MRP CAPITAL INVESTMENTS, LLC

1st Quarter 2014 Client Newsletter

Capital Market Update

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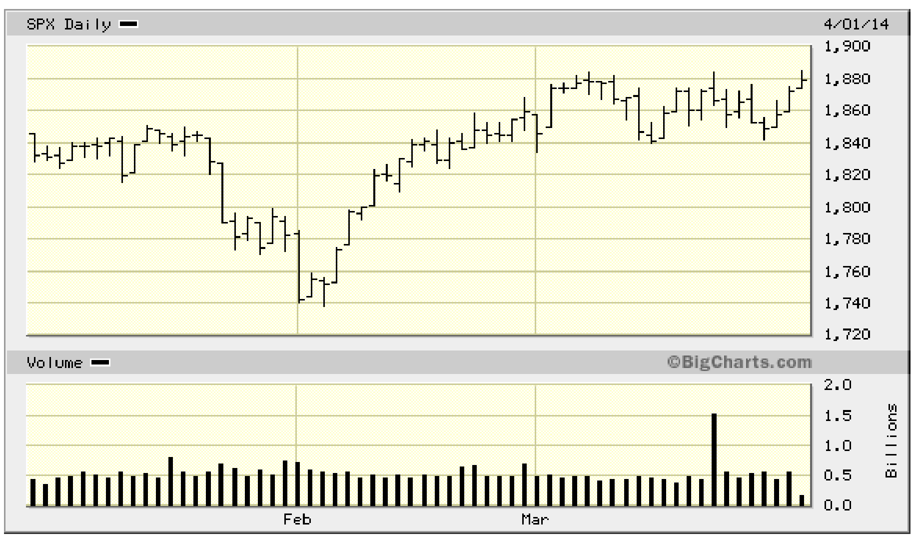
Considering all the hoopla and action that occurred within the stock market in 2013, the start of 2014 has been the exact opposite; NOTHING SEEMS TO BE GOING ON!! For the first quarter of 2014, the S&P 500 total return was +1.9%. Now I suppose that doesn't seem like a lot, but if you bought a 5 Year Treasury right now you'd lock in an ANNUAL return of 1.74% for the next 5 years. Given that, 1.9% per quarter doesn't seem so bad. But, nevertheless, coming off nearly a 30% gain last year, our current market returns seem a tad boring.



S&P 500 YTD Chart Supplied by BigCharts.com

But, quite frankly, boring returns at these levels should make all of your financial dreams reality. And that is what it is all about, investing wisely in the market in order to achieve life-long and/or multi-generational financial prosperity.

Stock Market Update

WOW! That is the feeling that overcame me as I did my review of the market and its place and time.

After the huge run-up in stock prices last year, and over the last 5 years, I was feeling that the market was fairly valued and had limited upside left. However, looking at the growth in nominal GDP and the estimates from Standard and Poors on the expected earnings of the S&P 500 for 2014, it is clear that the market does have upside left to it.

2014 estimates for earnings on the S&P 500 are $119. And with the indexes current price of 1,872.3, the P/E ratio equates to 15.73. That is FAR from expensive and when you combine that with the very low yields on bonds, the stock market becomes very attractive. To put that into visual context, here is the earnings yield of the market (the inverse of the P/E ratio) compared to the yield on the 10 year Treasury. The higher the line, the more attractive stocks are relative to bonds.

