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# VIEWS FROM CAMELBACK MOUNTAIN

***A Quick Update to Our New Year's Letter***

We wrote to you on December 31, 2014 about the possibility of a national sales tax and warning of a risk of dramatic changes to estate tax laws after the 2016 elections. Barely three weeks later, in President Obama's State of the Union Address, he unveiled proposals that, if enacted, would dramatically impact income taxes and estate taxes for very wealthy people. With the current Republican control of the House and the Senate, these proposals appear dead on arrival over the next two years. Nevertheless, they illustrate the direction that some Democratic leaders are headed.

As we warned in our New Year's letter, with at least 24 Republican Senate seats to be decided in the 2016 elections versus 10 Democratic seats, there appears to be a strong opportunity for Democrats to retake control of the Senate following the 2016 elections. At this point, it is impossible to predict who our next President will be or for that matter, who the final candidates will be. If we do end up with a Democratic President and Senate, we could well be in for a grand bargain on income and particularly estate tax regulations. The President's recent proposals should be regarded as a call to action for very wealthy people to consider establishing some estate planning provisions over the next two years, which likely would be grandfathered in the event that more onerous provisions are enacted.

We are not making a value judgment on the relative merits of increased tax rates. We are merely bringing to your attention that with so many Americans in need, our Government has an insatiable appetite for additional revenue. As you know, we do our best to monitor developments in tax laws and other government regulations that impact our clients' investments.

Three weeks into 2015, we have seen a dramatic increase in market volatility. Concerns are centered on falling oil and commodity prices, weak economic data in Europe, and a rapid strengthening of the U.S. dollar. Most of these trends are likely to continue over the coming months, which probably means that we should expect ongoing volatility.

While the decline in oil prices has contributed to volatility, on balance, it is stimulative for the U.S. economy and most businesses. We continue to look for reasonable earnings growth at the majority of U.S. companies in 2015 and we believe that stocks are about fairly valued. As a result, we think investors in high quality companies, such as the ones we own, should simply ride through this period of volatile markets.

Please call any of us if you have any questions or if you would like to discuss this further.

Best regards,

Harry Papp
Managing Partner
January 21, 2015