

June 30, 2005

Capital Markets Commentary

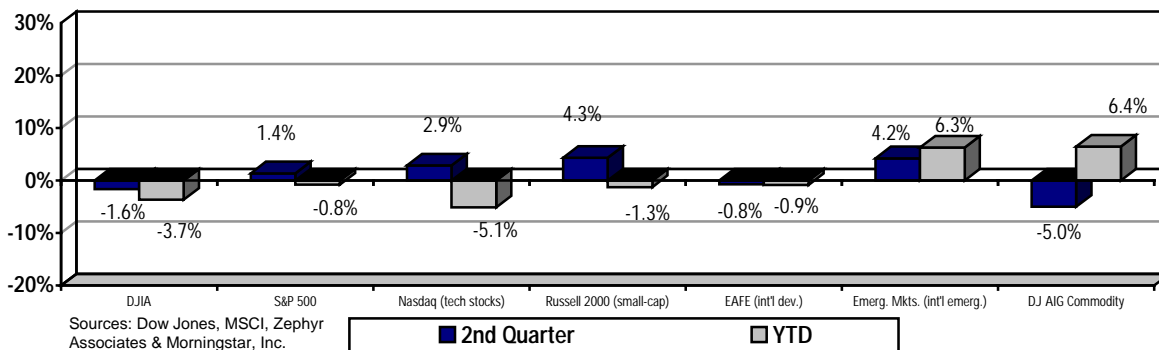
Francis Investment Counsel LLC

Second Quarter 2005

The U.S. stock market struggled to find direction in the second quarter of 2005, as slightly better-than-expected news about the growth of the U.S. economy was tempered by record-setting oil prices, two more increases in short-term interest rates, and concerns about future corporate profit growth. While stocks were largely stagnate, most long-term bond prices moved higher as investors bet that an economic slowdown was imminent.

Stock markets in Asia were generally higher, but most European stock markets were down this quarter thanks partially due to votes in France and the Netherlands rejecting an EU constitution. The resulting weakness in the Euro hurt U.S. investors' returns from these developed markets. Non-financial assets (i.e. hard assets) saw more declines than gains in the quarter.

2ND QUARTER AND YTD EQUITY MARKET RESULTS



Average Fund Performance & Mutual Fund News

The second quarter demonstrated once again the importance of owning more than just large U.S. stocks as ten of the twelve fund styles tracked by Lipper outperformed the S&P 500. Energy related, small-cap, and emerging market stock funds were the top performers for the quarter, as well as specialty funds focused on high dividend-paying stocks (REITs, Utilities).

Mutual Fund industry consolidation continued with a large transaction announced in June in which Legg Mason purchased the asset management and mutual fund businesses of Citigroup, creating the fifth largest asset manager in the U.S. In a set back for investors, but good news for the mutual fund industry, a judge dismissed investor claims that it is illegal for funds to continue charging shareholders a 12b-1 fee after the fund has closed to new investors. According to Lipper, of the 660 funds closed to new investors, 414 continue to charge investors 12b-1 fees for marketing and shareholder services.

AVERAGE MUTUAL FUND PERFORMANCE

	<i>2nd Quarter</i>	<i>YTD</i>	<i>Trailing 12 Months</i>
Average U.S. Diversified Stock *	+1.73%	-0.66%	+6.38%
Average U.S. Interm-Term Bond	+2.60%	+1.95%	+6.08%
Average Balanced Fund	+1.84%	+0.48%	+7.16%
Average Large-cap Blend Fund	+1.41%	-0.60%	+6.35%
Average Small-cap Blend Fund	+3.31%	+0.21%	+11.15%
Average Large Foreign Blend Fund	-0.75%	-1.20%	+12.57%
Average Emerging Markets Fund	+3.88%	+5.19%	+32.39%
Average Natural Resources Fund	+2.07%	+15.02%	+34.25%

Source: Morningstar, Inc. *Morningstar small, mid, and large-blend category returns

STYLE PERFORMANCE MATRIX

2nd Quarter Total Return

	Value	Core	Growth	<i>AVERAGE</i>
Large-Cap	+1.02%	+1.20%	+2.88%	<i>+1.72%</i>
Multi-Cap	+1.62%	+1.92%	+3.12%	<i>+2.14%</i>
Mid-Cap	+2.81%	+3.26%	+3.14%	<i>+3.10%</i>
Small-Cap	+2.90%	+3.29%	+3.76%	<i>+3.40%</i>
<i>AVERAGE</i>	<i>+1.86%</i>	<i>+2.15%</i>	<i>+3.21%</i>	

Source: Lipper, Inc.

