Baldwin Investment Management, LLC

FINALLY, SOME PROGRESS

By the end of the third quarter, the U.S. stock market as measured by the S&P 500 had finally climbed out of its hole for the year to date. The S&P gained 3.1% during the third quarter and up 1.4% for the year. While the NASDAQ and the Dow Jones Industrial Average also were both up for the quarter (plus 4.6% and 2.9% respectively), both measures were still in negative territory through the first nine months of the year (NASDAQ -1.1% and the Dow -2%). So, it was a good quarter for U.S. equities with energy leading the way and telecommunication services bringing up the rear.

Powered Up

The S&P 500 would be down 2% for the year so far, were it not for the gains of its energy sector, which represents more than 10% of index. Sector performance for the quarter and year to date.

Sector	No. of companies	Pct. of market capitalization	PERFORMANCE Third qtr.	Year-to-date
Energy	29	**10.3%**	17.8%	**40.0%**
Utilities	33	**3.6**	6.4	**20.4**
Health Care	56	**13.3**	1.1	**3.8**
Consumer Staples	38	**9.6**	2.5	**1.5**
S&P 500	500	**100.0**	3.1	**1.4**
Information Technology	78	**15.3**	5.8	**-0.5**
Financials	84	**20.1**	0.1	**-3.5**
Industrials	53	**11.1**	1.9	**-3.9**
Materials	32	**2.9**	1.3	**-7.6**
Telecommunications Services	9	**3.1**	-2.1	**-8.0**
Consumer Discretionary	88	**10.7**	-1.1	**-8.1**

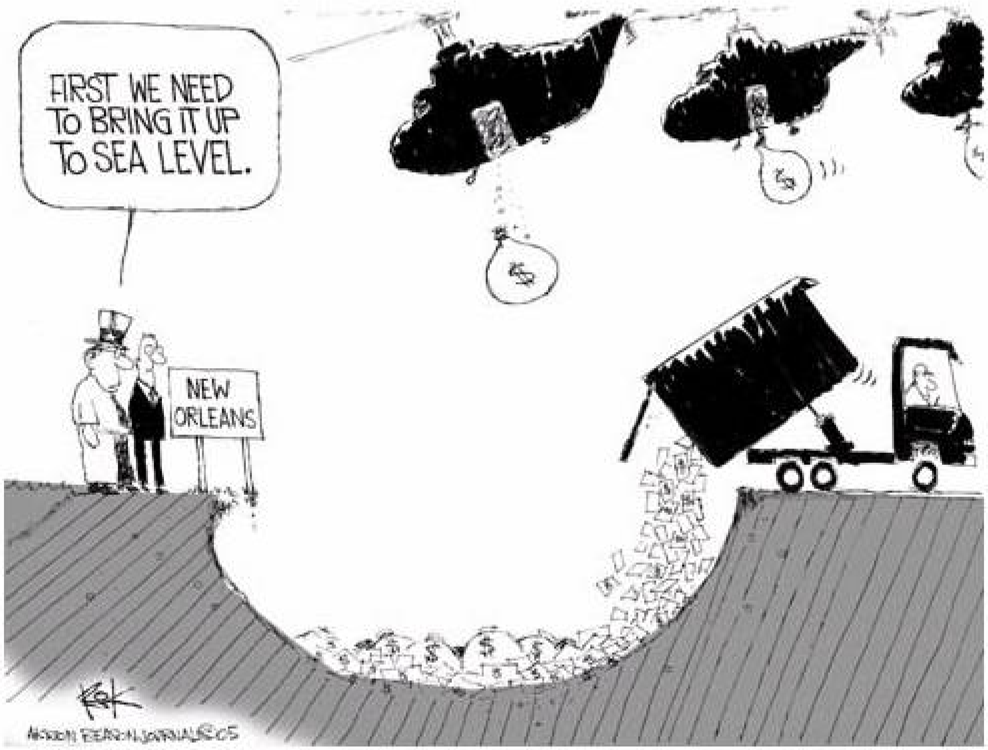
Source: Standard & Poor's

Overseas it was an even better quarter, especially in the emerging markets. Risk taking was in vogue from July through September. Brazil, the Czech Republic, Latvia, India, Lithuania and South Africa led the overseas charge. Excellent performance was also found in Mexico, South Korea, Spain, Germany and Hong Kong. In this country, the initial public offering market was strong during the period with only the first quarter of 2005 having more successful IPOs. The number of withdrawn or postponed IPOs was probably at its lowest level of the year so far and the first day price gain for IPOs declined to a reasonable level suggesting that markets were not “going crazy”. Driven by energy (i.e. oil and natural gas) and industrial metals, commodity prices increased. Lastly, merger and acquisition activity was strong - especially in Europe. All the above would suggest that the markets have some under pinning. Investors are generally positive but not with too much exuberance. Corporate earnings have continued to surprise on the upside. This has given great support to markets around the world in the face of increasing interest rates (especially in the U.S.) and increasing energy costs.

Third quarter corporate earnings will be revealed in the coming weeks. We would expect them to be good as they have been so far. The Fed will no doubt continue raising interest rates in a “measured” fashion. This has been well broadcast, thus should be of no surprise to the markets. The dollar has continued to gain in strength - now trading below the $1.20 mark to the Euro. With political confusion and stagnant economies in Europe, we continue to believe that the dollar will get stronger, aided of course by a strong U.S. economy and increasing interest rates, making the currency more attractive. U.S. GDP growth will no doubt be slowed in the short run because of hurricanes Katrina and Rita. However, growth should pick up in the first part of 2006 as vast sums are spent to rebuild and repair the Mississippi Delta region. To date, the U.S. and world economies have not been too adversely affected by the dramatic increase in the price of energy. The higher prices for oil and natural gas are having their expected effects on the search for these hydrocarbons as billions are being spent by oil companies and government producers to bring on new reserves. It is expected that significant new supplies will be coming on stream into the marketplace from Kazanistan, Libya, Saudia Arabia, the Gulf of Mexico and the North Sea. In spite of the fact that according to latest inventory statistics, the world is not without hydrocarbon supplies. Hysteria has gripped the market and until that condition has been corrected, prices will remain high - even if for no fundamental reason.

PREDICTIONS FOR 2005	COMMENTS
1. The dollar will rebound to $1.15 per Euro as a result of interest rates elsewhere in the world declining	$ is stronger, Euro trading at <$1.20 v. $1.37
2. U.S. economic growth will slow to approximately 3.5%	Looking Good
3. Chinese and Indian demand will keep oil in the low 40s to mid-30s in spite of increased supply	Oil still much higher
4. Japan will grow more quickly (~2% GDP growth) because of its China trade	Confidence is Growing!
5. President Bush will not be successful in radically overhauling the U.S. Tax Code or Social Security	Still feel this way. Katrina & Rita have set back legislative schedule
6. Chinese economic growth will still support high (but not astronomical) commodity prices	So far - Prices down
7. The "Road Map" in the Middle East will be pursued again	Yes
8. The Iraqis will hold scheduled elections at the end of January but no resolution of the insurgents efforts will be had	Yes
9. The U.S. stock markets will end up higher similar to the performance of 2004	So far, incorrect
10. Osama will be sold out and captured (we're *still* sticking with this!)	Not Yet!!!

A FINAL THOUGHT



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A list of our Proxy voting procedures is available upon request.

A current copy of our ADV Part II is available upon request or at www.baldwinim.com/disclosure.htm 9/30/05