



Quarterly Commentary – January 3, 2011

Despite the greater than 15% return for the S&P 500, 2010 proved to be a challenging year in the markets, characterized by two distinct investment environments. The first half of the year saw the market fall 8.3% as concerns over the fiscal situation in Europe led investors to shun investments that were perceived as risky (namely equities) and move into the perceived security of fixed income securities (in particular U.S. Treasury bonds). As governments around the world moved to support an economic recovery, investors re-embraced risk and drove the market up over 23% from the July 2nd low, resulting in the solid gains for the year.

We remain mindful of the risks associated with a nascent economic recovery and have positioned your portfolios accordingly. Our attention to these risks led us to be more conservative and as a result, our portfolios underperformed their benchmarks this year. While it may not feel like we are in the midst of a recovery, the data is indisputable as the level of 2010 GDP surpassed its previous high level set in 2008, and U.S. corporate profits, the ultimate driver of long-term stock price appreciation, are within a fraction of the peak reached in 2006. We are further encouraged by the fact that the stock market has recovered nearly all of its losses incurred since September, 2008, and has appreciated over 90% since the market reached its low in March, 2009.

We are occasionally asked whether we are concerned about short-term periods when our portfolios are not performing as well as the market. We explain that we never manage our clients' money with the aim of always outperforming every short-term period, because when one tries to do so, it induces one to take unnecessary risk. Taking unnecessary risk runs counter to our mission for our clients—to produce a multi-year outcome which will provide our clients with *happy and secure futures*. This is the business we are in. The business we are not in is to strive for short-term performance, and our historic periods of outperformance are to us just as meaningless as our recent period of underperformance. We know that the rules for successfully creating wealth involve a constant focus on the long-term versus the short-term, keeping our clients' capital invested in the world's strongest businesses, and purchasing those businesses when they are cheap and selling them when they are overvalued. This is the way we have managed our client's money for 44 years, through good times and bad. This is the way we will always manage our clients' money.

The year 2011 marks the first year that over 77 million baby boomers reach age 65 and are either nearing retirement or have retired already. These individuals have a problem. They need to replace their income previously derived from employment, preferably with an income that is stable and growing. They need their assets and this income to provide happy and secure retirements for themselves and their loved ones. We believe we have the best solution. In our view, the most reliable way to earn these stable and growing income streams is through ownership in multinational, blue-chip, dividend paying large-cap businesses like the ones you and all our clients own in their portfolios. We believe more and more baby boomers will recognize and appreciate the value of this solution in the years to come, and those that are positioned in this manner now should benefit accordingly with capital appreciation. And as we



exercise patience, we are being paid to wait (in the form of dividends). This is why we are most hopeful and optimistic about the future for our clients.

Our Financial Advisors and Investment Committee will be hosting a conference call for clients on Thursday, January 27th at 2:00 P.M. We will use this time to answer questions that we frequently are asked about our research and investment process and our outlook. More information about the call will be forthcoming, but please save the date and forward questions you would like to have addressed to your Financial Advisor.

Included with this commentary are your quarterly performance figures, management fee invoices, and a copy of your portfolio allocation as of 12/31/10. You will receive reports from your custodian as well. We urge you to compare both statements to insure accurate reporting. If you have any questions about your accounts or would like to come in for a visit, please drop us a note or give us a call.

With warm regards,

The Golub Group

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