

Marble Harbor Investment Counsel, LLC
Excerpt from
Fourth Quarter, 2009 Letter

Dear Client:

January 2010

Along nearly every dimension, the best performing *companies* in 2009 were among the worst performing stocks. This pattern is not unusual in a recovery – particularly one that follows the sort of crisis conditions we saw in early March. However, these periods of time tend to be both fleeting and volatile. And the companies that do well in the stock market during these phases are generally highly cyclical and tend not to be of the sort that we, or you, would want to own within a long-term oriented investment program. Many are simply recovering from the brink of bankruptcy. As witness, the two and three year returns for these lower quality companies still lag the overall market significantly. On the other hand, your investments have done much better over longer periods of time that comprise not just this recovery rally but also the ups and downs of a market cycle.

Despite the difficult business environment of the past few years, a number of the companies in your portfolio have continued to grow their earnings and even raise their dividends. This strong corporate performance has protected your principal better than the averages. In addition, our decision to keep or raise cash as the crisis was beginning to unfold in 2008 helped to further insulate you from the turmoil. Finally, our commitments to longer-term bonds earlier this year have helped to make money even during these challenging times.

Our research has led us to some excellent companies that we have added to your holdings over the past year, and we are optimistic about the long-term outlook for these and our other companies. Your portfolio remains reasonably valued, and the business prospects and growth opportunities for the companies both in and outside of the United States are good. In addition, many organizations have taken advantage of the downturn to cut costs so as to solidify their profit outlook.

We still expect choppy economic seas, but that makes us even more comfortable owning the excellent businesses that make up your investments.

We hope you are well. As always, please don't hesitate to call with questions or comments.

Marble Harbor Investment Counsel, LLC

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