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ValueWorks:

Redefining wealth management through critical thinking and independent research

1450 Broadway 42nd fl NY NY 10018 212 819 1818

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A Solid Quarter

The equity markets posted solid returns in the first quarter; our portfolios participated quite fully in that advance. Specifically, the S&P 500 gained 4.2% for the quarter, the Dow rose 4.2% and the Nasdaq gained 6.3%. Our Capital Appreciation composite earned 6.6% for the period while our Balanced Composite up 6.7%.

The market advance continued to be led by "hard asset" type investments. This can be seen in the S&P sector index performance for the quarter. The S&P Steel index advanced by 50%, Oilfield Services rose 20%, Railroads rose 18% and Real Estate Investment Trusts rose 15%. By contrast, the Semiconductor index declined by 5%, the Biotech index declined 2%, and the Broadcast index declined by 1%. Market strength has been in capital intensive basic industrial enterprises. This continues a trend that was firmly in place in 2005.

ValueWorks' Top 10 holdings:**

1. **Rowan Companies**
2. **Sony Corp ADR**
3. **Sun Microsystems**
4. **Wachovia Corp**
5. **Boeing Company**
6. **Chesapeake Energy Corp**
7. **Walt Disney Co**
8. **Pfizer Inc.**
9. **Cypress Semiconductor Corp**
10. **Washington Mutual**

—as of 3/31/06—

****see notes on p4 for additional information**

Capital intensive companies that went through a period of underinvestment have benefited from tight end markets, translating to higher pricing, better margins, and higher share prices. This is consistent with the early stages of a business cycle expansion. Increasingly these conditions are being met with increased capital spending and business investment. This represents a healthy economic environment and a positive investment climate.

For the near term, we expect these trends to remain intact. However, increased investment will lead to higher industrial capacity. At some point pricing power should start to dissipate, translating to lower prices. This should lead to less concern regarding inflation and higher consumer purchasing power. These factors should contribute to a broadening and deepening of the economic expansion that is clearly occurring.

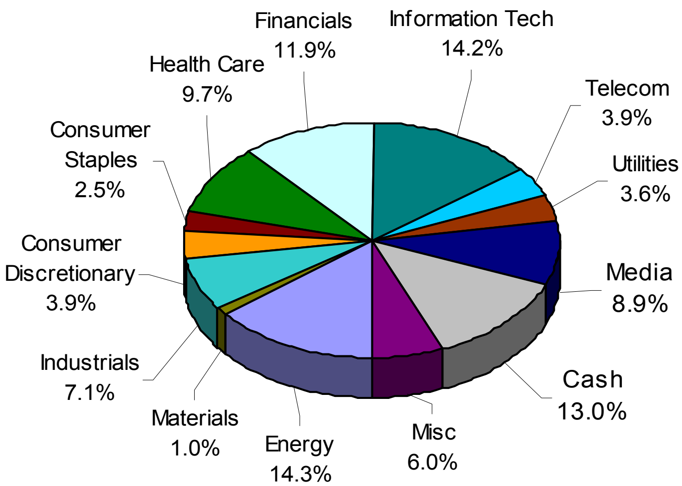
In this context, I expect these improving economic conditions to be increasingly reflected in share prices. I believe our portfolios are properly positioned to benefit from such an advance.

—Charles Lemonides, CFA

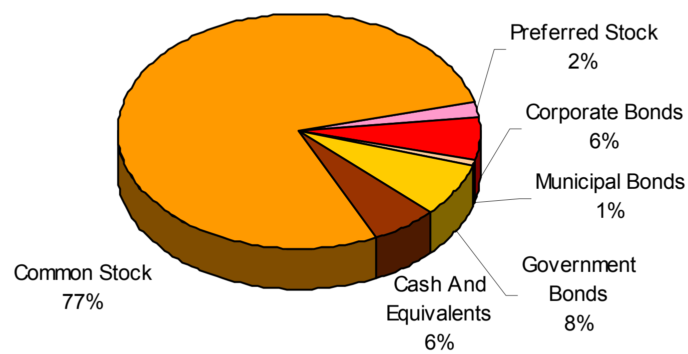
*All ValueWorks' figures are Gross of Fees. For additional information on returns, including net performance, see page 4.

Our accounts are well diversified across market sectors as well as across the corporate capital structure.

