NICHOLAS HOFFMAN AND CO.

INVESTMENT COUNSEL

Dear Friends of the Firm, October, 2013

As the ink dries on this letter, lawmakers have just resolved the government shutdown, and once again raised the debt ceiling limit - the 74th time since 1962! Not surprisingly, this latest Washington crisis generated additional market volatility, which in turn caused some investor consternation. We believe, however, that this politically generated turmoil should not distract from the market's gradual shift back to underlying fundamentals as the primary basis for investment sentiment.

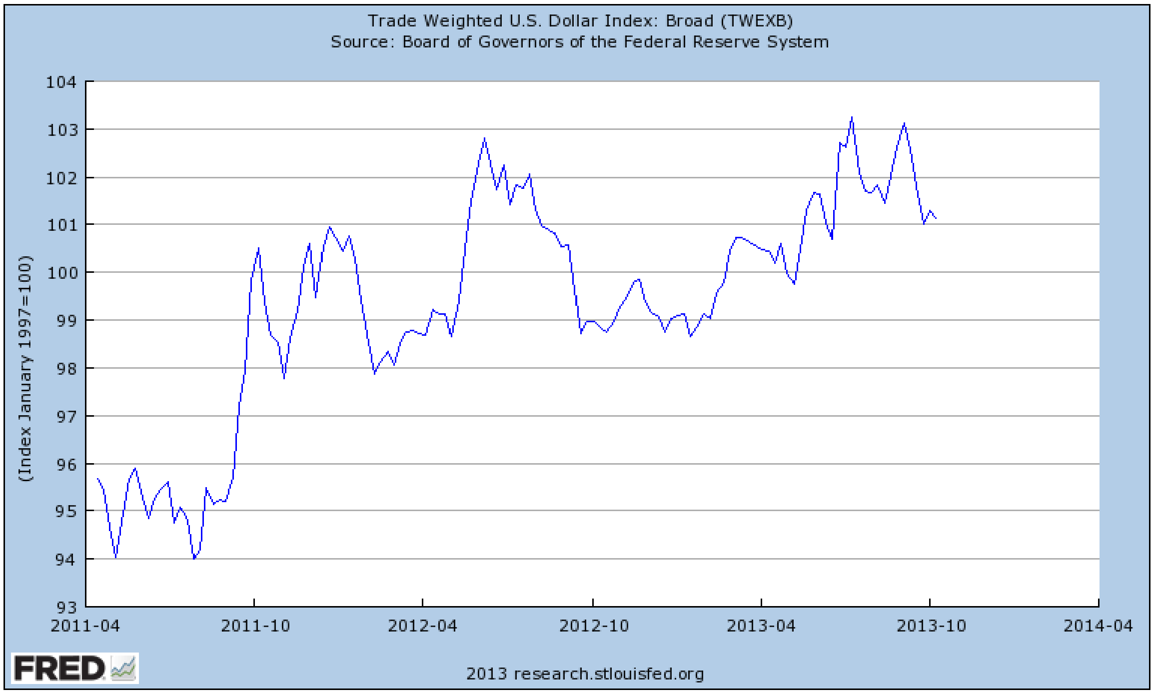
Undisputedly the focus for the market this past quarter continued to be speculation about the Federal Reserve's transition to a more normal monetary policy. The transition was first signaled by the Fed's Chairman, Ben Bernanke, back in February. Nevertheless the domestic monetary environment remains highly stimulative compared to prior economic periods. Short-term interest rates are virtually zero, and the global monetary conditions also remain loose, with monetary authorities such as Japan and Europe providing liquidity to their monetary systems.

Against the backdrop of speculation on tapering, our conclusion is that greater investor confidence has been taking hold since the fall of 2012. There are many encouraging economic signs, such as improvements in the housing and auto industries, slowly declining unemployment rates, increasing corporate capital expenditures, and improving inventory replenishment levels.

This rise in investor confidence is most visible in the stock markets. For the first nine months of 2013 the S&P 500 Index increased 19.8%. Another telltale sign of investor confidence was the performance of secondary and tertiary stocks, or small company stocks. For the first three quarters the Russell 2000 Index, comprised of companies with capitalization ranked 1001-3000 largest in size, increased 27.7%. Despite the political uncertainty in September, the third quarter of 2013 was also very positive. For the three months ending September 30th the S&P 500 Index rose 5.2% and the tech heavy NASDAQ Index climbed 10.8%. The rest of the world also posted strong returns with the MSCI EAFE Index up 11.6%, and the previously struggling MSCI Emerging Market Index up 5.8%. The one sector that was directly affected by the Fed's "taper" announcement was the bond market which suffered mixed results in the third quarter. The U.S. Ten-Year Treasury Note for the quarter was down 0.7%, while the broader bond market as measured by the Barclays Aggregate Index was up 0.6%.

One less discussed topic in 2013 has been the appreciation of the dollar. With the exception of the Euro (against which the dollar has declined by 2.7%), the dollar is up significantly against the currencies of the following countries: Argentina (up 18.3%), Australia (10.2%), Brazil (7.9%), Canada (3.7%), Chile (4.3%), China (1.7%), India (11.6%), Japan (12.4%), South Africa (18.0%) and Russia (5.6%). [Figures are for the period January 1st 2013 through October 4th

2013.] The graph below illustrates that this year's strengthening of the dollar is part of a somewhat volatile recovery that has been taking place since 2011.



In most recent years, a flight-to-quality in the dollar meant investors sold stocks and bought government bills and notes. This year investors have been buying dollars and investing in US stocks – a sign that investor confidence in our economic fundamentals is growing relative to other economies of the world.

You might have noticed some new faces in our office over the last few months. We had two summer interns work with us over the summer and were very pleased with their hard work, intelligence, and commitment to being contributing members of our team. At the end of the summer we made the decision to take on an additional full time team member, Adam Stimpert. Adam is an Atlanta native and has recently graduated from Tulane University with a degree in finance. We hope you will meet him on your next visit to our office.

As we make the push into the end of the year we urge you to keep us apprised of any year-end issues for which we need to plan, including whether to take capital gains or losses. With the market closing this quarter out at all-time highs, finding those capital losses might prove to be difficult. As always, thank you for your continued confidence in our work on your behalf.

Carl Gambrell | Nicholas J. Hoffman | Gary B. Martin