



## Recent comments from our Sub-Advisers

August 2008 – September 2008

### Selected American Fund

- ~ "Investing according to one's emotions, whether in a bull or bear market, may yield the greatest psychological satisfaction in short run. However, it can be extremely harmful to long-term performance as it effectively ensures a "buy-high" and "sell-low" cycle. As long-term investors we seek to be realists, not optimists or pessimists, so that we set proper expectations and are capable of making rational decisions through inevitable market and economic cycles. **One realistic perspective is that 2008 year-to-date performance, while negative, represents a single six-month period that is likely to be largely irrelevant to the long-term earnings power of most businesses."**

### Ariel Appreciation Fund

- ~ "In our 25 year history, Ariel has witnessed many market environments. So far, 2008 ranks among the toughest. The difference between the best and worst performing sectors is a whopping +67.3% - a severe headwind for our strategy by any measure. After the aforementioned analysis, you might be surprised that we are actually brimming with optimism. First, it is when pessimism runs highest that negative sentiment actually begins to create a tipping point. Here Sir John Templeton's perspective was clear, successful and still holds: 'The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell.' Secondly, **once all the bad news is out and fear leads stocks to be oversold, the values become abundant. This is precisely what we are seeing right now."**

### Dodge and Cox International Fund

- ~ "The last 12 months have been difficult for international investors as worries have intensified over distressed financial institutions, slower economic growth and higher inflation. The only bright spots have been commodities and energy. The most substantial change in the Fund has been a reduction in its holdings of commodity-related (including energy) companies. While we believe the future demand for commodities may be bright, we have gradually shifted away from the area because we believe that current high prices will spur innovation, substitution and conservation."
- ~ **"We remain optimistic about the long-term prospects for each of the Fund's current holdings,** because we continue to apply the same investment approach that has successfully guided us through similarly challenging periods in the past."

### Baron Small Cap Fund

- ~ "Sheik Yamani (western educated former OPEC oil minister) said that 'the Western world is afflicted with short term thinking, the inevitable result of democracy' America will get a new President and a brighter outlook in only a few more months. A few more months!"
- ~ **"We now think it's a lot less expensive to invest in businesses in the stock market than to acquire them in their entirety even if the financing were available to do so."**