BRADYCO

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Results

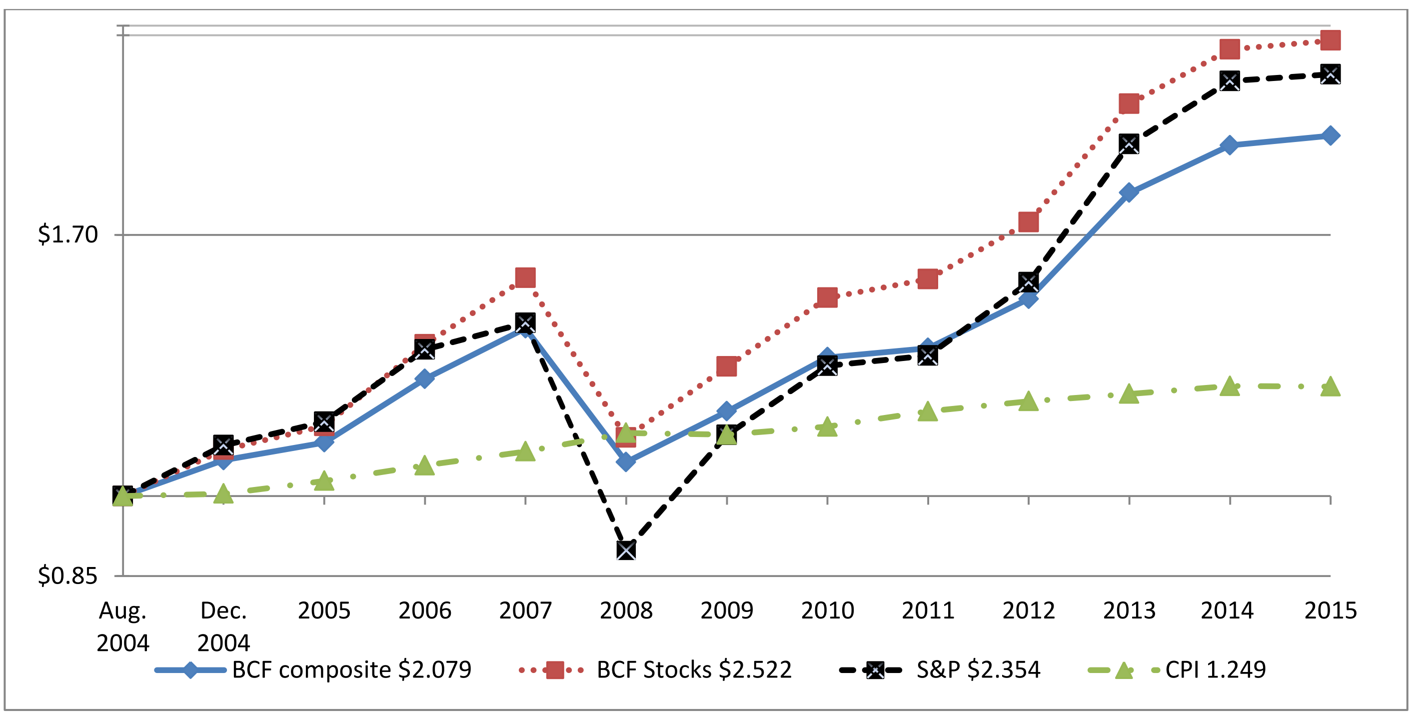
The Bradyco composite result for 2015 was a gain of 2.0%, net of expenses, while the S&P 500 index, including dividends, increased 1.4% during this same period.

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

	2015	2014	2013	Last 2 yrs.	Last 5 yrs.	Last 10 yrs.	Since Inception
Bradyco composite	2.0%	10.1%	24.0%	6.0%	9.2%	6.5%	6.7%
Bradyco stocks	1.8%	11.7%	27.2%	6.7%	10.7%	8.1%	8.7%
S&P 500 (w/ DIV)	1.4%	13.7%	32.4%	7.4%	12.6%	7.3%	7.8%
CPI - U	0.7%	0.8%	1.5%	0.7%	1.5%	1.9%	2.0%

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 1.4% (including dividends) during 2015. During the same period, our stocks rose in value by 1.8 % while our composite – which includes cash – rose by 2.0%. Inflation rose by 0.7%. Despite some ups and downs along the way, the S&P 500 index closed the year at nearly the same level as last June. Our investments rebounded somewhat in the 2nd half of 2015 to close up slightly ahead of the stock market.

