Greenfield Seitz
CAPITAL MANAGEMENT

2009 Annual Letter

January 21, 2010

Dear Investor,

The Greenfield Seitz core composite returned 29.2% net of fees during 2009. During this same period, the S&P 500 Index increased 26.5%. This was our 10th *consecutive* year to surpass the S&P 500 Index.

In 2009, the stock market rebounded in anticipation of an economic recovery and return to growth. After a horrific 2008, the S&P 500 fell another 20% in 1Q09, before rallying 69% by year end! As we predicted in last year's Annual Letter (2/4/09), the market was over-sold and presented an opportunity for compelling returns.

Disconnect: Economic Reality vs. Stock Market Celebration

Now, many believe we are in the midst of a broad economic recovery, which we question. While the recovery on Wall Street has been clear this year, finding signs of a true recovery in the real world is more challenging. There seems to be a disconnect between the renewed enthusiasm of investors and the reality of a troubled economy.

We believe the modest pickup in economic conditions is the result of factors such as: corporate cost cutting, extreme global monetary policy, inventory rebuilding, and stimulus programs ($8,000 new home credit, cash for clunkers, etc). These factors are almost certainly short-term solutions and not meaningful drivers of growth. The Bull case is that this is the start of long-term economic expansion that will be supported by increasing consumer spending, which results in higher corporate profits. This Bull case assumes we will get back to our recent peak in corporate profits, which is unlikely since we will not see that peak level of leverage by businesses and consumers anytime soon. We question the lasting effects of many of the stimulus policies and the underlying health of the global economy.

The current P/E on the S&P 500 is 21 times calendar 2009 earnings.[1] Based on normalized earnings, the current P/E is 21x which is 50% above the historical average of 14x.[2] We are just 12 months removed from the biggest economic calamity since the Great Depression, and now we find stocks priced to perfection. Even with depressed earnings, we would not expect lofty valuations in the face of 10% unemployment, continued housing market problems, troubled consumer balance sheets, commercial real estate problems, municipal funding shortfalls, and a record decline in bank lending.

As discussed in past letters, we believe the actual unemployment rate is closer to 18%. With consumers driving ¾ of the economy, this level of unemployment doesn't bode well for any sustainable recovery. As of November 2009, almost one out of four U.S. homeowners owe more on their mortgages than the properties are worth (23%).[3] That's 10.7 million households that are still underwater on what is presumably their largest investment. Through October 2009, bank lending declined 15% in the U.S., which was a record.[4] Without lending, businesses will struggle to grow.

Markets always tend to over-shoot. The market was clearly over-sold last year and now appears to have overshot on the upside. What started as a rally on extremely cheap stocks now appears to have gone too far with valuations that don't seem to equate with economic reality.

Gold

We have been Bullish on gold since 2002 when it was $280/ounce. In 2009 gold rose 40% to hit an all-time high in December of $1,218. The world is starting to question the U.S. dollar as reserve currency, and we saw the dollar decline 20% since March against global currencies. The U.S. government is expanding debt and printing money at an unprecedented rate which makes existing dollars worth less.

In 1971, the U.S. abandoned the gold standard under President Nixon. At that point the U.S. stopped backing the dollar with gold, and it became a credit-based IOU system backed by the faith of the Treasury. This allowed the government to print money out of thin air to pay liabilities. Since 1971, the dollar has lost 81% of its value.[5]

In 2009, the U.S. deficit was $1.6 trillion.[6] Considering total tax receipts are less than $2.5 trillion, this is an enormous gap. The U.S. government borrows 43% of its $3.7 trillion in federal expenditures.[6] In 2009, the Federal Reserve expanded its balance sheet from $900 billion to more than $2 trillion to bail out the financial system (largely through buying treasuries & agency securities). Throughout history, governments have used fiat currency to print their way out of liabilities, which always leads to inflation and weaker currency. With the rise in entitlement spending adding to our deficit, the U.S. will be forced to print money to pay off these liabilities.

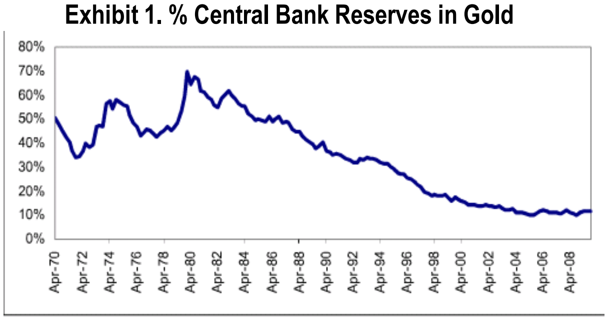
Everyone is debating whether we will see inflation or deflation. If you think about it, a weakening dollar versus other currencies is a form of inflation as purchasing power decreases. We may not have inflation in the common sense of shortage of workers causing wages to increase, but we certainly have the effects of a weaker dollar. Like any commodity, there is a finite supply of gold and it cannot be printed like fiat currencies. As we print more dollars, it will take more dollars to buy an ounce of gold. Furthermore gold is not affected by industrial demand like other commodities.

