Greenfield Seitz
CAPITAL MANAGEMENT

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Interim Update

October 17, 2007

Through September 30, the S&P 500 Index is up 7.65% this year. As has been the case for some time, sectors with the greatest exposure to international markets (energy, basic materials, and technology) continued to outperform. GSCM has benefited from a heavy overweight in energy and basic materials. The financial sector has been struggling in the face of ongoing credit-related issues. We have been significantly underweight financials as we have written extensively over the past two years about our concerns regarding consumers' high level of debt, the amount of adjustable rate mortgages resetting, and the housing market. This low exposure has been rewarding as the financial sector comprises 20% of the S&P 500 and has been the worst performing sector in 2007 YTD.

It appears consumer spending has remained strong despite the headwinds from the housing slump and depressed personal savings rates. Outside the U.S., economic growth remains strong, particularly in developing markets. While foreign securities have been outperforming, U.S. stocks are also benefiting from this growth.

We have maintained our bias towards U.S. equities with above average exposure to international markets as we believe globally oriented companies will continue to outperform. Domestically, GSCM has taken a negative stance on the U.S. housing market since mid-2005 and we have attempted to limit exposure to housing market, financials, and even consumer discretionary in the event of housing led slowdown in consumer spending.

So far this year, the markets have been eventful in many aspects. Oil reached an all-time high of $85 a barrel. The Federal Reserve was forced to begin cutting rates as the subprime mortgage market imploded and the housing market slowed at a more dramatic pace. Gold touched a 26-year high of $750 an ounce while the U.S. Dollar continued to fall to historic lows.

GSCM Performance YTD

As of September 30, the GSCM Composite gained 6.43% gross of fees. Due to our long-term investment strategy, there will inevitably be periods in which our holdings do not outperform the market. Whenever you attempt to hold stocks in your portfolio for more than 10 years, there will likely be periods that this group underperforms, such as our 3 year underperformance in 1997-1999 when we eschewed the tech sector. Despite the short-term mindset of many investors, we continue to believe in our long-term style and the superior returns it has achieved over the last 10+ years.

Our U.S. holdings have performed well against the S&P 500 Index, but our roughly 10% exposure to Japan has been a drag on performance. Despite this recent under-performance we believe our investments in Japan are some of the best run manufacturing companies in the world. The weaker dollar is an obvious reason for the under-performance of stock prices for Japanese exporters. We have been predicting weakness in the dollar for five years (see gold in 2006 Annual Report). But we have been surprised by the impact this has had on the Japanese stock market because North America is increasingly becoming a minor market for Japanese products as more of their trade is intra-Asia.

In addition to Japan underperforming, our largest holding in the gold mining industry has had a difficult year operationally (higher costs and lower yields of gold). This is frustrating as we have not been rewarded recently on our bullish gold forecast, despite gold advancing 19% YTD.

Lastly, our large cash position will always hinder performance in rising markets as we are less than fully invested in equities. But it maintains stability in down markets and we are highly concerned with limiting risk and preserving capital.

Themes We Like

Recently, we have added to positions within several of our themes. In addition to our favorite themes (Canadian Oil Sands, aging population, gold, water, and global growth), we have recently been investing in companies with exposure to several other themes.

In particular, we have made a larger investment in energy efficiency and alternative energy companies. This theme includes solar panel manufacturers and wind turbine manufacturers. We are also investing in LED technology which is much more efficient than fluorescent or incandescent bulbs (recently banned in California).

This year, we have added a new position in the infrastructure industry. The U.S. needs to spend $1 trillion dollars over the next decade overhauling our power grid and power generation.[1] According to the International Energy Agency, China plans to spend over $200 billion on new nuclear plants by 2030 and another $100 billion on coal-to-liquid plants.[2] As living standards improve around the world, there are significant strains on aging infrastructure. We believe we are still in the early stages of this build out.

Still Attracted to Hard Assets

We worry about the Fed's recent move to lower rates, which we believe was motivated by a desire to rescue housing, borrowers, and the credit markets. Our concerns center on monetary inflation, the decline of the U.S. dollar, and a sense that the markets are not prepared for economic downturn because the Fed is working to bail them out.

We believe hard assets will provide more profits and carry less risk than most financial assets. Equities exposed to hard assets are still out of favor with investors and we believe offer an attractive risk/reward opportunity.

Our favorite industries within this hard asset theme are: oil & gas producers, gold miners, Russia, timberland, and cement.

As we have noted many times, public markets continue to value energy companies on an implied long-term crude prices of $45 a barrel.[3] With oil above $85 a barrel, we think these stocks still have considerable upside.

Commodities should continue to rise in dollar value as: (1) Rising demand from increasing quality of life and industrialization in emerging countries (2) U.S. continues to print more money (fiat currency); (3) U.S. dollar weakness from other factors such as trade deficit and international diversification out of dollar. (4) Years of underinvestment in new sources (new mines, drilling new wells, etc).

Chinese Bubble?

We are amazed at the insatiable appetite for Chinese stocks, for which we have yet to find any suitable investments (and probably never will). Like all bubbles, this one began with a good fundamental story. China is experiencing strong GDP growth, rising profits, growing consumption and fast urbanization. But valuations eventually matter. We know how this book ends, we just don't know when.

Bubbles always start with great stories, but they end with ridiculous valuations. They rely on the greater fool theory, in which valuations cease to matter because someone will always pay more. If you are truly an investor and not simply chasing performance, you need to be brave and do something different from the herd.

Our Process Remains the Same

GSCM's investment process has been performed successfully for over 40 years, and we have no intention of altering our methods. We remain confident in our investment methodology and we believe our unique process will continue to achieve attractive returns while minimizing risk (volatility) and taxes.

Sincerely,

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1) Raymond James Equity Strategy Research Dept.
2) IEA, International Energy Association
3) Barron's. October 15, 2007

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 fully discretionary, wrap-fee accounts managed by GSCM in the Passport Investment Program, with the following accounts removed from the composites: i.) restricted, and ii) remit check paying accounts. 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.

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The S&P 500 is an unmanaged index of 500 widely held stocks that is generally 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.

Price Earnings Ration (P/E) is the price of s tock divided by earnings per share.

GDP is the annual total market value of all final goods and services produced domestically.

The companies engaged in the technology industry are subject to fierce competition and their products and services may be subject to rapid obsolescence.