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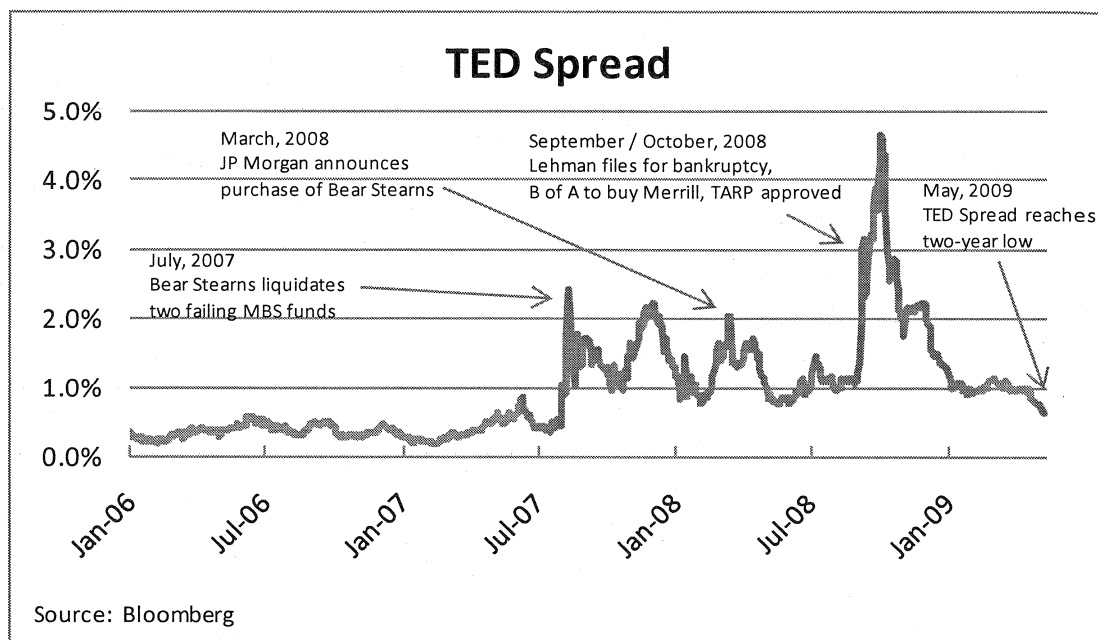
Dear Clients and Other Interested Parties,

Even though the markets have stabilized for the moment, we thought you might still appreciate receiving a mid-quarter update, an exercise we started in the horrible fourth quarter of 2008. Your portfolio has rebounded sharply since early March, with the rebound continuing in April and thus far into May. The Grisanti Brown & Partners composite portfolio is performing well, having risen 36% since its bottom on March 9<sup>th</sup>, and is now up slightly for the year, ahead of both the S&P 500 Index and the Russell 1000 Value Index.<sup>1</sup> Investments made in high quality financial stocks like **Goldman Sachs** and **JP Morgan** during the market decline, have performed strongly, with both up over 60% since their recent purchases. Economically sensitive stocks like **Target**, **Boeing** and several technology companies have also led the portfolio higher, as severe pessimism earlier in the year drove the shares of those companies to record low valuations. Stocks that were more defensive, and that performed relatively well in the market disruption late last year, were laggards. **Becton Dickinson**, in the healthcare sector, as well as Chubb, in the insurance sector, were each down about 4% since the end of the first quarter. The long term investment thesis for each of those investments has not changed, and we have added to these positions opportunistically.

In our year end letter we described the tentative healing in the credit markets that began after the announcement of the TARP financing in October. We wrote to you about the Treasury-to-EuroDollar (or TED) Spread, and how that was a valuable barometer of the perception of safety (or panic) in the credit markets. As the chart below shows, for years during non-crisis times the TED Spread hovered around 35 basis points. When Bear Stearns went under, it shot up to 200 basis points, and with the bankruptcy of Lehman Brothers last September, it reached a record 463. When we wrote to you in January it had declined to 110, and this morning it has reached 63 basis points, a low not seen since the Summer of 2007. This is still double the long-term norm, but it is fair to say that the patient is now out of intensive care. There are a number of bearish pundits who say equities can't do well until the credit markets improve; we agree, but we would argue we are now seeing evidence of that recovery.

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<sup>1</sup> As of May 18, 2009, the GB&P Composite is up 3.8% for the year, versus +2.0% for the S&P 500 Index and -2.5% for the Russell 1000 Value Index. The performance of the individual accounts without portfolio restrictions should approximate the performance of the composite.



The trouble with mid-quarter updates is that it may leave you with the mistaken impression that we focus on short term returns. We can assure you that our investment analysis continues to look out three years. While that might seem like a lifetime in a market like this, such a long-term outlook is of great usefulness right now. It is considerably harder (we would argue impossible) to know which way individual stocks will trade over a week, or month or quarter. It's always been a more useful exercise for us to focus on the long term earnings power of a business in a normalized environment – and now, we spend a lot of time trying to figure out what a “normalized environment” will look like post the dramatic financial changes that are occurring both in the United States and abroad. While the world has undeniably changed, the importance of measuring a company's worth by determining the value of its current assets and/or future profits (the two-pronged Grisanti Brown investment analysis) remains the same.

A corollary of our long term focus is that we are not good predictors of short term market movements. While we believe that March marked the market bottom, we do not know that for sure. We would expect continued volatility ahead. But we have much more confidence in predicting that our companies should earn above average returns when the economy stabilizes. We also believe that the current prices of their common stock, even after the nice run the market has enjoyed these last few weeks, do not reflect the ultimate earnings power of these companies by a wide margin. We continue to feel very strongly that your portfolio should enjoy some of the strongest returns of our careers over the next three years.<sup>2</sup>

We appreciate your support and look forward to bringing you the second quarter review in several weeks.

## GRISANTI BROWN & PARTNERS

<sup>2</sup>Our belief in the potential for strong returns ahead is laid out at length in the piece distributed with our first quarter letter entitled “The Long-Term Case for U.S. Equities” and is available at the following link:  
<http://www.grisantibrown.com/letters/Case-For-Equities.php>