

July 7, 2011

Dear Friends;

Global equity markets were volatile during the quarter, reflecting investor concerns over the slow pace of the recovery. Despite the volatility, our investors' equity portfolios achieved a gain of 0.8%, while the Russell Midcap Value (RMV) was down 0.7% and the S&P 500 was up 0.1%. Investments in health care (+6%), industrials (+4%), and materials (+4%) made good progress, while energy (-17%) and technology (-7%) had the greatest declines. Long-term results are our focus and the attached table demonstrates that our **disciplined, fundamental investment approach** has produced solid returns for the past 3, 5, and 10 years.

We believe the operating environment will continue to be frustrating, but we are encouraged by the progress our companies are making. They are using their financial strength to gain market share by investing in product development, logistics efficiencies, and marketing. These investments also strengthen their pricing power to pass through increases in raw material costs to their customers. Both of these competitive advantages have significantly increased their earning power. Our companies continue to grow their dividends at a healthy rate, signaling managements' confidence in the sustainability of their strong free cash flow. Our research confirms their confidence and we believe their stock prices understate the value of their businesses.

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

Regards

Fred H. Speece, Jr., CFA