Greenfield Seitz
CAPITAL MANAGEMENT

Annual Letter

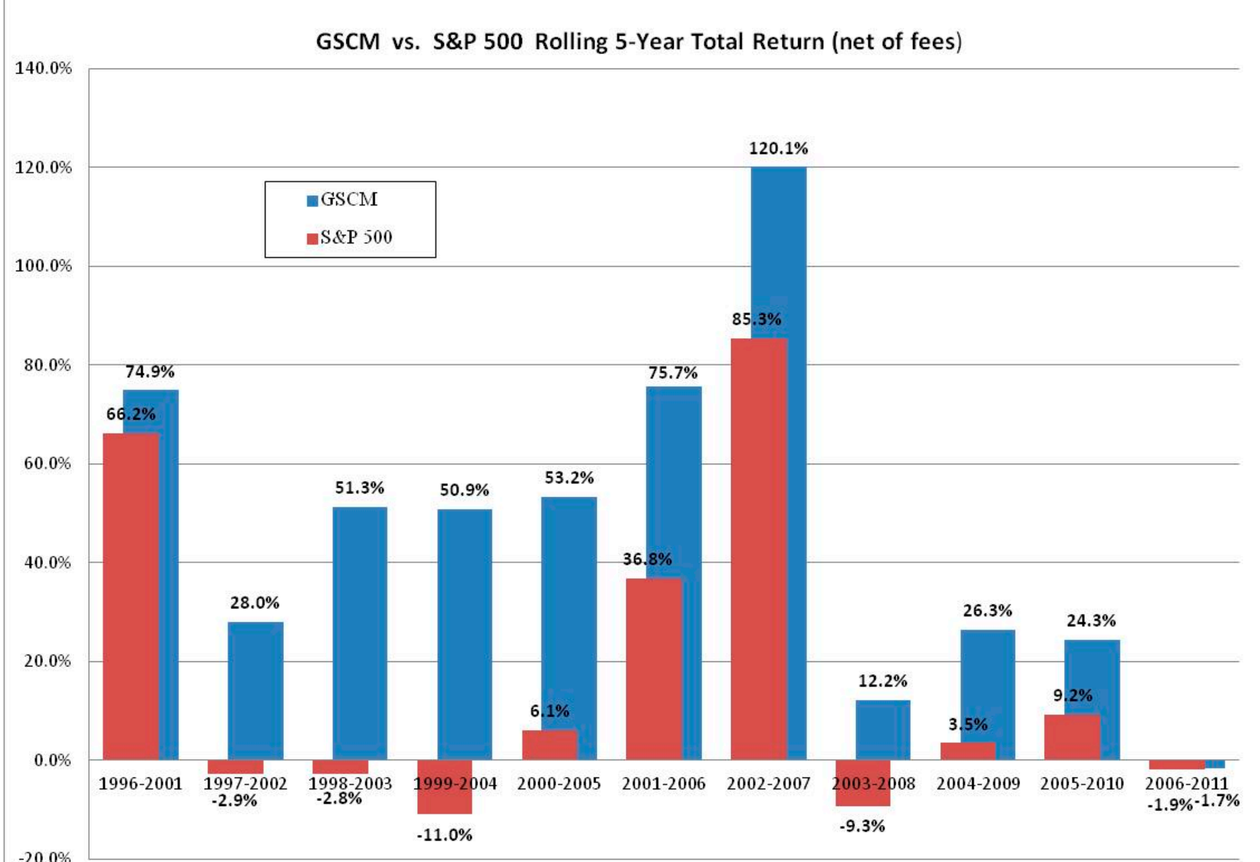
January 19, 2012

Dear Investor,

The Greenfield Seitz core composite was down 5.99% (net of fees) for 2011, compared to a 2.11% increase for the S&P 500 Index. GSCM's streak of eleven consecutive years of beating the S&P 500 ended, as this was the first year since 1999 that we underperformed the market. We are unaware of any large-cap manager that has outperformed each year since 1999. In fact, less than 27% of large cap managers beat the market in 2011 and historically less than a third outperform.[1] We are proud of the 11-year streak and realize most managers go their whole career without such a run. With that said, as long-term investors (who aim to hold stocks for more than 10 years) it is inevitable that we will sometime underperform over a relatively short 12-month period.