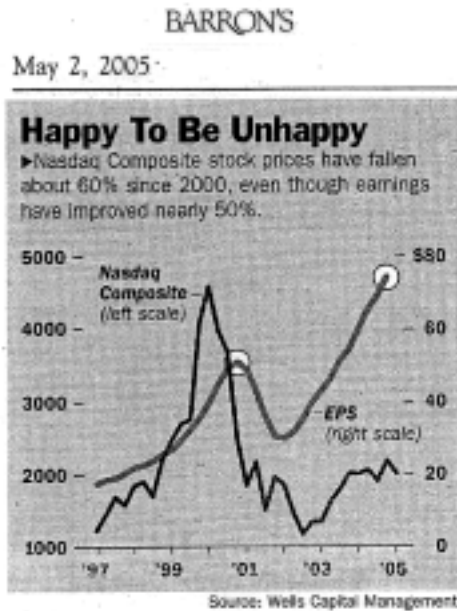
Near- Term Market Outlook – Improving

While our “Cautious” outlook for the U.S. stock market has been largely on target for the past 18 months, we have been off the mark on interest rates and the dollar over that same period. Greenspan has acted as we predicted, with nine interest rate hikes in the past twelve months, but the bond market has proven more susceptible to other forces, namely a global surplus of savings that keeps finding its way into the U.S. bond market.

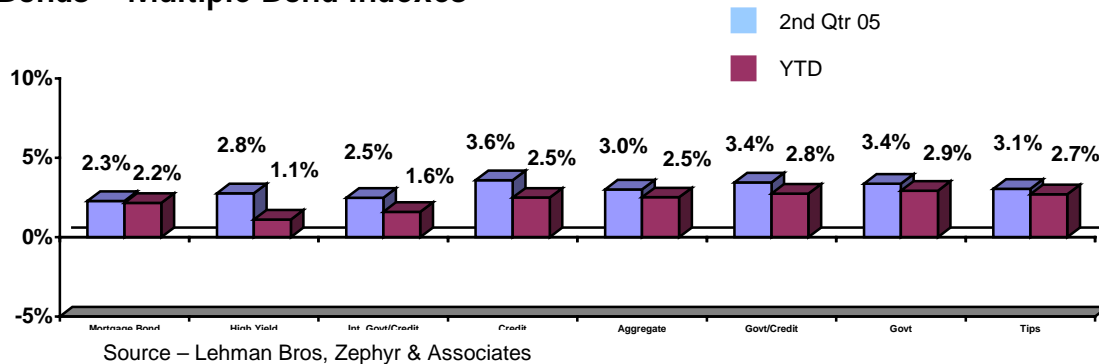
Recognizing this, and seeing no persuasive reason for this global cash surplus to dissipate anytime soon, we are adjusting our bond market outlook from negative to neutral. At the same time, the U.S. economy continues to deliver solid growth, and U.S. stock prices have remained largely unchanged for the past two years. This has meaningfully improved the value of U.S. stocks relative to historic averages. This is notably evident in the information technology sector (see chart on following page).

If you believe as we do, that the U.S. economic expansion, while slowing, still has significant room to grow, you can begin building a reasonable case for a near-term upturn in U.S. stocks as investors flush with cash are attracted to increasingly reasonably priced stocks.

We continue to advise long-term retirement plan investors to diversify their opportunities for growth by exposing their retirement assets to multiple forms of “equity.” Different forms of equity, such as: US/foreign, growth/value, large-cap/small-cap, international developed/emerging, financial/hard, have appreciated in meaningfully different ways. For example, as hard assets (oil, gold, soybeans etc.) move higher, stocks have historically moved lower. Combining these different assets into one portfolio has proven to be an effective strategy for building wealth while reducing overall portfolio volatility over time.



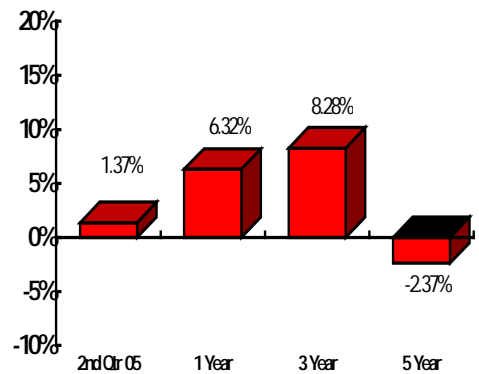
U.S. Bonds – Multiple Bond Indexes



The Federal Reserve raised interest rates two times bringing the Federal Funds rate to 3.25%. The market fully anticipated the Federal Reserve Open Market Committee (FOMC) would raise rates, but uncertainty persisted as to the rate at which “measured” increases would continue. Partially due to rising short-term rates, investors began betting the U.S. economy was due for a slow down and bid-up prices (thus lowering yields) for long-term bonds. Even with Ford and GM debt securities being downgraded to junk status by S&P, both corporates and high-yield sectors had some of the strongest returns in the fixed-income market in the second quarter. Despite rising short-term rates, which have traditionally shifted investment from emerging markets debt to U.S. treasuries, emerging markets once again bucked convention and posted strong gains for the second quarter in a row as trade and budget surpluses continued to attract foreign direct investment. Overall, the uncertainty in the bond market has benefited investors in high-quality, longer maturity issues and jitters remain over high oil prices, declining global growth, large U.S. trade and budget deficits, and Alan Greenspan’s retirement in 2006.

