BRADYCO

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Results

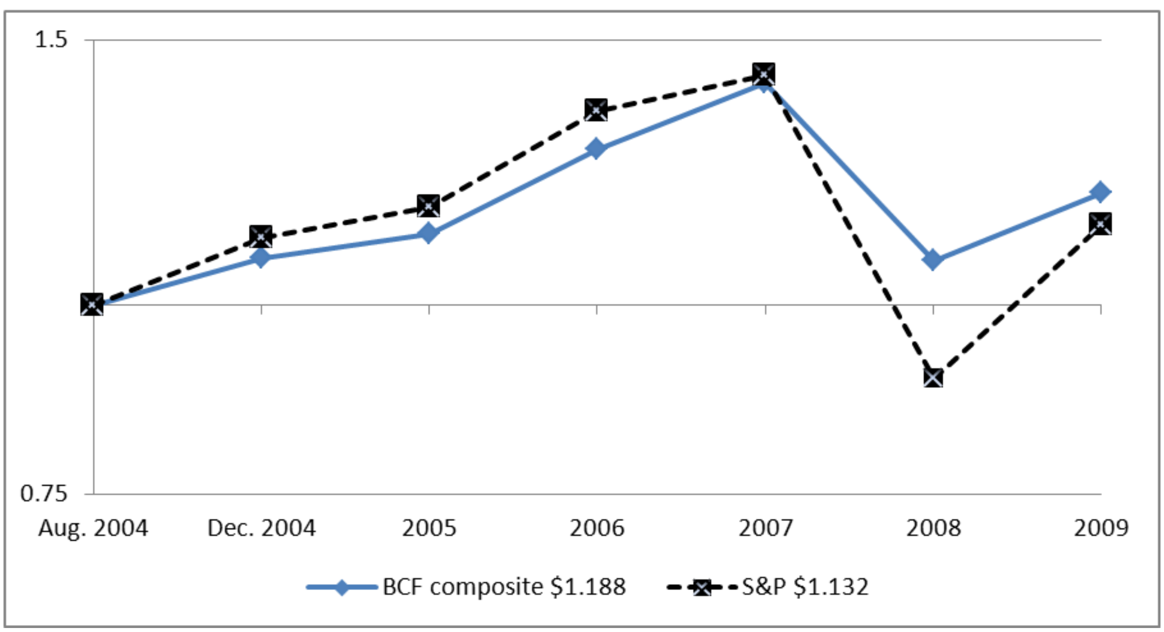
The Bradyco composite result for 2009 was a gain of 10.8%, net of expenses, while the S&P 500 index, including dividends, gained 26.5%.

The following table compares our results as of the end of 2009 versus the S&P 500 index. Complete results are included at the end of this letter.

	2009	2008	Last 2 yrs.	Last 3 yrs.	Last 5 yrs.	Since Inception
Bradyco composite	10.8%	-23.8%	-8.1%	-2.2%	2.0%	3.2%
S&P 500 (w/ DIV)	26.5%	-37.0%	-10.7%	-5.6%	0.4%	2.3%
Diff.	-15.6%	13.2%	2.7%	3.5%	1.6%	0.9%

Returns are annualized; past performance is no guarantee of future results.

The following graph compares the performance of one dollar invested by Bradyco Financial since 7/31/04 to one dollar invested in the S&P 500 index.



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Commentary

How do I view our results? We had an adequate year with a positive, double digit return, +10.8%, but we underperformed the S&P 500 index by 15.6%. (This performance contrasts with 2008 when we lost -23.8%, but beat the index by 13.2%.) What happened? In a nutshell, our long-term approach – which led to strong relative results in 2008 – was out-of-favor in 2009. Short-term, momentum driven investing fueled by low interest rates and a falling dollar ruled the day on WallStreet.

As long-term oriented investors, we should expect that our investment approach will sometimes be out of sync with the stock market (the tech bubble in the late 1990's was one such period). But as that example proved, staying the course not only allows us to sleep better as it did in 2008, but over the long run, it should be better for our wallets as well. While I won't hide my disappointment with 2009's relative results, our long-term results continue to beat the S&P 500 index.

Lost Decade

Observers have noted that during the last 10 years, stocks have done poorly while bonds have excelled. Not surprisingly, individual investor's actions during 2009 attempted to take advantage of these trends by cashing in their low yielding money market fund assets and buying bond mutual funds. Warren Buffett calls this phenomenon rear view mirror investing. It assumes that past trends will continue for some time into the future. Unfortunately, they rarely do. Let's look at what caused bonds to outperform stocks during the past 10 years.

