BRADYCO

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Results

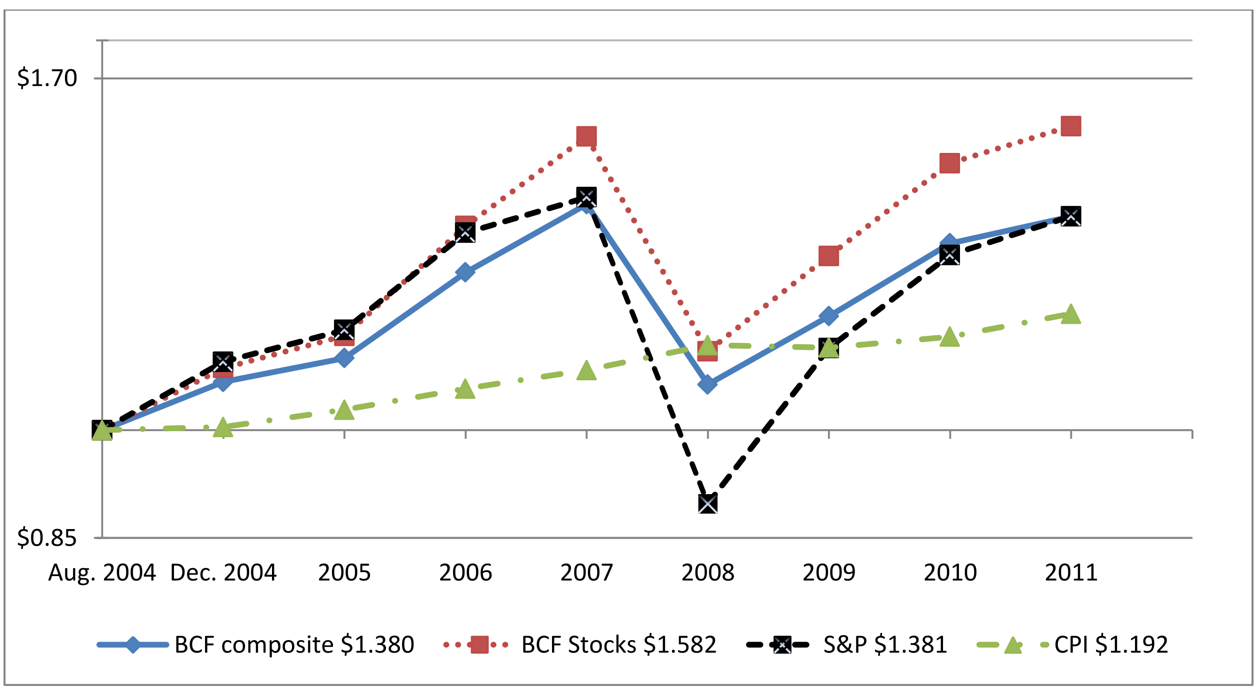
The Bradyco Financial composite result for the first half of 2011 was a gain of 4.1%, net of expenses, while the S&P 500 index, including dividends, gained 6.0%.

The following table compares our results (overall and stocks only) versus the S&P 500 index and the CPI inflation index. Complete results are included at the end of this letter.

	2011 YTD	2010	Last 2 yrs.	Last 3 yrs.	Last 5 yrs.	Since Inception
Bradyco composite	4.1%	11.6%	14.6%	2.1%	3.9%	4.8%
Bradyco stocks	5.8%	15.0%	20.7%	3.9%	6.0%	6.8%
S&P 500 (w/ DIV)	6.0%	15.1%	22.3%	3.3%	2.9%	4.8%
CPI	3.5%	1.6%	2.3%	1.0%	2.2%	2.6%

Returns are annualized; Bradyco stock returns do not reflect the cost of management fees; past performance is no guarantee of future results

The following graph compares the performance of one dollar invested by Bradyco Financial and in Bradyco Financial's stocks since 7/31/04 to one dollar invested in the S&P 500 index. It also shows the effect of inflation upon our returns.



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Commentary

Our long-term track record shows a gain in our composite of 4.8% per year since our inception almost seven years ago, equaling our benchmark, the S&P 500 index's return for the same period. Our stocks have outperformed the market by 2% per year during that same period, but our cash position – which aided our results during the 2008 crisis – has negatively impacted our results during the past 2 ½ years.

During the first half of 2011, the S&P 500 index (which is composed of 500 stocks and does not include any cash) continued to beat expectations with a strong first quarter, up almost 6%. The 2nd quarter also started strong and then ran into problems during May and June. A rebound during the final week of June enabled the index to break even (+0.10%) for the quarter. During the first half of 2011, our composite underperformed our benchmark, the S&P 500 index, by 1.9% in part due to our cash position, which was close to 14% of assets throughout the 1st half of the year.

Taking a Long-Term View

The past 7 years have been a time of great turmoil in the financial markets. When Bradyco Financial began during the summer of 2004, the stock market had begun to bounce back from the dot com crash of 2000-03 and would soon set all-time highs in the fall of 2007. This euphoria was followed by a huge decline during the so-called "great recession" of 2008. Then, beginning in March 2009, the markets staged a strong recovery. While they may be jarring for us to watch, these major ups and downs are quite common historically.

