



The Compass™

The Appleton Group, LLC
100 W. Lawrence Street, Third Floor
Appleton, WI 54911

October 2006



The Appleton Group LLC is an independent, Registered Investment Advisor (RIA) located in Downtown Appleton Wisconsin. We solely provide wealth management services for investors, building and managing portfolios that prepare for both cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community. We are currently accepting new clients, and we welcome your inquiries.

The Appleton Group currently serves 65 clients, and manages \$53 million of investable assets. We serve individuals, families, corporations, institutions, endowments, trusts and company sponsored retirement plans.

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

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Bringing it Home

This past weekend, my wife Karen and I were reflecting on how wonderful it is living in the Fox Valley. As many of you know, I grew up in Wausau and Karen is originally from Danbury, Connecticut, just a stone's throw (for Brett Favre, perhaps) from New York City. Can you imagine a more different upbringing for each of us? They say “opposites attract,” and I guess it's true.

But for anyone who has lived in other parts of Wisconsin or in other parts of the country for that matter, living in the greater Appleton area is truly special. The quality of life, the family-friendly

atmosphere, great schools, great neighborhoods – it just doesn't get much better, does it?

When we travel to other parts of the world as Karen and I did this past summer, I have to admit a bit of wanderlust, though. It's a big, big world. Our destination was a family reunion in Germany, 110 years or so in the making. My great-grandfather Otto Breunig left his home in the tiny village of Hettigenbeuren (population 300) in 1894, practically alone, and eventually made his way to central Wisconsin. It turns out he wasn't supposed to be the only one from his family to come over – the plan



Mark C. Scheffler
Senior Portfolio Manager,
Founder

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The Appleton Group Forges Key Relationship with Fidelity

Boston-based Fidelity Investments and The Appleton Group LLC have forged an investment management relationship, making all of The Appleton Group's wealth management offerings available to existing Fidelity clients. This relationship enables all of Fidelity's retail clients, all corporate and government retirement plan clients, as well as all institutional clients the benefit of access to The Appleton Group's full range of wealth management services. These services include the firm's nationally-recognized separately managed accounts, composite portfolios, mutual funds, as well as The Appleton Group 401(k)

program. “This is yet another significant step forward for our firm, as it gives an increasingly large percentage of the investing population easy access to our investment management services,” said Mark C. Scheffler, Senior Portfolio Manager and Founder of The Appleton Group. “In addition to our existing relationships with brokers such as Charles Schwab and Pershing, our new relationship with Fidelity gives us even more national reach”, Scheffler added.

In addition to services for individual investors, Fidelity's presence in the large retirement plan market gives 401(k) and other plan participants access

to The Appleton Group's full range of investment management services. “Building and managing a retirement portfolio on your own is difficult,” said Wendy Hoeft, Director of Retirement Plan Relations for The Appleton Group. “For employees of local corporations, non-profit institutions and government organizations who already utilize Fidelity Investments as their retirement plan provider, building and managing a portfolio just got easier.”

-MCS



Your Company's 401(k) - Good to Great in as Little as Two Weeks

The average number of investment options in a 401(k) now stands at 13, according to the Profit Sharing/401(k) Council of America, up from about seven in 1996. But while all that choice may be great in theory, the reality is that it has left many investors bewildered.

Most react by dumping their money into only one or two funds. "Regardless of the fund menu, 50% of the people are picking two funds or less," says Dallas-based pension consultant Brooks Hamilton, who noticed the trend in an ongoing examination of 12 large 401(k) plans.

Fortunately, a growing number of employers have sought the assistance of firms such as The Appleton Group to help workers navigate through the noise. Professionally managed portfolios such as The Appleton Group Composites and The Appleton Group Portfolios are available to a growing number of employees who seek not just advice but full-time professional wealth management of their personal accounts.

In a recent article published in Newsweek entitled *Building a Better 401(k)*, Jane Bryant Quinn writes about the powerful features of

managed 401(k) accounts. "These should grow into big winners because they satisfy everything most employees want. You don't have to bother with advice. Instead, you turn over your 401(k) to an adviser to manage for you. This option is available already, in plans served by Schwab, Financial Engines, Fidelity, Ibbotsen Associates, Morningstar, Merrill Lynch and others. The managers choose the funds, allocate your money and rebalance your portfolio, so you don't have too much money at risk in a particular type of investment." She adds, "...growth improves by an

expected average of 0.50 percent to 3 percent annually when an expert takes over your 401(k)."

For employers, the extra benefit of offering The Appleton Group's professional wealth management services can immediately take a company sponsored retirement plan from good to great. Any plan administered by Fidelity, Charles Schwab, as well as a host of local providers can utilize our firm's services at little or no cost to the employer.

