COLBERT INVESTMENT MANAGEMENT CO.

Equity Composite Portfolio Year-End Report
December 31, 2006

Our equity portfolio performance increased 17.38% (net) this year, while the S&P 500 index including dividends was up 15.79% (gross).

Growth of $100,000	
CIM Equity Composite	**$154,410 (net)**
Standard & Poor's 500 index	**$136,740 (gross)**
If invested since inception on December 17, 2001, as of December 31, 2006	

Our company manages fixed income, balanced and equity portfolios, but this report refers only to the equity portion of client assets.

In the 4th quarter of 2006, First Data (owned in client accounts) spun-off its ownership of Western Union to existing shareholders so that $100 invested in First Data is now divided into $50 in the new First Data and $50 in the new Western Union. We like them both. In the same period we sold Citigroup, CNX Gas, Discovery Holding, General Motors, International Coal and Washington Mutual. We acquired an interest in Penn West Energy (oil & gas), UnitedHealthcare (health insurance) and Harvest Natural Resources (oil & gas).

December 17, 2006 represents an important milestone for Colbert Investment Management: our Composite Equity Portfolio completed its 5th year. When we started our equity portfolio our stated minimum objective was to deliver to you, our clients, a performance exceeding the average of 500 American companies, the S & P 500 index.

The premise is simple: if you pay somebody to manage your stock portfolio, then after deducting all fees and costs, you should be left with more than if you simply left your money in an unmanaged basket of stocks. Over the long term (5 years or more), 80% of money managers fail that simple test, *mis*managing trillions of dollars.

> Ben Graham told a story 40 years ago that illustrates why investment professionals behave as they do: An oil prospector, moving to his heavenly reward, was met by St. Peter with bad news. "You're qualified for residence", said St. Peter, "but, as you can see, the compound reserved

> for oil men is packed. There's no way to squeeze you in." After thinking a moment, the prospector asked if he might say just four words to the present occupants. That seemed harmless to St. Peter, so the prospector cupped his hands and yelled, "Oil discovered in hell." Immediately the gate to the compound opened and all of the oil men marched out to head for the nether regions. Impressed, St. Peter invited the prospector to move in and make himself comfortable. The prospector paused. "No," he said, "I think I'll go along with the rest of the boys. There might be some truth to that rumor after all." -- Warren Buffet 1985 letter to Berkshire Hathaway shareholders.

The last five years haven't come without pains. We have lived through one of the worst bear markets in recent history. I have made some investment mistakes which resulted in costly (yet invaluable) lessons in the art of money management. Learning from —and not repeating— errors is vital to avoiding disaster. As long as losses are minimized (or preferably avoided) then letting your winners run should provide satisfactory returns. Thankfully we have also had some really big wins. Between December 17, 2001 and December 31, 2006 the S & P 500 index has returned 6.41% per year. During the same 5-year period our clients have gained an annualized 9.01% (net of all fees and costs). We therefore have delivered a net additional value to our clients of 2.6% per year.

None of this would have been possible without the continued patience shown by our clients. You have listened to my pleas not to sell at the worst of times in 2002 and early 2003, gritting your teeth when most around you were losing their heads. Now you can pat yourselves on the back for doing better than the averages. Happy 5th Anniversary!

The source of our relative success so far is simple. We liken our approach to that of a businessman when acquiring a company: is he getting more value than the price being paid? We perform our own in-depth analysis of each business, their history, management, products, cash flow and balance sheet. Once we have determined the intrinsic business values, we watch the few companies we have a strong interest in, buy when the stock price undervalues the business, intending to sell when prices reach our valuation target.

What does the future hold for us? Many market experts say the US markets will be up in 2007. If fortune tellers knew about the future, how come I have never heard of one winning the lottery? A new year in this exhilarating journey has begun which will bring many surprises, some good and some bad. We aim to stay disciplined, stick to our knitting, prepare for the worst, and hope for the best.

Thank you for your continued trust.

Sincerely yours,

Karim Armand
President

This document is intended for general information purposes only, and the information contained in it is not intended to be a solicitation or recommendation to buy or sell securities. Our company manages fixed income, balanced and equity portfolios, but only releases data here on the equity portion of clients' assets. The above ratios and percentages are averages based on most of the client equity accounts managed by Colbert Investment Management (CIM). Significant dispersion may occur between the holdings, ratios and percentages set forth above among the individual client accounts managed by CIM. This dispersion may be due to differences in account size, cash flow, the timing and terms of execution of trades, individual client needs, economic or market conditions and other factors. The CIM equity composite may be diversified across industries, countries and company sizes. Our portfolio is currently invested in 20 to 40 holdings. Most client accounts invested in stocks will have a similar, but not necessarily identical portfolio or performance.

*Performance for CIM equity composite is net of fees and expenses. Performance is based on most of the client equity accounts managed by CIM, with dividends and interest included. Performance does not include any income taxes that may be owed by the investor. The S&P 500 index performance assumes no fees or expenses are charged, and that dividends and interest are included. Investing in the stock market involves substantial amounts of risk. Past performance does not predict or guarantee future performance.