

NEWS RELEASE

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# Brady Investment Counsel LLC

FOR IMMEDIATE RELEASE  
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## Second Quarter Market Review For the period ending June 30, 2010

Concerns over the potential for the sovereign debt crisis to spread across Europe and May's largely unexplained "flash crash," which drove the U.S. equity market down 10% in 30 minutes, combined with many variables to create a tumultuous second quarter global stock market environment. Sources of investor anxiety included a slowing global economy, financial regulation, higher income taxes and massive increases in U.S. government debt.

Investors fled to the apparent safety of high-quality U.S. bonds and gold. During the quarter, U.S. stocks declined 11% while U.S. intermediate-term bonds gained 3.5%. International stocks lost 15% and international bonds were down over 2.2%. Commodities advanced 5.4%.

In the U.S., pessimism is high on both Main Street and Wall Street. Our view is that domestic equities were 15% below fair value at quarter-end. The market has digested quite a bit over the past couple of months. However, relatively little has been company-specific fundamental operating information. This situation should change in the coming weeks as the June quarter earnings season kicks off. An understanding of earnings will give investors a better feel current business conditions and help formulate a fundamental outlook for the rest of the year.

We expect earnings news to be tempered, but good, against relatively easy year-over-year comparisons. In addition, many of the marks taken against earnings that surprised the market in the first quarter will not be a surprise in the second quarter. For example, most economists now expect the U.S. to grow at a slower rate than was hoped for back in April. Most current analyses now include the likely negative impact of health care reform and the change in relative value of the U.S. dollar.

As always, we recommend a disciplined and long-term approach to managing your investments. We think you should set your investment allocations and rebalance opportunistically, not frequently. We believe U.S. stocks have solid total return potential over the long run.

Our long-term view on the U.S. bond market is one of caution. Over the past year the plan's Vanguard Intermediate-Term Bond Fund is up 13% or nearly two-times its historic annual return earned over the past 15 years. Performance like this will be difficult to match. On the other hand, we find International stocks compelling, especially from a dividend yield standpoint. But for long-term, we think U.S. stocks are the place to be. Given their significant discount to fair value we expect superior risk-adjusted total returns for U.S. stocks relative to other over asset classes.

Please call or write with your questions.

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