THE HENRY FUND

2005 Annual Report

December 31, 2005

THE UNIVERSITY OF IOWA

TIPPIE

HENRY B. TIPPIE
SCHOOL OF MANAGEMENT

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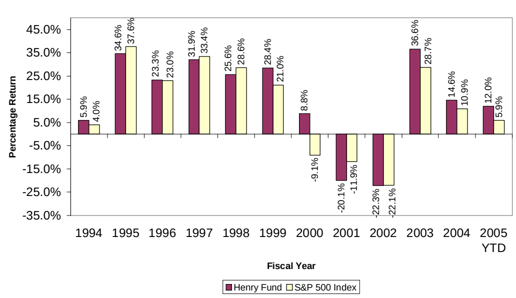
Letter From the Investment Team

DEAR STAKEHOLDERS,

To start matters off, the Henry Fund team would like to thank everyone who is reading this, as it is the continued interest of all of you who keep the program successful. Rarely before has the Henry Fund team posted as large of a victory over our benchmark, the S&P 500, as we did in 2005, and for this we must thank our advisor Todd Houge, and the classes who came before us, for without their high quality stocks we would not have had as successful a year.

For the 8th time since the inception of the fund, the students outperformed our benchmark. With a total return of 5.94% the S&P 500 gained much less than it did a year earlier, but with a 603 basis point advantage, the Henry Fund posted an 11.97% rate of return. The market had a rather lackluster return over the first quarter, and had solid returns from the second quarter washed out by natural disasters in the Gulf Coast area. Throughout the last quarter, the Henry Fund worked to maintain our solid lead over the S&P 500, and ended with the second largest relative gap over our benchmark in the fund's history.

The University of Iowa Henry Fund vs. S&P 500 Index
Annual Performance Comparison, 1994-2005



The fund would like to take a moment to thank those who have taken time out of their busy schedule to come speak to the class and offer their insight and expertise.

Dirk Laschanzky, CFA – Principal Global Investors
John Linn – Daiwa Securities America
Kevin Laub, CFA, CPA – American Century Investment Management
Mark Traster, CFA US Bancorp Asset Management
Paul Marcus, Marcus Capital Management
Jonathon Horick, CFA, CPA – Millenium Partners L.P.
John Everhart, American Express Financial Group

In addition we would like to thank the whole of the advisory board, whose guidance has continually helped shape the direction of the Fund. We would like to extend a special thank you to Beth Whited for her service to the fund as she continues on in her professional career.

The fund continues to grow in value and to evolve as a unit. With our move to a new online broker, we continued the push to be a more active trading portfolio which was started by last year's class. We sometimes feel the need to move quickly on trades, so as to gain value through market timing.

The Henry Fund class of 2005 was left with 40 names in the portfolio, and this number has been pared down through diligent work and the fair valuation of many of our holdings. In our time in the fund we sold Metal Management, New York Times, Frontier Oil, Electronic Arts Inc, Agrium, Mellon Financial Corp., Omnicom Group Inc, Pogo Producing Co., Polycom, Inc., and RenaissanceRe Holdings, as well as a portion of our holdings of Sandisk. We have purchased Microsoft and Logitech, and increased our holdings in Ambac Financial, Citigroup, and International Speedway. Our exposure in Electronic Arts was increased in May before our position was liquidated in July.

We would like to extend a good luck wish to the classes that follow us, and hope that they continue the tradition of excellence in the Henry Fund. With Todd Houge's continued guidance, this will in all likelihood happen.

Regards,
The Henry Fund Class of 2004

Dimitar Djambazki	Basic Materials
Valeria Chifan	Consumer Cyclical
Wenying "Michael" Xia	Consumer Non-Cyclical
Scott Anderson	Consumer/Commercial Services
Oscar Pina	Energy/Utilities
Radu Miclaus	Financial Services
Yang Qiao	Financial Services
Eric Christensen	Health Care
Ingo Raulf	Industrials/Transportation
Adam Baker	Technology
Chakradhar Singh	Technology
Dae Sung Lee	Telecommunications

Fund Overview

The Henry Fund, named for its two founding benefactors, was established in the spring of 1994 to provide University of Iowa MBA students with a forum to blend academic rigor with real-world portfolio management experience. Henry Royer, Henry Tippie, and the University of Iowa Foundation contributed the initial $50,000 investment that established the Henry Fund.

The Henry Fund is an equity portfolio listed as an outside investment by The University of Iowa Foundation. The Fund is required to meet the same basic performance guidelines as equity accounts in the long-term investment pool of The University of Iowa Foundation. In keeping with these requirements, managers of the Henry Fund seek to achieve the highest level of return while assuming risks similar to those of the S&P 500 index. The Henry Fund team, therefore, recommends a targeted portfolio of stocks from a broad set of industries, investing in well-managed, profitable businesses without unnecessarily exposing the fund to economic or industry risks.

The Fund is divided into three separate accounts: active, passive, and cash. The active account, comprising approximately 89% of the Fund's assets, currently consists of equity positions in 33 companies. This account represents the primary measurement of the manager's stock selection ability. The passive account (8%) consists of holdings in the Technology Select SPDR. This account is maintained to provide liquidity and minimize cash holdings until a suitable investment can be found. Historically, this account represents approximately 3-4% of the Fund assets. The Henry Fund scholarship payments necessitate that The Fund keep cash in a money market account in order to meet its annual commitment. This account also receives dividends and is used to pay brokerage fees and other expenses incurred during the year.

The managers of The Henry Fund are students in the Applied Securities Management course (6F: 221 and 6F: 222) at The University of Iowa, Henry B. Tippie College of Business. The two-semester course is limited to twelve students. Students are selected by blind review based on a research report application at the end of the fall semester of the first year of the MBA program. The 12 analysts are assigned to one of 10 economic sectors: basic materials; consumer cyclical; consumer services; consumer non-cyclical; energy and utilities; financial services; healthcare; industrials and transportation; technology; and telecommunications. Because of the growing importance of financial services and technology, two analysts are assigned to each of these areas to promote expanded coverage and wider diversification of our holdings. Each manager develops a fully integrated investment review, based on a top-down approach that incorporates an extensive economic, industry, and company-specific analysis. Once the analyst evaluates the value drivers of each industry, he or she researches specific companies for potential investment. Each security is modeled using a variety of valuation techniques including: discounted cash flow analysis (DCF), economic value added (EVA), fundamental multiple analysis, and relative multiple valuation.
Fund managers are expected to act as both sector analysts and portfolio managers, providing basic industry research, proposing investment ideas and evaluating the ideas of the other managers. Investment recommendations are presented to the Investment Advisory Committee for review and then voted on by The Henry Fund managers. In addition, the managers perform the administrative tasks of portfolio management, including marketing the fund to outside donors and producing an annual report.

THE HENRY SCHOLAR

A portion of the Henry Fund dividend income supports annual scholarships to MBA students, the recipient of which is called The Henry Scholar. It is approximately $1000 per $100,000 of the value of the portfolio. The scholarship is renewable for a second year based on the student's academic performance. Thus, $2,000 in scholarship money is transferred annually to the university cash account designated for Henry Scholars. The goals of The Henry Scholar Program are to encourage and prepare students for careers in investments as well as to attract outstanding Henry Fund candidates.

Acknowledgments

FOUNDERS
Henry Royer
Henry B. Tippie

Henry Royer attended Colorado College, where he received a BA in 1953. Following college graduation, he became a grain merchandiser with Pillsbury Mills. He joined the Peavey Company in 1957, became Treasurer and a board member of Lehigh Sewer Pipe and Tile in 1961, where he remained until 1965. From 1965 to 1983 Mr. Royer held various positions with First National Bank (Norwest), Duluth, Minnesota. In 1983, he joined Merchants National Bank of Cedar Rapids (Firstar), where he served as chairman and president until August 1994. He subsequently served as president and CEO of River City Bank in Sacramento, California. He is now executive vice president of Berthel Fisher & Company Planning, Inc., Cedar Rapids, Iowa.

Wherever he has been, Henry Royer has been active in both business and civic organizations. While in Iowa he served on the Board of Visitors of the College of Business Administration. Currently, he is on the boards of IES Industries, CRST International, Inc., Berthel Growth & Investment Trust, River City Bank, Families First, Inc., United Way, the Sacramento Symphony, the Sacramento Tree Foundation and the Sacramento Commerce and Trade Organization.

Henry B. Tippie grew up in Belle Plaine, Iowa, and, after serving in the Army Air Force, earned a BSC in accounting from The University of Iowa in 1949. He began his forty-nine year professional involvement with Rollins in 1953, starting by balancing the small firm's checkbook. Today, four Rollins companies trade on the NYSE and one on the Amex. In addition, Tippie is still involved with Rollins enterprises, serving on the board of directors for all five publicly traded companies and as chairman of the board for two companies. He runs several of his own ventures from his offices in Austin, Texas. Tippie has been a tremendous asset to The University of Iowa, endowing a chair in business administration, and several professorships in the business school. He also has endowed two two-year accounting scholarships, and, for graduates of Belle Plaine Community Schools, two four-year scholarships. To help fund the completion of the Pappajohn Business Administration Building, he donated funds to build a 175-seat auditorium, a student lounge and Pat's Diner, named for his wife, Patricia. For his numerous contributions, Tippie received The University of Iowa's Distinguished Service Alumni Award and Outstanding Accounting Alumni Award. In 1996 he was a recipient of the nationally prestigious Horatio Alger Award. In February 1999, Tippie made a major commitment to the College of Business to support its students and faculty. In recognition of his past, present, and future support that will exceed $30 million, the college was named the *Henry B. Tippie College of Business*. Mr. Tippie was awarded the Hancher-Finkbine Alumni Medallion in 2002.

ACADEMIC ADVISORS
Todd Houge, Ph.D., CFA
Brian Kelly, JD, CPA

BROKERAGE SERVICES
Harrisdirect LLC
Harrisdirect is a registered broker-dealer and SEC-registered investment advisor

INVESTMENT ADVISORY COMMITTEE
John Everhart
American Express Financial Corporation
Scott Hassenstab, CFA
AEGON USA Investment Management, Inc.
Dirk Laschanzky, CFA
Principal Global Investors

Daniela Spassova, CFA
Principal Global Investors
Mihail Dobrinov, CFA
Principal Global Investors
Kevin Laub, CFA, CPA
American Century Investment Management
Keith Mitchell, CFA
Sprint Corp.
Marty Nevshemal
Sprint Corp.

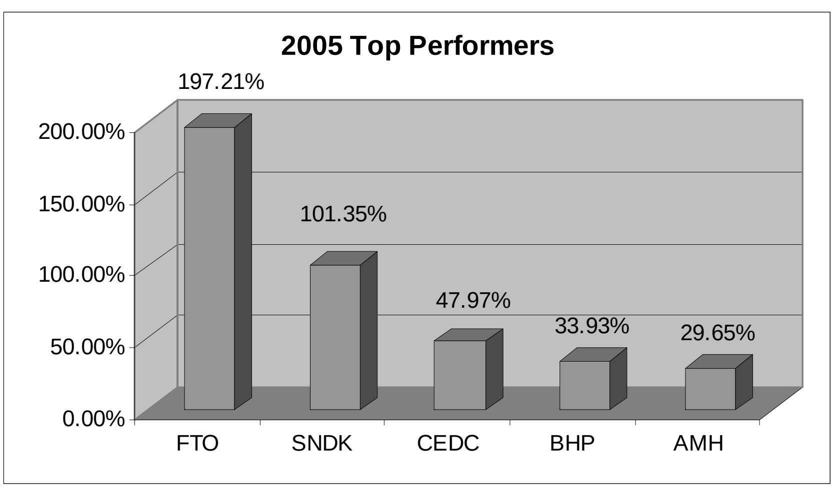
UNIV. OF IOWA FOUNDATION LIAISON

Tiffani Shaw - CFO and Treasurer

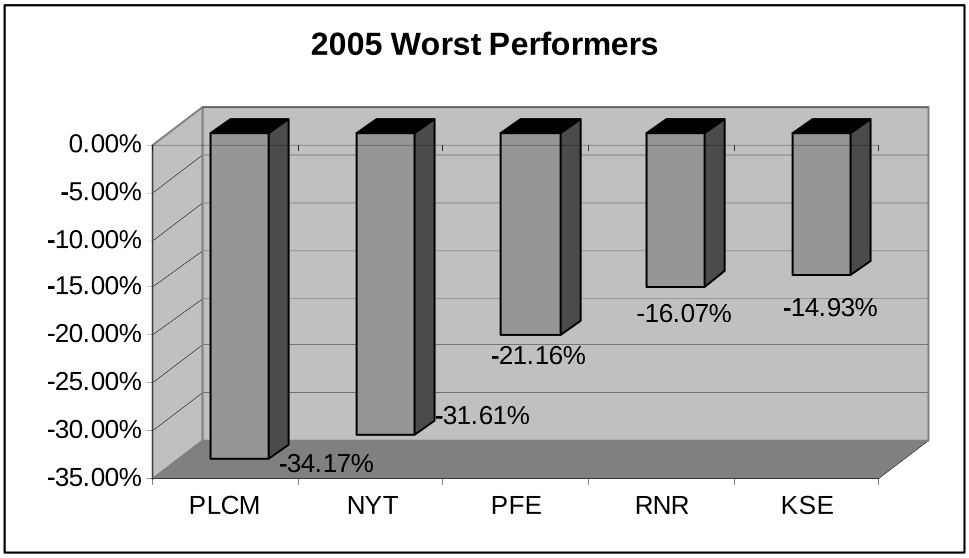
Fund Performance

In a slow year for the stock market, the portfolio performance maintained a healthy stride upwards. The market value of our portfolio has increased 11.22% over the past year, compared to the S&P year to date dividend adjusted return of 4.46%. In dollar terms, the fund has gone from $396,896 as of December 31, 2004 to $441,408 on November 30, 2005. The Henry Fund's 2005 was performance solid given the sluggish market conditions. On the date of November 29, 2005 the fund's year return was outperforming the S&P index by over 600 bps. The strong performance of the overall portfolio was driven by strong performance in the technology and energy sectors. Both of these sectors rallied during the summer months. While the energy sector is starting to cool down towards the end of the third quarter, the technology stocks may still have some fuel left for the holidays shopping season. Other strong performances were posted by the property-casualty holdings, despite the major nature catastrophes that affected the third quarter.
The high fliers for the December 31, 2004 to November 29, 2005 were as expected an energy stock and a technology stock. The major player in the portfolio was the refinery stock Frontier Oil (FTO). The summer oil supply worries pushed the crude price to highs flirting with the $70 per barrel. FTO stock hit the price level where we considered it at fair value. We closed our remaining position in FTO on October 6-th. The position yielded 197%.
Our other performer was Sandisk (SNDK). The demand for increasing memory capacity for portable media helped SNDK stock appreciated substantially. We sold 150 shares of SNDK on October 3-rd for rebalancing reasons. Our remaining position in SNDK yields 102.3%on November 30, 2005. The next top performers are Central European Distribution (46.4% return on November 30, 2005), BHP Billiton Limited (35.1% return on November 30, 2005) and AmerUs Group (30.4% return on November 30, 2005).

