Greenfield Seitz
CAPITAL MANAGEMENT

2011 Mid-Year Letter

July 21, 2011

Dear Investor,

The Greenfield Seitz core composite was up 3.62% (net of fees) during the first half of 2011. During this same period, the S&P 500 Index increased 6.02%.

Economic Update

Unemployment stands at 9.2%.[1] Employment growth slowed sharply in June with only 18,000 jobs created, down from an average of 165,000 in the previous four months.[1] The number of long-term unemployed (those jobless for 27 weeks) increased to 6.2 million; their share of unemployment increased to 45%.

Consumers are struggling to deal with mortgage issues, unemployment, and increased commodity prices. There are now more than 4.2 million homeowners that are more than three months behind on their mortgage payments.[2] Higher commodity prices, particularly oil (with gasoline prices recently up over $4.00 per gallon) have had an impact on discretionary spending for many consumers. Food price inflation has also been a factor eating into discretionary spending. Food and gas expenses now take 22% of U.S. consumer income.[3] Consumer spending (which drives 2/3 of the economy) will be erratic and has the potential to slow again.

The Fed has managed to help prop up the stock market with quantitative easing, but that may be coming to an end as we doubt voters will allow another round of Fed spending. The S&P jumped more than 20% in the months following the start of QE2. The Fed has been the largest buyer of Treasuries and mortgages. Without this incremental buyer, it is likely that demand (and prices) will fall (increasing rates).

Outside of the U.S. there is also continued uncertainty. Sovereign debt issues have deteriorated in Europe as S&P cut ratings on Greece, Ireland, Italy, and Portugal. Greece has serious risk of default without another bailout package. Continued unrest in the Middle East (revolutions in Egypt, Libya, and Tunisia) has led to greater uncertainty about oil supplies. Lastly, Japan experienced a 9.0 earthquake and tsunami which killed roughly 20,000 people and caused a nuclear meltdown. The disaster led to a severe slowdown to the world's No. 3 economy that will be felt around the world.

Investors are concerned about the future economic drag from U.S. budgetary reforms that must be addressed at both the national and state levels. The U.S. is beginning to realize it must control budget deficits and the Federal debt, but we have yet to see the needed prudence and tough decisions regarding budget discipline. The debt ceiling should be a warning of more debt issues to come for the U.S.

History of Being Early

In our last three letters, we highlighted the negative economic facts and our defensive positioning in your portfolios. Despite all the negative issues concerning us, the market has continued to plow higher, which is why we would like to discuss our long and sometimes painful history of being early.

Over the last 18 months, we have cautioned about the laundry list of negative economic facts and yet here we are with the S&P 500 within 15% of its all-time high. You really don't want to "fight the Fed" and the power of the printing press (QE1, QE2, etc.). It is amazing to see the strength in broader markets in the face of: 1) 9.2% unemployment and 17% total unemployment; 2) housing prices down nine months in a row; 3) inflation particularly in emerging economies; 4) high fuel and raw material costs hurting businesses and consumers; 5) sovereign debt issues in Europe and the U.S.; 6) record decline in lending; and 7) tapped-out consumer that is deleveraging.

In February 2009, we wrote that the market was close to a bottom and represented real values for patient investors. As predicted, the market began to rally from oversold territory. The problem is that we expected fair value would be a ~40% rally, not 90%.

A brief history of our too early market calls includes: 1) Selling tech in 1998 when we predicted tech bubble three years too early; 2) buying gold miners in 2001; 3) buying energy companies in 2002; and 4) selling banks and predicting housing bubble in 2005.

