

January 2, 2015

Dear Friends,

We are pleased to report that our equity portfolios were up 7.0% for the quarter ended December 31, 2014 while the Russell Midcap Value and the S&P 500 were up 6.1% and 4.9%, respectively. Investments in consumer cyclicals (+19%), utilities (+18%), and health care (+13%) performed the best while energy (-24%) performed the worst. Near-term sentiment in the energy sector is clearly negative. However, we view this as a significant long-term opportunity based upon our companies' strong free cash flow and attractive valuations.

For the year, our equity portfolios were up 8.7% while the Russell Midcap Value and the S&P 500 were up 14.8% and 13.7%, respectively. As the bull market enters its sixth year, we believe that maintaining discipline will be essential for successful investing. Accordingly, we remain focused on risk management in a market often dominated by short-term emotions. Our portfolios are invested in companies we deem to be financially powerful and reasonably valued while we avoid the excesses we see in the market. The two attached tables demonstrate the attractive returns our investors have earned over the long term and during the different phases of the current market cycle.

End market demand in the U.S. continues to firm and the economic pace is improving. In this environment, your companies have been producing impressive operating leverage. This is solid evidence that the investments they have made to enhance their competitive advantages are succeeding. Our companies are well positioned for the future and we are optimistic that their potential earning power will translate into attractive returns for shareholders.

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

Regards, Fred, Paul, Ben and Matt