Greenfield Seitz
CAPITAL MANAGEMENT

2013 Mid-Year Letter

September 5, 2013

Dear Investor,

The Greenfield Seitz Core Composite is up 5.9% (net of fees) through August 31st.

Performance – U.S. Outpaces International
In our 2012 year-end letter, we outlined four reasons that stock values would increase in 2013. This has proven accurate with the S&P 500 Index up 16.1% through August 31st. However, international stocks are roughly flat, with a 2013 gain of just 0.8%[1] and emerging market stocks are actually down 11.9%.[2] Our portfolios are a mix of domestic and foreign stocks so naturally our performance reflects this mix.

GSCM portfolios have long held a 60/40 mix of U.S/International stocks. The recent divergence in the performance of U.S. stocks versus international stocks has been historic. This is the primary reason our core composite has trailed the S&P 500 Index, which is exclusively U.S. stocks. Ironically, our key theme for 2013 in our January Annual Letter was "U.S. Revival."

While we predicted a strong U.S. market, we did not think the gap between the U.S. and international would be so large. Even if we had predicted the difference, we are long-term oriented and would never sell our outstanding international holdings just to attempt to catch a short-term phenomenon. We believe timing the market is usually a bad idea because even if we got that call right but then international outperformed over the next 10 years, the hypothetical rebalancing would be a mistake. We still believe in all of the companies that comprise our international holdings and will highlight a few in this letter.

The GSCM Core Composite has now underperformed the S&P 500 for two and a half years. While most of this is due to our international exposure, we would like to point out that the last time we underperformed the market was 1997-1999 when we refused to own tech stocks in the Dot-Com mania. It should be noted that while we underperformed those three years, we went on to outperform each of the next 11 years, beating the market by 114% (11,400 bps).*

We believe we are poised for a similar return to outperformance as investment styles are cyclical and we have recently been out of favor, just as we were in 1997-1999. It seems all of our long-term themes have recently been a drag on returns: owning high quality stocks, owning international & emerging market stocks, and owning commodity producers (Energy & Gold Miners).

We still believe in owning a mix of domestic and international stocks. There are some great companies outside of the U.S. and we believe emerging markets have favorable growth outlooks in the long-run. Our longstanding positive outlook for emerging markets has been based on: 1) Growing middle class; 2) Natural resources; 3) Cheap valuation; 4) Demographics (young/growing population); and to a lesser degree 5) Wage advantage.

**Past performance does not guarantee future results.*

Note: GSCM also manages the GSCM International Composite, which is a separate international product for institutional investors. Our International product has outperformed its international benchmark (MSCI ACWI ex-U.S.) year-to-date.

Economic Update

The economic recovery has continued this year with GDP growth in the 2.0 – 2.5% range. The ongoing recovery is evident across numerous economic indicators. The Case-Shiller Home Price Index is up 12.1% over the past year and many cities are now above their pre-recession peaks. However, it remains to be seen how the housing market will cope with higher mortgage rates (30-yr mortgage rose to 4.6% from 3.4% in May). The economy has also been adding jobs but unemployment remains high at 7.6%.

The improving job environment and increasing home & stock market values are driving the wealth effect. Consumer confidence reached the highest level since 2008 in June (82.1) and remains high in August (81.5).[3] The recovery in consumer confidence was evident in July with rising auto sales (+13.3% y/y) and retail sales (+5.6% y/y).[4] The consumer drives two-thirds of the economy and it is estimated that every dollar of increased wealth results in three cents of additional annual spending.[5]

Corporate profits grew a modest 4.1% in the second quarter and 1.9% in the first quarter. The financial sector grew profits 28% and accounted for virtually all of the profit growth of the S&P 500. Corporations remain flush with $1.1 trillion in cash. Corporate cash now represents 8.8% of GDP, the highest level since 1949.

To help the economy recover, the Federal Reserve lowered the Fed Funds rate to 0.25% and has been buying $85 billion of bonds a month (quantitative easing). Now that the economy is recovering, Fed Chairman Bernanke has recently indicated the Fed will likely reduce these purchases later this year. This news pushed the 10-Year Treasury yield from 1.63% in May up to 2.9% in August. This increase in rates caused losses for bond holders. In fact, it was the worst quarterly loss for bonds in the last 25 years. As discussed in previous letters, we strongly favor stocks over bonds.

Holdings Review*

Below is a sampling of three international holdings in our portfolio and the rationale behind these investments.

