For the three months ended December 31, 2005, the S&P/Barra Indexes were all above water. Mid Cap companies again outperformed Large Cap with the S&P Mid Cap Index returning 3.34% versus the S&P 500 Index return of 2.09%. Large Cap Value stocks continued to best Large Cap Growth with the S&P 500/Barra Value Index returning 2.70% and the S&P 500/Barra Growth Index returning 1.44%. However, growth stocks bested value stocks in the Mid Cap universe with the S&P MidCap 400/Barra Value Index returning 1.68% compared to the S&P MidCap 400/Barra Growth Index return of 4.92%. This quarter Basic Materials stocks lead the advance with a return of 10.56%, followed by Financials with a return of 7.49%. The worst performing sectors were in Energy and Utilities, with returns of -7.73% and -6.32% respectively.

For the year, mid cap stocks returned an impressive 12.56% according to the S&P 400 MidCap Index while the large cap S&P500 Index returned 4.91%. Value stocks, represented by the S&P 500/Barra Value Index returned 6.33% while growth stocks represented by the S&P 500/Barra Growth Index returned just 3.46%. The big sector winners for the year were Energy and Utilities with those S&P sectors returning 29.14% and 12.76% respectively. The big sector losers were Telecommunications and Consumer Discretionary, returning -9.05% and -7.35% respectively.

The latest government data for economic growth and employment show reasonable strength. Final data for third quarter GDP growth showed an increase to 4.1% from second quarter's 3.3%. Preliminary jobs data showed increases of 44 and 215 thousand jobs in October and November respectively, bringing the unemployment rate to a steady 5%.

Since our last letter, there have been three meetings of the Federal Reserve Open Market Committee. At each of their meetings, the committee voted to raise interest rates 0.25%, ending the year at 4.25%. Last quarter we noted that the yield curve (a visual representation of the difference between long and short term interest rates) had flattened. As we compose this letter, the yield curve remains flat with a two year treasury bond yielding 4.36% and a 30 year treasury bond yielding just 4.56%. There have been additional signs that the Fed may be nearly done with their tightening cycle, including the recent release of the committee's December transcript which suggests that their stance is becoming much more neutral.

We are pleased to report that our research relationship with Harvest Capital Management continues to grow. Our research collaboration has been mutually beneficial in generating investment ideas and stimulating discussions about market themes and forces. We'd like to take a moment to introduce some of Harvest Capital's professionals to you. Marshall Rowe is the Chief Investment Officer and founder of Harvest. He has over 20 years investment experience with firms such as Taylor Investments, Hambrecht & Quist, and Merrill Lynch. Libby Pomfret is the Senior Vice President and Director of Portfolio Management. She has over 18 years of experience in portfolio management with firms such as Taylor Investments and First NH Investment Services, and is a CFA charter holder. Harvest manages approximately $125 million. Our security selection and theme generation efforts are grounded on solid fundamental analysis and the forces of change which drive equity prices. We look forward to a very productive long term relationship with Marshall and his team and hope you will have the opportunity to meet the staff in our offices in Concord or at a mutually convenient location.

For those of you with taxable accounts managed by Hutchens, you will find an extra report included with these quarterly materials outlining realized gains and losses for 2005. Please let us know if there is any additional information from us that you require to help assist you in the completion of your tax returns. Thanks again for all your business and for helping make 2005 a very successful one here at Hutchens. We appreciate your trust and look forward to serving you in 2006.