3rd Quarter 2009 Client Letter

"There is so much that's false and nutty in modern investing practice and modern investment banking. If you just reduced the nonsense, that's a goal you should reasonably hope for."

-Warren Buffett, quoted at the May 2009 Berkshire Hathaway annual meeting

Mr. Buffett is referring to the Wall Street preference for complicated products and investments. If you take a simple product and repackage it with fancy, complicated wrappers, you can charge a high price. Why? Investors often equate complexity with sophistication and assume attractiveness. Add an articulate, well-compensated salesperson and you have a recipe for investment disaster. I have a simple rule for dealing with this: ***if you don't understand it, don't invest in it***. There are two reasons for taking this approach. First, it should result in fewer investment mistakes as a better understanding should improve the evaluation of risks and return potential. Second, when markets are stressed, a thorough understanding of what you own provides the intestinal fortitude to buy when others panic and sell. For my purposes I attempt to avoid the nonsense by staying focused on the interplay of ***three*** important variables: ***business, management and market valuation***.

The buoyant stock market suggests a recovery is on the horizon for the economy. We've had a large dose of monetary stimulus from the Federal Reserve and fiscal stimulus from the Federal Government (collectively, the "Feds"), and it's likely over the coming months that consumers will respond with additional spending and businesses with inventory restocking and capital investment. The real question is what will the economy look like next year? Will we continue to require the extra push from the Feds to sustain economic progress? My best guess at this point is the recovery will be slower than usual, as consumers continue to pay down debt and Government reduces the deficit spending now propping up the economy.

You will notice from the enclosed reports that the investment markets have been very good to us in the first nine months of the year. While the generally positive stock market environment has helped, we have enjoyed above-average returns due to a couple of reasons. First, we continue to have significant holdings in equity investments that have benefited from the expectation of economic recovery. These include manufacturing, energy, materials and cyclical consumer companies. This is not an attempt to predict economic recovery, but merely a recognition that the economy will recover eventually, and the best values seem to be in these areas. Second, I have attempted to concentrate the holdings in my best ideas, with the expectation that results could be enhanced if we focused on the top 25-30 investments, instead of 100+ investments, as many mutual funds do. Eschewing a philosophy of "investing not to lose" (the preferred method for many large investment organizations), the Triad approach is "investing to win over the long-term". This requires effort, focus, diligence and above all, patience. I thank you for the patience you have demonstrated.

I recently came across a 2008 survey of Financial Advisors. I was startled-but probably shouldn't have been-to learn that the average Advisor spends roughly 1/3 of the day on Business Development (sales), 1/3 on Administrative duties (paperwork) and the remaining 1/3 managing/servicing existing clients. I'm in the enviable position of being able to spend 90% or more of my time managing client assets. Why enviable? I like researching, investing and making money for clients, and that's what I intend to keep doing. And, if you're a satisfied client (here comes the pitch) your personal referrals are the best way for me to grow the business while staying focused on investments and far away from schmoozing on the golf course.

I have enclosed a copy of Triad's Privacy Policy regarding collecting and keeping private your nonpublic personal information. In addition, a copy of our SEC Form ADV Part II is available. Let me know if you'd like a copy. Also, for those clients with fixed income, beginning with the 4th quarter 2009 we have changed our process to include accrued interest in the billing market value.

Please let me know if you have any questions, comments or concerns. I appreciate your support and look forward to reporting our progress next quarter.

Sincerely,

John Heldman, CFA