Spring 2013 Commentary

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Don't Fight the Fed

In the first quarter of this year, the Dow and the S&P 500 recorded new highs. The big question is: How much longer will the Federal Reserve continue to stimulate the markets through their asset buying program, known as Quantitative Easing?

While the Federal Reserve's monetary stimulus policy continues to support both the fixed income and equity markets, we expect the equity market to continue its progress, with the potential for a few corrections along the way.

The Fed's objective is to push investors out along the risk curve away from safer investments such as treasury bonds and into riskier investments such as equities and real estate. They have been very successful to date.

There may be investors who, in today's low interest rate environment, see more potential in equities than in fixed income. However, we believe that this type of reallocation should be evaluated very carefully from a risk management perspective. An investor's exposure to the equity market should be based on their time horizon, investment goals and the level of risk that they are comfortable with, not on the short-sighted perception of the potential for short-term gains.

We recommend that investors adhere to their plan and position their portfolios with a long-term perspective.

Broad-Based S&P 500-Stock Index Ends at Record High

"The nominal record set by the Standard & Poor's 500-stock index is the latest sign that the American economy is recovering some of the strength it had before the financial collapse of 2008, partly helped by stimulus from the Federal Reserve.

It has been a little more than three weeks since the Dow Jones Industrial Average hit a milestone high, also set in October 2007."

New York Times, March 28, 2013

Federal Reserve's Monetary Policy Continues To Support The Equity Markets

Currently we see significant risk in the equity market. When we look at the fundamentals, we believe the Federal Reserve's monetary stimulus policy is supporting the rising stock market. If we look for top-line growth, it is just not there. The economy is not growing fast enough to show broad-based revenue growth.

Instead, we believe that profits have been supported by less hiring, increasing productivity with existing resources, and savings from lower interest costs.

Good, Quality Companies Should Provide Long-Term Potential

We believe that many opportunities to purchase good, quality companies will surface over the next one-to-three years. By then QE Infinity should have run its course and hopefully the economy will be running on its own momentum. Investors will not have to worry about the potential impact on the markets and economy if the Federal Reserve ends its monetary support.

In the meantime, as we manage our Strategic and Diversified Strategies, we are monitoring companies that are actively positioning themselves for the long-term. These include companies that are restructuring their balance sheets, evaluating low interest rates as an opportunity to borrow, implementing share buy-backs, and using this period to reinvest.

Fixed Income Opportunities

In terms of fixed income opportunities, high quality bonds with varying maturities can add value to a portfolio. In addition, laddering maturities allows the reinvestment of the proceeds from maturing bonds into higher paying bonds. Hedges can also be used to offset a rise in interest rates and protect principal.

Treasury Inflation-Protected Securities (TIPS) are also an important defensive component as a protection against rising inflation. In addition, hard assets such as precious metals still play a valuable role within the context of a global economy where countries such as Japan are debasing currency to increase export potential.

We Remain Cautious Regarding Europe

From a risk perspective, we remain cautious regarding Europe. Although Germany stands out as a solid player from a market perspective and England has done relatively well, we believe a number of economic challenges need to be addressed before we take a more aggressive investment stance. Europe clearly needs to resolve its sovereign debt crisis, despite the challenges of a double dip economic recession and chronic austerity fatigue.

The Big Question

The big question remains: What happens when the Federal Reserve's monetary stimulus program is turned off? Will there be a another recession? Will interest rates rise? Will there be a mass exodus out of stocks and bonds? We don't see an easy way for the Federal Reserve to reduce or end its monetary stimulus program without significant impact to the markets.

Historically when we have had a market downturn, equities have fallen in value while the price of bonds has risen. However we believe interest rates are so low that there is a high probability that stocks and bonds could fall in value at the same time.

Strategic Strategies Provide Defense, Diversified Strategies Provide Offense

In rising markets, it is very easy for investors to get caught up in the moment and take on more risk than they should. However they need to bear in mind their time horizon, goals, and the level of risk they are willing to take. We counsel our clients to include positions in their investment portfolios that provide for upside potential and downside protection.

Our more conservative Strategic Strategies continue to provide defensive positioning to effectively manage risk and navigate volatility.

Our Diversified Strategies have greater exposure to equities and continue to provide the potential for greater return and serve as a complement to the conservative Strategic Strategies.

Even though we have reached new highs, much economic uncertainty remains. We believe that it is important to have a blend of these Strategies carefully calibrated to an investor's goals, time horizon and tolerance for risk. This type of approach can help position investors well for whatever the market and global economy brings.

Geier Asset Management Models

Strategic and Diversified Strategies are used to create the optimal portfolio based on the client's objectives, risk tolerance and time horizon, as well as our overall assessment of market risk.

