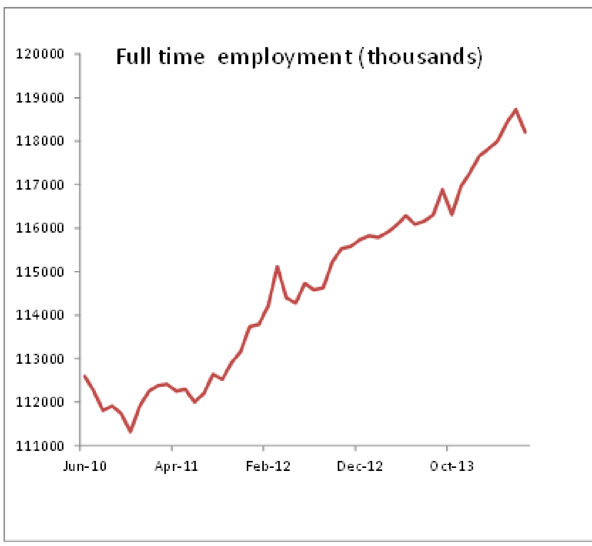
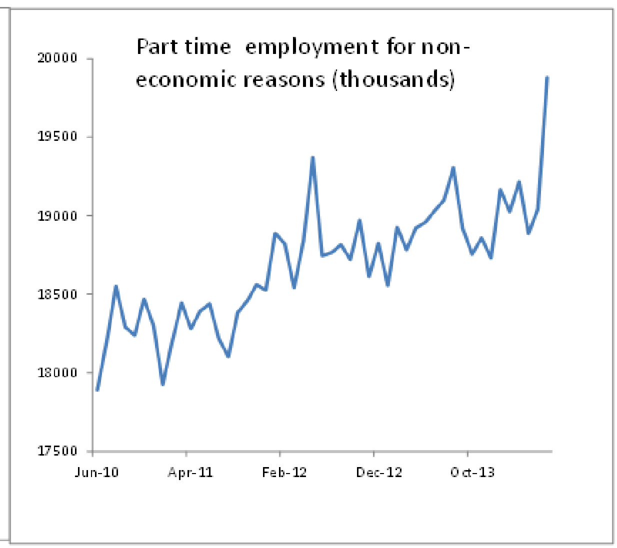
Second Quarter 2014

US Economy

U.S. GDP declined at an annual rate of -2.9% in the first quarter due to much lower healthcare spending, the unusually harsh weather, and lower local government spending. Some of this economic output was pushed into the second quarter as it is expected to grow 4%. The Bureau of Economic Analysis, a division of the Department of Commerce, will release its advance estimate of Q2 GDP on July 30.

A look at the employment picture suggests that although the unemployment rate is declining, recent job seekers are finding part-time jobs, not full-time jobs. The new healthcare reform act has enticed employers to lean towards part-time employment to avoid health insurance costs.

