BRADYCO

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Results

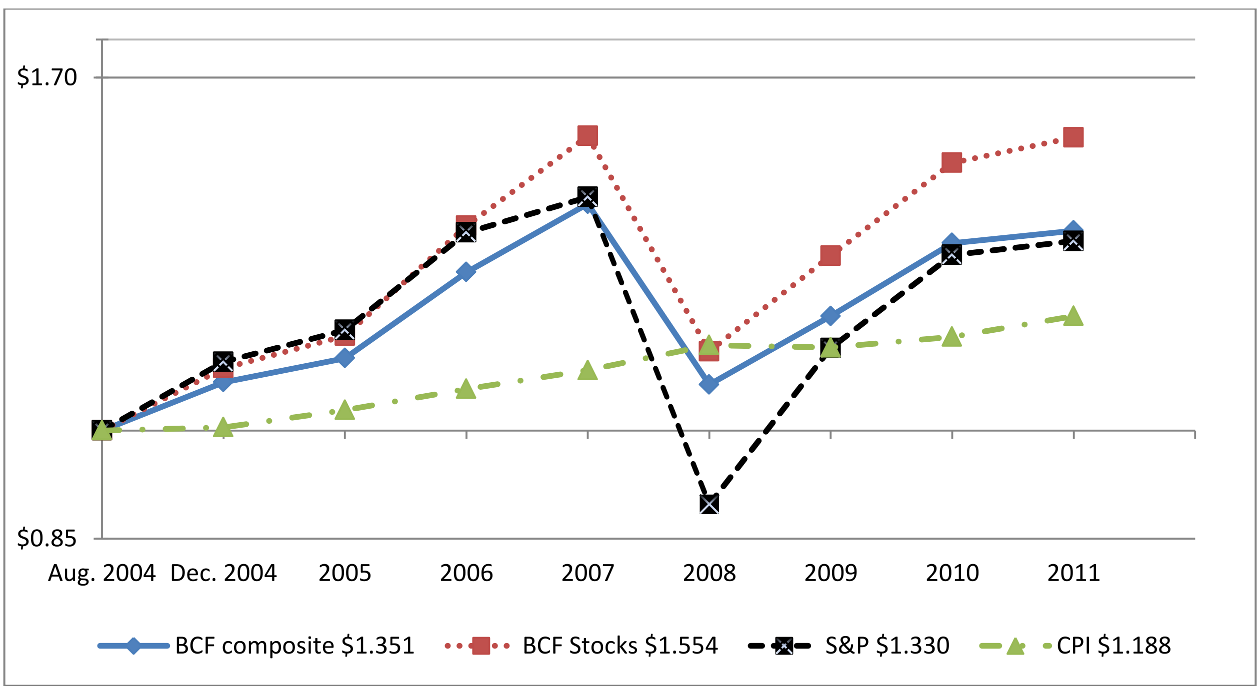
The Bradyco composite result for 2011 was a gain of 1.9%, net of expenses, while the S&P 500 index, including dividends, gained 2.1%.

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

	2011	2010	Last 2 yrs.	Last 3 yrs.	Last 5 yrs.	Since Inception
Bradyco composite	1.9%	11.6%	6.6%	8.0%	1.3%	4.1%
Bradyco stocks	3.9%	15.0%	9.3%	11.3%	2.7%	6.1%
S&P 500 (w/ DIV)	2.1%	15.1%	8.4%	14.1%	-0.3%	3.9%
CPI	3.2%	1.6%	2.4%	1.5%	2.2%	2.4%

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

While Bradyco Financial's stocks did nearly twice as well as the S&P 500 index in 2011, our composite – which includes cash – lagged our benchmark by a hair (0.2%) since we were not able to profitably deploy our significant cash holdings until mid-year. More importantly, our long-term track record remains strong with a gain in our composite of 4.1% per year since our inception, 0.2% per year better than the S&P index (our stocks have done even better – growing 6.1% per year since inception, 2.2% per year more than the S&P 500 index).

What a Year!

For those of you who thought you had seen it all in 2008-2009, 2011 was another remarkable year full of unusual events from the Arab Spring, volatile oil prices, the earthquake/tsunami in Japan, the European debt crisis, and the American debt ceiling debate. Not surprisingly, these big events led to a volatile year for the stock market. The number of trading days -- where the S&P 500 index had a greater than 2% movement – was more than double the yearly average since 1927. Similarly, the index's 2011 quarterly returns were enough to make you dizzy, with a gain of 6% in the 1st quarter, 0% in the 2nd, a loss of nearly 14% in the 3rd quarter, and a gain of 12% in the 4th quarter! In the end, the S&P 500 index was flat on a price basis and had a small overall gain due to dividends.

