
Barclays US 20+ Yr Treasury	**-1.59%**	**+27.48**	**-13.88**

Source: Morningstar

A Picture Is Worth A Thousand Words

As the New Year has begun, the return of normal asset volatility which we have long expected continued and became more visible. However, as the graph below makes clear, the bumpiness in all asset classes – not just stocks - may well continue. Even after the increased volatility of 2015, major asset classes have yet to reach their 10-year averages.



Data as at December 31, 2015. Source: Barclays, Haver Analytics, Bloomberg, KKR Global Macro & Asset Allocation analysis.

Part of this, no doubt, is due to a normalization which is occurring as the Federal Reserve has withdrawn its extraordinary support of the economy by ceasing its quantitative easing program.

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Bernard Baruch, an American financier, investor and advisor to U.S. Presidents was asked by a reporter……What will the market do? He answered it will fluctuate. Perspective is always a helpful tool. Equity markets correct roughly 14% intra-year which means they drop 14% top to bottom, on average, every year. The "market" is up 200% in the last seven years without so much as a 14% "correction." Such an occurrence is long overdue.

The good news is that short term downside volatility (upside volatility never seems to cause concern) can produce some very attractive prices in the equity markets. Where great businesses are on sale, volatility is actually the friend of the intelligent long term investor, not the foe, and we welcome the opportunity.