



VIEW NEAR EAGLE MOUNTAIN CASINO IN PORTERVILLE, CALIFORNIA

TFA

Monthly Newsletter

January 2015

IN THE NEWS

Trends to Watch in 2015

by Kristi Jackson

Happy New Year! Hope this newsletter finds you well and getting settled into 2015. As the new year begins, we wanted to start things off by highlighting what we believe are the trends to watch this year. Many have been underway for a while, but taken together, they offer a path for decision making that in many ways is also a great opportunity for tribes to take advantage of...

Low gas prices

In a year's time, we've seen the price of a barrel of oil slide from over \$100 to roughly \$54 today. The future forecast for oil seems to be in a holding pattern with a slight increase. This means consumers should continue to see low gas prices – which leaves

more money in our pockets. Businesses that rely on these discretionary uses can benefit.

Low interest rates

The rate that many people watch is the 10-year US treasury rate. In the past year, this rate has decreased from roughly 3% to about 2.2% today. Connected with this is the Fed's decision to maintain interest rates at very low levels – still in response to the severe recession of 2007 – until there is a sign of inflation or other indicators of a fast growing economy. Rates are expected to remain low throughout 2015 – presenting an opportunity for borrowers to continue to access loans at very attractive rates.

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Federal Government Allows Quapaw Tribe to Offer Gaming in Cherokee County

12/5/14 – sekvoice.com

Cowlitz Tribe Wins Decision

12/15/14 – Indianz.com

Native American Tribe Plans \$20m Wizard of Oz Casino

12/22/14 – theguardian.com

Mashpee Tribe Waits on Federal Decision

12/24/14 – bostonglobe.com

Navajo, Jicarilla Tribes Agree on Gambling Compacts with State

12/29/14 – santafenewmexican.com

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Consumer discretionary income higher

The result of the above two trends is that the average consumer has more money to spend. This can be a boost to businesses and also offer an opportunity to invest new dollars into businesses that capture this spending.

Increasing push for diversification

TFA continues to see tribes talking about diversifying their economic bases – in many cases beyond gaming. As there has been saturation in that area in particular, we observe the trend to find investments that will offer solid returns that are non-gaming. The need to fully evaluate the opportunity has never been greater. There seems to be no shortage of people trying to capitalize on this trend. We often hear “nobody else will buy it so we are showing it to tribes”. Buyer beware...

High asset prices

You don't have to look much past the stock market with its average

P/E multiple (ratio of average price to the earnings of the company – generally, the higher the multiple, the more expensive the stock) approaching 20 times. An average level for the ratio has been about 15 times. In the historical context, prices are high – but they could be higher given that at the peak of the market during the 1999 “tech bubble” this average was about 34x. As interest rates remain low, investors are taking more risk in their search for a better return. We think this may continue throughout 2015.

In all, the environment for looking at opportunities has not been bet-

ter for quite some time. With low interest rates – now is an opportune time to act assuming the diligence checks out and the asset fits with your strategy. Give us a call to discuss this further or for thoughts on assets you are interested in exploring.

Here's to a great 2015!



TRIBAL FINANCIAL ADVISORS INCORPORATED

TFA

400 Continental Boulevard
Suite 320
El Segundo, CA 90245
tribaladvisors.com

KRISTI JACKSON
VICE CHAIR and CEO
310.341.2335
kjackson@tribaladvisors.com

JEFF HEIMANN
MANAGING DIRECTOR
310.341.2518
jheimann@tribaladvisors.com

DAVID HOWARD
PRESIDENT
310.341.2795
dhoward@tribaladvisors.com

WILLIAM CRADER
MANAGING DIRECTOR
310.341.2336
wcrader@tribaladvisors.com

TRIBAL BOARD OF ADVISORS

RICK HILL
CHAIRMAN
310.341.2796
rhill@tribaladvisors.com

BOARD MEMBERS
BRIAN PATTERSON
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