Investing in Uncertain Times

We hear a lot about how uncertain things are now, but we must realize that we are always investing in uncertain times because the future is never certain. Many feel as though our current situation is more uncertain than in the past. But the fact is, investing *always* involves uncertainty about future outcomes. The good news is that GSCM has a sound investment philosophy that we have adhered to for many years. In fact, since our audited track record began in 1996, GSCM has always outperformed the market over any 5-year period. This includes many different unexpected events such as 1998 Currency Crisis, 2000 Dot-Com Bubble, 2005 Commodities Boom, 2007 Housing Bust, 2008 Financial Collapse, etc. The chart below illustrates this point.



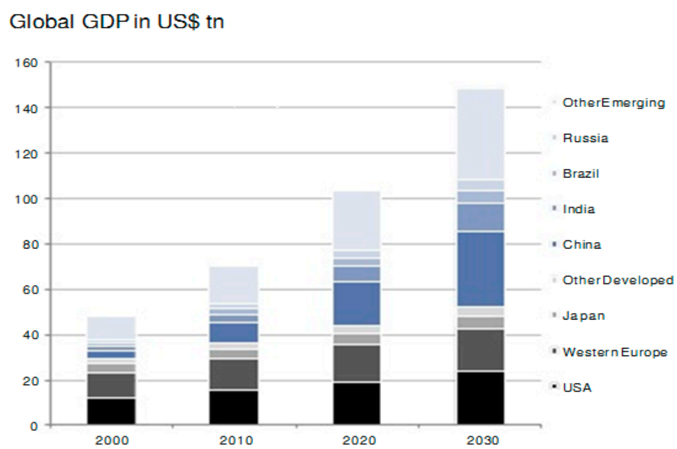
Past performance is no guarantee of future results. Please review performance disclosures for additional information. Source: Standard & Poor's

International Exposure Hurt 2011 Returns

For many years we have owned a mix of domestic and international stocks with the idea of capitalizing on the rapid growth of these countries and in some cases we just happened to find some great companies domiciled outside of the U.S. (like Suncor). For the most part, international markets have grown faster than the U.S. and international stocks have outperformed. In fact, from 2001-2010 the MSCI BRIC Index (Brazil, Russia, India, China) outperformed the S&P 500 by roughly four-fold.[2] So having foreign stocks in our portfolio has been rewarding over time. But in 2011, this was not the case.

The MSCI International Index was down 16% last year and the BRIC Index was down 24%. Compared to the U.S. market's gain of 2%, the international exposure was a drag on 2011 performance. This is clearly illustrated in a country by country review: Europe (-19%), Canada (-16%), India (-38%), Japan (-16%), Russia (-21%), and Brazil (-25%).[3]

There were many reasons for the underperformance of foreign stocks last year. Inflation has become a problem in many emerging markets. The Eurozone has been crippled by sovereign debt excesses. Additionally, a general de-risking by investors has been unkind to international stocks. With all of this in mind, we are still confident in our international exposure for all the reasons we originally invested: 1) Growing middle class; 2) Tremendous natural resources; 3) Cheaper valuation; 4) Demographics (young/growing population); and 5) Wage/Cost Advantage. The chart below shows the significantly faster GDP growth in countries outside the U.S.



Source: Goldman Sachs 2011

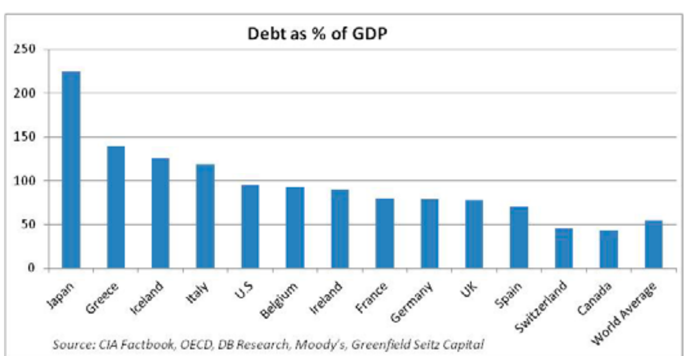
Economic Update

The economy has shown some improvement in recent months. Despite high unemployment, corporate profits continued to improve as the earnings of the S&P 500 grew 19% in the first nine months of 2011.[4]

Concern over Eurozone sovereign debt increased throughout the year. The U.S. actually took a backseat to news out of Europe last year. Although in August, Standard & Poor's did downgrade U.S. debt one notch from AAA to AA+.