HDFC Bank is the second largest bank in India with total assets of $71 billion. The bank has 3,119 branch locations and 11,088 ATM's in 1,891 cities throughout India. We have owned shares of HDFC Bank since 2004 with a ~350% gain. However, the stock is down 37% since May and is now trading at the same level it was in 2007. We believe the decline in the stock price is due mostly to macroeconomic issues: (1) inflation and the commensurate tightening policies, (2) slower GDP growth (Indian Reserve Bank lowered growth forecast to 5.5% from 5.7%; (3) Fiscal & current account deficit and (4) weakening currency which lowers the value of shares in U.S. dollar terms. We believe these economic headwinds are fully priced into the stock at current levels and still like the company's outlook.

India is the second largest country in the world with 1.2 billion people.[6] It is also very young with 49% of the population below the age of 24.[6] We believe retail banking is an under-penetrated market as less than 57% of the population has access to a bank account and less than 2% has access to credit cards.[7] India is home to a growing middle class and it appears financially sound with consumer debt to GDP of just 8%, compared to 83% in the U.S. This environment has allowed for 20% annual EPS growth over the past decade. Despite economic headwinds, HDFC recently announced quarterly earnings grew 30% over last year. With a P/E of just 16x, we are getting a perennial 20% grower at PEG ratio (P/E to growth) of just 0.80.

In addition to impressive growth, HDFC also boasts a 4.6% net interest margin and a 19% ROE. India has a high savings rate (30%) and the bank's strong retail presence allows for a low cost of sourcing funds and a high net interest margin. The company also has a history of high credit quality and its current non-performing assets are just 1.0%. The bank has a strong balance sheet with no long-term debt.

Lastly, HDFC is one of the many companies in our portfolio that we categorize as serial dividend growers. HDFC has increased its dividend at a 7.2% annual rate over the past 10 years and currently has a 1% dividend yield.

**This information is supplemental to the GIPS Compliant Presentation and is not an offer or a solicitation to buy or sell any securities*

Novo Nordisk is based in Denmark and is the world's leading provider of products for the diabetes care market with over $13 billion in annual sales. The company is a pure play in this growing market with 80% of its revenues derived from diabetes care. The number of diabetics has been rising rapidly and is expected to continue as the world becomes more obese (90% of diabetes are type 2).[8] The WHO estimates the number of diabetics will grow from 371 million to 550 million over the next 17 years (2.3% CAGR).[8] The company is the dominant leader in the market with little competition, but there is still considerable room to grow as the company only reaches about 23 million patients.

Over the past decade, Novo Nordisk has grown sales at a 15% annual rate and grown EPS at a rate of 20%. The current P/E is 21x which equates to a low PEG ratio of 1.1. The business is extremely profitable with gross margins of 83% and net margins of 28%. Margins have expanded each of the last five years. ROE has averaged an amazing 47% over the past 3 years. The company has a high quality balance sheet with equity of $7.2 billion and no long-term debt. Novo-Nordisk has a 1.3% dividend yield and has grown its dividend 29% annually over the last 10 years.

Suncor is headquartered in Alberta, Canada and is the largest producer of synthetic crude from oil sands at 550,000 barrels/day. Suncor has been a top holding of GSCM since 1996 and has rewarded investors with a 16-fold gain since that initial purchase. Suncor began oil sands production in 1967 and is now the 5th largest North American energy company. Last month, Warren Buffett's Berkshire Hathaway announced a $524 million initial purchase of Suncor's stock.

We assume Warren Buffett is attracted to Suncor for many of the same reasons we like the company. Suncor has massive reserves of 6.9 billion barrels proven and another 23.5 billion barrels of contingent. This should last the company roughly 100 years at current production rates. It is interesting to note the Canadian Oil Sands (#3 in world reserves behind Saudi Arabia and Venezuela) have enough reserves to supply 100% of U.S. demand for 25 years.

Unlike many major oil companies, Suncor is able to grow its production organically. Since there is very little exploration risk with mining the oil sands, Suncor has been able to grow its production 8.6% annually over the last 10 years. In fact, Suncor estimates it will increase daily production to 900,000 barrels/day by 2020 (7% annual growth).

This production growth combined with more efficient operations and high oil prices has allowed Suncor to grow its EPS at a 16% annual rate over the last 10 years. With a P/E of 19x (PEG 1.2) we believe we are paying a fair value for EPS growth but getting the company's massive reserves at a discount.

