CEDAR HILL
WEALTH MANAGEMENT

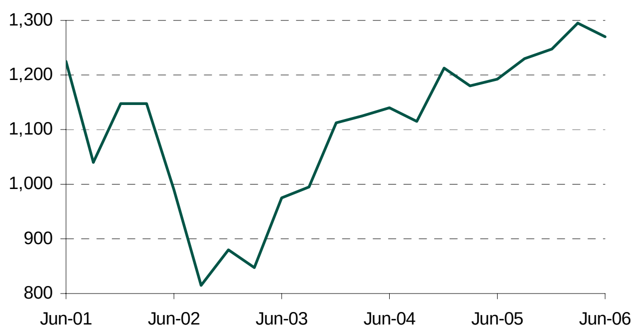
Quarterly Investment Review

June 30, 2006

Financial Review

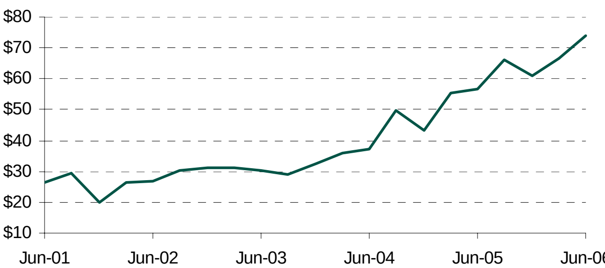
Equity markets struggled globally in the second quarter, as fears of higher interest rates and slowing economic growth weighed on investors. Large-cap stocks, as represented by the S&P 500 Index, declined by 1.4% for the quarter, while the benchmark index for small-cap stocks, the Russell 2000 Index, dropped 5.0%. International stocks were particularly volatile during the quarter, but a late rally allowed the benchmark EAFE index to post a rise of 0.7% for the quarter.

S&P 500 Index



The economic backdrop for the second quarter included the familiar influences of high oil prices and rising interest rates. Oil prices exceeded $70/barrel as mounting global conflicts stoked fears of supply disruptions. Consumers continued to feel the pain at the gasoline pump, as prices in excess of $3.00/gallon became the norm. Consumers are showing signs that higher interest rates are influencing their ability to spend, as retail sales and new home construction both waned heading into summer.

Crude Oil ($/Barrel)



As we enter the second half of the year, rising geopolitical risks could replace interest rates and energy costs as the dominant concern for investors. We expect economic activity to continue to decelerate, as consumers control spending. Corporation spending patterns may prove more difficult to predict, as their desire to delay purchases may be offset by the generally robust cash levels held at many companies.

We currently have a cautious view toward the stock market, as evidence of slower economic growth mounts. Offsetting this concern is our expectation for decent earnings reports and that many corporations will continue to demonstrate an ability and desire to utilize their excess liquidity (cash) for the benefit of shareholders in the form of increasing dividends and/or share buybacks. In addition, we have recently seen an increase in acquisition activity, both by corporations and cash-rich private equity funds, providing additional support to the market.

We remain diligent in seeking opportunities that will provide attractive returns, both within traditional and non-traditional investments.

Core Equity Portfolio

During the quarter we initiated positions in Colgate-Palmolive, Hershey, and American Electric Power.

Colgate-Palmolive is a leading maker of detergents, toiletries, and other household products. Colgate's stock price has languished for the last 6 years, despite earnings rising 50% over the same time period. Colgate is positioned to achieve accelerating revenue growth through a combination of new product introductions and recent price increases. Colgate has also become more aggressive in improving margins, primarily through divesting low margin product lines and enacting numerous cost cutting projects. We expect these efforts to result in improved earnings and cash flow growth for the company.

The Hershey Company is the largest domestic producer of chocolate and non-chocolate confectionery products. Investor concerns over input costs (primarily sugar) have recently impacted the company's stock, allowing us to initiate a position at an attractive level. The company has undertaken a number of initiatives to accelerate sales and drive double-digit earnings growth. Similar to the strategy at Colgate, Hershey will be streamlining their product portfolio by eliminating slow growth/low-margin products in favor of new product lines and extensions on existing products. The company is also targeting new distribution channels to enhance sales of its more popular products. Taken together, these actions should enhance Hershey's ability to generate substantial cash flow for investors.

American Electric Power is one of the oldest and largest public utilities in the United States, delivering electricity to 5 million customers in 11 states. The company is undertaking a large environmental expenditure program, which coupled with rate recoveries (price hikes) should provide relatively attractive earnings growth momentum for the coming years. Selling at a sizable discount to its peers, we believe American Electric offers an appealing risk-adjusted profile in a slowing economy.

