



APRIL 10, 2006

In order to better acquaint you with Wealth Advisor Group LLC, we are sending you our quarterly client newsletter which accompanies our clients' quarterly performance reports. We hope this gives you some insight into our firm. If you have any questions about our services, please call.

First Quarter 2006 Investment Report

Indexing Is Not Enough

Sometimes when a sophisticated investor first learns about Wealth Advisor Group's adherence to Modern Portfolio Theory and asset class investing, they will immediately exclaim, "You must be 'Indexers'". Translated, that means they think WAG uses all index mutual funds to build our clients' portfolios. They are wrong. In fact, we are currently using only three index-based fund vehicles to represent three of the 15 specific asset classes our clients can hold in their portfolios. All the other passively managed asset class investment vehicles we use are designed to actually out-perform their index fund counterparts. That is one of the many secrets to our success.

You might think that most investors not fortunate enough to have WAG as their advisor would be well counseled to use an index fund approach, as this method has often times out-performed actively managed portfolios. After all, investment legends Peter Lynch (former manager of Fidelity's Magellan Fund) and Warren Buffett (of Berkshire Hathaway fame) have both publicly stated that the average investor would be best served by using index funds as their primary investment holdings.

With all this background, many would think that all investors who use index funds must be pretty smart. Unfortunately, it turns out that they, in fact, *are not that smart*. In a recent study by Morningstar, an analysis was performed measuring the 10 year performance data of many of the largest and most well known index funds. It compared the "official" returns data with the "dollar-weighted" data. The dollar-weighted data tells us the returns the actual investors, in totality, received from those funds. It takes into consideration when those investors bought and sold the funds, and what the *actual* return was on their capital. See the chart:

10 YEAR DOLLAR-WEIGHTED RETURNS vs. OFFICIAL RETURNS (annualized)

Mutual Fund	Dollar-Weighted Returns	Official Returns	Gap
Dreyfus Basic S&P 500 Stock	6.10	9.24	3.14
Dreyfus S&P 500 Index	6.24	8.92	2.68
Dryden Stock Index Z	2.92	9.10	6.18
Fidelity Spartan 500 Index	5.29	9.30	4.01
JPMorgan Equity Index	3.46	9.16	5.70
SEI Index S&P 500	6.33	9.22	2.89
T. Rowe Price Equity Index 500	6.03	9.18	3.15
Vanguard 500 Index	6.72	9.42	2.70
Vanguard Institutional Index	6.68	9.55	2.87
Vanguard Tax Managed Gr. & Inc.	4.13	9.51	5.38
Vanguard Total Stock Market	6.05	9.32	3.27

Source: Morningstar Data as of 9/30/05

Obviously, there is a hefty gap between what the average investor got for their return and the official return; they received from about 3% to 6% *less* per year. Why did this happen? It's called market timing. Money flowing into and out of these funds obviously had meaningfully less reward to investors than the fund's official performance.

So here is the hidden truth behind index funds. They are only as good as the investor/advisor/institution that uses them. As the

numbers show above, obviously the majority of index fund holders were not long-term proponents of Modern Portfolio Theory. Rather, those fund holders tried to time their ins and outs, and in every single fund studied, they came up with dramatically less return than the "official" fund returns.

The moral of this story is that for most investors, index funds are not the panacea that they are often made out to be. Indexing is not enough. If it were that easy, anybody could do it.

Curb Your Enthusiasm

October 2002 marked the start of the current bull market. Through the end of March 2006, most asset classes have exploded with effervescent returns. U.S. Small Cap and Real Estate classes have more than doubled. International Small Cap and Emerging Markets have more than tripled. In just 3 ½ years, returns have been so attractive that they have gone a long way toward making us forget about the rather dismal start of the new millennium. We are as happy as anyone with the progress that has occurred in the last 14 quarters. However, we are prudent. Just as we counseled patience during the "bad" times, we now want to make sure our clients remain sensible in the good times.

Some clients have communicated a more aggressive attitude now that they feel so much wealthier than just a few years ago. Those are their emotions speaking.

