MIDDLETON & COMPANY, INC.

Investment Update

April, 2013

2013 First Quarter Update

Review: The U.S. stock market, as measured by the S&P 500, had a strong quarter, up 10.6%, as the economy showed steady improvement in spite of the fiscal battles in Washington. Bonds ended down slightly at -0.1% for the quarter, continuing the trend of lower bond returns as concerns about economic growth subside.

Period	1Q13	4Q12	3Q12	2012
S&P 500	*10.6%*	*-0.4%*	*6.4%*	*16.0%*
EAFE*	*5.1%*	*6.6%*	*7.0%*	*17.9%*
Emerging Markets	*-1.6%*	*5.2%*	*7.7%*	*15.2%*
Barclays U.S. Aggregate Bond	*-0.1%*	*0.2%*	*1.6%*	*4.2%*

*Europe, Australia, Far East

Domestic Economy: The economy, led by consumers, continued to display resilience. For January, the latest month for which data are available, house prices increased 8.1% compared to last year, which is the eighth month in a row that prices have risen. Despite the late winter snowstorms, March auto sales were 8% higher than last March. The two-percentage point increase in payroll taxes, which took effect in January, seems to have had limited impact on consumer spending.

There are three reasons for the resilience of the consumer:

- Energy prices have moderated. Gasoline prices have fallen about $.35 per gallon from the February peak. Each $.10 per gallon decrease benefits consumers by about $13 billion annually. If this level were to hold, the $45.5 billion saving in gasoline expenditures would go a long way towards offsetting the effects of the federal government spending cuts.
- For the fourth quarter, the most recent data available, household net worth increased by 10%. Improving housing prices and a rising stock market are key factors. Higher net worth translates to higher confidence, supporting consumer spending.

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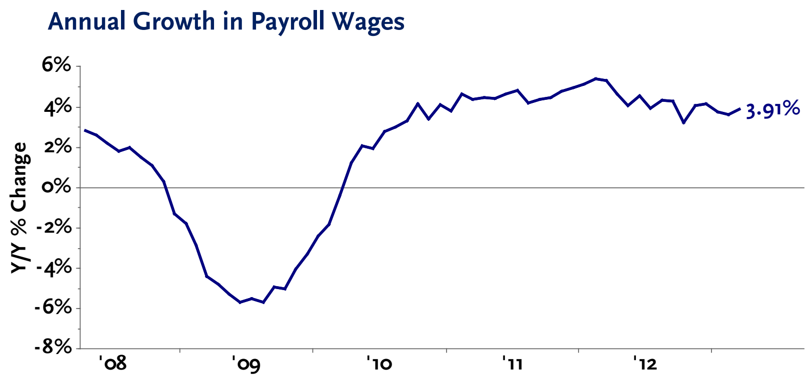

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- Despite the very modest increase in new jobs for March, total employment is improving. Combining this with the fact that the average work week is up 2% and the hourly wage is up 2% at an annual rate, total wages have increased 4% over last year, as seen in the graph above. Thus, higher wages are more than offsetting the 2% payroll tax increase that took effect in January.

In contrast to consumers, businesses have been cautious, especially in regard to hiring. Also, state and local governments continue to shrink. The impact on GDP is estimated to be between -0.25% and -0.50%. At the federal level, the effect of spending cuts voted last year and the recent "sequester" has been a drag on GDP growth. Despite the negatives, the economy continues to improve. We believe there is sufficient underlying strength to continue the pattern of modest economic growth.

International Economies: Despite periodic crises, the Eurozone is showing signs of stabilizing. The largest economy, Germany, is gradually improving. Asian economies, led by China, have returned to a moderate growth pattern. Japan has embarked on a concerted plan to stimulate the economy. The newly appointed Governor of the Bank of Japan has begun an aggressive program to boost the economy. Clouds on the horizon that bear watching are: the saber rattling in North Korea and weak growth in Latin America, particularly Brazil which has been hurt by weak commodity prices. However, on balance, the international situation appears manageable.

Strategy:

The multi-year flight to the perceived safety of bonds has driven valuations to historically unattractive levels. We will maintain allocations toward the lower end of policy ranges with a short maturity.

We believe that the improving economy in the U.S. provides the best investment opportunities of any of the major economies. The improvement in household wealth and wages should make economically sensitive consumer-oriented stocks especially rewarding. With a durable rebound in the economy, stock market valuations look reasonable to us. Therefore, stocks are our favored asset class.