U.S. Large-Cap Equities - S&P 500 Index

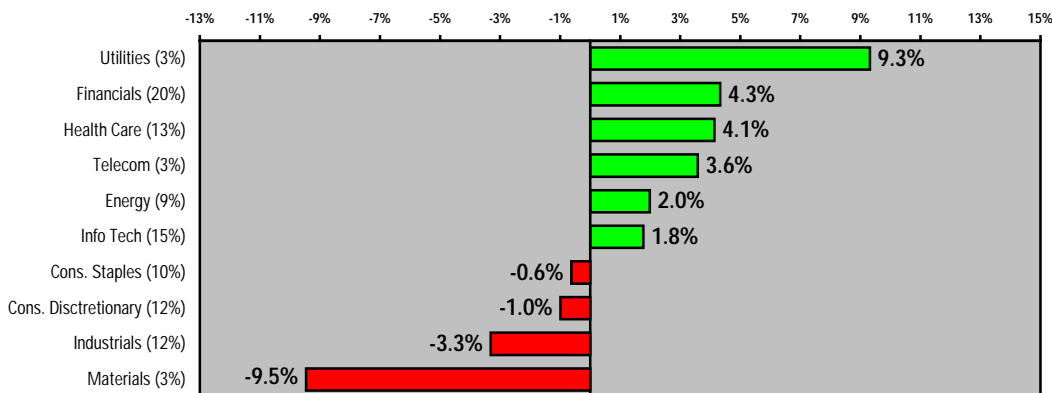
The first quarter decline in U.S. equities continued at the start of the second quarter with the S&P 500 Index off 1.90% in April before rebounding 3.18% in May. June was essentially a break-even month with a modest gain of 0.14% leaving the index in positive territory, up 1.37% for the quarter. While \$60+ oil prices dominated the headlines, stocks advanced after GDP was revised upward from 3.1% to 3.8%, effectively dispelling concerns about a "soft patch" in the U.S. economy. In addition to the positive report on GDP, growth in retail sales and industrial production as well as steady consumer confidence contributed to the market's momentum mid-way through the second quarter. After being up 17% in the first quarter, the energy sector (+2%) took a back seat this quarter to utilities (+9%), financials (+4%), health care (+4%), and telecom (+4%). Although representing less than 1% of the index, construction & materials as well as the real estate industries had some of the highest returns with 15% and 13% respectively, once again demonstrating continued boom in the housing market. Financials got a boost from solid returns in insurance (+7%) and diversified financials (+4%). The metals & mining (-13%), media (-7%), and industrial conglomerate (-6%) industries were all detractors to performance in the quarter as well as consumer discretionary industries like leisure equipment & products. While the price of oil remained historically high, investors saw declines in big name oil companies like Exxon Mobil, BP, and Chevron Texaco. Unocal was bolstered by takeover bids from both Chevron Texaco and Chinese oil company CNOOC. In general, Internet retailing & catalog companies continued to give back gains made in the fourth quarter (-11%), but Google continued to impress investors and delivered a 63% quarterly return.



Source: Zephyr Associates & Morningstar, Inc.

