September 30th, 2006

The Dow Jones Industrial Average recently surged past 12,000 to eclipse its former high reached in March of 2000. This resurgence in large company stocks is reflected in the year to date performance figures of both our individual stock and mutual fund US Large Company portfolios. After lagging both US Small Caps and Internationals for much of the past six years, our stodgy old Blue Chips have quietly re-assumed leadership of this market. Fueling this resurgence has been a record 16 consecutive quarters of double digit year-over-year earnings growth. When we combine this with record dividend increases, falling interest rates, and attractive valuations, it is not hard to make the case that our Blue Chips may very well continue to lead this market for some time to come. Of course, regardless of next quarter's or next year's leaders, we will continue to rigidly maintain our target allocations. We are smart enough to know that our market forecasts have never made us a nickel. But our disciplined approach has earned us a fortune.

With that in mind, we have some updates to share with you regarding our strategic alliance with the Nobel Prize winners at Dimensional Fund Advisors. To begin with, DFA recently eclipsed $100 billion in assets under management propelling it to the 126th largest asset management firm in the world. It appears that investors worldwide are beginning to embrace both our philosophy and approach. However, as always, new growth brings some new challenges.

DFA also recently announced its 2007 plan to administer a closing of two funds which form the core of our US small cap exposure: DFA US MicroCap and DFA US Small Value. The exceptional performance of these two funds is driven by the fact that these funds purchase only the smallest publicly traded companies by market cap. The surge in assets flowing into these two funds has made DFA one of the largest players in this often illiquid market. As such, it often serves as the "buyer of last resort" for large blocks of shares being sold by individuals or institutions. DFA's patient trading strategy often allows them to purchase these shares at a discount while actually incurring negative trading costs.

However, DFA has long maintained that if the underlying asset base of the fund were ever to grow too large, their patient trading strategy might become less effective. Quite simply, managing too much money in this area of the market could result in too many dollars chasing too few securities. Rather than run the risk of diluting the returns of the fund by chasing progressively larger, more liquid, and lower returning securities, DFA has elected to close these funds to new investors. Although disappointing to us, this move clearly demonstrates DFA's commitment to the best interest of their fund investors as opposed to their own company's bottom line.

Fortunately for us, the closing of these funds will be a "soft" as opposed to a "hard" close. We existing shareholders will continue to be able to purchase shares of both funds as usual. However, the fund will be closed to all new investors. We will be evaluating suitable alternatives for new clients and new accounts.

DFA has also announced the launch of their new Inflation Protected Securities portfolio. This portfolio invests in a basket of inflation protected US Treasury bonds ("TIPS") with maturities ranging from five to twenty years. The interest paid on these bonds is comprised of two parts: (1) a guaranteed fixed payment plus (2) a variable payment pegged to changes in the Consumer Price Index. Although most of our portfolios will remain heavily tilted toward equities, we are glad to have an inflation protected fixed income vehicle at our disposal. We will discuss the appropriateness of this fund for your portfolio on an individual basis.

We head into the fourth quarter of 2006 even better equipped to manage your portfolios. Our commitment to you and your family's financial goals has never been stronger.

Don Davey
Senior Portfolio Manager
Disciplined Equity Management, Inc.