The Windsor Group, Ltd.

Indiana Benefits Conference

2006 Year In Review

Putting Context Into Today's Market Movement

What We Said Last Year

S&P 500 businesses are more profitable and are returning more cash to shareholders than in 2004, and investors are able to buy these companies at lower valuations:

As a stockholder, you are a business owner

Business owners should be pleased by the following:

- Double-digit earnings growth for 4 consecutive years
- 2005 core earnings are FOUR times greater than they were in 2001 ($65 vs. $16)
- Dividend yield increased by 12% in 2005 (1.8% vs. 1.6%)

As an investor, you prefer low valuations to high valuations

- Price of S&P 500 is roughly the same as it was on December 31, 1998. Earnings have more than doubled since then ($65 vs. $30), so you are paying much less per dollar of earnings than you were back then
- Trailing core P/E ratio is at its lowest level since 1996

2006 Was a Catch-Up Year For the Market

After last year's mild returns but outstanding business results, we encouraged you to maintain a business-owner's mindset and focus on the positive fundamental developments, realizing that prices would eventually catch up:

Outstanding Business Results

\+ Reasonable Valuations

= Satisfactory Investment Returns Over Long Run

Key Point:

• Prices do not always reflect reality in the short term, as seen in 2005 and the first half of 2006. Long-term investors can profit from this fact, while short-term, nervous investors are likely to make emotional decisions that they later regret.

