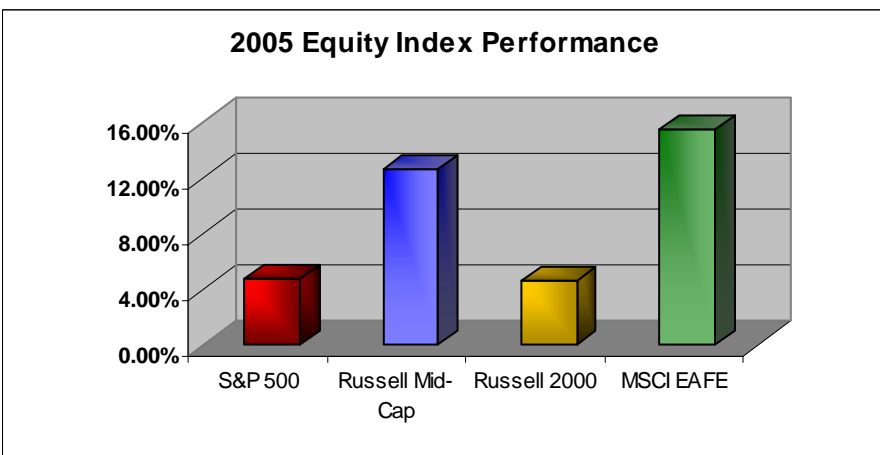


FOURTH QUARTER 2005

2005 has a reputation as a lousy year for investors. After all, didn't the Dow Jones Industrial Average actually lose ground, falling from 10,783 to 10,718 over the course of the year? People who base their investment market evaluation on this very narrow index of thirty stocks that doesn't include dividends may come to a distorted, if not erroneous conclusion about how investment markets fared in the year just ended. 2005 deserves a better reputation that it has received.

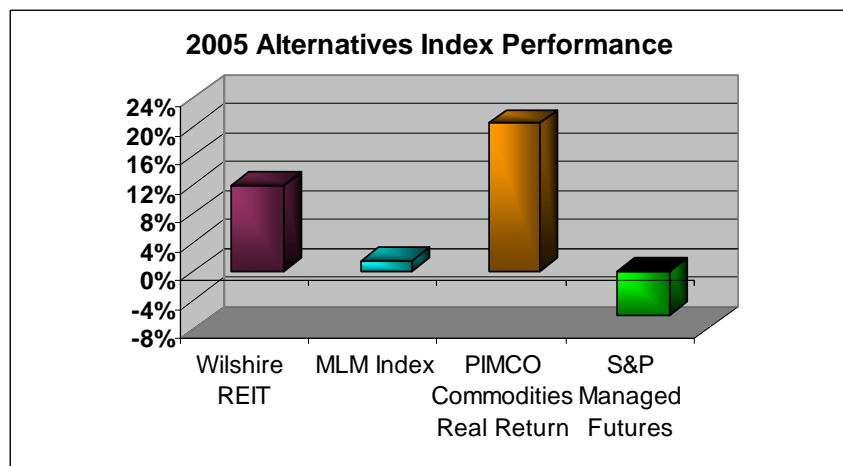
Using broader indices that include dividends may give a different impression. Large cap domestic stocks, as measured by the S&P 500, returned a boring but respectable 4.8%. Small cap stocks, as measured by the Russell 2000, were close behind at 4.6%. Mid-cap stocks proved to be the sweet spot for domestic equities, with 12.65% return in the Russell Mid-cap index. But foreign stocks delivered a downright exciting 15.6% return



(in dollars) mostly thanks to the performance of stocks in Japan and emerging markets. Overall, investors with global equity exposure had the opportunity for a reasonably good year. Within the U.S. stock market,

based on most benchmarks, value-type stocks outperformed growth-type stocks for the sixth consecutive year (though in the second half of the year growth began to outperform). Value's outperformance was largely due to energy stocks, which were far and away the year's strongest sector. Outside of the equity markets, fixed income (bonds) offered only small nominal returns and non-dollar bonds delivered slightly negative returns due to a stronger dollar, which resulted in currency losses.

Commodity futures posted widely varying returns depending upon the index used. The MLM Index Fund (which tracks the Mt. Lucas Management Index, which includes both long and short positions) was barely positive for the year (up



1.4%), while the PIMCO Commodity Real Return Strategy Fund (which follows the long-only Dow Jones AIG Commodity Index) produced a 20.5% annual return. The S&P

Managed Futures Index tracks the performance of a basket of commodities futures managers. In this case, the passive indexes surpassed the professionals, who were down 6% as a group. Real estate investment trusts (REIT's) were up 11.9%, though we owned very little in this area due to our continuing valuation concerns.