Stock Market Volatility

After several years of low volatility, stock prices have been on a rollercoaster since last summer. When the stock market is volatile, I am often asked if I have heard from many worried clients.

It is quite understandable for us to feel nervous when we see the value of our savings suddenly decline. We humans are wired to feel pain more intensely than we enjoy pleasure. Consider the pain you would feel if you lost $100 that happened to fall out of your pocket. Most of us would be quite upset. Then consider whether you would feel equally as happy if you found a $100 bill on the sidewalk?

To be successful investors, we must temper such emotions so that we do not react inappropriately to short term moves by the stock market. For example, this past August, the stock market fell by 12%. This drop felt especially painful because it was the first time since the summer of 2011 that the stock market had dropped by more than 10% from its previous high. Those who did not panic saw the value of their holdings recover rather quickly.

Historically, those who have resisted the urge to sell when the stock market drops have prospered over the long run. The S&P 500 has returned 12.6% per year over the past 5 years and 7.3% per year over the past 10 years to those who have stayed the course.

Tax Changes You Should Know About

Congress recently passed legislation which could affect many of us. The new law makes permanent a provision that previously had been passed yearly making it difficult to use. The bill allows taxpayers over the age of 70 ½ to donate up to $100,000 per year of their IRA account assets to one or more charities.

The benefit to you is that such donations (while not tax deductible) count as part of your RMD (required minimum distribution) without impacting your total tax income. Thus, to take an extreme case, if your required minimum distribution was $100,000 and you gave the entire amount to one or more charities, since the $100,000 would not be considered taxable income, this distribution would not affect: (a) how much of your social security benefit was taxed, (b) the cost of your Medicare premiums and (c) whether you were hit by the 3.8% net investment income surtax.

These special donations have to be made directly by Schwab to a charity (donor advised funds and grant making contributions are not eligible) and you are not allowed to receive any benefits from the charity such as a free coffee mug in return for the donation. Let me know if you are interested in taking advantage of this opportunity.

Interest Rates

In mid-December, the Federal Reserve Bank raised interest rates, which have been virtually zero since the Federal Reserve Board last changed interest rates in December 2008. By any measure, the Fed decision was historic, but what effect will it have on you? By itself, the move is more symbolic than meaningful. Those of you with margin balances, for example, may see your interest rate climb by a quarter of one percent. For the rest of us, our investments are unlikely to be affected by this one increase in a meaningful way

What this move does mean is that after being stable for 7 years, interest rates are more likely to go up in the future. The key for us is how *quickly* interest rates go up. Today, it appears likely that interest rates will rise slowly. If so, the effect upon us will continue to be minimal. However, in the unlikely event that inflation were to suddenly spike upwards – which would most likely cause the Fed to quickly increase interest rates – the impact on the stock market could be more significant.

What's Next?

The stock market has begun the year with a continuation of last August's volatility as investors speculate on what impact the slowdown in China's economy and the continued drop in oil prices will have on the U.S. and world economies. Beyond these short-term concerns, the long-term outlook for the stock market continues to be promising.

Thank you for your confidence.

Brad

P. S. In past years, along with this Year-End letter, I have enclosed reports outlining your realized capital gains and losses, your investment income, and your expenses including investment management fees and margin (if any). However, due to changes in SEC regulations, the tax reports you receive from Schwab have improved to the point that my reports are duplicative. Thus, I am no longer sending out these reports, but they will continue to be available upon request. Finally, Schwab has indicated that their Form 1099 (which also includes their Year End report) will be issued a couple weeks later this year in order to avoid revisions.

	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%	0.8%
2015	2.0%	1.8%	1.4%	0.7%
08/04 – 12/15	6.7%	8.7%	7.8%	2.0%

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.