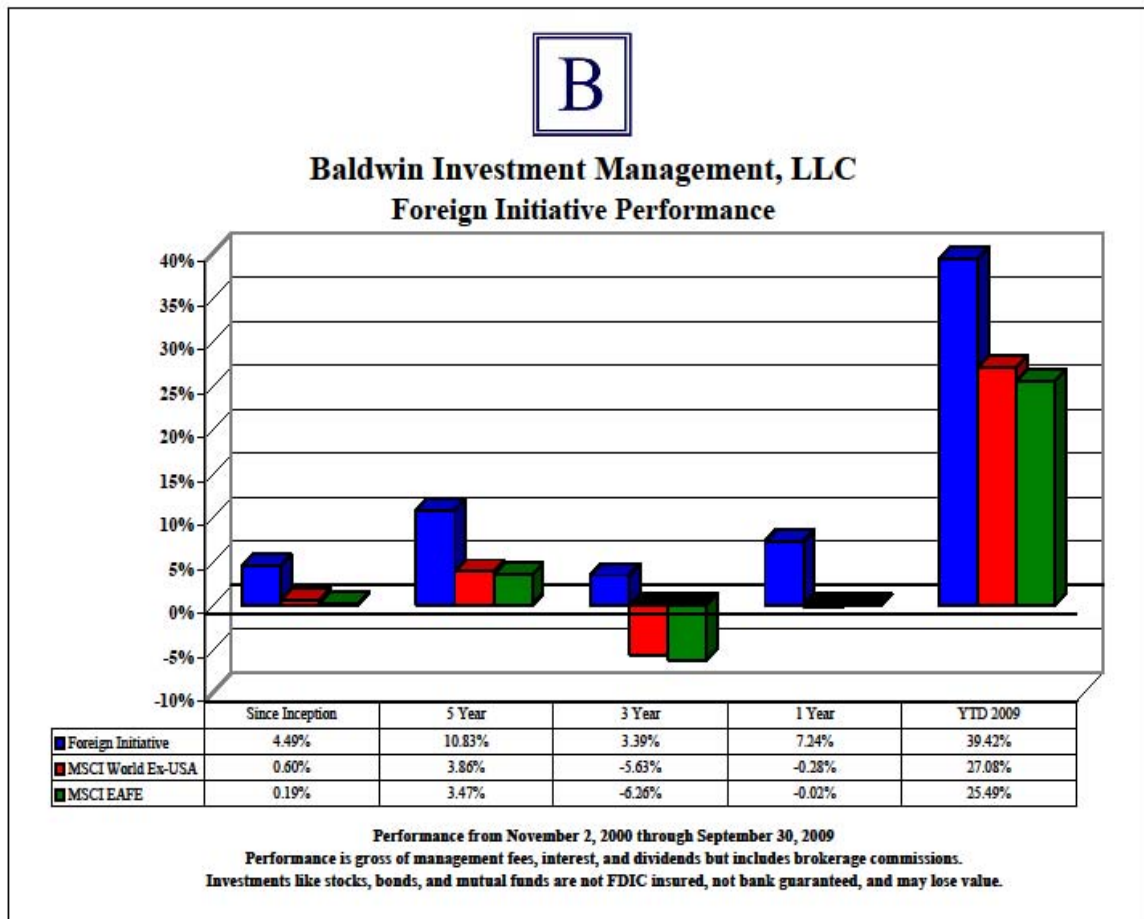




WHAT'S GOING ON AROUND THE WORLD

Through the first nine months of 2009, the Foreign Initiative has participated nicely in the equity rally “heard ‘round the world”. Following, please find performance statistics through 30 September – which hopefully will bring a smile to the reader’s face.



What has continued to help, even in the worst of markets, has been the Initiative’s emphasis on emerging markets. Of the Top 10 performers, equities from India, Brazil, China were featured prominently during the period – as well as issues from Israel and Turkey. Coming back into “investment thinking” fashion has been the theory of “decoupling”. That is the idea

that numerous countries which have faster growing economies will be able to disassociate themselves from the weak U.S. and Eurozone economies and their stocks reflecting the stronger growth prospects will be able to prosper when American and European issues may not because they will reflect the slow growth prospects of the developed markets. This “decoupling” theory was “thrown out with the bathwater” last year when money managers around the world liquidated anything and everything that they could to garner liquidity. Emerging markets plummeted – casting a long shadow on the “decoupling” theory. We have always believed in “decoupling” and thought that the mass liquidation was not a refutation of the theory, but simply a reflection of extraordinary times and events. We believed that after “things settled down” investors would return to growth – and they have with a vengeance.

