BRADYCO

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July 15, 2008

The stock market was ugly during the 1st half of 2008 with the S&P 500 index including dividends down 11.9% (the index has fallen nearly 20% since its all-time high in October 2007)! The financial crisis has turned out to be worse than many expected and it has been exacerbated by high commodity prices including oil.

While our portfolios have done much better than the stock market in 2008 (see last page for results), our results for 2008 are negative. More important, though, the stock market's current woes have given me the opportunity to bargain shop. I expect to be aggressive in the coming months. While predicting when the market will bottom is a fool's exercise; I have seen better values lately.

Our current financial problems will pass. While they may last longer than we want or expect, the long-term fundamentals of the U. S. and world economies remain strong. I am focused on positioning our portfolios to prosper when the turnaround comes.

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This letter continues the segment discussing factors used to invest your money.

Given the current stock market volatility, I thought it would be helpful to give you a simple, but hopefully, useful story that illustrates how I view changes in stock prices.

Let's assume we are considering investing in a publically traded company called "XYZ." The XYZ company owns two things: $100 cash and an IOU from Mr. Smith for another $100; thus, its assets total $200. The company has two shares outstanding. Thus, if we believe Mr. Smith will repay his IOU in full, each share of the XYZ company is worth $100 ($200 divided by 2 shares).

One day, the local newspaper writes a glowing piece on Mr. Smith. The next day, a share of XYZ stock is offered at $105 (despite the fact that it is worth only $100).

Time passes and the newspaper is full of stories about bad economic times ahead. One day, we are told that one of the two shares outstanding in the XYZ company is being offered for sale for $75.

We attempt unsuccessfully to call Mr. Smith. Instead, we discover a trusted friend who knows Mr. Smith and assures us of Mr. Smith's solvency and reliability. Thus, convinced that Mr. Smith will repay the IOU in full, we buy one share of the XYZ company for $75.

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The next day, we learn that Mr. Smith has died suddenly. Further, the local newspaper says that the country is now in a "recession." The owner of the other share of XYZ panics and offers their one share of XYZ for $51, which we quickly purchase.

The "market price" of a share of XYZ stock has gone from $105 to $75 to $51. We have spent $126 ($75 and $51) to buy two shares, which – based on the last sale – are said by the stock market to be worth $102. Have we lost money? Many investors would say "yes" since they view the "value" of their investments as whatever the stock market (which in this case is just one or two people) tells them. However, for the long-term investor, the last sale price of the XYZ stock is irrelevant. What matters to them is what the company is worth and since we believe Mr. Smith's estate will repay his debt in full, the company's value is $200 and each share is worth $100.

Some time passes and Mr. Smith's estate settles its debts. Now, the XYZ company has $200 cash (instead of $100 cash and an IOU for $100) and our investment of two shares, purchased for $126 are similarly worth $200. Thus, we have made a $74 profit.

While simplistic, this example is what value investing is all about. With a long-term horizon and a focus on a company's "fair value" (e.g. what it is worth rather than what its stock market price is), we can take advantage of bargain stock prices to make good long-term profits.

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Housekeeping note: Fidelity Investments now offers on-line statements (e.g. instead of receiving your monthly statement by postal mail every month, Fidelity would send you an e-mail each month that directed you to Fidelity.com where you could view, print, and/or download your statement). If you have already registered on Fidelity.com, you can already view, print and download your statements. What would change is that Fidelity would no longer send you a hard copy in the mail. Please let me know if you are interested.

Thank you for your confidence. Have a great summer!

Bud

P. S. A reminder that my office will be closed during the last week of August and first week of September while Marylou and I travel to Tanzania where we will hike Mount Kilimanjaro. While I will have my Blackberry, I am told that access to e-mail and the internet may be limited.

Bradyco Financial Performance 2004 to 2008

Here are the performance results for three groups of composites: 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 composite containing all the portfolios managed by Bradyco Financial.

Reminder: past performance is no guarantee of future results.

All Assets	**7/04-12/04**	**2005**	**2006**	**2007**	**01/08 to 06/08**	**07/04 to 06/08**
Bradyco Composite (all)	7.5%	3.7%	13.8%	10.8%	-7.9%	6.8%
Growth composite	7.3%	3.5%	14.3%	12.7%	-9.1%	7.0%
Growth & Income composite	8.0%	4.4%	12.8%	6.0%	-4.4%	6.7%
S&P 500 index	10.9%	4.9%	15.8%	5.5%	-11.9%	5.9%

All returns over 12 months are annualized and net of all expenses including investment management fees. 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	**7/04-12/04**	**2005**	**2006**	**2007**	**01/08 to 06/08**	**07/04 to 06/08**
Bradyco Composite (all)	9.8%	5.0%	18.0%	14.5%	-9.5%	9.2%
Growth composite	8.4%	3.5%	17.3%	16.5%	-10.5%	8.4%
Growth & Income composite	16.6%	10.8%	19.8%	7.9%	-6.0%	12.2%
S&P 500 index	10.9%	4.9%	15.8%	5.5%	-11.9%	5.9%

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.