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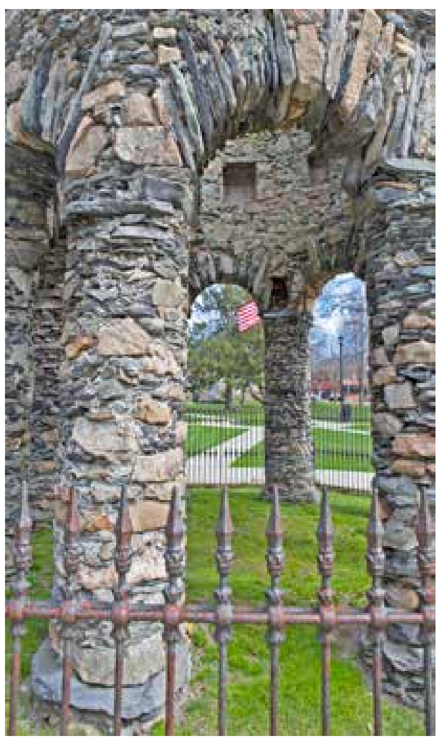
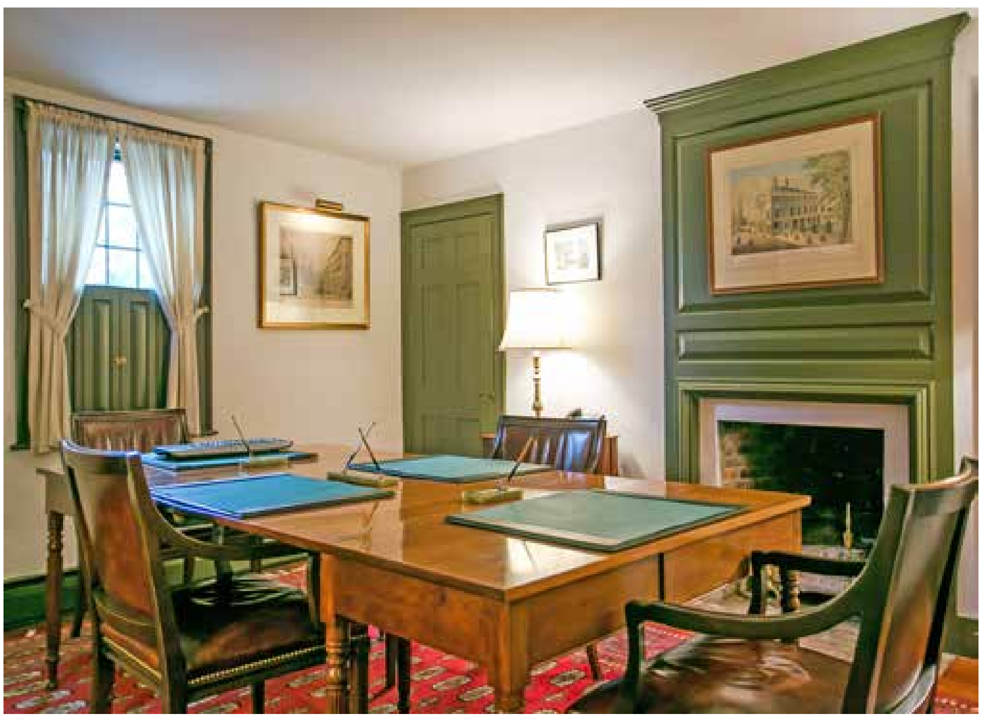
As this is our first quarter Viewpoints for 2018, we wanted to highlight the fact that this is our 40th anniversary year and share with you a new feature we hope will enhance our ability to provide our clients with timely commentary. We have just recorded a brief video which updates our investment strategy as we move into what we believe is an inflection point in the global economic picture. A link to that video has been sent via email to all of you who have shared your email address with us. For those without that facility, we are providing you with the transcript of our video commentary we call Our View from Mill Street.



Good afternoon and welcome to our first video presentation from our offices here in Newport. We seem to have clients located all over the US these days, and while we would very much prefer to meet in person, we thought that this format might be a good substitute to utilize from time to time. We'll spend about 10 minutes or so presenting some thoughts here, and will make further videos available as we find timely topics to share with you.

