July 2, 2015

Our clients' equity portfolios were down 1.8% for the quarter ended June 30, 2015 while the Russell Midcap Value was down 2.0% and the S&P 500 was up 0.3%. Investments in energy (+13%) and financials (+1%) performed the best while technology (-8%) and utilities (-5%) performed the worst. Weakness in interest rate sensitive sectors (REITs and utilities) reflects concern about the increasing probability of rising interest rates and the sectors' high valuations. We have no exposure to REITs and a minimal investment in utilities. Our long-term, fundamental approach is to invest in good businesses, with strong management and superior financials at attractive valuations. The attached charts demonstrate that our time-tested investment approach has produced attractive returns for our investors over the long term and during different phases of the current market cycle.

As a result of the extended period of extremely low interest rates, we are seeing increasing signs of risk taking in the form of higher financial leverage. M&A activity is on the rise and companies are increasing leverage to fund acquisitions and share repurchases at high valuations. These trends underscore the need for disciplined risk management. We remain committed to investing in companies with the powerful combination of strong balance sheets and consistent and growing free cash flow. Our managements continue to reinvest their cash flow to expand their competitive advantages and widen the gap versus their peers. We are confident that our portfolio of strong, high quality companies will be recognized and rewarded.

Thank you for your interest in investing with us and we look forward to visiting with you soon.

Regards, Fred, Paul, Ben & Matt