Since there is no way of knowing whether we are still in the early stages of a long term bull (see the 1990's), or the last stages of a shorter term cycle, we plan to continue managing your portfolio as we have always done. With asset classes that have dramatically expanded, your portfolios will be rebalanced, and those gains will be redistributed to asset classes that have had less heady performances. This will in effect be buying low and selling high, even though our real goal is simply to re-center your risk level to its desired parameters. That way, regardless of what takes place in the short, intermediate or longer term, your portfolio will be positioned precisely as planned. And together, we will ride the markets constantly fluctuating journey to the desired destination (which is most likely Disney World).

Checks and Balances

The S.E.C. has determined that when a client gives their advisor checks or stock certificates for deposit into that client's account, the advisor is actually taking custody of those assets, and in that manner becomes a custodian of the client. As is specifically stated in our Advisory Agreement, WAG is not a custodian; nor is it in the best interest of our clients for WAG to become one. There is an easy remedy for this situation. We have obtained an unlimited amount of prepaid return envelopes to TD Waterhouse (TD Ameritrade) and will make sure all of our clients who frequently send checks to their account will receive a supply. In addition to alleviating this custody situation, it will also ensure that your checks go directly into your account, without the added time due to WAG's involvement. If you would like to discuss this subject, or if you would like a supply of return envelopes, please do not hesitate to contact us.

First Quarter 2006 Asset Class Performances

The first three months of 2006 continued the prevalent trend of the last few years. Small and Value asset classes -- domestically, internationally and in emerging markets --outperformed Large and Growth asset classes. Domestic Small Cap Value took the honors, with 15% returns. U.S. Real Estate begins the seventh year of a bull market push for this amazing asset class. One has to wonder just how long it will be before a meaningful correction occurs. This points out an excellent case for not trying to out-guess the market. Few investors expect an asset class to continue into a seventh year of positive returns. There is no guessing with Modern Portfolio Theory, which assures a predetermined piece of your portfolio will always be in each asset class.

Small asset classes globally enjoyed low double digit returns. Large Cap Growth, while rewarding investors with middle single digit returns, was again the lowest returning asset class. Fixed Income was whacked again this quarter, as both intermediate and longer term interest rates increased. The total returns of both were negative for the quarter. See the chart below.

	1st Quarter '06		1st Quarter '06
S & P 500	4.18%	<i>Int'l Large Cap</i>	9.01%
<i>Large Cap Value</i>	6.20%	<i>Int'l Large Cap Value</i>	12.35%
<i>Medium Cap</i>	7.54%	<i>Int'l Small Cap</i>	11.13%
<i>Small Cap</i>	12.18%	<i>Int'l Small Cap Value</i>	12.68%
<i>Small Cap Value</i>	15.06%	<i>Int'l Emerging Mkts</i>	11.17%
<i>Micro Cap</i>	14.39%	<i>Int'l Emerging Mkts Value</i>	13.69%
<i>Real Estate</i>	14.79%	<i>Int'l Emerg. Mkts Small Cap</i>	12.83%
<i>Intermediate Income</i>	-1.34%	<i>Pacific</i>	6.53%

Long Term Income

-3.41%

European

10.58%

Source: The Vanguard Group and DFA Funds

As usual, your Performance Report is included with this letter. New clients who have had their portfolios managed for less than a full quarter will not receive a complete report until next quarter.

Over the next few months, try not to be overwhelmed with the Iraqi War, bird flu and/or the frequent crises of Wall Street; focus on enjoying your springtime.

Sincerely,



Frank W. Hoyle, Jr.
President



Frederick F. Kramer IV, J.D.
VP/Chief Investment Officer



Suzanne R. Holbert CPA/PFS
Personal Financial Specialist



Catherine S. Anderson
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Financial Advisor

Our client centered portfolio management – something we call **The PROsperity Model (sm)**, is designed by combining:



- Our investment **Philosophy**, based in Modern Portfolio Theory,
- Our **Resources**, seen in human terms by our highly experienced, professional advisors; our affiliation with Dixon Hughes; and finally our unique ability to offer our clients institutional investment vehicles unavailable to most brokers, bankers or individual investors,
- Our **Objectivity**, which is anchored in our fee-only compensation structure, assuring no potential conflicts of interest of any kind.
- Our clients stand at the center of these principles, benefiting by the **Integration** of all three. We believe that a superior investment experience and performance can only be found when not one or two, but all three values occur simultaneously.