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January 22, 2006

The stock market rallied in the fourth quarter as crude oil prices pulled back from their late summer highs. The S&P 500 gained 2.1% in the quarter and ended the year with a modest gain of 4.9%. Other major equity indices finished the year just off this pace. The NASDAQ Composite was up 2.1% in 2005, and the smaller-cap Russell 2000 Index was up 4.6%. Foreign stock markets, generally speaking, continued to outpace our market. On the year, the MSCI EAFE Index of foreign stock rose 13.5%. Bonds, meanwhile, returned 2.4% during the year, measured by the Lehman Brother Aggregate Bond Index, as intermediate- and long-term interest rates stayed level in spite of continued monetary tightening by the Federal Reserve. Overall, last year will go down as a pretty “ho-hum” year for investors. However, given all the challenges the market faced last year, the fact that it produced any gains at all is quite impressive. Let us not forget that last year brought us soaring energy prices, record Federal trade and budget deficits, eight consecutive rate increases from the Fed, and three serious hurricanes – one of which practically wiped out an important American city.

With regard to our portfolios in particular, our stable of value-adding managers along with a few specialized funds that we have added in recent years, turned this “ho-hum” year into a rather respectable one. All but one of our domestic equity funds outperformed the S&P 500 last year, and all three of our diversified international funds outpaced the MSCI EAFE Index. On top of that, we benefited from a 24.1% gain from our Pacific/Asia fund, a 20.5% return from our commodity index fund, and 29.2% advance from our gold fund. These funds, paired with appropriate bond allocations, combined to give us solid returns in a difficult year for many other investors.

Looking forward, we continue to see a challenging environment for investors. Equity returns on the balance of this decade will do well to match their 10% historical average. Bonds are still offering modest yields in the 4% range. We will seek to boost the performance of our portfolios -- just as we have done in the past -- by seeking out funds with low fees and strong management. We will continue to question the conventional wisdom of the day and will not be afraid to buck that trend. Currently, that philosophy is leading us to a growing emphasis on large-cap funds and funds with a more growth-oriented stock selection methodology. As part of that process, we began 2006 by replacing the Oakmark International Fund with the SSgA International Opportunities Fund. We have owned the Oakmark International Fund in client portfolios dating back to

the inception of our Wealth Management service in 2000, and it has served us very well. Over the past five years, for example, the fund has returned 62.9% versus only 12.6% for the MSCI EAFE Index. This performance places it in the top 15% of all foreign stock funds over this period. We continue to have a lot of respect for the managers of this fund, but recognize that their ability to add value will be tested in a more growth-stock oriented market. We believe that the SSgA fund, with its portfolio of many of the world's largest and most highly regarded companies, is better positioned to outperform in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Ackerman". The signature is fluid and cursive, with a long horizontal stroke at the end.

David B. Ackerman, CFA, CFP
Partner