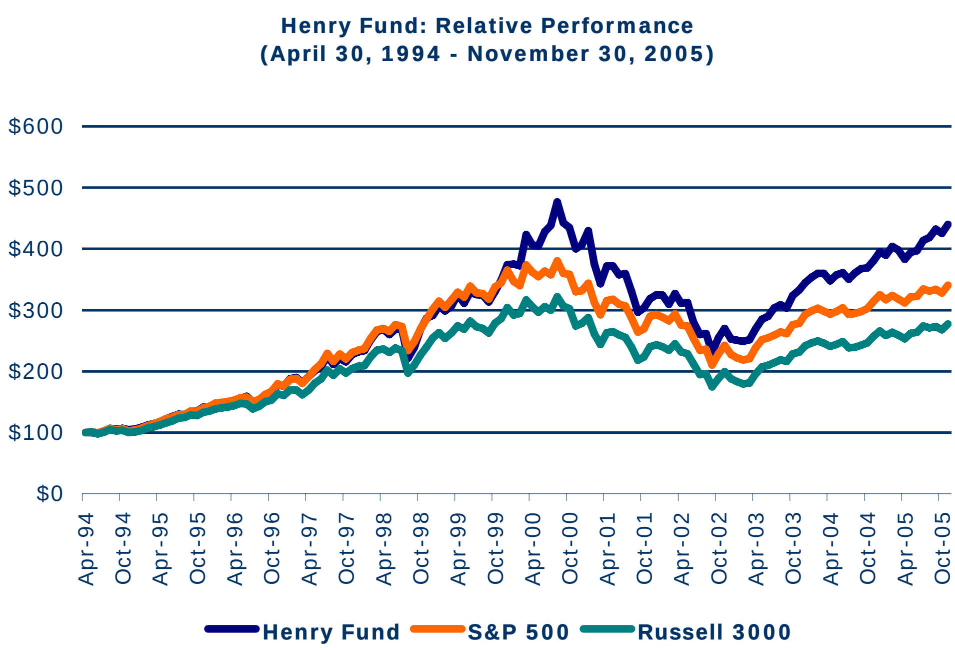
2005 Best Performers



All sectors could point to some successes and there were essentially no big hits due to quick action on the part of fund managers. The holding on Polycom was one of the stocks that took a hit in the technology sector. We closed the position in that stock limiting the losses at 34%. Another disappointing performance we saw from New York Times. We also closed our position in NYT limiting the loss at 31%. The other losers in the portfolio are Pfizer with a loss of 21.16%, Renaissance Re with a 16% loss and Key Span with close to 15%.



Since the inception of The Henry Fund in 1994, its historical performance has been consistently superior to that of its benchmark. The value of a $100 investment in The Henry Fund would be worth $439.47 as of November 30, 2005, while the same investment in the S&P would have generated $339.50.



Consumer/Commercial Services:

The consumer and commercial services sector had a mixed year in 2005. In 2004 the fund had one of the best names in the service provider industry viz. Affiliated Computer Services (NYSE: ACS). In 2005 the ACS has posted modest earnings, which curbed the stocks momentum from the previous year. ACS stock finished down 7.3% for the year. The addition of Metal Management Inc. (MTLM) was also not favorable to the performance in the sector. In opposition of what we previously expected, the scrap metal prices have not maintained at high level. The demand for scrap was not as high as we expected in Europe and China. Moreover, towards the middle of the year, China became an exporter of scrap, driving the price down. Since the stock price of MTLM was highly correlated to the price of scrap, the outlook for this stock had limited upside. We closed the position in MTLM in October 2005 with a 9.1% loss. The consumer services sector, tied strongly to the economy, saw flat performance as the economy struggled for momentum during the second and third quarter of 2005. Stocks like Walt Disney (DIS), New York Times (NYT) and Omnicom (OMC) have been struggling with changing competitive environments and operations. As a result we closed our positions in OMC and NYT. The fund continues to hold International Speedway (NASDAQ: ISCA). The outlook for the stock is optimistic due to the increased popularity of NASCAR and the increasing in television ratings and race attendance.

Financial:

The challenges in the financial sector continued after a period of low interest rates. As the Fed rallied in increasing the interest rates in trying to curb inflation, the financial sector was the one to feel the effects directly. As the fund's exposure was predominant towards insurance companies and integrated companies, the focus was on developing the mix that would best respond to the changes in the financial environment. The overall sector slightly over-performed in the last year at 9.5%.

Since December 2004, the financial services analysts focused on continuing the trend of moving towards more integrated financial institutions and away from pure banking institutions. The mix of fee based revenues from asset management and advising, investment income and banking interest income lead the team to focus on big conglomerates like Citigroup (C). On the insurance side, the inheritance from the past group of analysts has performed very well, despite a weak third quarter due to weather related catastrophes. On the integrated companies side we decided to close our position in Mellon Financial (MEL) after the stock remained flat for six month. With the proceeds we decided to purchase additional Citigroup stock and rebalance. The level of diversification Citigroup is offering is desirable in the complex financial environment.

Insurance was also very productive this year. Our holdings in St. Paul's Travelers and AmerUS (AMH) were among the highfliers for the year yielding 25.5% and 29.6% respectively. Ambac (ABK) is a municipal bond insurer that provides additional diversification in the sector. The slowdown in the economy and decreased municipal borrowing caused the stock to slide during the first two quarters. The third quarter showed improvement in earnings and pushed the stock back towards the levels at the beginning of the year. The additional position in insurance, Renaissance Re (RNR) was closed due to disappointing performance in the first half of the year.

Technology:

The technology sector provided with some strong returns in the year 2005. The largest movers was Sandisk. The current weight for this fund is 19.21% as against the barra weight of 16.69%. Sandisk made a huge contribution because of sudden increase in the demand of flash memory in the market. The other holdings in the sector, Emulex did not show a considerable appreciation. Sandisk and Emulex had returns of 104% and 22.3% respectively. The other new holdings in the sector were Microsoft, Logitech. Microsoft was purchased with the intention of providing some stability to the sector, where as Logitech was purchased with the intention of further growth. We see these holdings to provide higher future returns to the fund in 2006.

Healthcare:

During 2005, the healthcare sector displayed a greater degree of volatility than in prior years. Specifically, the pharmaceutical industry continued to flounder due to concerns regarding the relationship between patent expirations and research and development pipeline activity. Current holding Pfizer continued to struggle to struggle as it provided -20.7% return to the fund. Much volatility has been because of Guidant and Johnson & Johnson takeover story. Barr Pharmaceuticals and Guidant Corp. have returned a modest 3.2% and 3.7% return to the fund. How ever, we are planning to buy Charles Rivee Labs and Arthocare, which have strong fundamentals. We hope that this sector, with the new holdings will provide a sound returns to the fund in 2006

Consumer Cyclical:

The consumer cyclical sector as a whole has posted positive returns during 2005. The sectors weight in the fund is 10.53% as against 8.56% in Barra. The fund's main holdings in this sector, Target Corporation and Harley-Davidson, Inc. , Finish Line and Lowe's. We believe that all of this Finish Line will continue to be solid holdings in the fund with their strong fundamentals and quality of franchise. We are intending to sell Finish Line as we see it to be over valued. All the companies are very well positioned within their industries and have the potential to outperform the broader market in 2006. We are planning to buy Nike as a new holding, which will increase the stability in the sector. As of now, the sector is 1.68% over weight.

Consumer Non-Cyclical:

The consumer non-cyclical sector is 10.52% of fund, as against 8.56% proposed in Barra. The fund's best performing holdings in the sector were Pepsi and Central European Dist. Both had double digits returns on the year with Pepsi up 14.7% while Central European Distribution Corporation registered a 48.8% gain. Anheuser-Busch had a negative return of -13.5% due in part to a temporary reduction in volume of beer sales. We are planning to add Altria Group and remove Anheuser-Busch.

Basic Materials:

The basic materials sector has performed well during the year due to a good momentum in the commodities market. The fund started the year with Praxair, Agrium and BHP Billiton. Praxair, was approximately 23% up over the course of the year and BHP Billiton was approximately 30% up. The fund sold Agrium at a price of $18.29 giving us a holding return of 10%. The current fund weight is 5.36% and we are currently overweight due to the global demand for natural resources.

Energy/Utilities:

Within the S&P 500 index, energy is the top-performing sector. Energy was approximately 32% up over the year according to S&P. In our own portfolio, Exxon Mobil Corp. (XOM) anchored the energy sector with a 16% return. During the year the fund sold Frontier Oil (FTO). FTO has been the best player during the year and this position yield 197%. The fund sold Pogo Producing due to its limited potential. It was sold at $45.10; the return was -5.8%. Finally in utilities, KeySpan Corp. (KSE) solely populated the sector with a -14% return. At this point, both sectors are underweighted although we expect to be market weighted in the energy sector by the end of the year.

Industrials:

The industrials sector, as measured by NYSE Industrials Index, returned 0.89% over the year. Year to date, Briggs & Stratton (BGG) returned -11.8%. Briggs & Stratton (BGG) was added during 2004. For the sector as a whole, the high-energy prices, high raw materials costs and uncertainty about the growth of GDP combined gave us a negative outlook. With a 1.81% fund weight, the sector is underweighted.

Telecom:

The S&P Telecommunications Index (U.S.) reported a return of about -5% by November 30th. In the fund, Alltel Corp. was up by 13% approximately. This return came from the increasing Average revenue per User (ARPU) and new subscribers. Looking forward, we see Alltel remaining a valuable firm in this industry, with a solid capital structure, producing greater cash-generation and dividend payments, and offering a share repurchase plan. For BellSouth, it has a return of 0.5% and the fund believes that this is a relative small position in the portfolio and we plan to sell it at the end of the year. Unlike Alltel, Bellsouth, one of the RBOCs, followed the pattern of overall wireline industry such as declining subscribers. The communications equipment firm, Polycom was sold at a price of $15.45. The return of this position was approximately -34%. The fund will be market weight at the end of the year.

Transportation:

The transportation sector, as measured by the Dow Jones Transportation Index, enjoyed about a -0.44% return over the past year. Year to date, the fund's holding company Southwest Airline (LUV) returned -0.9% to the portfolio. We hold LUV because we believe it is a good player in the airline industry and its consistent strong financial performance. However, we are selling LUV because we believe there are better options in transportation, especially the railroads. For the sector as a whole, the hovering fuel prices affect significantly the sector. We propose to reduce the sector's weighting for the portfolio.

Summary of Transactions

	# Of Shares		
	01-Jan-05	30-Nov-04	Net Transactions Executed
Basic Materials			
Agrium	450	0	(450)
BHP Billiton	-	300	300
Praxair	75	225	150
Commercial Services			
Metal Management	300	0	(300)
Consumer Cyclical			
Finish Line	-	400	400
Target Corporation	300	200	(100)
Lowe's Companies	-	150	150
Harley Davidson	200	200	
Consumer Non-Cyclical			
PepsiCo, Inc.	255	255	
Central European Distribution	-	300	300
Procter & Gamble	75	150	75
Anheuser-Busch	125	125	
Consumer Services			
New York Times	180	180	
The Walt Disney Company	360	250	(110)
International Speedway	100	220	120
Omnicom Group Inc.	100	0	(100)
Energy			
Exxon Mobil Corporation	240	300	60
Pogo Producing Co.	100	0	(100)

Frontier Oil Corporation	300	500	200
Financial			
Citigroup, Inc.	300	400	100
Morgan Stanley	300	250	(50)
Ambac Financial	180	220	40
AmerUs Group Co	-	275	275
St. Paul Travelers	52	122	70
	# of Shares		
	01-Jan-05	30-Nov-04	Net Transactions Executed
Financial…contd.			
RenaissanceRe Holdings	150	0	(150)
Mellon Financial Corp.	250	0	(250)
Healthcare			
Pfizer	420	420	
Barr Pharmaceuticals	-	250	250
Guidant	350	265	(85)
Industrials			
Briggs & Stratton Corporation	-	200	200
Technology			
Autodesk, Inc.	475	0	(475)
Technology Sector Select SPDR	800	1650	850
Electronic Arts	300	0	(300)
SanDisk Corporation	-	500	500
Emulex Corporation	-	500	500
Polycom, Inc.	300	0	(300)
Telecommunications			
Bell South	-	150	150
Alltel	150	150	
Transportation			
Southwest Airlines	170	170	
Utilities			
Keyspan Corp	-	300	300
S&P 500 Index SPDR	-	310	310

* During the course of the year, we added and then removed these positions from our portfolio.

Economic Overview

GDP

After an increase in real GDP in the Q3 of 4.3% annualized rate, we expect US economy to continue to grow at a healthy pace of 3.6% in 2006, primarily driven by increase in investments, such us information technology (IT) spending, and increased productivity. On the other hand, we anticipate that consumer spending will slow down in the first half of the year, as high oil prices, winter heating costs and interest rates, coupled with increased customers' debts will halt the purchasing power, partially offset by improvements in the job market. A yet weak dollar will be beneficial to companies operating internationally, as they have to translate the local currencies in US currency.

CPI / Inflation

CPI is the main gauge of price level of goods and services, and set reference for Federal Reserve to make decisions on interest rate policies. CPI has increased 4.3% by the end of October, 2005, and it will probably reach beyond 5% for the whole year. It was driven mainly by the surging commodity cost during the year, typically oil and natural gas, which also triggered a big jump in the transportation costs. We expect the inflationary pressure to be lower in the coming year, as a consequence of increase in the interest rates. Henry Fund estimation for the CPI in the next 6-12 months is 3.50%, while the long-term consensus is approximately 3%.

Consumer Confidence

Consumer confidence is an indicator of future spending, as increase in confidence about current and future state of economy usually triggers increase in borrowing and spending. After a sharp decline following Katrina, consumer confidence rebounded in November giving the decline of oil prices and improvement in the job outlook. Despite improvement, the index is still below pre-Katrina levels and the expectation index is less upbeat and we do not anticipate a significant change in the current level of consumer confidence.

Unemployment

The job market continues to look positive, with the unemployment rate setting at 5% for two consecutive months, despite an increase in the jobless claims after Katrina. The recent survey of consumer confidence revealed an upbeat outlook for the job market. Henry Fund forecasts a relatively low unemployment rate of 5.05% for the next 6-12 months.

Oil Price

Surging oil price in 2005 is one of the most important factors that drove up the overall price level and affected both consumer spending power and the production and transportation costs for businesses. During the last 12 months, oil price increased from $42-43 per barrel and hit a record level of $70 on September 1, 2005. Most recently, oil price traded around closed at $59 per barrel.

We continue to be cautious, as the winter season approaches and the heating oil is expected to reach record levels; we expect that oil price will continue to be high in the next 6-12 months, around the current level of $59, while in the long-term Henry Fund anticipates the price per barrel to stabilize around $55.

Interest Rate

On November 1, Federal Reserve raised interest rate by another 0.25% to 4%, marking the 12th consecutive quarter point increase and aiming at warding-off inflation pressures by lifting borrowing costs. Increase in interest rate generally has negative impact on the performance of companies in our portfolio due to the increased burden of financial, production and transportation cost, except for some financial institutions with negative duration gap. Henry Fund sees that the interest rate will probably go up in the future. Our estimation of the Federal Discount Rate for the next 6-12 months is 4.5%, and we expect it to stabilize at this level in order to keep inflation under control.

Foreign Exchange Rate

Foreign exchange rate has great impact on both operating and financial performance of U.S. export-oriented companies, companies that have significant operations overseas and foreign companies that are currently listed in the U.S. stock market. Despite the increase in the interest rates, we forecast a relatively weak US dollar, because of inflation. Henry Fund forecast an exchange rate of EURO 0.85 per USD and YEN 112.5 per USD respectively.

Basic Materials

5.29% of the Active Portfolio

Analyst: Dimitar Djambazki **3.97% of the S&P 500 Index**

The current holdings in the basic materials sector are BHP Billiton and Praxair. The general theme for holding these companies is the global demand for resources, particularly in Asia. We believe that both of these companies will perform well in 2006 for the following reasons: The increased global demand for raw materials will be driven by the need to build infrastructures in third world countries; and to keep pace with the continuing growth taking place in China. Raw materials prices should remain high due to supply constraints across the globe and concerns among customers that they will be unable to secure the necessary raw materials to meet their needs. Stable global industrial demand of industrial gases with expected accelerating demand growth of hydrogen driven by anticipated expansion of as refining operations.

Basic Materials companies are cyclical, and therefore some caution should be taken whenever identifying companies to hold within this sector. Risks to our current investments deal with a hard landing in China and increasing input costs (such as energy). During 2005 we took investment decisions to keep in our investment portfolio less volatile companies - BHP Billiton and Praxair and to sell our investments of highly cyclical and volatile small-cap companies – Agrium and Metal Management.

Agrium (AGU) **Sold Position** **Sell Recommendation**

Key Stock Statistics				
Price as of November 30,2005	$19.85		Price/Earnings (ttm)	8.41
52-Week Price Range	$14.36 - $25.53		Price/Book	2.32
52-Week Return	17.80%		Price/Sales	0.82
Market Capitalization (B)	$2.66		ROA (ttm)	12.42%
Shares Outstanding (M)	131.00		ROE (ttm)	33.25%
Institutional Ownership	65.89%		**2004 EPS**	**$1.45**
Beta	1.10		**2005 EPS (est.)**	**$1.64**
Dividend Yield	0.54%		**2006 EPS (est.)**	**$1.48**

Agrium Inc. is a fertilizer company that produces and sells nitrogen, potash, and phosphates in the wholesale market; and sells fertilizers, chemicals, and other agricultural services in the retail market. The company is currently one of the top two producers of nitrogen in the world. In addition to straight fertilizer, the company also provides chemicals for crop protection, seed, and other products and services. Operations are primarily conducted in the United States, Canada, and Argentina.

