

Equity Portfolio Update #1 [+39.5% @ 12-31-15]

We have officially begun a new year and with that I have decided to start a new quarterly series. As many of you know that have been reading for any length of time, every month I put together a [very detailed financial report](#) that details out gross income, expenses, net worth, savings rate, and progress on the [7 year 3 month mortgage pay off goal](#). Since the report already pushes 3,000 – 4,000 words a month, I thought it would be more appropriate to provide details of the equity portfolio in an entirely separate post.

Also, I don't really see the benefit of updating this on a monthly basis, quarterly should be just fine.

One of the guiding tenets of this blog is that of **FULL TRANSPARENCY**. This is another step in living up to the high standards we live by here at GYFG.

This will serve several purposes:

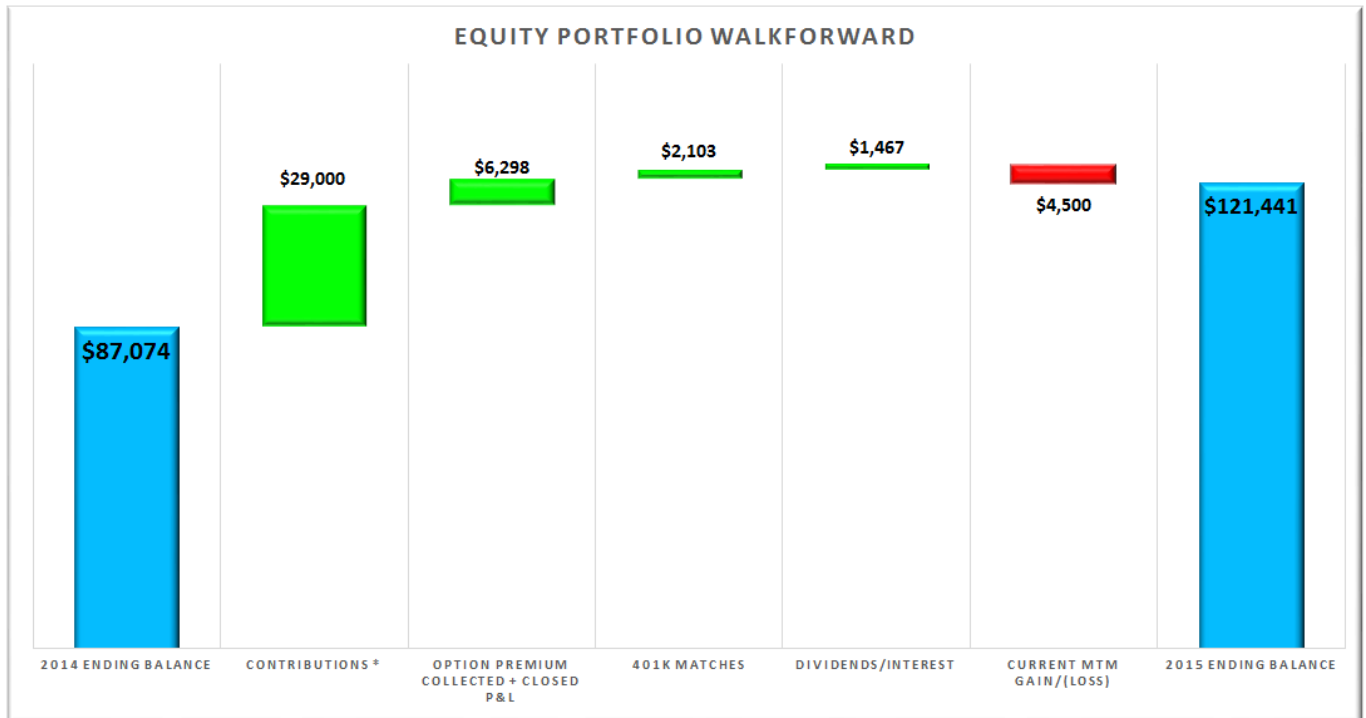
1. It will force me to analyze the performance of my portfolio.
2. It gives you a better view of what is under the hood.
3. It will also provide some visibility around where the increases come from. Too many people overestimate their returns and forget about new money contributions, company matches, dividends, etc.

