BRADYCO

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Results

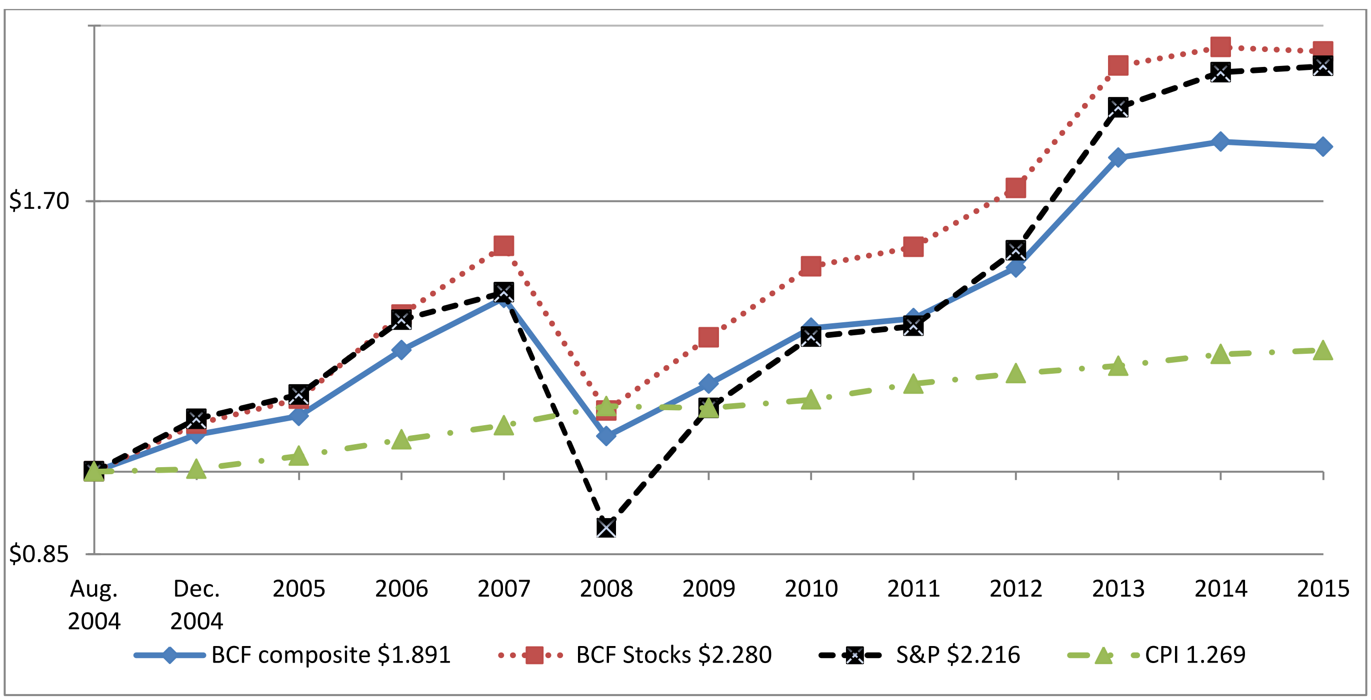
The Bradyco composite result for the 1st half of 2015 was a loss of 1.0%, net of expenses, while the S&P 500 index, including dividends, increased 1.2% during the same period.

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

	2015 YTD	2014	2013	Last 2 yrs.	Last 5 yrs.	Last 10 yrs.	Since Inception
Bradyco composite	-1.0%	10.1%	24.0%	9.8%	12.0%	6.5%	6.8%
Bradyco stocks	-0.9%	11.7%	27.2%	11.3%	14.4%	8.3%	8.7%
S&P 500 (w/ DIV)	1.2%	13.7%	32.4%	15.7%	17.3%	7.9%	8.2%
CPI - U	0.8%	1.6%	1.5%	1.1%	1.8%	2.0%	2.1%

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

The stock market – as represented by the S&P 500 index – gained 1.2% (including dividends) during the 1st half of 2015. During the same period, our stocks declined in value by 0.9 % while our composite – which includes cash – lost 1.0%. Inflation rose 0.8%. After several years of above normal returns, the stock market has been relatively flat to begin 2015. With interest rates persisting at nearly zero percent, our long-term oriented investments are out-of-favor with the stock market. However, as interest rates climb, our investments will serve us well.

Cybersecurity - what should you do?

Security breaches involving corporations such as Target and Home Depot or the recent attack against our government's personnel records remind us of the constant threat posed by cyberattacks. While there is little consumers can do to protect themselves from being affected by these institutional data breaches, we can take steps to protect the data on our own computers.