Natural gas is the primary raw material used in the production of nitrogen-based fertilizer. Natural gas cost accounts for almost 84% of the production of producing ammonia, the building block of all nitrogen-based fertilizer. Our expectations of significant increase in the cost of natural gas that is not hedged or could not be passed to end customers through an increase in nitrogen-based fertilizer prices could have a material adverse effect on the financial performance of Agrium.

Agricultural sales are concentrated in the spring and fall planting seasons and are highly cyclical. Anomalies in international and regional weather patterns can have a significant and unpredictable impact on the demand for AGU's products. Should adverse weather occur during the season, AGU will encounter reduced revenue without the opportunity to recover until the following season.

Metal Management (MTLM) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of November 30,2005	$24.45		Price/Earnings (ttm)	8.99
52-Week Price Range	$16.19 - $30.50		Price/Book	1.82
52-Week Return	-9.10%		Price/Sales	0.37
Market Capitalization (B)	$0.61		ROA (ttm)	14.91%
Shares Outstanding (M)	25.18		ROE (ttm)	23.07%
Institutional Ownership	92.50%		**2005 EPS**	**$3.96**
Beta	1.92		**2006 EPS (est.)**	**$2.12**
Dividend Yield	1.23%		**2007 EPS (est.)**	**$2.80**

MTLM is one of the largest US scrap metal recycling companies with approximately 40 facilities in 15 states. The operations primarily involve the collection and processing of ferrous and non-ferrous scrap metals. MTLM collects industrial scrap metal and obsolete scrap metal, process it into reusable forms and supply the recycled metals to their customers, including electric-arc furnace mills, integrated steel mills, foundries, secondary smelters and metal brokers.

The operating results of the scrap metals recycling industry in general, and their operations specifically are highly cyclical in nature. A close look at the scrap price and MTLM stock performance shows that they are highly correlated. Historically, in periods of slowing economic growth, the operations of scrap metals recycling companies have been materially and adversely affected. Economic downturns in the U.S. economy caused by higher energy could affect MTLM results of operations and financial condition.

MTLM business may also be adversely affected by increases in steel imports into the U.S. (increase of steel import from China), which will generally have an adverse impact on domestic steel production and a corresponding adverse impact on the demand for scrap metals.

BHP Billiton (BHP) 2.59% of Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of November 30,2005	$32.44		Price/Earnings (ttm)	29.97
52-Week Price Range	$18.16 - $32.55		Price/Book	6.47
52-Week Return	35.1%		Price/Sales	3.15
Market Capitalization (B)	$195.01		ROA (ttm)	15.48%
Shares Outstanding (M)	6,228.46		ROE (ttm)	31.67%
Institutional Ownership	2.22%		**2004 EPS**	**$0.86**
Beta	1.16		**2005 EPS (est.)**	**$1.04**
Dividend Yield	2.90%		**2006 EPS (est.)**	**$1.34**

BHP Billiton was formed in 2001 by the merger of Australia's Broken Hill Proprietary and Great Britain's Billiton. BHP Billiton is currently the world's largest diversified resources company, with interests primarily in aluminum, coal, copper, diamonds, gas, iron ore, nickel, oil, and silver. This diversification of commodities reduces its overall risk. In addition, its size gives it tremendous power over its buyers and economies of scale that other resource companies find difficult to match. The company has been able to maintain this dominance due to its quality of resource reserves, its product and geographic diversity, and its pipeline of project opportunities. The company currently employs over 35,000 people in more than 20 countries, with operations primarily in North America, Asia, Australia, Chile, South Africa, and the United Kingdom

BHP Billiton will benefit from the increased global demand for raw materials in the future. This demand will be driven by the need to build infrastructures in third world countries; and to keep pace with the continuing growth taking place in China. Raw materials prices should remain high due to supply constraints across the globe and concerns among customers that they will be unable to secure the necessary raw materials to meet their needs.

BHP Billiton business model consists of unique diversified product portfolio providing more stable cash flows and greater capacity to drive growth than the other mining companies. BHP's production of oil and natural gas (20% of the revenue) keeps the revenue more stable in periods of higher energy prices than that of the competitors.

Praxair (PX) **2.70% of Active Portfolio** **Hold Recommendation**

Key Stock Statistics				
Price as of November 30,2005	$52.79		Price/Earnings (ttm)	25.01
52-Week Price Range	$41.06 - $52.85		Price/Book	4.37
52-Week Return	19.6%		Price/Sales	2.28
Market Capitalization (B)	$16.93		ROA (ttm)	7.61%
Shares Outstanding (M)	322.30		ROE (ttm)	19.14%
Institutional Ownership	79.69%		**2004 EPS**	**$2.14**
Beta	0.93		**2005 EPS (est.)**	**$2.38**
Dividend Yield	1.60%		**2006 EPS (est.)**	**$2.70**

Praxair is the largest industrial gases supplier in North and South America and is ranked third worldwide. The company's products in industrial gases include atmospheric gases (oxygen, nitrogen, and argon) and process gases (carbon dioxide, helium, hydrogen, electronic gases, specialty gases, and acetylene). These gases are used in the aerospace, chemicals, electronics, energy, food and beverage, healthcare, general manufacturing, and metals markets. In addition to supplying industrial gases, the company specializes in designing and building the equipment that produces these gases, which it makes available for external sale.

The basic raw material for PX is air and energy (electricity) with output oxygen, hydrogen, carbon dioxide etc. The majority of the PX's customers sign long-term contracts with volume provisions and price escalators tied with increase in energy costs that provide the company with stable revenue.

Refiners are looking to outsource their industrial gas needs as refining operations expand. PX can supply industrial gases more economically and reliably with the ability to use its merchant distribution system. Heavier crude oil is expected to be processed in the future, which requires more hydrogen to be refined.

Consumer and Commercial Services

8.56% of the Active Portfolio

Analyst: Scott Anderson **8.36% of the S&P 500 Index**

There are five major segments within the Commercial Services sector: IT services, business process services, human resource services, audit and consulting and miscellaneous business services. IT services segment provides system, software and database management services. Business process services segment processes business transactions for companies. Human resource services segment provides human resource-related services. Audit and consulting services segment performs public auditing works and provides consulting services. Miscellaneous business services segment provides a wide range of services for companies, including vending machines, office janitorial services and so on.

The Consumer Services sector covers several industries: Media, Entertainment, Restaurant, Hotel and Leisure etc. The non-entertainment part of the sector is highly sensitive to the nation's economy. Key ratios to monitor are corporate spending, consumer confidence, unemployment rate and personal disposable income.

Both sectors had a mixed year in 2005. The fund plans to sell Affiliated Computer Services (NYSE: ACS). We sold our position in Omnicom Group (NYSE:OMC) believing it to be fully priced. Metal Management Inc. (NYSE:MTLM) and The New York Times Company (NYSE:NYT) were sold because of inexperienced and underperforming management.

The Consumer Services sector provides strong growth opportunities for suppliers of sports programming and entertainment content as audiences become more segmented with the proliferation of faster internet services and technological advances. We increased shares of Walt Disney Co. (NYSE: DIS) due to strong fundamentals and future growth opportunities for one of the leading entertainment content providers in the world. The fund increased our holdings in International Speedway (NYSE: ISCA) based on rising TV ratings, fan loyalty to advertisers and the anticipation of a lucrative new TV contract in 2006 and 2008.

The Commercial Services sector continues to reward companies that are capable of adding value beyond simply being the low cost provider. We intend to add the internet advertising company ValueClick Inc. (NYSE:VCLK) as a new holding to the portfolio because of VCLK's strong network that provides publishers and advertisers on the internet with measurable ROI. Currently people are spending 15% of their time online while advertisers are spending only 4% of their budgets online.

ValueClick Inc. (VCLK) **1.65% of the Active Portfolio** **Buy Recommendation**

Key Stock Statistics				
Price as of November 30,2005	$19.11		Price/Earnings (ttm)	18.38
52-Week Price Range	$9.01 - $20.26		Price/Book	3.13
52-Week Return	52.52%		Price/Sales	8.40
Market Capitalization (B)	$1.92B		ROA (ttm)	6.52%
Shares Outstanding (M)	100.35M		ROE (ttm)	18.52%
Institutional Ownership	85.70%		**2004 EPS**	**$1.05**
Beta	1.88		**2005 EPS (est.)**	**$0.46**
Dividend Yield	N/A		**2006 EPS (est.)**	**$0.63**

ValueClick offers a suite of products and services designed to enable marketers to advertise and sell products through all major online marketing channels: display/web advertising, search marketing, email marketing, and affiliate marketing. Additionally, they provide software to assist advertising agencies with information management regarding their financial, workflow, and offline media buying and planning processes. By combining its media, affiliate marketing and technology offerings with its experience in both on-line and off-line marketing, VCLK's customers can optimize their marketing campaigns both on the Internet and through off-line media. VCLK operates in three business segments: Media, Affiliate Marketing and Technology.

ValueClick has grown sales through acquisitions and by capitalizing on opportunities to sell existing clients new services in their broad network of agencies. We believe ValueClick has done a magnificent job of diversifying into the strongest areas of advertising through M&As which provide real synergies. Future growth opportunities like in 2005 will be harder to find and more expensive to acquire. We think that the traditional media corporations will need to invest in the internet to replace lost revenues from their existing business. Therefore, we believe ValueClick will continue to appreciate in value do to overall revenue growth in the 24% range for the next 5 years and because they are an attractive takeover target for internet search providers, media companies, and advertising conglomerates.

The Walt Disney Company (DIS) 2.99% of the Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30,2005	$25.01		Price/Earnings (ttm)	20.45
52-Week Price Range	$22.89 - $29.99		Price/Book	1.91
52-Week Return	-9.10%		Price/Sales	1.57
Market Capitalization (B)	$50.27B		ROA (ttm)	5.36%
Shares Outstanding (M)	2.01B		ROE (ttm)	9.83%
Institutional Ownership	69.20%		**2004 EPS**	**$1.12**
Beta	1.07		**2005 EPS**	**$1.31**
Dividend Yield	1.00%		**2006 EPS (est.)**	**$1.55**

The Walt Disney Company is a diversified worldwide entertainment company with operations in four business segments: Media Networks, Parks and Resorts, Studio Entertainment and Consumer Products. The company clearly understands the value of the Disney brand and continues providing high quality products, entertainment, and experiences to customers at premium prices. Disney enjoys three competitive advantages that underpin all of their successes, both financial and creative. First, is Disney's tremendous library of creative content and characters. Second is Disney's ability to do more with and extend the life and profitability of their creativity. A third source of differentiation is the incredible strength of Disney's brands – both domestically and internationally. Disney will continue to look beyond the United States for future growth and their brand strength will serve as the platform for that growth.

Disney is positioning themselves for growth in all areas of operations for 2006. On October 1, 2005, new CEO Robert Iger replaced Michael Eisner. Iger is acting quickly to mend relationships with Steve Jobs of Apple and Pixar. The Chronicles of Narnia: The Lion, The Witch and the Wardrobe opening 12/9/05 provides Disney a fresh franchise that they can profit from for 18 years in TV, up to 7 movie sequels, theme park and consumer goods. The switching of Monday Night Football from ABC to ESPN will have many long term benefits. The removal frees up 2 hours of prime time shows which increases the odds of having another hit show with syndication revenues. The local affiliate's 10:00 pm newscasts will be able to compete for advertising dollars more effectively because of the consistent schedule which will allow for a larger and more loyal following. Disney will be renting time from Sprint Nextel as they launch ESPN and Disney branded phone/entertainment services in February 2006. We feel Disney is temporarily trading lower because of a poor 2005 by Studio Entertainment and look to add to our position.

International Speedway (ISCA) 2.35% of the Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30,2005	$53.93		Price/Earnings (ttm)	18.09
52-Week Price Range	$48.97 - $60.59		Price/Book	2.97
52-Week Return	7.88%		Price/Sales	3.99
Market Capitalization (B)	$2.88B		ROA (ttm)	10.05%
Shares Outstanding (M)	53.32M		ROE (ttm)	17.55%
Institutional Ownership	45.30%		**2004 EPS**	**$2.38**
Beta	0.35		**2005 EPS (est.)**	**$2.80**
Dividend Yield	0.10%		**2006 EPS (est.)**	**$3.21**

International Speedway is the leading track operator within the motor sport industry. ISCA manages over 1 million grandstand seats and over 500 luxury suites in 7 of the top 20 media markets in the U.S. The Company also owns and operates MRN Radio, the nation's largest independent sports radio network; DAYTONA USA, the "Ultimate Motorsports Attraction" in Daytona Beach, Florida, the official attraction of NASCAR; and subsidiaries which provide catering services, food and beverage concessions, and produce and market motorsports-related merchandise under the trade name "Americrown."

Strong television performance raises the value of the overall TV rights contract, increasing the potential for a more lucrative deal in 2006 when the NBC contract expires and in 2008 when the FOX contract expires. Since the TV contract started with FOX and NBC in 2001 to 2004 viewership has increased 6.5% for Nextel Cup and 9.4% for the Busch Series. Total spectator attendance for NASCAR events (including all NASCAR NEXTEL Cup, NASCAR Busch and NASCAR Craftsman Truck series races) grew at a compound annual rate of approximately 7% from 1993 to 2003, greater than any other major U.S. professional sport.

We believe ISCA is a superior quality investment because they have premium locations, proven success in all economic conditions, and excellent control of expenses. Management reports 2006 advance ticket sales and sponsorship deals are trending ahead of 2005. Major expansion plans include an 80,000 seat track in Staten Island and another track in the Pacific Northwest that will complete geographic market coverage in the U.S.

Omnicom Group Inc. (OMC) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of November 30,2005	$85.60		Price/Earnings (ttm)	20.17
52-Week Price Range	$75.75 - $91.48		Price/Book	3.99
52-Week Return	4.52%		Price/Sales	1.49
Market Capitalization (B)	$15.43B		ROA (ttm)	5.75%
Shares Outstanding (M)	180.31M		ROE (ttm)	20.71%
Institutional Ownership	85.50%		**2004 EPS**	**$3.88**
Beta	1.08		**2005 EPS (est.)**	**$4.28**
Dividend Yield	1.10%		**2006 EPS (est.)**	**$4.83**

Omnicom Group Inc., formed in 1986, is a holding company that owns advertising, marketing and corporate communications companies that span more than 30 marketing disciplines, 100 countries, 1,500 subsidiary agencies and 5,000 clients. On a global, pan-regional and local basis, the Company's agencies provide traditional media advertising services, as well as marketing services including customer relationship management, public relations and specialty communications. In particular, Omnicom is an industry leader in customer relationship management (CRM) services

Advertising is a global industry, dominated by multinational holding companies that offer a wide array of services. This diversity gives the company a significant advantage over its competitors and responds to advertisers' increasing demands for solutions that address all of their marketing needs, which helps them reduce the number of suppliers with which they work. The largest of these are US-based Omnicom Group Inc. and the Interpublic Group of Companies Inc.; London-based WPP Group PLC; and Paris based Publicis Groupe SA.

We believe Omnicom's and the advertising industry as a whole have reached the peak of easy growth through M&As. Future growth opportunities will be harder to find and more expensive to acquire. The rapidly expanding economies of Brazil, China, India, and Eastern Europe offer the best opportunities for growth. Expansion will come with higher risks in countries that are not as stable politically or financially as the US, UK, Japan, and Western Europe. We think that the major corporations have already invested in these new markets and these revenues are reflected in the current sales of international advertising companies. Therefore, we believe Omnicom will do well to sustain overall revenue growth in the 5-8% range. As such we sold all of our position in the stock.

