2010 Annual Letter

January 21, 2011

Dear Investor,

The Greenfield Seitz core composite was up 14.8% (net of fees) during 2010. During this same period, the S&P 500 Index increased 15.1%. Gross of fees, this was our 11th *consecutive* year to surpass the S&P 500 Index. Since inception 14 years ago, the GSCM composite has compounded at 11.2% annually (after fees) versus 7.3% for the S&P 500, while also experiencing lower volatility than the S&P 500.

Year in Review

Considering our tepid outlook 12 months ago (after S&P gained 27% in 2009), we are pleasantly surprised with a healthy return again in 2010. Over the past year, we were defensively positioned with relatively high levels of cash (averaged roughly 15% throughout 2010) and owning stocks with defensive characteristics. Considering our defensive posture, we were happy to finish in line with markets. As always, we are concerned with capital preservation. After the 85% run in stocks since the 2009 low, we believe it is the correct course of action and the prudent position for our clients' portfolios. There have been several times in our history that we have sacrificed short-term results for long-term capital preservation. GSCM underperformed the market in 1999/2000 while we avoided tech stocks, which paid off during the ensuing Tech-Wreck. Despite this defensive posture in 2010, we were still able to outperform the market due to several factors. Specifically, we can attribute this performance to the excellent job our companies did operationally and to our bias towards oil and gold as commodities increased in value.

We are at a real inflection point now. Looking ahead, it is conceivable that the Fed stimulus was successful and that the 2008/09 Financial crisis will be another blip in history (such as Dot-Com Crash, Black Monday, or Long-Term Capital/Russian Default). This rosy scenario leads to a long-term cycle of global economic expansion, improving confidence, rising corporate profits, and a Bull market in stocks. On the other hand, it is very possible that the Fed's massive efforts are just delaying the inevitable. In this negative scenario, unemployment remains high, corporate profits stagnate, housing values decline, and stocks prices fall. In this "double dip" scenario, we are forced to realize that sovereign governments do not have unlimited credit and that entitlement spending and excessive debts lead us back into recession. The future is not clear and there is an incredibly wide spectrum of possible outcomes.

How Long Can Margins Expand?

It seems that broad stock markets have improved much faster than the underlying economy. This is due to several factors (1) stocks were oversold in the 2008/09 panic; (2) corporations were able to cut costs and grow profits; (3) stocks are an inflation hedge; and (4) stocks are being priced in weaker dollars. Over the past two years, 96% of the increase in output is due to increased productivity. During the recession corporations were able to lower costs, reduce headcount, and become more efficient. The average profit margin on the S&P 500 is now 8.95% due to these improvements in efficiency. We note this is significantly above the 7% historical average. We believe margins will have to return to normal as companies lose ways to cut costs, increase headcount, and deal with increased competition. In fact, the consensus estimate for 2011 calls for 9.5% profit margins. In our opinion, history argues against this and it could be a cause for earnings estimates to be too high.

High Quality Dividends

Recently, we began to focus on dividends by seeking out equities of high-quality, dividend paying companies. The average dividend yield of S&P 500 companies is 1.8% (average earnings yield is 8%). In this environment, we have been able to find many stocks with dividend yields above 4%, while "risk-free" Treasuries are only yielding 3%. In fact, the S&P 500 yields 5.2% more than Ten-year Treasuries when adjusted for inflation. [1]