One of the most common ways that is used to steal from individuals involves a technique called "phishing." Phishing describes the impersonation of a legitimate financial company in an attempt to defraud an online customer. I recently received one such e-mail purporting to be from JP Morgan Chase Bank. It asked me to "click" on a link to unlock my on-line bank account access, which the e-mail claimed had been "suspended" (a copy of the actual e-mail is available on my website on the bottom of the newsletter page). While I didn't click on the link, I was able to determine that the link would have sent me to a web page located on the website of what appears to be a religious institution in North Carolina, with no obvious connection with JP Morgan Chase. My guess is that the webpage on the church's website would have directed me to another website that contained malicious software. As for the church, they are probably totally unaware of this scam.

The other common technique is for someone to send you an email, which appears to come from someone you know, that has either a link or an attachment. The link would send you to a website containing harmful software while the attachment would cause malicious software to be downloaded directly to your computer. A common giveaway of such impersonation e-mails is the phrasing of the language used. The word choice is often generic or the grammar is incorrect. When you receive e-mails from friends that contain either links or attachments, you should scrutinize the words; do they sound like something your friend might write? Also, look at the return address. The Chase e-mail said it was from "Customerservice.com" which doesn't appear to be a functional website and certainly has no connection with the bank.

In sum, to defend yourself against the threat of cyberattacks, use a healthy dose of suspicion plus good old common sense. Specifically, be especially wary of emails that ask you to verify or provide personal, non-public information. Any legitimate financial institution will not ask you to verify sensitive information via e-mail. Be wary of e-mails purporting to be from friends that have attachments or links that use unfamiliar phrasing. Finally, keep the software on your computers up to date by selecting the automatic update setting on your operating system and security software.

Should you change your portfolio as you age?

When giving financial advice, one size does not fit all. For example, some practitioners advise that as you age, you should increasingly move your portfolio into bonds. This may make sense for some individuals. For many of us, though, this is not only unnecessary, but doing so subjects us to two big retirement risks – inflation and longevity risk (e.g. outliving your assets). As we approach retirement age, the only significant change many of us need to make in our portfolios is to build up cash (see my January 2014 newsletter for more details). With adequate cash to ride out any stock market volatility, you can leave the remainder of your savings in the stock market. This enables you to maintain your hedge against both inflation and out living your assets.

What's with inflation?

Inflationary trends have been rather subdued of late. As the table on page 1 shows, inflation has been averaging 2% or less during the past decade. We can all think of numerous examples of why inflation has been so low. Manufactured goods including electronics, clothes, etc. have been going down in price. However, the overall number obscures the inflationary trends in a number of service industries such as cable TV and the cost to mail a letter at the post office. Why the divergence? Most manufactured goods face global competition causing prices to drop as firms compete on price. By contrast, many firms in the service economy face little direct competition and no foreign competition. For example, only the postal service can deliver first class mail; and according to a recent FCC report, most American households have no choice in broadband providers. In short, while the overall rate of inflation is low, inflationary trends exist in pockets of our economy. History suggests that over time, inflation will become a problem for our overall economy. Fortunately, our investments are in companies that are prepared for an inflationary environment.

What's Next?

There always seems to be an issue or two that is getting a lot of attention from the stock market. Lately, three issues have dominated: (a) an overheated stock market in China, (b) a debt crisis in Greece, and (c) the timing of an increase in interest rates set by the Federal Reserve Bank. None of these events is likely to have a significant long-term impact on our investments. In the short run, though, any of them (or something else) could precipitate a "correction" in stock prices (e.g. a drop of 10% or more in the major indices); from an historical perspective, we are overdue. Regardless of what unfolds, we will be prepared to take advantage of any near-term stock market volatility, when appropriate, and otherwise, watch our investments grow since our focus remains on the long-term.

Thank you for your confidence.

Brad

	Bradyco Composite (all)[1]	Bradyco Composite (stocks only)[2]	S&P 500 Index	CPI
08/04 – 12/04	7.5%	9.8%	10.9%	0.5%
2005	3.7%	5.0%	4.9%	2.6%
2006	13.8%	18.0%	15.8%	3.2%
2007	10.8%	14.5%	5.5%	2.9%
2008	-23.8%	-27.7%	-37.0%	3.8%
2009	10.8%	15.5%	26.5%	-0.4%
2010	11.6%	15.0%	15.1%	1.6%
2011	1.9%	3.9%	2.1%	3.2%
2012	10.5%	12.2%	16.0%	2.1%
2013	24.0	27.2%	32.4%	1.5%
2014	10.1%	11.7%	13.7%	1.6%
2015 YTD	-1.0%	-0.9%	1.2%	0.8%
08/04 – 06/15	6.8%	8.7%	8.2%	2.1%

All returns over 12 months are annualized. All calculations use prices provided by Fidelity Investments and Charles Schwab & Co. Non-discretionary accounts and accounts with 100% cash are not included. Index returns reflect the reinvestment of dividends.

1. The Bradyco Composite (all) is net of all expenses including investment management fees and trading expenses. All composite returns are asset-weighted monthly and include cash.

2. The Bradyco Composite (stocks only) does NOT include investment management fees. Returns are asset-weighted monthly and do NOT include cash. Investments in ETF, equity mutual funds, and non-discretionary accounts are NOT included.