April 8, 2010

Dear Friends of Coho Partners,

		Annualized Trailing Returns ending 3/31/10			Annualized
	1Q10	**1 year**	**3 years**	**5 years**	**Inception to Date**
Coho Tax Exempt Composite*	**4.8%**	**38.2%**	**2.6%**	**5.2%**	**6.4%**
Russell 1000 Value	**6.8%**	**53.6%**	**-7.3%**	**1.1%**	**3.0%**
S&P 500 Index	**5.4%**	**49.7%**	**-4.2%**	**1.9%**	**-0.3%**

***Gross of fees: returns reflect the performance of our Tax Exempt Composite; inception 9/30/00**
Refer to our website for our disclosures on our performance (www.cohopartners.com)

A weak start to the new year was offset by a rebound in February, so that after the first two months, nothing of significance from a performance perspective had occurred. March's positive performance essentially accounted for the entire quarterly return.

Investors seem to have embraced the thesis that the worst is over in the housing market and that the banking system has stabilized. This has led to the notion that global GDP has bottomed and that the consumer will shortly be reenergized to spend and drive sustainable global growth for a prolonged period of time. We hope this comes to pass, but we are skeptical. Nevertheless, the best sectors this quarter were Consumer Discretionary, Financials and Industrials, all of which should benefit from a recovering global economy, but these same sectors were also the major winners in 2009. From our perspective, the valuations in these more economically sensitive sectors are discounting a very optimistic recovery, while the more stable growing sectors, such as Consumer Staples and Healthcare have been overlooked. We are unconvinced that the "all clear" signal has been sounded and as such, we are positioned for defensive growth. Thus, our traditional overweighting in Staples and Healthcare remains in place and we also see a favorable risk/return in the integrated energy companies. In fact, our two most recent additions were both healthcare related companies, Becton Dickinson and Abbott Labs. The "cost" of our defensive posture explains our modest underperformance relative to the benchmark in March and so far this year, but we are convinced that we are well positioned should a correction come and we still believe we should participate meaningfully should the market continue to march ahead.

Coho Partners does not market time or use sector rotation to achieve its long term pattern of results, which has shown strong downside protection during challenging times and competitive performance during the advancing periods. We are off to a satisfactory start to the 2010 year. The process of building long term wealth requires patience and we will be patient because we do not want to give back the hard earned gains that we have achieved over the longer term.

Fourth quarter earnings for our holdings are now well behind us but by and large, they came in equal to or better than we had expected. The nadir of economic activity occurred in the 4th quarter of 2008 and the 1st quarter of 2009, so we are entering the last quarter of very easy earnings comparisons and after this, the comparisons will become more challenging. This will play to the strengths of our companies because it is our opinion that they should be able to post consistent growth this year and beyond.

So far this year, more than half of our holdings have increased their indicated dividend rate and we expect all of our others holdings to do so as well before the end of the year. We feel that all of our holdings should earn more in 2010 than they did in 2009. These strong financial fundamentals are complimented by encouraging operating outlooks, so we are optimistic about the outlooks for our holdings. From a valuation perspective, the portfolio is attractively priced with an above average dividend yield and good dividend growth prospects. The portfolio's P/E is below that of the benchmark and only slightly above the sustainable earnings growth rate. All in all, we believe we are well positioned.

The global economy still faces many challenges and hence a defensive, conservative and low risk approach seems warranted. Domestically, there are signs of improvement, but our economy remains fragile. Internationally, there are concerns as well, with credit issues in Europe and devaluations in South America as seen in Venezuela. Clearly Asia is booming, with particular focus on China. Our global consumer goods and services companies are well positioned to expand their reach in many of these emerging and developing markets.

We look forward to updating you on our progress as the year unfolds, but please do not hesitate to call us if you have questions.

Sincerely,

Peter A. Thompson