There have only been about 160,000 tons of gold mined in history.[7] All the jewelry, coins, etc in the world would only fill a 60 foot cube.[8] This gold has a current total value of $5.6 trillion, yet fiat currencies total more than $60 trillion. As fiat currencies are debased, we believe people will question their value and move towards gold. This is an enormous amount of value in paper currencies moving into a small supply of gold.

Central banks largest holdings are U.S. Treasuries, and at some point they may grow tired of watching them decline in value. Gold is an excellent hedge against the U.S. dollar and its role as global reserve currency. Central banks currently only own about 30,000 tons of gold.[7] The global mining industry produces about 2,700 tons annually.[9] **If central banks choose to increase their gold holdings by just 10 percent, it would require additional demand of 3,000 tons, which is more than 100% of the global annual mining production.** For example, for China to increase its gold reserves to 10% (world average), it would need to purchase 5,400 tons at a price of $180 billion. We can only imagine what effect on gold prices a shift by central banks would cause. Recently, central banks such as China, India, and Russia have been aggressive buyers of gold. On November 3rd, India bought 200 tons for $7 billion.[10]

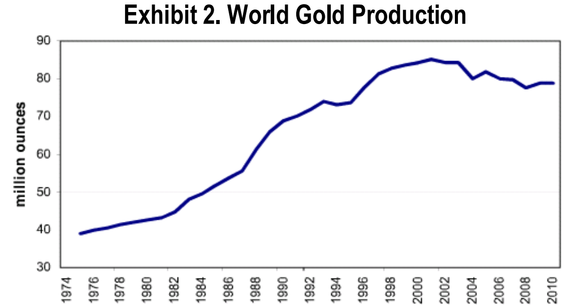
As the chart below shows, central banks have actually reduced allocations to gold over the past 25 years so as they now shift policy towards increased gold weighting, there is a long way to go (Exhibit 1).

Exhibit 1. % Central Bank Reserves in Gold



Source: The Tudor Group, IMF.

Exhibit 2. World Gold Production



Source: The Tudor Group, GFMS.

You can easily create more money with a printing press, but creating gold is much more difficult. Despite increased spending by the global gold mining industry, world gold production has decreased over the past decade (Exhibit 2).

There are a number of factors pushing demand higher. Central banks are eager to diversify away from the U.S. dollar. Gold ETF's now hold more than $51 billion worth of physical gold, a 55% increase from 2008.[11] This equates to 25% of all gold mined this year. Traditional investors are buying gold to hedge against stock market declines, macro uncertainties, and unprecedented monetary stimulus. Gold is becoming more accepted as an asset class used to diversify traditional portfolios. Private investors control trillions of dollars globally; making potential demand for Gold ETF's enormous as gold is added to their portfolios.

Wind Energy Update

We have been Bullish on Wind Energy for years and continue to believe it is by far the most viable alternative to fossil fuels. In 2009, wind turbines accounted for 42% of new electricity-generating capacity in the U.S., roughly matching the additions of natural gas-fueled plants.[12] The U.S. Energy Department is now counting on wind to generate 20% of the country's electricity by 2030. This compares to just 1.3% in 2008. There is a steady stream of new projects breaking ground. Several days ago, the UK finalized permits for the world's largest wind farm costing more than $120 billion.[13]

Sleep Apnea

Sleep apnea is a breathing disorder characterized by brief interruptions of breathing during sleep. We have invested in health care companies addressing the sleep apnea market for more than 15 years. Our primary equity investment in this theme has grown its revenues from $120,000 in 1990 to $921 million in 2009.[14] This has been a rewarding investment theme as the world has become more aware of the issue and the medical community has recognized the link to cardiovascular disease, hypertension, fatigue, and other problems. The lack of oxygen (hypoxia) from interrupted breathing causes serious strain on the cardiovascular system. Of the 58 million Americans with heart disease, 40% suffer from sleep disorders.[15] The worldwide healthcare system spends over $500 billion annually on cardiovascular disease, but less than $20 billion on sleep disorders.[14] We believe there is still a huge market opportunity because 90% of people with sleep-disordered breathing are not receiving treatment. As evidence of the growing awareness, last year physicians in the U.S. began mandatory screening of all Type-II Diabetes patients for sleep apnea.