In the online article *Streamlining 401(k)s* by K.C. Swanson, the author profiles a real life example:

"SwedishAmerican Health Systems (of Rockford Illinois) offers practically unlimited investing choices for employees who want them. But the fact is most don't. That has become clear since the health care nonprofit started letting workers opt to have a professional money manager run their accounts back in January 2000.

"Alternatively, employees can choose to invest money on their own in a diversified lineup of 10 mutual funds in their 401(k) plans. Or they can invest up to half their assets through a so-called mutual fund "window" that gives them access to up to 300 funds outside the plan.

"Guess what? Only a tiny handful of people want that much choice. In fact, 84% of the company's existing 2,800-person workforce has opted for the professional money manager. Employees who don't pick an investment option for their 401(k)'s end up in the professionally managed accounts by default. "The general feeling is that people are relieved, it's one less thing they have to worry about," says benefits manager Cindy Thompson.

"Take, for example, Dawna Menke, interim director of the regional cancer center at SwedishHealth and a participant in the professionally managed account. "I'm a working mother, and I don't have the time to monitor finances," she says. "I want to make sure I have a retirement available. But I don't have the financial savvy to [figure out] the proportionate amount of high-risk vs. low-risk investments."

"Before opting for the professionally managed account, Menke says she had invested her money in a handful of aggressive growth funds, on the advice of family members and friends. Now her money is spread across lower-risk investments... The goal is to make the money last until death, not just to the date of retirement.

"Meanwhile, SwedishHealth's experience suggests that not many employees actually take advantage of the tremendous number of funds available to them. While 15% of the workforce manages their accounts through the 10 funds in the 401(k) plan, only about 1% invest through the mutual fund window that offers hundreds of funds. "It's really one of those things where everybody likes [the fund window] and wanted it, but very, very few actually ended up using it," says Tom Koelbl, vice president of human resources at SwedishHealth.

"84% of the company's existing 2,800-person workforce has opted for the professional money manager."

-Cindy Thompson
Benefits Manager
Swedish American
Health Systems



Wendy Hoef

Director - Retirement Plan Relations

For employers that already use Fidelity Investments, Charles Schwab Institutional and others, adding The Appleton Group's professional wealth management services costs your company little or nothing. All services are participant driven, and can be introduced in as little as two weeks. Taking your existing retirement plan from good to great has never been easier. Contact us today for more information.

Bringing it Home (continued from page 1)

was for Otto to make his way to America, make a small fortune, and bring the rest of the family over later. That never happened.

By all accounts, times were tough in the late 1890s in Germany. Food was scarce, the economy wasn't good, and relations among other nations were shaky at best. Seeking "the land of opportunity," nearly 10% of Otto's village emptied out during the decade, with residents destined for a much better life in America. As it turns out, just when the family in Germany hit bottom, everything changed.

In the late 1890s, the local economy suddenly picked up, food became abundant, and the region flourished. In came the 8-hour day, prohibition of child labor, government regulation of working conditions, and the abolition of laws that restricted the right of people to assemble. Democratically elected representatives, judges elected by the people, a graduated income and property tax, free medical attention; a people's militia for defense rather than a professional army, secularized public education

and no public money supporting religious institutions. Did it last? As we know, the good life of the 1890s was gone within twenty years. As it turns out, the lifestyle just wasn't sustainable.

But life for Otto wasn't much better here. Lost for eleven years, it appears that he wandered through the Midwest, tended other people's farms, owned little himself, and became responsible for a family of his own here in the states.

Throughout the history of this family divided, each experienced its ups and downs, and in the end (or at least at present) both families' standards of living are roughly equal. Each family has its share of farmers, teachers, engineers, increasingly well educated, and most importantly stable.

Stability. It's what Otto wanted for himself, for his family, and undoubtedly for his progeny as well. Change is hard, and the changes that each side of the family witnessed over the past century were incredible, to say the least.

They say that those who choose

to ignore history are destined to repeat it. History is replete with ups and downs. Economic tides affect families across the globe (always have, always will), and I'm convinced that the advances of small economies (two, three, or four INDIVIDUALS) matter more to us as people than those inevitable booms and busts of entire nations. And so our task becomes more and more clear each day: sustain the economic advances of families, work to insulate households from declines in lifestyle, and prepare appropriately for those rare events in which sustained advances and declines both present themselves.

