

SCHUYLKILL CAPITAL MANAGEMENT, LLC.

Investment Counselors

Monthly Update – September 2005

Outlook

Corporate earning growth continues as third quarter numbers, even excluding the extraordinary contribution from the energy sector, will likely advance 11% or so. Including energy, the gain will be about 17%, but with or without energy, as highlighted in *Barrons*, the September quarter will represent the 14th consecutive double digit gain for corporate earnings. Equity valuations have improved as stock prices as measured by the S&P 500 Index have gone (almost) nowhere. There are some troubling issues for the economy, among them high energy prices and the related decline in consumer confidence. Durable goods will be adversely affected by the automotive incentives that no doubt have borrowed heavily from future sales. On the other hand, massive spending by the Federal government along with billions of dollars in insurance proceeds for rebuilding in the gulf states will be positive for the economy.

Equity

The high energy cost/post-Katrina investment environment remained challenging for us, as the SCM Institutional Large Cap Value Composite return for the month of September was a negative 0.23%, compared to positive returns for the S&P 500 Index and the Russell 1000 Value Index of 0.84% and 1.26%, respectively. The year-to-date comparisons were more favorable, as the SCM portfolio return of 4.43% was better than the S&P, plus 2.9%, and the Russell, plus 3.83%. For the trailing 12 months, the SCM Composite returned 13.70%, which was ahead of the S&P return of 12.27% and lagged modestly the Russell Value return of 13.86%.

Portfolio changes in the month included the sale of BP, which we replaced with Chevron Corp, purely on the basis of valuation. In addition, we replaced Lexmark with Dell. Our decision to invest in Lexmark in the first place had been based on the connection with Dell. However, we have become more concerned with the printer business generally due to more effective generic ink cartridges. More than that, Dell appears to be making better than expected inroads into the server market and other business applications

The Taxable (Relative Value/Tax Efficient) composite gained 1.04% in the month, a step ahead of the S&P 500 Index (plus 0.84%)and a step behind the Russell 1000 (plus 1.26%). Trailing 12 months the SCM portfolio return of 14.67% was better than both the S&P and Russell indices, which returned 12.27% and 13.86%, respectively.

Fixed Income

Rates moved higher as one-year Notes at 3.98% were up from 3.65%; five-year Notes at 4.19% were up from 3.86%; and ten-year Bonds, at 4.33% were up from 4.02%.

Monthly Commentary

Neither rain nor snow nor dark of night shall stay...*Mr. Greenspan*...from his appointed...*fight against inflation*..

Inst. Large Cap Value

Monthly Performance*

SCM	(0.23%)
S&P 500	0.84%
R1000Val	1.26%

Trailing 12 Months*

SCM	13.70%
S&P 500	12.27%
R1000Val	13.86%

Since Inception*

SCM	9.45%
S&P 500	11.15%
R1000Val	9.81%

* As of 09/30/05. Preliminary returns net of fees and transaction charges. Inception date 12/31/94.

Relative Val./Tax Eff.

Monthly Performance*

SCM	1.04%
S&P 500	0.84%
R1000Val	1.26%

Trailing 12 Months*

SCM	14.67%
S&P 500	12.27%
R1000Val	13.86%

Since Inception*

SCM	11.34%
S&P 500	11.44%
R1000Val	10.67%

* As of 09/30/05. Preliminary returns net of fees and transaction charges. Inception date 03/31/94. EQUITY ONLY

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Note: Schuylkill Capital and its employees have made a donation to the American Red Cross to help in a small way with the relief of this great city.

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.