



BANYAN CAPITAL MANAGEMENT

August 1, 2016

Dear Client:

Banyan's equity composite was up 3.7 % for the first half of this year while the S&P 500 was up 3.8 %. The first half of this year has been a repetition of the environment for all of 2015 - an abundance of volatility and little net change in our portfolio or the market. Meanwhile, for the most part, values continue to build in our companies.

Recent Developments

Lions Gate Entertainment has agreed to acquire Starz. Consideration for this widely anticipated transaction will be in cash and Lions Gate stock. As Starz is a more modest sized stock position for us, we will end up with an even smaller position in Lions Gate. Clearly, it was never intended that Starz remain a stand-alone enterprise. The combination is an excellent choice for both companies.

Berkshire Hathaway has agreed to acquire another insurance company, Medical Liability Mutual Insurance Company of New York. This acquisition is a perfect fit for Berkshire, strengthening its industry leading position in the professional liability insurance market.

Allegheny, another of our insurance holdings, continues to make excellent progress in assimilating recent acquisitions into their culture. The improved underwriting results we saw in 2015 at recently acquired subsidiaries have continued this year. Weakness in the price of this stock in the second quarter afforded us the opportunity to add to our Allegheny holdings at prices we consider most attractive. Allegheny shareholders can expect reasonable to excellent compounding of their investment capital over the coming years.

On July 5, Danaher completed a structural transformation by splitting itself into two entities. The larger of the two companies, with about \$16 billion in annual revenue, will keep the company name. Danaher will include those businesses thought to have more growth potential and with generally higher margins like water, dental and life sciences. The spin-off company, now called Fortive, will contain the professional instrumentation and industrial technologies businesses. Fortive's annual sales will approximate \$6.2 billion. Both companies remain dedicated to continuous improvement of their products and are equally committed to lowering costs across every enterprise without sacrificing quality. We particularly like the two companies; therefore, we increased shares in both positions after the spin-off. Look for these transactions on your July custodian statements. The attached research report offers more details on why we believe Fortive is a good investment.

In And Out of Favor

So that you may be reminded of Banyan's longer-term record, we refer you to the data below for our equity composite. [\(Explanation of how composite is compiled\)](#)

	Last 10 Years	Last 20 Years	Since Inception December 31, 1990
Banyan Gross of Fees	6.6%	9.0%	11.2%
Net of Fees	5.6%	8.0%	10.2%
S&P 500	7.4%	7.9%	9.8%

There are several approaches to investing in the equities markets. Each approach does not advance and retreat in lock step over the same period. Methods can be disproportionately favored over the other disciplines for months and sometimes years. It is not possible to know in advance when an investment style is likely to come into or go out of favor. Your portfolio is built employing the value investing methodology. The chart above indicates our value investing technique has been out of favor for about ten years. However, we are encouraged from numerous indications that the value approach is now becoming more favored. Due to this shift and for several other reasons, we predict Banyan's equity composite will outperform the index over the next several years.

Keeping You Up To Date

Our job for you is to build permanent wealth. We do so by carefully selecting a portfolio of high quality businesses that are attractively priced at the time of purchase and where the underlying businesses are expected to compound shareholder wealth over time.

Sincerely,

Gary L. Watkins
President