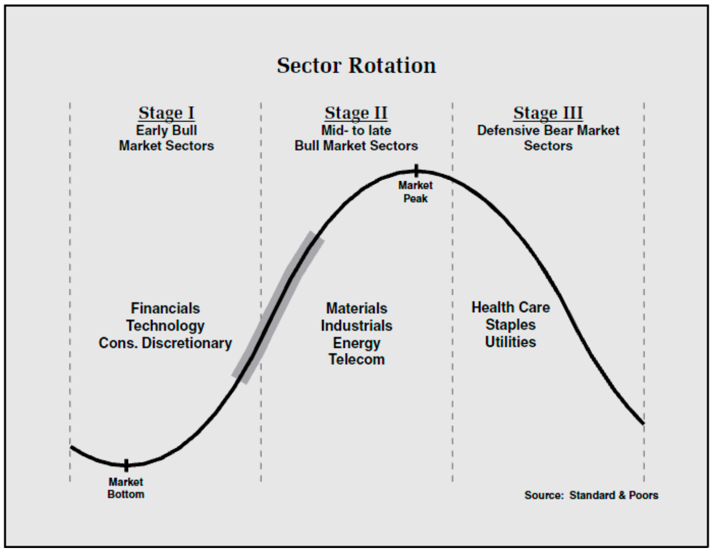
With WTI oil at $109 per barrel, Suncor is in an enviable position with $40 operating cost per barrel. As the company grows it's SAGD (steam assisted gravity drainage uses steam to liquefy heavy oil to pump to the surface) operations over its mining operations it should lower production costs and increase margins.

Last year, Steve Williams, a 10-year Suncor veteran, became the new CEO replacing Rick George after 21 years at the helm. Williams appears to favor profits over production growth and we view this as a timely change.

Suncor has increased its dividend each of the past 10 years and at an average rate of 20%. The current dividend yield is 2.3%.

Outlook

The S&P 500 is now up 147% from its 2009 Bear market low, which is another great example to never sell in a panic. As expected, the winners of the initial recovery were the lowest quality financial and technology stocks that were flirting with disaster during the recession. As the Bull market continues, we expect the mid-cycle stocks to outperform as has traditionally been the case. This should be rewarding to our overweight positions in Industrials, Energy, and Materials.



We continue to believe the trend favoring bonds over stocks has reversed and stocks are poised to perform well as investors move from bonds to equities. The dividend yield on the S&P 500 is 2.1% compared to 2.8% current yield for the 10-Year Treasury. This equates to a dividend yield spread of just -0.7% compared to the 60-year average of -2.8%. Bond yields are still near 50-year lows while dividends yields have been increasing, implying that risk premiums for stocks are near historic highs. The experience investors lived through from 2000-2009 with two major bear markets has surely increased investors' perceived risk of stocks over bonds. We believe the dividend yield is much more attractive because stocks can appreciate over time as well as raise their dividends, whereas bond payments are fixed.

The current glut of negative headlines reminds us of the 1980's when geopolitical and economic concerns kept investors out of stocks. That uncertainty proved to be a good thing as it created cheap stocks that increased in value over time.

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 MSCI ACWI-ex U.S. is up 0.8% year-to-date through August 31.
2 MSCI Emerging Market Index is down 11.9% year-to-date through August 31.
3 Conference Board. August 2013
4 U.S. Census Bureau. 2013
5 U.S. Federal Reserve. 2013
6 CIA World Factbook. July 2012
7 Reserve Bank of India. 2012
8 World Health Organization. 2012
All company figures are from company reports or S&P Capital IQ.

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 had 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, 2013 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.

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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.

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.

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GIPS® Compliance Verification Statement

Greenfield Seitz Capital Management, LLC
Issued July 17, 2013

The following report issued by ACA Verification Services, LLC ("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 standards") for the period January 1, 1997 through June 30, 2013.

We have examined whether Greenfield Seitz (1) complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) designed its policies and procedures to calculate and present performance results in compliance with the GIPS standards for the period January 1, 1997 through June 30, 2013. Greenfield Seitz's management is responsible for compliance with the GIPS standards and the design of the policies and procedures that present the firm's performance results in accordance with the GIPS standards. 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 standards. It is ACA Beacon's opinion that Greenfield Seitz has complied with all the composite construction requirements of the GIPS standards 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 standards for the period January 1, 1997 through June 30, 2013.

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 standards.

ACA Verification Services, LLC

ACA Verification Services, LLC