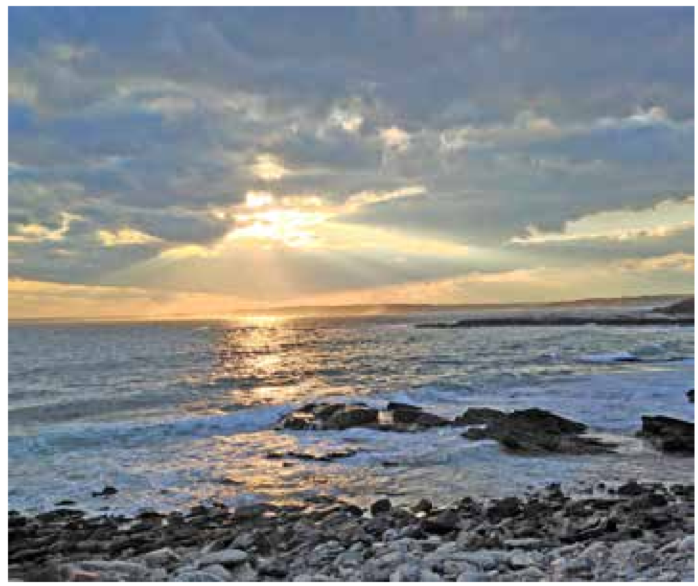
So let's begin by saying that we may be near an inflection point in the global economy and its respective stock markets. Recalling back to December, 2008, we hosted a seminar and reception at the Tennis Hall of Fame here in Newport commemorating our 30th anniversary. Jerry Slocum and I presented our view of the unfolding economic crisis, how it started, what was actually happening in the markets, and defined what we thought was the inflection point of an end to the flagrant housing and mortgage expansion of the early-2000's that ultimately led up to the collapse of Lehman Bros. in 2008. Lehman, of course, was the venerable Wall Street firm which became the poster child for reckless financial mis-management that brought about its own demise and the collapse of the stock market. It was an inflection point that actually had its origins in the extravagant market expansion that was called the Dot-Com bubble eight years earlier. When that bubble burst and roiled the stock market, the Federal Reserve Bank cut interest rates dramatically to stabilize the markets which began its long low-interest rate regime, sowing the seeds for the irrational real estate speculation that peaked in 2008 leading to what is now called The Great Recession. Markets around the world suffered through this second epic bear market that nearly brought the global economy to its knees, when the Fed and other central banks once again came to the rescue and lowered interest rates, this time to virtually zero (and in some countries to negative rates). Additionally, the central banks went on a buying spree of government bonds for their own balance sheets to stabilize the financial system thereby giving global stock markets a free pass to move higher with the noble intention that higher stock prices would spur economic activity and lift the economy out of the deep recession it was in. This was affectionately called the Bernanke Put, after the Fed Chairman, Ben Bernanke, who let it be known, along with his successor, Janet Yellen, that easy money would be here for a long, long time, fostering as much stock market strength as they could muster.



And so, for the better part of 9 years, the stock market has had this vast tailwind at its back, pushing stock prices to highs never before recorded and to relative valuations that on some levels had only been seen twice before: during the Dot-Com bubble of the late 1990's and in

1929. With this essentially free money that the Fed was providing, speculation expanded, debt ballooned because it was so cheap to borrow, and prices of stocks and real estate soared as a place to sop up all that excess liquidity. Prevailing historically low money market and bond interest rates forced investors to increase risk in stocks and lower quality bonds in order to stretch for yield, and companies used this cheap debt to buy back stock and raise dividends. What the Fed had hoped, of course, was just the opposite: that this low cost money would fuel an expansion in the underlying economy in the form of new capital investment and job growth, but that really never occurred as we have been slogging along at around 2% GDP growth for years. Global industrial and manufacturing capacity was already underutilized and an existing surplus of commodities and labor meant that there was no need for companies to expand or invest in new capital equipment. Job growth has finally begun to improve, but largely in lower wage jobs, and there has certainly been little wage growth to speak of over this same time period.

We have said since the onset of the Great Recession that we are in uncharted waters with respect to the Federal Reserve's monetary policy of targeting near-zero interest rates. Now that the Fed has begun to change its approach to its earlier easy money doctrine, fearing, rightly or wrongly, that incipient inflation is now building in the system, the new Chairman Powell has emphasized his intention to continue raising short term interest rates while simultaneously reducing its bloated balance sheet. This is without precedent in history, and it remains to be seen how that can be accomplished with minimal impact on the wider economy and stock market. In a word, we have entered a new Federal Reserve era. The Fed is no longer the tailwind pushing stock prices higher; it is



now a headwind by gradually taking way the liquidity that serves as the fuel for ever-higher stock prices. Think of a car engine. The more fuel that flows with the accelerator pushed down, the faster the engine revs. Let up on the accelerator and the engine slows. Take away the fuel altogether and the engine will stall. Valuations matter, and at recent lofty levels stocks were priced for perfection, and anything that impacts expectations for continued growth, especially tightening liquidity in the form of the Fed's higher short term interest rates, can be detrimental to those valuations.

So, we think we may be near an inflection point in the markets. Our view on returns at this point in the investment cycle is defined by our desire to minimize risk and not chase over-extended valuations. Our focus generally remains on dividend paying stocks along with a healthy dose of bonds and significantly increased cash reserves these days. Volatility has returned to the markets causing the recent downdrafts that last year's stock market never experienced as investor complacency had set in with ever-rising levels of expectations, particularly with the big, popular social media/tech stocks, just at a time when the broader underlying market trends were giving the opposite message. Market breadth had been deteriorating for some time, but it was masked by these big capitalization tech stocks known as "the FAANGs" (Facebook, Apple, Amazon, Netflix, and Google). The recent market volatility has been led on the downside by these very stocks because of their inordinate weight and influence on the NASDAQ and Standard & Poor's 500 index.

We like to follow the advice of Benjamin Graham, who wrote the seminal book of investment analysis in the mid part of the last century: "The essence of investment management is the management of risks, not the management of returns." Consequently, we have been early in our cautionary strategy, but in the end we believe it will pay off.

We hope this short message gives you a flavor for what is driving our investment thinking at the moment. Events change quickly these days, and our outlook may change with them, but for now we think this approach of gradually pairing back risk will make sense in the long run.

We look forward to our next chance to visit with you, and thank you very much for spending the time with us here in Newport.