

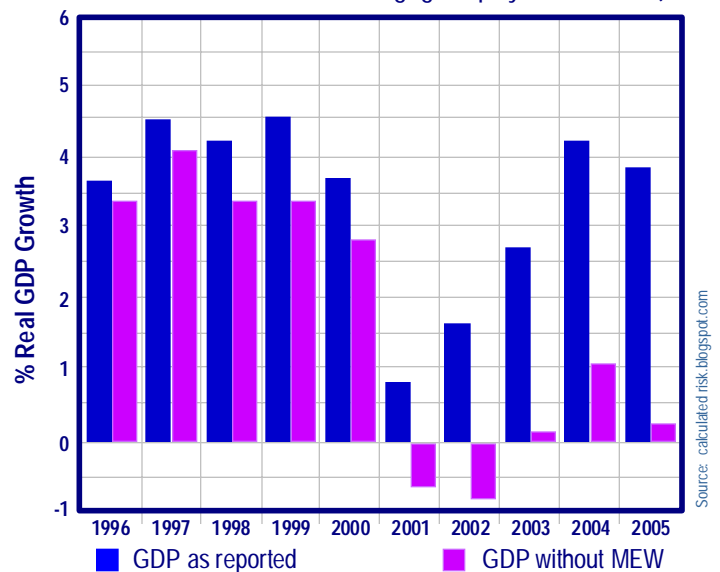
2006 - WHAT IS IN STORE FOR INVESTORS?

First, 2005 went into the record books as the year with the lowest percentage price swing in the 108-year history of the Dow Jones Industrial Averages! Indeed, the widely followed index stayed within a very narrow range (only 9.1% top to bottom) and closed down less than one percent for the year. In other words, it was a very dull year and made it difficult for us to take advantage of significant price moves one way or the other. All in all, however, we were able to add to your portfolio wealth through proper asset allocation, careful stock selection, and emphasizing income.

2006 will most certainly bring increased volatility (up and down!) and increased opportunity to prune, plant, and cultivate profit-making ideas into portfolios. We begin this year leaning toward the cautionary side and have recently been taking gains during current stock market strength, creating cash reserves that can be re-deployed at more opportune (lower) price levels. After all, the successful investment formula is to buy low and sell high! One of the reasons for our near-term caution is our proprietary business cycle indicators are signaling us to proceed cautiously. After three consecutive strong years, the business expansion is getting long in the tooth and with the Federal Reserve's relentless string of interest rate increases we are watchful for an economic slowdown. We define the current environment as "Stage 5", characterized by higher risk and meager returns for both stocks and bonds. This dictates still keeping a fairly defensive investment posture. Later, when our research points to an improving financial outlook, we will add significantly to potential wealth building investment themes.

One important observation is our belief the economy will cool down quickly. An important driver of economic growth the past few years has been prolific consumer spending, to a large part spending sustained by refinancing and spending home mortgage equity withdrawals (MEW). **Surprisingly, without the stimulus of MEW spending, the economy would have generated virtually no growth the last five years!**

GDP Growth: With & Without Mortgage Equity Withdrawal (MEW)



Higher Interest Rates Halts Refinancing and Will Slow 2006 Economy

The economy will slow quickly now that interest rate increases have made it more expensive for the consumer to refinance and withdraw equity money from their “house” account. A housing market slowdown is actually the desired outcome for the Federal Reserve Board who is worried about a return to another bubble economy – this time centered on housing speculation.

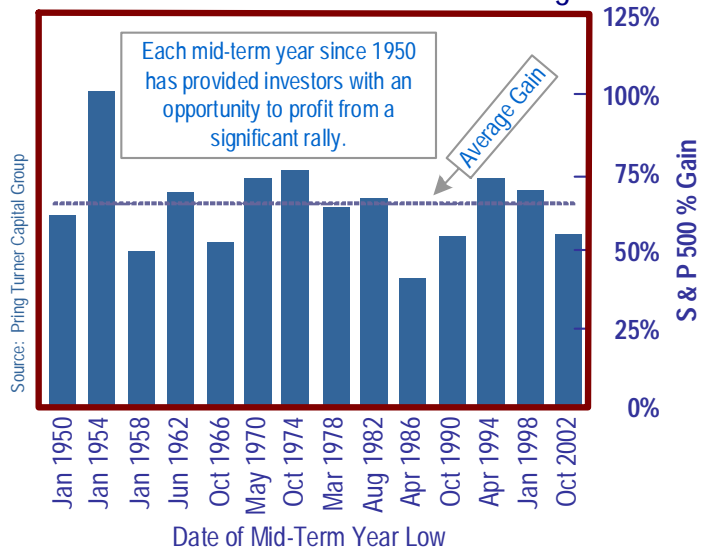
Evidence of a slowdown later this year will allow the Fed to reverse gears and perhaps allow them to begin lowering interest rates to kick-start the next business cycle expansion. The normal progression of the business cycle moves us closer toward a favorable environment to take advantage of income opportunities for you. Our immediate job is to protect your capital and await the next low risk entry point before first increasing fixed income investments and then stock allocations.

The good news is that our business cycle analysis also fits nicely with the “Presidential” or “4-year Cycle”. Historically, the stock market muddles along for two years after a presidential election. Probably not by coincidence, the political party in power uses all means necessary (both fiscal and monetary stimulus) to boost the economy ahead of the next presidential election. In every presidential election cycle since 1950, the stock market moved up significantly from a mid-term or second year low point to the next presidential election year high point. **The chart shows the opportunity for significant stock market gains in the second half of the presidential term extending into 2008.** So temporary caution and patience right now should pay off later if history and the election cycle pattern play out once again.

After 2005, and the lowest volatility in 108 years, we will go out on a limb and forecast with 99% confidence that in 2006 the Dow Jones Averages will produce greater price swings and potential opportunities. However the scenario may turn out, you can be sure we will endeavor to diligently research and act within our disciplined methodology to bring positive results to your portfolios.

Thank you for your continued confidence in Pring Turner Capital Group. As always, please feel free to contact us should you have any questions regarding your portfolio. We wish you a happy, healthy and prosperous 2006!

Mid-Term Year Low to Election Year High



Mid-Term Opportunity Coming This Year!