In short, in 2005 investors were rewarded for diversifying beyond domestic stocks and bonds. We were pleased with how our clients' portfolios performed (though never completely satisfied) and even more pleased when we look at longer term numbers. Diversification and the conviction to stick with undervalued and unpopular asset classes have served our clients well.

So where do the investment markets go from here? We must confess to being avowed agnostics when it comes to predicting the future. I had an interesting conversation with the spouse of a 401(k) plan participant a few days ago. He commended us for the analysis of significant and troubling trends in the prior quarter's memo, but wondered why we had not come to the same pessimistic conclusions as he had from looking at the



same data, i.e. a global economic and investment meltdown was imminent. Why would we continue to recommend *any* allocation to equities and fixed income when disaster was only a matter of time (in his view)? The truthful answer is that we have no confidence in our forecasting ability. While we may observe trends, we are not that different from a seventeenth century weatherman, who may have had

some indicators of what was to come, but no power to predict with any useful accuracy. It's the equivalent of predicting the weather three days from now with nothing but a barometer, anemometer, and hygrometer – no Doppler radar, no satellite images, and no supercomputer weather models. If there is an event that will roil the markets, we may indeed already have some signs of it, but the clues are indecipherable, obscure, or misunderstood at present. There are just too many things we don't know, including the most troubling unknown of all: we don't even know *what we don't know*. Think about it.

Sometimes markets do present opportunities that are discernable, but they usually go against conventional wisdom at the time. For example, what was the popular thinking back in 1999?

- Large companies had a competitive advantage compared to smaller companies in the global economy. Small companies were at the mercy of their larger and more powerful peers who set prices and terms. Small companies sold at lower price/earnings



ratios, i.e. they were “cheap”. Result: since 1999, the largest companies (as measured by the S&P 100) have produced a compound annual return of negative 3.76%. Small companies (using the Russell 2000 index) produced a positive 6.26% return.

- “New economy” companies were the future and would continue to grow at very high rates. “Old economy” stocks would not deliver strong returns. Investors were discouraged from factoring in valuation or even profitability into their company/stock analysis.



Revenue growth and price momentum were the keys to identify winning stocks, valuation – who cares? Result: the NASDAQ Composite index (“new economy” companies) has produced an annual return of -9.7% (or a total decline of 45.8%) since 1999. “Old economy” companies (as measured by the Morningstar US Value index) produced an annual return of 7.49%, or a total gain of 54.3%.

- U.S. companies and the U.S. economy had a competitive advantage. And because so many U.S. companies operated globally, foreign diversification was not necessary for investors. Result: US stocks (as measured by the broadest index, the Wilshire 5000) were essentially flat since 1999, while foreign stocks (measured by the MSCI EAFE index) produced a 1.2% annual gain - not much, but still outperforming the US market.

- Real estate was an asset class going nowhere. “Brick and mortar” type assets (such as real estate investment trusts, or REITs) were considered investment relics. Although REIT dividends were approaching 9%, REIT prices were lower than they had been three years earlier. Result: REITs produced an annual return of 21.1% since 1999.

The lesson here is not on trying to pick the next “hot” asset class. It is about maintaining a diversified portfolio that includes asset classes that may be out of favor, unloved, underperforming, or look just plain ugly. These were unconventional, even unpopular positions in the late 1990’s and we did not know when we would be rewarded. Initially we were not rewarded. But our convictions were clear (diversification, not chasing returns, etc.) and we believed that regardless of the timing of the returns, at some point, maybe years into the future, we would look back and know that we made the right decisions. This is always how we think about our decisions—not expecting immediate gratification but with the goal of looking back years later and knowing we did the right thing. As it turned out, sticking with these asset class were major contributors to our good record over the subsequent years.

When any investment or asset class is universally loved, investors should beware. But when an investment or asset class is hated, investors are often presented with great opportunity. Back in early 2000 it was easy to see what was loved and what was hated. Currently, we are not excited about any asset class opportunities from a valuation standpoint. But we’re not wringing our hands in worry, either. While the longer term challenges remain, current valuations throughout the equity markets suggest that over the

next few years returns, while not spectacular, could be reasonably good compared to inflation. Equity valuations suggest that the market is pricing in at least some of the big-picture risks that exist.

The trick in this type of environment is not to try too hard to find something that isn't there. We do not see any asset classes that warrant much enthusiasm right now. As we repeat often, it's a time for patience. At some point, there will be a shock to the global economy and markets. When that happens, our portfolios will feel some pain but that is also when opportunities are likely to appear with the potential for much better returns.

