

# ValueWorks

quality assets. compelling valuations.

## Balanced Composite

Fact Sheet Q3 2007

### PHILOSOPHY:

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only \$0.50 to \$0.75 for \$1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

### PROCESS:

**1. Identification** We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

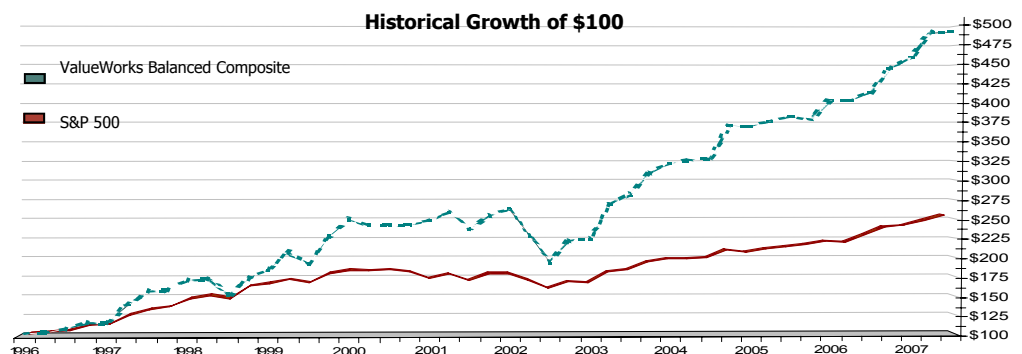
**2. Appraisal** First we identify the assets; then we appraise them. This allows us to determine the company's underlying value. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

**3. Assessment** Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's underlying value. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

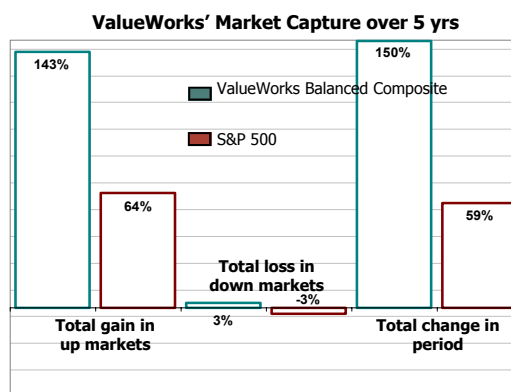
**4. Re-Evaluation** We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

**5. Exit** We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

\*The Blended Index is 50% S&P Total Return and 50% Merrill Lynch master Bond Index.



Trailing Performance					Measures of Risk/Return vs Blended Index*		
	ValueWorks		Blended Index*			Beta	Alpha
	annualized	cumulative	annualized	cumulative			
10 year	11.97	209.63	6.69	91.17	10 year	1.67	3.35
5 Year	20.08	149.67	9.70	58.90	5 years	1.71	3.47
3 Year	14.33	49.45	8.53	27.84	3 years	1.32	3.08
1 Year	18.80	18.80	10.78	10.78	1 year	1.28	5.00



	Performance History through 9/30/2007		
	Gross of Fees	Net of Fees	Blended Index*
YTD	10.45	9.21	6.56
2006	17.34	15.59	9.98
2005	2.24	0.77	3.80
2004	19.64	18.09	7.70
2003	39.08	36.88	15.50
2002	-12.78	-14.36	-6.15
2001	4.87	3.10	-1.29
2000	6.28	4.35	1.02
1999	31.32	28.89	9.95
1998	9.13	7.15	19.33
1997	34.81	32.51	21.18
1996	18.66	16.54	12.96

Historical Quarterly Results vs. Index								
	ValueWorks (gross)				Blended Index*			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2007	3.17	6.87	0.17		1.07	2.49	2.87	
2006	6.66	-0.25	2.54	7.55	1.78	-0.79	4.76	3.96
2005	-0.12	1.74	1.42	-0.80	-1.29	2.24	1.50	1.34
2004	3.99	1.51	0.48	12.79	2.17	-0.37	0.67	5.09
2003	1.39	19.62	4.89	9.32	-0.88	8.95	1.27	5.61
2002	3.02	-12.50	-14.55	13.24	0.12	-4.85	-6.20	5.02
2001	2.36	3.90	-8.07	7.26	-4.42	3.13	-4.92	5.32
2000	9.24	-2.75	0.04	0.00	2.32	-0.52	1.01	-1.75
1999	7.37	10.91	-6.75	18.26	2.20	3.06	-2.76	7.36
1998	7.81	1.00	-11.27	12.95	7.77	2.83	-2.86	10.84
1997	-0.14	19.26	12.29	0.81	1.07	10.54	5.41	2.90
1996	4.94	1.28	4.57	6.77	1.80	2.48	2.45	5.69

The above benchmark indices are unmanaged indices. Beta was calculated using the S&P 500 as the market proxy. 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. Results for the full period 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 9/30/2007 the Balanced Composite consisted 121 accounts and \$79,521,292 in assets; this represents 19.45% of total accounts and 25.38% of the firm. These results were generated at other firms prior to 9/30/01. Information on other composites is available on request.

Past performance is not a guarantee of future results.