

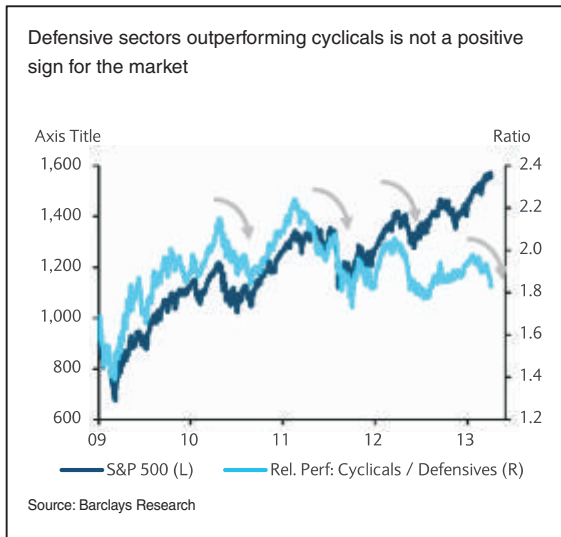


First Quarter 2013 Report

Dear Valued Client:

The United States equity markets got off to a strong start in the first quarter. The S&P 500 returned 10.5% for the quarter and the Russell 2000 small cap index did even better, advancing 12.4%. Defensive sectors such as Healthcare, Consumer Staples and Utilities did particularly well, atypical for a bull market quarter. Equity returns outside the United States were weaker, in part due to a stronger US dollar. The MSCI EAFE Index was up 5.3%, but Emerging Markets were down 1.2% for the period, as all four of the BRIC countries (Brazil, Russia, India and China) posted negative returns both in local currency and U.S. dollars. High quality bonds, for the first time in years, also posted a negative return, with Barclays U.S. Aggregate down 0.12% for the quarter. Commodity returns were also weak, with the Dow Jones-UBS Index down 1% for the quarter.

<u>Index</u>	<u>Qtr</u>	<u>1 Year</u>
S&P 500	10.61	13.96
Russell 2000	12.39	16.3
MSCI EAFE	5.13	11.26
MSCI Emerging Mkt	-1.62	1.96
Barclays 1-5 Yr Treas	-0.12	3.77
Barclays Agg Bond	-0.12	3.77
DJ Commodity	-1.13	-3.03
HFRI Hedge Fund of Fund	2.37	3.78
10 Yr Treasury Yield	1.85	2.21



United States equity returns reflect a more positive view of the U.S. economy than the results from key economic indicators, which were mixed. For example, the United States Gross Domestic Product increased by only 0.4% in the fourth quarter of 2012, down from an increase of 3.1% in the third quarter. Consumer confidence and manufacturing new orders also remain weak, with the Institute of Supply Management Manufacturing Index decreasing from 54.2% in February to 51.3% in March. And most recently, after two

months of the U.S. adding over 200,000 jobs, the March payroll number dropped to 88,000. On the positive side, in spite of the expiration of the payroll tax holiday, consumer spending was up 0.7% in February and most economists still predict that growth in the first quarter will return to a 2 to 3% range. In Q1, we saw another quarter of healthy dividend growth (up 12.3% since Q1 2012), signaling increased corporate confidence in future cash flow generation.

First Quarter 2013 Report (continued)

The most encouraging news has come from the real estate market, which has seen home prices increase 8.1% on a year over year basis and home prices are back to their Autumn 2003 levels.

The Federal Reserve and all major central banks (Euro, UK and Japan) have continued their aggressive monetary policy by maintaining extremely low interest rates and purchasing their government debt. In its announcement after its March 20, 2013 meeting, the Federal Open Market Committee (“FOMC”)

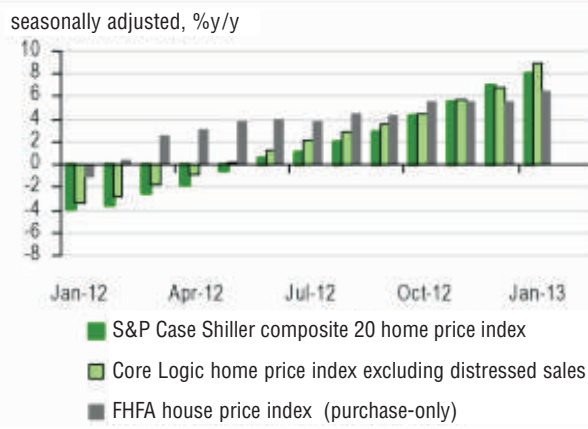
reiterated that there would be no change to their policy until the unemployment rate is lower than 6.5% and inflation is no more than half a percent above the FOMC's long-term goal of 2%. It's unclear when or how interest rates will increase, so we continue to keep bond holdings at the short end of the yield curve.

At the time of this writing the S&P 500 stands at 1564 and is up 132% from the March 2009 lows. According to Standard & Poor's, the S&P 500 earnings per share for 2013 are expected to be \$111, an increase from \$103.47 in 2012. At that level of earnings per share, the S&P 500 is selling at a multiple of approximately 14.5, somewhat below the average multiple since 1988.

In both 2011 and 2012, the economy and equity markets declined in the second quarter after a strong first quarter performance. Economic statistics in the last month, particularly the March job numbers, have increased concerns that 2013 will repeat the pattern of the last two years. While we believe the high quality companies we focus on are well positioned for the next five to ten years, we have seen valuations creep up in many stocks, leading to a lower margin of safety. In light of this concern, we think this is a good time to harvest gains and rebalance equity weightings back closer to their long term targets.

Yours truly,
Hemenway Trust Company LLC

Home price gains are accelerating.



Source: Federal Housing Finance Agency, Standard & Poor's, Fiserve, and MacroMarkets LLC and Core Logic

Copyright © 2013 Hemenway Trust Company LLC

This advisory is provided solely for information purposes and should not be construed as legal advice with respect to any particular situation. This advisory is not intended to create a lawyer-client relationship. You should consult your legal counsel regarding your situation and any specific legal questions you may have.