

QUARTERLY COMMENTARY
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Recent months have brought extreme volatility and sharply lower prices for stocks and commodities around the world. Concerns about a possible debt default by Greece, and slowing economic growth in both the U.S. and Asia are all blamed as reasons for the declines. But it is the situation in Greece, and the possibility of contagion throughout Europe, that seems to have the greatest impact on daily market volatility.

This leads one to ask, how can Greece be so important? After all, Greece has a population five percent smaller than the State of Ohio, and an economy that is one-third smaller. Indeed, if Ohio was struggling to pay its debts, investors around the world would not respond in such a way -- if they noticed at all. Further, why does a possible debt default by a relatively small nation matter at all to stock prices in the U.S. or other nations?

The answer to these questions lies in the holders of Greek debt as well as the debts of other struggling European nations such as Ireland, Portugal, Italy and Spain. It is not so much Greece itself that is the concern. Rather it is the thinly capitalized European banks that own the debt of Greece. Just as the ownership of low quality mortgages brought down Bear Sterns and Lehman Brothers in 2008, some fear that a default by Greece, and/or other European nations, could cause some large European banks to fail. And, because the European economy is very dependent on its massive, yet very concentrated, banking system, such a failure would wreak havoc on its economy with the impact to be felt around the world.

As such, it is *very* important that Greece and the other overly--indebted European nations work to improve their balance sheets. However, it is *vital*ly important that a solution be put in place to provide European banks with the necessary capital to not only insure their survival in the event of a nation defaulting, but also to provide the necessary confidence that will allow the banking system to continue to function. We are just now seeing the beginning of such a solution.

Unfortunately, any solution to Europe's problems will require the approvals of politicians. The challenge of this is multiplied by having politicians spread across numerous countries, cultures and political parties. This makes the ultimate outcome unpredictable. It also makes it likely that the necessary agreements will not be reached until the eleventh hour.

Equity Indices	3rd Qtr.	12 mo.
S & P 500	-13.87%	1.14%
S & P 600	-19.83%	.21%
Russell 1000 Growth	-13.14%	3.78%
Russell 1000 Value	-16.20%	-1.89%
EAFE (US\$)*	-18.95%	-8.94%

Total Returns for the period. *an index of foreign stocks.

Interest Rates	3/31/11	6/30/11
90 Day US T-Bill	.03%	.02%
10-Year US T-Bonds	3.18%	1.92%



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During times of increased market volatility it is important to remind ourselves that while stock prices may be changing significantly from day to day, or even hour by hour, the values of the businesses we own via stocks are not changing nearly so rapidly. As any rational business owner knows, the value of a business is based on the profits that it is expected to generate over many years going forward. This is not something that changes with every economic report or rumor out of Europe. Knowing this allows us as long--term investors to benefit from the market's volatility by buying ownership stakes in businesses at prices well below their true values. It is in this pursuit that we focus our attention during these times.

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