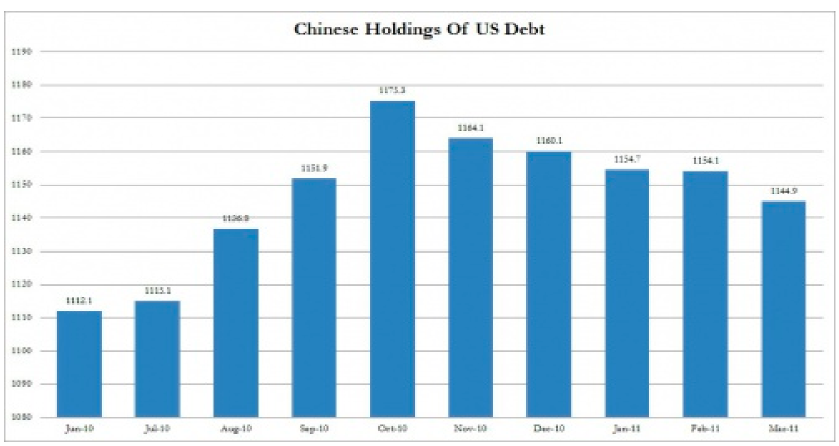
However difficult it has been to be years too early on our market calls, it has been very rewarding for patient investors. Our defensive posture with high levels of cash and dividend oriented blue-chips has once again come too early as the market continued to rally over the last 18 months. We prefer to prepare for floods before the rain, but human nature tends to wait to buy flood insurance until the water is already rising. Investors seem to extrapolate the current trajectory of the market into the future, and since it has rebounded 90% they assume the rally must continue. However, we are concerned that stocks are not cheap (more on this later) and the government can only postpone the inevitable so long. There will be a time again when values abound, but with all the fundamental economic issues and spectacular run up in prices, we are cautious.

Despite all this, we believe we own some of the best businesses and management teams on earth.

Inflation, Money Printing & Political Will

We believe inflation will continue because politicians are unwilling to make difficult choices (cutting spending/increasing taxes). History has proven that our leaders are primarily concerned with being re-elected and will sacrifice prudent long-term decisions for short-term happiness (votes). With this in mind, we believe the only route for the U.S. to take is to print more money.

Eventually, the buyers of U.S Treasuries will awake to the fact that their investment is being debased by increased money supply. We have been surprised at how long this has taken, but sovereign wealth funds have never been known as astute investors. It is interesting to note that China has reduced its holdings of U.S Treasuries in each of the last five months. This is significant when one of the largest buyer of Treasuries is now a seller. Keep in mind that China is the second largest owner of U.S Treasuries (aside from U.S.). If these large investors start to eschew Treasuries for gold, we believe interest rates will move higher (bond prices fall). With 10-year yields at just 2.9% there is considerable room for prices to fall.



Gold

We have preached about gold for 10 years now. Unfortunately, we have owned the gold miners and not the commodity itself. Over the past 10 years, gold is up 500% while the Amex gold miner's index is up just 175% (still not a bad return!). There are reasons for this disparity but we believe they have reached a tipping point. The crowd seems enamored with gold and gold ETF's (currently more than $60 billion in gold ETF's). But at the same time, the crowd is negative on gold mining stocks. There are some fundamental reasons (wages, fuel prices, ore yields, government regulations, etc) for the difference in the performance of the gold miners versus gold, but we believe the miners ultimately have so much operating leverage that they are due for significant EPS growth. Most of the miners' costs are fixed, so an increase in gold prices (top-line revenues) can have a dramatic effect on bottom line EPS. In the case of Newmont Mining, a 5% increase in gold prices should translate into a 15% increase in EPS. In addition to EPS leverage, Newmont is expected to grow its production 35% over the next 5 years (6.2% CAGR). In fact, Newmont recently changed their dividend to be linked with gold prices (an industry first) so that a 25% increase in gold prices results in 50% increase in dividends and a 50% increase in gold prices results in a 300% increase in dividends.