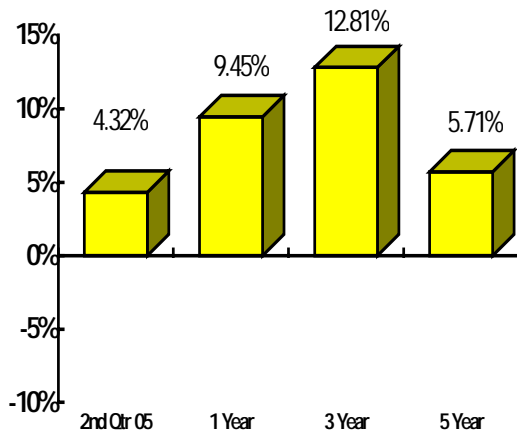
S&P 500 Economic Sectors

Second Quarter 2005



Source: Thomson Vestek

Small-Cap Equities – Russell 2000 Index

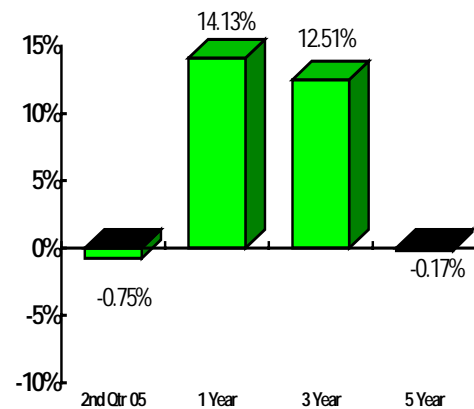


Source: Style Advisor

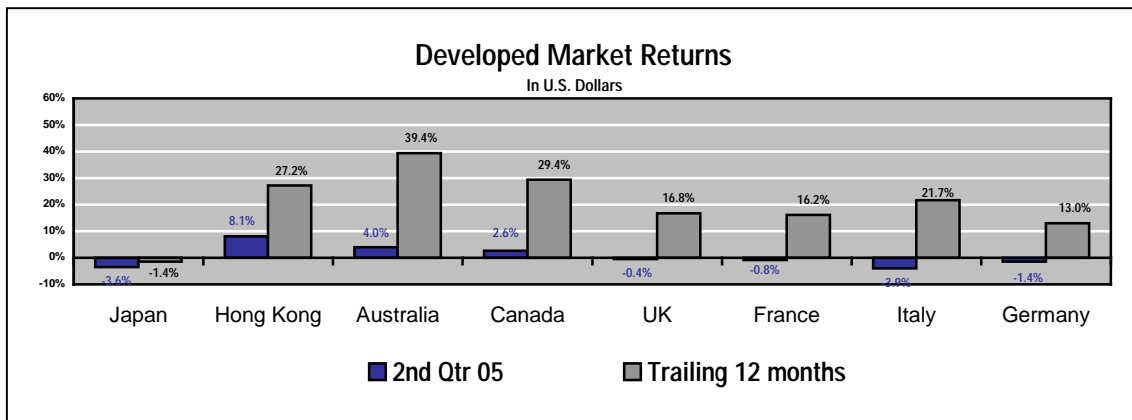
Small-cap equities rebounded in the second-quarter on the news the economy was not as weak as previously thought. Small-cap stocks meaningfully outperformed large-caps and have asserted themselves over this category with a one-year return of 9.45% versus 6.32% in the S&P 500 Index. Value outperformed growth, a trend that has been dominant since 2000. Financials and health care were the two leading contributors to the index in the quarter followed by solid results in energy, utilities, and telecommunications. The challenge for small-cap equities going forward will be their ability to outperform large-cap U.S. equities given their significant outperformance over the past five years (5.6% vs. -2.3%) and their rich pricing relative to historical norms.

International Equities – MSCI EAFE Index

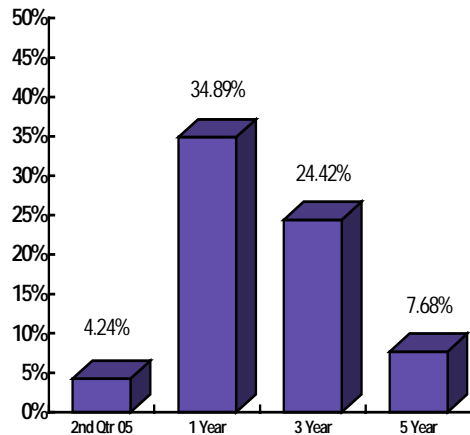
International equities, those aggregated in the MSCI EAFE Index, disappointed investors by declining 0.75% in the second quarter. This quarter, a stronger U.S. dollar created too stiff of a headwind and returns in several countries, most notably Japan, Italy, and Germany suffered as a result. Italy struggled as Fitch downgraded its rating with the government's debt burden cited as the main reason along with deteriorating growth prospects. But Hong Kong posted especially strong returns on reports of brisk 8.1% GDP growth in 2004 and strong first quarter '05 GDP. Over the last twelve months, a weak U.S. dollar in tandem with positive economic forces, helped domestic investors add to the gains in worldwide growth as evidenced by the double-digit returns in Hong Kong (strong economy), Australia (fueled by commodities exports), and Canada (beneficiary of the energy boom).



