Investment Professionals

Tim Medley

President, Client Advisor; Founded Medley & Brown 1988; Among Worth magazine's 250 Best Financial Advisors in America 1998 - 2002 and Medical Economics magazine's 150 Best Financial Advisors for Doctors; First Certified Financial Planner in MS 1977; BS Business and Accounting University of Southern Mississippi.

Cecil Brown

Vice President, Client Advisor; Joined Medley & Brown 1995; Previously with Investek Capital Management; Chief Fiscal Officer State of Mississippi 1988 - 1992; Founder Tann, Brown & Russ, CPAs; Member AICPA and MSCPA; Personal Financial Specialist (PFS); MPA The University of Texas; BA University of Mississippi.

Kevin Anthony

Client Advisor; Joined Medley & Brown January 2001; Former Vice President of Finance and Chief Financial Officer Atlanta Falcons; MBA Finance and Management Emory Business School; Woodruff Scholar Emory University; BA Economics and Psychology University of North Carolina at Chapel Hill; Phi Beta Kappa.

Julius Ridgway, CFA

Portfolio Manager; Joined Medley & Brown July 2002; Investment advisor/portfolio manager since 1999; Trustmark National Bank 1989 - 1997; Member MS Society of Financial Analysts; M.Sc. Accounting and Finance London School of Economics; MBA Millsaps College; BA University of Mississippi.

Call us or visit our website today for more information:

601.982.4123 • 1.800.844.4123 • www.medleybrown.com • mb@medleybrown.com

MEDLEY & BROWN
FINANCIAL ADVISORS

795 Woodlands Parkway, Suite 104
Ridgeland, MS 39157

P.O. Box 16725
Jackson, MS 39236-6725

MEDLEY & BROWN
Composite Performance*

Average Annual Time-Weighted Returns (%)
Period Ending June 30, 2006

	Balanced Accounts	Growth Accounts
5 Years	6.64 %	7.26 %
10 Years	8.40 %	8.90 %
15 Years	9.37 %	10.21 %

**All client portfolios invested primarily in mutual funds with a combined allocation of less than 18% in cash and bonds are included in the Growth Composite. All client portfolios invested primarily in mutual funds with a combined allocation of 18% or more in cash and bonds are included in the Balanced Composite. Performance is net of management fees and reflects the average time-weighted return for all portfolios included in our Growth or Balanced Composite. Performance data includes reinvestment of dividends and capital gains distributions and changes in principal value. The larger a portfolio is in relation to others in the composite, the more weight its performance will have in the composite's time-weighted return. For several reasons including, but not limited to, asset allocation and investment choices, the performance of individual portfolios in the composite may vary significantly with some higher and some lower than the average. An analysis of variance is available upon request. Past performance may not be indicative of future results. Investment returns and values of client accounts fluctuate such that at any time an account's value may be worth more or less than the total payments into the account. Because accounts contain both US and international securities, results will depend on both management performance and underlying market and economic conditions throughout the world.*

Fall 2006 Investment News

What The Best Have To Offer

In its August 14, 2006 cover story, *Barron's* presented its "Best Fund Managers" list for 2006. Compiled from an annual survey by Value Line, the list featured the Top 100 equity mutual fund managers based on their risk-adjusted performance. Considering that we at Medley & Brown spend a lot of our time trying to identify the best mutual fund managers around, we usually find such lists to be of interest. We are very familiar with a number of the managers that *Barron's* recognized.

One of the best ways we learn about great managers is by reading their quarterly and semiannual reports. We think several of the managers on *Barron's* Top 100 write terrific shareholder letters. One of the things that makes these letters so good is that they usually provide nuggets of investing wisdom that can be invaluable to investors. We thought it would be useful to share a few examples from the most recent reports of four managers we respect who were featured on the best managers list. Hopefully, our clients will recognize some of these timeless principles from discussions we have had in the past.

No. 2 Bruce Berkowitz, Fairholme Fund

• …our executive summary on selling: even a great company can become a mediocre and speculative investment at too high a price. We start selling when the market value of a business approaches our estimate of intrinsic value, which is based on a combination of asset values, future cash flows, and risk-free rates.

