4th Quarter, 2005

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 55 clients, and manages $46 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.

"The Compass" is published quarterly, and is produced by The Appleton Group, LLC which is solely responsible for its content.

Inside this issue:

The Appleton Group's *Tax Managed Growth* Separately Managed Account Voted Best in the Nation

The Appleton Group's Tax *Managed Portfolio* separately managed account is the #1 ranked Large Cap Blend Portfolio in the country according to the October issue of *On Wall Street* magazine. The magazine worked with Morningstar to develop a ranking methodology and reviewed more than 5000 professional money managers including 400 in the large blend portfolio category. The ranking is based on both historic returns and the amount of risk an investor is exposed to in order to get those returns.

The Appleton Group was the only Wisconsin-based company to land in the magazine's top 75 money managers. The firm is headquartered in Appleton, Wisconsin and, in addition to separately managed accounts, also represents a family of proprietary mutual funds.

According to Mark Scheffler, senior portfolio manager and founder, the ranking is further validation of his long-term investment strategy. "We believe our number one ranking is based on the portfolio's ability to thrive during both favorable and unfavorable market conditions," Scheffler said. He also feels the high ranking illustrates the Appleton Group's ability to objectively manage risk.

The magazine ranked 15 different categories of separately managed accounts (SMAs) according to Morningstar data. The magazine ranked SMAs according to Treynor ratios that were weighted 25% for one year*, 35% for the portfolio's three-year Treynor ratio**, and 40% for the five-year ratio. The Treynor ratios measure return for each unit of risk taken and higher scores are better. The Appleton Group Tax Managed Portfolio received a 5-year Treynor ratio of 55.9 and an overall ranking from the magazine of 5.2 earning it the top spot for large blend portfolios. The five-year Treynor ratio of 55.9 was the highest score awarded to any of the 75 top portfolios.

The Appleton Group Tax Managed Portfolio invests across all U.S. industries, market capitalizations, and balances the need to produce positive returns over time, control taxes and manage risk.

*1 YR Treynor Ratio: 2.2

**3 YR Treynor Ratio: 9.3

Mark C. Scheffler

Senior Portfolio Manager, Founder

The ranking may not reflect information based on all available separately managed accounts and fees were not considered in the ranking methodology.

This ranking is for the separately managed accounts only. This ranking does not reflect the performance of the mutual funds.

As of October 2005, *On Wall Street* magazine ranked the Appleton Group Tax Managed Growth Portfolio 1 out of 400, for a combination of 1, 3 & 5 yr. periods, in the large blend category based on risk adjusted returns using data provided by Morningstar. Please see

The Appleton Group Introduces 401(k) Platform

The Appleton Group is pleased to announce that we have expanded our wealth management services and are now offering a 401(k) program. The Appleton Group 401(k) creates an innovative, cost effective retirement platform that balances the economic needs of a plan sponsor with the performance desires of the plan participant. The plan's platform offers employees the ability to select from several tiers of service, including a range of mutual funds for a "build-your-own portfolio," a selection of professionally managed diversified portfolios, all the way to full-time professional wealth management services. Of equal importance, the cost to the employer is kept at a minimum while still delivering exceptional service, accuracy and quality.

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From the Desk of Mark C. Scheffler...

Simplicity

I hear the following response regularly: "That's it? Only six positions? What about the other fifty stocks I used to own? What about mid-cap blend, precious metals, foreign debt, real estate investment trusts, long-term bonds, short-term bonds. What about the guy on CNBC that told me if I didn't own his whole list of stocks I'd really be missing out? Only six positions?"

Only six positions. This is the core asset allocation for the Appleton Group Wealth Management System, an allocation that perfectly models the beauty of simplicity. Six positions instead of sixty, owning only what is necessary to be properly diversified, owning only what is necessary to carefully and prudently participate in the equities market. Many of our clients follow a typical allocation which uses index funds to target the following market segments: large-cap value, large-cap blend, large-cap growth, small-cap value, small-cap growth, and a component seeking current income. This elegant and simple mix of investment actually gives our clients exposure to over 4,630 different investments, enough to meet the rigid standards of any well-diversified portfolio. Yet by packaging these companies into six index funds, we considerably simplify our client's investment lives.

The Appleton Group's process of wealth management believes that "less is more," and this philosophy demonstrates that holding fewer positions can yield significantly better results.

