

July 7, 2014

For the quarter ending June 30, 2014 our equity portfolios were up 4.3%. Investments in energy (+10%), utilities (+9%) and industrials (+6%) performed the best while consumer cyclicals (-4%) were the worst. For the quarter, the Russell Midcap Value and the S&P 500 were up 5.6% and 5.2%, respectively. We are pleased with the improved performance of our high quality portfolio, particularly since the market continues to be led by lower quality companies and interest rate sensitive sectors. While this is encouraging, we remain focused on long-term fundamental investing. The two attached tables demonstrate the attractive returns our disciplined approach has produced over the long term and over the different phases of the current market cycle.

Equity returns have been extremely strong since the market's trough in 2009, with more of the advance coming from multiple expansion than earnings growth. As a result, valuations are above their historic averages and the market is fairly valued. Clearly, this is not the time to reach for higher returns and assume additional risk. This is the time to be disciplined and maintain a long-term investment horizon. Over a full market cycle, we believe investors will be rewarded for investing in financially powerful companies with superior operating and capital allocation skills.

We are pleased to announce that Matt J. Weight, CFA, has joined our firm as an equity analyst/portfolio manager. He will participate fully in our investment process. Matt's thirteen years of experience as a financial analyst and his commitment to long-term, fundamental investing will enhance our independent research capacity. Matt was previously employed by Feltl and Company, Scout Investment Advisors, American Century Investments and Deloitte & Touche. He earned a BA from the University of St. Thomas and a MBA- Applied Security Analysis from the University of Wisconsin, Madison. He is a Chartered Financial Analyst and a Certified Public Accountant (inactive).

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

Fred, Ben & Paul