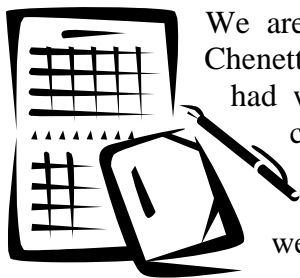
One of my favorite mistranslations goes like this: An investment company wanted to do business in Brazil and hired an American agency to create ads, including its slogan "We See Opportunities Even When Others Do Not." Its ads came out in Portuguese as "We See Opportunities Even When They Don't Exist!"

A few months ago, we sent new investment advisory agreements to all clients. The new agreements were to reflect our separation from BDO Seidman, change our proxy voting policy, and to clarify our new portfolio rebalancing procedures. Likewise, we sent out new Matrix financial planning agreements to supersede the old BDO agreements to applicable clients. Unfortunately, in an oversight, we did not enclose instructions! So if you received agreements and did not know why or what to do with them, please return signed copies to Chenetta Williams. We'll send you back a signed copy.

The Investment Committee has been regularly meeting to implement our new portfolio review procedures. As discussed in the third quarter 2005 memo, we are internally scheduling portfolio reviews and rebalancing at regular intervals and separately scheduling portfolio review meetings with clients. This is designed to ensure that all portfolios receive thorough, regular reviews by the investment team regardless of whether a convenient client meeting can be timely scheduled. This means we will be streamlining our past procedure of requiring your signature to make routine portfolio adjustments – we will make those for you automatically unless requested otherwise.

We are enclosing the annual required privacy statement with this quarter's reports. Additionally, individual clients will also be receiving some important tax information: a statement of investment advisory and financial planning fees paid and a realized gains and losses report. We will also send these directly to your CPA upon request. Investment advisory fees are deductible as miscellaneous itemized deductions subject to the 2% of adjusted gross income limitation if the fees were paid either by check or by deduction from a personal investment account. They are not deductible if paid by deduction from an IRA or other retirement account. If your portfolio contains tax-exempt bonds or U.S. Treasury securities, your tax preparer should contact us for the amount of fees applicable to these securities. Financial planning fees are deductible to the extent the fees pertain to income tax planning, investments, or planning related to the production of income. We estimate that approximately 60% of financial planning fees fall into these categories, depending upon individual circumstances. Unfortunately, if you are subject to the alternative minimum tax, you may receive no tax benefit from any miscellaneous itemized deductions.

One final tax reminder: if you are eligible and have not yet made your 2005 IRA contributions, the due date is Monday, April 17. Please contact Cindy Carroll if you will be sending a contribution near the due date.



We are working on scheduling appointments for 2006. This means Chenetta Williams will be in touch with you soon. From discussions we had with clients last year, we found a wide variety of preferences concerning scheduling portfolio review meetings, ranging from regularly scheduled periodic meetings to “just call me only if something really needs to be discussed.” To the extent possible, we want to accommodate all clients’ contact wishes.

We also want to make our meetings useful and productive for you. That means covering the items you want to discuss, so Chenetta will be asking you about specific items that should be on your meeting agenda. She will also be asking you how long you wish to set aside for meetings.

Looking back at 2005, we were once again reminded that our firm’s growth has been a result of you telling someone else about us. For that, we are very, very grateful. Matrix doesn’t have a huge advertising budget like our national competitors and depends upon your referrals as its source of growth. We have taken one step to raise awareness of Matrix in the region: we now sponsor the morning NPR news on WDAV at 9:00 AM on Mondays, Wednesdays, and Fridays. Tune in to 89.9 on the FM dial and listen when you have a chance. We have supported the station for many years and feel it is a great asset to our community.

We look forward to continued progress in your portfolio and achieving your goals in 2006. Thank you for the trust you have placed in us. We will do all we can this year to merit your continued confidence.

Domestic Equity Indices	
S&P 500 Index – Large-cap stocks (12/31/04 – 12/31/05)	4.90%
S&P 400 Index – Mid-cap stocks (12/31/04 – 12/31/05)	12.45%
Russell 2000 Index – Small-cap stocks (12/31/04 – 12/31/05)	4.56%
Wilshire REIT Index (12/31/04 – 12/31/05)	14.00%
International Equity Indices	
Morgan Stanley International EAFE Index (12/31/04 – 12/31/05)	13.56%
Morgan Stanley Emerging Markets Index (12/31/04 – 12/31/05)	30.32%
Fixed Income Indices	
Lehman Brothers Aggregate Bond Index (12/31/04 – 12/31/05)	2.43%
Lehman Brothers Credit Bond Index (12/31/04 – 12/31/05)	1.95%
Lehman Brothers Municipal Bond Index (12/31/04 – 12/31/05)	4.46%
CSFB High Yield Index (12/31/04 – 12/31/05)	2.26%
90 Day T-Bill (12/31/04 – 12/31/05)	3.33%
Consumer Price Index (12/31/04 – 12/31/05)	3.40%