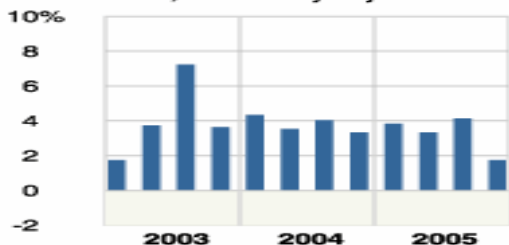


First Quarter 2006 Highlights

REAL GDP

Change from previous quarter at annual rate, seasonally adjusted



Source: Department of Commerce

UNEMPLOYMENT RATE

Seasonally adjusted



Source: Bureau of Labor Statistics

CONSUMER PRICES

Change from previous year, not seasonally adjusted



Source: Bureau of Labor Statistics

EXISTING-HOME SALES

Annual rate, in millions of units, seasonally adjusted



Source: National Association of Realtors

Checkout our redesigned website at
www.osbornepartners.com/



World Trade

By Charles D. Osborne

Globalization, which is simply the free movement of goods, services and people throughout the world, seems to benefit everyone. There is more worldwide commerce, more profits for us, and lower prices for consumers. We know also that it is a disruptive force. There is a negative effect on some jobs and some American industries. There are security issues too, and our trade deficit continues to grow. Because of communications technology and the end of the cold war, however, globalization will continue, and we should try to understand the effects it will have on us as investors as well as consumers and workers. Globalization is an enormously complex subject with many variables, but so far it has been beneficial to both investors and consumers, and we hope for more of the same.

American Capitalism

The spread of American capitalism, really took off with the fall of communism around 1990. Suddenly new markets were open, old barriers fell away, and companies could hunt world wide for the best labor force. Trade agreements between blocks of countries formed and many tariffs were abolished. The World Trade Organization was formed and methods to settle trade disputes established. Over the years 'third world' countries became 'developing nations' and their wealth increased markedly. Production in China and other areas in Asia ramped up as they became the manufacturers of practically everything. American companies expanded their manufacturing to these areas of cheap labor.

Overseas manufacturing has led to robust growth in U. S. corporate profits and productivity. This also led to a decline in interest rates

over the past several years. We have seen protests and backlashes against this burgeoning growth as well as the benefits. Labor unions hated to see jobs go overseas, some industries demanded price supports and tariffs against cheap foreign goods. The demands created by the increase in commerce drove up commodity prices worldwide, contributing to increased energy costs, one of the downsides to this growth. The new freedoms in traveling are matched unfortunately with increased terrorism.

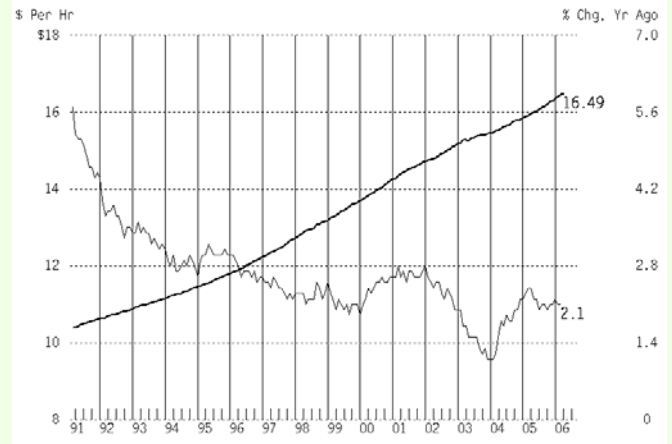
The Trade Deficit

But the most worrisome trend highlighted in the first quarter was that our trade deficit hit a new (broken) record. When exactly will we see the benefits of enriching the rest of the world? Will our exports ever rise to at least match our imports? The truth is that we probably will not see that in the near future. Deficits are projected through the decade.

