BRADYCO

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Results

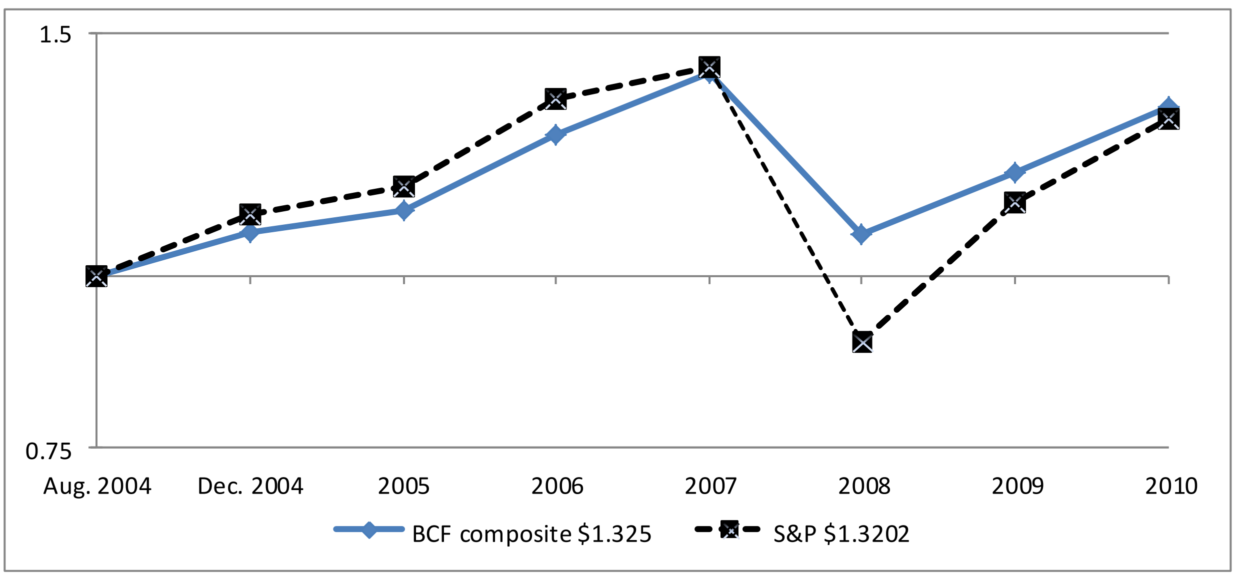
The Bradyco composite result for 2010 was a gain of 11.6%, net of expenses, while the S&P 500 index, including dividends, gained 15.1%.

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

	2010	2009	2008	Last 2 yrs.	Last 3 yrs.	Last 5 yrs.	Since Inception
Bradyco composite	11.6%	10.8%	-23.8%	11.2%	-2.0%	3.5%	4.5%
S&P 500 (w/ DIV)	15.1%	26.5%	-37.0%	20.6%	-2.9%	2.3%	4.2%
Diff.	-3.5%	-15.6%	13.2%	-9.4%	0.9%	1.2%	0.3%

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 2010, our composite lagged our benchmark, the S&P 500 index, by 3.5% largely due to our cash position, which was 13% at year-end (our stocks performed in line with the index). More importantly, our long-term track record remains intact with a gain in our composite of 4.5% per year since our inception over six years ago, 0.3% per year better than the S&P index (our stocks have grown 6.5% per year since inception, 2.3% per year more than the S&P 500 index).

The stock market, as represented by the S&P 500 index, beat expectations in 2010 with a largely Fed driven 4th quarter return of almost 11%. While our composite did well on an absolute basis, our relative return lagged the market, because I believe in investing cash only when I find bargains (the index, of course, has no cash). This method of investing served us well in the 2008 crisis and I believe that it is a good long-term strategy. However, there will be times when this approach will lag the market in the short run especially when Wall Street's optimism is temporarily replaced by euphoria.