No. 14 Bill Miller, Legg Mason Funds

• Our investment process is valuation driven. We focus on the assessment of intrinsic value and the risk adjusted return potential of our portfolio companies. We are long term investors and not traders. Our contrarian approach often puts us at odds with the prevailing views in the market. When our approach leads to underperformance, such as in the current market, there is increasing pressure to change or do something different.

• It is our willingness to own securities which other people regard as wrong which historically has been part of the long term success of the fund. In order to do better than the market longer term, you must be doing something different and ultimately have the market recognize the values one believes are inherent in those companies in the portfolio. It is our willingness to persist in owning names we believe the market is mispricing on a long-term basis that has led to our long-term outperformance.

• As long-term investors, we typically don't make a lot of changes to the portfolio, especially changes motivated by a desire to bring the portfolio in line with current investment trends and outlook, which have the habit of changing when you least expect it. Our turnover rate has been running between 15 and 20 percent a year, implying a holding period longer than 5 years. "Undervalued" implies that you will earn an excess return over your forecast time horizon. We are very patient and will own a company as long as we are confident of the business value and of management's ability to execute the strategies they have outlined.

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--Bill Miller, Legg Mason Funds

No. 74 Chris Davis, Selected Funds (and Clipper Fund)

• …we always think of equities as a perennial asset class and believe that purchasing durable businesses at value prices and holding them for the long term represents a sensible, all-weather approach to building and preserving wealth, irrespective of the prevailing market conditions at a given moment.

No. 77 Steve Romick, FPA Funds

• Good businesses and good managements drive profits. Emotion drives stock prices – at least over the short term.

•We will have periods when our portfolio's performance is less than that of the broad stock market indices. One cannot get the timing down in such a way that a bottom is purchased and a top is sold so, regrettably, we will not guarantee that your portfolio ends each period in the black. We do promise to not consciously stretch for return. We would rather be satisfied with less, than risk reaching for more and ending up with nothing.

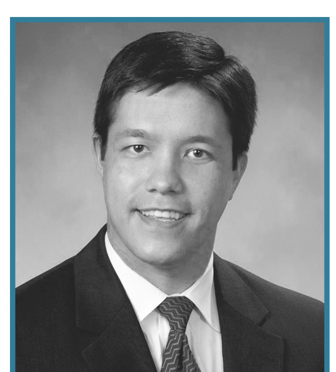
• We do not strive for low-volatility returns. It so happens that it appears to be a by-product of our investment process. If we are successful in making investments in businesses at sizeable discounts to intrinsic value, our volatility may be lower than one who has less of a value orientation. We do not, however, specifically target low-volatility returns, believing that the best returns will come lumpy.

Thoughts From Another Noteworthy Letter

Bob Torray and **Doug Eby** of The Torray Fund have an outstanding long-term record and a reputation for writing one of the best shareholder letters around. In their latest semiannual report, they offered the following thoughts on future prospects for stocks:

• The market's performance since early 2000 has been a correction of vast speculative excesses, nothing else. The economy is strong, employment robust, and earnings have grown from $360 billion to $890 billion, cutting the market's price earnings ratio from 37-to-1 to about 15-to-1, and a projected 13.5-to-1 next year. That number is below average dating back to 1871.

• We have been living in one of the most discouraging periods on record for investors and, at this point, a lot of people probably believe things will never get better. But, they always do, most often when least expected. Sooner or later, it doesn't matter which, optimism will return, most likely triggered by good news now waiting in the shadows around the corner. When that happens, everyone will be talking about how cheap stocks are, yet only perceptions will have changed. Five years from now, today's concerns will be long forgotten, and the market should be a lot higher. While we think it is always a good time to buy quality stocks at reasonable prices, opportunities seem particularly promising today.



Welcome Back

We are pleased to welcome **Eddie Carlisle** back to Medley & Brown. During 1993 and 1994, Eddie worked with us while attending Mississippi College. After considering our offer to join the firm full time, he opted to continue his education at Vanderbilt Law School and later obtained a Master of Laws in Taxation from the University of Florida. Recently, we had the opportunity to renew our offer of twelve years ago, the result being that Eddie has made a career change from tax attorney to client advisor with our firm. We couldn't be happier.

