THE LONG AND SHORT OF IT

QUARTERLY NEWSLETTER FROM

ROBINSON & WILKES, LTD.

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In our last two newsletters, we discussed the repeated difficulty the stock market has had during post-election years. It is a time when investors typically perceive increased risk due to the introduction of significant new legislative proposals after the presidential inauguration. The first quarter of 2005 was no exception. Taking on Social Security's woes, alone, would add angst to the outlook for most investors; but combining Social Security reform with concerns about the budget, the growing reach of federal powers, the appointment of judges, and Iraq, and you have ample cause for concern among market participants.

It is no surprise then, that the first quarter of 2005 was somewhat painful for investors. They also had to absorb rising inflation concerns, continued increases in interest rates by the Fed, as well as a steady rise in the prices of crude oil and its derivative products. In such an environment, it is difficult for the markets to find ways to reward investors. During the first quarter, the S&P 500 lost 2.2%, the Russell 2000 Small Cap Index lost 5.6%, and the NASDAQ Composite Index lost 8.1%. Even, the defensively postured S&P 500 / Barra Value Index lost 2.4% during the quarter. The Robinson & Wilkes Equity Composite gave up only 1.6%. Bonds also turned in a dismal performance as illustrated by the 1.2% loss in the Solomon US Government 7 to 10 Year Bond Index.

Equity Composite Portfolio Fundamentals
as of 3-31-05

	R&W Equity Composite	BARRA Value	S&P 500
Number of holdings	30	322	500
Wtd. Avg. Mkt. Cap. ($B)	61.7	58.1	90.8
Trailing P/E Ratio	17.8	17.6	19.9
Price/Book Ratio	2.4	2.0	2.9
Price/Cash Flow	9.1	8.6	11.5
Dividend Yield	2.4%	2.3%	2.0%
Return on Equity	16.4%	14.3%	19.5%

In Morningstar's sector breakdown for stocks, the upward move in crude oil was the only real positive driver for the quarter. The energy sector rose just over 10%, and the utility sector squeaked out a modest 1.8% gain. All of the remaining economic sectors were down, with some (like computer software) off by nearly 10%. Many sectors in the index, like financial services, industrials, business services, and telecommunications fell by 4% to 5%. If not for the buoying effect of the energy sector, the broader indices likely would have declined 4% to 5%, instead of 2% to 3%.

It also appears that the environment for equities may remain difficult, as the Fed is likely to continue its vigilance against inflation until it sees clear evidence of a slowdown in the economic recovery. With corporate earnings growth rates cycling back above their sustainable long-term levels, it will be difficult for earnings growth rates to remain at current levels. Add the potential of the Federal Reserve accelerating its restraint of the economy, with larger (say, ½ percent) increases in interest rates, and one can see the rising prospect of a difficult year ahead. As noted in the February 11, 2005 U. S. Investment Strategy Report by BCA Research, "Productivity growth is easing and unit labor costs are slowly firming. This means that profit margins should erode, creating a headwind for profit growth and thus, equity prices."

However, not all is grim. There remain a few scenarios that could lead to a more constructive environment. Among these, the most apparent include the following: First, crude oil and gas inventories are creeping back up toward historically high levels. The possibility of support for stocks remains if oil prices decline somewhat from current levels. Unfortunately, the lower end of the range of prices for crude oil will likely be found at considerably higher levels than in years past. Second, the economy could deliver more moderate growth than some are anticipating, allowing the Fed to be less aggressive than indicated by its recent language.

Percent Return of Composites vs. Benchmarks for Various Time Periods
As of March 31, 2005

Return Periods	1st Qtr	1 Year	3 Year	5 Year	Since Inception 12/31/97
Portfolio / *Benchmark(s)*			----------------**Annualized** / Cumulative*----------------		
Equity Composite (gross of fee)	**-1.6**	**5.6**	**-0.8** / -2.2	**4.7** / 25.8	**7.5** / 69.1
Equity Composite (net of fee)	**-1.8**	**4.6**	**-1.6** / -4.8	**3.8** / 20.3	**6.6** / 58.6
S&P BARRA Value Index	*-2.4*	*9.6*	*5.2 / 16.4*	*2.0 / 10.2*	*5.0 / 42.7*
S&P 500 Index	*-2.1*	*6.6*	*2.7 / 8.4*	*-3.2 / -14.9*	*4.3 / 35.4*
Balanced Composite (gross of fee)	**-1.0**	**3.6**	**1.8** / 5.6	**5.1** / 28.0	**6.6** / 58.9
Balanced Composite (net of fee)	**-1.2**	**2.6**	**0.9** / 2.9	**4.2** / 22.8	**5.7** / 49.6
60% S&P BARRA Value / 40% SSB 1-5 Year Government/Corporate Bond Index	*-1.7*	*5.6*	*5.3 / 16.9*	*4.0 / 21.7*	*5.7 / 49.9*

***Supplemental Information**

We are pleased with the composition of the portfolios in this environment. Concentrations in the defensive pharmaceutical sector and the telecommunication sector, along with a little excess cash, appear timely as investor uncertainty is rising. This posture helped our client's equity returns in the first quarter, but is proving even more advantageous thus far in the second quarter. We continue to find numerous solid companies selling at attractive prices, though the present environment may mean we will have to wait until late 2005 before being rewarded with rising prices.

Established in 1997, Robinson & Wilkes, Ltd. is an independent investment management firm that uses a value-oriented, somewhat contrarian approach to investing client assets primarily in domestic, large capitalization companies, U. S. Treasury obligations and high-grade domestic bonds.

The Equity Composite assets as of March 31, 2005, were $13.8 million, which represented 26% of the firm's total assets. The Balanced Composite assets as of March 31, 2005, were $32.4 million, which represented 61% of the firm's total assets. Non-fee-paying accounts are excluded from the composites, and represent 3% of the firm's total assets. Returns reflect reinvested dividends and are calculated in U.S. dollars.

Robinson & Wilkes, Ltd. claims compliance with the AIMR Performance Presentation Standards (AIMR-PPS®), the U. S. and Canadian version of GIPS®. AIMR has not been involved with or reviewed Robinson & Wilkes' Claim of Compliance. Dabney Investment Consulting Associates, Inc. has completed Verification for the time period December 31, 1997, through March 31, 2005.

To receive a complete list and description of Robinson & Wilkes, Ltd.'s composites and/or a presentation that adheres to the AIMR-PPS standards, call (210) 490-2545, email contact@robinsonwilkes.com or go to our web site at www.robinsonwilkes.com.