The New York Times (NYT) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of November 30,2005	$26.84		Price/Earnings (ttm)	12.85
52-Week Price Range	$26.56 – $41.21		Price/Book	2.62
52-Week Return	-32.00%		Price/Sales	1.17
Market Capitalization (B)	$3.89B		ROA (ttm)	6.87%
Shares Outstanding (M)	145.09M		ROE (ttm)	21.74%
Institutional Ownership	66.40%		**2004 EPS**	**$1.96**
Beta	0.808		**2005 EPS (est.)**	**$1.63**
Dividend Yield	2.40%		**2006 EPS (est.)**	**$1.70**

The New York Times Company is a slightly diversified media company with 2004 revenues of $3.3 billion. In 2004 NYT created the News Media Group which consists of The New York Times, The International Herald Tribune, The Boston Globe and 14 other daily newspapers; and approximately 35 Web sites, including NYTimes.com, Boston.com and About.com. In 2004 NYT also created the Broadcast Media Group that consists of nine network-affiliated television stations and two New York radio stations.

NYT's stock price has been driven down in recent years in response to overall concerns about attracting advertisers to the newspaper industry where NYT had 93% of their sales in 2004. We feel the stock price will continue to decrease as people continue to convert to the Internet for the most current news information. We do not feel confident about the management initiatives and about the long-term view of the company. As such we sold our position in the stock.

Affiliated Computer Services Inc. 1.56% of the Active Portfolio Sell Recommendation

Key Stock Statistics				
Price as of November 30,2005	$55.16		Price/Earnings (ttm)	17.16
52-Week Price Range	$45.81-61.23		Price/Book	1.49
52-Week Return	(7.85%)		Price/Sales	2.32

Market Capitalization (B)	6.86		ROA (ttm)	9.14%
Shares Outstanding (M)	124.28		ROE (ttm)	14.26%
Institutional Ownership	90.20%		**2005 EPS**	**$3.19**
Beta	.88		**2006 EPS (est.)**	**$3.30**
Dividend Yield	0.00%		**2007 EPS (est.)**	**$3.91**

ACS is a company, which specializes in performing outsourced projects for a multitude of institutions and companies. They concentrate on taking away the non-value added tasks so that entities can concentrate on those activities, which are in their stakeholders' best interest. With a multitude of clients and long term contracts ACS has guaranteed their success in the short to middle term, but we are worried about their long-term success. The CEO Jeff Rich stepped down on October 3, amid speculation that the company would show weaker than expected earnings, but this speculation was proved wrong and the company's price has since rebounded.

The main problem with ACS in our analysts' view is that the company has very little if any competitive advantage over its competitors. It recently lost contracts that it bid on in the Medicare billing space, even though it was the cheapest option for the states which were accepting bids. ACS continues to attempt to scrimp on the services while offering low costs, but the consumer for its products no longer sees these practices as satisfactory. ACS must change its business model if it hopes to continue to outperform in this sector. Also, it must depend less on acquisitions for growth, and instead should begin to grow organically.

Consumer Cyclical

8.15% of the Active Portfolio

Analyst: Valeria Chifan

7.96% of the S&P 500 Index

Consumer Cyclical Sector includes the following industries: Apparel/Accessories; Appliance & Tools; Audio & Video Equipment; Auto & Truck Manufacturers; Auto & Truck Parts; Footwear; Furniture & Fixture; Jewelry & Silverware; Recreational products; Textile-Non Apparel; Tires and Retail Services. The current Henry Fund Holdings in this sector as of November 30, 2004 are Target (TGT; Discount Retailing), Lowe's (LOW; Specialty Retailing); Finish Line (FINL; Specialty Retailing) and Harley Davidson (HDI; Recreational Products).

Consumer Cyclical performance is highly dependent on consumer spending, consumer confidence and disposable income. Year-to-date the Fund performance in this segment was mixed, as record gasoline prices and high inflation rate reduced the non-discretionary spending power. We had positive returns from three of our holdings (TGT, FINL and LOW), but the holding return from this sector was almost flat (-0.4%). The 17% return from Lowe's was not sufficient to offset the negative return from Harley Davidson, a stock that lost 20% market capitalization in only one day in April 2005.

Giving projected higher heating prices for the coming winter, higher interest rates and increased consumers debts, we anticipate spending to slow down in the first half of the coming year. As such, we decided to reduce our position in the Consumer Cyclical to 3 companies and have the market weight. After executing the trades, we expect the following holdings: Target, Lowe's and Nike.

Target (TGT) **2.92% of the Active Portfolio** **HOLD Recommendation**

Key Stock Statistics				
Price as of November 30,2005	$53.20		Price/Earnings (ttm)	20.20
52-Week Price Range	$45.55 - $60.00		Price/Book	3.41
52-Week Return	2.4%		Price/Sales	0.91

Market Capitalization (B)	$47.06B		ROA (ttm)	7.78%
Shares Outstanding (M)	884.6M		ROE (ttm)	17.55%
Institutional Ownership	86.80%		**2004 EPS**	**$1.05**
Beta	0.98		**2005 EPS (est.)**	**$**
Dividend Yield	0.7%		**2006 EPS (est.)**	**$**

Target Corporation (TGT) is the second largest discounter in US, after Wal-Mart, and as of October 29, 2005 it operates 1400 stores in 47 states. Target is perceived more as middle to up-scale discounter, focusing on more higher-end consumers, while Wal-Mart core customers are more likely to be affected by higher gas prices and modest income growth.

We believe that Target fundamentals continue to be attractive, as the divestiture of the two under performing segments, Marshall Field and Mervyn enabled the company to concentrate more on high growing opportunities that differentiate it from competitors. Year-to-date, Target clearly beat Wal-Mart in terms of same-store sales growth rate, with the exception of November.

After a rally in the stock price, who reached the all-time high of $60 per share in the summer, Target is currently trading around $54, which implies a modest holding return of 2.4% YTD. Nevertheless, we believe that Target is better positioned from the macroeconomic standpoint and its strong fundamentals make Target a stable holding in our portfolio. The credit card program strategically supports the company's sales by increasing customers' loyalty and the store expansion will continue in the coming year. Investments in technology, supply chain, sourcing and direct imports, will be beneficial to margin in the long-term, driving up the future operating performance.

Lowe's (LOW) 2.31% of the Active Portfolio HOLD Recommendation

Key Stock Statistics				
Price as of November 30,2005	$67.36		Price/Earnings (ttm)	20.84
52-Week Price Range	$50.72 - $68.94		Price/Book	3.83
52-Week Return	17%		Price/Sales	1.2
Market Capitalization (B)	$52.52		ROA (ttm)	12.09%
Shares Outstanding (M)	779.6		ROE (ttm)	20.94%
Institutional Ownership	81.8		**2004 EPS**	**$2.80**
Beta	1.25		**2005 EPS**	**$3.34**
Dividend Yield	0.4%		**2006 EPS (est.)**	**$3.85**

Lowe's is the world's second largest home improvement retailer, after Home Depot, and the fastest growing company in the home improvement industry. It offers products and services for home improvement, home decor, home maintenance, home repair and remodeling, and maintenance of commercial buildings, through its warehouse-type stores.

Lowe's is the key-performer in the Consumer Cyclical segment; with 17% return YTD, as the company benefited from a flourishing housing market, which reached record levels, despite the increase in the interest rates. Lowe's is better positioned in the industry than its rival Home Depot, having strong fundamentals and better growth opportunities in central and western metro markets, plus Canada.

A slower than anticipated housing turnover, driven by interest rates increase, slower than anticipated economic growth and decrease in consumer discretionary spending may negatively impact Lowe's sales and earnings estimates. Even though there are signs of the housing market cooling down, we believe that Lowe's has room to grow organically, by opening new stores and by targeting the house-remodeling and energy-efficiency activities.

Coupled with initiatives that increase the operating efficiency, like store remerchandising, investment in RFID and the R-3 inventory control initiative, we believe that Lowe's will continue to report strong operating results and to outperform Home Depot.

Nike (NKE) 2.92% of the Active Portfolio BUY Recommendation

Key Stock Statistics				
Price as of November 30,2005	$87.13		Price/Earnings (ttm)	17.86
52-Week Price Range	$75.10 – $92.43		Price/Book	3.81
52-Week Return	NA		Price/Sales	1.62
Market Capitalization (B)	$3.89B		ROA (ttm)	14.75%
Shares Outstanding (M)	260.41M		ROE (ttm)	23.68%
Institutional Ownership	62.9%		**2004 EPS**	**$**
Beta	0.85		**2005 EPS (est.)**	**$**
Dividend Yield	1.40%		**2006 EPS (est.)**	**$**

Nike Inc. is the largest seller of athletic footwear and athletic apparel in the world, with 30% global share. Its principal business activity is the design, development and marketing of footwear, apparel, performance equipment, and accessory products. Nike is a global brand name, operating in more than 160 countries worldwide. International operations accounts for 58% of overall revenue.

US footwear market has faced a strong turnaround year-to-date, boosted by increase in spending for premium, performance styles and by the end of deflationary cycle present in the industry in the last years. Besides the footwear segment, Nike can leverage its design, outsourcing, distribution and marketing capabilities into the "other brands" to efficiently compete in the apparel and equipment business, which we believe are important avenues for growth in the future. Nike is growing at double-digit growth rate in the Latin America and Asian market, and we expect that Beijing Olympic Games (2008) to increase the company penetration in China. On the short-term, Soccer World Cup in 2006 is expected to bump-up the demand for the Nike products, especially in Europe and Latin America.

With a broad brand portfolio and expanded international presence, we expect that Nike will diversify our risk exposure in the Consumer Cyclical sector, which is almost exclusively dependent on fluctuations of US economy.

Finish Line (FINL) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of November 30,2005	$18.55		Price/Earnings (ttm)	14.85
52-Week Price Range	$13.29 - $23.39		Price/Book	2.16
52-Week Return	1.4%		Price/Sales	0.73
Market Capitalization (B)	$0.908B		ROA (ttm)	10.63%
Shares Outstanding (M)	48.95M		ROE (ttm)	16.05%
Institutional Ownership	84.10%		**2004 EPS**	**$1.25**
Beta	1.32		**2005 EPS (est.)**	**$1.19**
Dividend Yield	0.50%		**2006 EPS (est.)**	**$1.36**

Finish Line Inc is one of the largest mall-based specialty retailers of brand name athletic, outdoor and lifestyle footwear, activewear and accessories in the United States. It captures 8% market share, compared to 20% its largest competitor, Foot Locker.

Despite the turnaround of US footwear market, YTD the company reported disappointing results, with footwear comparable sales almost flat and negative same store sales in the apparel segment, because of increasing promotional environment during summer and lack of differentiating products. Other concerning points are the declining profitability of the new stores, due to higher occupancy costs, and reconciliation between Nike and Foot Locker. Because of this, Finish Line will benefit from fewer premium, higher-margins products that will allow it to differentiate from its largest competitor.

While we believe that Finish Line is a long-term hold, from the portfolio management perspective we have a sell recommendation, because the current holdings over-expose the Fund to the retail industry

Harley Davidson (HDI) **Sold Position** **Sell Recommendation**

Harley Davidson is the biggest American motorcycle manufacturer and has a leading market share in US heavyweight (651+cc) motorcycle market since 1986. Besides motorcycles, Harley products include a complete line of motorcycle parts, accessories, apparel and general merchandise. The company also has a Financial Services segment which provides wholesale and retail financing to distributors, dealers and consumers, as well as insurance programs.

After 2004, when Harley was among the key performers of our portfolio, Harley had one of the largest negative returns in our portfolio YTD. After the management lowered the production target in April 2005, the stock lost 20% market capitalization in one day. The recovery in the stock price was not sufficient to offset the losses in April and the annual return from Harley was a negative15% in 2005.

We believe that Harley approaches a new stage - a more mature one - characterized by a steady growth, as suggested by 6 years of decelerating production trends. We believe that the stock has a limited upside potential in the coming quarters, and without compelling evidence of accelerated demand we are bearish on the stock and anticipate to close the position.

Key Stock Statistics				
Price as of November 30,2005	$51.58		Price/Earnings (ttm)	15.74
52-Week Price Range	$44.40 - $62.49		Price/Book	5.13
52-Week Return	-15.1%		Price/Sales	2.65
Market Capitalization (B)	$14.16B		ROA (ttm)	18.64%
Shares Outstanding (M)	272.6M		ROE (ttm)	31.52%
Institutional Ownership	74.50%		**2004 EPS**	**$**
Beta	1.16		**2005 EPS (est.)**	**$**
Dividend Yield	1.20%		**2006 EPS (est.)**	**$**

CONSUMER NON-CYCLICAL

9.48% of the Active Portfolio

Analyst: Michael (Wenying) Xia

8.21% of the S&P 500 Index

The consumer non-cyclical sector increased 1.54% YTD, as measured by the Dow Jones Consumer Non-Cyclical Index, overall underperforming S&P500 return of 3.10%. Anheuser-Busch (BUD), Central European Distribution Corporation (CEDC), PepsiCo (PEP), and Procter & Gamble (PG) represent the four Henry Fund holdings in the Consumer Non-Cyclical sector. As of November 30, 2005, Henry Fund consumer non-cyclical holdings increased in value by 14.90% YTD, contributing $5,479, or 1.38% increase, to the net income of the Henry Fund portfolio.

The fund's most outstanding holding in the sector is CEDC, with a holding return of 48.0%. PEP maintained its steady growth and registered a 13.4% gain. PG up 3.8% since the market seemed to worry too much about its short-term restructuring cost in the acquisition of Gillette, but we still feel confident in its future performance, especially after its Gillette acquisition. BUD showed another bad year with a -13.8% return, due to shrinking of domestic market.

The consumer non-cyclical sector are less affected by economic cycles and considered “defensive”. This sector should serve as a stabilizer of the portfolio, and thus our focus will be on leading companies with healthy growth. Going forward, we feel comfortable placing a slight overweight on sector, particularly given the expected rise in interest rates and high CPI level.

Procter & Gamble (PG) **3.25% of Active Portfolio**

Key Stock Statistics	PG		Hold
Price as of November 30,2005	$57.19	Price/Earnings (ttm)	21
52-Week Price Range	$51.16 - $59.56	Price/Book	10.5
52-Week Return	7.33%	Price/Sales	2.37
Market Capitalization (B)	$135.98	ROA (ttm)	11.56%
Shares Outstanding (M)	2,378	ROE (ttm)	44.66%
Institutional Ownership	62.00%	2003 EPS	**$1.85**
Beta	0.12	2004 EPS	**$2.32**
Dividend Yield	1.90%	2005 EPS (est.)	**$2.70**

Procter & Gamble (PG) is a multi-faceted consumer products conglomerate that is comprised of five distinct Global Business Units: Fabric/Home Care (29% of sales), Beauty Care (28%), Baby/Family Care (23%), Health Care (13%), and Snacks/Beverages (7%). Top product names include Tide, Olay, Pantene, Pampers, Crest, Pringles, and Folgers. PG has an extremely diversified portfolio of products that creates a low risk environment for shareholders. Although adding Gillette aroused significant restructuring cost in the short-run, we foresee that the addition of high-margin products and synergy will boost PG’s performance in the future.

PG’s lineup of 17 billion-dollar brands delivered another year of double digit sales growth as the company increased revenue by 10%, among which 8% came from organic sales, 2% from positive foreign currency translation. We believe that PG’s highly diversified product line and well balanced performance should continue to drive returns in the future.

PepsiCo (PEP) **3.41% of Active Portfolio**

Key Stock Statistics	PEP		Hold
Price as of November 30,2005	$59.20	Price/Earnings (ttm)	25.72
52-Week Price Range	$50.36 - $60.10	Price/Book	7.01
52-Week Return	19.95%	Price/Sales	3.17
Market Capitalization (B)	$98.22	ROA (ttm)	12.65%
Shares Outstanding (M)	1,659	ROE (ttm)	18.65%
Institutional Ownership	67.10%	2003 EPS	**$2.05**
Beta	0.39	2004 EPS	**$2.44**
Dividend Yield	1.70%	2005 EPS (est.)	**$2.57**

PepsiCo (PEP) is one of the world's largest food and beverage companies, with annual revenues of $29 billion. Its principal businesses include Frito-Lay snacks, Pepsi-Cola beverages, Gatorade sports drinks, Tropicana juices and Quaker foods. Its portfolio includes 16 brands that each generates $1 billion or more in annual retail sales.

PepsiCo delivered another solid year in 2005. The 3rd-quarter revenue grew 13% and operating profit 14% compared to last year, while the total three-quarter performance increased by 10% and operating profit 12%. We feel confident that double-digit growth during the year can be achieved. Looking forward, we believe that PEP's highly diversified product line, strong international presence and growth potential will ensure sustainable growth of the company in the future.

