MIDDLETON & COMPANY, INC.

Investment Update

July, 2015

2015 Second Quarter Update

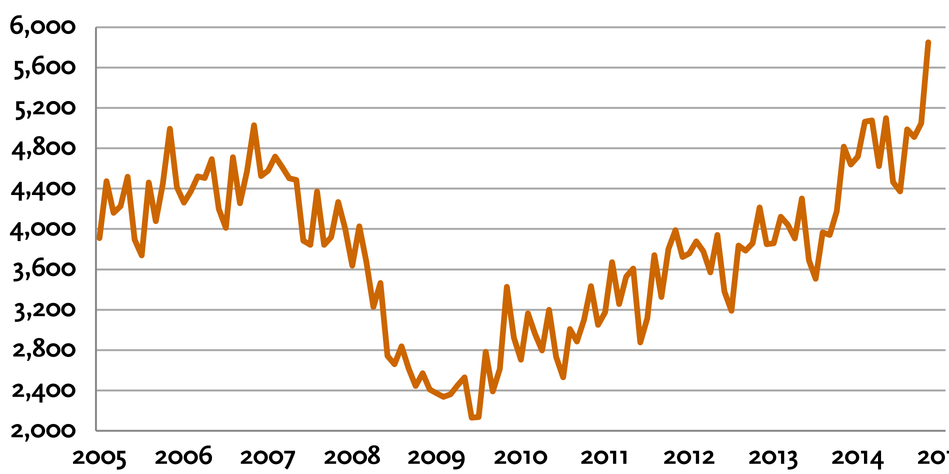
Review: World equity markets were virtually unchanged for the quarter as the ongoing debate over the sustainability of economic growth and relative valuation continued. U.S. equity returns were modestly positive, returning +0.3%. International equity markets were slightly negative with EAFE and Emerging Markets finishing -0.4% and -0.2% respectively. The U.S. bond market retraced its first quarter gains with the Barclay's U.S. Aggregate Bond Index posting a-1.7% return.

Period	2Q15	1Q15	4Q14	3Q14
S&P 500	0.3%	0.9%	4.9%	1.1%
EAFE*	-0.4%	4.9%	-3.6%	-5.9%
Emerging Markets	-0.2%	2.4%	-4.5%	-3.5%
Barclays U.S. Aggregate Bond	-1.7%	1.6%	1.8%	0.2%

*Europe, Australia, Far East

Domestic Economy: U.S. economic indicators continue to strengthen as the effects of last winter's severe weather recede. Consumer spending, representing two-thirds of economic output, is now rising at an annual rate of 2.1%, bolstered by stronger wages and lower gas prices. Housing starts are still rebounding and spending on building and improvements is growing at a 6.5% annualized pace. Job openings are rising rapidly as companies gain confidence in the sustainability of demand.

Total Nonfarm Job Openings (monthly in '000s)



Source: FactSet Research Systems

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Business investment is still lagging, however, as companies continue to be conservative in boosting capital expenditures. Inflation, as measured by core Personal Consumption Expenditures, is rising at an annual rate of 1.2%, well below the 2% level the Federal Reserve's threshold of concern. We continue to monitor U.S. dollar strength for its impact on company earnings.

International Economies: The Eurozone economy is showing encouraging signs of stabilization and the beginnings of a positive growth trend, albeit at low absolute levels. Early indications are that first quarter GDP growth of +0.4% is sustainable as consumer demand picks up, strengthened by lower oil prices and attractive lending rates that have helped to raise economic activity.

Greece continued to dominate the headlines and the probability of an exit from the Eurozone has risen with the Greek people recently voting to reject the EU bailout offer. The primary market risk from Greece is that other highly indebted European countries, like Italy and Spain, feel encouraged to follow suit.

Japan's economic growth has become positive but to strengthen more the government must shift from temporary, stimulative monetary policy actions to more permanent, fiscally focused restructuring. Important emerging market economies Brazil and Russia are currently contracting due primarily to a cyclical slowdown in commodity demand.

China's growth is still relatively strong but continues to slip as its economy transitions from investment-derived supply expansion to consumer-led demand growth. India remains a bright spot, thanks primarily to spending initiatives from the newly-elected, pro-business government.

Strategy: Middleton and Company continues to view equities as offering the best relative performance for the next twelve months. Overall corporate profitability growth appears sustainable at single-digit levels and healthy free cash flows should support dividend increases and share buybacks.

Fixed income remains relatively unattractive as few bond asset classes offer adequate inflation-adjusted yields. In addition, fixed income markets will be quick to anticipate the start of the next Federal Reserve interest rate hike cycle well ahead of the event, leading to sustained upward pressure on interest rates and widening credit spreads. We continue to recommend where appropriate high grade corporate Floating Rate Notes as a hedge against such occurrences.