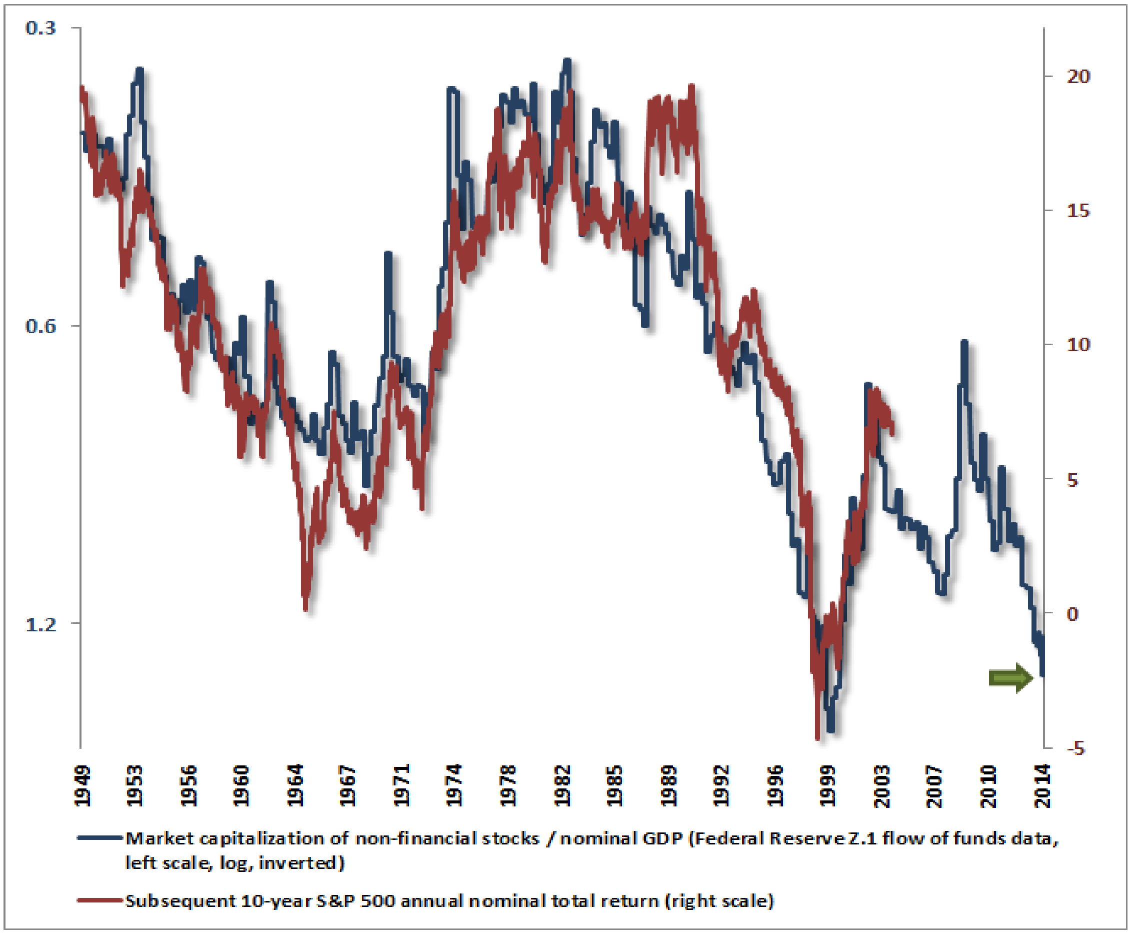




Capital Markets

The S&P 500 began the quarter with a 4% decline followed by a rally to end the quarter up +4.7%. As we have discussed previously, the S&P500 long-term future returns are going lower as the index rises. Historically, the S&P500 has appreciated in price 10.1% per year on average. If the S&P500 is fairly priced and then rises more than 10% per year for a period of time, the future returns are moved to the present, causing the future returns to be lower. At current prices, the S&P500 is projected to return approximately -2% to +2% annually for the next 7 to 10 years depending on the valuation method. This is not very rewarding, especially for the downside risk.

John Hussman projects the future S&P500 return to be -2.5% on average over the next 10 years. The chart depicts the accuracy such projection has demonstrated historically.



Portfolios

We continue to allocate capital to assets we believe offer more return or better risk-adjusted return than the S&P500 index. Below is a summary of year-to-date performance for these investments, before management and trading fees.

Summary of Investments

	Investment	Characteristics	Projected Annualized Return	1H2014 Return
Safe & Steady	Doubleline Total Retn	• Low duration, high return mortgages	5-6%	4.4%
	Dodge & Cox Income/ Pimco Invest. Grade	• Investment grade corporate bonds • Low interest rate risk	5-7%	4.6% 6.4%
	Pimco Total Return	• Diversified bond fund	4-6%	3.6%
	Dividend Payors	• Toscana Energy Income • Genie Energy Preferred A	10% 7%	8.4% -1.6%

