



Third Quarter 2005 Letter To Investors

The Hurley Capital composite account has gained 9.6% year-to-date, thanks to a strong third quarter where the composite rose 6.8%. This compares favorably to the S&P 500, up 1.4% year-to-date and 3.1% in the quarter ending September 30, 2005. These results also compare favorably to the NASDAQ composite, which was down 1.1%, and the Dow Jones Industrial Average, which was down 2.0%, both year-to-date. The largest gains came from investments in Portal Software, select energy investments and our single short position, Jack In The Box. Pfizer was the sole negative performer during the quarter.

Are We There Yet?

For the last year, we've been reiterating that rising oil prices, interest rates and inflation will cause financial markets to show disappointing results. While a 1.4% gain is subpar performance for the S&P 500, frankly, we expected worse. We believe that the above pressures will act as a vise on consumers' wallets, with pressure going from snug to uncomfortable and beyond. With that in mind we still think there are conservative investment opportunities in defensive industries such as wireless telecom services and health care as well as select special situations in technology.

A recent investment is:

- **SK Telecom Ltd ADR.** We like wireless telecommunications companies, in general, because they:
 - generate lots of cash,
 - ought to see rising revenues as functionality increases and new services are bought (like games, ringtones, video, etc.)
 - have just a few competitors who keep prices rational, and,
 - have little chance to see new competitors as the cost to build a competing network seems prohibitive.

SK Telecom has all of the above attributes, a dividend over 3% and generates 15% Free Cash Flow returns. On top of that, they own the most popular web-portal in Korea, as measured by page views, and they are an investor in the 3rd largest wireless company in Vietnam, where just 7% of citizens have cell phones. The risk in your SK Telecom investment is what they will do next. Recent news reports claim that SK Telecom is in talks to buy a stake in Tata Tele, a large Indian wireless telecom provider. While India is certainly a growth market, the valuation will likely be steep. We welcome this investment though it might dilute earnings over the medium term.

In closing, we pledge to continue investing your capital in a conservative fashion and to pursue value-oriented investments that should excel in a decelerating US economy and special situations in under-appreciated small cap stocks.

Thanks for your interest and patronage. Please call/email with any questions or comments.

Chuck Goldblum

October 2005

Performance Of All Open Hurley Capital Investments

<u>Initial Investment</u>					<u>Price at 30-</u>	<u>Return to</u>	
<u>Date</u>	<u>Action</u>	<u>Name</u>	<u>Ticker</u>	<u>Price</u>	<u>Sep-05</u>	<u>Date</u>	<u>Comments</u>
12-Aug-04	Buy	Pfizer	PFE	31.82	25.63	-19.5%	
20-Aug-04	Buy	Blackrock Muni Trust	BMN	10.66	10.16	-4.6%	
03-Sep-04	Buy	Petrofund Energy Trust	PTF	11.74	22.24	89.4%	Price/return includes benefit of dividends or dividend reinvestment
06-Oct-04	Buy	Enbridge Energy Mgt LLC	EEQ	44.95	59.50	32.4%	Price/return includes benefit of dividends or dividend reinvestment
28-Oct-04	Buy	Vanguard Health Care VIPERs	VHT	46.56	53.59	15.1%	
08-Dec-04	Buy	Compania de Telecom de Chile	CTC	10.50	11.60	10.5%	
21-Dec-04	Buy	Streettracks Gold Trust	GLD	44.09	46.70	5.9%	
05-Jan-05	Buy	Encore Acquisition Corp.	EAC	32.20	46.53	44.5%	Sold on July 6, 2005
25-Jan-05	Buy	Chevron Texaco	CVX	52.51	65.73	25.2%	
04-Feb-05	Buy	Portal Software	PRSF	2.62	2.92	11.5%	
10-Mar-05	Buy	AT&T Corp.	T	19.42	20.76	6.9%	
08-Apr-05	Short	Jack In The Box	JBX	(37.80)	(29.91)	26.4%	
18-Apr-05	Buy	Coca-Cola	KO	40.87	43.48	6.4%	
27-May-05	Buy	General Motors Pf'd "A"	GXM	23.65	24.39	3.1%	
17-Jun-05	Buy	i2 Technologies 5.25% Cvt Bond		93.00	98.51	5.9%	Includes accrued interest
23-Jun-05	Buy	Teppco Partners LP	TTP	41.06	41.92	2.1%	
21-Jul-05	Buy	Neteller Plc Ord	NTLRF	13.45	14.64	8.8%	
22-Jul-05	Buy	SK Telecom Ltd ADR	SKM	20.65	21.84	5.8%	
17-Aug-05	Buy	Magellan Midstream Partners LP	MMP	31.70	34.27	8.1%	
18-Aug-05	Buy	Chevron Sep05 \$55 Put	CVX UK	0.30	-	-100.0%	Expired on September 17, 2005

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.