

Quarterly Newsletter

4th Quarter - 2006

Remick Capital Update:

Midway through this quarter Remick Capital began operations as a Registered Investment Advisor and started signing up new clients. Remick Capital has a few initial client accounts under management and several additional individuals will be signing up in the coming months. It is a very exciting time!

Market Overview:

Despite tepid economic growth and relatively unattractive investment valuations, the world's stock markets rallied upwards to finish off 2006. The following table summarizes the relevant stock and bond market returns at the end of 2006:

Returns* ended 12/31/2006:	1 Qtr Return	1 Year Return	3 Year Return (annualized)
Wilshire 5000 Index (Ticker: VTI)	7.19%	15.69%	11.52%
MSCI World Index (Ticker: EFA)	10.36%	25.81%	19.25%
Lehman Aggregate Bond Index (Ticker: AGG)	1.14%	3.90%	3.31%

The past 4½ year bull market has seen a rapid increase in value for almost every type of investment out there... gold, commodities, real estate, and all varieties of stocks have seen many years of higher than average returns; and usually the riskier the investment has been, the better the returns have been. With stock markets at what are, in my opinion, fairly elevated levels; it is likely that returns over the next few years for many investors may be disappointing. However, there are still some investment gems to be had with a little bit of work and unconventional thinking that will produce satisfactory returns while maintaining limited risk.

Commentary:

As 2006 comes to a close, there are three major concerns that are at the forefront of most investors' minds:

1) Real Estate slowdown - If you watch the news, you have obviously read about the housing 'crash' that is supposedly taking place. While many housing markets around the country are slowing down, or retracing earlier gains, as speculators and developers have changed their outlooks; in the end, it appears that housing prices nationwide are going to be about flat at the end of 2006 from a year earlier. While this is certainly a disappointment for those who were expecting their house would be appreciating again this year, it by no means is a signal of an impending housing apocalypse.

2) Inverted yield curve - For the past nine months, the US Interest rate curve has been fully or partially inverted. This means that investors are accepting *lower* interest rates on *longer* term bonds than they are getting on shorter term ones. Historically, investors have demand a higher return on money that they lock up for longer periods of time (which is natural) and in the rare case when this has not been true, it has historically been followed by a US recession. I hesitate to say "this time it is different," but this is a very complicated topic, and I don't believe it is nearly as cut and dry as many commentators would have us believe.

* The Wilshire 5000 Index is a collection of stocks that is designed to approximate the returns of the entire US Stock Market. The MSCI World Index is a collection of stocks that is designed to approximate the returns of the global stock market with US stocks removed. The Lehman Aggregate Bond Index is a collection of bonds that is designed to approximate the returns of the entire US Bond market. All returns are based on Exchange Traded Fund (ETF) returns to make the numbers representative of actual investor returns.

3) Mideast conflict – Continuing problems in Iraq and ominous signs from Iran have been a constant cause of nervousness for market commentators over the past year. It has also been a cause of concern for the past 15 years. However, nothing has come of it. I would imagine that 20 years from now, the talking heads on CNBC will still be worried about the Mideast and the developments there, and I will be just as concerned for the US markets as I am now... meaning, not much at all.

While each of these issues is concerning, and could certainly cause problems for stock markets and consumers worldwide in the coming year; my general feeling regarding these kinds of issues is to accept that they exist, and move on. If you want to worry, or wring your hands about why the economy is going to collapse tomorrow, there will always be plenty of data to support your case. While I fully believe that the economy *could* derail in 2007 and the stock market *could* drop 30% in the coming year... I see no reason to let the possibility of such an event prevent me from purchasing attractive investments for Remick Capital accounts. A famous money manager, Peter Lynch, put it best when he said "People have been looking for recessions for the last 5 years."

To help shelter client portfolios in case of a market downturn, portfolio investments will be selected which have extremely depressed valuations, and have business lines that I believe will not (on aggregate) be harmed drastically in the event of a recession. I believe that applying this investment approach will generate good returns through both up and down markets and prevent much of the heartburn associated with stock market investing.

As always, my money will be invested right alongside yours so you can be sure that I will work diligently to make sure our investments will be profitable ones; regardless of the market conditions. I appreciate the faith and trust you have placed in Remick Capital as your Investment Advisor; I will work hard to make our relationship as mutually profitable as possible.

In future quarters, I plan to discuss more specific investment ideas in detail, but since I am still in the process of purchasing investments for most client accounts, I do not think it is appropriate to discuss any current investment ideas at this time.

Sincerely,

Benjamin Hacker
Principal, Remick Capital, LLC