

October 2, 2017

Dear Friends,

For the quarter ending September 30, 2017 our clients' equity portfolios were up 0.2%, while the Russell Midcap Value (RMV) and the S&P 500 were up 2.1% and 4.5%, respectively. Investments in industrials (+10%) and energy (+6%) performed the best, while consumer cyclicals (-11%) and consumer staples (-3%) performed the worst. After an extended period of decline, we are encouraged that fundamentals in the energy sector are starting to improve and our companies have executed well during the industry's down cycle. Currently, the consumer sectors are out of favor which has created valuations we believe represent excellent long-term investment opportunities. The consumer companies we are investing in have significant competitive advantages including market leading brands, efficient distribution systems and strong financials. We are confident that our skilled management teams will leverage these superior fundamentals to succeed in this challenging environment.

This bull market is in its ninth year which has created pockets of excessive valuations resulting from momentum investing. We are managing risk by avoiding such excesses in order to preserve and grow our investors' capital. Our disciplined focus on valuation rather than chasing momentum inevitably creates periods of underperformance. The key to successful active management is for both the manager and investor to stay the course. We are confident this approach and the strength and quality of our companies will produce superior long-term returns. The attached charts demonstrate the solid returns our disciplined investment approach has produced over both the long term and the current market cycle.

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

Regards, Fred, Paul, Ben, Matt and Pete