

CAZ Investments

Quarterly Letter

The Reprieve from the Storm

After the tremendous sell off experienced early in the 1st quarter, the markets rebounded sharply to finish the 1st three months basically unchanged. As much anxiety as existed in February is as much complacency as we sense in April. What changed? Not much really, other than a perception that the Federal Reserve was not going to follow up their December rate increase with another rate hike very soon. Earnings continue to be mixed, with winners and losers, and profit margins remain under pressure as a general rule. As a result, we find ourselves in somewhat of a “no man’s land” where things are not that bad but not that good either. Our decision to remain a “2” on the CAZ Scale was prudent, and we are maintaining that rating at this time.

Part of the reason for the sharp recovery in stock prices was the substantial bounce we saw in Oil prices. Crude Oil prices bottomed on January 19th, the first trading day after our “No Brainer” email on January 18th, and have now rallied by more than 75% from the date of our notice. The companies in the industry are not out of the woods yet but this is certainly a welcome reprieve for anyone in the energy business. The path from here is going to be much more complicated, as we expect that the supply picture will not improve near as rapidly from this level.

At this point we remain cautious as the markets are expensive and the outlook for the economy is tepid, at best. It is hard to see what would cause a material slow down or an acceleration in growth. So, we remain focused on non-correlated assets as our expectations for stock prices over the next few years is unexciting. We reiterate our comments from the last several quarters which is to “sell when you can, not when you have to.” If your exposure to equities is higher than it should be, please use this bounce to lighten your position.

Everyone should have received notice about the new investment that we are making with our personal capital. This is going to be one of the largest positions that we have ever taken and we strongly encourage every family to consider where it fits in your portfolio. Quite simply, this investment is suitable for practically everyone. We are on record as stating that this is the most compelling cash flow vehicle we have seen in more than 25 years. If you have not taken the time to attend one of our events or reviewed the recorded presentation, please let us know and we will get you a copy of the materials. The Fund will be open monthly until the capacity has been exhausted.

We are very excited to announce that we are making improvements to our method of communication with clients. Beginning in July, all time sensitive information (Capital Call notices, Distribution notices, Quarterly Statements, K-1’s) will be delivered directly via email. All informational material (quarterly fund updates, underlying fund financials, annual reports etc.) will continue to be delivered via ShareFile so they are available for clients to access them 24/7. But, the default setting will be for no notices to be sent when those materials are deposited in the system. As a client, you can always adjust your settings in the system to receive information notices if you would like to receive them. This should dramatically reduce the number of ShareFile notices clients automatically



1st Quarter 2016

receive. We are pleased to be able to respond to client feedback in this manner and believe you will be very pleased with the balance of receiving everything you “need” via email and everything you might “want” via ShareFile. Please continue to give us suggestions for how we can make your experience with us even better. We are constantly working to improve and your feedback is most helpful!

We are pleased with how our firm is positioned at this point in the economic cycle, and we appreciate all of our families that co-invest with us. Please let us know if there is anything that we can do for you. Have a great spring!

The CAZ Investments Team

