GEIER ASSET
Geier Asset Management, Inc.

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Increased Tensions, But Strong Market

The second quarter began with heightened volatility in April as a result of escalating tensions in various regions of the globe, such as Russia's seizure of Crimea. More recently, a rise of sectarian violence in Iraq with the emergence of ISIS has added to the uncertainty. Contributing to these worries were continued mixed interpretations of U.S. economic data and slowing growth in China.

However, despite this tumultuous global environment, domestic equities continued their upward trend and investors have been rewarded for keeping their equity allocations. Over time, there is a reversion to the mean in investing. When there is such a sharp decline in the market as the one we lived through in 2008, it seems to make sense that we would have just as sharp a recovery in the financial markets. Although we are just starting to reach new all-time highs, we need to also be cognizant that indices too, need to pause for a refresher.

As we had mentioned in our previous commentary, we believe we are closer to the end of this economic cycle rather than the beginning. Historically, as a bull market matures there is an increase in merger and acquisition activity, valuations start to stretch, and we start to see certain sectors outperform the broader market. For example, the energy sector tends to outperform later in the cycle.

Coincidentally, the energy sector over the second quarter returned 12.1% while the S&P 500 returned 5.23%. The tighter global supply of oil along with growing geopolitical risks could cause oil prices to spike and become as much an opportunity for domestic energy as a hindrance for global and domestic economic growth.

Also this quarter, the U.S. GDP product growth figure by the Commerce Department was revised downward from a forecast of -1% on an annualized basis to -2.9%. Ironically, the first quarter of 2014 was the worst for U.S. GDP performance since the first quarter of 2009. Though this was a poor reading, many dismissed this due to terrible winter weather. The central bank, with Janet Yellen at the helm, has continued to scale back its quantitative easing program, and the next step for the Fed in this process will be to begin tightening their monetary policy. It is unsure when this will occur, but some believe it will begin at some point in 2015. The labor market improved as well, but the Fed acknowledged that some of this improvement may be attributable to job seekers who have stopped looking for work.

Domestic Equities

Large and mid-cap stocks outperformed small-cap stocks this quarter. However small-caps recovered following their April sell-off. Overall, we believe large capitalized companies are more attractive as a whole, but there are still opportunities in the small-and mid- cap spaces. Given these valuations, we expect reasonable and continued growth in equities, but it becomes more necessary for our managers to perform stringent analysis in finding these undervalued companies in this market.

Fixed Income

Intermediate and long-term U.S. Treasury rates pulled back this quarter helping to bolster positive performance for domestic fixed income investors. Specifically, the yield on the 10 year Treasury note went from 2.77% to 2.53%. The drop in Treasury rates also helped corporate bonds, however the spread now between corporate and treasury bonds is particularly narrow. That said, it makes finding value in high grade corporate bonds tougher in this environment.

Municipal bonds have performed well YTD; however, again, with treasuries so low it is easy question how attractive they are from a valuation standpoint. Since this spread is so thin we believe there may be better opportunities in international and emerging market debt that may offer more attractive spreads with similar fundamentals—albeit with higher volatility. Abroad, the European Central Bank began implementing their own stimulus plan, and although they have yet to begin quantitative easing, they cut their deposit rate to -.10%. This negative deposit rate for financial institutions in effect fees banks to keep cash at the central bank and therefore will hopefully spur more investment in the European markets. Eurozone debt continued to rally with rates falling as evidenced by performance in subsequent charts. There is little doubt that as the Eurozone economy expands there will be continued opportunities in the region’s debt and equity markets.

International Equity

The Asia-Pacific and emerging markets led the way this quarter with developed Europe trailing behind. Specifically, the emerging markets returned 6.71%, Japan 6.69%, Asia Ex-Japan 7.30% and Europe 3.65%. Europe moved behind the Asian markets in their YTD return with the later posting gains of 7.30% through June. Non-U.S. posted better returns this quarter and emerging markets took the leaderboard after significantly trailing over the past several quarters. We believe there is strong potential for continued easing policies for both Japan and Europe. Specifically, if easing accelerates in Europe, it may put downward pressure on the Euro, which may ease the currency headwinds that have affected earnings and help drive valuations higher.

