

# ValueWorks

quality assets. compelling valuations.

## Preliminary Results

Q4 2008

### ValueWorks' Preliminary Results (annualized)

	Q4 2008	1 year	3 year	5 year	10 year	Life of Comp
<b>Capital Appreciation (gross)</b>	<b>-27.77</b>	<b>-46.95</b>	<b>-13.77</b>	<b>-4.76</b>	<b>2.74</b>	<b>6.88</b>
<b>Balanced (gross)</b>	<b>-23.03</b>	<b>-40.32</b>	<b>-10.00</b>	<b>-2.25</b>	<b>4.61</b>	<b>8.06</b>
<b>S&amp;P 500</b>	<b>-21.94</b>	<b>-36.96</b>	<b>-8.35</b>	<b>-2.17</b>	<b>-1.36</b>	<b>4.78</b>
<b>Russell 1000 Value</b>	<b>-22.18</b>	<b>-36.85</b>	<b>-2.87</b>	<b>-1.61</b>	<b>0.14</b>	<b>3.63</b>
<b>Blended Index*</b>	<b>-10.97</b>	<b>-20.47</b>	<b>-2.35</b>	<b>0.80</b>	<b>2.15</b>	<b>5.56</b>

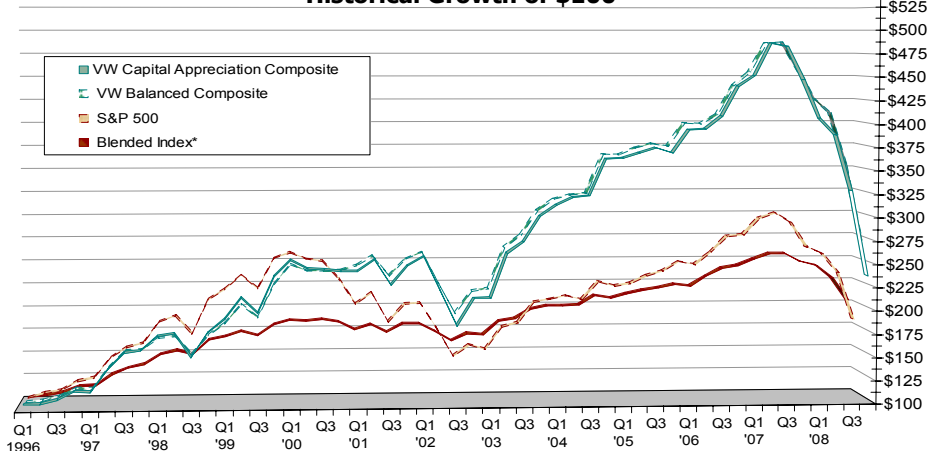
We have been through this before. It is difficult and trying, but in the end it creates opportunity. As we have in previous periods, we have used this turmoil to better position the portfolio. We sold securities during the last market upswing, before the market headed down. As securities have gotten cheaper, we've bought more. Our cash holdings are generally much lower than they were 15 months ago as the market was peaking. In past market dislocations—and particularly in 2002—these same steps were the set-up for a dramatic and prolonged period of outperformance.

Recent purchases have spanned the range from: Zimmer Holdings, a high quality, unleveraged maker of replacement hips and knees, to Teco Energy, a high yielding electric utility,

to a few. In short, we have used this volatility both to capture some short term gains, (which has helped offset some of the losses that will not recover), add to senior holdings that offer very compelling risk/reward, and to create exposure to high quality names that should provide very solid gains over the next several years.

—Charles Lemonides, CFA

### Historical Growth of \$100



### Historical Performance: 1996—Present

	Capital Appreciation			Balanced		
	Gross	Net	S&P 500	Gross	Net	Blended Index*
Cumulative Total	137.48	93.62	83.61	174.00	120.59	102.04
Annualized Total	6.88	5.21	4.78	8.06	6.27	5.56

\*The Blended Index is comprised of 50% S&P 500 and 50% Merrill Lynch Domestic Master Bond Index

The above benchmark indices are unmanaged indices. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. All results are time weighted. Accounts are included in composite at the start of the first full period under management. From 1996—Q1 1998 exiting accounts are included through the period in which they left. Starting in Q2 1998 exiting accounts are included through the last full period under management.

As of 12/31/2008 the Capital Appreciation Composite consisted of 313 accounts and \$57,918,858 in assets; while the Balanced Composite consisted of 91 accounts and \$32,713,520 in assets. Together this represents 99.02% of total accounts and 81.72% of total assets.

These results were generated at other firms prior to 9/30/2001. Results for other composites available on request.

**Past performance is not a guarantee of future results.**