Trusted Advisor

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Markets Correcting!

Financial geniuses abounded during the technology bubble in the late '90's. It was amazing how taxi drivers, housewives and even high school kids could pick technology stocks! The collapsing markets exposed this sort of market intelligence for what it is: a bit of lucky timing combined with a lot of greed and a lack of respect for how treacherous financial markets can be.

With US stock markets rising strongly this winter and early spring, and major indexes finally returning to levels unseen in six long years, some investors, especially those with short memories were again stricken with the worst disease that can inflict an investor: careless greed. I began noticing some euphoric talk in the weeks leading up to the current mini crash. Some of you will remember my old neighbor Pete, about whom I used to write back in 2001. A retired policeman, he would pounce on me when I returned home from the office to brag about the profits he had made day trading on the internet and to offer me advice on how to "play" the market. Pete represented the thinking of thousands of nouveau riche speculators who blew up their personal net worth when the Technology stock Bubble burst over the following couple of years. Having relocated to a new neighborhood, I've looked to another "contra indicator" in the form of a friend who we shall call "Brad." Not too many weeks ago I met with Brad and his stock broker, who were tittering gleefully, like a couple of chipmunks under an oak tree after a windstorm. They were flush with paper profits from the advancing stock market and wanted me to know it. This worried me, because Brad has been late to the party with every investment he's ever made. Since the market began a sharp correction in mid May, Brad has not been mentioning the stock market.

The recent correction is unusual. Nearly every market sector has fallen. US equities are off 6% from their recent peak, but international indexes, especially those tied to Emerging Markets, have done worse. Simultaneously, precious metals (specifically gold) which absolutely soared earlier this year, have suffered a reversal approaching 20%. Metals traditionally move up when Equities fall or at least hold their value. But in this correction, nearly every sector is moving down together. This leads me to believe that the underlying cause of the sell off is speculation based upon leverage. I suspect that less sophisticated investors in third world nations were more leveraged than most, which may explain the pasting these markets have taken. Good investments can suffer when those receiving margin calls are forced to throw out the baby with bath in order to raise cash. This sell off is likely an opportunity to position in good businesses at better prices.

CFP Certified Financial Planner™

Gary Miller is in his 32nd year of providing financial guidance to individuals and pension plans. He is a Registered Investment Advisor and a Certified Financial Planner ™ Practitioner. Gary holds a Certificate in Personal Financial Planning from the University of California, Irvine and has served as a Board member of the Financial Planning Association, Orange County Chapter.

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How have our clients done in the sell off?

As of Friday June 9 2006, about one month into the current correction, the major indexes had given back about 6% since peaking in early May. *Trusted Financial Advisors*' composite of discretionary clients is off approximately 2.7%. This is consistent with our long term track record (see article - page 3), and our objective as articulated at our website, www.trustedfinancial.com: "*Clients want us to be prudent managers of their funds. We seek to earn a return that equals the historical total return on equities, but to do so with significantly less volatility*".

Kinder Morgan, Inc. Going Private= largest leveraged buyout in history

Our clients hold more Kinder Morgan than any other equity. Kinder Morgan is a group of three publicly traded companies. They are all related in the type of business they conduct, pipeline transportation of natural gas and other energy related substances, and each entity has a unique function in providing returns that are appropriate for different types of investors with different taxation and risk profiles. All three are managed by a talented team headed by Richard Kinder, whom Morningstar named CEO of the Year in 2005. Kinder's story is an instructive counterpoint to that of recently convicted felon Kenneth Lay for whom Kinder worked at Enron corporation in the late '80's and early '90's. When Kinder departed, his rigorous attention to positive investment returns, cost controls and debt management was replaced with extravagance and sleight of hand accounting. Enron collapsed, with thousands of employees and investors irreparably damaged. Ken Lay is going to prison .

When they departed Enron in the mid '90's Rich Kinder and another Enron alumni Richard Morgan purchased $40MM of pipeline assets from Enron and created their new company. Taking advantage of distressed sales by companies that had over leveraged and gotten into trouble, they have built, largely through acquisitions, the largest gas and liquids transportation network in North America. Earnings and dividends have risen at double digit rates and along with them the price of all three companies' shares. I liked the pipeline concept and was sorting through opportunities in late 2002 when I discovered Kinder Morgen. Pipelines are an unglamorous business, kind of like toll roads: they generate lots of cash flow and they are vital to our economy. Importantly, their success does not depend on the rise or fall of energy prices: the tolls collected are the same in either environment. We began purchasing all three of the Kinder entities, beginning January 2003. Since then, our clients have enjoyed healthy price appreciation and steadily increasing dividend payouts. We had no intention of selling these shares for a long time.

Over the Memorial Day weekend, however it was announced that Rich Kinder had lined up financing and would tender to buy back all the publicly traded shares of Kinder Morgan, Inc. , one of the three entities and the parent company of Kinder Morgan, L.P. and Kinder Morgan LLC. This will be the largest leveraged buyout in American financial history. It caused shares of KMI to leap 18.8% when the market opened on May 30. The other two related securities jumped about 5% that day as well. You'd think we'd be overjoyed!