Banks

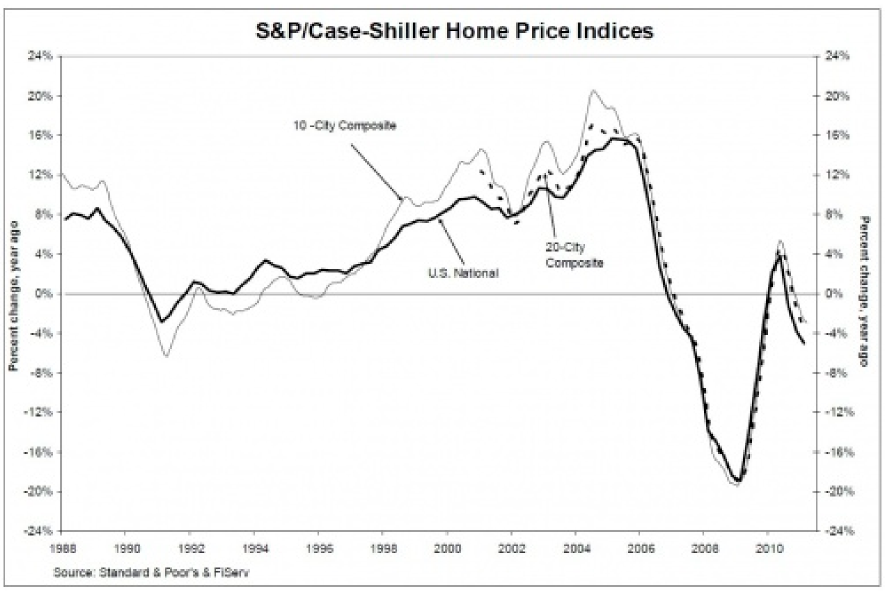
We have been underweight the Financial sector since 2004 on our concern for a weak housing market, quality of loans, and increased leverage. The financial sector is down 5% this year and down 60% since its May 2007 peak, so avoiding this sector has been beneficial. We continue to think financials will have problems with a sustained housing decline, reduced leverage, strained consumer, increased regulation, declining loan volumes, and bad debt expenses related to previous loans.

After years of increasing household debt, the U.S. is in a deleveraging cycle. The ratio of household debt to income fell to 114% this year (down from its 2007 peak of 130%), but it will take time for it to return to historical average of 90% debt/income. This decrease in lending is painful for banks and could continue for many years. Historically low interest rates also mean banks make less on net interest margin (spread between the interest income generated and interest paid to lenders). In the last 12 months, Bank of America and Morgan Stanley have reduced their 2011 earnings estimates by 46% and 51%.

While some financial companies are becoming interesting values, we continue to remain underweight the group.

Housing

Housing appears to be in a double-dip scenario as the Case-Shiller national price average has fallen nine months in a row.[4] Over the years, GSCM has paid particular attention to the U.S. housing market. We like to follow housing and home values because in addition to being a $15 trillion market, it is the largest investment for most people and drives sentiment, wealth effect, jobs, etc.