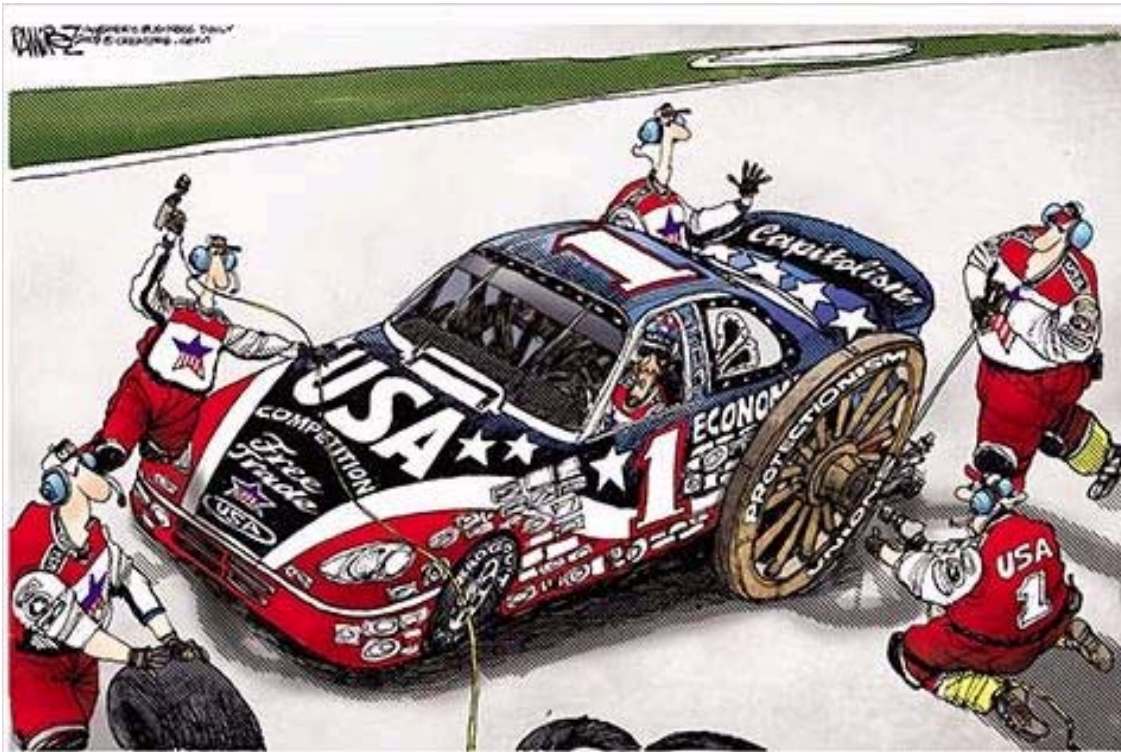
New to the holdings are positions in Guangshen Railway, the largest railroad in China, an increase in Middle Eastern exposure via MENA, an exchange traded fund focusing on the Middle East and North Africa and Potash, the large Canadian fertilizer company. China continues to push growth, recognizing that without it employment goes down and social unrest goes up. The government is spending a lot of money to keep the economy racing ahead (estimated 2009 GDP growth 8%-9%). Guangshen Railway should be a beneficiary of moving needed materials around the country and we also believe that the railroad will be allowed to institute a nice price increase on passenger fares, which have lagged. This should help revenues and earnings. With the price of oil up, the economies of the Middle East and North Africa are certainly doing better and they came into the recession already with a lot of cash. So while other countries have had to ratchet back growth, the Middle East has continued to grow and we want to be exposed to that. With Potash, the idea behind this investment is simply that as economies develop, their citizenry develop a taste for more protein, i.e. better food. Thus to provide more and better food, the agriculture industry has to use more fertilizer. Potash is a very important fertilizer for numerous grains and thus we think will be in increasing demand.

Now a note on our “problem children”. Nintendo, once deemed a failure by the “Street”, then a “hero” by the same people with its introduction of Wii, is now considered a disappointment because Wii is not growing as fast as it once did. Nintendo is introducing new games this Christmas. We shall wait to see if they are successful in titillating the consumer. It is still a highly profitable company with no debt. Wall Street has lost interest – but we have not, yet. Nokia, the largest mobile phone maker in the world, has disappointed with lackluster earnings and some loss of market share. While it is still “king of the hill”, the weakness in their portfolio is in so-called “smart phones” (e.g. Apple’s iPhone). Nokia has entrants in the space – but they have not captured the buying public’s fancy. More phones and new applications are to be introduced “to plug the gap”. It has been wrong in the past to bet against Nokia. We are still a believer – but will need to see some progress soon.

All in all, 2009 has been a good year to date. Certainly, it got off to a very bad start. It was only in March that the world began to turn around. Nevertheless, we are where we are and it feels pretty good.

Please call if you have any questions or want to discuss a point. Also, many thanks for your continued confidence in our capabilities, especially during very difficult times.

A FINAL THOUGHT.....



10/5/09