Optimism about the Future

Recently, many non-professional investors have become disillusioned with the stock market due to the significant decline in stock prices during the financial crisis of 2008 as well as the nonsensical one day market drop (the so-called "flash crash") of May 2010. As long term investors, we realize that the stock market's short-term behavior may not always make sense. What matters to us is that the stock market reflects the relative prosperity of our economy over the long run. As long as that relationship stays intact (I have not seen any evidence to the contrary), our focus can be on the long term health of our economy.

So, how is our economy doing? Clearly, it is going through a rough patch. However, let's remember some history. Our economy has not only survived, but prospered despite the depression of the 1930's, WWII, the oil embargo and high inflation of the 1970's, etc. Our current problems will not last forever.

Some observers worry that even after our economy recovers, America's competitive position will be weakened by the growing economic strength of China (a couple decades back, the focus was on Japan). Given the size of its population, China is destined to be a major world economy. And yes, it would be better if more of our nation's debt was owned by Americans than foreigners (or even better, that our nation's debt was considerably lower). What this line of reasoning misses are the unique qualities of our economy. Despite its flaws, our economic system is the best in the world. Our open markets and entrepreneurial culture supplemented by an unparalleled post graduate educational system, an openness to immigration (including new ways of thinking many immigrants bring with them) and a dynamic political culture will enable our economy to compete in ways that no other economy, regardless of size, can match.

So, all is well? Far from it. As a nation, we have some serious issues, the biggest of which is the unaffordability of Medicare and Medicaid. While some changes in benefits and fees may be forthcoming, the principal problem is the rate of growth in health care spending. It's unsustainable. Will this be hard to solve? Of course. If it were easy, it would have been solved long ago. Still, no nation is better suited to figure it out than ours.

This may sound like I am just a cheerleader for my home country. I'm not. Rather, I am a clear eyed student of history. If I thought some other country had it figured out better than ours, I would invest there instead (Of course, we do invest in other countries both directly and indirectly, but the majority of our investments are focused on American domiciled companies.). There is a reason why our stock market is so popular around the world. Similarly, according to surveys conducted between 2007 and 2009 by the Gallup organization, the U. S. was the favorite destination of people around the world who would like to migrate to another country. No other nation came close.

What's Next?

As we begin 2011, the stock market has momentum on its side. It is also assisted by the Federal Reserve Bank's so-called "quantitative easing two" as well as the recent tax deal (whose key provisions extended the so-called "Bush tax cuts," lowered payroll taxes and extended unemployment benefits). However, with housing still weak and wage growth rare, growth in consumer spending is low. As a result, businesses have been reluctant to spend and hire. These trends will sort themselves out over time, but doing so will likely take longer than we are used to.

The stock market, though, has recovered from the "great recession of 2008." Stocks are up over 90% from their March 2009 low and given the strength shown in early 2011, the all-time highs set in the fall of 2007 are within reach. Bargains are not easy to find in such an environment. Still, the stock market does not go straight up, so I will be ready to take advantage of any temporary declines along the way.

Taxes and Cost Basis

Two major changes occurred legislatively in 2010. First, Congress passed an extension to the "Bush tax cuts" which were about to expire. The net effect is that our investments will continue to be taxed at the same rates as 2010 while our paychecks will increase due to the drop in social security taxes. Changes to our estate tax laws will result in fewer estates being subject to Federal estate taxes. (Note: some states, including Massachusetts, continue to tax the estate of any resident who dies with an estate of at least $1 million.) Since the Federal tax legislation expires in two years (the payroll tax cut applies only to 2011), long term planning for both federal income and estate taxes will continue to be challenging.

A different law will affect us over the long run. It essentially puts our custodian, Fidelity Investments, in charge of keeping track of the cost basis of any stocks we purchase **after** January 1, 2011 (This will also apply to mutual funds beginning in 2012.). Since some of your investments pre-date your time with Fidelity, I will continue to coordinate with them to make sure that accurate cost basis records are maintained for all non-retirement accounts that are managed on your behalf.

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. If you haven't already, 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%
2010	11.6%	10.7%	15.1%	15.1%
08/04 – 12/10	4.5%	4.3%	5.2%	4.2%

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	15.0%	13.8%	19.7%	15.1%
08/04 –12/10	6.5%	5.8%	9.4%	4.2%

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.