BRADYCO

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Results

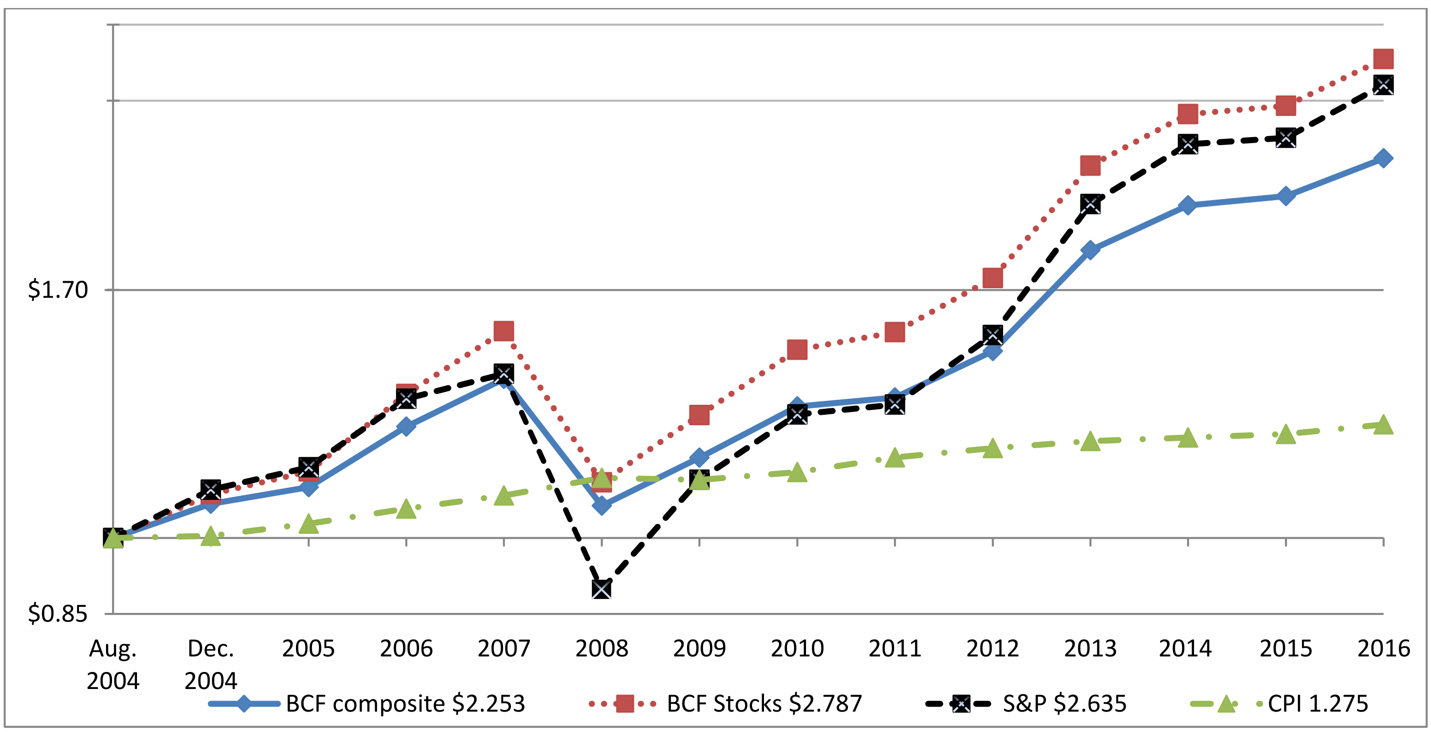
The Bradyco composite result for 2016 was a gain of 8.4%, net of expenses, while the S&P 500 index, including dividends, increased 12.0% during this same period.

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

	2016	2015	2014	Last 2 yrs.	Last 5 yrs.	Last 10 yrs.	Since Inception
Bradyco composite	8.4%	2.0%	10.1%	5.2%	10.5%	5.9%	6.9%
Bradyco stocks	10.5%	1.8%	11.7%	6.1%	12.2%	7.3%	8.6%
S&P 500 (w/ DIV)	12.0%	1.4%	13.7%	6.5%	14.7%	7.0%	8.1%
CPI - U	2.1%	0.7%	0.8%	1.4%	1.4%	1.8%	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 12.0% (including dividends) during 2016. During the same period, our stocks rose in value by 10.5 % while our composite – which includes cash – rose by 8.4%. Inflation rose by 2.1%.

