

The Tortoise Portfolio

July 2012

Performance and Transaction Summary

Stock Name	Morningstar Ratings & Fundamentals								Portfolio Data							
	Star Rating	Fair Val Uncert.	Fair Value	Current Price	Consider Buying	Consider Selling	Size of Moat	Div Yield (%)	First Purchase	# of Shares Change	Total	Cost Basis/Share ¹	Total Cost ¹	Current Value	Gain/Loss %	% of Port
Berkshire Hathaway BRK.B	★★★★	Med.	100.00	83.39	70.00	135.00	Wide	0.0	06-18-01	0	260	60.52	15736.47	21681.40	37.8	10.2
Abbott Laboratories ABT	★★★★	Low	70.00	65.61	56.00	87.50	Wide	3.1	02-04-11	0	289	47.68	13778.65	18961.29	37.6	9.0
ExxonMobil XOM	★★★★	Low	91.00	83.65	72.80	113.75	Wide	2.7	07-11-08	0	178	76.68	13648.17	14889.70	9.1	7.0
Exelon EXC	★★★★★	Med.	54.00	37.18	37.80	72.90	Wide	5.6 ³	10-06-09	0	370	46.55	17224.65	13756.60	-20.1	6.5
Lowe's Companies LOW	★★★★	Med.	34.00	27.28	23.80	45.90	Wide	2.4	11-15-07	0	500	25.07	12534.40	13640.00	8.8	6.4
Pfizer PFE	★★★★	Med.	27.00	22.65	18.90	36.50	Wide	3.9	09-24-01	0	470	22.60	10622.05	10645.50	0.2	5.0
Novartis NVS	★★★★	Low	69.00	55.87	55.20	86.25	Wide	4.4	02-09-07	0	185	56.80	10508.61	10335.95	-1.6	4.9
Automatic Data Processing ADP	★★★★	Med.	57.00	55.52	39.90	77.00	Wide	2.9	06-14-02	0	175	27.84	4872.72	9716.00	99.4	4.6
Johnson & Johnson JNJ	★★★★	Low	77.00	67.78	61.60	96.30	Wide	3.6	12-06-05	0	130	59.51	7736.38	8811.40	13.9	4.2
Kinder Morgan Management KMR	★★★★	Med.	86.00	77.51	60.20	116.10	Wide	0.0	03-08-06	0	105	32.17	3377.93	8138.55	140.9	3.8
American Express AXP	★★★	High	54.00	58.41	32.40	83.70	Wide	1.4	07-18-01	0	125	29.46	3682.50	7301.25	98.3	3.5
Wal-Mart Stores WMT	★★	Low	61.00	71.76	48.80	76.25	Wide	2.2	07-19-02	0	100	47.43	4742.85	7176.00	51.3	3.4
General Dynamics GD	★★★★	Med.	75.00	65.05	52.50	101.30	Wide	3.1	03-12-03	0	110	33.12	3643.34	7155.50	96.4	3.4
Sysco SYY	★★★★	Med.	36.00	29.05	25.20	48.60	Wide	3.7	04-28-08	0	235	29.01	6817.73	6826.75	0.1	3.2
TransCanada TRP	★★★	Low	44.00	42.39	35.20	55.00	Narrow	4.1	01-23-04	0	150	21.21	3181.88	6358.50	99.8	3.0
CoreLogic CLGX	★★★	Med.	21.00	19.60	14.70	28.40	Narrow	0.0	03-17-04	0	300	16.49	4948.02	5880.00	18.8	2.8
PepsiCo PEP	★★★	Low	72.00	69.99	57.60	90.00	Wide	3.1	07-19-02	0	75	35.92	2694.25	5249.25	94.8	2.5
First American Financial FAF	★★★★	High	25.00	17.30	15.00	38.80	Narrow	1.9	06-02-10	0	300	12.21	3662.97	5190.00	41.7	2.5
JPMorgan Chase JPM	★★★★	High	51.00	33.96	30.60	79.10	Narrow	3.5	07-23-02	0	150	30.49	4574.16	5094.00	11.4	2.4
Procter & Gamble PG	UR	Low	—	61.55	—	—	Wide	3.7	05-12-09	0	75	50.86	3814.74	4616.25	21.0	2.2
Microsoft MSFT	UR	Med.	—	30.00	—	—	Wide	2.7	05-25-12	0	150	29.34	4400.28	4500.00	2.3	2.1
3M MMM	★★★★	Low	100.00	88.96	80.00	125.00	Wide	2.7	01-23-08	0	50	74.93	3746.49	4448.00	18.7	2.1
Molson Coors Brewing TAP	★★★★	Med.	55.00	40.36	38.50	74.25	Narrow	3.2	02-25-10	0	70	40.80	2856.15	2825.20	-1.1	1.3
Cash Holdings													8471.64		4.0	
Tortoise Portfolio Total								3.1					211668.73			