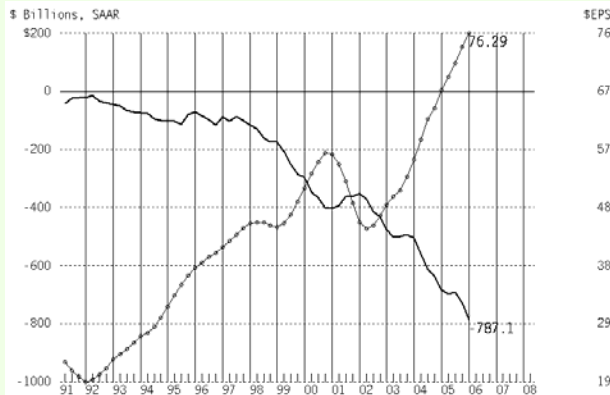
The current account deficit will hit one trillion dollars in

The fact that an estimated 75% of those imports are made in China by American companies was not considered. It is also important to note that much of the Chinese profit is invested in American Treasury notes. This keeps interest rates lower and allows us to refinance our homes and lower our mortgage payments. We are not overly concerned about owing this money to China as it is also essential to China that our economy remains strong. We are, after all, their

Average Hourly Earnings versus Core Inflation



Corporate Profits and Deficits



Earnings grow despite deficits

2007. Since the fall of communism imports have grown from 10% to 16% of our GDP. Exports have remained at about 10%. Although higher priced oil contributes much to this equation, and the service sector is not included (trade neutral), this is still a trend that if taken to an extreme is not healthy. It depresses our gross domestic production and puts us in debt to other countries.

The proposed tariffs by Senator Schumer on Chinese imports are not a good solution. Many people feel that the Chinese are undercutting prices by keeping their currency artificially low.

Wages are up and prices are stable

best customer. Globalization allows American companies to have their managers here and the profits returned here. China and other developing nations have become part of *our labor force* while we transition to a more managerial role.

Buggy Whips

Certainly job loss has occurred in manufacturing and in some cases in services. But it is a transitional time, and on balance it has been good for us. Think of the jobs lost when the automobile was invented as a metaphor. In fact, the overall job picture has improved nicely. Unemployment is at a reasonable level of under 5%, wage growth has surpassed inflation, and 25 million jobs have been added since 1990. The benefits of low cost consumer products and higher American productivity have kept inflation reasonable. Because labor is now a world-wide commodity the Phillips Curve has flattened out as the old relationship between inflation and unemployment no longer holds. The increase in productivity marks an increase in earnings for corporations as well as individuals.

Keep on track

Despite the bumps, the road to globalization has been good for us. Corporations and consumers have benefited. Profits have grown, employment has improved and price increases have been tame. Tariffs, price supports and replacing Dubai Ports World will not stop the process, but merely delay it. We look forward to the markets rewarding investors who stay the course with large and growing, multi-national, American-based companies.

Benchmarks for Domestic Equities

By Bob Gillooly CFA

Clients often ask, in the broadest of terms, how is the portfolio doing? Our portfolio managers also pose the same questions to themselves constantly. In the end, this is a difficult question to answer since our clients' portfolios are built to order, and consequently one benchmark does not fit all our client's investment programs. There are a few, however, that OPCM portfolio managers use for broad measurement of our equity performance which also may be useful to our clients when reviewing their domestic equity performance.

The Dow Jones Industrial Average

The Dow Jones made its' debut in 1896 with just 12 companies, 9 of which were railroads. Though it still is only comprised of 30 companies, they represent a spectrum of economic sectors including energy, technology, finance and consumer goods to name a few. As this index contains a limited number of only large and mature companies, most investment professionals find this index of limited value for performance comparisons.

The S&P 500

This index was first introduced in 1923 by Standard & Poor's. The index is comprised of the largest companies in America and is well diversified throughout ten different economic sectors. The S&P 500 is also a market capitalization weighted index, which means that its' performance is skewed toward larger companies. The performance of GE, Exxon, and Microsoft, for example, will have a much larger weighted impact on the index than the smallest company in the index (Gateway Computers). Due to its' diversified nature, the S&P 500 remains the most accepted measure of the broad stock market.

The Russell 1000 Growth

This index is also a market capitalization weighted index. Stocks such as GE, Microsoft, and Wal-Mart, again will have great influence over the performance of this index compared to the smallest company Clear Channel Outdoors (which sells billboards). The Russell 1000 Growth is comprised of the largest 'growth' companies in America, as defined by the Frank Russell Company. This index is commonly used by institutional large cap growth stock managers as the benchmark of choice due to its' elimination of 'value' stocks. Over the years, many consultants have commented that the Osborne Partners style of management fits this index well.

The Lipper Large Cap Growth

This index is different in that it is an equally weighted index that is comprised of the 30 largest growth stock mutual funds. This clearly encompasses a very large universe, and is most commonly used with individual investors. Osborne Partners portfolio managers view this as a comparison of an actively manage stock portfolio versus a mutual fund style of management.