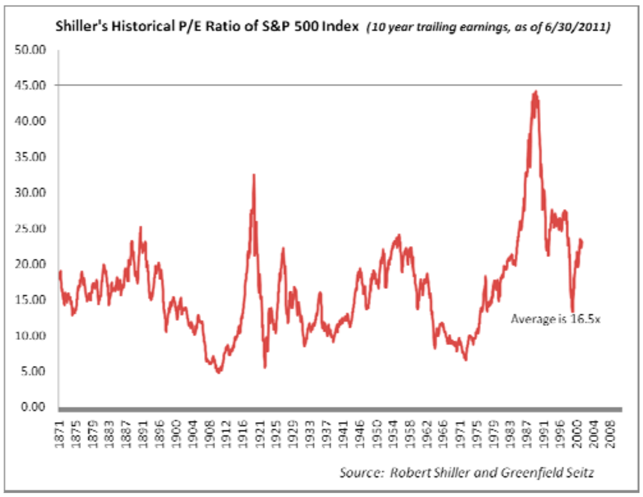
Update on Presidential Cycle

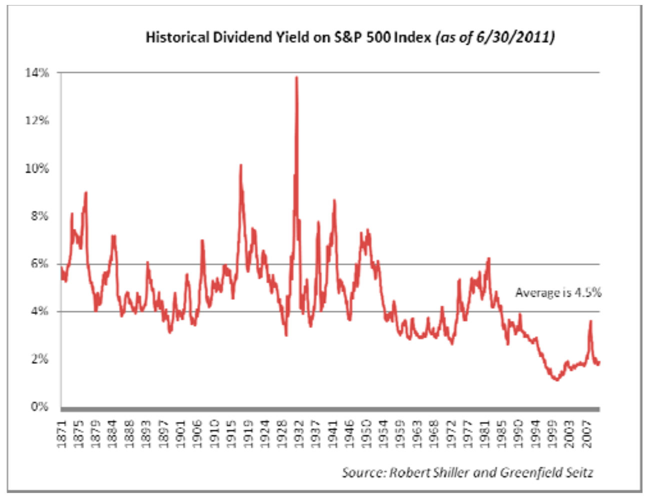
We have written about the Presidential Cycle many times over the years as it is the single most statistically significant market predictor we know of. It was introduced to us in the 1990's by a strategist named Dick McCabe. The S&P averages 22% in year three of a President's term as the administration tries everything possible to prop up markets ensuring happy voters and re-elections. However, we recently learned all of these year three gains come before May, giving credence to the old Wall Street adage "Sell in May and Go Away." The trend continues this year as the first seven months of Presidential year three (October-April) returned 21% and the subsequent months (May-June) have returned negative 3.9%.

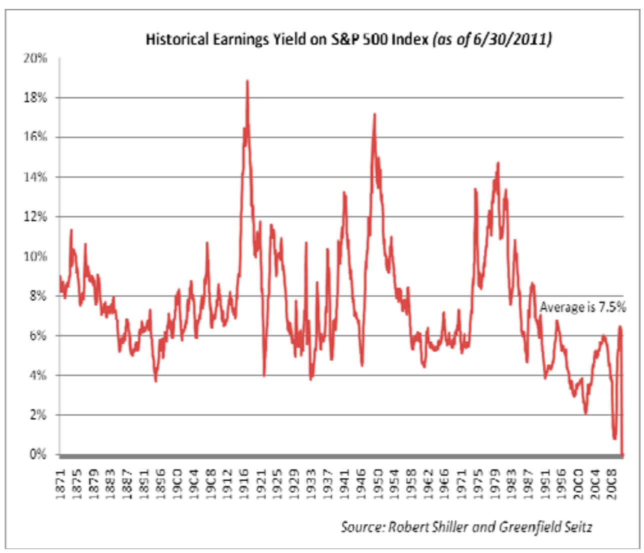
Investment Outlook

Stocks are not particularly cheap as one might think following 2008/09 crisis. At today's market level, the S&P 500 is at 23x earnings (using Shiller's long-term methodology) compared to a historical average of 16x. Second, the yield on the S&P is below the historical average on both dividends and earnings. Third, 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%.

We believe there are limited value opportunities given current valuations and economic outlook. As always, we think 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.







Please contact us anytime if you have any questions.

Sincerely,

Greenfield Seitz Capital Management

GREENFIELD SEITZ CAPITAL MANAGEMENT

1 U.S. Bureau of Labor Statistics. 2011
2 LPS Applied Analytics. 2011
3 Bureau of Economic Analysis November, 2010
4 Standard & Poors. May, 2011
*All values as of 6/30/2011

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 – June 30, 2011 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 July 21, 2011

The following report issued by ACA Beacon Verification Services ("ACA 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 June 30, 2011.

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 policies and procedures to calculate and present performance results in compliance with the GIPS for the period December 31, 1996 through June 30, 2011. Greenfield Seitz's management is responsible for compliance with the GIPS and the design of the policies and procedures that present the firm's performance results in accordance with the GIPS. ACA Beacon's responsibility is to express an opinion on Greenfield Seitz's compliance based on its verification procedures.

ACA Beacon has completed this firm-wide GIPS Verification in accordance with the required verification procedures set forth in the GIPS. It is ACA 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 ACA Beacon's opinion that Greenfield Seitz's policies and procedures were designed to calculate and present performance results in compliance with the GIPS for the period December 31, 1996 through June 30, 2011.

In performing the firm-wide verification addressed above, it is not ACA Beacon's responsibility to express an opinion on any particular composite presentation nor does verification ensure the accuracy of any specific composite presentation. Greenfield Seitz is responsible for the production and distribution of materials presented in conformity with the GIPS.

