

Brick Financial Management LLC

Benjamin B. Taylor
Investment Manager

phone: 973-313-1220
toll free: 888-BRICK-10
<http://www.brickfinancial.com>

May 1, 2006

Re: April 2006 Client Letter (<http://www.brickfinancial.com/letters/200604clientletter.html>)

Dear Partners, Clients and Friends,

April saw the Core Portfolio Average trail our benchmarks but remain competitive on a year-to-date basis. Our portfolios returned 0.5% to the Wilshire's 1.1% and the S&P's 1.3%. The returns for both model portfolios versus relevant stock market indices (including reinvested dividends) as of April 30, 2006 follow¹:

	April	YTD 2006	2005	2004	2003	2002	Since Inception
Relative Value ²	1.36%	7.20%	-1.49%	33.54%	44.09%	-2.09%	98.94%
Choice ³	-1.79%	-1.58%	-1.90%	15.31%	22.31%		36.18%
Portfolio Average⁴	0.45%	4.56%	-1.61%	28.07%	37.31%	-2.09%	77.14%
Wilshire 5000	1.11%	5.44%	6.38%	12.48%	31.64%	-5.54%	58.63%
S&P 500	1.34%	5.61%	4.91%	10.88%	28.68%	-5.88%	48.79%
Wilshire 4500	0.41%	9.98%	10.03%	18.10%	43.84%	-4.21%	96.91%
All Domestic Equity Mutual Funds	0.87%	7.61%	6.65%	11.96%	32.44%	-5.46%	60.88%

The art and science of investing

Investing is *both art and science* with neither discipline playing the dominant role. If it were simply art, systematic principles could not be employed in practicing it. It would not lend itself to measurement, only to judgment. If it were simply science, rules applied to its practice would never be violated. Results would be predictable, consistent and timely.

A quality of temperament

Assuming there are several forms of intelligence, as prudent investors, we need to call on all of them in order to create a *portfolio* that is the marriage of art and science. We can not rely on our analytical, creative, emotional or practical intelligences alone, as this will certainly handicap us. In the [words of Warren Buffett](#),

“Successful investing requires a quality of temperament. Not a high IQ.”

We must avoid overconfidence

This past month, the investing dyad of art and science was especially evident. Based on careful study we made changes to our portfolios, adding to and subtracting from positions as



well as selling old ones and buying new ones. Our analysis told us that the positions we bought or added to presented more potential than those we sold or subtracted from.

With the close of the month, we were happy to see most of the positions that we added to advanced for the month. We were especially happy to see that our new positions all advanced including Encore Wire (23%), Arkansas Best (10%) and FirstFed Financial (7%). This gives us some sense of confidence in our analytical process. But it is important that we do not become victims of our own self-confidence.

Nearly every position we *sold* advanced in April as well.

The market is unpredictable, especially in the short term. And we show no special acumen in predicting its short term gyrations. Thusly, we show no special ability regarding the timing of our moves. We may see the positions we've sold continue to rise and the positions we've bought fall. Although, we fared well in April with the immediate movement of our positions, in the future we may not do as well. In fact, our moves may look "wrong" for a long time [buying and adding to eBay] even if our analysis and judgment are "correct" [eBay is undervalued and has a bright future].

Subscribe to ***The Brick Blog***

In closing, we would like to remind you to subscribe to *The Brick Blog* by clicking one of the links below: You can either subscribe through a blog reader (i.e. My Yahoo, Bloglines) or with an email delivery service (i.e. Feedblitz).

- For direct email delivery by Feedblitz: <http://www.feedblitz.com/f/?Sub=6311>
- For blog readers like My Yahoo: <http://feeds.feedburner.com/brickfinancial>

Note: These subscription services are all free.

Become a client

As always, thanks for your confidence in us. If you are not already, find out how to [become a client](#). Please don't hesitate to call us at (973) 313-1220 or 1-888-BRICK-10 or email us at info@brickfinancial.com.

Sincerely,



Benjamin B. Taylor

Endnotes

¹ The gross returns of the Relative Value and Choice model portfolios and the Core Portfolio Average are determined using a technique known as "time-weighted return on investment" and include all capital gains and reinvested dividends. They do not represent actual trades or returns of client portfolios although client portfolios are based on the model portfolios. Client portfolio returns may be higher or lower than the model

portfolios' returns. The model portfolios are presented here for informational purposes only. Although Brick Financial believes the information and data in this report were obtained from sources considered reliable and correct, we cannot guarantee their accuracy or completeness. Neither this commentary, nor any opinions expressed herein, should be construed as an offer to sell or a solicitation of an offer to acquire any securities or other investments mentioned herein. Persons associated with this firm may own or have an interest in securities or investments mentioned in this presentation. Their positions may change from time to time and they may buy or sell such securities or investments. Past returns are no guarantee of future performance. The Relative Value and Choice model portfolio data is maintained at Foliofn.com. The index and mutual fund data comes from several sources including Wilshire, Standard and Poor's and *The Wall Street Journal* (Lipper Mutual Fund Averages).

² The inception date for the Relative Value model portfolio is 12/6/2002.

³ The inception date for the Choice model portfolio is 4/4/2003.

⁴ The Core Portfolio Average is meant to represent the weighted average of the Relative Value and Choice model portfolios. Returns for the Core Portfolio Average are determined as follows: A split investment (70% in the Relative Value, 30% in the Choice) is assumed to be made at the beginning of each calendar year and rebalanced every subsequent calendar year. Inception date for the Core Portfolio Average is 12/6/2002.