

October 1, 2013

Dear Friends,

This was a strong quarter as our fellow investors' equity portfolios earned a return of 7.0%. Investments in technology (+20%), materials (+13%) energy (+11%), and performed the best while utilities (+1%) lagged. For the quarter, the Russell Midcap Value (RMV) and the S&P 500 were up 5.9% and 5.2%, respectively. Year-to-date, our equities were up 22.2% while the RMV and S&P 500 were up 22.9% and 19.8%, respectively. While we are pleased with these results, our focus remains on long-term investing. The attached table demonstrates the attractive returns our **disciplined** approach has produced over the long term.

We are in a period of slow economic growth and, consequently, believe that portfolio returns will be heavily dependent upon stock selection and the ability of companies to successfully execute their business plans. We are confident that our companies will continue to outperform their industries because their financial strength allows them to invest in R & D, marketing and technology to gain market share and enhance pricing power. The boards of directors share our confidence in the sustainability of their growth by increasing their dividends by ~10% per year over the past five years. While the equity market appears to be fairly valued, we believe the financial strength and strong competitive positions of our companies will continue to produce attractive long-term rates of return. 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