Infrastructure Spending

A relatively new theme for us is global infrastructure. Across the world, developing countries are transitioning from largely agrarian economies to industrialized members of the global economy. This process has placed enormous strains on the infrastructure of these countries, and their growth cannot be sustained without serious infrastructure investments. Over the last 5 years, Chinese electricity demand has grown at 12% a year, which is considerably faster than its 9% GDP growth.[16] At this rate, China will need to quadruple its power generation and electric grid by 2025. The UN and WHO estimate 894 million people don't have access to clean water, and 2.2 million in developing countries die every year from diseases associated with unsafe drinking water.[17] Even in the U.S. our electric grid is more than 35 years old on average and overdue for massive upgrades.

Contrarian Outlook

We are often out of step with the consensus view. While the markets were falling this time last year, we dedicated our Annual Letter to reasons to buy on the panic. During the Tech Bubble, we never owned a Dot-Com stock and had zero exposure to high-flying tech stocks. In 2002, we invested heavily in oil stocks while oil was $15/barrel only to sell them in 2008 when oil went above $140 and the crowd was in Bubble mode. When financials made up 35% of the stock market prior to the 2008 collapse, we had almost no exposure to banks and financials. Being out of step with the consensus view has been rewarding.

While we are negative on the long-term prospects of the dollar, we believe it could stage a significant, albeit brief, rally. The dollar has been punished and it seems everyone is negative on it. If there is a flight to quality, the dollar is traditionally a winner and it would force investors to unwind anti-dollar carry trades.

We wonder how much of the positive sentiment towards economic recovery is from the stock market rebound itself, rather than underlying fundamentals of the economy. It seems to us that many individual investors that panic-sold last year are now panic-buying for fear of missing the next Bull market. At the same time, many professional investors face job risk for not keeping up with the market and are forced to participate by chasing the market. There is much talk of 'cash on the sidelines' and this has historically been a powerful predictor that we relied upon. But we wonder if investors are really ready to invest all that cash after suffering devastating losses with the Tech Bubble and again with the Credit Bubble. If people don't intend to invest that cash then it doesn't represent pent up demand for stocks that many believe.

Greenfield Seitz Update

In 2009, we moved across the street to new offices located at 2100 McKinney, Suite 1420. As with all our decisions, this was highly analyzed. We spent almost five years looking for the right office, much to our real estate broker's torment. Our new space has a layout that is highly conducive to communication among our staff. It took us awhile to figure out the new phones and many of the walls are still bare, but we are enjoying our new spot.

We received several honors in 2009. *Texas Monthly* magazine named us "Best Wealth Manager." We were also awarded "Top-Gun" for 5-year performance in the Large-Cap category by Informa Investment Solutions, an institutional investment consultant which monitors the performance of more than 10,000 investment products.

Greenfield Seitz Capital has managed money for clients since 1964. Since our inception 45 years ago we have adhered steadfastly to the same investment discipline of seeking to buy attractive, well-run businesses at value prices and hold them for the long-term. We have applied this investment discipline decade after decade and through many different market environments. As a sign of our commitment to and conviction in the discipline, our family is GSCM's largest investor and we invest our money side by side with our clients. As always, we are optimistic about profitable opportunities in all markets.

Sincerely,

GREENFIELD SEITZ CAPITAL MANAGEMENT

[1] Standard and Poor's (as reported with top-down estimates for 4Q). 1/19/10
[2] Yale Department of Economics. Robert Shiller 10-yr P/E. 1/19/10
[3] The Wall Street Journal. 11/24/09
[4] Gluskin Sheff Research 12/09
[5] U.S. Bureau of Labor Statistics. CPI Report. 2009
[6] U.S. Office of Management & Budget. 2009
[7] World Gold Council. 7/4/08
[8] Smithsonian Institute. 2009
[9] The Wall Street Journal. 11/11/09
[10] Bloomberg 11/3/09
[11] Bloomberg 9/22/09
[12] American Wind Energy Association. 11/09
[13] Bloomberg. 1/8/10
[14] Company Reports. 2009
[15] American Heart Association. 2008
[16] Center for Strategic and International Studies. 2007
[17] World Health Organization. 2009

Greenfield Seitz Capital Management has prepared and presented historical performance in compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results.

Please visit www.gscapital.net to view our updated Form ADV.