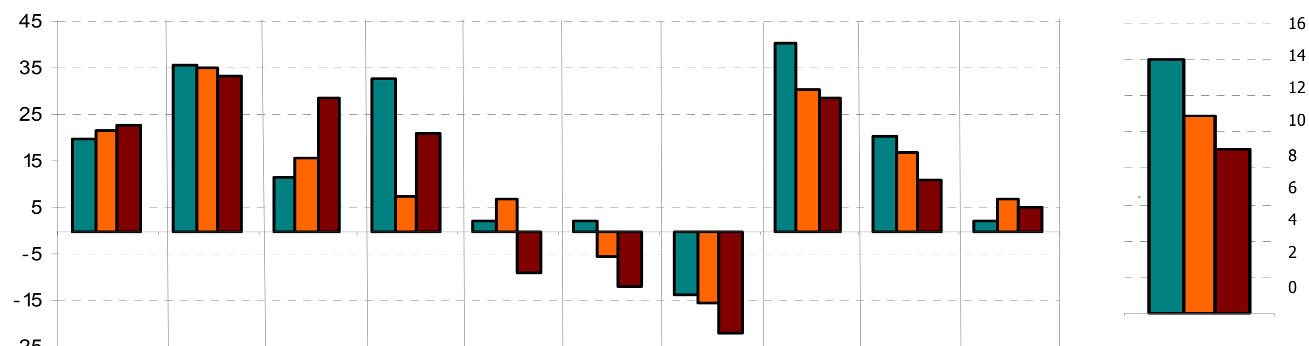
Sector Diversification--
Capital Appreciation Composite



Asset Class Diversification
--Balanced Composite*



On Jan 1 2006, ValueWorks celebrated the completion of our 10th year. Over that time our Capital Appreciation Composite has outperformed the S&P 500 and the Russell 1000 Value Index as shown below.



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Ann. 10 yr Performance
ValueWorks Gross	19.8	35.7	11.6	32.6	2.3	2.1	-14.0	40.4	20.1	1.8	13.99
Russell 1000 Value	21.6	35.2	15.6	7.3	7.0	-5.6	-15.5	30.0	16.5	7.1	10.94
S&P 500	22.9	33.3	28.5	21.0	-9.1	-11.8	-22.0	28.6	10.9	5.0	9.08

Contact us:

ValueWorks LLC
1450 Broadway, 42nd floor
New York, NY 10018

email:
info@valueworksllc.com

Call us:

866 567 4523 (toll free)
212 819 1818 (ny)
212 819 1463 (fax)

Visit us on the web:
www.valueworksllc.com

ValueWorks:

controlling quality assets at compelling valuations

Defining our Philosophy:

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only $0.50 to $0.75 for $1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

Defining our Process:

1) Identification. We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

2) Appraisal. First we identify the assets; then we appraise them. This allows us to determine the company's *underlying value*. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

3) Assessment. Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's *underlying value*. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

4) Re-Evaluation. We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

5) Exit. We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

Our objective is uncomplicated, but achieving it requires a high level of research, expertise, discipline and independent judgment. By applying this framework consistently we remove emotion from the investment decision making process, enabling us to capitalize on inefficiencies built into the market.

About our Portfolio Structure:

We believe risk can be better contained through educated security selection than through overdiversification. Consequently, our position sizes range between 3 – 5 %of the overall portfolio value. Fully invested portfolios tend to hold 25 – 35 individual investments.

We enter investments that we view as 25 – 50% undervalued and sell them when we see them as fairly priced. Our anticipated holding period tends to be one to two years which results in only modest portfolio turnover.

Because our decisions are based on research and sound fundamentals we view depressed price action on our securities as buying opportunities rather than sell signals.

We use senior debt and preferred instruments—offerings that can be easily misunderstood by traditional equity or fixed income investors—to gain equity type returns on safer vehicles.

About our Client Services:

ValueWorks provides independent investment management on an individual account basis. Our clients receive the benefits of owning securities directly, coupled with the advantages of having a dedicated portfolio manager.

Working directly with your financial consultant, we evaluate your investment profile and build a plan designed to meet your specific goals.

As a high-end investment alternative, you receive:

- Individual review of your portfolio requirements
- A separately tailored portfolio created and maintained to your investment objectives and risk tolerance
- Access to the Portfolio Manager on an ongoing basis with timely and responsive communication
- Flexibility to meet your changing tax requirements and investment needs Comprehensive quarterly performance reports.

