

July 2, 2013

Dear Friends:

For the second quarter of 2013, our fellow investors' equity portfolios earned a return of 1.5%. Investments in financials (+4%), health care (+3%), and industrials (+2%) performed the best while consumer cyclicals (-2%) and materials (-1%) lagged. For the quarter, the Russell Midcap Value (RMV) was up 1.7% and the S&P 500 was up 2.9%. Year-to-date, our equities are up 14.3% while the RMV and S&P 500 are up 16.1% and 13.8%, respectively. Our mission is to preserve and grow our investors' capital and the attached table demonstrates the solid returns our disciplined approach has produced over the long term.

The equity market is fairly valued after its rebound from the 2009 low, driven by valuation expansion and the recovery in corporate profits. We believe the pace of economic growth will remain sluggish and company specific execution will be the key determinant of portfolio returns. Market share gains and superior earnings growth will be measures of success. Based upon our research, we are confident that our companies will continue to outperform their peers. They have a long history of utilizing their strong financials to invest in R&D, marketing and innovation to grow their businesses. Equally important, their cash flows have been significant enough to fund these investments and grow their dividends by ~10% annually over the past five years. As always, **patience and courage** are key elements of successful investing.

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

Regards, Fred, Paul and Ben