

January 11, 2010

We are pleased to report that our investors' equity portfolios increased 5.6% during the quarter. Their return was driven by investments in consumer staples (+10%), industrials (+10%), and energy (+9%), while consumer cyclicals were down 1%. During the quarter, the Russell Midcap Value (RMV) and S&P 500 were up 5.2% and 6.0%, respectively. For the year, our investors' portfolios increased 23.9%, while the RMV and S&P 500 were up 34.2% and 26.5%, respectively. Low quality companies led the market as the worst fears about their survival were not realized.

For the second time in history (1930s and 2000s), the ten year annualized return of the stock market (S&P 500) was negative, down 1%. While the market's poor return for the past decade was painful for most investors, we are pleased that our investors earned 9.1% annually as a result of our **disciplined, fundamental** approach to investing (see attached table).

We believe the damages caused by the financial crisis will take several years to repair and the recovery will be slow and frustrating for investors. In this environment, our companies should outperform their competitors because of their **strong financials and excellent liquidity**. They are capitalizing on these advantages by reinvesting their free cash flow in R & D, new products, and marketing. As a result, they will continue to gain market share. The dividends of our portfolio are growing which is a strong signal of management's confidence in the sustainability of earnings and cash flow. Based upon our research, we agree with this assessment. Equally important, we believe the stock prices of our companies are undervalued and represent an attractive investment opportunity for those who have the **courage and patience** to invest for the long term.

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

Best Regards,

Fred H. Speece, Jr., CFA

Enclosure

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# INVESTMENT RESULTS

## EQUITY COMPOSITE

Period Ending December 31, 2009

	ANNUALIZED RETURNS				
	<u>4th Qtr</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Speece Thorson Capital Group</b>	<b>5.6%</b>	<b>23.9%</b>	<b>3.6%</b>	<b>6.4%</b>	<b>9.1%</b>
Russell Midcap Value	5.2	34.2	(6.6)	2.0	7.6
S&P 500	6.0	26.5	(5.6)	0.4	(1.0)

Speece Thorson Capital Group, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). The CFA Institute has not been involved with the preparation or review of this report. The results are before fees. The firm's fee schedule is 0.7% on the first \$10 million, 0.5% on the next \$20 million, 0.3% on the next \$20 million and 0.20% on assets over \$50 million. The performance data shown represents past performance, which is not a guarantee of future results. Current and future results will fluctuate with market conditions and may be lower or higher than those shown.

The statement of composite and investment performance of Speece Thorson Capital Group, Inc. for the ten month period ending December 31, 1992 and the years ended December 31, 1993 through 2008 has been verified by a Big 4 accounting firm. A copy of this report is available upon request.