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Market Performance

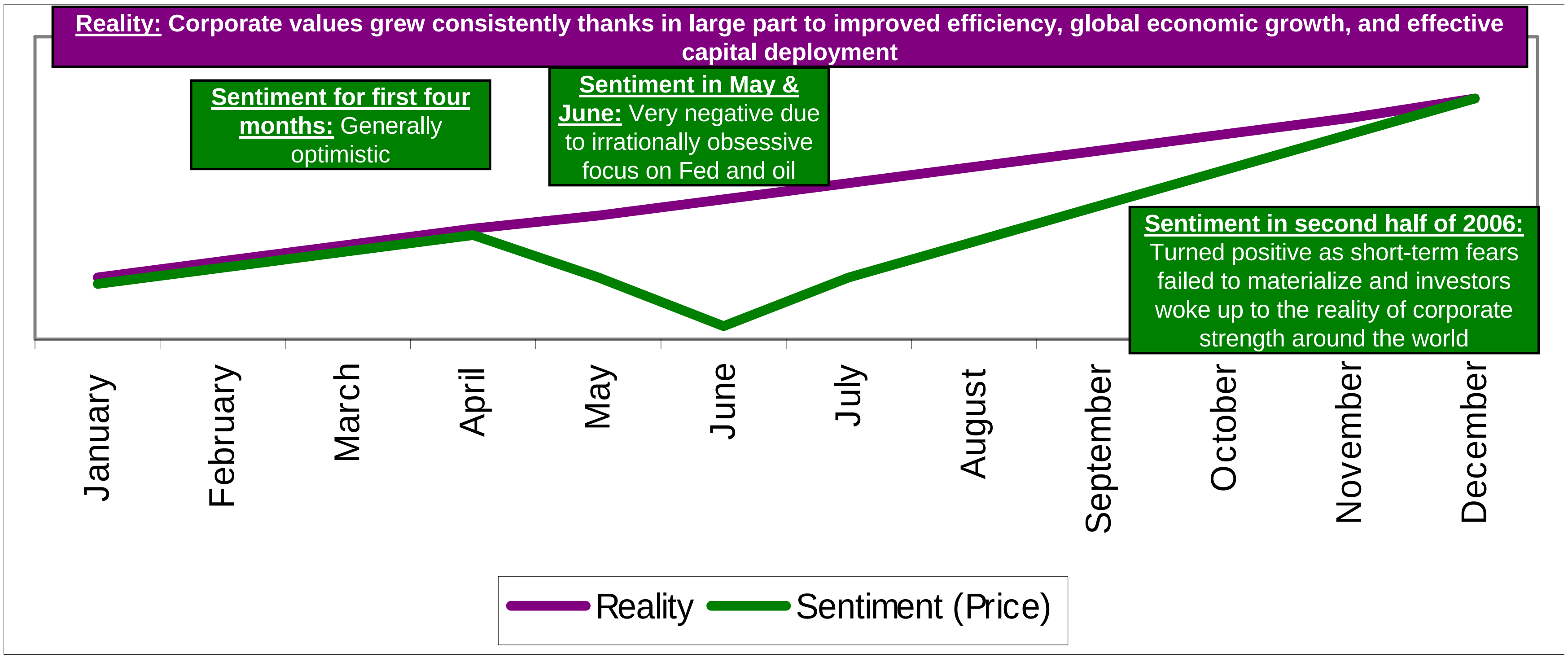
Global Market Returns

	Index	2006	Annualized 3 Year	5 Year	10 Year
Equity	Dow Jones Industrial Average	19.1%	8.4%	6.8%	8.9%
	Nasdaq Composite	9.5%	6.4%	4.4%	6.5%
	S&P 500	15.8%	10.4%	6.2%	8.4%
	Russell Mid Cap	15.3%	16.0%	12.9%	12.1%
	Russell 2000	18.4%	13.6%	11.4%	9.4%
	MSCI EAFE Index (in $)	26.3%	19.9%	15.0%	7.7%
Fixed-Income	Lehman 1-3 Year Gov't	4.1%	2.3%	3.0%	4.8%
	Lehman Aggregate Bond	4.3%	3.7%	5.1%	6.2%
	Lehman Long Gov't/Credit	2.7%	5.5%	7.4%	7.7%
	Lehman Municipal Bond	4.8%	4.3%	5.5%	5.8%

Data courtesy of Morningstar

The Tale of Two Halves

As usual, the market found something to worry about this year. Once those fears subsided, the exceptional corporate performance enjoyed around the globe was reflected in prices:



Key Lesson:

• Sentiment is often dislodged from reality, and the direction of those shifts is very difficult to predict ahead of time. Investors are much better served staying focused on the long-term and ensuring that they own quality businesses trading at reasonable prices.

Chart does not claim that the market is currently trading at fair value, but rather represents the separation of sentiment and reality during 2006

Housing Market: A Soft Landing So Far

A slowdown, but not a crash:

New York, Rhode Island, Michigan, New Hampshire, and Massachusetts experienced a quarterly decline in 3rd quarter

3rd quarter 2006 saw 0.9% national house price appreciation, lowest rate since 1998

More than half of California's cities saw a 3rd quarter price decline

Idaho (up 17.5%) had the highest four-quarter appreciation rate.

Nationwide year-over-year increase was 7.7%

Indiana year-over-year increase was 2.3%. Anderson and Kokomo both experienced price declines. Indianapolis/Carmel up only 1.6%

Arizona (+16.4%) and Florida (+15.1%) experienced strong year-over-year growth, despite a significant slowdown in the most recent quarter (each up 1%).

Data courtesy of OFHEO. 4th quarter data was not available at the time of this report.

Domestic Stocks

Stock Market Timeline for 2006

Major events and their impact on the market:

Chart shows S&P 500 Index performance throughout 2006 and is courtesy of BigCharts.com

Domestic Stocks

Where the Stock Market Strength Came From

Strong earnings growth led to above-average total return; Valuations declined during the year, which is a very positive development for conservative, long-term, business-oriented investors:

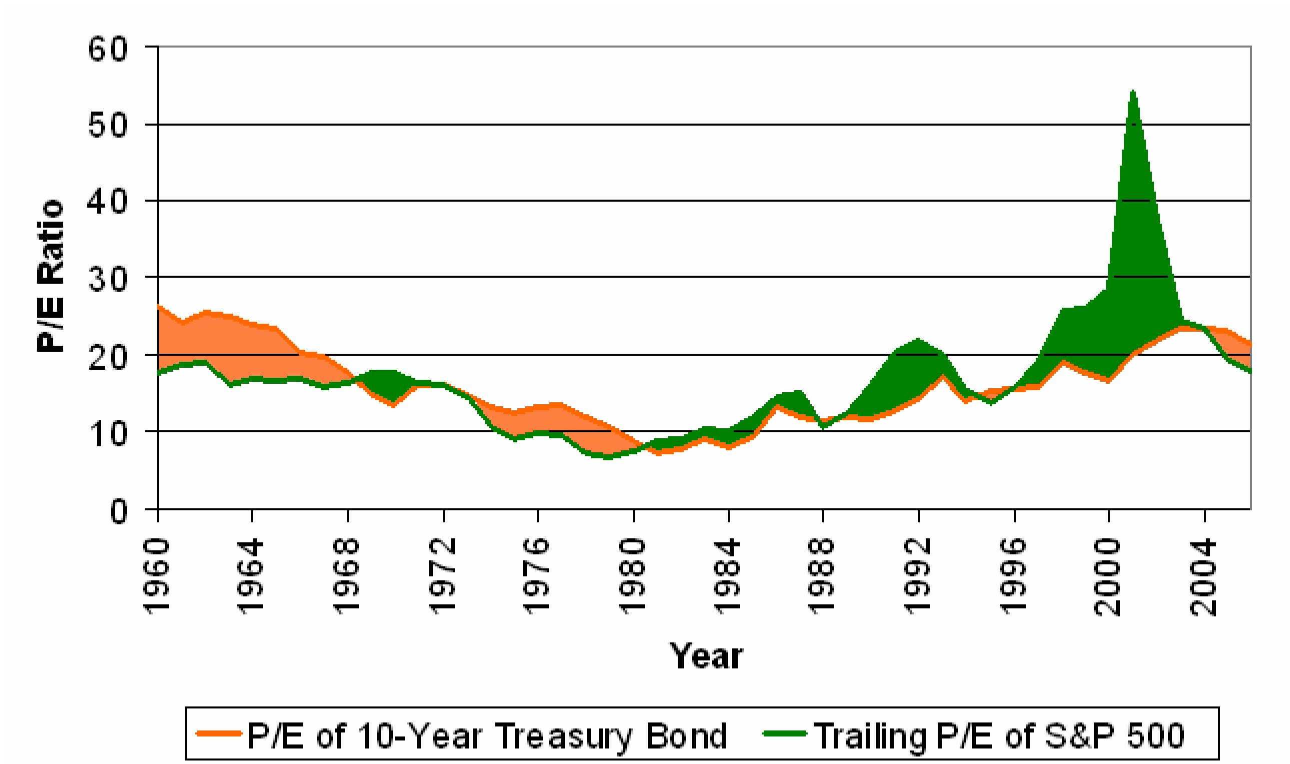
Component of Returns	Historical Average	2006
Real Earnings Growth	1.1%	17.8%
Inflation	3.2%	3.2%
Price-to-Earnings Change	1.7%	-6.0%
Dividends	4.3%	1.8%
Total Return	10.3%	15.8%

Data courtesy of Standard & Poor's and Bureau of Labor Statistics. S&P Core earnings, which use more conservative accounting measures than operating earnings, are used. Final numbers are not yet ready, the above chart shows current estimates. Numbers may not add up to the total return number, since the actual formula is multiplicative and also due to rounding errors.

Domestic Stocks

Relative Valuations Still Reasonable

The "Fed Model" continues to show that stock valuations are fair, relative to bond valuations:



Stock data courtesy of Dr. Robert Schiller and Standard & Poor's.
Bond data courtesy of Federal Reserve.

Key Points:

• In the orange-shaded time periods, bond valuations are higher than stock valuations. In green-shaded areas, stocks carry higher valuations than bonds.