Greenfield Seitz Capital Management's ("GSCM") returns are calculated using daily valuation, are time-weighted and include cash in the total returns. For GSCM disciplines, performance is based on a size-weighted (asset-weighted) composite of all discretionary, wrap-fee accounts managed by GSCM. Terminated accounts remain in the composites including last full quarter. GSCM seeks to apply a consistent management style across all accounts managed within a particular strategy. However, because individual accounts contained in the composite vary by size and cash flows, the specific securities held and rates of return achieved may differ among accounts.

Net results reflect the deduction of investment management fees and any other expenses that may be incurred, but not domestic taxes. Performance includes reinvestment of all income, dividends, and capital gains. Total return is reported using accrual accounting except for dividends. GSCM's portfolios are individually managed and opened at different times and no inference should be drawn that new or existing accounts will achieve similar investment performance in the future. Rather, the above returns are presented to illustrate GSCM's portfolio management experience generally. GSCM performance measurement processes and procedures have been verified by an independent auditor. Any revisions will be promptly published.

Past performance does not guarantee future results. There is no assurance this trend will continue. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs and tax considerations. The material included in this presentation is for informational purposes only, and is not intended as an offer or a solicitation to buy or sell any securities.

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The S&P 500 is an unmanaged Index of 500 stocks that is considered representative of the U.S. stock market. Indexes cannot be invested in directly.

In February 2002, Stuart Greenfield assumed responsibility for stock selection and investment management from Eric Greenfield. Yancey Seitz has shared investment management responsibility since 1995.

Special risks are involved with global and international investing related to market and currency fluctuations, economic and political instability, and different financial accounting standards. These risks are magnified by emerging markets.

Investing in commodities is generally considered speculative because of the significant potential for investment loss. Commodities are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Separately Managed Accounts (SMAs) are similar to mutual funds in that a professional investment manager takes care of security selection and monitoring of the portfolio. However, a separate account manager holds the investor's assets in a segregated account instead of placing them in a pool with other investors. Separate accounts are subject to market risks and investors may realize a profit or a loss. SMAs may not be appropriate for all investors.

Please visit *www.gscapital.net* for additional disclosures.

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GIPS® Compliance Verification Statement

Greenfield Seitz Capital Management
Issued January 21, 2010

The following report issued by Beacon Verification Services ("Beacon") is for a firm-wide GIPS® Verification of Greenfield Seitz Capital Management's ("Greenfield Seitz") claim of compliance with the Global Investment Performance Standards (GIPS®) for the period December 31, 1996 through December 31, 2009.

We have examined whether Greenfield Seitz (1) complied with all the composite construction requirements of the GIPS® on a firm-wide basis and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS® for the period December 31, 1996 through December 31, 2009. Greenfield Seitz's management is responsible for compliance with the GIPS® and the design of the processes and procedures that present the firm's performance results in accordance with the GIPS®. Beacon's responsibility is to express an opinion on Greenfield Seitz's compliance based on its verification procedures.

Beacon has completed this firm-wide GIPS® Verification in accordance with the verification procedures set forth in the GIPS®. It is Beacon's opinion that Greenfield Seitz has complied with all the composite construction requirements of the GIPS® on a firm-wide basis. Furthermore, it is Beacon's opinion that Greenfield Seitz's processes and procedures were designed to calculate and present performance results in compliance with the GIPS® for the period December 31, 1996 through December 31, 2009.

In performing the firm-wide verification addressed above, it is not Beacon's responsibility to express an opinion on any particular composite presentation. Greenfield Seitz is responsible for the production and distribution of materials presented in conformity with the GIPS®.

Beacon Verification Services

Beacon Verification Services

Greenfield Seitz
CAPITAL MANAGEMENT

GREENFIELD SEITZ CAPITAL MANAGEMENT, LLC
Large Cap Equity

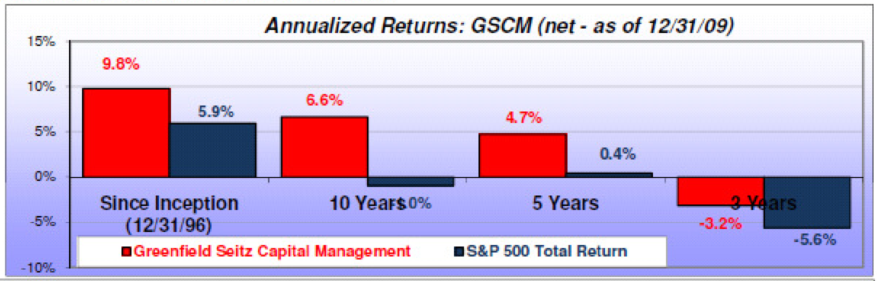
Investment Philiosophy:
GSCM portfolios are managed in our time-tested manner; employing an independent, Growth-At-A-Reasonable-Price, risk averse investing style. We believe that investing in companies with proven and growing business fundamentals will lead to long term capital appreciation. Our investment objective is to preserve capital and to generate superior asset appreciation over a three to five year time horizon.

