

Dear Fellow Investors:

We are pleased to report that your equity portfolio was up 14.6% for the quarter, while the Russell Midcap Value (RMV) and the S&P 500 were up 13.4% and 11.8%, respectively. Your investments in consumer cyclicals (+26%), technology (+23%), and industrials (+23%) led your return, while energy lagged (+5%). For the year, your portfolio was up 5.4%, while the RMV was down 1.4% and the S&P 500 was up 2.1%. Long-term, fundamental investing is our focus and our mission is to preserve and grow your capital. The attached table demonstrates the solid returns we have produced for our fellow investors for 3, 5, and 10 years.

The lingering impact of the global financial crisis caused significant market volatility and exacerbated investors' frustration during the year. We believe your companies will continue to perform well despite the difficult business conditions. They have strong financials and the confidence to invest for the future. These investments are producing market share gains, improving pricing power, and enhancing their franchises.

Based upon our valuation methods, we conclude your companies' stock prices are selling at significant discounts to intrinsic value and are attractive investments. It is intriguing that the dividend yield of your equity portfolio is equal to the 10 year US Treasury Note yield (~2%). Moreover, your companies have grown their dividends by ~9% annually for the past five years. We believe their strong cash flow will continue to support further dividend increases.

Given the financial strength of your companies and their attractive valuations, we believe this is a good time to invest. As always, **discipline and patience** are required to earn solid, long-term returns.

Thank you for investing with us and we wish you the best in the New Year.

Regards, Fred, Paul and Ben