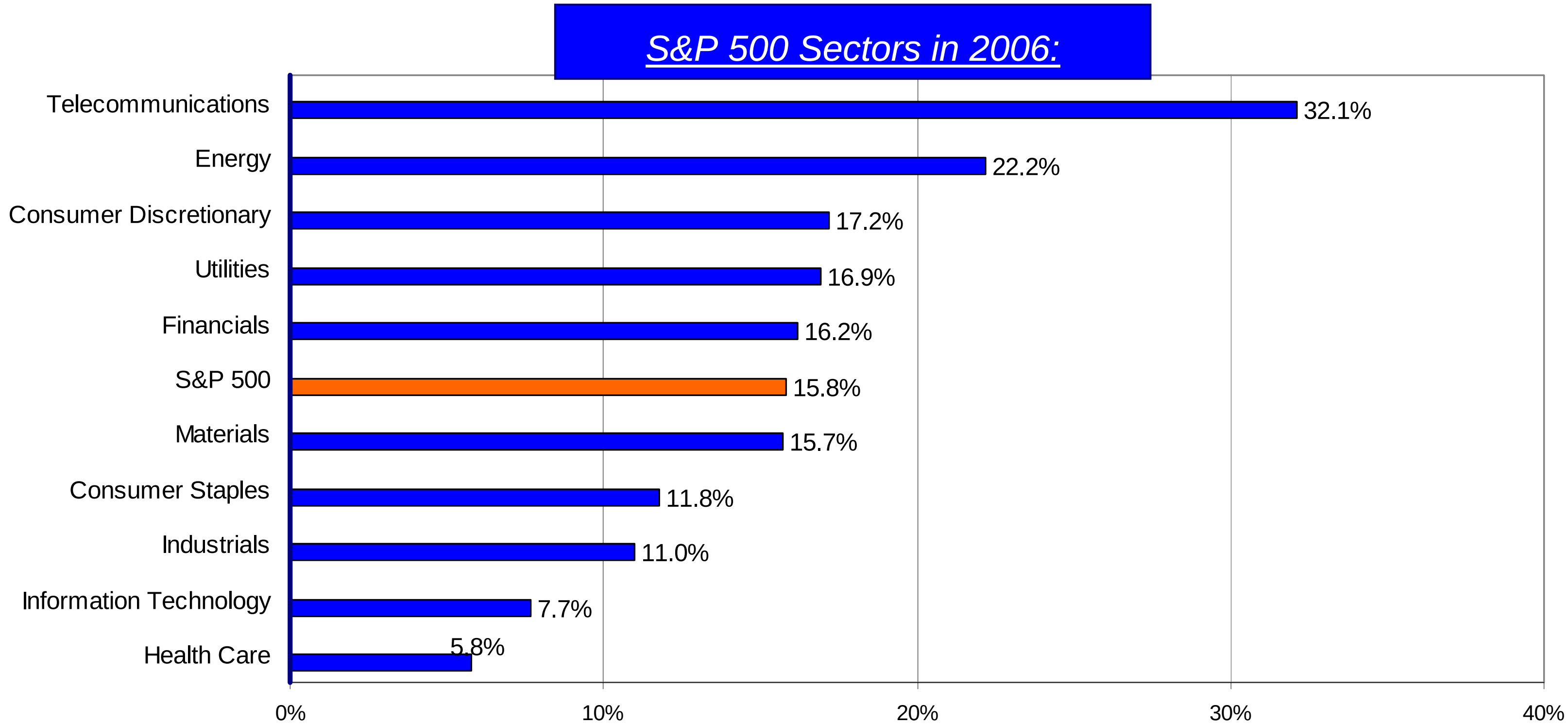
• Generally, you would expect stocks to carry slightly higher valuations than bonds, since investors expect corporations to grow.

• 2005-2006 is the first multi-year period since 1979-1980 that the bond P/E has exceeded the stock P/E on this chart.

Momentum and Reversals in Sector Leadership

Momentum: ***For the third straight year, Energy & Utilities outperformed the market.***

Reversals: ***Two of 2005's laggards, Telecom (down 9% in 2005) and Consumer Discretionary (down 7%), bounced back in a significant way:***



Interesting Fact: 2006's worst sector return (Health Care) was still higher than the S&P 500's 2005 return (5.8% vs 4.9%). The market enjoyed widespread strength in 2006.

