Our hopes are that your summer was as enjoyable as ours was here in central New Hampshire. We are well settled into our new office space in Concord and are pleased to report that, as far as investments go, your portfolios saw market beating returns during this last quarter.

S&P Indexes showed gains across the board for the quarter. Mid Cap companies continued outperforming Large Cap companies as the S&P MidCap 400 returned 4.88% compared to the S&P500's return of 3.61%. In the large caps, growth outpaced value with the S&P500/Barra Growth returning 3.78% against the S&P500/Barra Value's return of 3.44%. In the mid caps, value topped growth with the S&P400/Barra Value returning 5.41% against the S&P400/Barra Growth's return of 4.38%. As could be expected, the winning sectors during the quarter were the Energy and Utilities sectors with gains of 39.96% and 20.36% respectively. The biggest losers of the quarter were Telecommunications sector with a loss of 8.09% and the Consumer Discretionary sector with a loss of 8.06%.

During this quarter, the government confirmed that Gross Domestic Product (GDP) growth rates estimates correctly pinned the previous quarter's growth rate at 3.3%, citing consumer spending, exports and business investment as the leading drivers of this growth. Employment numbers released during the quarter showed reasonable increases in job growth and a small reduction in the unemployment rate, from 5.0% to 4.9%, the lowest its been since August of 2001.

The Federal Reserve continued to raise interest rates at their August meeting, bringing the target Fed Funds rate up another 0.25% to 3.5%. We have been anticipating the end of the Feds tightening cycle (as have many) and the recent dissent of one of the Fed's Committee members suggests that we are coming closer to the end of this cycle. In addition, the yield curve (the difference between short and long term interest rates) has become flatter of late (the difference between long and short term rates becoming smaller) indicating that the fixed income markets foresee the end of the Fed raising rates.

Of course the big news during the quarter was again the energy markets. In addition to the normal concerns about supply and demand dynamics, the effects of Hurricane Katrina continue to be felt. Crude oil, natural gas, heating fuels, gasoline and petroleum based materials have all seen increased volatility and generally increasing prices throughout the last quarter. For the most part, we were well positioned to take advantage of the unfolding energy theme and believe that it is likely to continue unfolding throughout the next quarter. On the flip side, we have seen and expect to further see that stocks in the consumer sector may have difficulty as a result of higher energy prices. Selective consumer discretionary stocks have done well during the last quarter, but as a whole the sector has abruptly slowed down, causing us to rethink our thesis concerning the turn toward the consumer. We will be monitoring existing consumer discretionary stocks and the movement of the sector closely.

With the end of the year approaching, it may be a good idea to review your investments and investment plan. For those of you utilizing a consultant, be sure to contact them to discuss your situation. Otherwise, feel free to contact us to discuss your situation and see how we can further help you achieve your financial goals. Again, our toll free number is (800)711-3694 and our local number is (603)227-5256. Thank you for your continued trust in us.