Source: StyleAdvisor

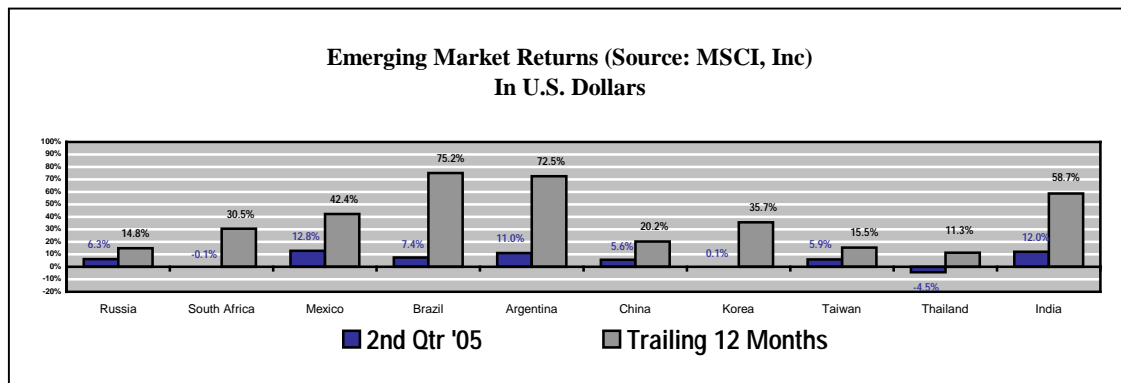


Emerging Markets Equities – MSCI Emerging Markets Free Index



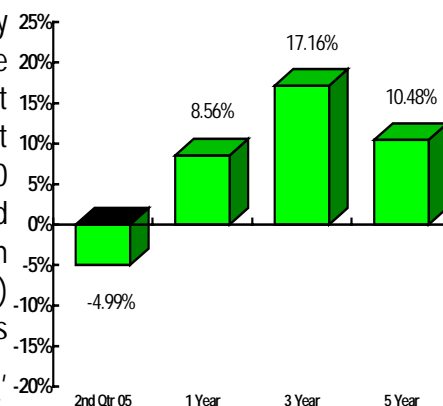
Source: StyleAdvisor

After declining 2.67% in April, Emerging Markets posted solid gains in May and June of 3.52% and 3.47% to finish the second quarter up 4.24%. U.S. investors continued to see positive returns from this asset class, but returns were held-back by the continued strengthening of the U.S. Dollar to most currencies. Improving fundamentals in this sector continue to encourage foreign direct investment and have given the asset class resilience even in an economic environment of higher short-term interest rates, which traditionally preceded a decline for emerging market equities. Over the past year, Brazil (+75%), Argentina (+72%), India (+59%), and Mexico (+42%) have been star performers. Brazil and Mexico were helped by exports in commodities like oil and iron ore, Argentina by beginning to resolve its default on debt, and India by growth in manufacturing. Despite recent stellar returns, the MSCI Emerging Markets Index still trades at a 36% discount to the S&P 500 Index (as of June 30, 2005 and in terms of forward earnings).



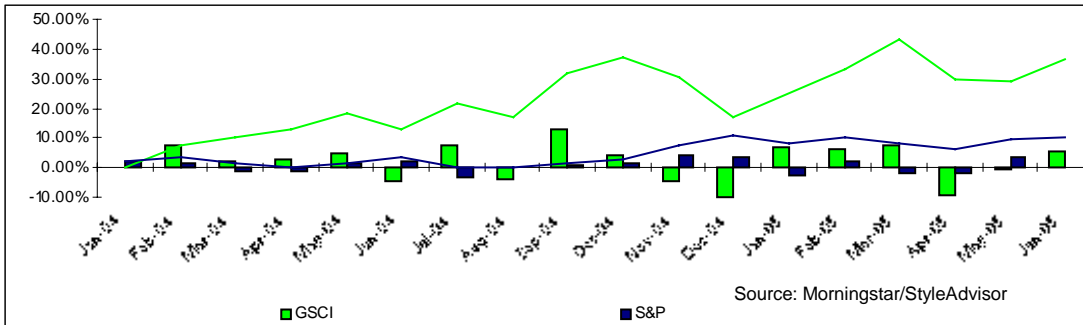
Hard Assets – Dow Jones AIG Commodity Index

“Hard assets,” as measured by the Dow Jones AIG Commodity Index, were down sharply 4.99% in the second quarter. Once again, commodities moved in the opposite direction of most financial assets. While the price of crude oil fluctuated throughout the quarter and hit new record highs, it ended up 4% from \$55.40 bbl to \$57.64 bbl. Other energy (unleaded gas, heating oil, and natural gas) products declined and livestock as well as aluminum posted dismal returns. However, precious metals (gold, silver) contributed a slight increase. As of 6/30/05, the index was comprised of energy (36%), Livestock (8%), Grains (19%), Industrial Metals (17%), Precious Metals (8%), Softs (sugar, cotton, coffee, 9%), and Vegetable Oil (3%).

