

GENEVA PERSPECTIVES

Second Quarter 2015



Market Overview

Overview

- *Geopolitical risks have caused increased market volatility.*
- *The global economy today is better positioned to handle potential issues than it has been in years.*
- *We believe the markets and the global economic picture will continue to improve.*

U.S. equities generated modest gains in the second quarter. Improving economic data, continued easy global monetary policy and increased merger and acquisition activity combined to help sustain higher equity prices. Geopolitical risks, however, now including those in Greece and China, caused increased market volatility.

The tenuous financial situation in Greece could be nearing a resolution. Europe has had years to prepare for a possible Greek Eurozone exit, and global economies generally are much healthier compared to five years ago. Making up less than 1% of global GDP, risks associated with Greece appear to be contained. Preventing instability from spreading to other southern European economies could be the challenge.

The situation in China is different. China's economy is undergoing structural changes as it evolves from export and investment driven growth to include more consumption activity. That fundamental shift, combined with the recent weakness in China's equity markets, created increased concern for future growth of the world's second largest economy.

Despite these concerns, the global economy today is better positioned to handle these potential issues than it has been in years. We believe the markets and the global economic picture will continue to improve.



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Growth Strategies

Growth stocks once again outperformed value stocks in the second quarter, which benefited the Geneva growth strategies. The market rewarded high quality companies with impressive earnings growth, especially those in the health care and consumer discretionary sectors.

The strategies have large allocations to the consumer discretionary sector. Low energy prices and declining unemployment continue to improve consumer confidence and we do not expect either of these conditions to change dramatically in the near term.

High quality growth companies remain attractive relative to their own historical valuations and to the broader equity market. We are optimistic for the strategies as we look ahead.

Equity Income Strategies

Our equity income strategies invest in high quality companies with strong and growing dividends. At this stage in the market cycle, we believe broad stock market returns could moderate. Historically, dividend growers have outperformed the S&P 500 in these conditions.

Utility stocks continued to decline in the second quarter. Expectation of rising interest rates has appeared to reverse the yield-chasing performance that has characterized the sector for the past few years. Valuations within the sector remain relatively high and we would not be surprised to see further weakness.

Our strategies are well positioned for a potential rising interest rate environment with limited exposure to REITs, utilities and MLPs relative to our historical averages.



Fixed Income Commentary

The fixed income market delivered negative returns in the second quarter. The threat of global deflation eased, resulting in sovereign debt yields moving higher. Despite moderate economic growth signals and increasing expectations for reflation, corporate bonds underperformed treasuries during the period.

Fixed income markets are likely to focus on Federal Reserve policy and geopolitical risks, including those in Greece and China. We believe corporate bonds remain attractive relative to other fixed income investments. Higher corporate cash balances and historically low leverage support our favorable view of corporate bonds.

Investors continue to seek high yielding corporate bonds in a low interest rate environment. We believe a deep analysis of credit fundamentals is imperative. We will continue to conduct a thorough credit analysis for bonds we purchase and ensure risks are appropriately aligned with a client's objectives.

Looking Ahead

Statements from the U.S. Central Bank continue to prepare investors for an increase of their target overnight lending rate. Absent an unexpected steep increase in inflation, the Fed has made it clear they will move slowly with interest rate increases. We believe a slow tightening cycle will be positive for equity investors.

We would not be surprised to see increased market volatility in the months ahead, particularly for international markets. A long-term perspective and a disciplined strategy continue to be the best way to manage investments over time.

As always, earnings growth will continue to be critical. Stock prices remain above historic averages and expanding valuations are no

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Looking Ahead (cont.)

longer a likely catalyst for stock appreciation. As we have mentioned in previous letters, the ability to identify high quality companies will be essential, and the benefits of active management will be clear. We believe this is an advantageous

market for active managers such as Geneva. The companies we own are posting impressive earnings growth and providing strong expectations for the second half of the year.

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Thank you for the continued trust you have placed in Geneva. The Principals and employees of Geneva and our families continue to be your partners, investing in the same strategies as our clients.



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