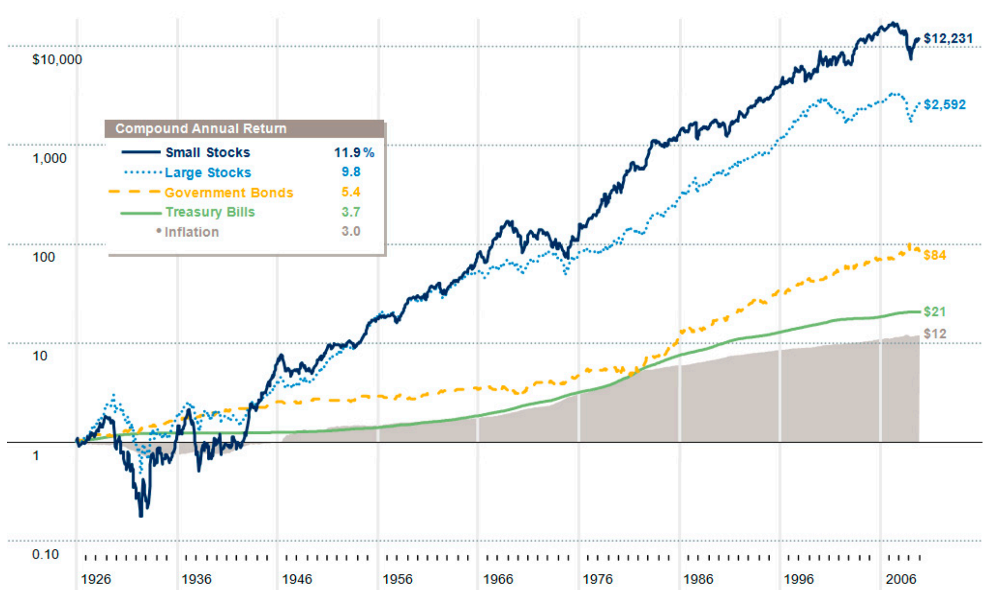
In our view, we see a continued weak economic environment combined with inflation. In this scenario, we like dividend oriented equities. Stocks can offset the effects of inflation by increasing the price of their goods/services. This leads to increased earnings and ability to raise dividends, compared to fixed income investments which cannot raise their coupon payments. Because of the ability to raise prices and raise dividends, we believe stocks are a better investment than cash/bonds during periods of inflation. We are in a truly strange situation when 46 companies in the S&P 500 have dividend yields above the yields on their respective bonds.

Beware of Bonds

The idea of owning a fixed income portfolio seems like retirement planning suicide in a world where costs continue to rise. From 1935 through 2010, the Consumer Price Index compounded at 3%. Over the same time period, the dividends of the stocks in S&P 500 Index compounded at 5.5%. The ever increasing cost of living is a critical retirement problem. We believe the answer is owning stocks with growing dividends.

In our last letter (July), we warned about Municipal Bonds and they have since suffered (MUB Index down 10%). We are now warning about bonds in general. As you know, we have always believed that stocks are a better investment than bonds. Over the long-term this has historically been the case (Exhibit 1). However, in the more recent past, bonds have outperformed with particular strength in the past year. This has become a very popular trade as evidence by historically low yields and the massive fund flows by retail investors out of equity mutual funds and into bonds funds. Whenever the crowd loves an investment, we find it is usually the wrong thing to do. With this mind, we worry that bond holders might find being tied to low yields troublesome if inflation increases. For example, owning a 10 year treasury and getting 3% yield might be nice now, but if inflation increases to 10% this will be painful. The bonds would trade at discounts and the income's purchasing power would be eroded. In today's environment it is hard to imagine 10% inflation, but we remind investors that CPI growth has been above 10% in seven of the last ninety years (8% of the time). [2]

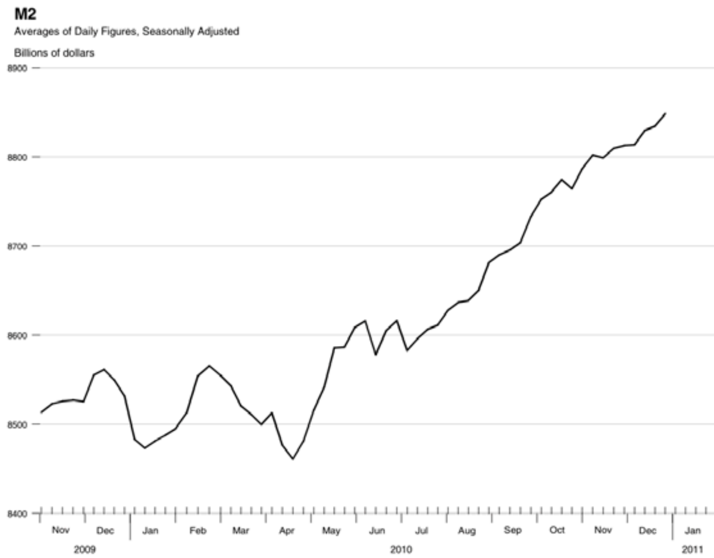
Exhibit 1. Asset Class Returns 1925 – 6/2010