Working within the framework of our value investment discipline, we build portfolios that cover a wide spectrum of risk-tolerance, from aggressive to much more conservative and income oriented.

ValueWorks: Performance Review

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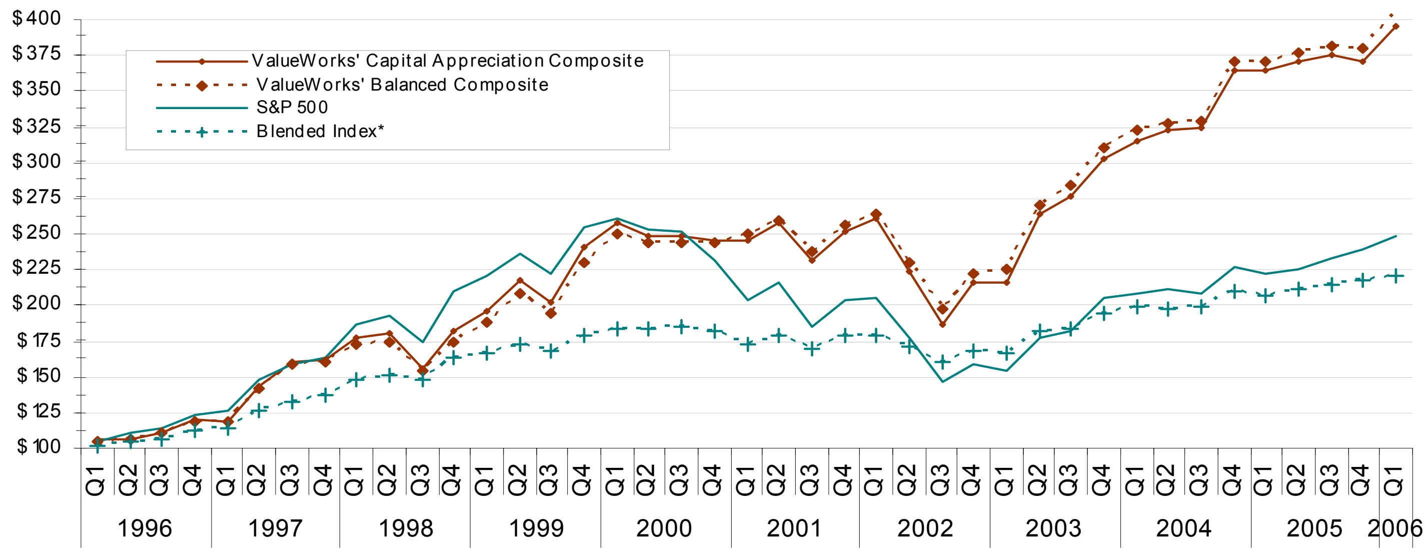
1st Quarter: December 31st, 2005 — March 31st, 2006

Historical Growth of $100 (gross of fees)



Trailing Performance Data

	ValueWorks' Capital Appreciation Composite			ValueWorks' Balanced Composite		
	Gross of fees	Net of Fees	S&P 500	Gross of fees	Net of Fees	Blended index*
10 year	14.34	12.20	8.96	14.44	12.53	8.05
7 year	10.54	8.96	1.69	11.61	9.79	4.08
5 year	9.98	8.46	4.00	10.15	8.45	4.96
3 year	22.27	20.60	17.23	21.41	19.68	9.85
1 year	8.21	6.67	11.82	9.18	7.55	7.03
2006 YTD	6.59	6.25	4.21	6.66	6.27	1.78

*The "Blended Index" is a calculation comprised of 50% S&P 500 and 50% Merrill Lynch Domestic Master Bond Index.

The above benchmark indices are unmanaged indices. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. Results for the full period are time weighted. Accounts are included in composite at the start of the first full period under management. From 1996—Q1 1998 exiting accounts are included through the period in which they left. Starting in Q2 1998 exiting accounts are included through the last full period under management. Results were generated at other firms prior to 9/30/01. Information on other composites is available on request.

As of 3/31/2006 the Capital Appreciation Composite consisted of 375 accounts and $135,368,139 in assets; while the Balanced Composite consisted of 109 accounts and $67,444,281 in assets. Together this represents 99.38% of total accounts and 89.56% of total assets.

Past performance is not a guarantee of future results.