

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Market Intelligence

by Stephen C. Winks

Starting this issue, Capital Market Consultants, LLC (www.cmarkc.com) will provide readers with selected monthly updates in chart and table form from their **CMC EResearch™** on-line research product. CMC is an independent consulting services resource for RIAs and mid-to-small sized financial firms which find it more effective for their business to outsource rather than build their own in-house technical resources. The focus of their research observations each month will reflect prevailing market conditions.

In order to elevate the role and counsel of the advisor, it is important that break-through advances in the data, processes, technologies and investment methodologies we use be embraced for the faster, better, cheaper delivery of financial products and services.

CMC is a reliable first user of many innovative advances which gives them uncommon insight and perspective.

Table 1: Capital Market Performance - Domestic Equity

Capitalization	Barra/S&P Value			S&P 500 Composite			Barra/S&P Growth		
	Return	Risk		Return	Risk		Return	Risk	
↑	Russell 1000 Value			Russell 1000			Russell 1000 Growth		
	Last Month	0.61%		Last Month	0.14%		Last Month	-0.31%	
	YTD	7.05%		YTD	6.27%		YTD	5.26%	
	1 Year	7.05%	7.39%	1 Year	6.27%	8.15%	1 Year	5.26%	9.66%
	3 Year	17.49%	9.59%	3 Year	15.42%	9.26%	3 Year	13.23%	9.67%
	5 Year	5.28%	13.34%	5 Year	1.07%	15.01%	5 Year	-3.58%	18.69%
	Russell Mid Value			Russell Mid			Russell Mid Growth		
	Last Month	0.97%		Last Month	1.03%		Last Month	1.10%	
	YTD	12.65%		YTD	12.65%		YTD	12.10%	
	1 Year	12.65%	9.77%	1 Year	12.65%	10.62%	1 Year	12.10%	11.94%
	3 Year	24.38%	11.07%	3 Year	23.79%	11.38%	3 Year	22.70%	12.36%
	5 Year	12.21%	13.78%	5 Year	8.45%	15.92%	5 Year	1.38%	22.80%
Russell 2000 Value			Russell 2000			Russell 2000 Growth			
Last Month	0.66%		Last Month	1.13%		Last Month	1.61%		
YTD	4.71%		YTD	4.55%		YTD	4.15%		
1 Year	4.71%	13.42%	1 Year	4.55%	14.53%	1 Year	4.15%	15.90%	
3 Year	23.18%	14.29%	3 Year	22.13%	15.30%	3 Year	20.93%	16.75%	
5 Year	13.55%	16.59%	5 Year	8.22%	19.14%	5 Year	2.28%	23.37%	
↓	← Style →								

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Table 1
Equity capital markets performed well during December of 2005 with major equity indices performing in positive territory. Growth stocks led the way in small and mid segments. Mid caps led in 2005 followed by large and then small cap stocks.

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Table 2: Capital Market Performance - Other Benchmarks

	Dow Jones	Return	Risk	Nasdaq Composite	Return	Risk	Dow Jones Commodity	Return	Risk
Domestic	Last Month	-0.82%		Last Month	-1.23%		Last Month	2.85%	
	YTD	-0.61%		YTD	1.37%		YTD	17.54%	
	1 Year	-0.61%	8.72%	1 Year	1.37%	14.00%	1 Year	17.54%	15.26%
	3 Year	8.71%	9.61%	3 Year	18.20%	14.48%	3 Year	15.78%	14.25%
	5 Year	-0.13%	15.05%	5 Year	-2.25%	26.80%	5 Year	8.35%	13.76%
Int'l	MSCI World Index	Return	Risk	MSCI World Ex. US	Return	Risk	MSCI EAFE	Return	Risk
	Last Month	2.48%		Last Month	4.65%		Last Month	4.66%	
	YTD	11.36%		YTD	14.96%		YTD	14.02%	
	1 Year	11.36%	10.37%	1 Year	14.96%	10.37%	1 Year	14.02%	10.02%
	3 Year	20.17%	11.47%	3 Year	24.83%	11.47%	3 Year	24.18%	11.55%
Fixed	ML 3 Month T-bill	Return	Risk	LB US Ag Bond	Return	Risk	LB US Gov./Credit Int	Return	Risk
	Last Month	0.32%		Last Month	0.95%		Last Month	0.63%	
	YTD	3.07%		YTD	2.43%		YTD	1.57%	
	1 Year	3.07%	0.19%	1 Year	2.43%	3.14%	1 Year	1.57%	2.63%
	3 Year	1.84%	0.28%	3 Year	3.62%	4.12%	3 Year	2.96%	3.69%
Other	LB High Yield	Return	Risk	NAREIT Equity	Return	Risk	HFRI Fund of Funds	Return	Risk
	Last Month	0.86%		Last Month	-0.20%		Last Month	1.69%	
	YTD	2.74%		YTD	12.13%		YTD	5.47%	
	1 Year	2.74%	5.07%	1 Year	12.13%	15.58%	1 Year	7.01%	4.06%
	3 Year	13.77%	5.63%	3 Year	26.47%	15.38%	3 Year	8.19%	3.30%
5 Year	8.86%	8.82%	5 Year	19.06%	14.03%	5 Year	5.78%	3.24%	
5 Year	5.49%	3.65%	5 Year	-2.25%	26.80%	5 Year	5.78%	3.24%	