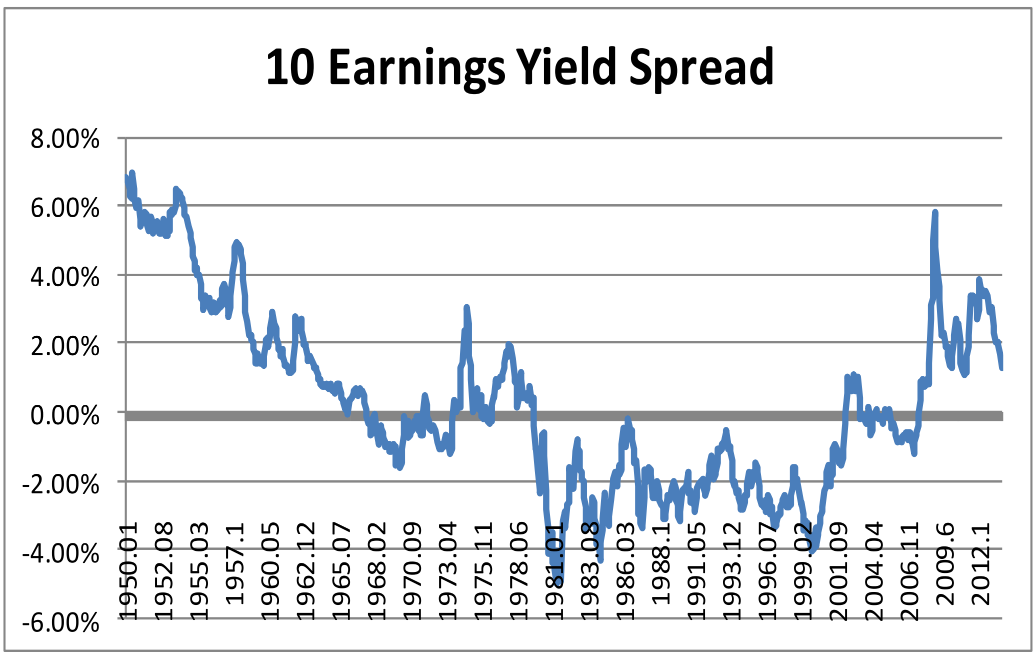


Chart Supplied from the MRPCI Database

Looking at this data, combined with other sources of data, leads me to believe that our current market is very similar to the market of the late 70s and early 80s. Interestingly enough, that market proved to be the beginning of a very powerful secular Bull Market. I have been saying, since the beginning of 2009 that we are, in fact, in a secular Bull Market. I continue to believe that is the case. The next major upward move in the market will take place when Consumer Sentiment turns positive.

Bond Market Update

I mentioned in the last newsletter that I believe interest rates will move higher over the long-term. I still have conviction in that idea.

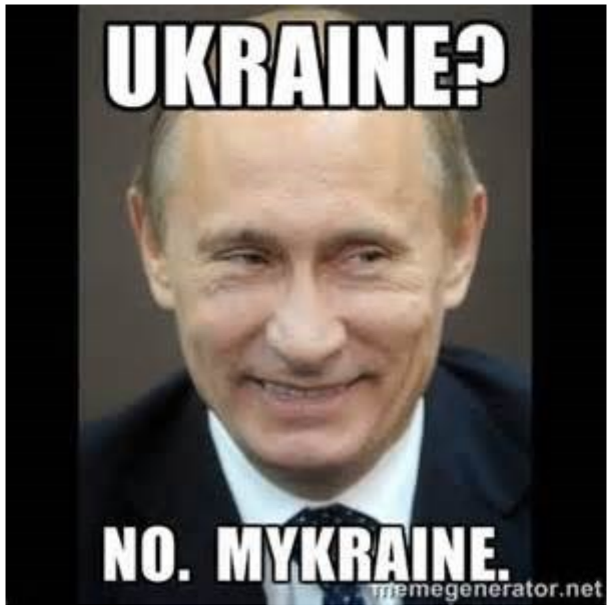
But like I mentioned last time, as well, I do not believe bonds are going to get wiped out by rapidly increasing interest rates. You see, the governments of the World are highly levered. Heck, most major institutions of the World are highly levered. And if rates rise rapidly, all of the major players are going to be put into severe financial jeopardy.

In my opinion, there is no way that the Powers That Be will allow this to occur. I think they will allow rates to gradually rise in a measured and manipulated, uh...oops...I mean, controlled fashion. This will facilitate the much needed normalization process regarding interest rates and the economy, while at the same time not harming the highly levered major economic powers.

What does this mean to bond investors? Plain and simply...be smart and prudent. Know rates are going to rise and have an appropriately laddered portfolio. This way, as rates rise you will have bonds maturing that you can reinvest at the higher rates. And as this process continues, your portfolio will continue to have bonds mature and you can keep taking advantage of higher and higher rates.

But, of course, credit risk needs to be factored into each and every bond purchase and sale decision. Interest Rate risk only one of the factors bond investors need to account for.

Non-Financial Events occurring this quarter



Putin seizes Crimea

Russia hosts the Winter Olympics

Comedic Genius Harold Ramis passes away

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