TRIAD
INVESTMENT MANAGEMENT

1301 Dove Street, Suite 1080
Newport Beach, CA 92660
Tel: (949) 679-3991
www.triadim.com

1st Quarter 2015 Investment Review

Investment Thoughts

"You can observe a lot just by watching"	Yogi Berra
"Integrity is doing the right thing, even when no one is watching"	C.S. Lewis
"It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you'll do things differently"	Warren Buffett

We spend our time patiently analyzing the competitive and financial aspects of publicly-traded businesses. But, since businesses operate in a social setting, we're not interested in just the numbers. We're also interested in the people side of things. We want to understand the historical background, motivations and mindset of the people who run the show. In essence, we want to understand the company ***culture***. Why?

Because a rational, disciplined, deeply-ingrained culture can be a potent competitive weapon. And since it can take years or even decades to develop, culture can be the ***"secret sauce"*** that allows one company to thrive as another withers. Think of Wal-Mart back in the early 1970's when Sam Walton started with one store and grew to be the largest retailer on the planet. The Wal-Mart culture instilled by Walton played a major role as the company grew rapidly for decades and eventually dominated the competition.

Culture can have the opposite effect, creating a dysfunctional environment that eventually causes financial harm. Years ago the Home Depot founders retired and handed the reins to a manager from General Electric. Not sure why a manufacturing guy would be especially good at running a retailer, but I digress. It didn't take too long for the culture to deteriorate, along with sales and earnings. After several years, the board wised up and dumped Mr. G.E. A new CEO came in and restored the entrepreneurial culture that had been a significant contributor to success. Aided by a recovering economy, HD is performing well today.

Simple examples; reality is much more complex. While it's not easy to assess culture, in our view it's an important part of long-term business and investment success. So, we follow baseball legend Yogi Berra's advice and try to "***observe a lot just by watching***". Thinking about the intangible nature of "business culture" also reminds me of Albert Einstein's observation: "***Not everything that can be counted counts, and not everything that counts can be counted.***"

How does culture impact our investment decisions? We believe we have cultural gems within our current holdings; businesses run by ethical, hard-working, disciplined, smart managers who understand that a strong culture is important to long-term success. We believe we've stocked your portfolio with the right cultural stew of managers.

Examples? The Tisch family who control Diamond Offshore. Prem Watsa and Fairfax Financial. Joe Steinberg, Ian Cumming, Richard Handler and Brian Friedman of Leucadia National Corp. Ray Barrette of White Mountains Insurance. John Malone and Discovery Communications. Bed, Bath and Beyond and founders Leonard Feinstein and Warren Eisenberg. Wesco Aircraft and the Snyder family. Or Wells Fargo, which has no more important competitive weapon than culture. After all, Wells deals in a commodity called money, and every bank in the country can take deposits and make loans. What separates Wells from the pack is its strong culture which keeps it from acting foolishly when competitors do. It has avoided becoming road-kill, unlike so many dead, forgotten banks.

What these companies often have in common is significant insider ownership and family-control, managed by people with a passion to excel and build their companies. And, a willingness to think independently. In short, these public companies think more like private business owners, resisting the short-term pressures of Wall Street. The ability to think about long-term effects can create a more rational decision-making environment, and is reflected in their long-term track record of success in building shareholder wealth. Collectively, these companies comprise a meaningful portion of our equity holdings, and I sleep better knowing we have first-rate managers at the helm.

Economic Conditions

Not much has changed since last quarter. The global economy continues to underwhelm, with the exception of relatively better performance here in the U.S., although our growth is still subpar. We're still the best house in a bad neighborhood.

The rest of the world continues to struggle to grow. Europe is finally embracing the U.S. model of stimulus by flooding the economy with cash. I hope it works. China is also attempting to improve growth and looking to stimulate its economy. In our view the Communist leaders have their hands full trying to micromanage a large and relatively inefficient economy. I'm a firm believer that central planning doesn't work. Just ask the Soviet Union. I mean the former Soviet Union. It's not here for a reason.

