



## First Quarter 2006 Letter To Investors:

**Hurley Capital Composite rises 5.7% net of fees compared to S&P 500 at 4.2%**

The Hurley Capital Composite return was driven by gains in value-oriented companies across industries and geographies. Deere & Co. (NYSE:DE), SK Telecom (NYSE:SKM) and Computer Horizons (NASDAQ:CHRZ) were the leading gainers. Our short position in Marriott Corp (NYSE:MAR) and long position in Enbridge Energy Management LLP (NYSE:EEQ), were the two small loss generators during this quarter.

*"It is our thesis that minimizing risk does not reduce profit potentials for investors in common stocks; rather, minimizing the downside tends to enhance the realistic upside potential..."*

*- Martin J. Whitman, The Aggressive Conservative Investor, 1979, 2006*

### **Low Risk Does Not Mean Low Returns**

In team sports the key to winning is often tough defense and minimizing turnovers. At Hurley Capital, we believe successful investing works in much the same way. We buy companies that have high intrinsic value relative to their market price. By selecting companies with a bedrock of solid asset value we limit the volatility and losses associated with market swings while allowing for upside opportunity through corporate growth initiatives. Asset value may exist as oil in the ground (Chevron) or dominant market share combined with high levels of cash flow generation (Wal\*Mart, Costco or SK Telecom).

### **POS Stands For Point of Sale**

We believe that Catalina Marketing (NYSE ticker: POS), a recent investment, offers the opportunity for minimized downside with opportunity for high potential returns. You may not know the name yet, you likely know the product: supermarket coupons. Catalina Marketing is responsible for the on-site printing of coupons in most national grocery chains based on customer purchasing patterns. Coupons generated by Catalina Marketing printers have a redemption rate of over 6 times basic newspaper coupons. To diversify revenue sources and protect against competition in the grocery industry from Wal\*Mart and Costco, Catalina has established rapidly growing businesses in both international grocery coupons as well as pharmacy prescription insert printing. Together, these new businesses currently comprise 40% of Catalina's revenues.

We believe Catalina Marketing core business provides a strong valuation buffer for investors as its growth initiatives mature. These include:

- Expansion into non-grocery coupon printing with in-progress installations at 5,000 Walgreens and 1,000 Kmart locations with others in negotiation;
- Upgrade of coupon printers to color. Color coupons are selling at a 25% premium to current black-and-white coupons. Management expects a 30% return on capital on their \$100 million investment in new printers.

### **Moving Forward**

Hurley Capital remains focused on providing clients with value-oriented asset management and a high level of personal service. We believe our client accounts are well positioned for solid returns with below market risk. We are committed to our goal of presenting clients positive returns and protection in all market conditions.

Thanks again for your continued interest and patronage.

Charles Goldblum

April 2006

**Performance Of Hurley Capital Investments**

<u>Action</u>	<u>Initial Investment Date</u>	<u>Symbol</u>	<u>Name</u>	<u>Total Return to Date*</u>	<u>Transaction Price</u>	<u>Market Price 3/31/06</u>	
<b><u>2006 Transactions</u></b>							
	Bought	16-Mar-06	POS	Catalina Marketing Corp	-0.6%	23.23	23.10
	Bought	01-Mar-06	565011AB9	Manugistics Group 5%'07 Cvt	-0.5%	94.18	93.72
	Bought	21-Feb-06	JCDA	Jacada Ltd	8.1%	2.56	2.77
	Bought	14-Feb-06	CHK	Chesapeake Energy	10.9%	28.38	31.41
Closed 3/7/06	Bought	07-Feb-06	PHM	Pulte Homes Inc	1.8%	37.10	38.42
	Bought	04-Jan-06	NWSA	News Corp Ltd Cl A	7.6%	15.37	16.61
Hedge 9/3/04	Bought	23-Feb-06	PTFRD	Put Petrofund Energy Trust	-70.7%	1.30	0.40

**2005 Transactions**

Bought	27-Dec-05	NXR	Nuveen Select Tax Free	2.4%	13.19	13.45
Bought	15-Dec-05	DE	Deere & Co.	13.1%	70.09	79.05
Bought	12-Dec-05	COST	Costco	11.6%	48.60	54.16
Bought	28-Nov-05	CHRZ	Computer Horizons Inc.	26.4%	4.03	5.00
Sold	22-Nov-05	MAR	Marriott Intl Inc Cl A	-6.1%	64.40	68.60
Bought	03-Oct-05	WMT	Wal-Mart	7.4%	44.03	47.24
Bought	17-Aug-05	MMP	Magellan Midstream Partners LP	7.1%	31.70	32.87
Bought	22-Jul-05	SKM	SK Telecom Ltd ADR	14.2%	20.65	23.59
Bought	21-Jul-05	NTLRF	Neteller Plc Ord	-5.4%	13.45	12.74
Bought	23-Jun-05	TPP	Teppco Partners LP	-7.1%	41.06	36.29
Bought	17-Jun-05	465754AF6	i2 Technologies 5.25% Cvt Bond	11.2%	93.00	100.28
Bought	27-May-05	GXM	General Motors Pfd "A"	2.8%	23.65	23.21
Bought	18-Apr-05	KO	Coca-Cola	4.5%	40.87	20.34
Bought	10-Mar-05	T	AT&T Corp.	20.7%	24.92	27.04
Bought	25-Jan-05	CVX	Chevron Texaco	14.6%	52.51	57.97

**2004 Transactions**

Bought	21-Dec-04	GLD	Streettracks Gold Trust	31.7%	44.09	58.10
Bought	28-Oct-04	VHT	Vanguard Heath Care VIPERs	20.8%	46.56	55.73
Bought	06-Oct-04	EEQ	Enbridge Energy Mgt LLC	4.2%	44.95	42.66
Bought	13-Sep-04	BMN	Blackrock Muni Trust	-0.6%	10.67	10.00
Bought	03-Sep-04	PTF	Petrofund Energy Trust	72.0%	11.74	21.88

\*Total returns include transaction fees, dividends, interest and trading proceeds

### Important Disclosure

The Hurley Capital Managed Accounts Composite represents all actual client accounts invested in this strategy. The Hurley Capital Managed Accounts Composite allocates client portfolios in equity and fixed income investments, weighted according to Hurley Capital's proprietary investment strategy.

Actual client accounts utilizing the Hurley Capital Managed Accounts Composite may have varying allocations between equities and fixed income investments based on individual investment preferences. The results of the Hurley Capital Managed Accounts Composite are net-of-fees, brokerage commissions, and other expenses. Hurley Capital's investment advisory fees are described in the disclosure statement of Part II of the Form ADV which is available upon request.

The results of the Hurley Capital Managed Accounts Composite include the reinvestment of dividends. Comparison of the Hurley Capital Managed Accounts Composite to the S&P 500 and NASDAQ Composite is for illustrative purposes only and the volatility of the indices used for comparison may be materially different from the volatility of the Hurley Capital Managed Accounts Composite due to varying degrees of diversification and/or other factors.

Past performance of the Hurley Capital Managed Accounts Composite may not be indicative of future results and the performance of a specific individual client account may vary substantially from the composite results above in part because client accounts may be allocated among several portfolios. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable.