

October 4, 2016

Dear Friends,

For the quarter ending September 30, 2016 our investors' equity portfolios were up 1.2%, while the Russell Midcap Value (RMV) and the S&P 500 were up 4.5% and 3.9%, respectively. Investments in utilities (+6%) and consumer discretionary (+4%) performed the best while consumer staples (-9%) and energy (-2%) performed the worst.

Year to date, our portfolios were up 10.6%, while the RMV and the S&P were up 13.7% and 7.8%, respectively. The uncertainty around the direction of interest rates has heightened market volatility. The RMV has a large concentration (~ 30%) in interest rate sensitive sectors (REITs and utilities) which are exposed to the risk of rising interest rates. As a result, we have a small investment (2%) in these sectors to minimize this risk. Our focus is long-term investing and the attached charts demonstrate the solid returns our disciplined investment approach has produced over the long term and the current market cycle.

Global economic growth remains tepid. Our companies remain focused on what they can control and despite the sluggish economy they continue to generate earnings growth. Much of this growth has come from market share gains resulting from the reinvestment of their significant free cash flow. These investments are primarily in the form of productivity enhancements, product innovations and sales force expansions. In addition to these internal initiatives, our companies have strong balance sheets, reasonable valuations and we are confident our portfolios will continue to produce attractive returns.

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

Regards, Fred, Paul, Ben and Matt