



# Quarterly Update



2nd Quarter 2009

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## FROM THE INVESTMENT TEAM

It appears that the financial storm has abated and credit markets are functioning once again. We know this for several reasons: rates charged by banks for overnight loans to one another (LIBOR) have declined from around 5% to less than 1%. Bond markets and stock markets have opened to the raising of capital and new financing. Governments and Central Banks around the world have committed to restoring stability through the aggressive use of fiscal and monetary stimulus.

We have learned a great deal from similar situations in the past, and while we do not want to underplay the severity of the recent financial crisis, it is important to remember that our process focuses on the long term. We are always searching for the best investments for the next five to ten years using numerous criteria: geographic, industry-wide as well as evaluating individual companies. It has been said, "You make more money in a bear market, but do not realize it until it subsides".

Several years ago we realized the need to be more global in our investment perspective because growth was going to be considerably higher in regions outside the United States, especially in the emerging economies of Brazil, Russia, India and China (known as the BRIC economies). We started this process with investments in energy and Asian real estate companies. We have recently expanded this concept by purchasing an emerging market Exchange Traded Fund (EFT). These types of funds provide broad diversification at a low cost.

We are committed to extending this strategy either through individual country funds or individual foreign companies, and we will continue to make sure that many of our domestic investments have large international exposure to economies we favor. We already own several multinational companies. If you read the CEOs letters to shareholders from any of these companies, you will no-

tice that they focus on increasing their exposure to the same markets we are thinking about.

Late last year, when liquidity dried up and rates on corporate bonds soared while rates on government bonds declined, we saw an opportunity to invest in fixed income. To some extent that opportunity has now abated as corporate bond spreads have tightened and US Treasury rates have increased while their prices have declined. Going forward, we plan to de-emphasize high quality bonds as high quality equities appear to represent better value. For required fixed income allocations, we are trying to buy more individual issues and sell the mutual funds to minimize double fees and increase yields.

The current investment climate provides great opportunities for leading companies with high quality balance sheets and for lesser quality bonds with much higher yields, albeit, not as high as before, but which still represent value.

Our ability to stay the course and remain disciplined in this difficult time has been made much easier by the support of our loyal clients in understanding the need for taking the long view. ***Your trust in us is valued and not taken for granted.***

Best Regards, Peter



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## SECOND QUARTER ACTIVITY

Alphabetical listing of all equity block buys and sells in the quarter with a summary of the largest (by block trade value) buy and sell.

### BUYS:

Alcon (add)  
Comcast (add)  
General Dynamics Corp.  
Henderson Land (add)  
Microsoft (add)  
Nestle (add)  
Thermo Fisher (add)  
Northrup Grumman  
Vanguard Emerging Market ETF

### SELLS:

American Express (trim)  
Berkshire Hathaway (trim)

### BUY:

**Vanguard Emerging Market ETF**  
The Vanguard Emerging Markets ETF provides comprehensive, low-cost exposure to the world's developing economies. As other parts of the developed world face a slow-down from deleveraging, emerging economies remain attractive due to new infrastructure spending, higher value manufacturing and rising domestic consumption.

Our decision to invest specifically in the Vanguard Emerging Markets ETF is based on the following...

1. The developing world now accounts for a larger share of world GDP than that of the developed

world, and this share should continue to increase over time.

2. The fund has large weightings in countries with very attractive growth profiles, in our view. As of 05/31/09, China, Brazil, Korea, Taiwan and India represented 18.6%, 15.0%, 12.4%, 12.4% and 7.7%, respectively, of the fund's total holdings.

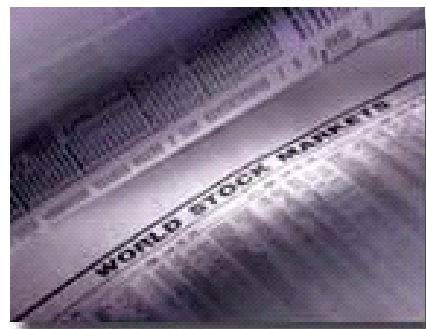
3. The fund pays a very attractive dividend.

4. The fund has an expense ratio of just .27%, the cheapest of all emerging markets equity ETFs.

### SELL :

#### **Berkshire Hathaway**

Like last quarter, we trimmed our holding of Berkshire Hathaway. While we still have much confidence in Warren Buffet and Berkshire's collection of businesses, we decided to reduce our overweight exposure to this name. The current bear market has presented many opportunities to purchase other great businesses at even more attractive discounts.



### PLEASE NOTE:

- The link to our latest 13F filing can be found on our website. This quarterly filing reflects all equity holdings in discretionary accounts.
- **Investment Objectives. Please let us know if you have any changes.**
- Proxy Voting—If you would like a copy of how we voted your proxies and/or our guideline, please send us a written request.



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