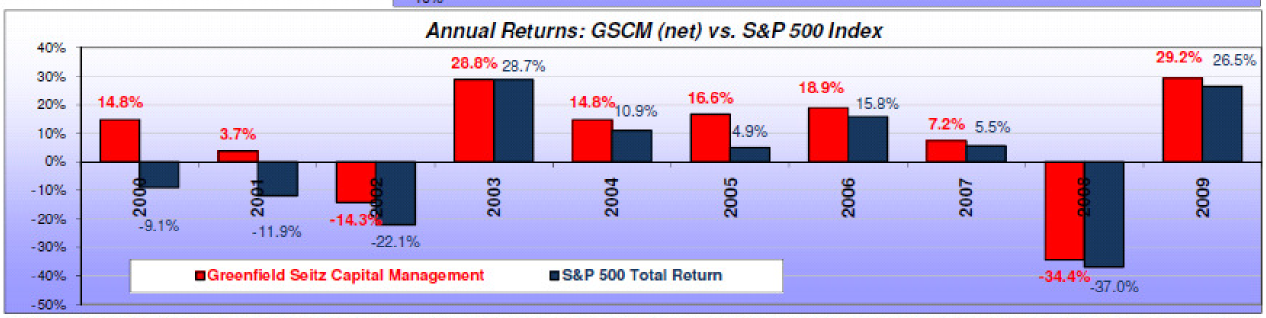
Investment Strategy:
The GSCM team employs a fundamental, bottom-up strategy that primarily invests in large capitalization companies with proven management, consistent earnings growth and dominant long-term business franchises. The strategy seeks companies with above average Return on Equity (ROE) and below average debt to equity.

Portfolio Managers:
Yancey Seitz
Stuart Greenfield, CFA

Summary:
Inception Date: Dec 31, 1996
Assets Under Management: $205 million
Holdings: 50-75
Benchmark: S&P 500, Russell 1000

Large Cap Universe (5 yr):
Alpha: 1st percentile: 7.95
Sharpe Ratio: 1st percentile: 0.79
Excess Return: 1st percentile: 6.92
Beta: 0.77





Greenfield Seitz Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results.
Large Cap Manager Universe sample size is 212 Large Cap Growth managers. See important disclosures.

GREENFIELD SEITZ CAPITAL MANAGEMENT

Core Composite Returns (accounts over $1 million)
12/31/09 ~ Net-of-Fees

Year	GSCM Composite Total Return	S&P 500 Total Return	Number of Portfolios	Dispersion %	Total Composite Assets End of Period (millions)	Total Firm Assets End of Period (millions)	Percentage of Firm Assets %
1997	17.10%	33.36%	22	6.14	$43.80	$138.69	31.6%
1998	8.94%	28.58%	22	7.66	$42.99	$165.11	26.0%
1999	15.15%	21.04%	24	6.61	$50.65	$179.31	28.2%
2000	14.81%	-9.11%	32	5.10	$63.92	$194.67	32.8%
2001	3.68%	-11.88%	36	4.53	$70.85	$201.94	35.1%
2002	-14.32%	-22.10%	37	4.25	$64.62	$172.01	37.6%
2003	28.77%	28.68%	38	6.04	$76.22	$200.36	38.0%
2004	14.79%	10.88%	45	3.59	$100.21	$231.78	43.2%
2005	16.62%	4.90%	55	4.77	$123.77	$226.25	54.7%
2006	18.85%	15.79%	61	2.94	$150.21	$267.49	56.2%
2007	7.22%	5.50%	63	2.74	$149.20	$273.20	54.6%
2008	-34.43%	-37.00%	60	3.75	$97.13	$186.79	52.0%
2009	29.17%	26.46%	55	6.15	$103.07	$197.42	52.2%
Cumulative Return	178.74%	88.63%					

Annualized Rate Return:	GSCM	S&P 500
Since Inception (12/31/96)	9.77%	5.94%
10 Years	6.62%	-0.95%
5 Years	4.71%	0.41%
3 Years	-3.16%	-5.63%
Worst 3-yr Period	-9.19%	-37.61%

Greenfield Seitz Capital Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results. Annualized returns are through current date. See important disclosures.

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