BRADYCO

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Results

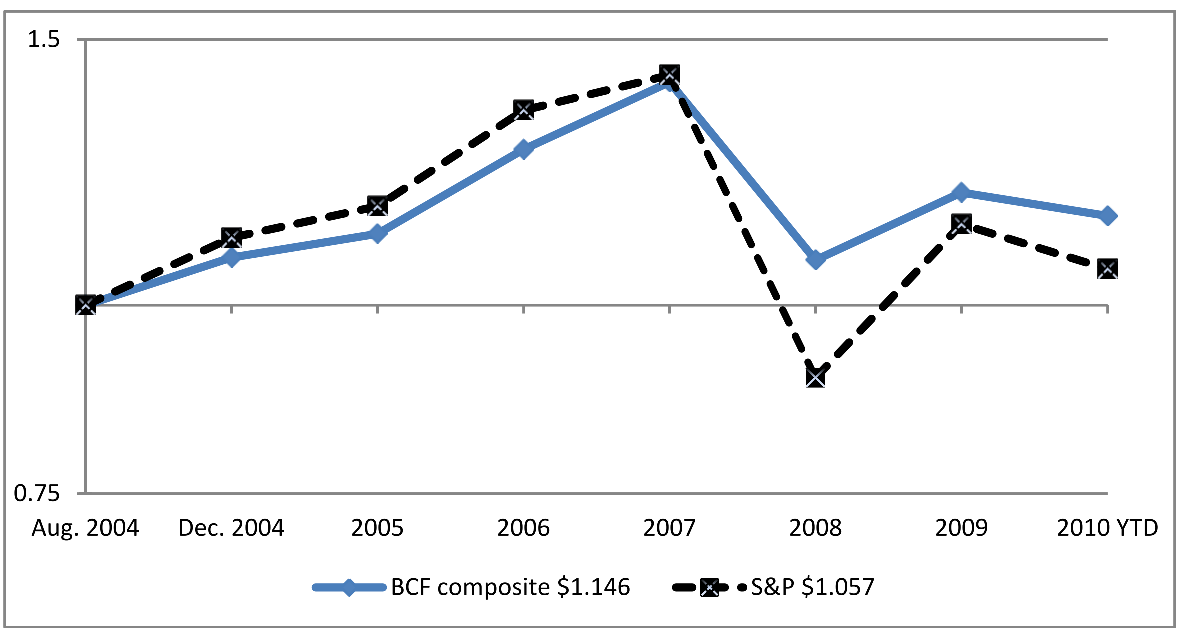
The Bradyco composite result for the 1st half of 2010 was a loss of 3.4%, net of expenses, while the S&P 500 index, including dividends, lost 6.7%.

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

	2010 YTD	2009	2008	Last 2 yrs.	Last 3 yrs.	Last 5 yrs.	Since Inception
Bradyco composite	-3.4%	10.8%	-23.8%	-5.9%	-4.5%	1.1%	2.4%
S&P 500 (w/ DIV)	-6.7%	26.5%	-37.0%	-8.1%	-9.8%	-0.8%	0.9%
Diff.	3.3%	-15.6%	13.2%	2.3%	5.3%	1.9%	1.4%

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

During the first half of 2010, our composite result exceeded our benchmark, the S&P 500 index, by over 3%, although like the market, we lost money. More importantly, our long-term track record remains solid with a gain in our composite of 2.4% per year since our inception almost six years ago, which is 1.4% per year more than the S&P index.

Head vs. Heart

I am often asked how the stock market is doing on a particular day. It is human nature to watch the stock market's gyrations in the same way you watch the fate of the Red Sox. Like the Red Sox, the ups and downs of the stock market can cause a lot of heartburn for those who watch its results too closely. Should long-term investors care?

Let's start by admitting that it's only human to care. Given the important role that savings play in your life, it is natural to have a strong emotional attachment to how your investments are doing. That said, in a perfect world, you would be better off if you used "Vulcan" logic, exhibited by Dr. Spock of Star Trek fame, to evaluate your investment decisions. Only by keeping your emotions in check can you take full advantage of the opportunities for long-term growth given to you by the rollercoaster stock market.