"Bringing it home" says it all. Sustaining the lifestyle of the greater Fox River Valley area (and residents in exile) occurs one family at a time, one year at a time, one portfolio at a time. Vanguard puts its money to work in Boston, American Funds does the same in Houston, UBS all the way in Switzerland. But The Appleton Group is ours, together. As our reach broadens to more families outside of northeast Wisconsin, organizations that we support

locally reap the benefit. Groups such as Appleton Art Center, Fox Valley Symphony and White Heron Chorale (among many others we support less publicly) have been seeded with profits from our firm. During the 2007 calendar year, we have made significant pledges toward these organizations, enabling local arts groups, churches and community service organizations to benefit from our growth. We feel it is our duty to support in turn the community that has so strongly supported us.

In short, we know a good investment when we see one.

-MCS

"I have had a very thin time of it these days. My money ran out on Thursday, and I have lived for four days on twenty-three cups of coffee."

-Vincent Van Gogh

We Know a Good Investment When We See One

The Appleton Group LLC will pledge a portion of its 2007 profits to three Fox Cities arts organizations in an effort to link the success of community-based organizations with local business profitability. Mark C. Scheffler, Appleton Group Principal and Chief Compliance Officer, announced his firm will donate 3% of profits divided equally between Fox Valley Symphony, Appleton Art Center and White Heron Chorale.

When Scheffler started his firm in 2002, it was his goal to integrate

his business with mission focused non-profits. "When you spend a dollar with a company that is located outside of the area, that dollar leaves our community. By doing business with local firms that are committed to community non-profits, your dollars are reinvested in local organizations that contribute to our quality of life."

Scheffler is a graduate of Lawrence University where he majored in music composition and theory. "Not a day goes by that I'm not called on to think

creatively and use the analytical skills learned in composing music when reviewing financial markets," Scheffler said.

Representatives from these arts groups acknowledged that each organization's ongoing success depends on the willingness of new businesses such as the Appleton Group to pledge financial support.

"This gift is significant in that it so closely ties with our own mission of serving local adults

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APPLETON ART
CENTER



FOX VALLEY SYMPHONY



WHITE
HERON
CHORALE

Data as of September 30, 2006						
The Appleton Group Portfolios	Morningstar Category	Q3 - 2006 Total Return	YTD	3 Year Total Return (Annualized)	5 Year Total Return (Annualized)	Since Inception (1/1/00) (Annualized)
AG Portfolio	Large Cap Blend	+4.39%	+6.48%	+9.94%	+9.47%	+5.64%
AG Plus Portfolio	Large Cap Blend	+5.61%	+5.39%	+6.22%	+6.50%	+9.12%
AG - Tax Managed Growth Portfolio	Large Cap Blend	+5.80%	+6.63%	+8.49%	+8.55%	+9.28%
	<i>S&P 500 Index</i>	+5.67%	+8.53%	+10.28%	+5.12%	-1.40%

Data as of September 30, 2006						
The Appleton Group Composites	Investment Objective	Q3 - 2006 Total Return	YTD	3 Year Total Return (Annualized)	5 Year Total Return (Annualized)	Since Inception (1/1/00) (Annualized)
AG Conservative Composite	Conservative Growth	+3.92%	+4.43%	+7.72%	+7.51%	+7.49%
AG Moderate Composite	Moderate Growth	+3.69%	+4.89%	+8.85%	+8.73%	+8.01%
AG Assertive Composite	Aggressive Growth	+3.79%	+4.94%	+9.99%	+9.72%	+8.12%
	<i>S&P 500 Index</i>	+5.67%	+8.53%	+10.28%	+5.12%	-1.40%

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.

**The Appleton Group Composite performance information reflects weighted historic performance, uses the benefit of hindsight, and does not represent the actual performance of accounts managed by The Appleton Group LLC.

Performance statistics have been calculated net of management fees, 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.

We Know a Good Investment When We See One

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and children through live musical performance and educational programs,” said Marta Weldon, executive director of the Fox Valley Symphony. “We partner with every donor in the belief that our programs help to grow a stronger and healthier community.”

Community involvement is a mission echoed by other arts organizations. “Support such as this will allow us to create and present music to the highest standard by artists right here in the Fox River Valley,” said Rick Bjella, artistic director/conductor for the White

Heron Chorale.

“As an institution, The Appleton Art Center is invigorated with the news of this generous investment in the visual arts of our community,” said Timothy Riley, executive director of the Appleton Art Center. “We are grateful to the Appleton Group for strengthening our programs for the enormous benefit of the public.”

All three arts organizations have administrative offices located in the Appleton Art Center building on Appleton’s Houdini Square—also home to the Appleton Group.

-MS

“The roots we nourish today become the fruits of tomorrow.”

-MCS