With global short-term interest rates pretty close to zero, it would seem that any significant increase in rates will only dampen growth. However, the Central Banks of the world cannot and will not keep interest rates at zero forever. So, a day of reckoning will come for global markets. Here in the U.S. it could arrive later this year.

Investment Conditions

Periods of rising interest rates have historically been unsettling for investors, with uncertainties focused on the magnitude and duration of the rising rate environment. So, we remain cautious on both stocks and bonds given the low rate environment. Eventually rising rates should increase opportunities in both arenas.

Conversely, rising rates should have a positive effect on many of our ***individual*** portfolio businesses. In particular, our financial services companies should benefit when rates rise, as higher interest rates allow for greater income from mortgages, loans, bonds and other income-producing assets. Higher income should lead to higher stock prices. These companies have been starving in the strange, low rate world of the past seven years and would welcome "*normal*" interest rates. We currently have our largest concentration in financial services companies, but not because we are betting on higher rates. In short, we welcome modest, gradual increases in interest rates.

Our first quarter investment results were below the market indices. Very few of our holdings increased in price; many declined. The weak results were due primarily to our Energy holdings, although WeightWatchers caused some pain as well. We're still optimistic about our Energy companies, adding to an existing position and making an initial investment in another. In our view the demise of oil is decades down the road. Energy consumption is set to grow, mostly in emerging economies, for the next couple of decades. Add in ongoing problems in the Middle East and we're comfortable with our Energy exposure.

We don't expect stock markets over the next 5 years to match the past 5 years given current above-average valuations. However, ***we believe our holdings have above-average prospects*** based on reasonable valuations, good businesses and strong, "*culturally-correct*" managers. Of course, that's what you'd expect us to say, but it's also what we firmly believe. At this stage of the game, ***we're more interested in avoiding permanent capital losses than chasing crowd favorites in an attempt to keep up with market averages.*** We hope you agree.

Let us know of any changes to your financial situation that might suggest altering your investment portfolio and also if you'd like a current copy of our SEC Form ADV Part 2.

We encourage comments, questions and suggestions. As always, ***your*** LOYALTY and PATIENCE remain our secret weapons. We remain diligent, disciplined, optimistic, and co-invested with our clients: we continue to eat our own cooking. It's the right way to operate.

Sincerely,

John Heldman, CFA
April 27, 2015

"Many shall be restored that are now fallen and many shall fall that are now in honor." **Horace**

"Always do right. This will gratify some people, and astonish the rest." **Mark Twain**

The securities discussed herein do not represent all of the securities purchased, sold or recommended for each strategy during the quarter. The reader should not assume that an investment in these securities was or will be profitable. Inherent in any investment is the possibility of loss. Past performance is no guarantee of future results.

Triad Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Triad has been independently verified by Ashland Partners & Company, LLP for the period from the strategy's inception, April 30, 2008, through March 31, 2015. Triad is an SEC-registered investment advisor. The composite includes all fully discretionary separately managed accounts that follow the firm's Concentrated All-Cap Equity investment strategy, including those accounts no longer with the firm. Triad's strategy is to invest in a concentrated portfolio (usually holding between 20 to 30 securities) of common stocks, unrestricted as to market capitalization, of both domestic and international companies. The U.S. Dollar is the currency used to express performance. Past performance is not a guarantee of future results, and there is a risk of loss in investing in equities. Results are presented net of fees and include the reinvestment of all income. Investments made by Triad for its clients differ significantly in comparison to the referenced indexes in terms of security holdings, industry weightings, and asset allocations. Accordingly, investment results and volatility will differ from those of the benchmarks. As of June 30, 2013, the Triad Equity Composite was renamed the Concentrated All-Cap Equity Composite. For more information or for a copy of the firm's fully compliant presentation and the firm's list of composite descriptions, please contact us at (949) 679-3991.

%	1Q15	YTD	1 Year	3 Year	5 Year	Inception
Triad Concentrated All-Cap Equity	(5.0)	(5.0)	(2.5)	11.1	11.1	9.7
S&P 500 Index	1.0	1.0	12.7	16.1	14.5	8.3

As of March 31, 2015. Results presented net of management fees.