Consider the Alternatives

I recently had the good fortune of reviewing a friend's investment portfolio consisting of approximately 40 companies managed by one of Wisconsin's most well known brokerage firms. The portfolio had some very familiar names in it: Kimberly Clark, Coca Cola, Home Depot, General Electric, Disney, and many others that would make any investor feel that they had a superior portfolio. But taking a closer look, 98.36% of the portfolio's return was actually due to the market itself! Investing $10,000 into my friend's portfolio and buying the S&P 500 index fund at the same time would have yielded only a $400 net difference over the past ten years. On top of it, the brokerage firm charges my friend .75% of the portfolio every year in addition to realize almost no real difference. Some value, huh?

Market Driven Results

During the fourth quarter of 2004, consider the extent to which the market itself determined the performance of individual stocks. Of the 500 companies in the S&P 500 index, 487 finished the quarter higher than when it began. Only 13 companies went down, which leads me to believe the process of picking stocks is an ineffective use of time and is truly missing the bigger picture.

And the bigger picture is simple: A portfolio's investment results are more dependent on when you invest and the performance of the markets during that time than on any other factor. Consider that from April 1, 2000 to March 31, 2003 (the most recent bear market), the average professionally managed "buy and hold" large-cap growth portfolio declined by 20.37% per year. During that same period of time the S&P 500 declined 16.09%. A significant difference, but only in the way that a second-degree burn is a success compared to a third-degree burn.

If this simple fact holds true, then objectively analyzing the overall health of the market and responding proactively to this data is truly where a money manager's value lies. Our clients have repeatedly communicated this to us, and it is this core belief that continues to drive our investment process.

"Investing is simple. But it's not easy."

-Warren Buffett

The Appleton Group Wealth Management Discipline objectively seeks to position client assets to participate in favorable markets and to manage the risks associated with participation in unfavorable markets. A simple and straightforward objective, and our ability to execute the discipline with this objective in mind requires a simple and effective solution: By owning only six core positions, we are able to offer our clients a portfolio flexible enough to execute in favorable markets (as we've seen over the past several years) and the ability to manage risk in a down market.

The issue of "task simplicity" is also a critical component of the Appleton Group Wealth Management Discipline. Our clients pay us to serve as their wealth managers, and nothing more. We do not sell securities, we do not sell insurance, we do not prepare tax returns, we do not offer legal advice, we do not serve as custodians, nor do we serve as trustees. These are all critical tasks for the appropriate professional; yet they detract from the core focus of expertly managing our clients' wealth. To that end, we strive to offer our clients the best in expert wealth management.

Perhaps the pinnacle of our approach means objectively choosing when to participate in the markets, always with the risk of "missing out." But it also can mean missing out on significant losses should the long-term trend be downward. For many of us, heavy losses are something we'd just as soon do without!

Are we missing out on anything? Well, the media will certainly try to convince us as much, and understandably so. Simplicity is often a hard sell because it focuses on fewer positions and as a result lower costs. Fewer trades means lower commissions. Fewer positions can mean lower administrative costs. Indexing means significantly lower mutual fund expenses. Unfortunately, these benefits fly in the face of the "MORE MORE MORE" mentality.

So, why doesn't everyone take the simple route? Because the irony of simplicity is that it is hard to do! Whittling down a portfolio

Simplicity (continued from page 2)

to only six core positions means giving up relationships with companies that may tug at your heartstrings. It means having your broker admit that picking stocks truly isn't where value lies. It also means admitting that the markets have indeed changed, and innovative approaches may be required. You see, the true benefit of simplicity is that it is likely to keep you doing the things that you love, it is likely to help keep you in good standing with the charities you support, and it is likely to help keep you focused on living life. That is the true success!

New Product Provides Opportunity to Potentially Profit from Booming Real Estate Market

Today's real estate market could continue to be a windfall for savvy investors, or the bubble could burst and impact a large sector of the U.S. economy. Either way, The Appleton Group is taking steps to help its clients profit from both sustained increases and decreases in real estate prices by introducing The Appleton Group Real Estate PLUS Portfolio.

*The Appleton Group Real Estate PLUS Portfoli*o utilizes the same time-tested investment methodology used by other Appleton Group Portfolios. "For the first time ever, investors are able to use The Appleton Group Wealth Management Discipline™ to participate in the U.S. real estate market," said Mark C. Scheffler, Senor Portfolio Manager and Founder of The Appleton Group LLC. "Should the housing bubble burst, however, the same portfolio management discipline can help offer meaningful financial protection from any sustained decline in real estate prices," Scheffler added.

