MIDDLETON & COMPANY, INC.

Investment Update

October, 2013

2013 Third Quarter Update

Review: The S&P 500 continued to gain ground, rising 5.3% in the quarter. Bond prices rebounded slightly in response to the announcement by the Federal Reserve that monetary stimulus measures would continue for a while longer. Globally, developed markets, as measured by the EAFE Index, saw a sharp 11.6% gain as early signs of economic recovery emerged in the Eurozone. Emerging markets rebounded 5.8% from steep losses earlier in the year but are still down year to date as investors continue to worry about slowing growth and financial excesses in China and India.

Period	3Q13	2Q13	1Q13	YTD
S&P 500	5.3%	2.9%	10.6%	19.9%
EAFE*	11.6%	-1.0%	5.1%	16.1%
Emerging Markets	5.8%	-8.1%	-1.6%	-4.4%
Barclays U.S. Aggregate Bond	0.6%	-2.3%	-0.1%	-1.9%

*Europe, Australia, Far East

Domestic Economy: Economic growth continued at a moderate pace. Consumer spending increased, led by autos and housing. Energy prices declined during the quarter, aiding consumers. Exports were strong, up an estimated 8% versus the prior period, because increased automation and low energy prices have made our manufacturers more competitive in the global market. Government spending was weak as deficit reduction efforts took hold.

Since housing has been one of the strongest contributors to economic growth, some have become concerned that the recent rise in mortgage rates will choke off the recovery. However, whereas speculation drove housing at the peak of the boom, the current strength is due to strong underlying fundamentals. Household formation, the basic measure of demand for housing, is significantly higher than housing starts and unsold inventories are low. While both prices and interest rates have risen, the average mortgage payment is still well below peak levels. Housing is more affordable than it has been since 2002. In summary, we believe home building and related spending will continue to boost the economy.

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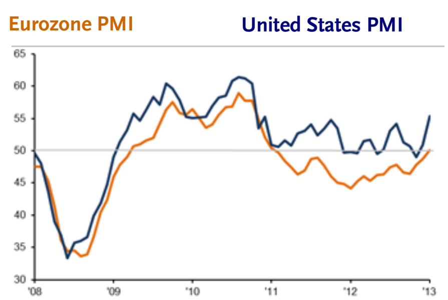
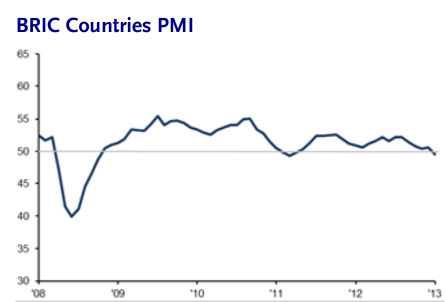
The impasse in Washington has unsettled the stock market. It is estimated that a shutdown lasting two weeks would reduce fourth-quarter GDP growth by about 0.5%. Much of that would be regained once funding is restored. Because it is a political process, the path to resolution of the budget and debt ceiling is unpredictable, subject to surprise twists. At this writing, the two sides are far apart. However, we believe that a deal will be made to reduce spending somewhat and that the debt ceiling will be raised because the consequences of a default on U.S. debt are too severe for either party to take that risk.

International Economies: Global growth seems to have troughed in the first half of the year. Estimates are for growth to increase to a 2.9% rate this year and about 3.6% in 2014. A good portion of the increase will come from improvement in developed economies- U.S., Europe, and Japan. In contrast, emerging markets are burdened by real estate bubbles and concerns about the quality of bank assets. The economic indicators shown below suggest acceleration in developed economies (Eurozone and U.S.) while the emerging economies (BRIC) remain sluggish.





The key to a resumption of growth in Europe is Germany. We believe that Ms. Merkel, given her strong performance in the election, will be able to forge a stable coalition. Her attention will then turn to stimulating growth in the Eurozone. Recent economic data from Europe have shown encouraging signs of improvement.

Strategy: We favor the developed markets because their policies are becoming more favorable for growth. Emerging markets seem likely to go through a period of consolidation before resuming an upward trend. Despite the near term risks related to debt ceiling politics, we believe that stocks offer good prospects for gains over the next year. Economically sensitive sectors, such as consumer discretionary, financials and technology, are attractively valued. Better economic growth will eventually lead to higher interest rates, causing bonds to lag. Accordingly, we are emphasizing economically sensitive stocks and are conservatively positioned in bonds.