Central European Distribution Corp. (CEDC)   2.82% of Active Portfolio

Key Stock Statistics	CEDC			Hold
Price as of November 30,2005	$43.71		Price/Earnings (ttm)	44.11
52-Week Price Range	$26.18 - $44.85		Price/Book	3.54
52-Week Return	55.28%		Price/Sales	1.5
Market Capitalization (B)	$1.04		ROA (ttm)	4.36%
Shares Outstanding (M)	23.72		ROE (ttm)	9.86%
Institutional Ownership	50.50%		2003 EPS	**$0.93**
Beta	1.91		2004 EPS	**$1.32**
Dividend Yield	N/A		2005 EPS (est.)	**$1.57**

Central European Distribution Corporation (CEDC) is a leading importer and distributor of alcoholic beverages and soft drinks in Poland. The company distributes approximately 850 brands in three categories: beer, spirits, and wine. They also offer other products including cigars and soft drinks.

During the last five years, CEDC has achieved 45% compounded annual growth in sales and 90% compounded annual growth in operating profits. The most recent quarter report showed a 29% growth in sales and 44% growth in operating income. We believe that CEDC is still at the mid-stage of growth. CEDC's core strategy of horizontal integration of distributors and vertical integration of distillers, combined with its expertise and skills in achieving healthy organic growth in existing assets will ensure a wonderful gain for our portfolio.

Anheuser-Busch (BUD)   Sold Position

Key Stock Statistics	BUD			Sell
Price as of November 30,2005	$43.74		Price/Earnings (ttm)	17.45
52-Week Price Range	$40.15 - $51.32		Price/Book	10.36
52-Week Return	-9.83%		Price/Sales	2.26
Market Capitalization (B)	$33.96		ROA (ttm)	13.05%
Shares Outstanding (M)	776.3		ROE (ttm)	65.21%
Institutional Ownership	60.40%		2003 EPS	**$2.55**
Beta	0.05		2004 EPS	**$2.85**
Dividend Yield	2.40%		2005 EPS (est.)	**$2.61**

Anheuser-Busch (BUD) is currently the world's largest brewer with about 50% of the U.S. market share. Anheuser-Busch operates 12 breweries across the US in its production of approximately 30 beers. BUD Light is the best seller in the world. BUD also has 3 sub-divisions including A-B International, A-B Packaging, and Busch Entertainment.

The shrinking of the U.S. beer market has long been pains for brewers, due to switch of taste to wines and spirit. Even worse, BUD tends to loss its market share to the competitors. Although its international operation grows at a high speed, it cannot offset loss in domestic market due to its small international presence and even more fierce competition from other giant brewers. BUD will probably show 11% decrease in earnings in 2005. Given the current market situation, we believe BUD can hardly turnaround at least in the next year.

Altria Group (MO) **Not in the Portfolio**

Key Stock Statistics	MO		Buy
Price as of November 30,2005	$72.79	Price/Earnings (ttm)	15.02
52-Week Price Range	$57.40-75.60	Price/Book	4.39
52-Week Return	35.95%	Price/Sales	2.25
Market Capitalization (B)	$151.60	ROA (ttm)	14.96%
Shares Outstanding (M)	2,082	ROE (ttm)	25.53%
Institutional Ownership	74.10%	2003 EPS	**$4.52**
Beta	0.5	2004 EPS	**$4.57**
Dividend Yield	4.40%	2005 EPS (est.)	**$5.14**

Altria Group (MO) is the leading US tobacco company whose principal subsidiaries, Philip Morris USA, Philip Morris International, Kraft Foods and Philip Morris Capital, are engaged in the manufacture and sale of various consumer products. The company is the largest consumer packaged goods company. Marlboro is the best-selling cigarette in the world.

MO enjoyed a stable growth during the recent years. Even under the shrinking U.S. tobacco market, MO successfully gained market share from its competitors. Although MO faces large cost in dealing with legal and health issues, it can always transfer cost burden to consumers. MO is well positioned in the international market and achieved double-digit growth in the international expansion. This ensured a healthy growth of the company in the future. MO also has high dividend yield historically, which will contribute further to our portfolio.

ENERGY

8.52% of the Active Portfolio

Analyst: Oscar Pina **8.82% of the S&P 500 Index**

With dollar signs in their eyes investors continued with enthusiasm to the energy sector in 2005. Tempted by soaring crude oil and natural gas prices, the rush was on to the oil patch. Daily updates in the media reinforced with strong reminders from the gas pump and utility bill screamed, “Black Gold!” Investors were not disappointed by an overall sector return of 32% that dominated the S&P 500 index. As usual our task consisted of sluicing out some new nuggets in the sector and moving on from declining claims. As always sometimes a few flecks of gold dust are washed out of the pan during the search for the bigger nuggets.

Our efforts during the year consisted of investments in big oil, independent exploration and production (E&P) companies, oil field services, and independent oil refineries. The year started and ended with OPEC considering production increases. Actually, OPEC has reached historical levels of production due to the supply constraint during the year.

We continued to like the independent E&P companies. In particular, we like E&P companies whose reserves are natural gas related or provide oil services, specially drilling since it is necessary to find more oil. On the other hand, at the end of the first academic semester we decided to sell Pogo Producing since we believed that its upside potential was limited.

During this year we also liked the independent oil refining industry. This industry is technically part of the larger integrated oil and gas industry, but in our mind it’s a separate animal. One term indicates our belief in this industry – crack spreads. Crack spreads are the margins gained from processing a barrel of crude oil. In particular, we particularly like independent refiners that specialize in refining the cheaper heavy, sour crudes. Upon inception this specialization required a higher capital expenditure, but our opinion is that the return from this added specialization margin is coming. Based on this belief, we monitored our position in Frontier Oil (FTO) and it turned out to be the best player in the portfolio.

Finally, all we can say about Exxon Mobil (XOM) is stick with the best. In that regard, we would like to increase our position in Exxon to near market weighting. Our position is if you're going to bet on oil you might as well run with the big dog. In Exxon's case, it's a big show dog with an increasing dividend, continued share repurchase, declining debt, and growth through the drill bit. In addition, XOM is the most diversified company in the portfolio which creates a defensive position in case the oil price drops below $50, a fact that we believe is difficult because of the still strong fundamentals in the market.

Exxon Mobil Corp. (XOM) 4.64% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30,2005	$58.03		Price/Earnings (ttm)	11.26
52-Week Price Range	$48.90 - $65.96		Price/Book	3.43
52-Week Return	15.43%		Price/Sales	1.17
Market Capitalization (B)	$371		ROA (ttm)	17.68%
Shares Outstanding (B)	6.22		ROE (ttm)	33.28%
Institutional Ownership	53%		**2004 EPS**	**$3.91**
Beta	0.59		**2005 EPS (est.)**	**$5.42**
Dividend Yield	2%		**2006 EPS (est.)**	**$5.70**

Exxon Mobil is the largest oil company in the United States and the largest public oil company in the world. Last year, its net income was the highest of any US company: US$25.33B

A global player, Exxon has stakes in every major oil and gas production region in the world. Approximately, 70% of Exxon's sales is generated outside of the United States. This reflects Exxon's growing dependence on overseas oil deposit as feedstock for growth.

Despite its presence in all major segments of the energy industry from wellhead to the gas pump, Exxon is remarkably dependent on the upstream exploration and production for profits. This is a good sign in a high priced energy market.

Additionally, the company has some major new production areas coming online within the next two years. These activities should continue to fuel Exxon share repurchase, debt reduction, and dividend increase. Even at less than this year energy prices, we feel very safe with Exxon's management and their ability to control cost and spend wisely.

Frontier Oil Corp. (FTO) Sold Position

Key Stock Statistics				
Price as of November 30, 2005	$37.68		Price/Earnings (ttm)	11.04
52-Week Price Range	$11.95 – 46.18		Price/Book	4.96
52-Week Return	49.4%		Price/Sales	0.64
Market Capitalization (B)	$2.3		ROA (ttm)	23.16%
Shares Outstanding (M)	56.53		ROE (ttm)	59.03%
Institutional Ownership	79%		**2004 EPS**	**$2.55**

Beta	0.42		**2005 EPS (est.)**	**$4.19**
Dividend Yield	0.14%		**2006 EPS (est.)**	**$4.25**

Frontier Oil Corporation is an independent refiner headquartered in Houston, Texas. The company has three primary operational locations. In El Dorado, Kansas, the company operates an 110,000 barrel per day (bpd). In Cheyenne, Wyoming, the company operates a 46,000 bpd refinery. Both refineries contain the sophisticated equipment needed to process heavy, sour crude oils. The company's third location is in Denver, Colorado. There the company operates its marketing and trading operation.

Frontier's two refineries primarily serve the Plains States and the eastern Rocky Mountain regions. Crude oil inputs and production outputs are primarily transported to and from the refineries through a network of oil and petroleum product pipelines. The Cheyenne refinery has access to both locally produced oil and oil imported from Canada. The refinery's close proximity to the NYMEX Cushing, Oklahoma pipeline hub gives Frontier access to oil from around the globe.

Among a number of items that make Frontier Oil interesting to us are crack spreads. Crack spreads are the gross margin per barrel that a refiner earns. These margins, or spreads, represent the selling price of refined products over the input cost of crude oil. Within the last five years, crack spreads have been increasing. For a refiner this means that gross margin is increasing.

During 2005, hurricane Katrina stroke US land causing a devastating impact, especially around the Gulf of México and Texas, where many refineries are located. In consequence, there was deep decrease in the supply of gasoline since many of the refineries were closed. In some gas stations, the price of the gasoline reached $5.00. It is in this context that the fund sold most of this position in FTO, which was not affected by Katrina and we obtain a yield of 197%.

Pogo Producing Co. (PPP) Sold Position

Key Stock Statistics				
Price as of November 30,2005	$49		Price/Earnings (ttm)	4.7
52-Week Price Range	$41.59 - $59.69		Price/Book	1.46
52-Week Return	0.02%		Price/Sales	2.2
Market Capitalization (B)	$3.04		ROA (ttm)	7.16%
Shares Outstanding (M)	59.91		ROE (ttm)	12.50%
Institutional Ownership	90.7%		**2004 EPS**	**$4.17**
Beta	0.13		**2005 EPS (est.)**	**$6.14**
Dividend Yield	0.50%		**2006 EPS (est.)**	**$7.72**

Pogo Producing Company was founded in 1970. Its primary business is the exploration for and the production of oil and natural gas. Additional businesses like pipelines and natural gas processing plants exist mainly to serve Pogo's production needs and assist their partners in getting product to market. Pogo is a global business. The company has operations located offshore in the Gulf of Mexico, onshore in Texas, New Mexico, Wyoming, and Louisiana, Internationally; the company has sold its interest, especially in the Gulf of Thailand, Hungary. The firm has decided to focus in US Mainland exploration.

This did not prove to be Pogo's year. First of all, all its international operations, such as those in Hungary, turned out to be a fiasco. For instance, they didn't find too much oil in Hungary and PPP sold its Thailand operations. In general, Pogo has not showed a sustainable growth in quality assets that make us feel comfortable. In consequence we sold PPP at the end of the first academic semester.

Patterson-UTI Energy . (PTE   3.88% of Active Portfolio   Buy recommendation

Key Stock Statistics				
Price as of November 30,2005	$31.24		Price/Earnings (ttm)	20
52-Week Price Range	$17.15 - $36.79		Price/Book	4..42
52-Week Return	66.25%		Price/Sales	3.84
Market Capitalization (?B)	$5.7		ROA (ttm)	18.92%
Shares Outstanding (M)	172.8		ROE (ttm)	25.42%
Institutional Ownership	90.1%		**2004 EPS**	**$1.91**
Beta	1.15		**2005 EPS (est.)**	**$2.49**
Dividend Yield	0.50%		**2006 EPS (est.)**	**$2.43**

The fund believes that the biggest economy in the world will continue to demand gas and the supply constraint will require that the explorations continue. In this context, the oil market has to drill in order to maintain and increase its gas production capacity.

PTEN is a key player in the drilling industry. It is a provider of the oil services required to drill in order to find gas. In particular, they have an operational competitive advantage since they refurbish its rigs, a fact that permits a faster cash flow and lower costs. Furthermore, its daily margins have been increasing during the year and we believe that the margins will remain strong during the next couple of years.

FINANCIAL SERVICES

20.37% of the Active Portfolio

Analysts: Radu Miclaus and Yang Qiao

22.53% of the S&P 500 Index

The financial services sector slightly trailed the broader market during 2004. The most likely reasons for the relative underperformance of the sector were rising interest rates and a series of scandals that affected particular industries within the sector.

The financial sector team approached 2005 with an eye to several economic factors that threatened the continued success that the sector enjoyed in 2004. The most evident factor was that the nation was in the midst of a rising interest rate and potentially inflationary environment, as the domestic economy began to grow again and the government continued its profligate borrowing. As these conditions generally are unfavorable to financial firms, our strategy was to underweight the sector. Within the sector, the strategy was to lighten positions in industries that would be most adversely affected by a steep increase in interest rates. A secondary strategy was to shy away from firms with greater exposure to consumer credit and real estate. Instead of these firms, the portfolio was repositioned to firms that are relatively less affected by rising rates, namely the insurance and investment management industries.

Aside from economic issues, the financial services industry underwent a difficult time during 2005 because of regulatory issues. Because of the newly energized Securities and Exchange Commission and the aggressive work of the New York Attorney General, several scandalous practices among certain financial services firms came to light. The first of these was the revelation that several mutual fund companies were allowing preferred customers to trade their funds after the market’s close. The other main story was that the nation’s main property insurance brokers were rigging the bidding process to favor preferred underwriters. Both of these instances demonstrated a disregard for the fundamental responsibility to work in the clients’ interest. While the sector was rocked by these scandals, we feel that these problems are largely behind.

The fund held seven financial positions at the beginning of the year. During the fist half of the year, the fund sold its RenaissanceRe Holdings and Mellon Financial Corp.

The elimination of these two positions made the fund underweight in this sector by 4.64% relative to S&P 500 for a great part of the year. As of November 30, 2005, we have decided to address this problem by increasing the fund's holding in St. Paul Travelers and by buying Bank of America and UBS while selling Morgan Stanley. Over the course of 2005, the financial services sector analysts evaluated 12 companies out of which 2 were ultimately added to the portfolio. The fund ended the year with 17.89% exposure to the financial services sector as opposed to 22.53% for the S&P 500.

AmerUs Group Co (AMH) Sold Position Hold Recommendation

Key Stock Statistics				
Price as of November 30,2005	$57.26		Price/Earnings (ttm)	11.97
52-Week Price Range	$42.58 - $60.46		Price/Book	1.45
52-Week Return	29.54%		Price/Sales	1.33
Market Capitalization (B)	$2.21		ROA (ttm)	0.86%
Shares Outstanding (M)	38.67		ROE (ttm)	12.50%
Institutional Ownership	80.50%		**2004 EPS**	**$4.05**
Beta	0.79		**2005 EPS (est.)**	**$4.47**
Dividend Yield	0.70%		**2006 EPS (est.)**	**$4.99**

AmerUs Group is a holding company whose subsidiaries are engaged in the business of marketing, underwriting and distributing a broad range of individual life insurance and annuity products to individuals and businesses in 50 states, the District of Columbia and the U. S. Virgin islands. The company has two reportable operating segments: protection products and accumulation products. The protection products segment (51% of the 2003 pre-tax operating income) was formerly known as life insurance segment and the accumulation products segment (49%) was formerly known as the annuity segment. The primary offerings of the protection products segment are interest-sensitive whole life, equity-indexed life, universal life and term life insurance policies. The primary offerings of the accumulation products segment are individual-deferred fixed annuities, equity-indexed annuities and funding agreements.
While low interest rates continued to pressure the fixed life insurance and annuity markets, AmerUs's focused product, distribution and operating strategies enabled itself to produce record adjusted net operating income of $168.6 million, compared to $148.9 million in 2003. Net income advanced nearly 20 percent to a record $192.6 million, compared to $161.1 million in 2003. Book value rose to $38.29 per share. It drove efficiency across the enterprise and achieved record capital levels.

