

1st QUARTER 2006

STOCKS SOAR TO 5-YEAR HIGHS

Stocks around the world soared during the 1st quarter of 2006, as the global economy continued to pick up steam. The Dow 30, S&P 500, and the Nasdaq hit 5-year highs while the Russell 2000 small company index broke all-time records. As predicted, interest rates rose, sending the bond market into negative territory for the quarter as the Fed raised short-term rates for the 15th time in a row. Our 2006 forecast for the stock market has been raised. This rally is far from over. We encourage additions to your account(s) now! (see SAM OUTLOOK below).

INVESTMENT REPORT

Nearly all sectors of the major global stock markets rose during a strong 1st quarter bull market rally. Including dividends, the Dow Jones Industrial Average was up 4.4%, the broad-based S&P 500 rose 4.3%, the Nasdaq gained 6.1%, and the Russell 2000 small company index climbed an incredible 14.0%. In the face of rising interest rates, the Lehman Aggregate Bond index declined 0.7% .

	<u>1st Qtr 2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Dow 30	+ 4.4%	+ 1.6%	+ 5.6%	+28.3%
S&P 500	+ 4.3%	+ 4.8%	+10.8%	+28.7%
Nasdaq	+ 6.1%	+ 1.4%	+ 8.6%	+50.0%
Russell 2000	+14.0%	+ 4.5%	+18.3%	+47.3%
Lehman Aggregate (Bonds)	- 0.7%	+ 2.4%	+ 4.3%	+ 4.1%

All major U.S. market sectors were up this quarter in a very broad-based rally. With real estate prices topping out, we saw the first movement of money out of real estate and into stocks. This quarter's rally extended to most major foreign markets, including Japan and most of Asia. We are very pleased to report that the stock and bond portions of our client portfolios continue to outperform the DOW 30, S&P 500, and Nasdaq stock indices, and the Lehman Aggregate Bond index.

Bonds lost ground this quarter as long-term rates finally started rising. At the end of March, the Fed raised short-term rates by .25% as the yield on the full range of maturities remained about the same.

SAM OUTLOOK

SAM Raises 2006 Stock Forecast

The global economic outlook for 2006 looks even better than our year-end forecast. **We now predict that stock gains for 2006 will exceed 10% plus, and could go well into the teens.** This robust outlook continues to be based on broad-based growth in nearly every sector of the U.S. and global economies. Long-term interest rates (e.g. mortgage rates) will continue rising, making real estate and bond investments far less attractive.

We still have long term concerns for the U.S. economy- well beyond the end of this decade. Our radically rising trade deficit and national debt will eventually impact economic growth. Currently, foreign purchases of U.S. debt in the form of bonds (what else can they do with the hundreds of billions of dollars collected from U.S. purchases?) has kept bond prices high and interest rates low. This will eventually reverse, driving interest rates up and slowing our economic growth. However, the near-term looks exceptionally good.

As reported last quarter, the Asian markets look more and more attractive. Currently, China accounts for 5% of global productivity; in ten years, China will account for 25% of total global productivity. **Please call or email us if you have specific questions about our forecast.**

SAM STRATEGY

In view of the above outlook, we continue to remain near the full stock allocation for each of our investment strategies. We will continue to emphasize growth-oriented companies. With computer hardware and software pricing and competition weighing heavily on the large technology companies, we sold Microsoft, Intel and IBM in our larger portfolios. We added Burlington Northern (railroad) and UPS. We also added the Matthews Asia Pacific Fund to all portfolios, and we expect to add to this position in the future. In view of our very negative outlook for bonds, our only bond position remains the Rising Rates Fund, which will move up with rising interest rates.

NEED LAST MINUTE TAX INFO? *If you need last minute tax information to complete your returns, don't wait until the very last minute. Call us immediately and we will fax to you or your accountant 1099's, or Gain/Loss reports. Gain/Loss Reports were unexpectedly delayed by Schwab. Charles Schwab & Company apologizes for the delay and assures us that this will not happen in the future.*

PLEASE NOTE THAT WE ARE CLOSED APRIL 14th. As all U.S. stock markets are closed in observance of Good Friday, we will be closed as well. So please don't wait until the last second to request tax information. **THANK YOU!**

THANK YOU FOR HELPING US GROW! We grew by \$5 million this quarter, to a record \$66 million under management. We really appreciate your referrals!

