

## STRATEGIC BALANCE, LLC

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June 27, 2012

Dear Fellow Investor:

We are holding up well this month in the fund as volatility due to the European credit drama, although unsettling, seems to be working in our favor. The months ahead will continue to offer many opportunities and challenges.

On another note, I want to give you an update on some personnel changes. Karen Coleman, who has headed our marketing effort the last few years while also teaching business classes at Virginia Commonwealth University, has decided to take a full-time position at VCU. I will certainly miss her as well as her sage advice! I appreciate her many contributions, including the investors she introduced to the fund. I also admire the way she balanced her duties here and at VCU with being a parent. Those with tunnel vision, like me, can only marvel at that feat.

Spalding Hall will also be leaving the firm to focus on his commodity fund and managing separate accounts. Fortunately, we will continue to occupy the same office space. This will allow us to share research ideas as we have done for a number of years. Although I will miss him as a business partner, I will continue to benefit from his friendship and keen sense of the markets.

I wish Karen and Spalding the best of luck! I appreciate the fact that they will both be leaving the capital of their families invested in our fund. They have also graciously offered to continue to encourage future investment to friends and other potential investors.

Now for some good news! After years of begging, my brother, Robert Brown, has finally succumbed to my wishes that he join Strategic Balance. He will head investor relations and business development, while also serving as a seasoned sounding board. During his career in the investment business, which began in 1984, Robb has advised high net worth investors, managed equity and fixed income portfolios, and served as a senior industry executive, all with much success. More amazing to me, as I get ready to send my first-born off to the University of Virginia this fall, is the fact that his triplet daughters just graduated from three different colleges. He can be reached via email at [Robb@StrategicBalanceLLC.com](mailto:Robb@StrategicBalanceLLC.com) or by phone at 804-673-0894.

Of course, nothing will change with the investment process for the fund, which generally involves me coming in every day and sticking with the same disciplines that have served the fund well over the years. While at times progress is admittedly slow, I do know that it is all too easy to lose a lot of money when one deviates from a proven discipline, especially in times like these. That said, as those of you who have talked to me on the phone in recent months will attest, I have never been more excited by our prospects given both the long and short positions we currently hold. My most staunch belief is that when value investing comes back into vogue as it has historically after periods of disdain, we will shine quite brightly. As always, I thank you for your continued faith in me, which means more to me than words can express.

Sincerely,

Scott E. Brown, CFA