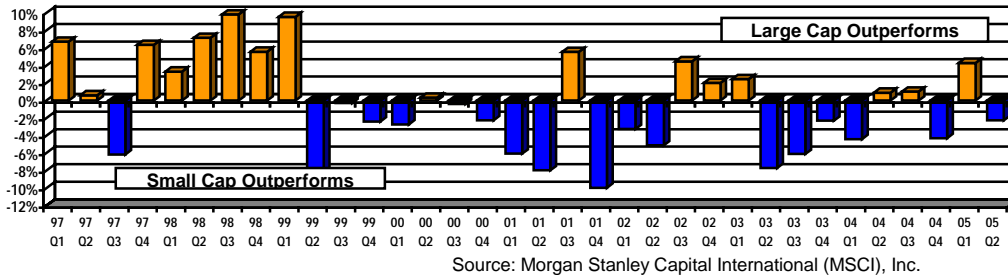


2005: Domestic Equity vs. Commodities Monthly Results

S&P 500 Index Returns vs. Goldman Sachs Commodity Index Returns

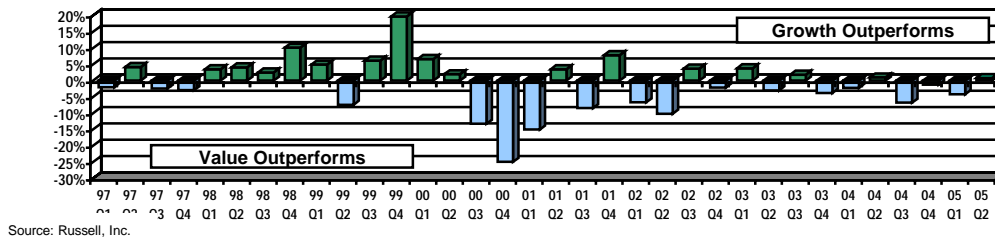


Large-Cap vs. Small-Cap Returns on Russell 1000 minus Russell 2000



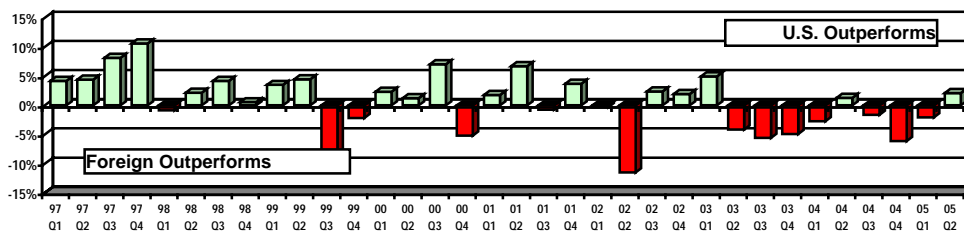
Value vs. Growth

Returns on Russell 1000 Growth minus Russell 1000 Value



Domestic vs. Foreign

Returns on S&P 500 Index minus MSCI EAFE



Has the manager added value through skilled security selection?

90-DAY TREASURY BILL INDEX - This index is comprised solely of Treasury Bills and will always have an average maturity of 90 days.

MORLEY 3-YEAR GIC INDEX - This index is the arithmetic mean of the ten highest quotes from a representative universe of three-year high quality GIC issues as measured by Morley Capital Management.

LEHMAN BROTHERS AGGREGATE BOND INDEX - This index is composed of approximately 25% U.S. Treasuries, 50% Agencies/Mortgages, and 25% Corporates, with an average duration of 4.5 years.

LEHMAN BROTHERS INT. GOVT/CREDIT BOND INDEX - This index is composed of approximately 35% U.S. Treasuries, 25% Agencies, and 40% Corporates, with an average duration of 3.7 years.

LEHMAN BROTHERS GOVT/CREDIT BOND INDEX - This index is composed of approximately 40% U.S. Treasuries, 20% Agencies, and 40% Corporates, with an average duration of 5.5 years.

DOW JONES INDUSTRIAL AVERAGE (DJIA) - Price weighted average of 30 industrial stocks, chosen to represent the U.S. stock market because they are larger, more actively traded issues, and leaders of American industry.

STANDARD & POORS 500 INDEX (S&P 500) - Composite index including 400 industrial, 20 transportation, 40 financial and 40 utility issues adjusted for income. Each stock is weighted according to the aggregate value of the shares outstanding.

WILSHIRE 5000 INDEX – Measures the performance of virtually all U.S. headquartered equity securities with readily available price data. Currently composed of over 6,500 capitalization weighted securities, with additions/deletions to the index made monthly and represents virtually 100% of U.S. equity market.

RUSSELL 3000 INDEX – Composed of the 3,030 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$4.6 billion; the median market cap was approximately \$890 million.

RUSSELL 1000 INDEX – Composed of the 991 largest companies in the Russell 3000 Index, which represents approximately 91% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$12.5 billion; the median market cap was approximately \$4.3 billion.

RUSSELL 1000 VALUE INDEX – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the largest 1000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 697 stocks.

RUSSELL 1000 GROWTH INDEX – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the largest 1000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 624 stocks.

RUSSELL MID-CAP INDEX – Composed of the smallest 792 stocks in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution (3/31/05), the average market cap was approximately \$4.7 billion; the median market cap was approximately \$3.5 billion. The largest company in the index had an approximate market cap of \$9.8 billion.

