



The Compass™

The Appleton Group, LLC
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The Appleton Group, LLC was founded to fulfill an investor's desire to participate in the U.S. equity markets while simultaneously addressing the need to manage investment risk. Our firm was founded in April of 2002 by Mark C. Scheffler who serves as Senior Portfolio Manager.

The Appleton Group, LLC currently serves 54 clients, and manages \$44 million of investable assets. We serve individuals, families, corporations, institutions, endowments, trusts and company sponsored retirement plans.

The Appleton Group, LLC is an independent Registered Investment Advisor.

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The Ride of a Lifetime

As the summer driving season is now upon us (and with the price of gas topping \$2.30 a gallon), I wanted to devote my quarterly column to the American love affair with cars. Even with the price of gas at all-time highs, it doesn't seem to be having any real impact on our driving habits. We still seem to be driving as much as ever. Karen and I traveled to Chicago for the July 4th holiday weekend. We were fortunate to be on the opposite side of the highway from the mass exodus out of the windy city and up to the Northwoods. To our Illinois brethren I say "Welcome, stay a while, and leave as much of your wallet behind as you like!"

Many of you know that my family has two cars, a Toyota Prius hybrid, which in today's market serves us very well. Nearly 50 miles-per-gallon, ultra-low emissions, and a great ride to boot. Our other car, suffice to say, is a workhorse. A black 1994 Toyota Corolla, with kayak racks on the top, Karen's mobile office in the back seat, and an as-yet-unrepaired dent in the front quarter panel

courtesy of an unknown assailant. Not a stereotypical car for a professional, but much in line with the car driven by Warren Buffett ("Oracle of Omaha," "Wizard of Wall Street," "Brains behind Berkshire Hathaway" and one of the world's wealthiest individuals) who drives an 80's vintage Buick. "Not a good investment – new cars" he says, which I often remind myself of. So, handyman that I am, I dream of building my own car (remember that this is a work of fiction), and if I were to do so, I would make a list of "must haves." Of course, this car would be built using The Appleton Group Wealth Management Discipline™. "What else, you say? Here goes.

Getting from Here to There

Just as with a well-designed investment portfolio, a good car is designed to get us from Point A to Point B, on time, efficiently, and as safely as possible. It all starts with a good design, one that will serve our purposes and might also be nice to look at as well. Beauty being in the eye of the beholder, my car would be built out of



Mark C. Scheffler

Senior Portfolio Manager,
Founder

rubber, able to bounce back from both fender-benders and high impact collisions. It would be stretchable, limousine-like to fit all of my friends, yet could be scrunched up enough to fit into the tiniest parking spots. Would it look great? Hard to tell yet, but we could probably give it a good coat of Armor All just to shine it up. Got a ding in the fender? No problem, it'll be bumped back out in no time.

So far, so good. But we need to be able to see where we're going, so we need to add some windows. The front window is a

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The Appleton Group Presents *The Good Life™*

For many investors, a portfolio of securities is designed to provide some benefit to the owner at some future point in time. It's the reason we invest in the first place, to maintain or enhance our quality of living, to promote the finer things in life, and to leave worry behind in search of those things that make life great. "The good

life," if you will.

In the coming months, The Appleton Group will introduce a campaign to bring it all together in one place. We present, *The Good Life™*.

The Good Life™ will be a directory of sorts, highlighting northeast Wisconsin's finest

businesses, organizations, and institutions. This directory will be a "who's who" of the best retailers, healthcare providers, non-profit institutions, dining establishments, builders, artists, and many others who enhance the

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The Ride of a Lifetime (continued from page 1)



no-brainer: Plexiglass! Thick plexiglass, chip resistant, clear as a bell (at least at first), bullet proof to boot (should I ever decide to save the world in non-financial ways). Same for the side windows. But for the back window, here is where we skimp. A very small piece of glass, about the size of my hand. Why so small? As we say in the mutual fund business “Past performance is no indicator of future results.” What has happened behind us, no matter how interesting, matters very little. No use looking back too much, since what’s going to occur in front of us is so much more important

than what has already happened behind us. Staying on course, after all, as we’re speeding from Point A to Point B, we don’t necessarily want to travel through points C, D, and E if we don’t have to.

Speed Up, Slow Down

On to the inside. We need to have plenty of head room, heated leather seats, cup holders galore, lumbar supports, a good stereo system CD player, juice bar, magazine rack for our guests, ample leg room for my Dad, a glove compartment with plenty of space, built-in GPS to help us find our way, air conditioning (of course), and pillows. Oh yeah, and a place to hang my suitcoat. Comfortable? No expense has been spared!

Of course we also need a few controls. A steering wheel, unless of course we expect the road to have no curves (but really, do you know any roads like that?). We also need an accelerator, a break, and an airbag. We’ll mostly use our accelerator, but from time to time we’ll use our brake (so that we don’t need to use the airbag). Make sense?

Under the hood, we’ve got a

state-of-the-art hybrid engine with plenty of power when we need it, great gas mileage, with precision engineering built to last a lifetime. Away we go!