I like Rich Kinder's style so much that I notified our clients that I plan to oppose this buyout - I want the shares to continue to be available in the public market! If the parent company is taken private, we plan to continue holding shares of Kinder Morgan L.P. and Kinder Morgan LLC which are income oriented companies.

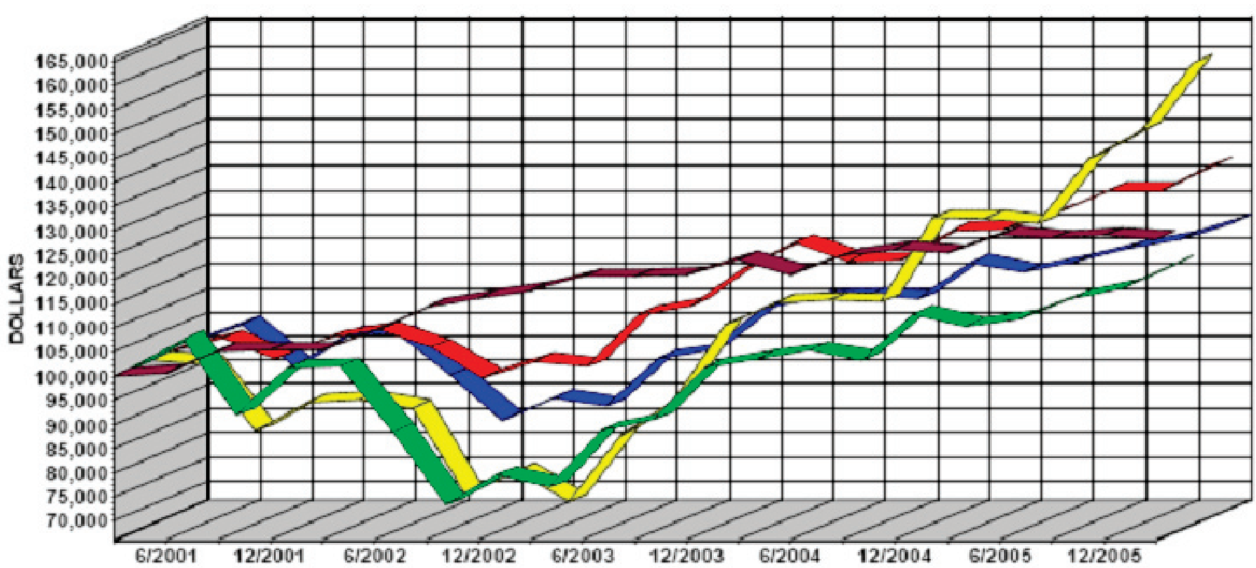
Bad boy Brokers

In case you've been approached by this brokerage firm, you may want to know that *Edward Jones* will soon be writing a lot of checks to a lot of clients: $75 million, to be exact. But the payday is actually a payback per the terms of Jones' December 2004 settlement with regulators for inadequate disclosure of revenue-sharing practices in its mutual funds sales. Per settlement terms with the SEC, NYSE, NASD and others, besides paying the large fine, Edward Jones managing principal Doug Hill was required to step down at the end of 2005; the firm's disclosure practices had to be revamped; and all investors in the firm's "preferred" mutual fund families were to be given a 90-day window in which to move into another fund, free of charge. Here is yet another example of why we believe the *Trusted Financial Advisors* approach of providing advice for a fee, with no sales commissions accepted, is best for investors.

Trusted Financial Advisors: the 5 Year track record

We have posted details of our 5 year track record at our web site www.trustedfinancial.com.The time period March 2001 through March 2006, is particularly meaningful because it encompasses a complete market cycle: the bearish years from 2001-2003 and the bullish years from early 2003 to present. During this time, we bested every major US stock index.[1] Still, it is not the absolute return that should be important to smart investors, but the fact that portfolio volatility was kept well below that of every major index except bonds. The red line in the graph below represents a composite of our discretionary clients' performance. Note that during the bear market our clients suffered relatively small declines in account values. Bonds (purple) did best during this bear market for stocks. Over the recent five year period, "Miller" clients pulled ahead of all but the international index (yellow). As you can see, however, the international index created massive losses during the bear market and is the most volatile of those shown. Our investors, on average, saw their net worth grow by over 38% during the past five years, and that's after deducting management fees and brokerage firm commissions.[2]

GROWTH OF AN INVESTMENT
PERIODS ENDING MARCH 31, 2006



	ONE YEAR	TWO YEARS	THREE YEARS	FIVE YEARS
70% S&P/30% LBAG	106.841	114.331	143.289	124.920
MILLER COMPOSITE & MILLER COMPOSITE *	116.485	113.614	142.535	138.531
MSCI EAFE	124.938	144.295	228.203	161.389
S&P 500	111.711	119.168	161.032	121.448
LB AGGREGATE	102.261	103.444	109.035	128.289

Footnotes:

1. We also topped Barron's composite of both Balanced mutual funds and Equity-Income mutual funds which are similar in style to our approach.

2. We do not receive any fees from the broker.