We sold our positions in BankAmerica and ChevronTexaco. BankAmerica is a third generation holding in our portfolio – we originally purchased Summit Bancorp in 1998, which was acquired by FleetBoston in 2001, which was subsequently purchased by BankAmerica in 2004. Our current view is that continuing to hold the security carries an unfavorable risk/reward ratio, particularly in light of the considerable exposure to a weakening consumer. ChevronTexaco was eliminated from portfolios due to our belief that oil and gas commodity prices will have difficulty rising substantially from present levels. We have not, however, changed our favorable view toward energy investments, as evident by our continued holdings in ConocoPhilips, Consol Energy, Kerr-McGee, Nabor Industries and Schlumberger. Our belief is that these five companies can continue to grow at more attractive rates should commodity prices hold or decline slightly from current levels.

As one might conclude by our activity in the second quarter, we are taking a more defensive

Core Equity…. continued

posture in portfolios to reflect our concern over the impact of higher energy prices, higher interest rates, and growing geopolitical tensions on consumer's discretionary dollars.

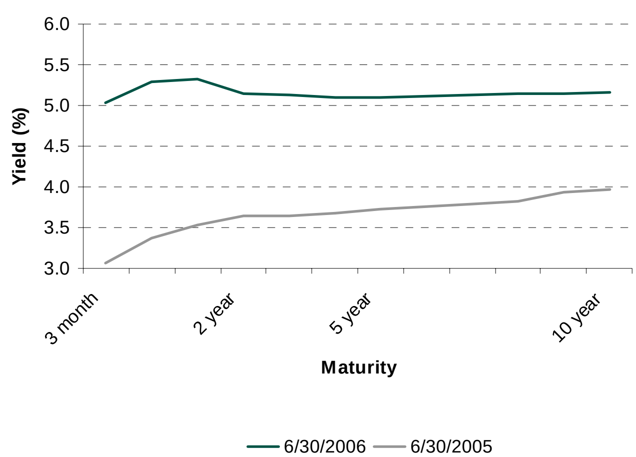
We are maintaining/adding exposure to areas less susceptible to general economic activity, such as consumer staples and health care, while selectively reducing exposure to companies most likely to be hurt by a consumer-led slowdown.

Fixed Income Markets

Interest rates continued to trend higher in the quarter, as concern over inflation pushed the Federal Reserve Board to raise short-term rates by another 50 basis points in the quarter. At the end of the quarter, however, the Fed indicated that this tightening cycle is nearing an end - a revelation viewed positively by the financial markets. The benchmark 10-year treasury ended the quarter at 5.14%, up almost 30 basis points in the quarter and up more than 120 basis points over the last twelve months.

We believe that the cycle of higher short and long-term rates is nearing completion. As a result, we will begin taking a less defensive approach in the positioning of bond portfolios over the coming months. Our short-duration strategy has benefited portfolios by generating a modest return in this difficult market environment. Although we acknowledge interest rates may drift slightly higher, we are finding attractive securities not just in the very short term paper - but in intermediate (5-7 year) maturities as well. Callable bonds remain very attractive in this environment.

Treasury Yield Curve



Alternative Investments

The second quarter provided mixed results within the alternative universe.

Equity Long/Short managers faced a difficult environment in the past three months. Industries and regions that had performed well earlier in the year (e.g. energy and emerging markets) reversed sharply. Near-term performance was based more on perceptions of the riskiness of investments rather than fundamentals. Europe continues to grab headlines with merger announcements in industries as diverse as toll-road operators, telecommunications equipment, airport management, pharmaceuticals and energy. **Merger**

Arbitrage managers have enjoyed solid performance as very few deals have been unexpectedly terminated.

Higher up the capital structure, bond holders fared well in the quarter despite the rising interest rates. **Convertible Arbitrage** managers welcomed the first meaningful rise in volatility in several quarters. The mid-single digit return earned this year is the best performance since 2003.

Distressed Securities managers held up remarkably well during a quarter when investors were selling off riskier assets of all types. Credit spreads widened, but not by enough to panic the market. We remain well diversified within the distressed market by manager, issuer and region, and believe that the return potential for this space remains high.

Final Note

This letter as well as other significant communications can be emailed to you instead of sent through regular mail. Please send your email address to **info@cedhill.com** to be added to our email distribution list.

One Year Economic Overview

		Jun 2006	Jun 2005
Stock Market			
S&P 500 Index	▲	1,270.20	1,191.33
Russell 2000 Index	▲	724.67	639.66
Fixed Income Yields			
3-Month Treasuries	▲	5.03%	3.07%
5-Year Treasuries	▲	5.09	3.73
10-Year Treasuries	▲	5.14	3.97
30-Year Treasuries	▲	5.19	4.16
Inflation Monitor			
CPI-Trailing 12-Month Growth	▲	4.2%	2.8%
CPI-(Excluding Food/Energy)	▲	2.4	2.2
Market Expectations*	▲	2.6	2.3
Gold (per ounce)	▲	$615.85	$435.50
Crude (per barrel)	▲	73.93	56.50

*Comparison of yields for 10-Year Treasury and 10-Year TIPs