For those who tried to escape the volatility, including individual investors who withdrew $85B from stock mutual funds (the most in any year except 2008), there were few places to hide. The correlation both between asset classes and between investments within an asset class was unusually high. Why? Some speculate that the proliferation of hedge funds has led to an excessive short-term focus. If true, our long-term approach is well suited to take advantage of this trend.

So what have I done? I used last year's volatility to invest a large amount of cash in great companies available at bargain prices. I continue to look for strong businesses that can prosper over time. I am also looking for companies who own and sell resources (often commodities) that have durable long-term demand and a limited supply. What I haven't done is follow the crowd into investments like gold or stocks selected solely based on their high dividend yield.

The effect on your retirement

How will the recent financial turmoil, from the financial crisis of 2008 to the volatility of 2011, affect your retirement savings? While short-term volatility can be unnerving, the key is to remember long-term trends. During the period from 1927 to 2011, the 30 year return on the S&P 500 index ranged from 8.5% to 13.7%. Despite the latest trends, the most recent 30 year return (1982 to 2011) was at the midpoint (11%) of this range. Further, while the stock market returns during the last 10 years were below normal, this weakness was due largely to the unusually high returns in the stock market during the tech boom of the late 1990's. Thirty years may seem like a long time, but it isn't. According to the US government, the *average* American will live around 18 years of retirement. Many of us who are in good health are likely to live much longer. In short, how the stock market does in the short run will only have a limited effect on your future. The key to a financially successful retirement is how the stock market does during your entire retirement.

The one issue I do worry about over the long-term is inflation. While inflation has not been a major problem for our economy of late, I expect it will return over time. I am not alone. At its recent meeting, virtually all the Fed Governors indicated that they thought short-term interest rate targets, which reflect the Fed's attempts to deal with inflation, would go from the current 0.25% to 4% in the longer run. So, as I look at potential investments, I continue to look for companies that will do well if inflation returns.

What's Next?

2011 was marked by volatility. The primary cause of this high volatility was the stock market's reaction to the continued problems in Europe and the United States (see my July 2011 letter for details). While more band aids have been applied to the issues on both continents since July, the root problems remain. Given the lack of political consensus in both regions, I would not be surprised to see more incremental rather than bold solutions. Thus, volatility is likely to continue.

Aside from more volatility, the future is even more unpredictable than normal. Why? During the past 5 years, we have seen a large number of unprecedented trends affect our economy. For example, as I wrote in the July 2011 letter, the Fed Funds rate has been nearly 0% since December 2008. We recently learned that the Federal Reserve expects this trend to continue until the end of 2014! Similarly, housing starts (the number of new houses built) – which has a strong effect upon employment levels -- has been at all-time lows for over 3 years and experts are not sure when it will end. I could go on, but the point is that trends like this have a disruptive effect on the normal workings of our economy. Since these occurrences have never happened before, there are no models to predict what their effects will be individually, let alone together. As a result, we must remain both vigilant and nimble. While there is no need to change our long-term strategy, our focus on solid companies that can hold up under a variety of circumstances could be especially important going forward.

Housekeeping

A few housekeeping matters. First, as you know, I changed our proxy voting for 2012 to put you in charge of your own voting. Second, the Social Security tax cut of 2011 was extended until the end of February 2012. Given our current political situation, it is impossible to predict what the payroll tax rate will be for the remainder of 2012. Third, those of you who owned shares of Genzyme will note that on your performance report, you will see contributions and withdrawals even though you may have not actually touched your account. The amounts are related to the Genzyme acquisition by Sanofi-Aventis in April and do not necessarily reflect any movement of cash in or out of your Fidelity account. Your Fidelity Year End statement will summarize any cash movement in your account. Finally, Fidelity's 2011 Tax Reporting Statement uses a new format, which is designed to be more user-friendly.

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, commissions, 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 those related to non-taxable accounts, which are solely for your information. Your Fidelity reports should be in the mail.

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%
2011	1.9%	2.3%	0.4%	2.1%	3.2%
08/04 – 12/11	4.1%	4.1%	4.5%	3.9%	2.4%

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%
2011	3.9%	4.5%	1.7%	2.1%	3.2%
08/04 –12/11	6.1%	5.6%	8.3%	3.9%	2.4%

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.