"Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security."

-John Allen Paulos, Mathematician

July 30, 2010

Dear Friends and Family,

We hope this finds you enjoying your summer.

Due to the credit crisis of 2008, we have witnessed unprecedented fiscal and monetary stimulus as well as remarkable involvement by the U.S. Government. Clearly, these actions prevented a near-term economic depression. Seth Klarman, a highly respected value hedge fund manager, has called the past year a "Hostess Twinkie Market" because many of the ingredients necessary to restore optimism in the economy were artificial, one-time events. For example, nearly $1 trillion in economic stimulus money has been appropriated by Washington, D.C. to encourage aggregate end demand.

What happens when the sugar high wears off and we collectively return to an all-natural diet? The private sector is now at the dinner table. Corporate balance sheets are flush with capital, and household balance sheets are retrenching. The willingness of corporations to use their cash to promote growth and the length of time required for consumers to complete their retrenchment will ultimately determine if additional stimulus is required. If it is, what is the proper way to provide the needed nutrients to the economy, and will the rest of the world continue to pay the check?

Investors have been buffeted by mixed economic news which has resulted in a tug of war between market bulls and bears. When will job creation begin in earnest? How long before the real estate market stabilizes? Is there really a new normal or simply a reaction to a "near death experience" and the collective promise to be better people as a result of it? Capturing the mood, Ben Bernanke recently observed that the economic outlook remains "**unusually uncertain**" during this transition period.

In this environment, your Advisor has been opportunistically buying stock in strong cash flow companies as well as corporate bonds. Prices are cheapest during times of uncertainty and fear, and potential returns are the highest. The U.S. Government stands to make nice gains across the board on TARP and other bailouts. They bought low — let's hope they sell high.

On the bond front, we recently picked up some distressed debt obligations. We have also been selectively picking up bonds that we feel are misunderstood by the ratings agencies and are mispriced by the market. So far, our endeavors in this space have been fruitful.

In your Advisor's view, the general outlook for bonds has weakened, and moving down the capital structure to equities has us a bit more enthused. After a decade of volatility in the U.S. equity market, many investors are still suffering from what has been dubbed "Post Traumatic Stock Disorder." Accordingly, investors have rushed to the perceived safety of bonds. In the first half of this year, for example, bond funds attracted nearly $118 billion versus $14 billion for stocks according to the Investment Company Institute. Reflecting this surge, the two-year

Treasury yield has recently been trading at a record low yield of around 0.50% and the ten-year at about 2.90%. It's clear that investors are focused on a return **of** capital as opposed to a return **on** capital.

Most market participants are reacting to historical market performance as they continue to prefer bonds over stocks. It's not difficult to see why. Over the past 20 years, for example, government-backed long-term Treasury bonds have consistently beaten stocks as measured by the S&P 500 index. Why would anyone take the risk and volatility of stocks when safe, U.S. government-backed bonds have outperformed over so many years? Investor Bill Miller recently observed that the best investments are typically those with the worst previous returns, where expectations are low, demand is down, and prospects at best appear uncertain. In 1980, for example, bonds had been through a 30-year bear market relative to stocks and inflation was at historic highs. Very few predicted a long bull market in bonds was at hand as rates began a steady descent to record lows over the next 30 years.

Although we don't know exactly when stocks will outperform, we can say with a high degree of certainty, that stock valuations are attractive relative to those of government bonds. To illustrate, let's sink our teeth into the fast-food chain McDonald's (MCD) as we continue our culinary journey from Twinkies to Big Macs.

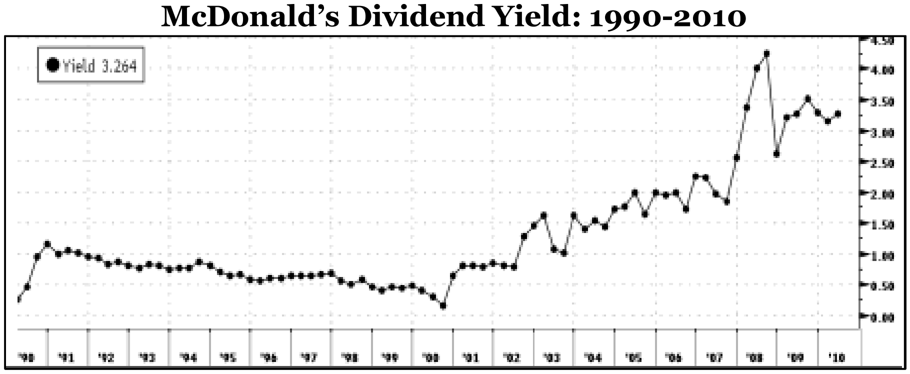
In 1955, Ray Kroc opened his first McDonald's restaurant in Des Plaines, Illinois with a simple menu of burgers, fries, and beverages. The first day sales were $316.12. The company sold its 100 millionth hamburger in 1958, and grew to 100 locations by 1959.

Today, MCD has more than 32,000 restaurants worldwide and has annual sales over $22 billion. One in four Americans eats at a McDonald's on a daily basis, and the company sells more toys each year than Toys R Us.

In addition to burgers and toys, McDonald's also sells debt from time-to-time to raise capital. On July 28, 2010, the company sold $450 million of 10-year bonds at a fixed interest rate of 3.5%. Bank of America Merrill Lynch, who helped manage the sale, observed that this rate was the lowest paid by a company since at least 1995. The deal was oversubscribed as investors placed $8 billion of orders for the offer and then bid up the prices in the secondary market after the issue was floated.

While investors were lining up for McDonald's debt, the company's stock was offering a dividend yield of 3.20% (See Chart 1).

Chart 1:
McDonald's Dividend Yield: 1990-2010



Over the past five years — despite a challenging economic environment — McDonald's dividend has grown 31% and the payout ratio (dividends/net income) is a conservative 49%. In addition, the Golden Arches steadily bought back their own stock as its valuation hovers near historical lows. Thus, it appears reasonable that just a simple combination of growing dividends and fewer shares outstanding would likely produce an annualized return in excess of 3.5% over the next ten years.

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Many books have now been written about the recent financial crisis. We have noted two consistent themes in the ones we've read.

1. Many Wall Street executives did not know what risks their own firms were taking.

2. Over time, the Wall Street firms at the heart of the crisis have transformed from private partnerships into publically traded corporations. This structure encouraged some executives to take outsized risks using other people's money in pursuit of short-term profits and bonuses.

At Roundview, we are confident that our structure will enable us to avoid the traps that have ensnared other firms. First, we put our money where our mouth is. We buy the same investments for our families that we buy for our clients. In addition, every person in our firm is a partner and is compensated based on the long-term success of the organization. Your interests are directly aligned with ours. We are hopeful that a tailwind in high quality equities and misunderstood bonds will build your purchasing power over time.

We're now comfortably settled into our new office at 182 Nassau Street in downtown Princeton. As always, please be in touch to schedule a meeting (The Big Macs and Twinkies are on us) or conference call. We always enjoy hearing from you.

We thank you for your trust.

Very truly yours,

Howard T. Alter — Stephen K. Shueh