



Quarterly Update



4th Quarter 2009

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FROM THE INVESTMENT TEAM

While we typically prefer to emphasize long-term investment performance, we are pleased with 2009. The *Wall Street Journal* (December 21, 2009) flow chart illustrates how dreadful returns have been for equity investors over the past decade. This has been the worst ten year period, including the 1930's; in the history of the U.S. stock market. We believe the probability is good that the next ten years will provide much better returns. However, we also believe, to be successful, we must have substantial investments either in areas outside our borders (especially Asia) or in domestically domiciled companies that are positioned to take advantage of the growth outside the U.S.

Corporate bonds played a big part in our past year's portfolio. The spread between the yield on these bonds and US Treasuries were so wide that the narrowing to a more normal level provided nice appreciation, in addition to the coupon income. We feel that the possibility of further substantial price gains from a majority of our bonds is not likely. Bonds will probably return only the interest rate on the coupons while also serving to reduce volatility in a portfolio. We continue to avoid US Treasury bonds because of the risk that interest rates will rise and bonds prices will decline. In addition, we are very concerned about the twin deficits: balance of trade and fiscal. Our national financial policies have been reckless and we must right the ship, over time, by increased savings by consumers and government. With this in mind, we have decided to consider diversifying our bond portfolios with international government bonds denominated in stronger currencies.

Energy investments, especially natural gas, continue to be an important part of our strategy. 2009 was not a good year for energy due to a large decline in the price of oil and natural gas from highs reached in 2008. Something rather interesting has just transpired. Exxon, the largest energy company in the world and one of the best run companies in any business, has just announced the purchase of a domestic natural gas producer. For many years Exxon has pursued a strategy of selling US reserves and diversifying overseas. Returning to the US by a company of this magnitude makes a big statement of how they envision the future. We think they see what we see: natural gas leaves a much cleaner carbon footprint than oil or coal and new drilling technology has substantially increased recoverable natural gas reserves. Utilities can better count on dependable supplies and more stable prices as they plan for new plants. There is also a small, but growing talk of using compressed natural gas (CNG) for automobiles. Availability of CNG automobiles and filling stations are rather limited in the U.S., but could become significantly larger over time.

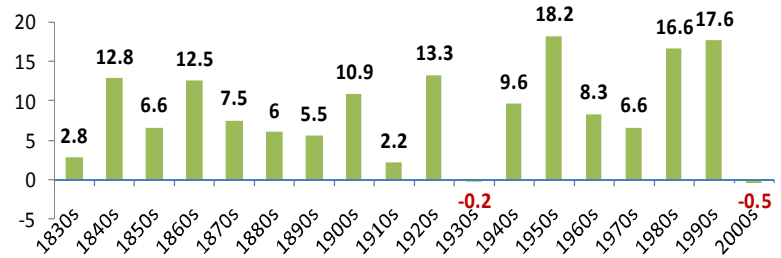
Despite the severe recession, many of our portfolio companies were able to increase their dividends. This gives us confidence in their financial strength and serves as a reminder of why one should own common stocks as longer term investors.

We thank you for your continued confidence and wish you a happy and prosperous new year.

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Dubious Distinction

This decade is on pace to be the worst period ever for owning stocks. Below are the annual returns, by decade, for a broad measure of stock-ownership. Even periods during the Civil War and World War I fared better.



*Yale International Center for Finance database of the New York Stock Exchange and Ibbotson

FOURTH 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:

Bank of New York Mellon
Cheung Kong Holdings (add)
Canadian Oil Sands Trust (add)
Fairfax Financial Holding
Henderson Land (add)
Medtronic (add)
Northrop Grumman
Yahoo Inc.

SELLS:

Alcon (trim)
American Express
Heineken Holding
Mitsubishi Estate

BUY: Fairfax Financial Holding (FRFHF)

Fairfax Financial Holdings is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance [in U.S., Canada, Hong Kong, Singapore, India, and most recently, China] and investment management. Their cor-

porate objective is to build long term shareholder value by achieving a high rate of compound growth in book value per share over the long term. The Company is headquartered in Toronto, Ontario, Canada. Our decision to invest specifically in Fairfax is based on the following...

1. The Company is led by a superb capital allocator, Prem Watsa, who also owns or controls approximately 10% of the shares outstanding.
2. Since 1985, book value has compounded at an astonishing rate of 25% per year through end of 2008.
3. Fairfax has exposure to several appealing growth markets and is well positioned for an eventual improvement in the insurance pricing market.
4. Fairfax is conservatively managed, with a very solid balance

sheet, and has shown the ability to raise capital on attractive terms over the years.

5. The Company pays a nice dividend and is opportunistic with respect to share repurchases.

SELL: Heineken Holding (HKHFF)

After some sizable fluctuations in price, due to currency as well as diminished business prospects, we decided to sell our position in Heineken Holding. In a struggle for additional growth avenues, we were concerned that this defensive, diversified, global beer holding was likely to make a sizable bid on some additional beer assets. Any potential acquisition would likely involve new equity issuance and/or additional debt financing for an already stretched balance sheet.



Announcement: We are pleased to introduce our newest member of the Greystone team, Thomas H. Sawyer. Tom joined us in October as our Trader. Prior to Greystone, Tom has worked at several hedge funds and broker-dealers as a equity trader. He grew up in Texas and North Carolina. Tom and his wife, Jackie, are expecting their first child in March.



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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.