

Summer is well established here in central New Hampshire and we hope that you are enjoying this time of year wherever you are.

During the quarter, the S&P 500 grew 1.37%. Value oriented stocks in the S&P 500 Barra Value Index dug in and outperformed the Growth Index, returning 2.58% versus 0.14%. Mid and small cap companies outperformed the large caps with the S&P MidCap 400 Index returning 4.26% and the S&P 600 SmallCap Index returning 3.94%. The Utilities sector was the big gainer for the quarter with a gain of 8.35%. Other notable gainers were Health Care with 3.75% and Financials with 3.65% in total returns. The biggest losing sectors for the quarter were the Materials sector, dropping 9.97% and the Industrials sector with losses of 2.91%.

Final government reports on Gross Domestic Product for the first quarter were revised upward during this last quarter from 3.5% to 3.8%, in line with where the rate had been at the end of 2004. The unemployment rate continued to edge lower, from 5.2 to 5.1% and preliminary numbers show modest job creation during the last few months. Finally, the Federal Reserve Open Market Committee continued their "measured pace" of increasing the target Fed funds rate by a quarter point twice during the last three months, bringing it to 3.25%. We believe we are in the 8th inning and that the market will react positively in the next six months to an end of Fed tightening.

The big news in the markets this quarter was from the Energy sector as the price of oil continued to trend upward, crossing the \$60 mark recently. High prices at the pump could effect consumer consumption and behavior. The markets lack of advance in the first six months of the year reflects these concerns. The consumer seems to be in good shape despite high gas prices as household wealth has jumped with the rise in housing prices. With supply and demand tipped in favor of demand, these trends are likely to continue.

As we reported previously, our research had suggested that consumer oriented stocks would be benefiting from a move back to investment in labor while industrial and capital oriented stocks were likely to take a breather. The above noted returns for the Health Care and Materials sectors showed that this thesis has indeed started playing itself out. Our performance has been positively impacted by these factors. We are reassessing this thesis and the stocks we are currently holding as quarterly reports continue to come in over the next month.

During the last week of the quarter, we moved our headquarters to Concord, NH. You may still reach us through our toll free number but our new phone and fax numbers and address are shown below. We hope that our new location will provide us with increased visibility and make it easier for business partners, service providers and most clients to visit us when necessary. We will maintain the New London office for the foreseeable future. In Concord we share space with Harvest Capital, our previous colleagues from Taylor Investments. We anticipate that this proximity will result in a broadened research effort creating new investment ideas for your portfolios.

As always, we appreciate the fact that you have allowed us to assist in your investment needs. Should you have any questions or concerns about our relocation, the accounts you have with us, or your financial situation, please feel free to contact us.