The company continues to benefit from a strategic shift in business mix from low margin traditional products to high margin equity indexed life and annuity products. In 2004, equity-indexed life products and equity-indexed annuities generated 60% and 83% of total new sales of Protection products and Accumulation products, respectively. Other positive factors are strong risk-based capital ratio (356%), disciplined expense management, strong multi-channel distributions, strengthening equity market, and increase in demand from various consumer segments, especially the baby boomers. Entering 2005, we are not very bullish on the stock, and maintain a HOLD rating because of rising interest rates, tightening spreads, increasing competition and potential industry regulatory risk.

Citigroup (C) 4.43% of Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of November 30,2005	$48.70		Price/Earnings (ttm)	11.05
52-Week Price Range	$42.91 - $49.99		Price/Book	2.23
52-Week Return	2.4%		Price/Sales	3.01
Market Capitalization (B)	$246.37		ROA (ttm)	1.44%

Shares Outstanding (B)	5.06		ROE (ttm)	19.49%
Institutional Ownership	66.00%		**2004 EPS**	**$3.27**
Beta	1.31		**2005 EPS (est.)**	**$4.15**
Dividend Yield	3.60%		**2006 EPS (est.)**	**$4.35**

Citigroup is a diversified financial institution encompassing traditional commercial & consumer banking, investment banking, brokerage, asset management, and life insurance. It is the world's largest financial services institution. Citigroup is mainly the product of a series of mergers between leading names in the financial services sector. These names include such giants as Citibank, Travelers Insurance, Salomon Brothers, Smith Barney, and Primerica Financial. In 2002 the property & casualty component of Travelers was spun out of the parent company.

Today, Citigroup enjoys a roughly $250 billion market capitalization and net income of $17.8 billion. The company employs 253,000 people worldwide. Citigroup's reach is truly global, and much of the company's recent growth has come through acquisitions of such major foreign institutions as Banamex for ($12.5 billion) and KorAm Bank ($2.7 billion). While Citigroup's expansion into global markets has been aggressive, it has not gone perfectly. In the past year, Citigroup has suffered several embarrassments caused by the lax ethical standards of its employees. Many analysts speculate that the company has simply grown too big to control its numerous business units effectively. That said, the company has redoubled its efforts to reign in its far-flung business units and institute an effective code of corporate business practices and ethics.

We feel that despite Citigroup's enormity, the company's shares present a moderate value to investors. The 3.3% dividend yield is far above the broader market, and Citigroup's shares are trading at lower P/E and price/book value than the shares have historically. We expect that the company's shares will reach $50 during 2005.

Citigroup was already held by the portfolio at the beginning of last year. While we are enthusiastic about Citigroup's investment potential, we do want to reduce or get rid of our position in the stock in order to accommodate new holdings that have greater growth potential.

Bank of America (BAC) 4.05% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30, 2005	$45.86		Price/Earnings (ttm)	11.05
52-Week Price Range	$41.13 - $47.44		Price/Book	1.84
52-Week Return	40.9%		Price/Sales	3.43
Market Capitalization (B)	$184.18		ROA (ttm)	1.45%
Shares Outstanding (B)	4.02		ROE (ttm)	17.03%
Institutional Ownership	60.20%		**2004 EPS**	**$3.80**
Beta	1.2		**2005 EPS (est.)**	**$4.20**
Dividend Yield	4.30%		**2006 EPS (est.)**	**$4.37**

Bank of America Corporation operates as a bank holding company that provides a diversified range of banking and nonbanking financial services and products in the United States and in selected international markets. The company operates in four segments: Global Consumer and Small Business Banking, Global Business and Financial Services, Global Capital Markets and Investment Banking, and Global Wealth and Investment Management. As of March 15, 2005, the company operated approximately 5,800 retail-banking offices and 16,700 ATMs in the United States. Bank of America is headquartered in Charlotte, North Carolina.

The company reported record results in 2004 with a 28.5% rise in revenues to $49.6 billion and a 31% rise in net income to $14.1 billion. In 2003 and 2004, Bank of America was one of a handful of companies in the world to post earnings of more than $10 billion and all the company's major business lines recorded double-digit increases in earnings.

In April 2004 the bank of America, which was already the country's third largest bank, completed its acquisition of Fleet Boston. The merger created the fourth most profitable company in the world, based on 2003 pro forma results and the world's second-largest banking company. The new look Bank of America has approximately $96.5 billion in equity and a $189 billion market cap. The company provides extensive retail distribution in 29 states and be the largest small business and middle market lender in the country. The acquisition of Fleet further diversifies the company's revenue mix, both across business lines and geography. The company serves clients in 150 countries and has relationships with 96% of the US Fortune 500 companies and 82% of the Global Fortune 500. Its vast size and huge resources allow the company many benefits over its smaller less powerful competitors.

One of the other positives we like about BAC is that BAC has been producing much better than average deposit growth without paying up for it, thereby, creating the most value in its deposit franchise. This is a function of improved customer focus as well as the growing strength of the franchise (convenience, brand, etc.) Since 2002, BAC (ex Fleet) has added over $100b in consumer deposits, which is the equivalent of a $25b market cap bank.

However, there are certain risks related to the potential investment in BAC. While size and geographical spread bring strength and scale benefits, there is also a flipside, which can put the company in a weaker position. Its large size makes it vulnerable for potential maturity in terms of growth rates. Besides, the bank was forced to put aside $1.2 billion to cover bad loans to United Airlines, the bankrupt US airline, which filed the largest ever airline bankruptcy in December 2002. This was yet another example of a major player in the US banking industry suffering due to bad loans to a high profile bankruptcy victim and poses yet another impediment to the rebuilding of general market confidence. Our recommendation is to buy BAC and hold C until we find a regional bank to replace C partially or entirely.

HEALTHCARE

9.98% of the Active Portfolio

Analyst: Erik Christensen

12.83% of the S&P 500 Index

The Healthcare sector was sluggish in 2005, with controversy surrounding Merck's (MRK) Vioxx drug and little else for investors to get excited about. With the FDA enforcing stricter rules regarding the testing and approval of pharmaceuticals, the drug discovery process is moving slower and costing more than ever. It is our belief that this will continue to negatively affect pharmaceutical companies, but could provide opportunities for generic manufacturers and others involved in the drug discovery process.

The ongoing saga involving Johnson & Johnson and acquisition target Guidant appears no closer to reaching a resolution with JNJ recently offering a new, lowered bid and sparking talks of the companies walking away altogether. Guidant has experienced a rollercoaster year, due in large part to a number of physician communications the FDA termed recalls. Though the chances of malfunction appeared remote, the company advised physicians to halt implants of several key devices until the problem was corrected, removing GDT from the quickly growing implantable defibrillator (ICD) for July and part of August. The FDA and SEC have launched investigations, shareholder lawsuits are pending and even New York Attorney General, Eliot Spitzer has filed suit over the company's disclosures.

As a result of the situation above, Guidant's 3rd Quarter results were down 14% from 3Q04, with ICD taking the worst hit. The company's cash position, however, remained strong, with nearly $7 per share in cash. As the recall drama unfolded, Johnson & Johnson countered their initial offer of $25.4 billion with a lower $21.5 billion offer that the company felt included the risk brought on by the recalls. Shareholders must approve this new offer, but it is expected to close in January 2006.

Guidant (GDT) **Sold Position** **Hold Recommendation**

Key Stock Statistics				
Price as of November 30, 2004	$66.85		Price/Earnings (ttm)	50.88
52-Week Price Range	$55.26-$75.15		Price/Book	4.89
52-Week Return	-8.1%		Price/Sales	6.01
Market Capitalization (B)	$22.1		ROA (ttm)	9.34%
Shares Outstanding (M)	331.8		ROE (ttm)	12.08%
Institutional Ownership	82.2%		**2004 EPS**	**$1.63**
Beta	0.44		**2005 EPS (est.)**	**$2.03**
Dividend Yield	0.60%		**2006 EPS (est.)**	**$2.45**

Johnson & Johnson's 2005 was also dominated by the Guidant acquisition news. After the deal nearly collapsed under safety issues earlier in the year, Johnson & Johnson happily lowered their bid from $76 per share down to $63.09 per share. As it stands right now, we expect this deal to be approved by shareholders and expect a closing date of January 2006. While we are relatively confident the deal will close, we plan to sell GDT shares and buy JNJ shares before the expected close. This decision will allow us to avoid any other market drama surrounding this deal from the more volatile Guidant side of the deal and allow us to own what we feel is the better of the two companies, Johnson & Johnson.

While JNJ is seen as having a weaker pipeline than many of its pharmaceutical peers, the company balances this with strong growth in its medical devices & diagnostics segment and its steady consumer products segment. With over half of its revenues generated from these two segments, the company is better insulated from downturns in its pharmaceutical pipeline than its competitors. Johnson & Johnson also has a stated goal of increasing its presence in medical devices through internal development and acquisitions and the GDT acquisition is the largest of many transactions designed to increase the company's exposure in this industry. With a long history of quality management and earnings as well as dividend growth, we are confident in recommending purchasing shares of Johnson & Johnson.

Johnson & Johnson (JNJ) **4.49% of Active Portfolio** **Buy Recommendation**

Key Stock Statistics				
Price as of November 30, 2004	$60.00		Price/Earnings (ttm)	19.13
52-Week Price Range	$59.60-$69.99		Price/Book	4.88
52-Week Return	2.8%		Price/Sales	3.55
Market Capitalization (B)	$178.6		ROA (ttm)	18.65%
Shares Outstanding (M)	2970.0		ROE (ttm)	26.82%
Institutional Ownership	65.6%		**2004 EPS**	**$2.84**
Beta	0.26		**2005 EPS (est.)**	**$3.49**
Dividend Yield	2.10%		**2006 EPS (est.)**	**$3.78**

The Henry Fund has held shares of Pfizer off and on since the fund's inception, with the most recent shares acquired in 2003. Chief amongst the problems facing Pfizer are COX-II inhibitors Celebrex and Bextra, which fall in the same category as much maligned Vioxx. As of now, it appears the litigation costs facing Pfizer will be substantially lower than those associated with Vioxx, but this remains a risk. While the recent history of the company is not one many investors are excited about, we believe this is still a strong name in an attractive space. The company announced a new strategic plan this year, which is expected to save nearly $4 billion over the next three years and increase bottom line earnings numbers.

Despite the current state of the pharmaceutical industry, we still believe this is a good investment opportunity as political and demographic trends remain favorable. Pfizer is well positioned to take advantage of the aging population and new Medicare Drug Benefit Plan as it has arguably the strongest pipeline in the industry and the largest research and development budget. Finally, the valuation of this company is quite attractive compared to its peers in the big-pharma space. With a recent P/E of 10.8 times estimated 2006 EPS, Pfizer is trading at an attractive discount to the 14.5 average of its peers.

Pfizer (PFE) 2.89% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30, 2004	$27.39		Price/Earnings (ttm)	19.15
52-Week Price Range	$20.71-$29.21		Price/Book	2.33
52-Week Return	-28.1%		Price/Sales	2.96
Market Capitalization (B)	$154.9		ROA (ttm)	8.72%
Shares Outstanding (M)	7370.0		ROE (ttm)	12.16%
Institutional Ownership	62.2%		**2004 EPS**	**$1.49**
Beta	0.51		**2005 EPS (est.)**	**$1.94**
Dividend Yield	3.60%		**2006 EPS (est.)**	**$2.02**

2005 was a very good year for Barr Pharmaceuticals as the stock rose nearly 50%, largely due to the company's September announcement that it would be partnering with TEVA Pharmaceuticals (TEVA) to distribute a generic version of the popular allergy medicine, Allegra. This deal alone is expected to add upwards of $0.30 per share to Barr's FY2006 earnings and represents yet another coup by this management team which has a long history of finding and challenging patents with huge potential rewards and winning the lawsuits necessary to result in increased revenues for Barr Laboratories.

Unfortunately, we don't feel as confident about the company's next patent challenges and will sell our position. This decision has been made despite our extreme confidence in the management at Barr and their business model. With potential delays in pharmaceutical approvals by the FDA, especially controversial approvals such as emergency contraceptive, Plan B, we feel less than confident in the company at this time. We still believe that this company is one of the two most attractive companies in the specialty pharmaceutical space (along with TEVA) and would consider investing again in the future if the valuation appears more promising.

Barr Pharmaceuticals (BRL) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of November 30, 2004	$38.85		Price/Earnings (ttm)	25.33
52-Week Price Range	$38.79-$60.08		Price/Book	4.48
52-Week Return	48.1%		Price/Sales	5.65
Market Capitalization (B)	$6.3		ROA (ttm)	15.17%
Shares Outstanding (M)	107.6		ROE (ttm)	20.37%
Institutional Ownership	75.5%		**FY 2005 EPS**	**$2.03**
Beta	0.47		**FY 2006 EPS (est.)**	**$3.09**
Dividend Yield	N/A		**FY 2007 EPS (est.)**	**$3.38**

Charles River Labs is a contract research outsourcing (CRO) company that provides research tools and integrated support services required in the drug development process. CROs are increasingly being utilized by the pharmaceutical industry as a tool to reduce costs as well as liability. The fallout from the Vioxx recall has led to an increase in research required by the FDA before granting drug approval as well as reluctance by the pharmaceutical companies to shoulder the entire liability responsibility. Both factors will benefit Charles River Labs.

With over 100 facilities in over 20 countries, CRL is one of the most advanced CROs on the market ready to assist pharmaceuticals at all stages of development, from animal models testing to late stage clinical testing. The aging population of western countries combined with the explosion of new drugs brought on by the human genome project, the increasing cost of developing a drug and additional FDA testing point to a huge potential market for companies assisting with drug development. We believe that Charles River Labs would make an excellent holding due to the strength of the industry and recommend a buy.

Charles River Labs (CRL) 2.59% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30, 2004	$47.40		Price/Earnings (ttm)	28.30
52-Week Price Range	$41.65-$53.09		Price/Book	1.84
52-Week Return	-4.4%		Price/Sales	3.07
Market Capitalization (B)	$3.3		ROA (ttm)	10.44%
Shares Outstanding (M)	72.3		ROE (ttm)	16.92%
Institutional Ownership	94.6%		**2004 EPS**	**$1.68**
Beta	0.26		**2005 EPS (est.)**	**$2.28**
Dividend Yield	N/A		**2006 EPS (est.)**	**$2.57**

ArthroCare Corporation is a small medical device company with only one technology: coblation. Coblation is a tool which allows surgeons to operate with greater precision and ease without the use of a thermal or mechanical device. This technology is also reported to result in quicker healing times and less complications for the patients. While initially used in arthroscopic surgeries such as the knee, the technology has recently been expanded to include such areas as the shoulder, ENT, spinal care and various cosmetic applications.

We are also encouraged by the recent settlement of the 2 year legal battle with Smith & Nephew (SNN) over bipolar radio frequency. A judge ruled soundly in favor of ArthroCare and ordered Smith & Nephew to pay royalty and milestone payments to ARTC for all global mono- and bi-polar devices the company sells. This brings to three the number of companies paying ArthroCare for the use of their technology, as both Johnson & Johnson & Stryker (SYK) already make payments to the company. We believe this demonstrates a level of product and patent protection we feel comfortable owning and recommend buying this company.

ArthroCare (ARTC) Not in Portfolio Buy Recommendation

Key Stock Statistics				
Price as of November 30, 2004	$30.97		Price/Earnings (ttm)	N/A
52-Week Price Range	$25.32-$41.74		Price/Book	4.84
52-Week Return	24.6%		Price/Sales	5.03
Market Capitalization (B)	$1.0		ROA (ttm)	7.93%
Shares Outstanding (M)	25.1		ROE (ttm)	-11.22%
Institutional Ownership	100%		**2004 EPS**	**-$1.20**
Beta	1.60		**2005 EPS (est.)**	**$0.89**
Dividend Yield	N/A		**2006 EPS (est.)**	**$1.31**

INDUSTRIALS

2.49% of the Active Portfolio

Analyst: Ingo Raulf **2.93% of the S&P 500 Index**

The economic recovery since 2003 accelerated its pace at the beginning of 2004 to transfer to a moderate growth rate towards the end of that year. Throughout the first half of 2005, the growth further slowed down, but it still remains positive. According to the Purchasing Manager Index (PMI), which measures the manufacturing spending, the sector continued its expansion through June 2005. Parallel to the economic activity within the sector, the pace of revenue and profit growth maintains positive, but is slowing down. The Institute for Supply Management expected in May 2005 the manufacturing sector revenues to grow 6.8% during 2005, down from forecasted 7.8% in December 2004. The Dow Jones Industrials Index rose by only 0.26% since January 2005. We believe that the short-run perspectives for the industrials sector remain relatively positive.

