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The stock market had a rough start as the economic problems that first made it on the radar screen in 2007 began to dominate the headlines in early 2008. Amid the bad news, the S&P 500 index fell 9.5% in the 1st quarter, its worst performance for any calendar-year quarter in almost 6 years. Fortunately, our portfolios did much better (see below).

So what is going on? Just like our economy, the stock market goes in cycles. For years, the market was marked by unusually low volatility and relatively strong returns. Now, a new and clearly more downbeat trend has taken over as the stock market has had above average volatility and poor returns.

Part of the volatility is due to conflicting signals from our economy. On the positive side, the Federal Reserve Bank intervention with Bear Stearns kept a bad situation from becoming a major economic meltdown. Also, this event spurred the markets to accelerate the re-pricing of risk that needed to take place. On the negative side, our nation's real estate could take years to reach equilibrium since in much of the country home prices remain too high as compared with rents and household incomes.

Connected to the issue of how long it takes for the real estate problems to get resolved is the issue of how the real estate crisis will affect the American consumer whose spending accounts for 70% of our nation's GDP and 18% of the world's total economic activity. Home equity loans and mortgage refinancing are no longer an option for most Americans while food and energy prices are soaring. At the same time, the Federal Reserve has cut short-term interest rates sharply and the government will soon be issuing $600 rebates to most Americans. How all is works out and how long it takes to resolve itself will have a major impact on the stock market.

While future economic trends are always uncertain, we can assume that the current downtrend in the stock market will end once the stock market sees light at the end of the tunnel as there appears to be a lot of cash sitting on the sidelines. Until that point, we could see further volatility as investors weigh competing views of our near-term economic future. In the long run, though, I feel confident that our economy will weather these storms and a more positive trend will resume. In the meantime, I will continue to use volatility to opportunistically purchase good companies at sensible prices.

Thank you for your confidence.

Brad

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Bradyco Financial Performance 2004 to 2008

Here are the performance results for three groups of portfolios: the growth group, the growth & income group (which have a greater focus on current cash generation than the more long-term focused growth group), and a group containing all the portfolios.

Total portfolios	**7/04-12/04**	**2005**	**2006**	**2007**	**01/08 to 03/08**	**07/04 to 03/08**
All portfolios	7.5%	3.7%	13.8%	10.8%	-5.4%	8.1%
Growth portfolios	7.3%	3.5%	14.3%	12.7%	-6.3%	8.3%
Growth & Income portfolios	8.0%	4.4%	12.8%	6.0%	-2.9%	7.6%
S&P 500 index	10.9%	4.9%	15.8%	5.5%	-9.4%	7.1%

All returns over 12 months are annualized and net of all expenses including investment management fees. All portfolio returns are asset-weighted monthly and include cash. All portfolio 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	**7/04-12/04**	**2005**	**2006**	**2007**	**01/08 to 03/08**	**07/04 to 03/08**
All portfolios	9.8%	5.0%	18.0%	14.5%	-6.7%	10.7%
Growth portfolios	8.4%	3.5%	17.3%	16.5%	-7.6%	10.0%
Growth & Income portfolios	16.6%	10.8%	19.8%	7.9%	-3.6%	13.9%
S&P 500 index	10.9%	4.9%	15.8%	5.5%	-9.4%	7.1%

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 portfolio 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.