MIDDLETON & COMPANY, INC.

Investment Update

April, 2014

2014 First Quarter Update

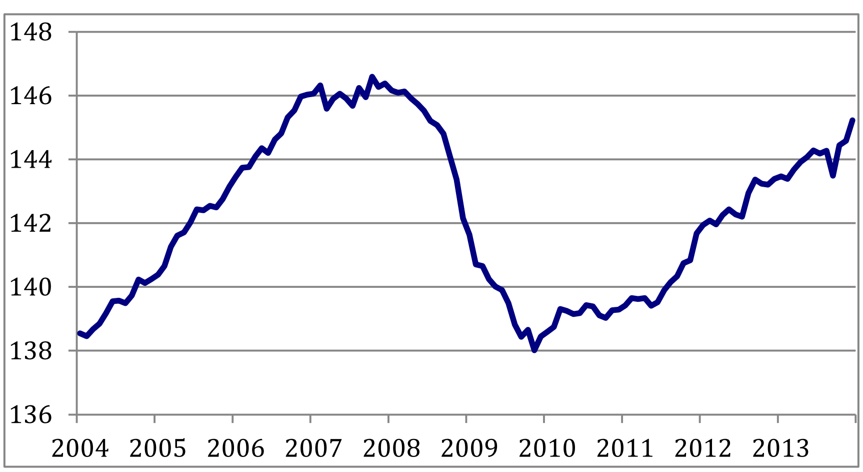
Review: After a bumpy start, stocks, as measured by the S&P 500 Index, finished the quarter with a modest 1.8% gain. Bonds returned a virtually identical 1.8% for the quarter. The disruption due to harsh weather made it difficult for investors to assess the strength of the economy. Events in Ukraine rattled markets until calm was restored late in the quarter.

Period	1Q14	4Q13	3Q13	2013
S&P 500	**1.8%**	*10.5%*	*5.3%*	*32.4%*
EAFE*	**0.7%**	*5.7%*	*11.6%*	*22.8%*
Emerging Markets	**-0.4%**	*1.8%*	*5.8%*	*-2.6%*
Barclays U.S. Aggregate Bond	**1.8%**	*-0.1%*	*0.6%*	*-2.0%*

*Europe, Australia, Far East

Domestic Economy: Weather clearly had a negative impact on the economy in the early part of the quarter. However, recent data are encouraging. Auto sales in March bounced back strongly from the depressed winter levels to a 16.7 million annual rate - the highest level since the recession began - indicating consumers are increasingly confident about the economy. Unemployment claims are again declining. Total people employed increased to 145.7 million in March, the highest level since June of 2008, as shown on the nearby chart.

Total Employment (millions)



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Recall that fourth quarter GDP increased 2.6% despite the federal government shutdown in October. Especially encouraging was the 3.3% growth recorded by the consumer sector, which accounts for two-thirds of economic activity. Federal government spending contracted. We expect GDP growth to improve to at least 3.0% this year based upon ongoing improvement in consumer confidence and the fading of the impact of the cuts in government spending agreed to last year.

International Economies: Developed markets look attractive. Many of the economic indicators in the Eurozone are improving. After a multi-year period of stagnation, we look for European GDP to resume growing, increasing by 1.0% this year. Likewise, GDP in Japan is projected to grow by 2%, up from the 1% rate of 2013, as business sentiment moves upward.

Strategy: We look for continued moderate economic growth, combined with reasonable stock valuations, to translate into positive returns for equity investors. With the exception of some technology stocks, there are few signs of the excesses, such as asset inflation, overextended consumers, or industrial over-capacity, that would characterize the end of an economic expansion. Indeed, the Fed does not expect the economy to be at full employment until mid 2016. They are unlikely to begin tightening to slow the economy until then. The result is a favorable environment for stocks. On the other hand, we find bonds unattractive until the Fed completes the unwinding of its huge portfolio of government and mortgage bonds and rates return to higher, more normal levels.

Our positive view on the economy leads us to emphasize the economically sensitive stocks, such as consumer discretionary and financials that will benefit most from a better economy.

Internationally, we continue to emphasize developed economies with investments in Europe and Japan. In contrast, emerging economies, particularly China, still appear to be in a period of transition from investment-driven growth to consumption-driven that could last for an extended period.