Data courtesy of Standard & Poor's

Domestic Stocks

Best & Worst Performing Individual Stocks

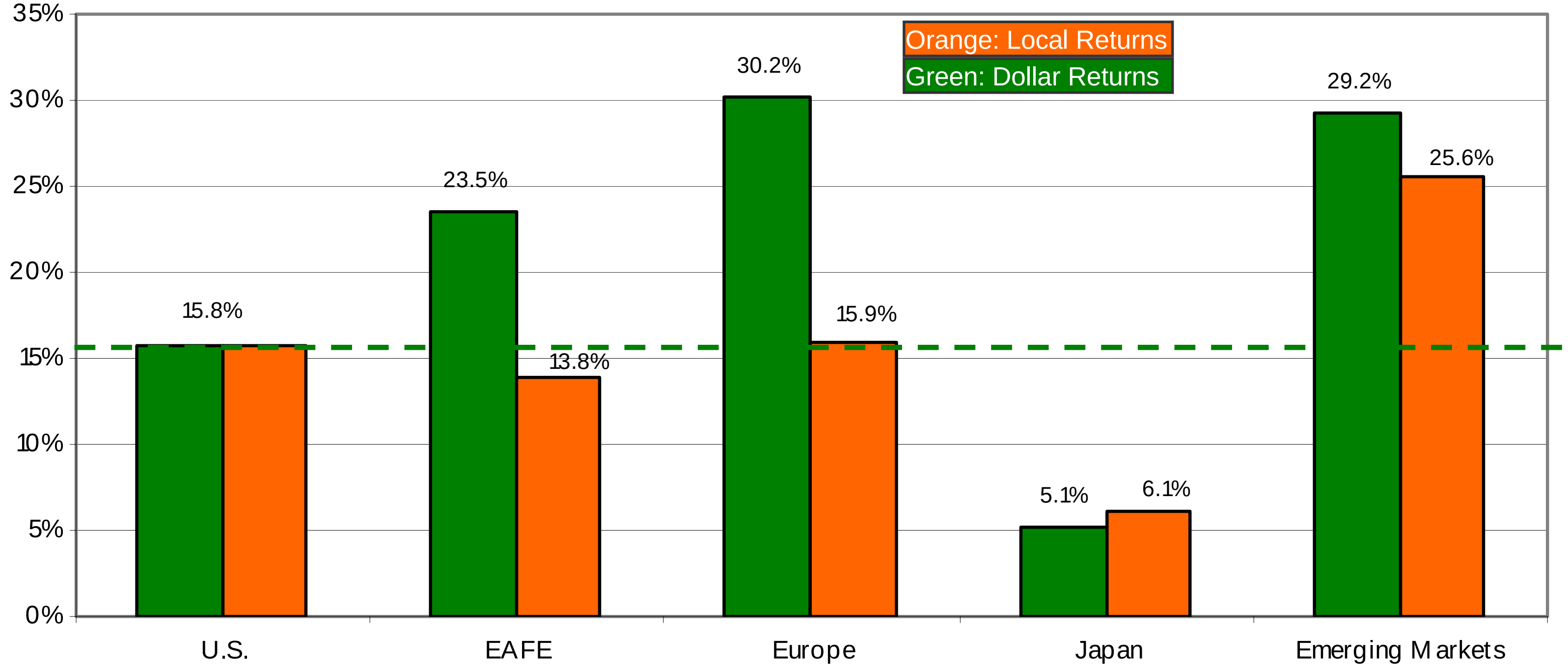
Among the best and worst performing stocks in the S&P 500 in 2006 were the following household names:

	Company Name	Industry	2006 Return
Strong Performers	Bell South	Telecom	80%
	Phelps Dodge	Metal Products	76%
	CB Richard Ellis	Real Estate	69%
	General Motors	Auto	64%
	Marathon Oil	Oil & Gas	55%
Weak Performers	KB Home	Home Building	-28%
	Boston Scientific	Medical Equipment	-30%
	eBay	Online Retail	-30%
	Yahoo	Internet / Media	-35%
	Whole Foods Market	Grocery	-37%

Data courtesy of Morningstar. Note that these are not necessarily the five top performers or the five bottom performers within the index, but rather a representative list.

Internationals Outperformed Again

For the fifth straight year, international stocks beat U.S. stocks (in dollars) and boosted returns for diversified investors. While currency dragged on international returns in 2005, EAFE's excess return in 2006 is explained entirely by the strength of the Euro relative to the U.S. dollar :



The top developed markets (in U.S. dollar-based returns) in 2006 were:

Spain (up 45%), Ireland (44%), Portugal (43%), and Singapore (42%)