Briggs & Stratton (BGG) 2.49% of Active Portfolio Hold Recommendation

Key Stock Statistics			
Price as of December 07,2005	$36.55	Price/Earnings (ttm)	13.40
52-Week Price Range	$42.40-$30.83	Price/Book	2.13
52-Week Return	-5.43%	Price/Sales	0.70
Market Capitalization (B)	$1.90	ROA (ttm)	7.22%
Shares Outstanding (M)	51.73	ROE (ttm)	14.30%
Institutional Ownership	85%	2004 EPS	$2.66
Beta	1.18	2005 EPS (est.)	$2.95
Dividend Yield	2.40%	2006 EPS (est.)	$2.96

Briggs & Stratton is the largest producer of air-cooled gasoline engines for outdoor equipment. The products are known for quality and durability and are sold to Original Equipment Manufacturers worldwide, mainly for applications in lawn and garden equipment. The products are divided into two areas: Engines and Power Products. The industry trade group for outdoor power equipment just slashed its forecast to a negative unit growth of 2%, while Briggs & Stratton still provided a guidance of 3% growth. The company continues to increase its market share in the engine market and leverages its strong brand by efforts in forward integration. However, there are several risk inherent in this company like the strong seasonality of the business, dependence on the weather and the high customer concentration. Further, the company operates in a mature and competitive domestic market, in which it is difficult to achieve superior profitability in the long run. In 2005, the stock lost 9.6% of its value (ytd). Our recommendation for the company is HOLD, but we recommend replacing this stock in the medium-term by a stock with higher upside potential.

TECHNOLOGY

17.31% of the Active Portfolio

Analysts: Adam Baker and Chakradhar Singh **17.27% of the S&P 500 Index**

The Technology Sector again posted results below the S&P 500 in the year 2005, which seems to be the trend since the bursting of the Internet Bubble. The economy seemed to be on the rebound in the early part of the year, but this did not translate into positive returns for the technology sector. In fact, the sector as a whole posted a rate of return lower than 10% for the first four months of the year before racing ahead of the market. In fact over the last six months the sector, as represented by the Technology Select Sector SPDR (XLK) posted an 8% rate of return since the beginning of June, compared with a 5.5% rate of return for the S&P 500, a trend that the Henry Fund Technology Analysts believe will continue.

When we inherited the Fund from the class of 2004, the portfolio included five technology holdings:

Electronic Arts (ERTS), Sandisk (SNDK), Emulex (ELX), Polycom (PLCM), and the Technology Select Sector SPDR (XLK), as Autodesk was expunged from the portfolio in a stop-loss order put in by the class of 2004. Polycom, Inc. was sold on May 9, 2005, after having lost 34.2% of its value from the beginning of the year while it was still overvalued. Electronic Arts, Inc. was increased as a holding on May 4, 2005, at a price of $48.95 after showing mixed results in the first half of the year, but was sold at $60.53 on July 21, 2005 posting an overall positive rate of return of 5.02% for the fund. It is now valued by the market at $56.84.

With the lack of names in our portfolio the analysts went about the task of refilling the Technology cupboard for the fund and found companies from many different industries within the sector. We decided to purchase the software emperor, the king of the computer peripheral market, and a prince in the computer security market. We believe that we have populated the sector with holdings that will show high returns in the short and long run. Added to the portfolio were Microsoft Corp., on November 15, 2005 and Logitech International SA, on October 24, 2005, with a pending addition of Aladdin Knowledge Systems Ltd. We have added these to our continued position in Emulex and Sandisk to have a diversified Technology portfolio with large, established and young, high-flying companies together.

Microsoft Corp. (MSFT) 5.49% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of December 6, 2005	$26.97		Price/Earnings (ttm)	23.39
52-Week Price Range	$23.82-28.25		Price/Book	6.13
52-Week Return	1.72%		Price/Sales	7.35
Market Capitalization (B)	$294.75		ROA (ttm)	12.85%
Shares Outstanding (B)	10.64		ROE (ttm)	20.71%
Institutional Ownership	55.60%		**2004 EPS**	**$.75**
Beta	1.3		**2005 EPS (est.)**	**$1.12**
Dividend Yield	1.20%		**2006 EPS (est.)**	**$1.32**

Microsoft is the world's largest technology based company, and has a dominant market share in the computer Operating System and the Office Productivity markets. Most well known for their Windows operating system, the Redmond, WA based company operates in seven segments; Information Worker, Microsoft for Business, Mobile and Embedded, Home and Entertainment, MSN, Client, and Server and Tools. It has a great amount of diversification inherent in the company, and is protected from a protracted downside slide by all their operating units.

In 2005 the company released its newest SQL server for enterprise situations and the Xbox 360, a successor to their Xbox gaming console. In 2006 the company should release the newest iteration of Windows, which is now named Vista, and a corresponding version of Office, which will be backwards compatible. We are very bullish on the success of these products, and feel that even if they were the only new products released by the company over the next three years, that it would still outperform the market. As there are many other products which are waiting in the wings, this analyst team feels that the company is highly undervalued, and look for a large return for this company, especially considering its size. The company posted revenue of $40 billion in 2005; the company should reach $44.5 billion in 2006, with earnings per share of $1.32.

With the amount of money that Microsoft funnels into R&D, we feel that it will continue to put out new products, but also realize that its status as a high-flyer may be gone, especially with its nearly $300 billion market capitalization. It has been ignored by investors for too long and its stock price fell into the low to mid $20 range in 2005. This can be a cornerstone of the tech sector into the future.

Electronic Arts Inc. (ERTS) Sold Position Hold Recommendation

Key Stock Statistics				
Price as of December 1, 2005	$56.84		Price/Earnings (ttm)	47.25
52-Week Price Range	$47.45-71.16		Price/Book	5.71
52-Week Return	6.99%		Price/Sales	5.65
Market Capitalization (B)	$17.08		ROA (ttm)	12.44%
Shares Outstanding (M)	300.58		ROE (ttm)	16.15%
Institutional Ownership	96.90%		**2004 EPS**	**$.1.91**
Beta	.91		**2005 EPS (est.)**	**$1.72**
Dividend Yield	0.00%		**2006 EPS (est.)**	**$2.31**

Electronic Arts is the largest independent producer and distributor of Videogames in the world. In the nearly $17 billion industry, ERTS has positioned itself well with top of the line repeatable content, and an incredibly well known stable of licenses and home grown IP. The company had a high-flying stock in early 2005, with intraday prices over $72.00 in some cases. However in March 2005, the company announced an earnings forecast revision, which sent the shares of the company in a tailspin.

Added as a holding in 2004 we liked the fundamentals of the stock quite a bit, and saw this drop in a price as more of an opportunity than as a problem, and doubled down on the company at a price of $48.95. Over the summer, after the delay of one of its most anticipated games, we sold our whole position at an overvalued price of $60.53. A possible long-term buy, the company is sitting at a comfortable level in the mid to high $50 range, and should be a company that future analysts keep an eye on.

The company had a lackluster line of offerings in 2005, with few that outperformed expectations. In a highly “hit” driven industry, the products released by EA lacked the panache to sell well in the market outside of a few, like Battlefield 2 and the always impressive Madden Football. However the company laid the groundwork for future success by locking up every single known outlet of American Football in multi-year exclusivity agreements, most importantly the NFL. With these deals in place, the company can milk their Madden and NCAA College Football franchises without having to worry about competition and pricing pressure from Take 2’s 2k sports development franchise. As said above, the company is an L-T buy at the moment, but we feel we can earn higher returns on current holdings.

Polycom Inc. (PLCM) Sold Position Sell Recommendation

Key Stock Statistics				
Price as of December 1, 2005	$15.77		Price/Earnings (ttm)	25.44
52-Week Price Range	$13.97-24.07		Price/Book	2.60
52-Week Return	(32.38%)		Price/Sales	1.60
Market Capitalization (B)	$1.48		ROA (ttm)	10.79%
Shares Outstanding (M)	94.06		ROE (ttm)	15.14%
Institutional Ownership	93.40%		**2004 EPS**	**$.34**
Beta	1.61		**2005 EPS (est.)**	**$.86**
Dividend Yield	0.00%		**2006 EPS (est.)**	**$.95**

Polycom is a company, which specializes in voice and video conferencing solutions, with a look to new VoIP (voice over internet protocol) technologies. For many years now Polycom’s name has been synonymous with voice conferencing, and is most well known for its triangular conference room speakerphones. Unfortunately, the industry in which it operates has been targeted by gigantic competitors such as Dell, H-P, and Cisco as an area in which they can achieve growth.

The company issued two earnings forecast restatements in 2005, and the stock price felt the effects, with the company showing a (32.38%) return, which was one of the worst of any company in the Henry Fund Portfolio. Citing a lack of competitive advantage and weak fundamentals, the Henry Fund All-Stars decided to dump this stock in early May at a price of $15.45.

The company was added to the portfolio based on its potential in the VoIP market, and due to its acquisition of Voyant Technologies. Unfortunately this acquisition has not increased bottom line numbers, and in almost all regards has been a failure. The market has failed to develop as quickly as the management team once thought it would, and has attracted bigger fish than were in the market to begin with. With revenues in the trailing twelve months of $571 million, and operating margins of 15% the company is still in the early phases of its life cycle, and may indeed prove to be a winner in the VoIP market. But the lack of a competitive advantage over much larger competition has scared this management team away for now.

Aladdin Knowledge Systems Ltd. 2.39% of Active Portfolio Buy Recommendation

Key Stock Statistics				
Price as of December 1, 2005	$16.47		Price/Earnings (ttm)	20.95
52-Week Price Range	$15.78-28.95		Price/Book	2.35
52-Week Return	(40.74%)		Price/Sales	3.01
Market Capitalization (M)	237		ROA (ttm)	9.06%
Shares Outstanding (M)	14.39		ROE (ttm)	14.74%
Institutional Ownership	40.10%		**2004 EPS**	**$.74**
Beta	1.34		**2005 EPS (est.)**	**$.97**
Dividend Yield	0.00%		**2006 EPS (est.)**	**$1.20**

In a company that will be the smallest holding in the Henry Fund, the modus operandi is to earn a profit by keeping other people's property secure. The fact that they do so by securing technology related items is a bigger draw for the fund than anything else, as we see this market as one of the main growth sectors in tech for the next few years. It has three product lines, which we consider best of breed. Their DRM (digital Rights Management) products are used to secure many different lines of computer software. On the enterprise security side, the company has the eToken and eSafe series of products. The eToken series is an authentification device based on USB tokens. The eSafe is a gateway control system which limits incoming viruses, Trojan horses, spyware, and other malicious code from entering an enterprises system.

The company's stock had a huge run up in 2004, which was tempered by the (40.74)% return for 2005. Overall the stock is up almost 100% since January 2004, and we think the company was fairly valued before this year's dropoff. With its enterprise security products we think that the company is poised for a large growth spurt, both in top and bottom line numbers. It also makes for an attractive buyout entity with its low P/E value, three best of breed products, and small microcap level.

This will be one of the smaller holdings in the Henry Fund, and will take a large amount of active management. Do to its size and liquidity issues the stock's price is very volatile. It is also located in Israel, which opens the company to a new set of socio-political risks that our other holdings will not have. Even with these issues we are very bullish on this stock and expect good things from it.

SanDisk Corp. (SNDK) 3.90% of Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of December 01,2005	50.08		Price/Earnings (ttm)	29.50

52-Week Price Range	20.25 - 65.49		Price/Book	4.16
52-Week Return	250%		Price/Sales	4.47
Market Capitalization (B)	9.22B		ROA (ttm)	11.9%
Shares Outstanding (M)	184.1 Mil		**ROE (ttm)**	**14.6%**
Institutional Ownership	85.30		**2004 EPS**	**$1.44**
Beta	3.37		**2005 EPS (est.)**	**$1.91**
Dividend Yield	0%		**2006 EPS (est.)**	**$2.27**

SanDisk Corporation, the world's largest supplier of flash data storage card products, designs, manufactures and markets industry-standard, solid-state data, digital imaging and audio storage products using its patented, high-density flash memory and controller technology.

SanDisk is the leading flash memory product maker. They were the first in the field, and they have done a great job of keeping on top of the rapid growth in the industry. They have focused their R&D on developing new form factors for the flash memory that better fit customer's needs. They were the first to create CF cards, SD cards, and many others. In addition to licensing out these card types, the also hold patents on manufacturing technologies and controller technologies, and receive licensing royalties from almost all other manufacturers. SanDisk makes the majority of its money from product sales; it also gets a small amount from IP licensing revenue. Total revenues were $982 million in 2003, and are expected to be around $1.5 – 1.6 billion in fiscal 2004. Gross margins have historically been in the 35% range, though we expect them to fall to the 30% range in the future due to increasing Flash RAM supply.

Flash RAM's small size and high durability, and low power consumption, makes it attractive for a wide variety of applications. As the prices fall and storage capacities rise, the application potential rises significantly. This is what's occurring at present with cell phones; flash RAM is being integrated into the latest cell phones, making it possible for cell phones to offer more multimedia capabilities, like integrated digital cameras and mp3 players. We feel that the future for the industry is strong, and we like SanDisk's long-term prospects.

Emulex Inc. (ELX) 2.35% of Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of December 01,2005	$20.59		Price/Earnings (ttm)	24
52-Week Price Range	$14.45 - $22.68		Price/Book	3.30
52-Week Return	56%		Price/Sales	4.10
Market Capitalization (B)	$1.723		ROA (ttm)	9%
Shares Outstanding (M)	83.68		ROE (ttm)	14.6%
Institutional Ownership	92.50%		**2004 EPS**	**$0.80**
Beta	4.33		**2005 EPS**	**$1.11**
Dividend Yield	0%		**2006 EPS (est.)**	**$1.22**

Emulex Corporation is a leading designer, developer and supplier of a broad line of storage networking host bus adapters, or HBAs, and application specific computer chips, or ASICs, that provide connectivity solutions for storage area networks, or SANs, network attached storage, or NAS, and redundant array of independent disks, or RAID, storage. HBAs are the data communication products that enable servers to connect to storage networks by offloading communication-processing tasks as information is delivered and sent to the network.

Emulex derives the vast majority (over 99%) of its revenue from Fiber Channel Host Bus Adapters. It also sells a very small amount of IP networking and other networking hardware. It has three primary OEM customers: IBM, HP, and EMC. These three make up about 70% of Emulex's total revenue. Total revenue for fiscal 2004 was $364 million.

Emulex's sales took a hit in fiscal 2005 due to a change in purchasing methods by EMC, one of its three large customers. This was the primary cause of the large drop in Emulex's stock price. However, EMC's ordering has now fully transitioned to the new purchasing method, and Emulex's sales are expected correspondingly improve. In the long term, we feel that the storage market is a good one, because large and small companies have an increasing need for storage capacity, and fast data access. Emulex sells one of the components that make this increased capacity possible.

Logitech (Logi) **3.17% of Active Portfolio** **Hold Recommendation**

Key Stock Statistics				
Price as of December 01,2005	$45.85		Price/Earnings (ttm)	27.4
52-Week Price Range	$27.22- $46.00		Price/Book	8.31
52-Week Return	69%		Price/Sales	2.67
Market Capitalization (B)	$4.393		ROA (ttm)	16.8%
Shares Outstanding (M)	95.8		ROE (ttm)	30.9%
Institutional Ownership	16.20%		**2005 EPS**	**$1.67**
Beta	2.00		**2006 EPS**	**$1.81**
Dividend Yield	0%		**2007 EPS (est.)**	**$2.05**

Logitech International provides a range of product families used to control computers. It manufactures and sells mice, keyboards, and other personal computer interface products that enable users to communicate with their computers. Logitech primarily operates in only one business segment. The company's personal interface products encompass input and pointing devices, interactive gaming devices, multimedia speakers, and internet video cameras.

The main business model of the company involves reinforcing its internal engineering and manufacturing divisions with the products and technologies acquired through practices such as strategic acquisitions and partnerships with other firms in the industry. The company's OEM products target PC manufacturers while retail products directly target consumers.

The company is based in Switzerland, but has a strong presence in over 100 countries through its extensive retail distribution network. It has manufacturing facilities located in Asia and major distribution centers located in North America, Europe, and Asia.

