Johnston Asset Management

GLOBAL INVESTMENTS

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In 2008, only two stocks in our portfolios had positive returns. In the first quarter of 2009, even though the market and the portfolios continued to decline, that number swelled to 19. The message: while the bear market may not be over, we clearly seem to be in a bottoming process. The market rallied in March as investors stopped asking which companies would shrink the least and started asking which companies could grow *in spite* of the horrendous economic backdrop around the world. We believe your portfolio is invested in companies that can grow their earnings in all but the worst environments, and we are encouraged to see signs that the bottom in the economy may be in sight.

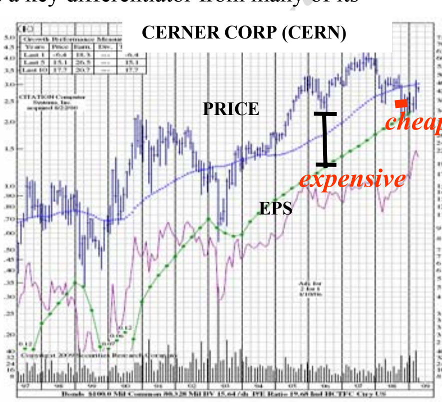
There is common agreement that the US residential housing market was at the core of the collapse in our financial system. That market is showing signs of stability in many areas. Sales are picking up, credit is slowly loosening, and the combination of low mortgage rates and drastically lower home prices are combining to attract buyers back into the market.

The fall in energy prices is a real, tangible relief to consumers. This is generally not a completely discretionary expenditure, and thankfully, the $80 tank of gas is in the rear view mirror for the time being. There have been extreme policy measures put in place by the Executive and Legislative branches of the government, as well as by the Federal Reserve to spur the domestic economy in the United States. China has been actively pursuing policies to maintain a healthy growth rate in its domestic markets. Many other Asian and emerging economies have taken aggressive steps to keep their domestic economies moving forward, or to at least shorten the recession. The Europeans are lagging, and will probably see slower growth for longer, but we are seeing signs that these initiatives are gaining traction in loosening the credit markets and spurring consumption.

Right now we are forecasting a US economy that bottoms in late 2009 and grows at a moderate pace in 2010. We expect economies whose governments have had strong policy responses to follow suit. We believe stocks will show moderate gains as they cautiously begin discounting better news. Companies with positive catalysts in front of them are already starting to discount better earnings growth, even though it may not be reflected in their quarterly earnings reports for several more quarters.

Mostly what we are seeing is the opportunity to buy companies that we have long admired, but whose valuations have been too rich to meet our criteria. Cerner Corp., a recent purchase, (see below) is just such a company. We have followed this leading provider of hospital management software for years, and have only now found a suitable entry point. Their products and services are at the center of a major new initiative in American healthcare and are gaining traction outside the US. We look forward to telling you more about other new holdings as they appear in the portfolio.

CERNER All Together is a provider of health-care management software, with a dominant market position among large hospitals. Unlike many of its competitors, Cerner did not acquire market share, but rather grew organically for much of its history. The company has invested in developing a complete, integrated management platform known as Cerner Millennium. This product's seamless architecture is a key differentiator from many of its competitors' products whose offerings were cobbled together through acquisition. The Millennium platform combines clinical, financial, and administrative data to which patients, hospitals, pharmacies, laboratories, and physician offices can have access in real time. We are attracted to the company because of its business model. It is a software and services company, and enjoys high margins and returns on capital, as only slightly more than a quarter of revenues are from new system sales and the balance from consulting and services. The industry has high barriers to entry as new entrants have to prove themselves over a very long period and health care providers are naturally resistant to switching mission critical systems. In addition, the company is financially solid, ending 2008 with over $400 million in cash and equivalents on its balance sheet and a strong pipeline of new business prospects. This is at least as comforting to potential and existing customers contemplating a multi-million dollar investment as it is to investors.



Although the US Federal Government has committed to investing billions of dollars to accelerate the adoption of healthcare IT systems, a trend that will clearly benefit Cerner, the main driver of the company's growth comes from outside the US. From a small base, Cerner has grown its international revenues over 40% over the last few years. Non-US revenue now accounts for over 20% of the total. The company's software is sold in four languages and leads the market in several countries outside the US. Cerner will continue to grow in the US, but mostly through selling more modules and services to existing customers, who also form the core of their annuity-like revenue base. The company is led by two of the three founders who formed the company in 1979. Management owns a significant stake in the company giving us comfort that their interests are aligned with ours.