In the emerging markets, we continue to see opportunities compared to the developed markets for the long-term investor as the world gets smaller and the middle class grows in the emerging economies. Further, as we mentioned in prior commentary the economy across Europe continues to improve, and throughout Europe, stock prices have continued to rise but at a slower pace. We continue to look here for outperformance as the markets abroad strengthen.

Conclusion

At the halfway point in the year we still see rising equity indices, improving labor numbers and yields pulling back. All this is positive for well-positioned portfolios. But we must also remain cautious, as we are beginning to see increased volatility in small capitalized companies as well as with some of the leading tech stocks from 2013.

It is a losing proposition to time the market, but a meaningful strategy is to be logical with investment themes and to align risk tolerance with your investing time horizon. Inevitably, the market will correct, the volatility index will spike, yields will rise and the fed will tighten their monetary policy. We do not know when this will occur, nor do we know if the correction will take us below the level we currently hold. Yet, we do know that given enough time, history has proven stocks outperform bonds, and bonds outperform cash. It is meaningful to invest in companies with good managers and strategies, diversify the volatility of your stocks with fixed income, and look internationally to capitalize on the global economy.

If we keep the long-run perspective in mind, it becomes easy to prepare for and stomach short-term corrections.

As always, we appreciate your continued confidence in our firm.

Fixed Income		
Index	**Second Quarter 2014**	**Year-to-Date**
Barclays Capital U.S. Aggregate Bond Index	2.04%	3.93%
Credit Suisse High Yield Index	2.41%	5.55%
Barclays Capital Municipal Bond Index	2.59%	6.00%
Barclays Capital Global Aggregate Ex-U.S. Dollar Government Bond Index	2.72%	5.59%
J.P. Morgan Emerging Markets Index Plus	4.76%	8.66%

U.S. Stocks		
Index	**Second Quarter 2014**	**Year-to-Date**
DJIA	2.83%	2.68%
S&P 500	5.23%	7.14%
Nasdaq Composite	4.98%	5.54%
S&P MidCap 400	4.33%	7.50%
Russell 2000	2.05%	3.19%

International Averages		
MSCI Index	**Second Quarter 2014**	**Year-to-Date**
EAFE (Europe, Australasia, Far East)	4.34%	5.14%
All Country World ex-U.S.	5.25%	5.89%
Europe	3.65%	5.95%
Japan	6.69%	.85%
All Country Asia Ex-Japan	7.30%	6.57%
EM (Emerging Markets)	6.71%	6.32%

You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of any investment before investing. Every Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. Past performance is no guarantee of future results. The investment return and principal value of an investment in Mutual Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Fluctuations of the overall stock market due to economic, political or other factors may affect the equity related holdings of the investor. Asset classes and sectors may rise and fall at varying degrees.

Sectors such as oil & gas, real estate, and precious metals tend toward higher volatility than broader market segments.

Bond and other related fixed income investments are subject to the rise and fall of interest rates and changing assessments of issuer credit worthiness and ability to pay.

Cash Investments Risk - the need to hold a given amount of an investor's portfolio in cash or other money market instruments to meet withdrawals or respond to anticipated unfavorable market conditions could result in a lower return than if the cash had been fully invested.

Investments in real estate investment trusts (REITs) and real estate related securities involve special risks associated with an investment in real estate, such as limited liquidity and interest rate risks and may be more volatile than other securities. In addition, the value of REITs and other real estate related investments is sensitive to changes in real estate values, extended vacancies of properties and other environmental and economic factors.

Investments in international markets present special risks including currently fluctuation, the potential for diplomatic political instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards. Risks of foreign investing are generally intensified for investments in emerging markets.

An investment in an exchange-traded fund (ETF) generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange traded) that has the same investment objectives, strategies, and policies. The price of an ETF can fluctuate up or down, and the Fund could lose money investing in an ETF if the prices of the securities owned by the ETF go down. In addition, ETFs may be subject to the following risks that do not apply to conventional funds: (i) the market price of an ETF's shares may trade above or below their net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tired to large decreases in stock prices) halts stock trading generally.

Performance reporting for the above indexes is obtained from publicly issued and available data from a variety of sources including financial web sites such as Morningstar ®, Yahoo Finance ®, and The Street.Com®.