ACA Beacon Verification Services
ACA Beacon Verification Services

GREENFIELD SEITZ CAPITAL MANAGEMENT

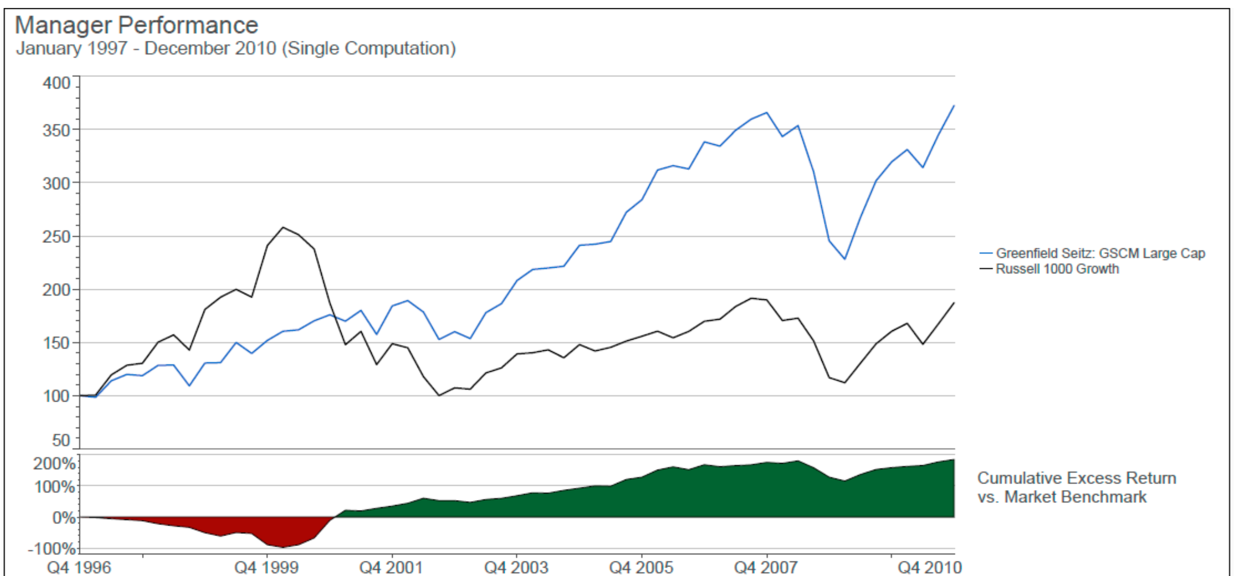
Core Composite Returns (accounts over $1 million)
Net-of-Fees

Year	GSCM Composite Total Return	S&P 500 Total Return	Number of Portfolios	Dispersion %	Total Composite Assets End of Period (millions)	Total Firm Assets End of Period (millions)
1997	17.10%	33.36%	22	6.14	$43.80	$138.69
1998	8.94%	28.58%	22	7.66	$42.99	$165.11
1999	15.15%	21.04%	24	6.61	$50.65	$179.31
2000	14.81%	-9.11%	32	5.10	$63.92	$194.67
2001	3.68%	-11.88%	36	4.53	$70.85	$201.94
2002	-14.32%	-22.10%	37	4.25	$64.62	$172.01
2003	28.77%	28.68%	38	6.04	$76.22	$200.36
2004	14.79%	10.88%	45	3.59	$100.21	$231.78
2005	16.62%	4.90%	55	4.77	$123.77	$226.25
2006	18.85%	15.79%	61	2.94	$150.21	$267.49
2007	7.22%	5.50%	63	2.74	$149.20	$273.20
2008	-34.43%	-37.00%	60	3.75	$97.13	$186.79
2009	29.17%	26.46%	55	6.15	$103.07	$197.42
2010	14.81%	15.06%	52	3.59	$116.64	$220.98
6/30/2011	3.62%	6.02%	59	N/A	$244.22	$337.91

	GSCM	S&P 500
Cumulative Return	231.60%	130.10%

Annualized Rate Return:	GSCM	S&P 500
Since Inception (12/31/96)	11.51%	7.87%
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 has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Past performance is no results. Annualized and cumulative returns are as of 12/31/2010. See important disclosures and information on page 5.



	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	9.85	272.59	16.97	5.27	185.30	0.41	92.80	67.01	12.74