



ASSET MANAGEMENT COMPANY

SECOND QUARTER 2005

Stock market indices continued to seesaw in the 2<sup>nd</sup> quarter as market participants reacted to an ambitious Fed, inflationary concerns, rumors of hedge fund losses, and high valuations in certain sectors (e.g., technology). Not surprisingly, US markets were slightly negative for the first six months of 2005, with the Dow - 4.7% and the S&P 500 -0.8%.

Although many are sour on domestic prospects, we at Obermeyer Asset Management see opportunity as our investment scope remains global. We concentrate on positioning ourselves to benefit from macro trends, while also mitigating our exposure to the domestic and international risks that cause us concern.

For example, commodity prices resumed their march upward during June, with oil prices now hovering around \$60 a barrel. This trend continues to enable impressive earnings for the companies that explore for and extract these resources around the world, and their prospects remain bright for investors as global demand is clearly firm. We continue to overweight commodity producers as we believe these dynamics will persist for a while; conversely, we are underweight investments that may be vulnerable to a softening US economy (e.g., retail and cyclicals) as we see risk in many of these securities. Diversifying assets such as gold and REITS are still an important component of our holdings as we believe the fundamentals

remain solid and that their inclusion reduces our clients' exposure to exogenous risks.

As we look forward to the remainder of 2005, we expect bearish headlines to dominate and that the current mood will likely prevail for a while. Some people assume that a flat market environment equates to a poor investment climate. **We strongly disagree with this.** In all market environments – flat, up or down – the value of the companies in which we invest should increase as their businesses grow, their industries benefit from worldwide trends, and their management teams deliver value to their customer. And, with patience, this enhanced value eventually should be reflected in higher security prices.

The entire Obermeyer team truly enjoys partnering with each of our clients to help them achieve their financial goals. If you are considering a change in advisory and/or investment strategy, or if you have questions about your current situation, please contact us at 970-925-8747 to set up a *no obligation* review.