RUSSELL 2000 INDEX – Composed of the 2,039 smallest companies in the Russell 3000 Index, which represents approximately 8% of the U.S. equity market. As of the latest reconstitution (3/31/05), the average market cap was approximately \$669 million; the median market cap was approximately \$522 million.

RUSSELL 2000 VALUE INDEX – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the smallest 2000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 1,348 stocks.

RUSSELL 2000 GROWTH INDEX – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the smallest 2000 companies in the Russell 3000 Index. As of the latest reconstitution (3/31/05), the index held 1,408 stocks.

MSCI ALL-COUNTRY WORLD EX-US INDEX - An arithmetic average of over 1,700 securities listed on the stock exchanges of the countries from around the world, with approximately 10% of index listed in emerging market stocks. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes.

NASDAQ COMPOSITE INDEX – Composed of the return of stocks listed on the NASDAQ over-the-counter stock exchange. Typically, the index is comprised of technology and emerging company stocks.

ACTIVE INDEX DEFINITIONS

How does the manager compare to other managers with a similar investment style?

LIPPER INTERMEDIATE INVESTMENT GRADE BOND FUND INDEX – A peer group index comprised of fixed-income funds with an average duration consistent with intermediate range (3-5 years) and average credit quality of at least investment grade (AAA, AA, A, or BBB).

LIPPER CORPORATE DEBT A BOND FUND INDEX – A peer group index comprised of fixed-income funds focused on corporate-issued debt with an average credit quality of A.

LIPPER BALANCED FUND INDEX – A peer group index comprised of funds within the balanced fund investment objective (approximately 800 mutual funds), with an approximate range of equities and bonds between 25% and 75% each.

LIPPER LARGE-CAP VALUE FUND INDEX – A peer group index comprised of the universe (approximately 900 mutual funds) of large-cap value oriented mutual funds classified by Lipper Analytics, Inc.

LIPPER LARGE-CAP CORE FUND INDEX – A peer group index comprised of the universe (approximately 1,300 mutual funds) of large-cap core oriented mutual funds classified by Lipper Analytics, Inc.

LIPPER LARGE-CAP GROWTH FUND INDEX – A peer group index comprised of the universe (approximately 1,000 mutual funds) of large-cap growth oriented mutual funds classified by Lipper Analytics, Inc.

LIPPER INTERNATIONAL FUND INDEX – A peer group index comprised of the universe (approximately 900 mutual funds) of international mutual funds classified by Lipper Analytics, Inc.

LIPPER SMALL CO. AVERAGE FUND INDEX – A peer group index comprised of the universe (approximately 1,000 mutual funds) of small-cap mutual funds classified by Lipper Analytics, Inc.

MORNINGSTAR WORLD ALLOCATION UNIVERSE – A peer group of tactical asset allocation products comprised of a universe of 65 Funds.

ECONOMIC SECTOR & INDUSTRY DEFINITIONS

CONSUMER DISCRETIONARY

Auto Components (Delphi Corp., Johnson Controls, Goodyear Tire & Rubber)
Automobiles (Harley Davidson, Ford, General Motors)
Household Durables (Tupperware, Whirlpool, Maytag, Snap-On, Black & Decker, Stanley Works, Newell Rubbermaid)
Leisure Equipment & Products (Eastman Kodak, Mattel, Hasbro, Brunswick)
Text, Apparel & Luxury Goods (Liz Claiborne, Nike, Reebok, Jones Apparel)
Hotels, Restaurants & Leisure (McDonalds, Starbucks, Carnival, Hilton Hotels, Wendys, Marriott, Yum Brands, Harrahs)
Media (Walt Disney, Tribune, AOL Time Warner, Viacom, Dow Jones, Gannett, NY Times, McGraw Hill, Clear Channel)
Distributors (Genuine Parts)
Internet & Catalog Retailing (eBay)
Multi-Line Retail (Costco, Target, Kohls, Sears, Wal-Mart, JC Penney, Nordstrom, Federated, Dillards, May Dept.)
Specialty Retail (Tiffany, Staples, Gap, Best Buy, Home Depot, Sherwin Williams, Toys R Us, Circuit City, Lowes)

CONSUMER STAPLES

Food & Staples Retailing (Walgreen, Kroger, Safeway, Sysco, Albertsons, Supervalu, CVS, Winn Dixie)
Beverages (Coca Cola, PepsiCo, Adolph Coors, Anheuser Busch, Brown Forman)
Food Products (HJ Heinz, Hershey, Kellogg, Sara Lee, Wrigley, Campbell, General Mills, ADM, ConAgra)
Tobacco (Altria Group, RJ Reynolds, UST)
Household Products (Kimberly Clark, Colgate Palmolive, Proctor & Gamble, Clorox)
Personal Products (Avon Products, Gillette, Alberto Culver)

