

SCHUYLKILL CAPITAL MANAGEMENT, LLC.

Investment Counselors

Monthly Update – March 2005

Outlook

Federal Reserve chairman, Alan Greenspan, dropped the term “measured” from the Fed’s stated commitment to raising interest rates. This opens the door to more aggressive action should the Board determine that inflationary pressures are mounting. However, we do not see this as a current threat to continued economic expansion as prevailing money costs are not close to levels that are likely to impact business activity.

Equity

The market in March continued its losing ways, giving back much of the recovery shown in February. For the month, the broadly based S&P 500 Index returned a negative 1.70%, slightly ahead of the Russell Value return of a negative 1.56%. The SCM Large Cap Institutional Portfolio, while also in negative territory (negative 0.78%), outperformed both indexes. Year-to-date, the SCM portfolio with a positive return (+.35%) topped both S&P (-2.13%) and Russell Value (-0.50%). For the twelve months ended March 31, the SCM portfolio was well ahead of the broad-based index and closing on the Russell Value Index.

During the month, in Finance, we capitalized gains in Allstate (personal insurance) and Morgan Stanley (investment banking) and purchased Old Republic International (specialized insurance) and XL Capital (broad insurance/financial services). Due to valuations, we sold Omnicom (advertising), purchased Home Depot in Consumer Cyclical, sold Johnson & Johnson and purchased Pfizer in Healthcare. In Energy, we sold Chesapeake Energy. After the substantial run-up in price, we believe the shares may be overly sensitive in the near-term to changes in oil prices. We also sold Public Service Enterprise in light of the significant price advance following the merger agreement with Exelon. To maintain Utility exposure we purchased AGL Resources (gas) and American Electric Power. Finally, we invested in Intuit (Technology) and eliminated Dover, a holding that was not meeting our expectations.

For the Taxable portfolio, our monthly performance (-1.54%) edged out the Russell Value Index (-1.56%) and S&P 500 Index (-1.70%). Due to tax considerations, short-term returns are not a focus in this portfolio. As might be expected, though, the trailing 12 months returns for this portfolio more closely parallel that of the institutional account.

Fixed Income

In March rates continued to move up as one-year Bills closed at 3.41% up from 3.29%, five-year Treasuries closed at 4.18% up from 4.01%; and the ten year Treasuries closed at 4.50% up from 4.38%.

Monthly Commentary

The day-do-day equity market nemesis is the price of oil. In our view, though, equity values are reasonable and even substantially higher oil prices would not make them unreasonable.

<u>Inst. Large Cap Value</u>	
Monthly Performance*	
SCM	-0.78%
S&P 500	-1.70%
R1000Val	-1.56%

Trailing 12 Months*	
SCM	9.72%
S&P 500	6.68%
R1000Val	10.43%

From Inception*	
SCM	8.78%
S&P 500	10.30%
R1000Val	8.93%

* As of 03/31/05 Preliminary returns net of fees and transaction charges. Inception date is 03/31/94.

<u>Relative Val./Tax Eff.</u>	
Monthly Performance*	
SCM	-1.54%
S&P 500	-1.70%
R1000Val	-1.56%

Trailing 12 Months*	
SCM	9.91%
S&P 500	6.68%
R1000Val	10.43%

From Inception*	
SCM	11.32%
S&P 500	11.50%
R1000Val	10.76%

* As of 3/31/05. Preliminary returns net of fees and transaction charges. Inception date is 12/31/94.

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Notes & References: The performance of the Institutional Composite represents equity performance (annual rate of return) of all SCM non-restricted discretionary actively managed accounts for non-taxable institutional clients over \$1,000,000 since inception date of April 1, 1994. The performance for the Relative Value Composite represents equity performance (annual rate of return) of all SCM non-restricted discretionary actively managed accounts for taxable clients over \$100,000 since inception date of January 1, 1995. New accounts, for both composites, are added to the composite after their first full quarter. The Institutional Composite reflects performance of equity only portfolios and the Tax Efficient Composite reflects performance of equity and balanced portfolios. Computations include transaction costs, but do not include management fees and assume the reinvestment of all dividends, interest and capital gains (Total Return). The deduction of management fees reduces the client's return and will have a compounding effect over time as reflected in the table below. The deduction of SCM's 0.50% average fee for discretionary accounts from the performance results reflected in the composite would result in an actual annualized reduction in the client's return of 0.50% since inception. SCM's management fees are described more fully in part II of our ADV form.

The S & P 500 Index is an unmanaged, capital-weighted index representing the aggregate market value of the common equity 500 stocks primarily traded on the New York Stock Exchange (NYSE). The Russell 1000 Value Index represents the "value" stocks within the Russell 1000 Index, characterized by low price-to-book ratios, high yield, and low price-to-earning ratios.

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