April 2, 2014

Dear Fellow Investors,

For the quarter ending March 31, 2014, our equity portfolios were up 0.9%. Investments in utilities (+8%), healthcare (+6%) and technology (+6%) performed the best while energy (-6%) and consumer staples (-3%) were the worst. For the quarter, the Russell Midcap Value (RMV) and the S&P 500 were up 5.2% and 1.8%, respectively. The RMV's strong performance was driven by lower quality companies and its significant concentration (~25%) in interest rate sensitive REITs and utilities which were up 11% and 9%, respectively. Risk management is an important part of our approach and due to the high valuations relative to their historic ranges we are void in REITs and have only a small investment in utilities. Clearly, our high quality investment approach is out of favor with current market sentiment. However, sentiment is temporary by its nature and we are confident that strong, long-term fundamentals will prevail once again. The two attached charts demonstrate the attractive returns our **disciplined** approach has produced over the long term and over different phases of this market cycle.

The current bull market marked its five year anniversary in March. Equity returns have been very strong, driven more by multiple expansion than earnings growth and led by lower quality companies in recent years. The result is that equity valuations are above historic averages. Successful investors will avoid the temptation to follow crowd mentality (momentum) or to assume excessive risk to obtain high returns in a fairly valued market. We remain firmly committed to our approach of investing in financially powerful companies with superior operating and capital allocation skills. We believe this approach will continue to produce solid, long-term results.

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

Fred, Paul and Ben