The stock market's behavior in 2016 reflected two extreme emotions: pessimism in the first half and optimism in the second half. The year began with extreme pessimism when the stock market, which hadn't had a correction for 4 years (until August 2015), had its second correction 5 months later in January 2016. The stock market's drop was blamed on fears that a slowdown in China's economy would create problems elsewhere. The growth rate of China's economy has slowed down, but the impact on the world economy has been muted. Repeating a pattern set in August 2015, the stock market quickly recovered. Then, shortly, before the end of the first half of the year, voters in Britain stunned the world by voting to recommend that Britain leave the European Union ("Brexit"). Again, the stock fell after the results of the British election were released, but it recovered a few days later.

The stock market – as represented by the S&P 500 index – gained 3.8% (including dividends) in the pessimistic part of the year. Our "all weather" stocks did comparatively better rising 5.8% while our composite – which includes cash – rose by 4.3%.

Optimism was strong during the second half of the year. As America's election approached, economic indicators including wages and unemployment strengthened. Then, in a repeat of the Brexit vote, both the election's outcome – victories by Donald Trump in the Presidential race and the Republican party in the contest to control both chambers of Congress —and the reaction of the stock market to the results of the election were the opposite of what was predicted. The stock market fell sharply just hours after the election results were announced, but quickly recovered and then rose sharply on optimism that a Republican President and Congress would be good for equity valuations.

The S&P 500 index rose by 7.8% in the second half of the year (nearly two-thirds of this increase occurred after the election). Our "all-weather" stocks increased by more subdued levels than the stock market (our stocks were up 4.5% and our composite by 3.9%).

The Stock Market under President Trump

Much energy has been expended trying to predict which industries and companies will do well in a Trump Administration. The one thing we should have learned from 2016 is that making predictions about uncertain future events can be hazardous and that making investment decisions based on such predictions can be very costly. Similarly, we should not make investments based on how we anticipate the Trump Administration will act. Mr. Trump ran as a populist Republican with an emotional campaign slogan "Make America Great Again" with few details regarding how this goal might be achieved. Further, while Trump will be working with a House and Senate lead by members of his own political party, Congressional Republicans represent a different wing of the Republican party. It is unclear how the conservative and populist philosophies will work together especially on issues like tax reform and foreign tariffs. Thus, as long term investors, we should continue to focus on companies that will prosper in *any* administration.

What is a Fiduciary?

During the last two years of the Obama Administration, the Department of Labor (DOL) proposed new rules scheduled to go into effect in April 2017 regarding retirement accounts governed by the DOL such as 401K accounts. During an extensive comment period, the term "fiduciary" became better known since the proposed rules would, among other things, require many investment professionals who are currently not classified by law as "fiduciaries" to act as if they were when dealing with retirement accounts regulated by the DOL. This concept is controversial. What is the "fiduciary" standard? Fiduciaries are required to act in their clients' best interests ahead of their own. As an investment advisor, I have always been held to the fiduciary standard. Given that my first clients were family and close friends, doing the right thing for my clients never felt like a legal obligation as much as a human one. Other financial professionals including stockbrokers are not held to the fiduciary standard. Instead, non-fiduciaries are legally allowed to put their own and/or their firm's interest ahead of their clients' if what they sell or recommend is considered "suitable." In practical terms, this means that financial professionals who are not investment advisors can sell or recommend products to their clients which might benefit the investment professional and/or their firm more than their client. While there may be some reasonable objections on technical grounds to some of the rules proposed by the DOL, I am puzzled that requiring all financial professionals handling certain types of retirement money to act in their clients' best interest is contentious.

What's Next?

The stock market did well in 2016 and has begun 2017 on a positive note based both on an improving economy and hope that the Trump Administration and Republican Congress will adopt business-friendly policies. While we can't predict where the stock market is going, it seems likely that both interest rates and inflation will be higher in the future. As long-term investors, what interests us the most – since it will affect stock valuations -- is whether interest rates and inflation resume their long-term levels (over 5% for Fed Funds rate and over 3% for the CPI) – which have been depressed since December 2008 – or peak at a lower level as some have predicted. Future actions by the Federal Reserve Bank, Congress and especially the Trump Administration could impact this issue. Given the unusually high level of uncertainty regarding these trends, we need to be prepared for an especially wide range of outcomes. Thus, I plan to continue our strategy of investing in "all weather" companies with strong long-term potential.

Thank you for your confidence.

Brad

P. S. This year, I have included my own tax reports – which give your expenses including investment management fees and margin interest (if any) – in this mailing to those of you who I think will need it for your tax preparation. If I left anyone out or if there is any other tax related information that you need, please let me know. Schwab will be mailing your tax reports shortly.

	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%
2016	8.40%	10.5%	12.0%	2.1%
08/04 – 6/16	6.9%	8.6%	8.1%	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.