Legend:

- ⊕ Shares added
- ⊖ Shares sold
- ★ New holding
- UR Under Review
- NR Not Rated

Goal of the Tortoise

The Tortoise Portfolio has two goals: to outperform the S&P 500 Index and to generate positive returns regardless of the broad market environment. Companies in this portfolio tend to be large, with moderate to low risk, and slow-growing. We aim for all the companies here to have an economic moat, preferably wide.

Footnotes:

Morningstar ratings and fundamentals as of 07-09-12. Portfolio inception date: 06-18-01. *June 7 to July 9.

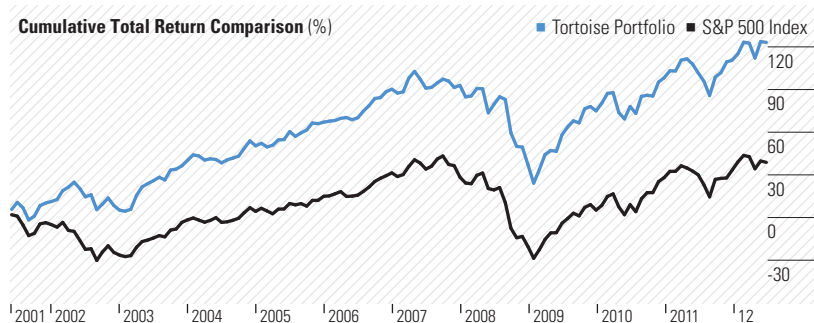
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¹ Cost basis includes commissions.

² Returns since inception are annualized and include dividends.

³ Adjusted for Constellation Merger

Tortoise Performance Breakdown



Total Return (%)	Index Level	This Month*	12 Month	Since Inception ²
Tortoise Portfolio	—	3.9%	6.4%	7.5%
S&P 500 Index	1,348.5	3.0%	2.9%	3.0%

Top Five Sectors (%)

Healthcare	24.0
Financial Svcs	19.3
Energy	14.5
Industrials	13.4
Cons Defensive	13.1

Style Breakdown (%)

Value Blend Grth			
32	54	4	Lrg
1	4	0	Med
3	3	0	Sm

Portfolio Roundup

by Paul Larson

From inception on June 18, 2001, through July 9, 2012, the Tortoise has produced a total return of 123.1%, compared with 38.0% for the S&P 500 Index and 38.4% for the average large-cap blend mutual fund. Total returns include dividends for both the Tortoise and the benchmarks. During the last 12 months, the Tortoise has outperformed 97.2% of large-cap blend funds and is beating 98.7% of them since inception.

I did not make any trades since last issue. Both the Tortoise and Hare tend to lag their benchmarks when the market leaps forward, but then make it up (and then some) when the market swoons. This past month, the Tortoise bucked this tendency and was up 3.9% since last issue, even better than the 3.0% bounce seen in the S&P 500. The worst-performing stock since last issue was **Exelon** EXC (down 5%), followed closely by **Procter & Gamble** PG (down 2%). The best-performing stocks were **CoreLogic** CLGX (up 17%), **Kinder Morgan Management** KMR (up 10%), and **Wal-Mart** WMT (up 9%).