Breakdown of Portfolio Performance [12/31/15 vs. 12/31/14]

You may have noticed in the title of this post that the portfolio is up 39.5% in 2015, and I will be the first to admit that this is a bit misleading. But never fear, I will be breaking down the components of where the gains came from and will also be comparing the performance to the S&P 500 as my benchmark.

For many of you this will be your first time seeing a waterfall chart. If this is your first time I hope you like the visual of how the portfolio grew and what made up the

gains.



Now let's breakdown the buckets...

2014 Ending Balance = \$87,074

[+ \$29,000] Contributions - 2015 Contributions Include: Maxing out 401K for \$18K [2015], Maxing out IRA for \$5.5K [2015], and Maxing out IRA \$5.5K [2014].

[+ \$6,298] Option Premium Collected + Closed P&L - This is representative of the option premium I collected for selling cash secured puts, [covered calls](#), [other option selling strategies](#), and any other realized gains from closing stock positions.

[+ \$2,103] 401K Matches - At this time I am the only one in the GYFG household that has a qualified retirement plan through work that offers contribution matches. Currently the company I work for offers 25% on up to 6% of your income. Next year this is increasing to a 50% match, but it will only be on up to 4%.

[+ \$1,467] Dividends/Interest - One of the rules I use when selling covered calls or puts is to only do this on stable companies with a long history of paying dividends, and a dividend rate of 3% or greater. It is just another way I look to

increase my margin of safety in the event that I am exercised and forced to take a stock position from short puts. Or it also helps to reduce cost basis on long covered call positions, until the stock is eventually called away. The interest is very minimal and comes from interest on cash sitting in my brokerage accounts.

[- \$4,500] Current MTM Gain/(Loss) - I currently have \$26,200 invested, which is for 5 covered call positions that I still have on. I will detail them later in the post. This is a little misleading by itself, because some of the premium from the \$6,298 above offsets these open MTM losses.

2015 Ending Balance = \$121,441 [+ \$34,367 or + 39.5%]

Now that you can see the detailed breakdown you realize that a large part of the portfolio increases came from new contributions. When you back out the contributions you are left with the investment gains.

Note: I include the 401K match as an investment gain. It is not money I contributed and I don't distinguish it from market gains.

This leaves a gain of \$5,367 or 4.6%.

This compares to the return of the SPY (ETF representing the S&P 500) of -0.8% before dividends or 1.25% with dividends.

Note: the SPY gain was calculated taking the 2014 closing price of \$203.87 and [total return here](#).

In future updates I will also accompany this with screenshots from [Personal Capital](#) as another level of **TRANSPARENCY**. I haven't included them here because I only set my own Personal Capital account in the middle of this year, so the history is incomplete.

What is the Current Make-up of the Portfolio?

First and foremost I should remind you that of the \$121,441, only about \$26,200 is actually invested. The rest is sitting in **CASH** as we close the year. This leaves me sitting with 78% of my investable assets, across my brokerage accounts, in **CASH**. Over the course of 2015, I was sitting on average of about 50%. This is very telling with respect to how I feel about current market valuations.

I started raising cash at the beginning of the year. I even detailed a post with a [4 tier system](#) to deploy it should the market finally see a correction. That post was written back in April when I had about \$63,000 in cash sitting in my brokerage accounts. Today that has grown to \$95,221. In addition to this cash stash, we have also been building up our savings account that currently has about \$70K in cash as I type this, and is about to surpass the \$100K mark by the end of January.

We are preparing ourselves to take advantage of much better prices ahead. I don't fear the erosion of inflation on the purchasing power of our dollars. I actually think that cash will be one of the best performing asset classes in 2016.

Current Open Positions and MTM Gain/(Loss)

1. **CAT [- \$1,578]** - \$67.50 Covered Call
2. **OIH [- \$700]** - \$31 Covered Call
3. **PG [- \$742]** - \$77.50 Covered Call
4. **VZ [- \$270]** - \$45 Covered Call
5. **WMT [- \$1,210]** - \$65 Covered Call

Well there you have the first portfolio update. This may evolve over time, but for now this is likely the format that I will be using going forward. The next update will be comparing Q1 of 2016 vs. 2015. I may even consider including performance of my P2P investments, REIT's, and Rental Real Estate. Or I may even create a separate post series. I have not decided yet...if you have an opinion, please let me know.

How did your portfolio do in 2015? What is your plan for 2016?

-Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y

Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)