Printing Money Leads to Inflation

Over the past two years, the Federal Reserve has increased its balance sheet from $800 billion to $2.3 trillion in an effort to prop up various asset classes and keep interest rates low. This is essentially printing money. As the world has more dollars, each dollar will be worth less in real terms. In fact, since the creation of the Federal Reserve in 1913, the dollar has lost 96% of its value. Below is a chart of the recent growth in money supply (M2).

Exhibit 2. Growth in Money Supply – M2



Quantitative Easing

Quantitative Easing is monetization of government debt or simply printing money. The goal of quantitative easing is to lower rates by increasing the money supply. For example, the Fed recently became the largest purchaser of Mortgage-backed securities in a dual effort to increase the supply of money and hold down mortgage rates.

Quantitative Easing was recently employed in two rounds; the first began in November 2008 when the Fed purchased $1.8 trillion of bank debt, Mortgage-backed securities, and Treasury bonds. The second round (QE2) came in August 2010 when the Fed announced it would purchase another $650 billion of debt because the economy wasn't growing as robustly as hoped. Following the announcement of QE2, the S&P rallied 19% in the final four months of the year, as investors cheered lower interest rates.

On November 22, the Federal Reserve bought its daily $8 billion of Treasuries and officially became the largest owner of U.S. Treasuries ($891 billion). This is higher than the next largest owners; China ($884 billion), and Japan ($864 billion). The Fed's monetization of US debt has similarities to a Ponzi scheme, now that the U.S. Federal Reserve is the largest holder of U.S. debt.

It is hard for us to believe that the Fed’s borrowing money to buy assets such as Mortgage-backed securities and Treasury bonds will lead to an economic recovery and lower unemployment (U6 Unemployment is now 17%). More likely this was done because of public pressure from voters for the government to “fix” this problem and appear to be in control of the situation. We question the idea of throwing more debt at a debt problem. Despite the lower rates, banks are not lending and corporations & consumers are unwilling to borrow because they are cautious. In this case, lowering rates is like “trying to push on a string.” In fact, the lowest mortgage rates in 60 years have done little to help the housing market. We continue to believe the most assured outcome of printing money is inflation. Inflation in financial assets such as stocks can be healthy and improve confidence and the wealth effect, but inflation in commodities such as gasoline and food can be a real headwind for a fragile economy. Food and gas expenses are now 21.7% of U.S. consumer income.[3]

Gold

In 2010 gold rose another 25% to hit an all-time high of $1,423. The world is starting to question the value of fiat currencies and gold has become a very popular investment. Having become bullish on gold in 2002 when gold was $280 and no one was interested, we are concerned with gold's popularity and increased price. At GSCM, we are often contrarians and tend to reduce positions as investment themes become more popular. As the price of an asset goes up, its downside risk increases. We have maintained our exposure to the gold miners, which we believe are still undervalued given the current price of gold. However, we do not recommend owning gold, the commodity, given the potential for a correction in gold prices.

Going Forward

Stocks are not particularly cheap as one might think following 2008/09 crisis. At today's market level, the S&P 500 is at 21x earnings (using Shiller's long-term methodology). Since 1926, the median P/E has been 16x. Second, according to Federal Reserve data, the overall public stock market is now priced at roughly 100% of GDP, a 33% premium to the past fifty years' median level of 75%. Lastly, in a recent Bloomberg poll of strategists, not one strategist was bearish on equities for 2011, which is concerning to us. In a rising stock market, investors can become complacent when they should be getting more concerned as higher prices equate to higher risk.