Recent Travels

In May, Tim, Kevin and Julius attended the annual Berkshire Hathaway shareholder meeting in Omaha to listen to **Warren Buffett** and **Charlie Munger** talk about investing. This year makes twenty consecutive meetings for Tim.

Also in May, they traveled to New York, NY for the Sequoia Fund annual meeting. Afterward, they attended a luncheon hosted by **Guy Spier**, manager of the Aquamarine Fund. While in New York, the three drove to Short Hills, NJ to meet with **Bruce Berkowitz** of the Fairholme Fund and **Peter Langerman** and **Michael Embler** of the Mutual Series funds. Afterward, they traveled back to the city for a meeting with **David Winters** of the Wintergreen Fund.

In June, Eddie went to the Morningstar Conference in Chicago, where he attended panel discussions and keynote presentations featuring, among others, international manager **Diana Strandberg** of Dodge & Cox, analyst **Katrina Dudley** of the Mutual Series funds, strategist **Jeremy Grantham** of GMO, LLC and domestic managers **Bill Nygren** of the Oakmark funds and **Wally Weitz** of the Weitz funds.

In August, Tim traveled to Madison, Wisconsin and met with managing director **Kay Frank**, portfolio manager **Rich Eisinger** and vice presidents **Jeff Doinoff** and **Larry Tabak** of Madison Investment Advisors and the Mosaic mutual funds.

In the News

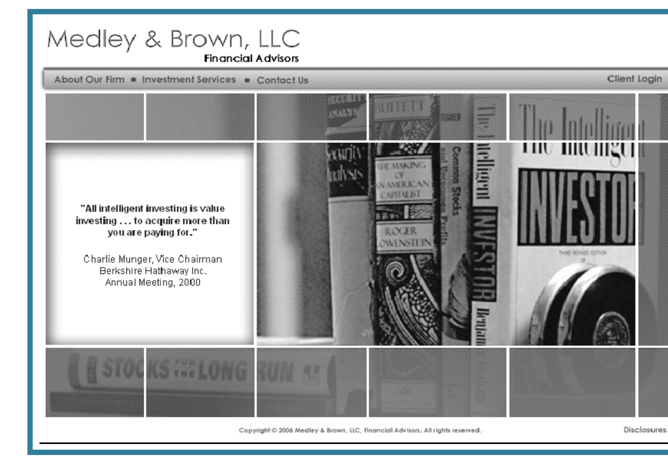
Wealth Manager magazine listed Medley & Brown, LLC among "The Stars" in its ranking of the country's top wealth managers. The list was presented in Wealth Manager's July/August 2006 cover story. This marks Medley & Brown's fourth consecutive appearance.

Tim Medley's letter to the editor was published on August 14, 2006 in ***Investment News***, a weekly newspaper for financial advisors. In response to a July 10th article on Warren Buffett's estate plan, Tim took issue with a number of the author's conclusions concerning Mr. Buffett's much-publicized recent gifts.

Medley & Brown, LLC was the subject of an August 21 article entitled "Medley & Brown's Star Keeps Rising with Notable Rankings" by Lynne Jeter of the ***Mississippi Business Journal***.

Visit Our New Website

We recently finished a complete makeover of our website. Our new site features information about our firm including our investment philosophy and process, background on our people, our performance history, some of our favorite quotes from outstanding investors and several colorful pictures. Additionally, clients can access past newsletters and logon to their accounts through Schwab Institutional's Signature Alliance. Please visit ***www.medleybrown.com*** to see our new look.



Call Us Direct

We have enhanced our telephone system to include direct dial capability. You can continue to reach us at our main numbers, 601-982-4123 and 800-844-4123, or if you prefer, you can reach us directly at the following numbers:

Marie Brewer 601-709-4390
Sandi Commiskey 601-709-4391
Tim Medley 601-709-4392
Cecil Brown 601-709-4393
Kevin Anthony 601-709-4394
Beth Bush 601-709-4396
Julius Ridgway 601-709-4397
Eddie Carlisle 601-709-4400

A New Arrival

We are pleased to announce the birth of Eddie and Sarah Carlisle's son, **Andrew Lee**, on August 11, 2006.