These strategies can be complemented by the inclusion of Institutional Separate Account Managers in a Portfolio for comprehensive diversification.

STRATEGIC STRATEGIES:
Strategic Income
Strategic Capital Preservation

DIVERSIFIED STRATEGIES:
Diversified Balanced
Diversified Growth
Diversified Aggressive Growth
Diversified International

INSTITUTIONAL SEPARATE ACCOUNT MANAGERS

Geier Asset Management offers two primary investment strategies: Strategic and Diversified. These strategies can be carefully calibrated in an investor's portfolio to complete a comprehensive investment plan. Together, the optimal balance of these strategies seeks to maximize capital appreciation while mitigating potential downside risks and near-term volatility.

Geier Asset Management Model Performance as of March 31, 2013

In our Strategic portfolios, we target smaller, but positive returns over a typical ten year cycle. We strive to avoid losses, knowing that losses require an even higher percentage gain just to get back to break even. Our portfolios are actively managed. When we determine that a specific investment in a portfolio is no longer valid, it is abandoned as soon as possible. In addition a portion of the portfolio is reserved for the purchase of "portfolio insurance." When we deem that the market is in danger of a substantial decline, we purchase inverse investments to counteract this risk. Our Strategic portfolios are a good example of the "slow and steady" approach.

STRATEGIC STRATEGIES

Strategic Income as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	(0.18%)	3.69%	4.33%	3.62%	3.22%
Net of Fee Return	(0.43%)	2.69%	3.33%	2.62%	2.22%

Strategic Capital Preservation as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	(0.42%)	1.59%	2.45%	3.98%	4.62%
Net of Fee Return	(0.42%)	1.59%	2.45%	3.98%	4.62%

Our Diversified portfolios consist of various mutual funds that we have selected based on their history of consistent, year over year performance in beating the market indexes. The funds included in these portfolios have long-tenured managers and low expenses. The Diversified portfolios are well allocated across large, medium and small companies, as well as value, core and growth sectors. Additional diversifiction is attained by including both U.S. and International markets. Clients invested in these Diversified portfolios should expect potentially higher returns than our Strategic portfolios, but also the inherent volatility of a higher risk investment.

DIVERSIFIED STRATEGIES

Diversified Aggressive Growth as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	8.59%	17.30%	15.84%	10.08%	15.74%
Net of Fee Return	8.34%	16.30%	14.84%	9.08%	14.74%

Diversified Growth as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	10.65%	15.42%	14.59%	9.80%	11.01%
Net of Fee Return	10.40%	14.42%	13.59%	8.80%	10.01%

Diversified Balanced as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	5.91%	11.12%	11.01%	7.57%	10.02%
Net of Fee Return	5.66%	10.12%	10.01%	6.57%	9.02%

Diversified International as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
Gross Return	5.10%	13.33%	9.04%	2.97%	13.97%
Net of Fee Return	4.85%	12.33%	8.04%	1.97%	12.97%

Major Index Returns as of 3/31/13					
	Current YTD	1 Year	3 Year	5 Year	10 Year
DOW	11.25%	10.29%	10.35%	3.53%	6.20%
S&P 500	10.03%	11.41%	10.30%	3.48%	6.35%
Lipper Balanced	5.40%	9.37%	8.60%	5.04%	6.53%
Barclays U.S. Aggregate Bond	(0.12%)	3.78%	5.53%	5.47%	5.06%
EAFE	4.38%	7.78%	1.86%	(3.86%)	6.79%

About Geier Asset Management, Inc.

Geier Asset Management, Inc. is a registered investment advisory firm offering comprehensive financial services including investment planning, financial planning, and portfolio management. Our firm is committed to helping you improve your long-term financial success.

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Disclosure

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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 the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

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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.

The Fund may use derivative instruments. Derivatives are investments the value of which is "derived" from the value of an underlying asset (including an underlying security), reference rate or index. The value of derivatives may rise or fall more rapidly than other investments. For some derivatives, it is possible to lose more than the amount invested in the derivative. Derivatives may be used to create synthetic exposure to an underlying asset or to hedge a portfolio risk. If the Fun uses derivatives to "hedge" the overall risk of its portfolio, it is possible that the hedge may not succeed. This may happen for various reasons, including unexpected changes in the value of the rest of the Fund's portfolio. Over the counter derivatives are also subject to counterparty risk, which is the risk that the other party to the contract will not fulfill its contractual obligation to complete the transaction with the Fund.

The Fund may engage in short selling activities, which are significantly different from the investment activities commonly associated with conservative stock funds. Positions in shorted securities are speculative and more risky than "long" positions (purchases) because the cost of the replacement security is unknown.

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