As we have discussed before, 2011 will be the third year of the Presidential Cycle. This is one of the most powerful events in stock market history, as the current administration historically does everything in its power to boost the economy and asset prices in an attempt to make voters happy and keep them in power (re-elected). Since 1964, year three has produced average gains in S&P 500 Index of 23.2%, compared to 0.6% average for the other years.

With all of this in mind, we believe we have a good mix of quality companies with excellent management. We believe these companies will continue to grow. Many of them offer attractive dividend yields, which we hope will grow over time. Many of the companies in our portfolio are non-cyclical and we hope can grow their businesses regardless of the overall economy.

We remain optimistic about profitable opportunities in all markets. Since our inception 45 years ago, we have adhered steadfastly to the same investment discipline of seeking to buy attractive, well-run businesses and hold them for the long-term. We have applied this investment discipline decade after decade and through many different market environments. As evidence of our optimism, our families are the largest investors in the assets managed by GSCM.

As always, please contact us anytime if you have any questions.

Sincerely,

Greenfield Seitz Capital Management

GREENFIELD SEITZ CAPITAL MANAGEMENT

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1 Bloomberg 10/18/10.
2 Bureau of Labor Statistics 2010.
3 Bureau of Economic Analysis 11/2010.

Greenfield Seitz Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Firm Information: Greenfield Seitz Capital Management ("GSCM") is a registered investment advisor based in Dallas, Texas. GSCM specializes in managing separate investment accounts for high net-worth individuals, with a focus on equities. GSCM is structured as a Limited Liability Corporation. GSCM utilizes Raymond James Financial, Inc. as its custodian of assets.

Composite Characteristics: The Greenfield Seitz Capital Management Core Composite is comprised of accounts whose primary objective is growth of principle by investing primarily in stocks of U.S. and international companies. Before investing with GSCM, all clients agree to the investment style so all accounts are employing GSCM's investment strategy. The composite contains all discretionary accounts that exceed the minimum asset level. The GSCM Core Composite is the only composite for GSCM and contains no carve-outs. A complete list and description of all firm composites is available upon request (GSCM Core Composite is the only composite for Greenfield Seitz Capital Management). The minimum portfolio size for the GSCM Core Composite is $1,000,000. Accounts may include up to 20% fixed income investments. As a whole, fixed income securities represent less than 5% of total composite assets. The start date for the GSCM Core Composite was January 1, 1997 and the composite was created in October 2004. The composite benchmark is the S&P 500 Index, which represents two-thirds of U.S. equity market value. New accounts are added to the composite at the beginning of the first full calendar month that they meet the composite definition. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. Accounts are removed on a monthly basis from the composite when assets fall below 70% of the minimum. Dispersion is only shown on annual periods.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars, and individual portfolios are revalued monthly. Pricing information is supplied by ISS. The firm uses the trade date monthly returns and links these returns geometrically to produce an accurate time-weighted rate of return. Prior to January 2002, some accounts may have employed the use of settlement date accounting to calculate performance results. Time-weighted total returns include both capital appreciation and reinvested dividends. The GSCM Composite performance is the total return including cash and cash equivalents, of an asset-weighted composite of all discretionary portfolios managed by Stuart Greenfield and Yancey Seitz. Composite returns are asset-weighted. Net of fees returns are calculated net of management fees, transaction costs, and custodian fees. To calculate gross of fees returns, please review our fees and add applicable fees back into returns accordingly. Returns are calculated gross of all withholding taxes on foreign dividends. The dispersion measure is the asset-weighted standard deviation of accounts in the composite for the entire year. On 2/28/06, the composite changed software to Advent Axys. After the change in software programs, composite returns are now calculated using modified dietz and cash-basis dividends.

Key Manager Change: In February 2002, Stuart Greenfield assumed co-responsibility for stock selection and investment management from Eric Greenfield. Yancey Seitz has shared investment management responsibility during all periods of the Composite.

