



Lindisfarne Investments, LLC

An island of safety in a sea of risk

Market Update

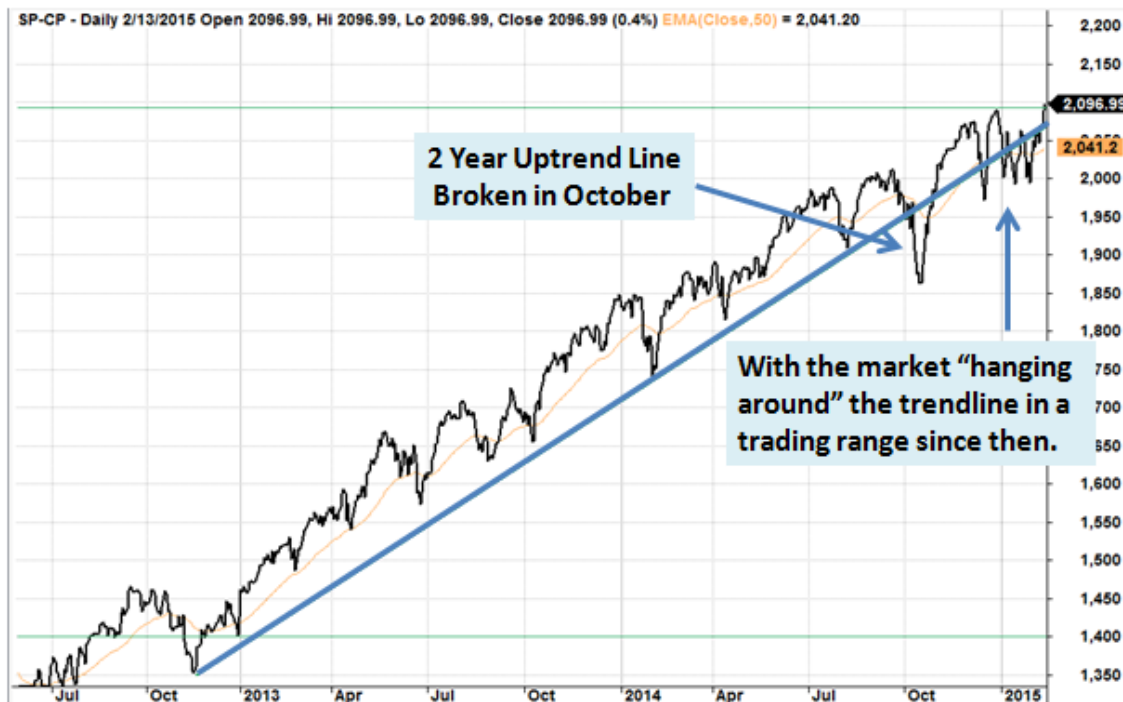
February 13, 2015

It has been a while since our last Market Report. I don't believe in putting out a report just because the calendar says so. If there is nothing of importance to say, don't say it.

As you may recall in the last report, the S&P 500 had just broken its two year uptrend line. Also, it was in the area of the large-round-number of 2,000. As I suggested, these numbers with zeros at the end have often marked a point where the market took a break, if not forming an area of overhead resistance.

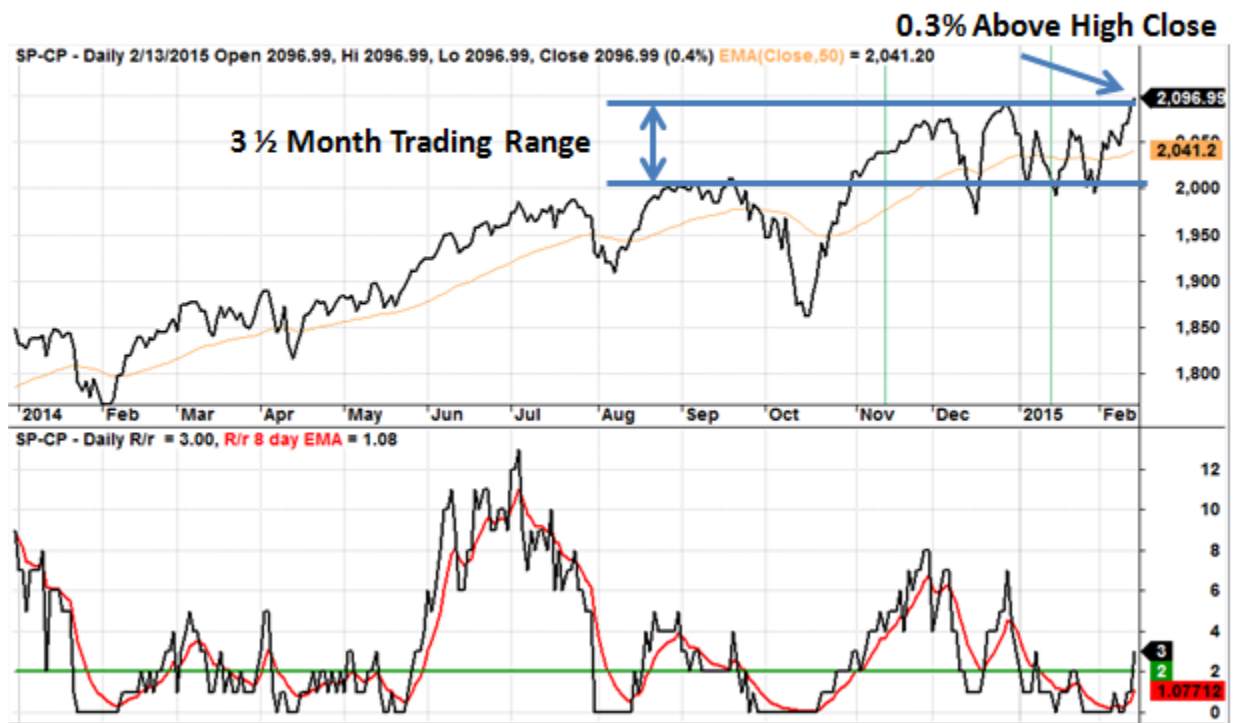
The chart below shows that the market did exactly that.