Source: Capital Market Consultants, LLC. Copyright 2006. All rights reserved. HFRI Fund of Funds data updated as of November 2005.

Table 2
International stocks & REITS kept pace with domestic equities. Hedge fund-of-funds lagged. Commodity prices rose up during the month but softened for the fourth quarter. Fixed income indices rose slightly.

TIME FOR A LARGE CAP GROWTH COMEBACK?

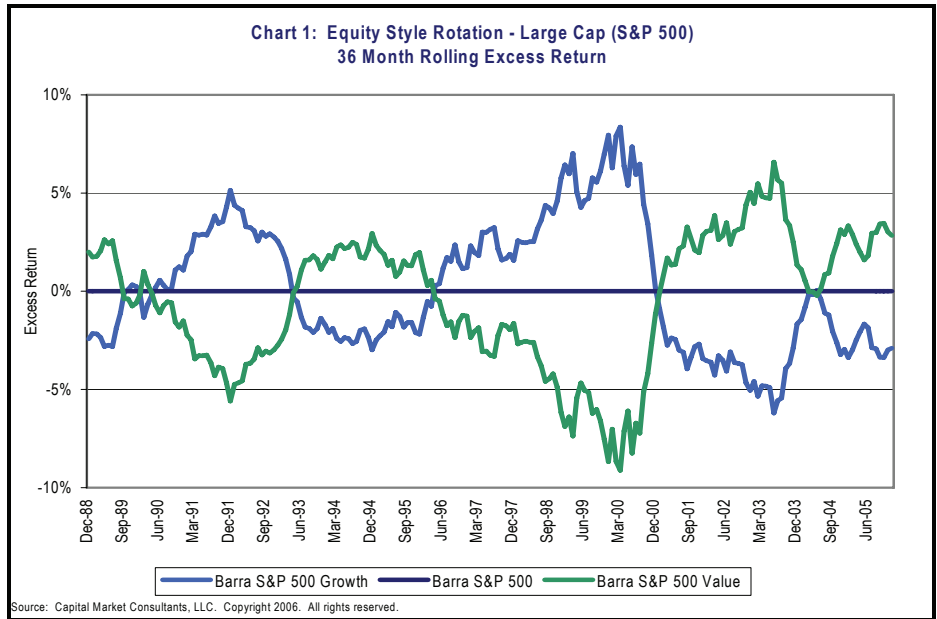
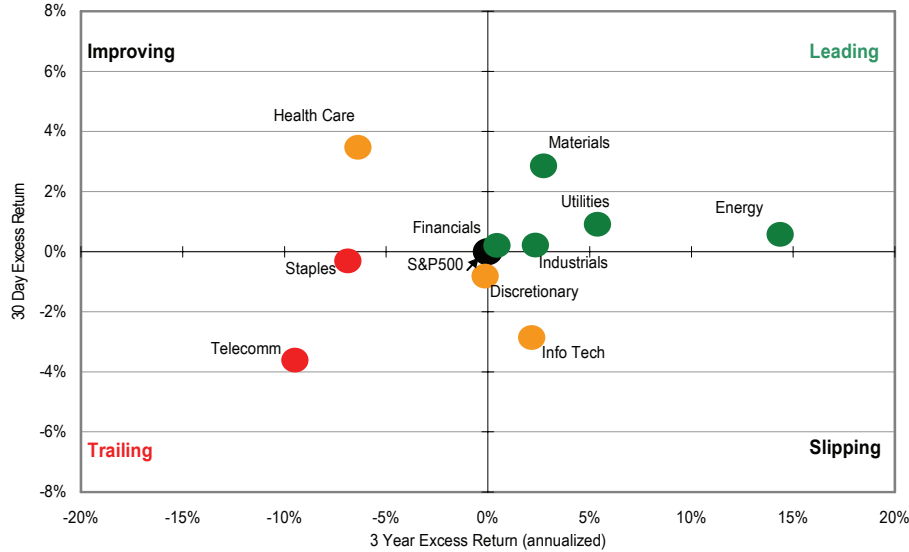