Curves, Bumps, and a Bit of Construction

As I was riding with a friend a few weeks back, I thought I’d conduct a little experiment. He was driving, and I asked him to see if he could drive for the next two miles without using his brake. Mind you, construction season is in full swing, and it didn’t take us more than a few blocks before the road got a bit bumpy. Without even thinking, he tapped the brakes after only a few blocks. You know that I live, breathe, and even dream wealth management, and so here’s the tie in to this column: building and managing an investment portfolio is an awful lot like driving a car.

On our journey, no matter how long or short the drive, we’re bound to encounter highways, scenic vistas, miles and miles of open road, and from time to time we are most certain to experience bumpy roads. It is for all of these times that The Appleton Group Wealth Management Discipline™

“As we’re speeding from Point A to Point B, we don’t necessarily want to travel through points C, D and E if we don’t have to.”

can potentially deliver exceptional value. Our discipline uses equities as our accelerator, moving us from Point A to Point B, sometimes very quickly. At times, we reduce our investors’ exposure to equities when the road gets bumpy, a kind of brake if you will. Occasionally, when the markets are at their worst, we might come to a complete standstill for a time. Any old car will probably do, and for some investors, the preferred wealth management style is “pedal to the medal.” Having the ability to use all of the tools at our disposal to make the journey as smooth as possible just makes sense! Who would want it any other way?

-MCS

Call me to find out about the demise of our little car, and what I’m driving now...

**Investing involves risk.
Principal loss is possible.**

What’s New at The Appleton Group?

Find out any time of the day or night by simply visiting our updated website at www.appletongrouponline.com.

There have been many changes made to this site which we feel has greatly enhanced its value. The most exciting addition is *Appleton Group Institute*, the educational component of The Appleton Group, LLC. This site offers on-demand seminars, publications, market commentary and updated firm news.

In today’s complex investment environment, we believe it is important to offer clients information that is both timely and useful. The on-demand seminar section of the site does just that.

Currently, the site features three seminars that focus on different aspects of The Appleton Wealth Management Discipline™. These seminars touch on the importance of managing investment risk, and on putting The Appleton Group Wealth Management Discipline™ to work in your portfolio. Best of all, the seminars are available to you 24 hours a day, 7 days a week. Click and learn!

In addition to the on-demand seminars, Appleton Group Institute features our recently published *Five-Year Comprehensive Performance Analysis* white paper, our most recent Weekly Market Comment, and a news section which will feature press releases and other information

about The Appleton Group.

We have also made changes to the mutual funds side of the website (www.appletongroupfunds.com). You’re now able to view the daily price of The Appleton Group Funds (AGPAX & AGPLX) as well as recent articles about our firm under the “news/links” tab.

If you have an idea for a seminar topic or any comments about the website, please feel free to contact us at 993-7727 or email Mark at mscheffler@appletongrouponline.com. We look forward to hearing from you!

-CW

Making a Statement: Enhanced Client Reporting

The Appleton Group is proud to introduce our newly designed quarterly performance statements, available exclusively to private clients of our firm.

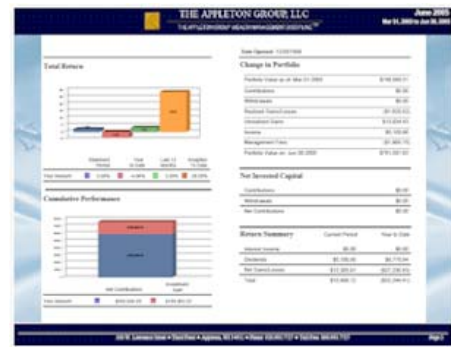
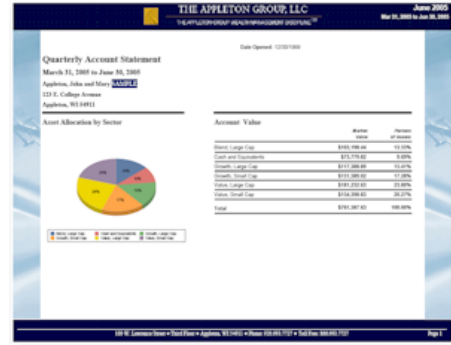
Having converted our portfolio accounting software to accommodate the needs of The Appleton Group Funds, we are also able to offer our private clients a much improved quarterly statement. This enhanced statement:

- Identifies holdings by asset class (Large Cap Value, Small Cap Growth, etc.)
- Consolidates performance reporting onto one page
- Reports portfolio performance over several time periods (previous quarter, year-to-date, previous 12 months, and performance since inception)

- More clearly details total portfolio growth since inception
- Details performance by security and by individual account
- Details all transactions for the previous quarter
- Details portfolio billing for the current quarter.

We believe this enhanced performance statement will enable clients and outside advisors to better gauge the value of The Appleton Group Wealth Management Discipline™ over time. It will also set a higher standard of client reporting, offering our investors yet another tool for simplifying recordkeeping and for tracking investment progress.