It would be nice if the quoted price of all investments went up every day. However, unless you invest with Bernie Madoff (or some other swindler), such expectations are unrealistic.

Does it matter that the value of your investments fluctuates? The answer depends upon whether you are thinking with your head or your heart. If you think logically, you see that a volatile share price can offer a wonderful investment opportunity. From an emotional standpoint, a volatile share price is often equated with fear and panic. Only by thinking long-term can you align your head with your heart.

If your time horizon is years rather than months or days, you can take advantage of a drop in a company's stock price as an opportunity to acquire shares inexpensively. Similarly, a sudden spike in the share price years later might provide a good exit point for cashing in those shares.

Here's an example. It's the summer of 2008, and you happen to notice that Starbucks' stock price has fallen by over 50% during the past two years. Seeing a bargain, you purchase Starbucks' stock at $14/share in August 2008. Then, in June 2010, you sell your Starbucks' stock for $28/share. Not a bad investment – you doubled your money in less than 2 years!

Now let's add a wrinkle – reality. While it is true that Starbucks' stock price went from $14/share in August 2008 to $28/share in June 2010, it did not go straight up. In fact, three months after your purchase, the price of Starbucks' stock had fallen by 50%. Ouch! To achieve the 100% return, you would have had to ignore a lot of volatility in Starbucks' stock price – a drop of 50% followed by a gain of 300%.

While this example is a bit extreme since it took place during the 2008 financial crisis, it illustrates that the keys to success are the price of your purchase and your sale. Yes, it would have been nice if you had had the foresight (or luck) to know that Starbucks was going to fall from $14/share to $7/share and had delayed your purchase until then. This example shows that even with flawed timing, you can still make a very good profit by buying the right company when it is selling for less than it should and waiting patiently to sell it. The key is thinking about your investments in the right way.

This approach is not popular with either the media or some people in academia. They often equate volatility with risk. I see things differently. For me, a volatile stock's price may fluctuate significantly, but any major declines are <u>temporary</u>. This type of investment can offer great potential for long-term gain. The value of a risky stock, on the other hand, fluctuates as well, but the difference is that the risky stock's price offers a significant chance for a <u>permanent</u> decline in value.

Many great stocks are volatile. These stocks should not be confused with stocks that are risky because of weak finances, poor competitive advantages, etc. An investment in a company like Starbucks, as shown in the example above, could be considered volatile, but when purchased at the right price, the "risk" of significant, permanent loss in value over the long-term is relatively low. In contrast, an investment in BP would be risky because of the chance of bankruptcy given the unpredictable liabilities related to the company's Gulf of Mexico oil spill.

In short, a discussion of the state of the stock market is fine for cocktail chatter, but you are better off spending your time focusing on the ever-changing fate of the Red Sox than worrying about the daily fluctuations of the stock market.

What's Next?

Since the stock market stopped falling in early March 2009, it has gone up consistently (with no drops of more than 10%) until late April of this year when it reached its highest level since the fall of 2008. This was followed by a 15% drop during the next 6 weeks. This pullback was to be expected since the market does not tend to go straight up. The only surprise was that it took so long. In July, the market rebounded with a gain of 7%.

So what's next? Given the unsettled nature of our economy (Federal Reserve Bank Chief Ben Bernanke has been quoted as calling our economy's outlook "unusually uncertain"), we should expect more volatility ahead. While our country's economic performance is improving, progress is not linear. I continue to opportunistically take advantage of weak stock prices to add to our portfolios shares of high quality companies selling at good prices.

Thank you for your confidence.

Brad

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%
2010 YTD	-3.4%	-3.7%	-2.1%	-6.7%
08/04 – 06/10	2.4%	2.3%	2.8%	0.9%

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%
2010 YTD	-3.6%	-4.0%	-1.9%	-6.7%
08/04 –06/10	3.9%	3.3%	6.6%	0.9%

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.