If we look at stock valuations as the decade began, they were rather overvalued. In fact, the S&P 500 index was only 6% below what would later become its highest level ever (October 9, 2007) as a result of two decades of unsustainable double digit gains. Starting from such an overvalued state, it was not surprising that despite the economic growth during the decade, the stock market lost value during the period. Today, the stock market is more fairly valued.

The bond market, by contrast, had an above average decade due to falling interest rates. The decade began with the Fed Funds rate (the rate at which banks loan money to each other) at 5.3%. Today, that same rate is virtually zero. Thus, bond returns were boosted by a 5% drop in interest rates (remember: bonds go up in value when interest rates fall). This Fed induced tailwind has been further aided by the flood of investor money into bond funds. But the self-fulfilling nature of these flows won't last. Now that the Fed Funds rate is virtually zero, the bond market can't benefit from interest rates falling further. Rather, at some point, interest rates will go up and bonds will drop in value. The easy money has been made in the bond market.

Given the stock market's climb since March 9th, my expectations for the equities over the next decade are not high, but I expect stocks to outperform both inflation and the bond market.

How Tax Laws Could Affect You

Two key tax laws which were passed several years ago could have significant implications for investors as of January 1, 2010. First, under the Economic Growth and Tax Relief Reconciliation Act of 2001, the estate of anyone who dies in 2010 would no longer be subject to estate taxes. The House of Representatives passed legislation in early December that would repeal this provision and extend the current exclusion of $3.5 million after 12/31/09. The Senate is working on similar legislation, but its prospects are uncertain. Some in Congress have suggested that any future legislation will include a retroactive provision eliminating any gap between the expiration of the old law on 12/31/09 and the effective date of a new one. This suggestion is controversial and opponents have threatened a court challenge. Thus, the only thing clear is the great uncertainty regarding estate taxes.

The other key law change is that starting this year, most taxpayers — regardless of their income or tax-filing status — will be able to convert a Traditional IRA to a Roth IRA as spelled out in the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), passed in May 2006. Before this provision took effect on January 1, only people with modified adjusted gross income below $100,000 could convert. The good news is that there is some clarity on this change. The bad news is that the clarity comes with rather complex rules and any consideration of the merits of this provision for an investor requires making many assumptions regarding the future. For more information on this issue, click here

What's Next?

The stock market began the year with strength, but has recently pulled back and is currently down slightly for the year. Still, it has gone more or less straight up since March 9, 2009, which is not typical. Also, the economic outlook is rather mixed. In short, we may get a buying opportunity soon and if we do, I will be ready to add quality, long-term oriented stocks to our portfolios.

Thank you for your confidence.

Brad

P. S. Along with this letter, I have enclosed reports outlining your realized capital gains and losses, your investment income, and your expenses including investment management fees, commission, and margin expense (if any). These reports are bundled together in two groups: those related to taxable accounts, which you should give to your tax preparer and the non-taxable accounts, which are solely for your information. You should be receiving your 1099 reports from Fidelity Investments shortly.

All Assets	Bradyco Composite (all)	Growth Composite	Growth & Income Composite	S&P 500 Index
08/04 – 12/04	7.5%	7.3%	8.0%	10.9%
2005	3.7%	3.5%	4.4%	4.9%
2006	13.8%	14.3%	12.8%	15.8%
2007	10.8%	12.7%	6.0%	5.5%
2008	-23.8%	-25.5%	-18.6%	-37.0%
2009	10.8%	11.2%	9.7%	26.5%
08/04 – 12/09	3.2%	3.2%	3.5%	2.3%

All returns over 12 months are annualized and net of all expenses including investment management fees and trading expenses. All composite returns are asset-weighted monthly and include cash. All calculations use prices provided by Fidelity Investments. Non-discretionary accounts and accounts with 100% cash are not included. Index returns reflect the reinvestment of dividends.

Stocks only	Bradyco Composite (all)	Growth Composite	Growth & Income Composite	S&P 500 Index
08/04 – 12/04	**9.8%**	**8.4%**	**16.6%**	**10.9%**
2005	**5.0%**	**3.5%**	**10.8%**	**4.9%**
2006	**18.0%**	**17.3%**	**19.8%**	**15.8%**
2007	**14.5%**	**16.5%**	**7.9%**	**5.5%**
2008	**-27.7%**	**-29.0%**	**-22.7%**	**-37.0%**
2009	**15.5%**	**15.6%**	**15.0%**	**26.5%**
08/04 –12/09	**5.0%**	**4.3%**	**7.6%**	**2.3%**

All returns over 12 months are annualized and do NOT include investment management fees. All returns are asset-weighted monthly and do not include any non-stock investments including equity mutual funds. All calculations use prices provided by Fidelity Investments. Non-discretionary accounts and accounts with 100% cash are not included. Index returns reflect the reinvestment of dividends.