European Debt

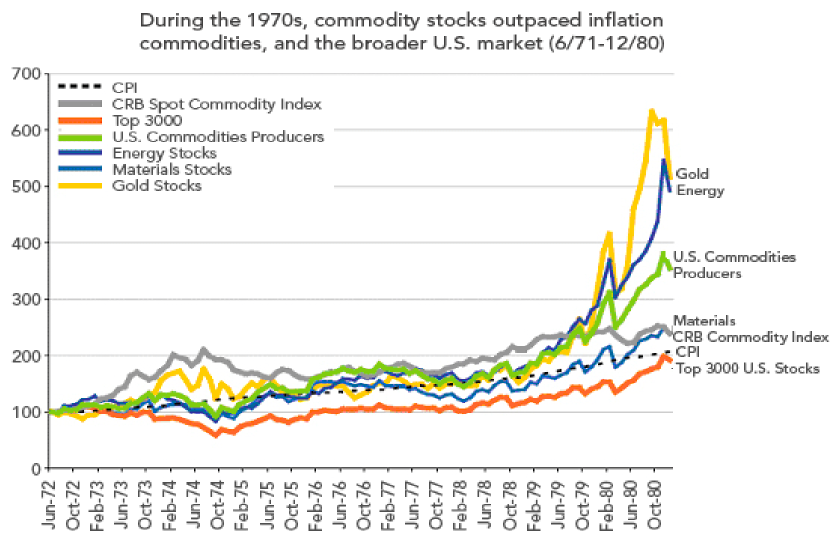
Greece has practiced unhealthy fiscal policies financed by ballooning debt. It has gotten so extreme that Greek sovereign debt is more than 125% of its GDP. There is no easy solution for Greece and the other profligate countries because the numbers are so big.



Inflation

A 200 year analysis of emerging markets with excessive debt revealed, when a nation's Debt/GDP reached 90% inflation more than doubled.[5] The U.S. and many countries are now at this level and we believe this time will be no different, so we expect inflation. Furthermore, we believe inflation will continue because politicians are unwilling to make difficult choices (cutting spending/increasing taxes).

Unlike many portfolios (especially fixed income), our portfolios should actually be ignited by inflation, rather than hurt by inflation. More than a third of our stocks are commodity producers, such as gold miners and energy companies. During the 1970's inflation grew an incredible 107% (CPI).[6] In this decade, commodities (+139%) actually outperformed inflation. [6] Stocks of commodity producers did even better (+255%), with gold miners doing the best (+500%).[6] The chart below shows these relationships as well as the lag in the appreciation of gold miners compared to commodities.



Sources: Fidelity Investments, Bureau of Labor Statistics

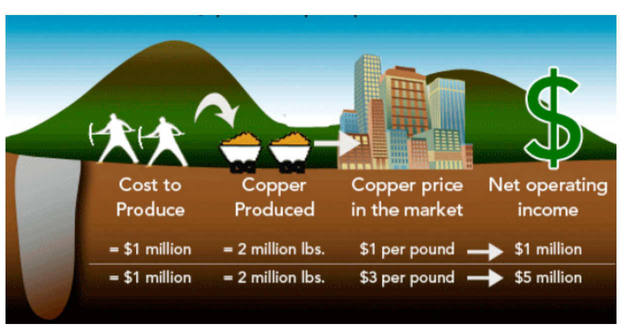
In addition to owning commodity producers, we believe dividends are a healthy way to defend against inflation. Seventy percent of the stocks in our portfolios pay dividends with an average yield of 3%.

Bonds have had a historic run over the past decade and now their yields are at all-time lows. If we are right about inflation, investors should be nervous owning 10-year Treasuries that yield less than 2%. The advantage of dividend stocks over bonds is that dividends can increase with inflation, unlike fixed coupon payments.

Gold

We still love gold and in particular, gold miners. In theory, owning gold miners should give us even more exposure to the upside in gold because of their operating leverage. But the miners have not kept up with gold for many years.

Most of the miners' costs are fixed, so an increase in gold prices (top-line revenues) can have a dramatic effect on bottom line earnings. In the case of Newmont Mining, a 5% increase in gold prices should translate into a 15% increase in EPS.[7] The graphic below is a simple illustration of the mining industry's operating leverage. In addition to operating leverage, Newmont is expected to grow its production 35% over the next 5 years (6.2% CAGR).[7]



We believe the relative underperformance of gold miners versus gold is coming to an end. The miners require significant appreciation just to get even with gold. Our research also shows a lag between commodity producers and commodity prices in the 2000's and 1970's.

There are some fundamental reasons (wages, fuel prices, ore yields, government regulations, etc.) for the difference in performance of miners versus gold, but we believe the miners ultimately have so much operating leverage that they are due for significant EPS growth.