Net-of-Fee Performance: Net of fee performance shown reflects the deduction of actual fees. To calculate gross of fees returns, please review our fees and add applicable fees back into returns accordingly. Actual fees are expected to be lower than the maximum scheduled rate of 1%. All charts and tables are shown Net of Fees.

Benchmark: The S&P 500 is an unmanaged index of the shares of large U.S. companies. It includes reinvested dividends and is presented gross of fees.

Statistical Definitions: Tracking error/Standard Deviation is the square root of the variance. Beta is measure of a portfolio's volatility relative to the market. R2 is the relative predictive power of a model. Alpha is the extra return above what CAPM determines for the amount of risk taken, risk adjusted return. Excess Return is return in excess of the risk-free rate.

Custodian Transfer: On 4/1/05, GSCM changed asset custodians. There were no disruptions in performance and no trading activity during transfer.

Retail Fee Schedule: 1.00% on assets under management

Other Disclosures: Greenfield Seitz Capital Management has received a firm-wide GIPS® Verification for the period January 1, 1997 - December 31, 2010 from ACA Beacon Verification Services. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. To obtain performance data current to most recent month end, please contact us. You should consider our investment objectives, risks, and fees carefully before you invest. Additional information regarding policies for calculating and reporting returns is available upon request.

Past performance does not guarantee future results. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs and tax considerations. The material included in this presentation is for informational purposes only, and is not intended as an offer or a solicitation to buy or sell any securities.

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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.

Investing in commodities is generally considered speculative because of the significant potential for investment loss. Commodities are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile.

Separately Managed Accounts (SMAs) are similar to mutual funds in that a professional investment manager takes care of security selection and monitoring of the portfolio. However, a separate account manager holds the investor's assets in a segregated account instead of placing them in a pool with other investors. SMAs may not be appropriate for all investors.

Please visit www.gscapital.net for additional disclosures or to view our updated Form ADV.

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GIPS® Compliance Verification Statement

Greenfield Seitz Capital Management
Issued January 20, 2011

The following report issued by Beacon Verification Services ("Beacon") is for a firm-wide GIPS® Verification of Greenfield Seitz Capital Management's ("Greenfield Seitz") claim of compliance with the Global Investment Performance Standards (GIPS®) for the period December 31, 1996 through December 31, 2010.

We have examined whether Greenfield Seitz (1) complied with all the composite construction requirements of the GIPS® on a firm-wide basis and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS® for the period December 31, 1996 through December 31, 2010. Greenfield Seitz's management is responsible for compliance with the GIPS® and the design of the processes and procedures that present the firm's performance results in accordance with the GIPS®. Beacon's responsibility is to express an opinion on Greenfield Seitz's compliance based on its verification procedures.

Beacon has completed this firm-wide GIPS® Verification in accordance with the verification procedures set forth in the GIPS®. It is Beacon's opinion that Greenfield Seitz has complied with all the composite construction requirements of the GIPS® on a firm-wide basis. Furthermore, it is Beacon's opinion that Greenfield Seitz's processes and procedures were designed to calculate and present performance results in compliance with the GIPS® for the period December 31, 1996 through December 31, 2010.

In performing the firm-wide verification addressed above, it is not Beacon's responsibility to express an opinion on any particular composite presentation. Greenfield Seitz is responsible for the production and distribution of materials presented in conformity with the GIPS®.