Our willingness to tolerate this volatility has served us well. By staying the course – and not giving in to the emotional impulse to try to time the market – we have regained virtually all that we had lost since the end of 2007 and done quite well versus inflation since our inception.

Cash and Investment Performance

One major new trend during the past 7 years has been the extended period of low interest rates. During the past 50 years, the "Fed Funds Rate" (the interest rate banks charge each other), which has a high correlation with rate of interest paid by money market funds, has generally been over 4%. That began to change in 2001 when the Federal Reserve Bank, which sets the Fed Funds rate, lowered it from 6% at the beginning of the year to 1.75% by year end. While the Fed raised rates again in 2006, back up to 5.25%, by January 2008, the rate was below 4%. Then, during the "great recession" interest rates were lowered to almost 0% by December 2008. They have not been changed since. This phenomenon is unprecedented.

One casualty of low interest rates has been the divide between cash and equity performance. Normally, the cost of holding cash – while significant – is not huge (5-7% is common). But during the past 2 ½ years when interest rates have been near zero, the S&P 500 has earned almost 19% per year. The penalty for holding cash, instead of stocks, was about 19% per year!

This phenomenon has had implications for the market. First, because the earnings power of cash is so low, there is a strong incentive for professional traders to take risk by purchasing risky stocks (and commodities) than to hold cash or even the less risky, quality companies that we favor. Second, I believe that the valuations of some stocks that pay significant dividends have been temporarily elevated by investors seeking an alternative to cash.

Since we are long-term investors, we take note of these short-term trends, but are not ruled by them. I do not try to time the market, nor do I typically set a certain level of cash. I let the opportunities that the stock market gives me determine our cash balances. While today's low interest rates have lasted longer than virtually any observer expected, eventually this will change, and when it does, trends based on low interest rates will adjust with traders shunning risky stocks and valuations of stocks considered to be cash substitutes dropping to more normal valuations.

European Debt and MMF

Some commentators and government officials have warned that certain Money Market funds could be exposed to contagion risk resulting from the European (Greek) sovereign debt crisis. The Money Market funds we use, which are run by Fidelity Investments, have taken significant steps to insulate themselves from any potential contagion risks from the European debt issue. As of June 16, 2011, Fidelity Money Market funds did not have any exposure to banks in Greece, Ireland, Portugal or Spain. Further, Fidelity feels confident that its exposure to other European banks is well enough diversified to be able to withstand potential problems. Boosting my confidence in this situation is the fact that Fidelity has been preparing for a possible default on Greece's debts since February 2010.

What's Next?

The stock market's 2010 momentum continued into the 1^{st} quarter of 2011, but then fell off in the 2^{nd} quarter with the Federal Reserve Bank's decision to end its so-called "quantitative easing two" in June. The economy, by contrast, continues to be weak exemplified by the lackluster housing market and rising unemployment. The disconnect between the economy and the stock market continues.

While the stock market is always full of uncertainties, rarely does one, let alone two major events hold such potentially calamitous ramifications as does the European sovereign debt crisis and the American debt ceiling limit and related deficit issue. While it remains likely that both issues will be resolved in ways that are not overly disruptive to the markets, such outcomes are by no means guaranteed. As I write this letter, the European situation has been solved for the time being with a patchwork fix while the American situation remains in flux as leaders look for their own temporary solution. The absence of a long-term resolution for either problem gives ample ammunition to those fearing problems down the road. Given these risks, I have been cautious about investing our spare cash, despite its lack of earnings power, although I have and will continue to invest when I find good companies whose valuations are considerably out of synch with what I believe they are worth.

Thank you for your confidence.

Brad

All Assets	Bradyco Composite (all)	Growth Composite	Growth & Income Composite	S&P 500 Index	CPI
08/04 – 12/04	7.5%	7.3%	8.0%	10.9%	0.5%
2005	3.7%	3.5%	4.4%	4.9%	2.6%
2006	13.8%	14.3%	12.8%	15.8%	3.2%
2007	10.8%	12.7%	6.0%	5.5%	2.9%
2008	-23.8%	-25.5%	-18.6%	-37.0%	3.8%
2009	10.8%	11.2%	9.7%	26.5%	-0.4%
2010	11.6%	10.7%	15.1%	15.1%	1.6%
01/11 to 06/11	4.1%	4.4%	3.0%	6.0%	3.5%
08/04 –06/11	4.8%	4.7%	5.3%	4.8%	2.6%

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	CPI
08/04 – 12/04	9.8%	8.4%	16.6%	10.9%	0.5%
2005	5.0%	3.5%	10.8%	4.9%	2.6%
2006	18.0%	17.3%	19.8%	15.8%	3.2%
2007	14.5%	16.5%	7.9%	5.5%	2.9%
2008	-27.7%	-29.0%	-22.7%	-37.0%	3.8%
2009	15.5%	15.6%	15.0%	26.5%	-0.4%
2010	15.0%	13.8%	19.7%	15.1%	1.6%
01/11 to 06/11	5.8%	6.2%	3.9%	6.0%	3.5%
08/04 –06/11	6.9%	6.3%	9.3%	4.8%	2.6%

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.