Tax Planning Changes

By Shannon Lemon CFP

Although the first quarter of 2006 has come to a close, it is not too late to make changes to your retirement plan contributions to maximize your tax deferred savings, as well as start planning your gifts for 2006. Below is a summary of the Retirement Plan Limits, as well as the Estate Planning Limits for 2006.

Retirement Plan Limits

IRA or Roth IRA Contributions	\$4,000
IRA or Roth Catch-up Contributions *	\$1,000
401(k) Plans	\$15,000
401(k) Catch-up Contribution *	\$5,000
SIMPLE Plans	\$10,000
SIMPLE Catch-up Contribution *	\$2,500
SEP** 20% of your net profits up to	\$44,000

If you participate in an Employer Sponsored Qualified Retirement Plan, such as a 401(k), check to see if you are able to make a deductible contribution to an IRA. Deductibility is phased out for individuals with an AGI above \$60,000 and \$85,000 for married couples. If you are married and your spouse does not work, or they did not participate in a qualified plan while employed, they can make a deductible contribution of \$4,000 if your Joint AGI is below \$160,000.

January 5, 2006	YIELD
Average Money Market Fund	4.14%
5 Yr AAA Muni Bond	3.70%
5 Yr AAA Corporate Bond	5.34%
10 Yr AAA Muni Bond	4.05%
10 Yr AAA Corporate Bond	5.73%
30 Yr Fixed Rate Mortgage	6.12%

If you are NOT eligible to make a deductible contribution, due to your participation in your 401(k) plan, but your AGI falls below the \$110,000 for individuals and \$160,000 for married couples, you can make a \$4,000 Roth IRA contribution.

**Individuals over age 50 can make additional catch-up contributions to retirement and qualified plans.*

***For self employed individuals who file an extension, you have until October 16, 2006 to fund your SEP-IRA for last year, however, if you don't file an extension, the last day you can contribute to a SEP would be April 17, 2006.*

Estate Planning Limits

Annual Gift Exclusion \$12,000

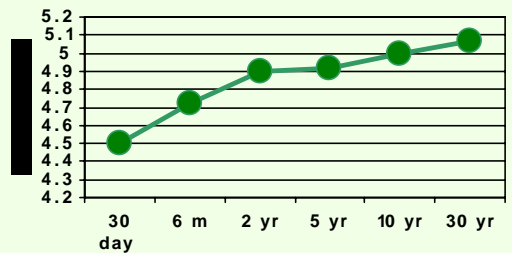
Estate Tax Exclusion \$2,000,000 & Top Rate 46%

Fixed Income Round up

By Bob Gillooly CFA

The main topic circulating around the bond market today is the continued flattening of the yield curve. A flat yield curve essentially means there is little to differentiate between the yields offered for short term bonds versus long term bonds. A common comparison is the 2 year US Treasury now at 4.8% and the 10 year US Treasury now at 4.85%, which normally the two do not resemble each so closely. This has made press headlines because there are some who feel that with rates so flat, it is sign of a recession forthcoming.

Treasury Yield Curve



A recession could come to fruition in the event that the Fed raises interest rates too far, but OPCM views this as an unlikely scenario. This flat yield curve actually is an opportunity for our clients, in that we can capture approximately the same yield buying a 2 year bond, while not having to take the risk of owning a 10 year bond. As yields are approaching the 6% level on high quality bonds, we are becoming more proactive in investing funds allocated for fixed income at an increased rate.

Contact Information

Osborne Partners, San Francisco
580 California Street
Suite 1900
San Francisco, CA 94104
Phone: (415) 362-5637
Fax: (415) 362-5996

Osborne Partners, Palo Alto
530 Lytton
Suite 305
Palo Alto, CA 94301
Phone: (650) 854-5100

Osborne Partners, Carmel
26607 Carmel Center Place, Suite 102
Carmel, CA 93923

Email: invest@osbornepartners.com

Institutional:
Peggy Woodford Forbes
Managing Director
(415) 627-0733

Individuals:
R. Christopher Swain
Director. (415) 627-0734

Subadvisory and Wrap:
R. Christopher Swain
Director. (415) 627-0734

New Addition to Osborne Partners!

R. Christopher Swain

Chris joined OPCM in January as the Director of Business Development. He is responsible for Marketing, Sales and Subadvisory Relations. He also leads the firm's branding strategy, production of marketing materials, client communications and oversight of the OPCM website. Chris received a B.A. in Government from the University of Maryland and enjoys racing road bikes and traveling Europe.