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GLOBAL
INVESTORS

AN

INDEPENDENT INVESTMENT ADVISORY FIRM

FOR

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FRENCH BROAD
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A LETTER TO OUR CLIENTS

JULY 2012

Dear Clients,

At mid-year 2012, we still find ourselves captive to the European debt crisis. We were encouraged by actions at the most recent European Summit, particularly European Stabilization Funds potential to directly recapitalize European banks. The Euro could still blow apart, but we believe the most likely outcome will be Germany eventually footing the bill. The price for their rescue will be that individual European countries will give up their sovereignty in setting their fiscal policies. Although progress is being made the drama will be extended.

From a finite viewpoint, Europe's economy is slowing which effects the world economy. Hence, it appears that world economic growth is moderately. This changes the tone of our thinking of the last few years, which has been predicated on an improving world economy with accompanying profit growth for companies. At French Broad Global we are stock pickers, which should be beneficial in an environment with less economic tailwinds to support stocks.

In the United States we face the need to address our federal debt and deficits post the upcoming election. The three possible components to a solution are increasing taxes, cutting spending, and fostering economic growth. Printing money is not a viable solution in our opinion. How we go about solving our fiscal problems will be important over the coming years. If a reasonable solution is implemented, like the Simpson Bowles Plan, it will lay the foundation for future economic growth. My worry in the short term would be that we might have to suffer through a period of reduced economic activity due to a decline in federal spending and less consumption due to rising taxes.

We should continue to focus on the five year plus investment time horizon. Stock valuations worldwide are modest, so when we do get the major world economies on firmer footing, we should be positioned for better stock returns. My inclination is to marginally increase our emerging markets, European, and Asian stock holdings as they have been significantly weaker than the United States. However, given the tenuous global economic climate we will be cautious in this implementation.

Within your portfolio we have tried to balance growth stocks with stable high dividend oriented stocks. The latter category has been popular as investors seek yield and a safe harbor from economic uncertainties. However, on a longer term horizon they are not as attractively valued as growth stocks.

Patience will continue to be needed as the world economy continues to deleverage its debt. I look forward to talking with you soon.

Warm Regards,

Dan Jacobs CFA