CAZ INVESTMENTS

A Wealth Management Firm

4th Quarter 2005

CAZ CORNERSTONE PORTFOLIO
Performance Update

CAZ 2005 Scorecard

While reviewing the year 2005, our overall investment choices proved positive for CAZ Investments. In early 2005, we wrote, "*Based on what you read above, we expect reasonable profit growth with a slight decline in valuations. All of that adds up to moderate, but positive expectations. We believe our companies will grow cash flow by approximately 12% this year, and that valuations may decline by 5-7%. This would give us a return expectation in our portfolio of 5-7% plus dividends."*

Let's examine our actual investment experience. Happily, we were able to deliver portfolio performance in line with our early 2005 assumptions. The S&P 500 closed 2005 with a 4.9% gain. Our Cornerstone portfolio returned **7.1%**. Hard work resulted in our performance success; however, our investment professionals remain cautious, focused and committed to the goals of our clients as we move into and through 2006.

At CAZ, we avoid making "market predictions," but we can, through our disciplined investment approach, make certain assumptions with some sense of accuracy. Our clients expect us to filter out the media noise and as bottom up, fundamental investors, we identify companies that demonstrate two key portfolio tenets: cash flow expectations and stock prices we deem to be reasonable.

Looking Forward

If we are to have a "three peat" of the last two years of better-than-market performance, strict adherence to our investment process is paramount. By concentrating on our stated discipline, our potential for success for 2006 is quite positive. Our investment team cannot predict economic or political gyrations that could cause short-term negative market action. History has shown us that these types of events affect markets for a few months, not several years. At CAZ we concentrate on building our portfolios one stock at a

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time. We pay close attention to great businesses that have the potential to weather whatever storm blows our way. We strive to provide positive long-term performance results by avoiding forces beyond our control.

Some of the concerns we had in 2005 will continue into 2006 and beyond. We are aware of the potential effects of another terrorist attack or an expansion of the war on terror. Rest assured that we take these hypothetical situations into consideration. We exercise due diligence that includes these possibilities on each stock idea we generate before implementation into our portfolio.

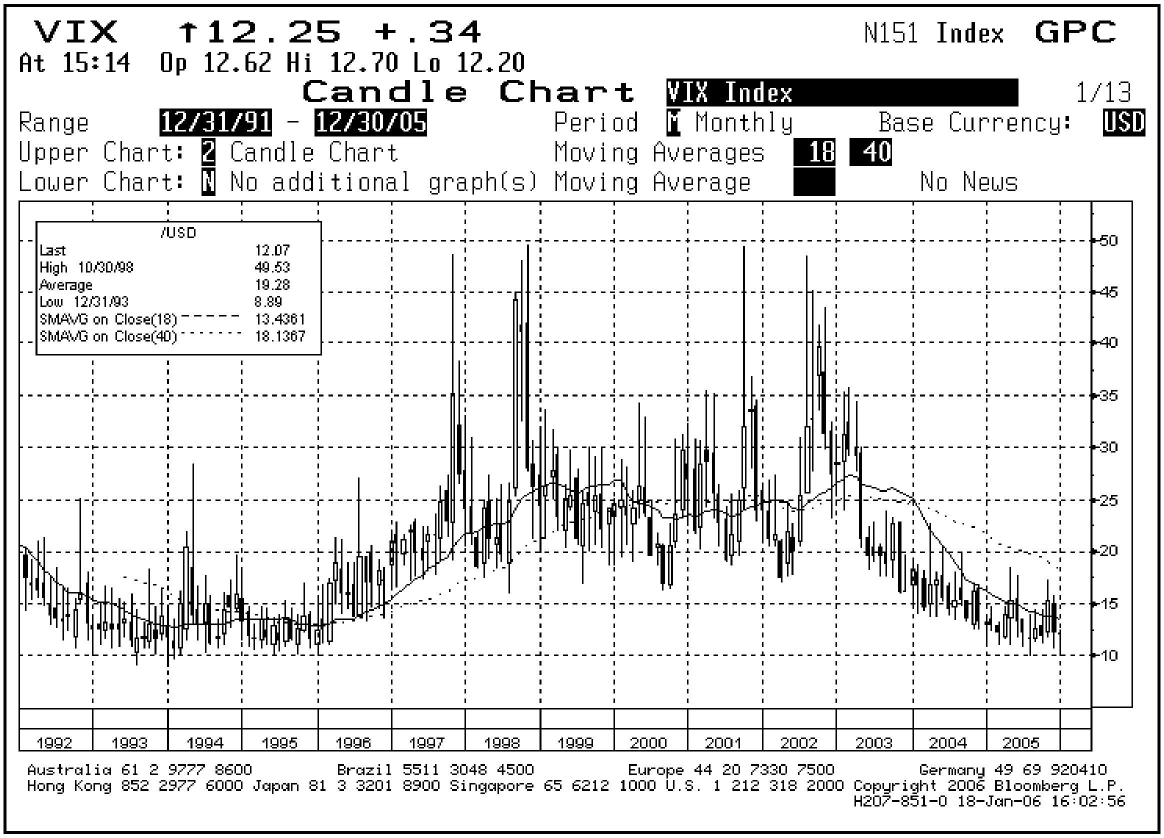
Here is a summary of what we know at this time:

- Corporate profitability continues to be solid
- Corporate balance sheets are as strong as they have been in decades
- Operating margins are at historically high levels
- Operating inefficiencies have been significantly removed from most companies' cost structures
- Sales growth is becoming harder and harder to locate
- Volatility is at all time low levels
- Interest rates are still low and stable
- The Federal Reserve appears to be almost finished with its tightening cycle
- Stock valuations are at levels that we consider quite reasonable

Our 2006 investment assumptions are focused entirely on what we know. Our analysis leads us to believe that cash flow growth this year is estimated to be around 10-11%. Although this is lower than 2005, as the economic expansion continues to mature, we consider 10-11% solid growth for companies we own. What gives us greater confidence is that we continue to find very attractive valuations. There are indications that moderate declines in valuations could occur. This assessment is based on the possibility that long-term interest rates will inch up during the year. We certainly don't expect interest rate spikes, but we do expect them to rise moderately from current levels. This rise in rates could cause an approximate 2-4% decrease in valuations, depending on the amount and speed that rates increase.

The Volatile Reality

There is no question that we have experienced two back-to-back years of some of the lowest levels of volatility ever. The following chart shows the last 14 years of the Volatility Index, which measures the implied volatility in the market. Clearly, volatility has been at extremely low levels compared to this period in history.



Why do we point this out? First, we want to make sure that client expectations are realistic and that people will not be surprised by monthly changes that are much higher than recent history. Second, we anticipate that the volatility will give us opportunities to enter/exit positions and/or add to positions at favorable prices as the market adjusts more rapidly than we have seen in a while.

In summary, we are optimistic about 2006 as a result of the many positive factors outlined in this letter. Our mission is to make this a year of prosperity for you and your family. We remain grateful for your business and will continue to work hard to earn it.

All my best,

Christopher Alan Zook
Chairman and Chief Investment Officer