If the U.S. housing or commercial property market slows, individuals with substantial investments in related industries could benefit from The Appleton Group Real Estate PLUS Portfolio. "Imagine being in the construction industry, for example." Scheffler said. "Should the building boom slow down significantly or suddenly end, an individual's income, retirement, health insurance and other benefits could certainly be put at risk," Scheffler indicated.

Because the housing and construction markets account for so much of the economic activity in the U.S., The Appleton Group believes there are many other industries that would be negatively impacted as well. "Real estate agents, mortgage lenders, title companies, home inspectors, and construction companies are the most obvious," added Scheffler, "but there are so many more. Furniture and appliance distributors, concrete and materials suppliers, heavy equipment distributors, electricians and plumbers, landscapers, and many more need to be prepared."

The Appleton Group Real Estate PLUS Portfolio uses positions in the firm's proprietary mutual fund family along with positions in specialty mutual funds built specifically for the real estate sector. "Being positioned correctly for the market environment we are in or will be in at any time is critical," said Scheffler. "Because of our investment discipline and our ability to act in a timely fashion, we can position an investor's assets appropriately through changing market conditions."

Because the Separately Managed Account concentrates its investments in the real estate industry, the portfolio may experience more volatility and be exposed to greater risk.

The above is a reprint from the press release dated 10/4/05.

The Appleton Group Introduces 401(k) Platform (concluded from page 1)

The multi-tier plans allow employees to select exactly the level of service they require. Tier 1 investments offer a wide variety of mutual funds from which plan participants can choose when building their own portfolios. These investments are available without commissions of any kind, without surrender penalties, and without insurance wrap fees.

In tier 2, a second level of wealth management is offered in the form of asset allocation composites. At this level, there are three managed composites with the option for the plan sponsor to add a fourth, a more tailored composite. This customized composite is designed to help insulate employees from sustained weakness in their particular industry. Because this is built specifically for each company, this composite is designed to minimize or eliminate exposure to the company's industry, a meaningful and important diversification measure.

For plan participants with significant assets, Tier 3 services allow for the full-time, professional management of retirement plan assets by some of America's top independent money managers, including The Appleton Group. Plan participants use a self-directed brokerage account (available through Charles Schwab) to hold their retirement assets, and choose wealth management services from over 1,300 wealth managers across the country. For high net worth individuals, executives, and owners, Tier 3 services can plan an important role in their overall financial plan.

The Appleton Group 401(k) program offers an industry standard in flexibility, value and professional management. This multi-tier approach can meet the needs of the cost-conscious plan sponsor, the fee-conscious plan

The Appleton Group Portfolios: Historic Performance Summary*

Data as of September 30, 2005

The Appleton Group Portfolios	Morningstar	Q3- 2005 Total Return	YTD Total Return	3 Year Total Return (annualized)
The Appleton Group Portfolio	Large Cap Blend	+2.69%	-1.30%	+12.15%
The Appleton Group Plus Portfolio	Large Cap Blend	+5.87%	-1.48%	+10.27%
The Appleton Group - Balanced Income Portfolio	Moderate Allocation	-.39%	-0.82%	+11.97%
The Appleton Group - Tax Managed Portfolio	Large Cap Blend	+5.47%	+3.13%	+13.32%
	S&P 500 Index	**+3.15%**	**+1.39%**	**+14.65%**

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. A complete history of our performance analysis is available upon request.

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

Data as of September 30, 2005

The Appleton Group Funds	Morningstar Category	Q3- 2005 Total Return	Since Inception 5/2/2005
The Appleton Group Fund	Large Cap Blend	+2.26%	+3.90%
The Appleton Group Plus Fund	Large Cap Blend	+3.85%	+5.20%
	S&P 500 Index	**+3.60%**	**+6.56%**

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month may be obtained by calling 866-993-7727. The fund imposes a 1.00% redemption fee on shares held for less than 60 days.

Short term performance, in particular, is not a good indicator of the fund's future performance, and an investment should not be made based solely on returns.

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, by calling The Appleton Group at 866.993.7767. Read it carefully before investing.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. You cannot invest directly in an index.

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