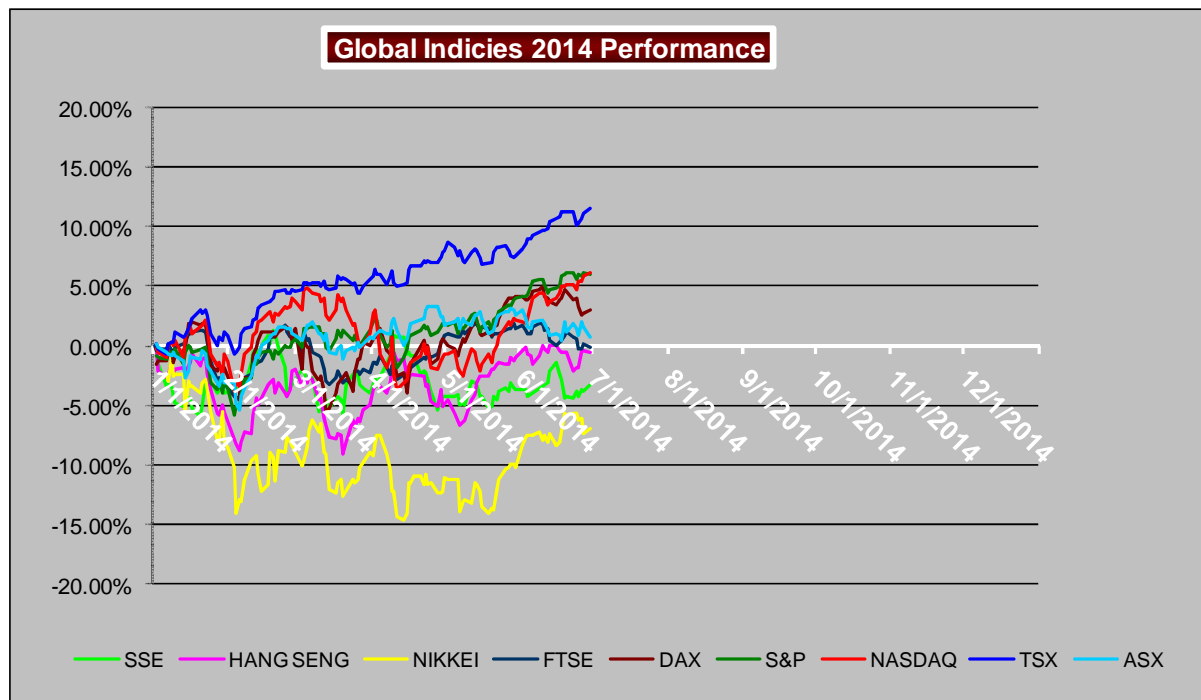


GDB July 2014 Newsletter

Monthly Market Summary:

2014 June Market Activity		
SSE COMPOSITE	2,048.33	+9.12 (0.45%)
HANG SENG	23,190.72	+109.07 (+0.47%)
NIKKEI 225	15,162.10	+529.72 (+3.62%)
FTSE 100	6,743.90	-100.60 (-1.47%)
DAX	9,833.07	-110.20 (-1.11%)
DOW	16,826.60	+109.43 (+0.65%)
S&P 500	1,960.23	+36.66 (+1.91%)
NASDAQ COMPOSITE	4,408.18	+165.56 (+3.90%)
ASX 200	5,395.70	-96.80 (-1.76%)
TSX COMPOSITE	15,146.00	+541.80 (+3.71%)



Investment Themes:

The S&P and Dow having successively breached record highs seemed to encounter some road bumps as we transition into the third quarter. The market volatility index - VIX, after touching 2014 intraday low of 10.28 on July 3rd, has ascended more than 20% in the next four days. Volatility is also risen in other asset classes from currencies, to fixed income, to commodities.

Heading into Q3, S&P is fully to slightly overvalued when compared to its 5-year or 10-year average; and fairly valued when compared to its long-term average.

Forward P/E's:

	Consumer				Info			
	<u>S&P 500</u>	<u>Discret.</u>	<u>Energy</u>	<u>Fin'ls</u>	<u>Industrials</u>	<u>Tech</u>	<u>Materials</u>	
6/30/2014	16.6x	19.2x	15.1x	14.6x	17.2x	16.2x	18.8x	
30-Day Avg.	16.5x	19.0x	14.8x	14.5x	17.4x	16.0x	18.5x	
90-Day Avg.	16.1x	18.6x	14.2x	14.0x	17.0x	15.6x	17.8x	
1-Year Avg.	15.7x	18.9x	13.7x	13.7x	16.7x	14.8x	17.4x	
3-Year Avg.	13.9x	16.5x	12.1x	12.5x	14.8x	13.4x	14.9x	
5-Year Avg.	14.3x	16.8x	12.8x	14.1x	15.2x	14.0x	16.7x	
10-Year Avg.	14.8x	18.3x	12.2x	14.8x	15.7x	16.5x	16.2x	
20-Year Avg.	16.7x	19.8x	15.9x	14.1x	16.9x	20.2x	18.2x	

Source: Oppenheimer Asset Management Investment Strategy and Bloomberg. Forward P/E's are calculated as current price over next twelve months estimated earnings, as measured by Bloomberg from bottoms-up analyst surveys.