There were no fair value estimate changes since last issue, though we did put two names—**P&G** and **Microsoft** MSFT—under review while we transfer coverage to new analysts. When we publish our new fair value estimates of these companies, I expect there to be a mild reduction for P&G given that the firm is underperforming our previous near-term projections.

The estimated intrinsic value (shares held times fair value) of the Tortoise is now \$243,326, a 0.5% decrease from \$244,602 last month. When doing this exercise, I take the stocks that are under review and value them at the current market price. As such, the decline is primarily because of P&G and Microsoft, offset by \$482.50 worth of accumulated dividends. The Tortoise now trades at a 13.0% discount to its estimated fair value, a decrease from the 16.7% seen last month. This decrease is because of an estimated intrinsic value that fell as well as rising prices. The dollar-weighted average star rating is also now 3.82, a moderate decrease from 3.90 last month. Though we lost a bit of ground this past month, I will continue trying to maximize the estimated intrinsic value as well as the average star rating. ■■■

Contact Paul Larson at paul.larson@morningstar.com. Paul Larson personally owns shares of the following Tortoise stocks: ABT, AXP, BRK.B, CLGX, EXC, FAF, GD, JNJ, JPM, KMR, LOW, MMM, MSFT, NVS, PFE, PG, SY, TAP, TRP, WMT, XOM.

+ = Paul has increased his position in the stock in the past month.

– = Paul has reduced his position in the stock in the past month.

