October 7, 2009

We are pleased to report that our investors' equity portfolios were up 16.3% during the quarter. Their returns were driven by investments in consumer cyclicals (+30%), technology (+30%), and energy (+28%), while consumer staples lagged (+7%). During the quarter, the Russell Midcap Value and the S&P 500 were up 23.6% and 15.6%, respectively. Low quality companies continued to lead the market's advance as investors became less concerned about a total collapse of the financial system. Year-to-date, our investors' portfolios were up 17.1%, while the RMV and the S&P were up 27.6% and 19.3%, respectively. While we are pleased with the recent returns, we find greater satisfaction in our long-term returns as shown on the attached table.

Investor enthusiasm for low quality companies reflects expectations that a strong recovery has begun. While the economy has stabilized, we believe the recovery will be slow because of the lingering effects from the excessive risk-taking that caused the financial crisis. Our investors' companies' **strong financials and our disciplined risk management** served them well during the market collapse. Going forward, we believe this combination remains powerful as investors will turn their attention to companies that will *succeed* rather than merely survive. Our investors' companies have been executing their strategies effectively in an extremely difficult environment. Equally important, they are using their financial strength and flexibility to reinvest in their business to grow profitably and gain market share. Based upon our research, the stock prices of our companies are undervalued and represent a significant investment opportunity for those who have the **courage and patience** to invest for the long term.

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

Best regards,

Fred H. Speece, Jr., CFA

Enclosure

FHS:mt