Trailing P/E's:

	Consumer				Info			
	<u>S&P 500</u>	<u>Discret.</u>	<u>Energy</u>	<u>Financials</u>	<u>Industrials</u>	<u>Tech</u>	<u>Materials</u>	
6/30/2014	18.0x	20.9x	16.8x	14.3x	18.4x	18.7x	20.8x	
30-Day Ave	17.8x	20.7x	16.4x	14.2x	18.6x	18.4x	20.6x	
90-Day Ave	17.3x	20.5x	15.6x	13.9x	18.1x	17.9x	19.8x	
1-Year Ave	16.7x	20.8x	14.6x	13.4x	17.5x	17.0x	18.8x	
3-Year Ave	15.0x	17.4x	13.1x	13.3x	15.8x	15.5x	16.4x	
5-Year Ave	15.8x	18.1x	13.6x	18.9x	15.8x	16.7x	18.2x	
10-Year Ave	16.2x	23.2x	12.5x	16.4x	16.6x	19.2x	17.0x	
20-Year Ave	19.3x	22.8x	17.0x	16.2x	19.3x	29.4x	20.3x	

Source: Oppenheimer Asset Management Investment Strategy and Bloomberg. Trailing P/E's are calculated as current price over last twelve months adjusted earnings, as measured by Bloomberg.

With QE projected to end in October and further central bank stimulus unlikely to be announced in the near term, we do not see any external drivers that can propel the markets higher. If stocks were to continue to rally, the catalyst will have to come from company specific fundamentals. As Q2 earnings season kicks into full swing in the coming weeks, it will be a true test for the bulls in the market.

One of the most expensive sectors right now is the small caps sector. The Russell 2000's trailing P/E has almost doubled from a year ago and its forward 12 months P/E is 16.6% richer than the S&P 500.

Friday, July 11, 2014

	P/E RATIO			DIV YIELD	
	7/11/2014†	Year ago†	Estimate^	7/11/2014†	Year ago†
Russell 2000	78.06	46.74	19.29	1.27	1.66
Nasdaq 100	23.12	18.52	19.18	1.31	1.51
S&P 500	19.13	18.43	16.54	1.91	2.10

† Trailing 12 months

^ Forward 12 months from Birinyi Associates; updated weekly on Friday.

P/E data based on as-reported earnings; estimate data based on operating earnings.

Source: Birinyi Associates

Compounded with high levels leverage in the market, if earnings do not meet expectations, the small cap sector will feel much of the wrath from investors' exodus. In fact, what we are seeing in the futures market currently is that while the blue chip indices are pausing for direction, the Russell 2000 futures has already started to sell off in recent days, even on days when the major indices are climbing.





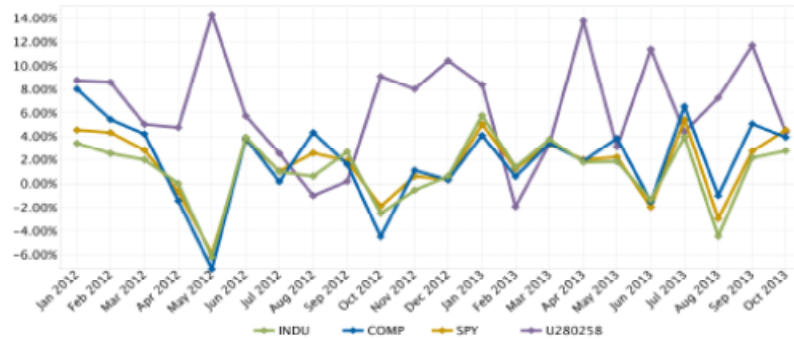
Our strategy going into what could be a market turning, volatile, Q2 earnings season would be one of a long blue chip and short small cap play. The large premium observed in small caps over blue chip will normalize over time; furthermore, if Q2 earnings turn out to be short of expectations, we anticipate that the small cap sector will experience a much larger correction than its larger cap counterparts.