Chart 1
This chart depicts style leadership rotation between the Growth and Value components of the S&P 500 over time. The large cap tech-led growth bubble is clearly seen in the late 90's. A steep market decline ensued beginning in early 2000 with growth stocks taking the biggest hit; value stocks have outperformed since. Early evidence in 2005 indicates style rotation may be reversing once again.

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Chart 2: Comparative S&P 500 Sector Performance: Excess Returns



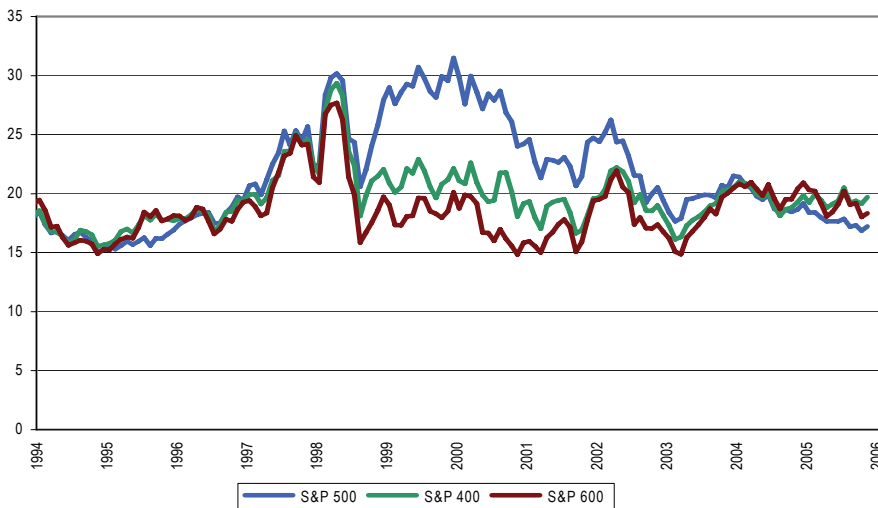
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Chart 2

This chart compares individual S&P economic sector performance vs. the S&P 500 Index as a whole. Short-term (vertical) and long-term (horizontal) excess performance is compared. Sector performance during December of 2005 was led by Health Care, Materials, Industrials, and to a lesser extent Energy, Financials, Utilities and Discretionary sectors were generally in line with the S&P 500. Telecom and Infotech lagged the benchmark. Longer-term (3-years) Energy, Industrials, Utilities, Materials and Infotech have outperformed the S&P 500 total return. Monthly updates illustrate sector rotation trends.

LARGE CAP VALUATION HAS BEEN CONTRACTING SINCE MARKET PEAK

Chart 3: P/E Ratios: S&P 500 - S&P 400 - S&P 600 (excludes negative P/E's)



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Chart 3

This chart graphs the price-to earnings ratio (P/E) of the S&P 500 (large cap), S&P 400 (mid cap), and S&P 600 (small cap) indices. Due to strong earnings growth and modest performance, the S&P 500 P/E has declined significantly since the 2000 market peak. In contrast, mid and small cap P/E's have risen off their 2002 lows, due primarily to surging performance. With large cap P/E's in line with their 30-year average these stocks appear fairly valued. We expect large cap stocks to begin outperforming their mid and small cap counterparts in 2006 as components revert to the mean.

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