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The Hare Portfolio

July 2012

Performance and Transaction Summary

Stock Name	Morningstar Ratings & Fundamentals								Portfolio Data							
	Star Rating	Fair Val Uncert.	Fair Value	Current Price	Consider Buying	Consider Selling	Size of Moat	Div Yield (%)	First Purchase	# of Shares Change	Total	Cost Basis/Share ¹	Total Cost ¹	Current Value	Gain/Loss %	% of Port
St. Joe JOE	★★★★	High	26.00	15.85	15.60	40.30	Wide	0.0	06-08-10	0	1050	22.56	23683.38	16642.50	-29.7	7.5
Compass Minerals CMP	★★★★	Med.	93.00	77.48	65.10	125.60	Wide	2.6	08-18-05	0	200	25.40	5080.74	15496.00	205.0	7.0
eBay EBAY	★★★★	Med.	48.00	40.68	33.60	64.80	Wide	0.0	04-20-06	0	330	33.08	10917.98	13424.40	23.0	6.0
Energy Transfer Equity ETE ³	★★★★	Med.	54.00	40.38	37.80	72.90	Narrow	6.2	10-13-10	0	325	37.94	12331.44	13123.50	6.4	5.9
MasterCard MA	★★★★	High	394.00	431.27	236.40	610.70	Wide	0.3	05-30-06	0	30	44.00	1319.99	12938.10	880.2	5.8
Express Scripts ESRX	★★★★	Med.	73.00	54.36	51.10	98.55	Wide	0.0	04-03-12	0	220	56.95	12527.99	11959.20	-4.5	5.4
Strayer Education STRA	★★★★	High	130.00	106.39	78.00	201.50	Narrow	3.8	10-19-11	0	110	88.72	9759.29	11702.90	19.9	5.3
Paychex PAYX	★★★★	Med.	38.00	31.44	26.60	51.30	Wide	4.1	06-24-02	0	350	28.65	10026.38	11004.00	9.8	5.0
Discover Financial DFS	★★★★	High	34.00	35.01	20.40	52.70	Narrow	1.1	08-08-07	0	300	21.39	6416.67	10503.00	63.7	4.7
Google GOOG	★★★★	High	780.00	586.01	468.00	1209.00	Wide	0.0	07-14-11	0	17	530.59	9019.99	9962.17	10.5	4.5
Zimmer Holdings ZMH	★★★★	Med.	71.00	63.82	49.70	95.90	Wide	1.1	11-17-10	0	125	50.34	6292.36	7977.50	26.8	3.6
CME Group CME	★★★★	High	292.00	262.95	175.20	452.60	Wide	3.4	01-13-12	0	30	235.13	7053.91	7861.50	11.5	3.5
Autodesk ADSK	UR	Med.	—	31.41	—	—	Wide	0.0	11-18-08	0	250	19.43	4857.50	7852.50	61.7	3.5
International Speedway ISCA	★★★★	V.High	26.00	26.64	13.00	45.50	Wide	0.8	01-06-06	0	280	40.18	11251.49	7459.20	-33.7	3.4
Oracle Corp ORCL	★★★★	Med.	38.00	29.10	26.60	51.30	Wide	0.8	01-13-12	0	250	26.99	6747.25	7275.00	7.8	3.3
Potash Corp of Saskatchewan POT	★★★★	High	58.00	44.90	33.60	86.80	Wide	1.3	05-30-12	0	160	39.98	6397.02	7184.00	12.3	3.2
Cloud Peak Energy CLD	★★★★	High	29.00	17.30	17.40	44.95	Narrow	0.0	03-15-11	0	400	19.97	7989.96	6920.00	-13.4	3.1
National Oilwell Varco NOV	★★★★★	Med.	105.00	66.99	73.50	141.75	Wide	0.7	10-18-11	0	100	64.03	6402.94	6699.00	4.6	3.0
Western Union WU	★★★★★	Med.	29.00	16.90	20.30	39.20	Wide	2.4	10-02-06	0	365	17.74	6474.63	6168.50	-4.7	2.8
Magellan Midstream MMP ³	★★★★	Low	68.00	72.02	54.40	85.00	Wide	4.7	04-28-08	0	75	35.83	2687.24	5401.50	101.0	2.4
CarMax KMX	★★★★	High	33.00	26.35	19.80	51.20	Narrow	0.0	01-20-04	0	200	14.71	2942.08	5270.00	79.1	2.4
Vulcan Materials VMC	★★★★★	Med.	63.00	41.28	44.10	85.10	Wide	0.1	10-03-07	0	120	87.53	10503.68	4953.60	-52.8	2.2
Cisco Systems CSCO	★★★★	Med.	24.00	16.65	16.80	32.40	Wide	1.9	01-21-11	0	250	20.84	5209.98	4162.50	-20.1	1.9
Enterprise Products EPD ³	★★★★	Med.	55.00	51.94	38.50	74.25	Narrow	4.8	05-29-07	0	75	23.26	1744.64	3895.50	123.3	1.8
International Game Tech IGT	★★★★	High	19.00	15.84	11.40	29.45	Narrow	1.5	06-27-05	0	200	28.35	5669.00	3168.00	-44.1	1.4
Cemex CX	★★★★	V.High	11.00	6.35	5.50	19.30	Narrow	0.0	12-11-06	0	443	23.48	10402.92	2813.05	-73.0	1.3
Cash Holdings														638.77		0.3
Hare Portfolio Total															2.4	2222455.89

Legend:

- ⊕ Shares added
- ⊖ Shares sold
- ★ New holding
- UR Under Review
- NR Not Rated

Goal of the Hare

The Hare Portfolio has two goals: to outperform the S&P 500 Index, and to generate positive returns regardless of the broad market environment. Companies in this portfolio tend to either be small or fast-growing, or have a high risk/return proposition. We aim for all companies here to have an economic moat, preferably wide.

Footnotes:

Morningstar ratings and fundamentals as of 07-09-12. Portfolio inception date: 06-18-01. * June 7 to July 9.