Investment Opportunities:

1. GDB Monthly Income Fund

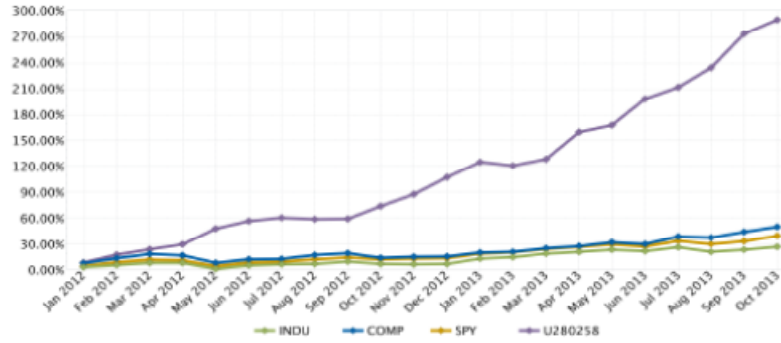
Fund managed by GDB Capital. Event-driven investments using hedging strategies and combinations of long/short positions in equities, futures, and commodities and their derivatives. Fund targets gross pre-tax IRR of 20% per annum, and returned 108% in 2012 and 194% in 2013. Following are the benchmark comparisons of GDB Fund performance against the major US Indices.

Time Period Benchmark Comparison



Date	INDU	COMP	SPY	U280258
Jan 2012	3.40%	8.01%	4.55%	8.77%
Feb 2012	2.53%	5.44%	4.31%	8.60%
Mar 2012	2.01%	4.20%	2.81%	5.03%
Apr 2012	0.01%	-1.46%	-0.68%	4.74%
May 2012	-6.21%	-7.19%	-5.92%	14.32%
Jun 2012	3.93%	3.81%	3.64%	5.73%
Jul 2012	1.00%	0.15%	1.06%	2.53%
Aug 2012	0.63%	4.34%	2.56%	-1.03%
Sep 2012	2.65%	1.61%	1.90%	0.18%
Oct 2012	-2.54%	-4.46%	-1.91%	9.12%
Nov 2012	-0.54%	1.11%	0.62%	8.03%
Dec 2012	0.60%	0.31%	0.32%	10.43%
Jan 2013	5.77%	4.06%	5.04%	8.38%
Feb 2013	1.40%	0.57%	1.22%	-1.94%
Date	INDU	COMP	SPY	U280258
Mar 2013	3.73%	3.40%	3.31%	3.37%
Apr 2013	1.79%	1.88%	2.00%	13.77%
May 2013	1.86%	3.82%	2.23%	3.09%
Jun 2013	-1.36%	-1.52%	-1.98%	11.38%
Jul 2013	3.96%	6.56%	5.41%	4.39%
Aug 2013	-4.45%	-1.01%	-2.97%	7.27%
Sep 2013	2.16%	5.06%	2.72%	11.74%
Oct 2013	2.75%	3.93%	4.54%	4.35%
Date	INDU	COMP	SPX	U4280258
Nov 2013	3.48%	3.58%	2.80%	6.49%
Dec 2013	3.05%	2.87%	2.36%	5.44%

Cumulative Benchmark Comparison



Date	INDU	COMP	SPY	U280258
Jan 2012	3.40%	8.01%	4.55%	8.77%
Feb 2012	6.01%	13.89%	9.06%	18.13%
Mar 2012	8.14%	18.67%	12.13%	24.07%
Apr 2012	8.15%	16.94%	11.37%	29.95%
May 2012	1.44%	8.53%	4.77%	48.56%
Jun 2012	5.42%	12.66%	8.58%	57.06%
Jul 2012	6.48%	12.83%	9.73%	61.03%
Aug 2012	7.15%	17.73%	12.54%	59.38%
Sep 2012	9.98%	19.62%	14.69%	59.66%
Oct 2012	7.19%	14.28%	12.49%	74.22%
Nov 2012	6.61%	15.55%	13.20%	88.22%
Dec 2012	7.26%	15.91%	13.56%	107.84%
Jan 2013	13.45%	20.61%	19.28%	125.27%
Feb 2013	15.04%	21.31%	20.74%	120.90%
Date	INDU	COMP	SPY	U280258
Mar 2013	19.32%	25.43%	24.74%	128.34%
Apr 2013	21.46%	27.78%	27.24%	159.78%
May 2013	23.72%	32.66%	30.07%	167.80%
Jun 2013	22.03%	30.64%	27.50%	198.28%
Jul 2013	26.86%	39.20%	34.39%	211.37%
Aug 2013	21.22%	37.80%	30.40%	234.01%
Sep 2013	23.84%	44.77%	33.94%	273.20%
Oct 2013	27.24%	50.46%	40.02%	289.44%
Date	INDU	COMP	SPY	U280258
Jan 2012 to Oct 2013	27.24%	50.46%	40.02%	289.44%
Date	INDU	COMP	SPY	U280258
Nov 2013	3.48%	3.58%	2.80%	6.49%
Dec 2013	6.63%	6.55%	5.23%	12.28%
Nov 2013 to Dec 2013	6.63%	6.55%	5.23%	12.28%

Total 301.72%