Data courtesy of MSCI and Standard & Poor's

International Stocks

Major Themes in International Markets

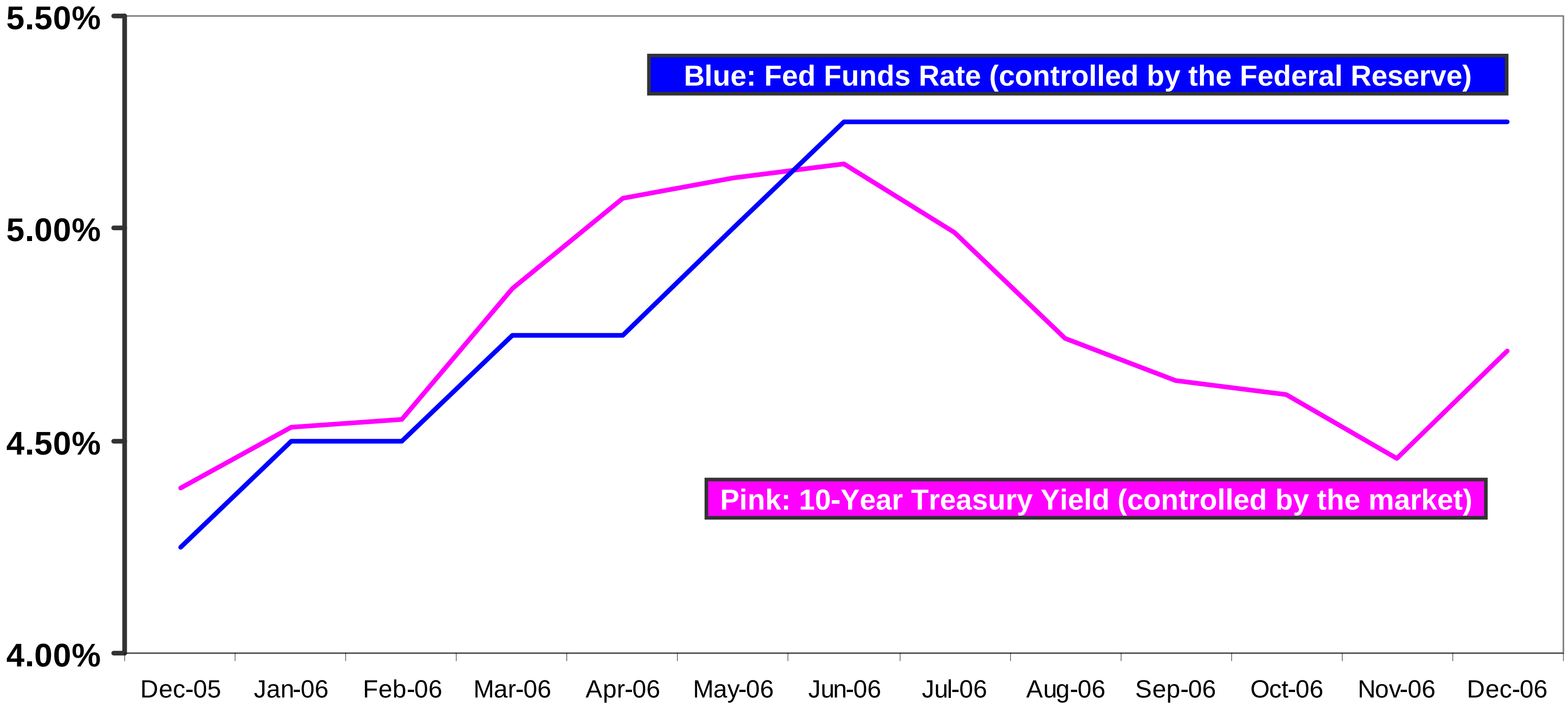
- **Europe** *(up 30% in U.S. dollars)*
  - Europe in local currency was up 16% due to reasonable beginning valuations and strong operating performance. The remaining 14% of return came from the strength of the Euro against the U.S. dollar.
  - Britain and France prepared to elect new leaders in 2007.
- **Japan** *(up 5% in U.S. dollars)*
  - Shinzo Abe became Japan's youngest Prime Minister since World War II.
  - Concerns over North Korea's aggressive behavior led to second-half volatility.
  - Bank of Japan raised interest rates from 0.00% to 0.25% in July, the first increase in six years.
  - Legislation introduced to reduce the maximum lending rate to Japanese consumers hurt some Japanese financial stocks, but should be a positive for the overall economy.
- **Emerging Markets** *(up 29% in U.S. dollars)*
  - Commodity and energy prices remained high, which boosted commodity-rich countries like Russia (up 54%), Brazil (up 41%), and Venezuela (up 62%).
  - Continued investor optimism about the emergence of China (up 78%) and India (up 49%) led to exceptional equity returns in both countries.

Data courtesy of MSCI

Fixed-Income

Fed Finally Done?

The Federal Reserve has been on hold since its 16th consecutive rate hike in late June, leaving bond investors to guess the direction and magnitude of upcoming changes:



Key Points:

• The 10-year Treasury yield moved in step with short-term rates over the first half of the year, but once it became apparent that the Fed may be done with this rate cycle, long-term bonds rallied strongly. The inverted yield curve has a number of possible explanations, but it clearly signifies that investors are expecting rate cuts in the near-to-intermediate future.

• Although it was choppy at times, the 10-year Treasury yield stayed within a fairly tight range throughout the year.

Data courtesy of Federal Reserve

Summary

Major Takeaways From 2006

- **Worst fears did not materialize**
  - Oil
  - Housing
  - Federal Reserve
  - Geopolitical risks – Iran, North Korea, etc.

- **Valuations declined alongside double-digit market performance**

- **Absolute return was strong and exceeded expectations**
  - Many of 2005's best relative performers lagged in 2006; two-year total return generally very attractive

Thank You!

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The team of professionals at The Windsor Group would like to thank you for your time and interest in today's presentation.

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