

April 3, 2012

Name
Address
City

Dear Client,

As I write this, I am looking out on 18 inches of fresh Colorado Spring snow. Two days ago it was t-shirt weather in the high 60's. I guess volatility is natural, both in the weather and in investment markets. The just completed quarter provided nothing but upside volatility for stocks, while bond prices decreased a bit.

In reviewing the last four quarters, stocks were roughly unchanged in the second quarter of 2011 and then declined a large amount in the third quarter, as a result of concerns about economic weakness and problems in Europe. The fourth quarter reversed for a decent advance in anticipation of an end to those concerns and problems, and the rally continued into the New Year as anticipation led to reality. The net result is a reasonable gain in stock prices from a year ago. Bond prices were mostly the reverse image of the stock market action but also produced a decent gain over the last 12 months. The portfolios I manage kept pace with the blended stock averages but without the gut wrenching decline or as robust an advance.

Looking forward, the economy and the stock market face some headwinds from a lack of new Global Central Banks stimulus, corporate profit margins and earnings growth pressure and slowing, along with election year uncertainty and the possibility of a "2013 fiscal policy cliff." That last item is the label given the expiration of the Bush tax cuts and the end of the payroll tax breaks of the last couple of years. With a European fueled credit crisis off the table, I am less apprehensive about big market declines than I have been for the last couple of years. Of course there is always the disruptive possibility of an Israeli strike on Iran, the bursting of the China bubble or some other unknown, unknown.

With eminent crisis and Government policy changes on the back burner for awhile, I am continuing my approach from the first quarter, focusing on individual investments, looking to purchase or add to attractive situations and sell or stay away from the overpriced or risky ones. I will continue to park idle cash in one to three year U.S. Treasury securities for some yield, safety and liquidity. Recently I have purchased a couple of companies with hard assets in the ground that I think will appreciate over the longer-term and provide an inflation hedge. This is a departure from my normal style of investing based on a company's free cash flow related to the share price and compared to alternative investments. This is and will remain a small part of investment portfolios.

Enclosed please find your portfolio report covering periods including the first quarter of 2012. As a result of a recently completed extensive business review, there is an expanded notes page on your report to provide increased disclosure and the information privacy policy for New West Investment Management, Inc. Your enclosed invoice reflects the reduced fees by asset class mentioned in the last quarterly letter. Also look for a new client agreement that will be mailed out in the second quarter that makes these lower fees official and eliminates mandatory binding arbitration in the event of a disagreement that arises out of our professional relationship. As always, please feel free to call if you have questions.

Best regards,

Peter V. Hedberg