Beacon Verification Services

Beacon Verification Services

Core Composite Returns (accounts over $1 million)
Net-of-Fees

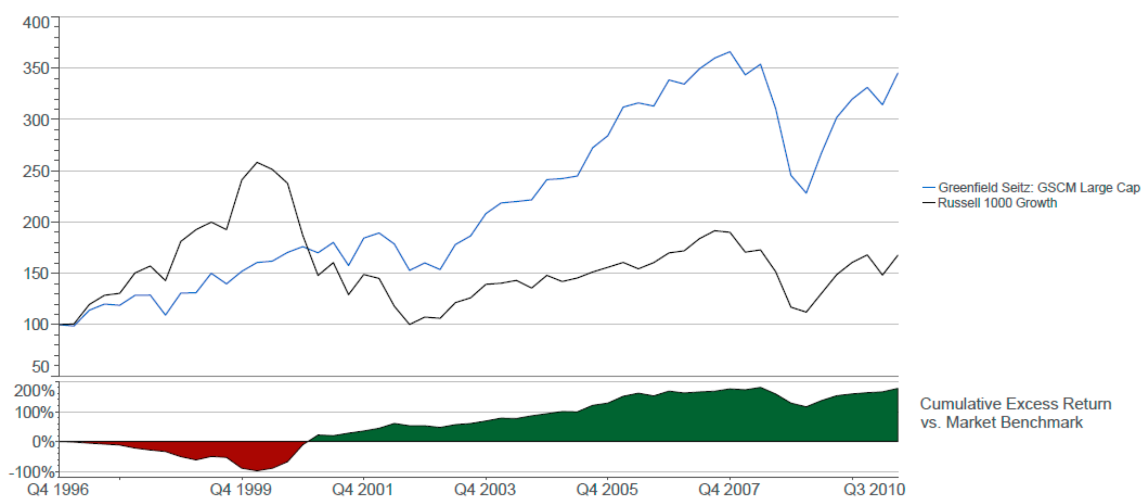
Year	Total Return	S&P 500 %	Number of Portfolios	Dispersion %	Total Composite Assets (millions)	Total Firm Assets End of Period (millions)	Percentage of Firm Assets %
1997	**17.10%**	**33.36%**	22	6.14	$43.80	$138.69	31.6%
1998	**8.94%**	**28.58%**	22	7.66	$42.99	$165.11	26.0%
1999	**15.15%**	**21.04%**	24	6.61	$50.65	$179.31	28.2%
2000	**14.81%**	**-9.11%**	32	5.10	$63.92	$194.67	32.8%
2001	**3.68%**	**-11.88%**	36	4.53	$70.85	$201.94	35.1%
2002	**-14.32%**	**-22.10%**	37	4.25	$64.62	$172.01	37.6%
2003	**28.77%**	**28.68%**	38	6.04	$76.22	$200.36	38.0%
2004	**14.79%**	**10.88%**	45	3.59	$100.21	$231.78	43.2%
2005	**16.62%**	**4.90%**	55	4.77	$123.77	$226.25	54.7%
2006	**18.85%**	**15.79%**	61	2.94	$150.21	$267.49	56.2%
2007	**7.22%**	**5.50%**	63	2.74	$149.20	$273.20	54.6%
2008	**-34.43%**	**-37.00%**	60	3.75	$97.13	$186.79	52.0%
2009	**29.17%**	**26.46%**	55	6.15	$103.07	$197.42	52.2%
2010	**14.81%**	**15.06%**	52	3.59	$116.64	$220.98	52.8%

Cumulative Return	**220.02%**	**117.04%**

Annualized Rate Return:	GSCM %	S&P 500 %
Since Inception (12/31/96)	**11.15%**	**7.30%**
10 Years	**6.62%**	**1.41%**
5 Years	**4.38%**	**2.29%**
3 Years	**-0.93%**	**-2.86%**
Worst 3-yr Period	**-9.19%**	**-37.61%**

Greenfield Seitz Capital Management, LLC ("GSCM") has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Past performance is no guarantee of future results. Annualized and cumulative returns are as of 12/31/2010. See important disclosures and information.

Manager Performance
January 1997 - September 2010 (Single Computation)



	Portfolio Performance			vs. Russell 1000 Growth					
	Annualized Return (%)	Cumulative Return (%)	Std Dev (%)	Annualized Excess Return (%)	Cumulative Excess Return (%)	Info Ratio	Significance Level (%)	Explained Variance (%)	Tracking Error (%)
Greenfield Seitz: GSCM Large Cap	9.43	245.12	17.07	5.61	177.64	0.44	93.67	66.81	12.78