ENERGY

Energy Equipment & Services (Halliburton, Schlumberger, Noble, Baker Hughes, Nabors, Transocean, Rowan)
Oil & Gas (Exxon Mobil, ChevronTexaco, ConocoPhillips, Sunoco, Occidental Petroleum, Amerada Hess, Kerr McGee)

FINANCIAL SERVICES

Commercial Banks (Bank of America, Wells Fargo, US Bancorp, JP Morgan Chase, Marshall & Ilsley, Northern Trust, PNC)
Diversified Financial Services (Citigroup, JP Morgan Chase, Merrill Lynch, Sallie Mae, American Express, MBNA)
Insurance (Loews, Allstate, MGIC, Prudential, AIG, Aflac, Marsh & McLennan, Safeco, Metlife, Travelers, St. Paul Cos)
Real Estate (Equity Office Properties, Plum Creek Timber, Equity Residential, Simon Property)

HEALTH CARE

Health Care Equipment & Supplies (Baxter, Medtronic, Guidant, Bausch & Lomb, Boston Scientific, Stryker, St. Jude)
Health Care Providers & Services (Tenet, UnitedHealth, Aetna, Cardinal Health, Humana, Cigna, Wellpoint, HCA)
Biotechnology (Amgen, Biogen, Chiron, Genzyme, Medimmune)
Pharmaceuticals (Pfizer, Merck, Lilly, Abbott, Wyeth, Pharmacia, Bristol Myers Squibb, Johnson & Johnson, Forest Lab)

INDUSTRIALS

Aerospace & Defense (Boeing, Northrop Grumman, Honeywell, Raytheon, United Technologies, Rockwell Collins)
Building Products (Masco, American Standard Cos.)
Construction & Engineering (Fluor, McDermott)
Electrical Equipment (Rockwell Automation, Emerson Elec., Cooper Inds., American Power Conversion)
Industrial Conglomerates (3M, General Electric, Tyco International, Textron)
Machinery (Deere & Co., Caterpillar, Navistar, ITW, Cummins, Ingersoll-Rand, Paccar, Eaton, Danaher)
Trading Companies & Distribution (Grainger WW)
Commercial Services & Supplies (HR Block, Fiserv, Waste Mgmt, Paychex, Cendant, ADP, RR Donnelley, First Data)
Air Freight & Logistics (United Parcel Service, Fedex, Ryder)
Airlines (Southwest, AMR, Delta)
Road & Rail (Union Pacific, CSX, Burlington Northern, Norfolk Southern)

INFORMATION TECHNOLOGY

Internet Software & Services (Yahoo)
IT Services (Unisys, Sungard Data, Computer Sciences, Electronic Data Systems)
Software (Microsoft, Oracle, Electronic Arts, BMC, Computer Associates, Siebel, Adobe, Novell, Peoplesoft, Intuit)
Communications Equipment (Cisco, Motorola, Qualcomm, Corning, Lucent, Tellabs, Avaya, JDS Uniphase, Ciena)
Computers & Peripherals (Dell, Apple, EMC, Sun Microsystems, Hewlett Packard, IBM, Gateway, Lexmark, NCR)
Electronic Equipment & Instruments (Tektronix, Solectron, Waters Corp., Sanmina, Agilent, Jabil Circuit)
Office Electronics (Xerox)
Semiconductors & Semi Equipment (Intel, Texas Instruments, PMC Sierra, Applied Materials, Xilinx, Maxim, Analog)

MATERIALS

Chemicals (Du Pont, Sigma Aldrich, Great Lakes Chem, Ecolab, Praxair, Rohm & Haas, Monsanto, Dow Chemical)
Construction Materials (Vulcan Materials)
Containers & Packaging (Sealer Air, Pactiv, Ball, Temple Inland, Bemis)
Metals & Mining (Alcoa, US Steel, Newmont Mining, Freeport-McMoran, Nucor, Phelps Dodge, Worthington)
Paper & Forest Products (Intl Paper, Meadwestvaco, Weyerhaeuser, Boise Cascade, Georgia Pacific, Louisiana Pacific)

TELECOMMUNICATION SERVICES

Diversified Telecom Services (AT&T, Sprint, SBC, Bellsouth, Verizon, Qwest, Alltel, CenturyTel)
Wireless Telecom Services (Nextel, Sprint PCS, AT&T Wireless)

UTILITIES

Electric Utilities (Southern Co., Dominion, Exelon, Con Ed, TXU, Cinergy, PG&E, Xcel, American Electric Power, FPL)
Gas Utilities (Nisource, Keyspan, Nicor, Sempra, Kinder Morgan, Peoples Energy)
Multi-Utilities & Unreg. Power (Duke Energy, Williams Cos., AES, Calpine, El Paso, Dynegy, Mirant)