There are several factors we believe will drive the miners. First, they are getting operational issues sorted out and showed great earnings growth in the third quarter (Newmont EPS +20% & Barrick EPS +50%). Second, HSBC recently calculated the miners are pricing in gold prices of $1,300/oz[8] and a Bloomberg report showed analysts' average 2013 estimate at $1,392.[9] All of this while gold is currently hovering around $1,700. In fact, the futures market is forecasting an increase in prices. But many analysts are reluctant to update their target prices using higher gold forecasts for their earnings estimates.

In 2002-2005, we saw a similar disconnect with crude oil prices being higher than the forecasts analysts were using to calculate their earnings estimates. Eventually, our energy stocks appreciated when companies beat expectations and analysts were forced to use higher prices in their earnings estimates.

The last major factor is simply the disinterest in miners versus gold. So many investors are in love with gold and gold ETF's (more than $50 billion in gold ETF's) but are uninterested in gold mining stocks. We are attracted to out-of-favor companies with growing earnings and a bright future.

Custodian

In light of the recent situation at MF Global, the investment firm managed by John Corzine, we reiterate the importance of a safe custodian for your assets. In November, MF Global announced it was bankrupt and was missing $9 billion in client assets. It appears the company misappropriated client assets to make bets on behalf of the company. When the company doubled-down on Greek debt, the clients' assets were wiped out. In our research, Raymond James is one of the safest custodians.

Going Forward

Historically, periods of low returns for stocks have been followed by periods of high returns for stocks. Coming off a decade of lackluster returns and two recent Bear markets, investors seem jaded and uninterested in stocks. This attitude sets us up well for a period of outperformance by stocks. The equity market is now yielding 2% and it is becoming clear equity valuations are more favorable than bond valuations.

Many stocks 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. Additionally, one third of our holdings are commodities producers and should outperform during periods of inflation.

Valuations are low, with the equity market valued at 13x trailing earnings. Many investors are pricing in a recession but we are actually seeing growth accelerate. Corporate balance sheets are strong with cash of roughly $1.2 trillion (up 60% in 3 years).[10] Corporate earnings have been strong and should support higher equity values. Lastly, yields on most alternatives to stocks are at historic lows so this is a potential catalyst to lure investors into higher returns offered by stocks.

As always, we appreciate the trust you place in us.

Greenfield Seitz Capital Management

GREENFIELD SEITZ CAPITAL MANAGEMENT

1 Standard & Poor's. 2011
2 Bloomberg. December 28, 2011
3 MSCI Index. December 31, 2011
4 The Wall Street Journal. January 9, 2012
5 Growth in a Time of Debt. Reinhart & Rogoff. 2010
6 Fidelity Investments & Bureau of Labor Statistics. 2011
7 Newmont Company Estimates. 2011
8 HSBC Research. December 2011
9 Bloomberg. December 2011
10 The Wall Street Journal. August 11, 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. 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. Negotiable on investments over $5 million.

Other Disclosures: Greenfield Seitz Capital Management has received a firm-wide GIPS® Verification for the period January 1, 1997 - December 31, 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.

Any views or opinions presented in this presentation are solely those of GSCM. All country performance figures are actual MSCI Indexes. While the information contained in this presentation is believed to be reliable, no representation or warranty, whether express or implied, is made and no liability or responsibility is accepted by GSCM as to the accuracy or completeness thereof.

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.

GREENFIELD SEITZ CAPITAL MANAGEMENT

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 %	3-Yr Ex-Post Standard Deviation GSCM	3-Yr Ex-Post Standard Deviation S&P 500
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%		
2011	-5.99%	2.11%	62	4.60	$229.41	$308.15	74.4%	15.93	18.7

Cumulative Return	200.85%	121.62%

Annualized Rate Return:	GSCM %	S&P 500 %
Since Inception (12/31/96)	10.53%	7.50%
10 Years	5.58%	2.92%
5 Years	-0.40%	-0.25%
3 Years	11.71%	14.11%
Worst 3-yr Period	-9.19%	-37.61%

*Past performance is no guarantee of future results. Annualized and cumulative returns are as of 12/31/2011. See important disclosures and information.

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GIPS® Compliance Verification Statement

Greenfield Seitz Capital Management, LLC
Issued January 17, 2012

The following report issued by ACA Beacon Verification Services ("ACA Beacon") is for a firm-wide GIPS Verification of Greenfield Seitz Capital Management, LLC's ("Greenfield Seitz") claim of compliance with the Global Investment Performance Standards (GIPS) for the period January 1, 1997 through December 31, 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 January 1, 1997 through December 31, 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 January 1, 1997 through December 31, 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.

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