George M. Hiller Companies L.L.C.
INVESTMENT MANAGEMENT, TAX, ESTATE & FINANCIAL COUNSEL

Financial & Investment Newsletter — September 2014 Edition

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Market Outlook

As of August 19, 2014

We reported in our last newsletter (June 27, 2014) that our market outlook was positive for the balance of the year, but that for the longer term we have concerns. On the positive side, NASDAQ recently hit a 14-year high and is up 7.9% year-to-date fueled by rising profit growth in technology and biotech companies. On a comparative basis the S & P 500 is up 6.7% year-to-date and the DOW is up 1.6%.

Our market snapshot (taken daily) is as follows:

-- U.S. Equities	Positive outlook for past 935 days
-- International Equities	Positive outlook for past 739 days
-- Resources and Materials	Positive outlook for past 704 days
-- Real Estate	Positive outlook for past 1,831 days
-- Bonds / Fixed Income	Positive outlook for past 172 days

Currently, the top three performing sectors in U.S. Equities (based upon our assessment and ranking methodology) are:

- Technology
- Real Estate
- Emerging Markets

An intermediate-term market indicator (weeks to months outlook) that we monitor turned bearish on August 5, 2014. This indicator, which is based on supply and demand assessments in 36 different market sectors, suggests that the market is more likely than not to drop over the intermediate term. This in turn suggests caution in deploying new investment capital into the equities market at the present time.

It should be noted that a different intermediate-term market indicator that we monitor is positive. Please also note that no market indicator is foolproof or guaranteed to accurately forecast future market conditions.

Our longer-term market outlook is positive reflecting the continued signs of economic recovery, impact of low interest rates, recent reported reduction in the US trade deficit, and record corporate earnings. Below is a graph of S & P 500 earnings over time (source www.multpl.com).

Chart of S & P 500 Earnings (from prior 1880 to the present)

This graph shows that the current level of S & P 500 earnings is at a record high. Many if not most companies in the S & P 500 are meeting or beating their earnings estimates. This is a bullish sign and current indications suggest that growth in corporate earnings will continue.

The S & P 500 Index had dropped from market highs established on July 24, 2014, but most recently has regained ground and could set a new record soon. However, we have experienced an unusually long period of stock market prosperity without a 10% correction. Normal market behavior suggests that we should expect a 10% correction about once every 12 to 18 months, but we have now gone nearly 3 years without such a correction. We are overdue for a 10% correction based on past history and patterns of stock market behavior.

In summary, we remain bullish on all five broad asset categories outlined at the beginning of our market outlook. However, based upon our research and monitoring of an intermediate-term market indicator we urge caution in deploying new investment capital into the equities market at the present time.

U.S. equities are already at or near all-time highs as measured by broad stock market indexes. At some point one or more of the asset categories listed above will begin a significant decline.

Right now, many economic and business signs we review are bullish, but there will come a time when that changes. We have noted a recent change in that an intermediate-term market indicator we monitor has turned bearish. For the present we are generally bullish on U.S. Equities, International Equities, Resources & Materials, Real Estate and Bonds/Fixed Income.

It is our mission to provide high quality professional and objective financial counsel in the areas of investment management, estate and personal financial planning designed to help our clients improve their financial condition and achieve long-term financial goals.

Sincerely,
George M Hiller Companies, LLC Investment Team

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