	Investment	Characteristics	Projected Annualized Return	1H2014 Return
All Weather	Sector Model	• Momentum-based equity sectors or US treasuries during declining markets	15-25%	6.4%
	361 Capital	• US equity timing model • Low correlation to stocks and bonds	15-25%	2.5%
	Longboard	• Long and short stocks, bonds, commodities, and currencies globally and domestically	10-17%	1.4%
Growth at Reasonable Price	Japanese stocks	• Yen devaluation • Increase exports with lower yen	10-15%	-0.1%
	Cheap countries	• Greece: -0.1%, • Italy: +13.0%, • Ireland: 0.9%	15-20%	4.6%
	Value Stocks	• Cheapest US Sectors	4-6%	11.6%
	Real Assets	• Sprott Resources Corp. +36.2% • Uranium miners -5.2% • Platinum & palladium +16.6%	15%	15.9%
	Gold Stocks	• Undervalued to gold bullion	30-40%	36.7%
Benchmark	S&P 500	• 500 largest NYSE/NASDAQ companies	0%	6.1%
	Barclays Aggregate	• US aggregate bond market	2%	3.7%
	ACWI ex-USA	• International stocks excluding the USA	3%	3.9%
	Emerging Markets	• Emerging market stocks	6%	4.8%

(Projected Annualized Returns are estimates and are not guaranteed)

The “Safe & Steady” bucket was just that in the first half of 2014. All of the bond positions outperformed the benchmark Barclays Aggregate Bond index.

The “All Weather” strategies underperformed year-to-date. The Sector Model was hit by the quick reversal in momentum stocks in March and April. The managed futures mutual funds have underperformed due to the historically low stock market volatility.

The “Long Term Growth at a Reasonable Price” allocation had a good first half of the year. The real asset investments of natural resources (Sprott Resources, Toscana, platinum & palladium) and gold stocks all advanced substantially. We indicated in our last newsletter that we would buy more gold stocks when we saw confirmation of an uptrend in price. We saw such confirmation in early June and we bought 2% more gold stocks in the more aggressive client portfolios. Japanese stocks and cheap countries lagged during the first half. The Japan stock position was down 6.9% in Q1 and then recovered most of those losses in Q2. After a very strong first quarter, the cheap country allocations (Greece, Ireland & Italy) retrenched during the quarter, giving back some of the Q1 gains. Uranium was our worst performing holding as it gave back all of its Q1 gains and more. More than the other “buckets” this one highlights the importance of diversification and the need for patience to give the investments time to play out.

913.491.0500 ● 7300 College Boulevard ● Overland Park, Kansas 66210

Featured Investment: Sprott Resource Corporation

Sprott Resource Corp. invests in the oil and gas, energy, mining, precious metals, agriculture and agricultural nutrients sectors. Management has reviewed over 1,200 investments over the past 5 years to only invest in fourteen. Since inception, four investments totaling $196.6M were sold for $485.8M. Here is a summary of the current holdings:

<u>Agriculture</u>

One Earth Farms – is a 17,000 head of cattle operation and retail distribution of meat products in Canada.

Union Agriculture – is the largest corporate agricultural landholder in Uruguay with operations including crops, rice, dairy, cattle, sheep and other products.

Potash Ridge – is a developmental mine focused on potassium sulfate, a high-grade potash and a key ingredient in agricultural nutrients.

Stonegate Agricom – is a publicly-traded company developing its Paris Hills Phosphate deposit in Southeast Idaho. With pressure from a growing population and shifting diets, there is a growing demand for fertilizer.

<u>Energy</u>

One Earth Oil & Gas – explores and develops heavy oil in Canada with approximately 45 sections of land, 5 producing conventional wells, and a completed initial drill program, which proved heavy oil cold flow (oil flow without the addition of heat).

Independence Contract Drilling – is a land-based drilling service provider based in Houston, Texas that designs, manufactures, and operates drilling rigs.

InPlay Oil – a newly formed Canadian energy exploration and development company.

Long Run Exploration – is a publicly traded oil and natural gas company with assets in the Western Canadian prairies. The company has more than 1.8 million acres of land, 25,300 barrels of oil equivalent/day of production (52% oil / 48% gas) and a large inventory of exploration and development opportunities.

Corsa Coal – a mining and processing metallurgical and thermal coal company.

The aforementioned investments individually are attractive, but collectively through Sprott Resource Corp. they can be owned at a 25% discount to their intrinsic value. In other words, today, you can buy $378M worth of assets for $282M. Buy.

Thank you for your continued trust and support.

Trevor Holsinger & Steve Small