S&P 500 Daily Chart



In November, we began a 3 ½ month range where the market stayed in a +/- 2.5% trading range. But as the next chart shows, on Friday, we closed just slightly above (0.3%) the previous closing high that occurred on December 29th. This is good news as it may portend that the market finally begins to move upward again. But we need to be wary that it may be a mere extension of the trading range. If this week's close is above the top of the range (greater than 2090), it will increase the probabilities that the breakout is real.

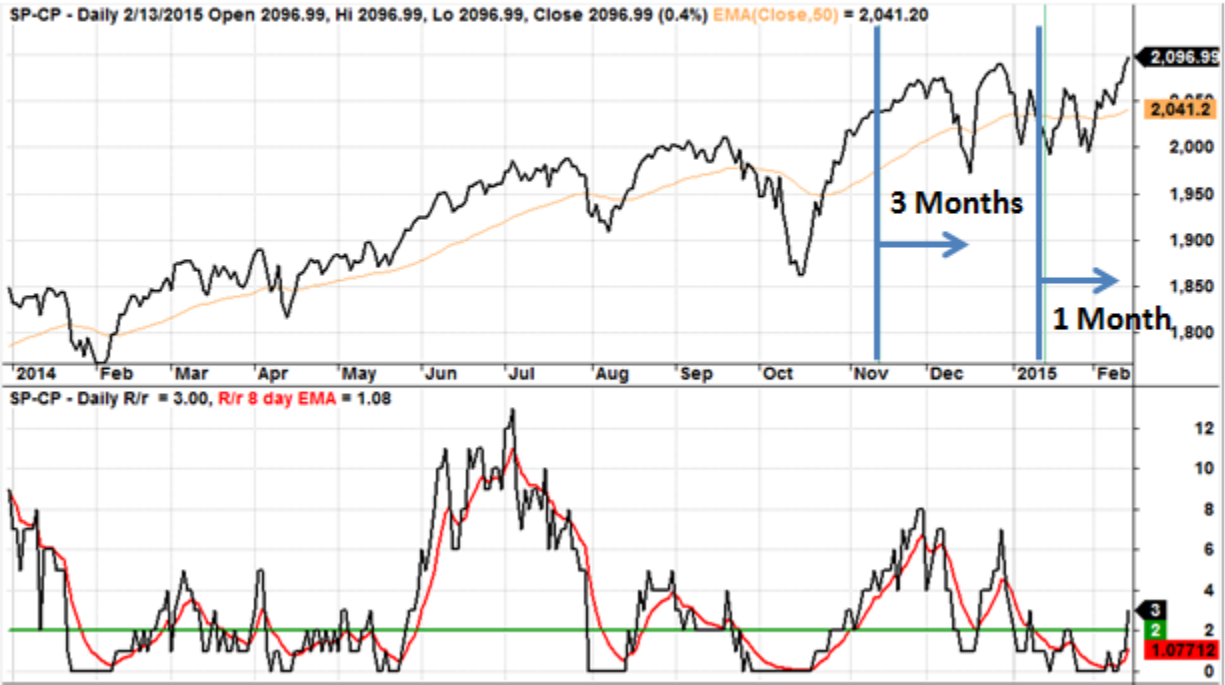
S&P 500 1+ Year



At readers' request, I have re-instituted a long time feature of the Lindisfarne Market Report, namely, ranking the various investment sectors by their proprietary Return/risk value. Return/risk (R/r) is a measure of how much a fund is advancing divided by the volatility it exhibited during that advance. Another way of saying this is "how many units of return am I getting for each unit of risk I am taking?" We all want the most buck (high return) for the least bang (volatility) that we can get.

