Recent Comments from Our Sub-Advisors

April – June 2009

Madison WEALTH MANAGEMENT

James Rothenberg – Chairman, American Funds

~ "We spend an enormous amount of time right now getting out into the field, talking to people, finding out anecdotally what's really going on. You learn a great deal by getting out there and talking to the companies directly and not sitting in your office and staring at machines."

~ "It turns out that the world, at least in the stock market sense, is not decoupled, that when we went down a lot; Europe went down a lot; the emerging markets went down a lot. What I think is different is the magnitude, collectively, of the emerging markets. They are not the flea on the elephant anymore. They are an imperative, large chunk of the world. I think the estimates now are that China in 2009 will represent 22% of the incremental growth in the world. That's the kind of position the U.S. once had. We're still darn important, but I think the Asia/Pacific region and broadly speaking, the emerging markets are where about 70% of the world's growth is going to come from once the world comes back to a more normal state."

Managers of the Tweedy, Browne Global Value Fund

~ "In a matter of months, financial markets and economies experienced what Warren Buffett has termed "cardiac arrest" and amidst all of this, the proverbial "baby was thrown out with the bath water." Unfortunately, we are in the business of owning some of these "babes" and the market has made no distinction between "healthy babes" (to belabor the analogy) with good prospects for a long productive life, and others facing a much more questionable future. The stock prices of the businesses we own have suffered far more than have the businesses themselves in nearly every instance."

~ "Investors face the constant challenge of keeping their investment wits and maintaining a logical objective framework for making investment decisions, and these challenges are magnified many times over in an environment such as the current one. Investing has always required accepting some degree of uncertainty. In order to improve our odds, we nearly always prefer more predictable businesses with fairly resilient or sustainable demand characteristics and strong financial characteristics. Without a framework to ground you in objectivity, the stock market will inform your investment decisions, which carries the risk that the volatility of your thinking will reflect that of the market."

~ "Unfortunately, there is no starting gun signaling the beginning of the next bull market. It has been our experience that the low hanging fruit gets picked early and fast. We also know from studying the history of equity market returns, that the stock market for the most part produces modest to mediocre results over long periods punctuated by short bursts of activity that have an inordinately positive impact on your long-term compound return. Trying to time the market and missing one of these bursts can dramatically dampen your investment returns."

Bruce Berkowitz – Portfolio Manager and Founder, Fairholme Fund

~ "I cannot say whether the market is as under-valued today as it was then (1974), but currently we are seeing valuations for companies in our portfolio that are comparable to those of 1974."

~ "History has shown that it pays to be selectively bullish when most are indiscriminately bearish. Therefore, as the crowd sold, we bought common stocks of essential health care, defense and infrastructure-related companies and, in some cases, senior bonds related to those stocks. Health care spending is 17% of GDP, 23% of the federal budget, a significant portion of state budgets, and bound to increase with an aging population. Based on budgets calculated by Uncle Sam, Fairholme analysts estimated that the U.S. spent 7% of GDP and 33% of the federal budget on defense. We believe President Obama will spend hundreds of billions more to modernize credit markets, health care, homeland security, and infrastructure."