

SCHUYLKILL CAPITAL MANAGEMENT, LLC.

Investment Counselors

Monthly Update – July 2005

Outlook

For the second quarter, the U.S. GNP expanded 3.4% down from 3.8% in the first quarter. Notwithstanding the continuing high cost of energy, inflation remains benign and historically low long-term interest rates prevail. Our expectation is for continued economic expansion, albeit at a slower rate than has been the case year-to-date

Equity

For the second quarter corporate earnings reports came in well ahead of street expectations, and the market responded accordingly. The S&P 500 Index gained for the third consecutive month moving into positive territory for the year-to-date, up 2.93%. In this period, the Russell Value 1000 Index gain was less, up 1.74%, and the SCM Institutional Large Cap Value Composite continued running ahead of the market, gaining 5.85%. The July return for the SCM composite (up 3.69%) about matched the S&P Index (up 3.74%) while the Russell Value Index (up 2.74%) lagged. Trailing twelve-month performance was strong, with the SCM portfolio return of 17.77% well ahead of both the S&P Index (plus 16.14%) and the Russell Value Index (plus 14.06%).

In the month we sold IBM. This stock snapped back after Management's second quarter outlook report disappointed the street, and we viewed this as an opportunity to reduce portfolio Tech Sector exposure. Proceeds were applied to the purchase of AIG, beefing up, for now, the Finance Sector.

For the Taxable (Relative Value/Tax Efficient) composite, equities gained 3.95% for the month, comfortably ahead of the S&P Index (plus 3.74%) and the Russell Value Index (plus 2.70%). Year-to-date numbers for the taxable account (plus 5.84%) matched the Institutional account, far ahead of the S&P and Russell returns. The overall market strength since mid-2004 is reflected in the 12 month trailing performance numbers with the SCM composite gaining 15.23%, a bit ahead of the Russell Index (plus 14.06%) and a bit behind the more heavily tech weighted S&P 500 Index (plus 16.14%).

Fixed Income

It has been a common view that low interest rates are a *reflection* of an inflation-free environment. Alan Greenspan recently espoused the notion that low interest rates *contribute* to inflation. The message in this is that the Fed will keep the pedal to the metal a while longer (i.e. there will be no let-up in rate hikes). July witnessed rate gains across the board as one-year Bills closed at 3.75%, up from 3.41%; 5-year Notes closed at 4.11%, up from 3.7%; and 10-year Bonds closed at 4.27%, up from 3.91%.

Monthly Commentary

Continuing strength in housing remains a prime driver in the expansion of the economy as new housing (whether new construction or simply a family move) spurs spending on household furnishings.

Inst. Large Cap Value

Monthly Performance*

SCM	3.69%
S&P 500	3.74%
R1000Val	2.70%

Trailing 12 Months*

SCM	17.77%
S&P 500	16.14%
R1000Val	14.06%

10 Years*

SCM	8.50%
S&P 500	9.35%
R1000Val	9.95%

Relative Val./Tax Eff.

Monthly Performance*

SCM	3.95%
S&P 500	3.74%
R1000Val	2.70%

Trailing 12 Months*

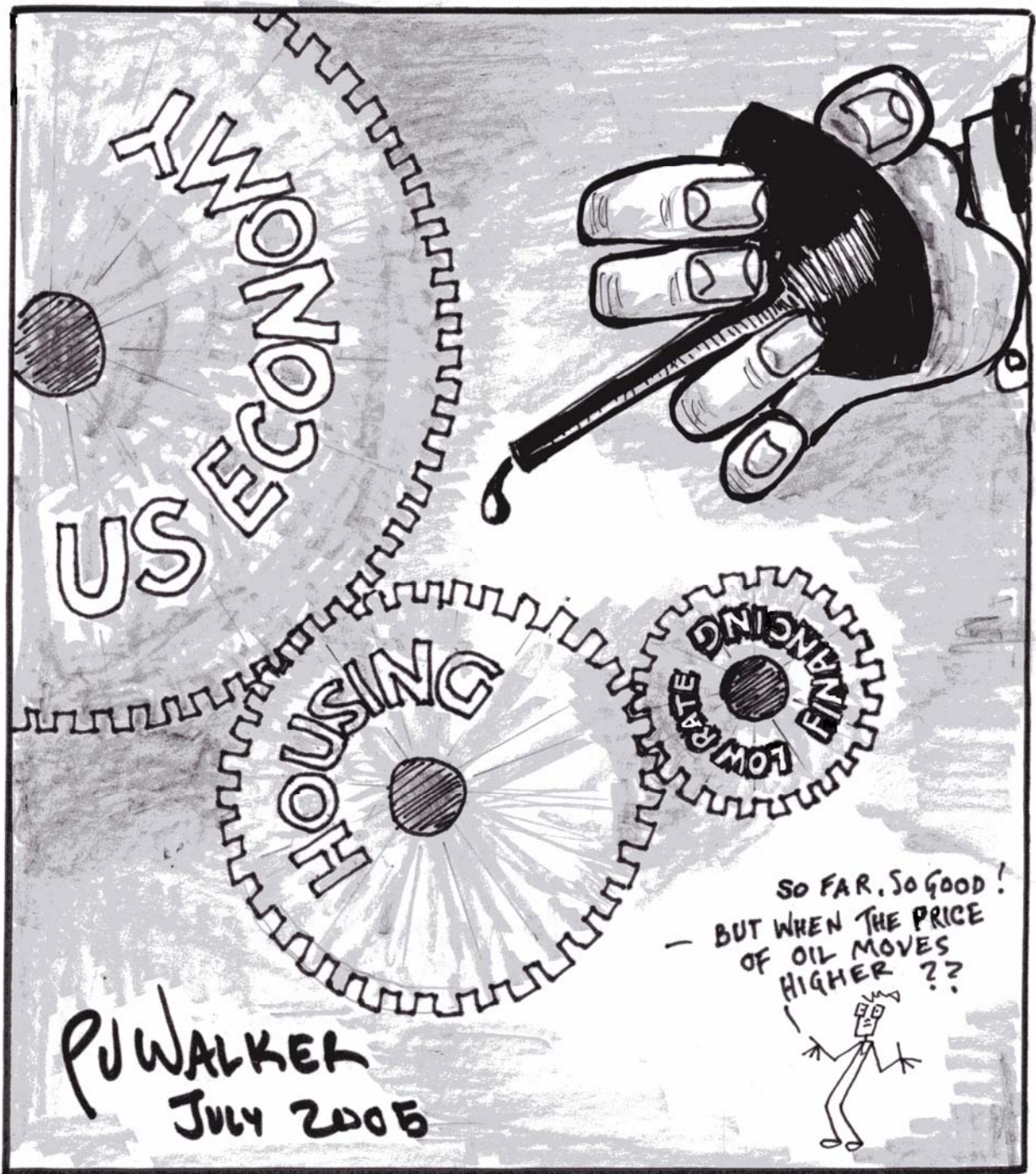
SCM	15.23%
S&P 500	16.14%
R1000Val	14.06%

10 Years*

SCM	9.38%
S&P 500	9.35%
R1000Val	9.95%

* As of 07/31/05. Preliminary returns net of fees and transaction charges. EQUITY ONLY

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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.