I typically look at R/r in two time frames, one intermediate and the other short term. For the intermediate time frame, I look back over a time period to where the market began its current behavior. In the current situation, that period is about three months. For the short term, I typically look back 21 trading days, which is comparable to one month.

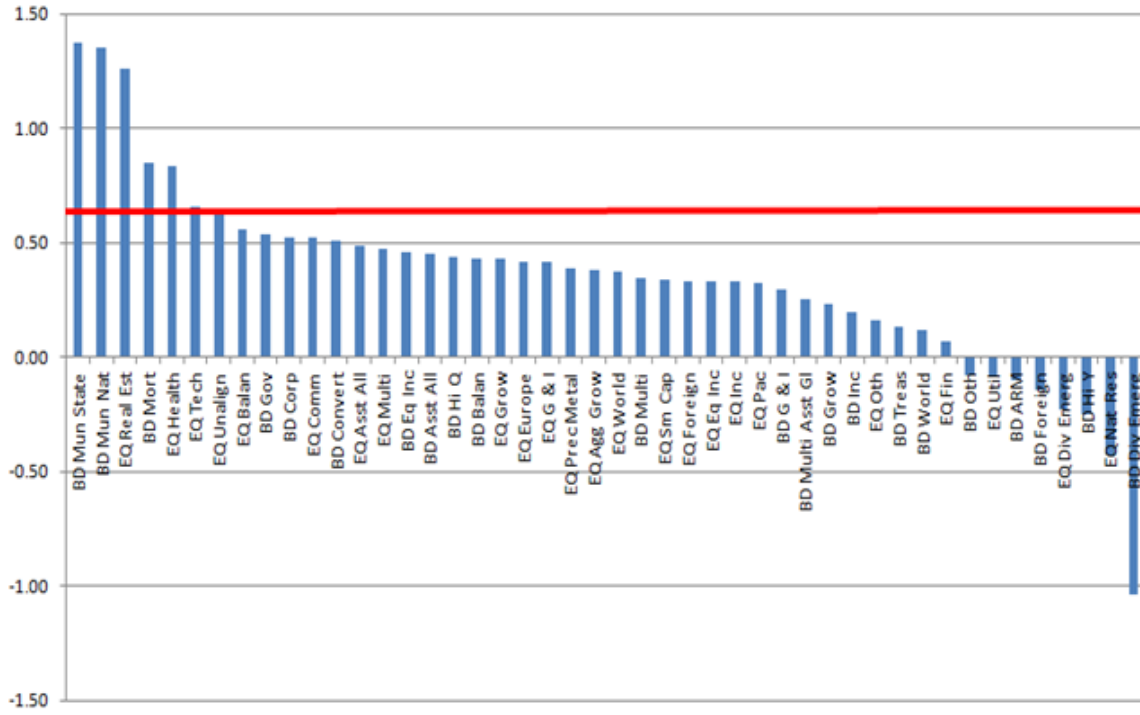
S&P 500 1+ Year



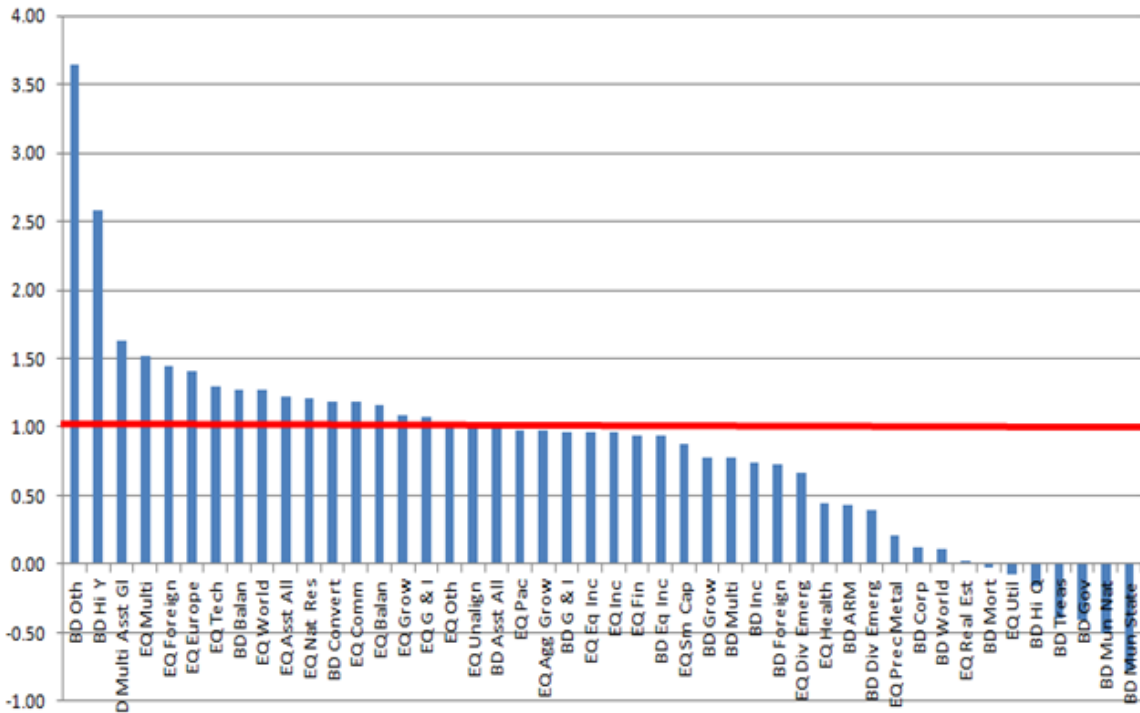
The following two charts shows the relative R/r strength for each of the 46 different economic mutual fund classifications in the institutional no-load mutual funds offered by National Financial Services which is the clearing house for both Fidelity and Ceros Financial Services. These typically have no redemption fees, although a small number may have a reasonable fee for a short holding period.

I must emphasize that these charts reflect past performance which as you all know is no guarantee of future behavior. But they do reflect recent history and may be of value as a guide for you. As usual, I encourage you to do your own due diligence as the funds offered by your broker may be different than the ones that are available to me and the fee structure may be completely different even for the same funds. Finally, know your risk level and invest accordingly.

R/r 3 Month Lookback



R/r 1 Month Lookback



For your convenience and interpretation, I have included below an expanded full name for the sector abbreviations used in the charts.

Bond Categories

Abbreviation	Full Name
BD Asst All	Bond Asset Allocation
BD Balan	Bond Balanced
BD Convert	Bond Convertible
BD Corp	Bond Corporate Bond General
BD Hi Q	Bond Corporate High Quality
BD Hi Y	Bond Corporate High Yield
BD Div Emerg	Bond Diversified Emerging Markets
BD ARM	Bond Government ARM