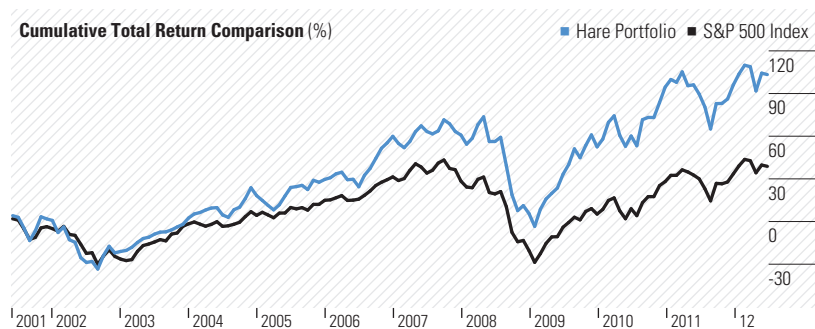
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¹ Cost basis includes commissions.

² Returns since inception are annualized and include dividends.

³ Master limited partnership units have different tax characteristics than common stocks and may not be suitable for tax-deferred accounts such as IRAs. Please consult your tax advisor before buying.

Hare Performance Breakdown



Total Return (%)	Index Level	This Month*	12 Month	Since Inception ²
Hare Portfolio	—	5.7%	2.3%	6.6%
S&P 500 Index	1,348.5	3.0%	2.9%	3.0%

Top Five Sectors (%)

Financial Svcs	16.9
Basic Mtrls.	16.9
Technology	14.6
Energy	13.1
Cons Cyclical	11.8

Style Breakdown (%)

Value Blend Grth			
7	7	31	Lrg
2	27	7	Med
3	16	0	Sm

■ 51-100
■ 26-50
■ 11-25
■ 0-10

Portfolio Roundup

by Paul Larson

From inception on June 18, 2001, through July 9, 2012, the Hare has produced a total return of 103.1%, compared with 38.0% for the S&P 500 Index and 33.8% for the average large-cap growth mutual fund. Total returns include dividends for both the Hare and the benchmarks. During the last 12 months, the Hare has outperformed 83.3% of large-cap growth funds and is still beating 98.3% of them since inception.

The Hare leaped ahead in market value since last issue, rising 5.7% versus 3.9% for the Tortoise and 3.0% for the S&P 500. **CarMax** KMX was the worst-performing stock (down 5%). Meanwhile, no fewer than seven stocks increased more than 10%, including **Vulcan Materials** VMC (up 22%), **CEMEX** CX (up 19%), and **Strayer Education** STRA (up 17%). While all three of these stocks have performed poorly in recent years, they are finally enjoying a time in the sun. Relative newcomer **Potash Corp of Saskatchewan** POT was up 16% since last issue.

I did not make any trades since last issue, and we also did not change any fair value estimates within the Hare. We continue to have **Autodesk** ADSK under review as we transfer coverage to a new analyst.

The estimated intrinsic value of the Hare is now up to \$280,839, 4 basis points higher than the \$280,725 value last month. The change here was mostly because of the \$423.60 in dividends received, offset by a slight decline in the market value

of Autodesk. The Hare now trades at a 20.8% discount to this estimated fair value, a large decline from the 27.4% discount seen last issue, thanks to stock prices that increased significantly relative to a nearly flat estimated intrinsic value for the portfolio. The dollar-weighted average star rating is now 3.86, down from 4.05 last issue. While it is nice enough to enjoy rising prices, they do decrease expected future returns. ■■

Contact Paul Larson at paul.larson@morningstar.com. Paul Larson personally owns shares of the following Hare stocks: ADSK, CLD, CME, CMP, CSCO, CX, DFS, EBAY, EPD, ESRX, ETE, GOOG, IGT, ISCA, +JOE, KMX, MA, MMP, NOV, ORCL, PAYX, POT, STRA, VMC, WU, ZMH.

+ = Paul has increased his position in the stock in the past month.
 — = Paul has reduced his position in the stock in the past month.

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