Select Screenshots:



The Appleton Group Presents *The Good Life™* (concluded from page 1)

quality of life in our communities.

Initially serving the greater Fox Valley area, *The Good Life™* will ultimately be divided into several distinct communities in northern Wisconsin: Green Bay, Door County, Lakeshore, Fond du Lac, and Wausau. Each community will be listed independently, giving the reader access to local cuisine, local entertainment, and to local professionals.

The Good Life™ will initially be in an online directory format, giving the user an easy-to-use resource for seeking the best a community has to offer. At the end of the calendar year, *The Good Life™* will also be available in book format and will be distributed both to our private client group and to those

organizations chosen to participate. Both the publication and the online directory will be sorted into various categories:

- Architecture & Construction*
- Arts & Entertainment*
- Clothiers*
- Dining*
- Estate Planning*
- Financial Services*
- Health Care*
- Home Furnishings*
- Leisure*
- Local Corporations*
- Non-Profits*
- Personal Care*
- Specialty Automotive*
- Travel & Lodging*

To qualify, organizations must be nominated by a current client or employee of The Appleton Group, organizations must

demonstrate a significant commitment to enhancing the quality of life of their respective community, and must identify a northeast Wisconsin community as their primary service area.

Do you know of an organization, non-profit institution or business that celebrates *The Good Life*? Perhaps there is a category we missed? We'd like to hear from you. Nominations can be sent via email to Cherie Wirth at:

cwirth@appleatongrouponline.com
or by simply calling us at 993-7727.

-MCS



The Appleton Group Portfolios: Historic Performance Summary*

Data as of June 30, 2005

<i>The Appleton Group Portfolios</i>	<i>Morningstar Category</i>	<i>Q2 - 2005 Total Return</i>	<i>YTD Total Return</i>	<i>3 Year Total Return (annualized)</i>
The Appleton Group Portfolio	Large Cap Blend	+1.13%	-4.57%	+8.73%
The Appleton Group Plus Portfolio	Large Cap Blend	+0.92%	-5.71%	+6.36%
The Appleton Group - Balanced Income Portfolio	Moderate Allocation	+1.26%	-2.58%	+10.25%
The Appleton Group - Tax Managed Portfolio	Large Cap Blend	+0.81%	-4.76%	+8.50%
	<i>S&P 500 Index</i>	+0.91%	-1.70%	+8.28%

Performance quoted represents past performance and is no guarantee of future results.

*The Appleton Group Portfolio performance information provided indicates what effect the portfolio adjustments generated by the Appleton Group Wealth Management Discipline, strictly implemented, have had on a model portfolio as such portfolio adjustments were implemented. Although the portfolio adjustments are actual recommendations which have been generated by the Appleton Group Portfolio Management Discipline since December 31, 1999, the performance results are for a model portfolio and do not represent the actual performance of accounts managed using the Appleton Group Portfolio Management Discipline.

Performance statistics have been calculated net of a 1.00% management fee, net of applicable expenses and net of brokerage costs using the internal iterative rate of return (dollar weighted) calculation method. While performance is compared to the benchmark indicated, client accounts may be fully invested, partially invested in cash equivalents, or invested in inverse ("bear market") funds, depending on the portfolio selected. The actual amount of time invested in the market will vary with economic conditions. Unlike an actual performance record, these performance results do not reflect the impact a client's economic circumstances might have had on the investment adviser's decision making if the investment adviser were managing a client's money. Investors should not consider the performance data a substitute for the performance of actual client accounts, nor should investors consider this data as an indication of future performance.

The principal value and return of exchange traded mutual funds and other mutual funds will fluctuate with changing market conditions, and may be worth more or less than your initial investment. All dividend, interest, and capital gain distributions assume reinvestment into the targeted investment. Performance statistics do not consider potential tax liabilities as a result of management activity. Please consult your tax advisor for further information. The Appleton Group, LLC became the investment advisor for The Appleton Group Portfolios on April 5, 2002, with Mark C. Scheffler serving as the sole portfolio manager. Prior to that date, Mr. Scheffler managed The Appleton Group Portfolios on a non-discretionary basis while employed as a broker with Robert W. Baird & Company, Inc.

Deviation from the models will produce substantially different results.

The Appleton Group Funds: Historic Performance Summary

The funds have no performance to advertise at this time.

Mutual fund investing involves risk. Principal loss is possible.

While the funds are no-load, management and distribution fees and other expenses still apply.

Because the Funds are "fund of funds", the cost of investing in each Fund will generally be higher than the cost of investing directly in the shares of mutual funds in which they invest. By investing in the Funds, you will indirectly bear your share of any fees and expenses charged by the underlying funds, in addition to indirectly bearing the principal risks of those funds. These risks include, but not limited to, risks involved with short selling and investments in ETFs, fixed income securities, technology, smaller capitalization companies and lower rated securities.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained, once effective, by calling The Appleton Group at 866.993.7767. Read it carefully before investing.

The Appleton Group Funds are distributed by Quasar Distributors, LLC.