BD Gov	Bond Government General
BD Mort	Bond Mortgage
BD Treas	Bond Government Treasury
BD G & I	Bond Growth & Income
BD Grow	Bond Growth
BD Inc	Bond Income
BD Multi	Bond Multi-Sector
BD Mun Nat	Bond Municipal National
BD Mun State	Bond Municipal Single State
BD Oth	Bond Other
BD World	Bond Worldwide
BD Eq Inc	Bond Equity Income
BD Foreign	Bond Foreign Stock
BD Multi Asst Gl	Bond Multi-Asset Global

Equity Categories

Abbreviation	Full Name
EQ Agg Grow	Equity Aggressive Growth
EQ Asst All	Equity Asset Allocation
EQ Balan	Equity Balanced
EQ Div Emerg	Equity Diversified Emerging Markets
EQ Eq Inc	Equity Equity Income
EQ Europe	Equity European Stock
EQ Foreign	Equity Foreign Stock
EQ Grow	Equity Growth
EQ G & I	Equity Growth & Income
EQ Inc	Equity Income
EQ Multi	Equity Multi-Asset Global
EQ Oth	Equity Other
EQ Pac	Equity Pacific Stock
EQ Sm Cap	Equity Small Cap
EQ Comm	Equity Specialty Communication
EQ Fin	Equity Specialty Financial
EQ Health	Equity Specialty Health
EQ Nat Res	Equity Specialty Natural Resources
EQ Prec Metal	Equity Specialty Precious Metals
EQ Real Est	Equity Specialty Real Estate
EQ Tech	Equity Specialty Technology
EQ Unalign	Equity Specialty Unaligned
EQ Util	Equity Specialty Utility
EQ World	Equity World Stock

If there are any questions about the funds or the R/r concept, please feel free to drop me an email at the address listed below and I will do my best to answer as promptly as I can.

Please feel free to pass this update on to anyone that you think might be interested in it. If they wish to be on the mailing list or would like more information about the services of Lindisfarne Investments, we can be contacted by phone at (440) 623-0775 or by email at bill@lindisfarneinvestments.com.

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