TELECOMMUNICATIONS

2.98% of the Active Portfolio

Analyst: Dae Sung Lee **2.82% of the S&P 500 Index**

The telecommunications sector had an attractive year in 2005. As the transition from wireline to wireless continues, the wireless companies represent the return of the telecommunication sector. Even though the competition intensified Average Revenue per User (ARPU) still kept the uptrend and the net add of subscriber also increased in 2005. After finishing the acquisition between Sprint and Nextel, Four major players - Cingular, Verizon, T-mobile and Sprint/Nextel- will dominate the wireless market. These big carriers can raise the entrance of the wireless market and can compete with each other. is getting ustry, and the favorite judgment for the Bells about network sharing rules. In the contrary of wireless, the wireline industry experienced hard time. This tough trend will continue.

Even if the outlook of U.S. economy does not look fairly good and the trend of growth rate of revenue in wireless, Wireless industry has still some value drivers. U.S penetration of Wireless has stayed at about 64%, which is very low compared with the penetration of Europe, Japan and Korea. So we think Wireless industry has some room to develop. Recent M&A can restructure the Wireless industry to be more stable. In the long run, the industry continues to experience solid volume growth and expenses are declining, in line with Moore's law. Admittedly, the risks are increasing and the industry will need to restructure. Over the next five years, new technology and data services will make new revenue sources and the market will be arranged as two or three main companies, which leads the mature cycle of industry.

Alltel Corp. (AT) 2.98% of the Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of December 31,2004	$66.83		Price/Earnings (ttm)	15.70
52-Week Price Range	$54.20 - $68.19		Price/Book	2.49
52-Week Return	13.7%		Price/Sales	2.77
Market Capitalization (B)	$24.82		ROA (ttm)	6.67%
Shares Outstanding (M)	382.9		ROE (ttm)	13.27%
Institutional Ownership	70.3%		**2004 EPS**	3.40
Beta	0.98		**2005 EPS (est.)**	3.46
Dividend Yield	2.4%		**2006 EPS (est.)**	3.62

ALLTEL is a customer-focused communications company. The Company owns subsidiaries that provide wireless and wire-line local, long-distance, network access and Internet services. Telecommunications products are warehoused and sold by the Company's distribution subsidiary.

We thought Alltel is managing its business well. The company currently derives more than half its revenue from wireless services. It has been successful in its efforts to provide quality service, retain customers, and pull in new accounts. But the company's last quarter report revealed an intensified competition in its wireless business, as its rivals start offering cheaper prepaid prices to customers. Alltel's wireless growth was slower than we expected.

The acquisition of Western Wireless appears attractive to us on strategic, operating, and financial merits, and we believe ALLTEL can effectively integrate the company and achieve meaningful operating and financial synergies as it has with prior acquisitions

BellSouth Corp. (BLS) Sold Position Hold Recommendation

Key Stock Statistics				
Price as of November 30,2005	$27.26		Price/Earnings (ttm)	12.46
52-Week Price Range	$27.41 - $27.81		Price/Book	2.09
52-Week Return	0.9%		Price/Sales	2.48
Market Capitalization (B)	$50.14		ROA (ttm)	5.29%
Shares Outstanding (B)	1.83		ROE (ttm)	1.9%
Institutional Ownership	59.2%		**2004 EPS**	2.59
Beta	1.2		**2005 EPS (est.)**	1.67
Dividend Yield	1.16%		**2006 EPS (est.)**	1.80

BellSouth Corporation is a communications services company. Bellsouth business areas consist of three areas: Communications Group, Domestic Wireless and, Advertising and Publishing Group. Even if revenue from Communication Group tends to decrease, still it is the major business area. Bellsouth operates in Wireless through Cingular. The Company has ownership of approximately 40% of Cingular (SBC takes the other 60%). Bellsouth's investment in Cingular, the largest wireless carrier, gives it: (a) a sizable ownership in a strong growth business; (b) bundling opportunities; (c) a hedge against wireline to wireless substitution

While revenue from Communications (mainly Wireline) fell 3.8% to 65.3% from 69.1%, Wireless revenue increased 4.3% to 27.5 in 2004. This revenue switching trend will continue in the future. As local phone service became less attractive, Bellsouth has future growth opportunities through increased penetration of domestic long-distance, data and IP, and wireless service.

In wire-line business, we expect BellSouth will begin winning back net customers as AT&T and MCI cease marketing in residential phone market. The favorite judgment about network sharing rules is also expected to benefit the company in the future. However, the cable operators and VoIP services are expected to erode the company's revenue of fix-line business, especially the long-distance business.

We believe that the BellSouth is on the right track for operation through increasing wireless business. With high dividend yield and mixed outlook, we would like to maintain our current position.

Motorola Inc (MOT) Not in the Portfolio Hold Recommendation

Key Stock Statistics				
Price as of November 30,2005	$20.09		Price/Earnings (ttm)	21.1
52-Week Price Range	$14.48 - 23.99		Price/Book	1.75
52-Week Return	38.05%		Price/Sales	3.99
Market Capitalization (B)	$58.47B		ROA (ttm)	7.12
Shares Outstanding (M)	2,447M		ROE (ttm)	19.77
Institutional Ownership	69.3%		2004 EPS	0.64
Beta	1.1		2005 EPS (est.)	1.12
Dividend Yield	0.70%		2006 EPS (est.)	1.21

Motorola is a global leader in wireless, automotive, and broadband, communications, operates six divisions: Personal Communications (PCS); Global Telecom Solutions (GTSS); Commercial, Government and Industrial Solutions (CGISS); Integrated Electronic Systems (IESS); Broadband Communications (BCS); and other Products. Headquartered in Schaumburg, Illinois, the company has approximately 97,000 employees. In 2004, PCS's revenue grew 54% to 16.8 billion from 10.9 billion. Based on the strong handset market, Motorola achieved the better financial result in 2005. Quarterly revenue of 05Q2 was $8,825 million, up 17% from $7,541 million. And EPS (05Q2) increased 0.38 from 0.25(04Q2) by 52%. This strong upward trend will continue in rest of this year.

Motorola's strong quarterly results were driven by higher than expected sales of handsets, led by the V3, a new model, in the United States and solid wireless infrastructure sales. This increasing trend will continue in the short future due to the Motorola's new technology handsets. Motorola's cell phone division reported unit shipments of 33.9 million in 2Q05, which generated sales of $4.9 billion. The company estimates its 2Q market share at 18.1%, up 170 basis points from 1Q. However, Average Selling Prices (ASP) decreased to $145 from $154 in 1Q due to higher unit volumes of low-end phones. In sum Motorola is going as well as the market or slightly over the market

Mediacom communications. (MCCC)   Not in the Portfolio   Sell Recommendation

Key Stock Statistics				
Price as of November 30, 2005	$5.21		Price/Earnings (ttm)	-
52-Week Price Range	$5.06-$7.59		Price/Book	2.42
52-Week Return	-30.8%		Price/Sales	0.60
Market Capitalization (M)	$606.52		ROA (ttm)	-0.5%
Shares Outstanding (M)	116.9		ROE (ttm)	-
Institutional Ownership	54.7%		2004 EPS	**$0.11**
Beta	1.65		2005 EPS (est.)	**-$0.01**
Dividend Yield	-		2006 EPS (est.)	**$0.16**

Mediacom (MCCC) is currently the nation's eighth largest cable television company. Through the interactive broadband network, MCCC provides customers with a wide array of products and services, including analog and digital video services, advanced video services such as video-on-demand, high definition television and digital video record, also known as high-speed internet access or cable modem service. Geographic service areas of Mediacom are Florida, Georgia, Alabama, Missouri, Illinois, Wisconsin and Iowa. Mediacom succeeded in localization in these areas.

MCCC has a growing ARPU and expanding revenue generating users (RGU) for recent years, despite of intensified video competition and it is expected have synergy effect from the long-term strategic alliance with sprint for developing products and selling the wireless service.

Even though Mediacom has lots of investment positives, its financial structure is very weak. 82% of capital came from the debt and its long-term debt / equity ratio is 10.57. So we do not want to add Mediacom to our portfolio.

TRANSPORTATION

1.85% of the Active Portfolio

Analyst: Ingo Raulf

1.61% of the S&P 500 Index

The transportation sector was strongly influenced by rising oil prices, especially in the first half of the year, and on the other hand a further positive macroeconomic environment. The transportation sector therefore experienced an overall positive development, although this positive development was generated by particular sub-sectors, while sub-industries like the airline industry further suffered. So the Dow Jones Transportation Average Index increased by 8.7% (ytd.), while the S&P 500 increased by 5.1% within the same time. As a result from years of high competition, pricing pressure, increasing losses, high debt levels and underfunded pension plans, the situation within the industry was dramatic. In 2005, five of the 10 largest carriers were simultaneously in bankruptcy. Accordingly, the market was not in favor of airline stocks. Additionally to this, the high level of fuel costs was expected to restrain the industry recovery. Currently, the situation begins to improve again. Fares were increased several times during the year, although discount carriers still put pressure on fares. Low-cost carriers were able to cope much better with this environment and managed to take away market shares from the debilitated legacy carriers.

The railroad industry, on the other hand, experienced a very positive year. Due to major improvements in terms of operating efficiency and the current weakness of the trucking industry, profits could be improved. After were not very interested in railroads, the recent improvements were finally acknowledged as sustainable. This provided a significant upturn to railroad stocks. We expect that this trend to continue.

Southwest Airlines (LUV) Sold Position Sell Recommendation

Key Stock Statistics			
Price as of December 06, 2005	$16.52	Price/Earnings (ttm)	25.93
52-Week Price Range	$13.05 – $16.74	Price/Book	1.94
52-Week Return	5.02%	Price/Sales	1.81
Market Capitalization (B)	$13.10	ROA (ttm)	3.60%
Shares Outstanding (M)	792.73	ROE (ttm)	8.44%
Institutional Ownership	70%	**2004 EPS**	**$0.40**
Beta	0.9	**2005 EPS (est.)**	**$0.54**
Dividend Yield	0.20%	**2006 EPS (est.)**	**$0.62**

Southwest Airlines is a domestic airline, which provides primarily short haul, high-frequency, pointto-point and low-fare service in the United States. The company focuses principally on point-to-point, rather than hub-and-spoke, service in markets with frequent, conveniently timed flights and low fares. While the industry lost large amounts of money within the last years, Southwest was the only one of 10 major airlines who generated profits in 2004. At the same time, the company could increase its market shares in strategically important airports. This is due to its business model, which relies on a traditionally very lean cost structure. In this way, the financial strength provided the opportunity to take advantage of the current industry environment. Although the company outperformed its peers, the restructuring efforts of some legacy carriers are progressing and led to a slight decrease of the company's cost advantage. Further, to maintain its growth, Southwest has to go into market where its competitive advantages are harder to accomplish. We expect Southwest to keep its leading position in terms of profitability and we see signs that the very cyclical airline industry is in an upwards trend. However, we think that most of these positive prospects are already implemented in the stock price. Additionally, from a portfolio perspective, it is most reasonable to limit the transportation industry's holding to one company in order to stay in line with the S&P weight of 1.61% of the portfolio. Since we will later recommend another transportation company as a BUY, we recommend a SELL for Southwest Airlines.

Burlington Northern Santa Fe Corp. (BNI) Not in the Portfolio Hold Recommendation

Key Stock Statistics			
Price as of December 06, 2005	$67.17	Price/Earnings (ttm)	18.9
52-Week Price Range	$44.58 – $67.95	Price/Book	2.37
52-Week Return	47.27%	Price/Sales	1.99
Market Capitalization (B)	$25.08	ROA (ttm)	5.36%
Shares Outstanding (M)	373.42	ROE (ttm)	15.15%
Institutional Ownership	76%	**2004 EPS**	**$2.10**
Beta	0.6	**2005 EPS (est.)**	**$3.49**
Dividend Yield	1.30%	**2006 EPS (est.)**	**$3.70**

As the second largest railroad company in the U.S., Burlington Northern Santa Fe faces a favorable situation which is composed of several macro factors affecting the transportation industry. Over the last 12 months, the company could show strong increases in its quarterly earnings. Main value drivers are the increased imports from Asia and strong levels in international trade. Additionally, the company could take advantage of its cost advantage towards trucking companies, which are more exposed to high fuel prices and which further suffer from labor issues and capacity constraints. Although the railroad industry has traditionally been very mature, these developments as well as the increased efficiency of railroad companies have provided strong growth opportunities for the next 2-3 years as well. Since we think that for the railroad industry in general, stocks are still under priced, we expect railroad stocks to outperform the market in the near future. However, since the stock has already appreciated significantly, especially within the last 2 months, the stock already has slightly exceeded our target price. Since January 2005, the stock price increased by 45.6%. We expect this trend to continue and see positive future prospects for the company. However, we think that most of these growth perspectives are already reflected in the stock price. In conclusion, our recommendation for the stock is HOLD.

Norfolk Southern Corporation (NSC) 1.85% of Active Portfolio Buy Recommendation

Key Stock Statistics			
Price as of December 06, 2005	$43.36	Price/Earnings (ttm)	15.02
52-Week Price Range	$29.60 - $44.90	Price/Book	1.97
52-Week Return	23.85%	Price/Sales	2.14
Market Capitalization (B)	$17.62	ROA (ttm)	4.92%
Shares Outstanding (M)	406.42	ROE (ttm)	14.25%
Institutional Ownership	68%	2004 EPS	$0.36
Beta	0.96	2005 EPS (est.)	$1.35
Dividend Yield	1.20%	2006 EPS (est.)	$0.59

Norfolk Southern serves all major eastern ports and partners with other railroads in the West and Canada, linking customers to markets around the world. The company provides comprehensive logistics services and offers the most extensive intermodal network in the eastern U.S. and has a reputation for superior reliability and service quality within the railroad industry. Within the last few years, the company has experienced considerable growth. The unit volume increased by 8.8%, while the gross ton-miles increased by 7.5%. In the last year, this growth could be handled even with a 1% smaller staff than in 2003. This was possible because major investments in infrastructure and technologies had been made. While in the past, the company focused its efforts on cost control; it shifted meanwhile to ensure a long-term profit growth and a greater emphasis on service improvement. We expect the service improvements, further increases in efficiency and strong growth potential in terms of intermodal traffic to be the crucial value drivers for the company in the coming years. In the last months, the stock of Norfolk Southern showed a strong price appreciation. In 2005, the stock gained 21.4%. We think that the stock of Norfolk Southern has still a high upside potential for the next years, resulting from the positive outlooks of the industry in general as well as the fact that we see Norfolk Southern as undervalued compared to its peers. Consequently, our recommendation for the stock is BUY.

UTILITIES

2.28% of the Active Portfolio

Analyst: Chakradhar Singh **2.73% of the S&P 500 Index**

KeySpan Corp. (KSE) 2.28% of the Active Portfolio Hold Recommendation

Key Stock Statistics				
Price as of December 01,2005	$33.37		Price/Earnings (ttm)	14.20
52-Week Price Range	$32.66 - $41.03		Price/Book	1.33
52-Week Return	7.20%		Price/Sales	0.86
Market Capitalization (B)	$5.818		ROA (ttm)	3.6%
Shares Outstanding (M)	174.4		ROE (ttm)	10.90%
Institutional Ownership	52.1%		**2005 EPS**	**$0.88**
Beta	0.34		**2006 EPS (est.)**	**$1.49**
Dividend Yield	5.50%		**2007 EPS (est.)**	**$2.77**

Keyspan Energy is in a unique position as the regulated gas distribution utility serving areas of New York City, Long Island, Boston, and Cape Cod. As the natural gas utility in a predominantly fuel oil heated market Keyspan stands to gain subscribers and grow earnings in three ways.

First, through new residential and commercial construction, Keyspan can gain subscribers the old fashioned way as the market served grows organically. Second, Keyspan can acquire other natural gas distribution networks that complement its service network. Third, the company can take advantage of the growing popularity of natural gas energy in the Northeast. In the KeySpan's main service areas, natural gas competes directly with fuel oil as an energy source.

The increasing cost and messy nature of fuel oil will most likely push consumers towards converting to natural gas. This third source of earnings growth is very unique and sets Keyspan apart from a traditional utility. Two Charts located in the Appendix illustrate competition between heating oil and natural gas. Heating oil has made a more dramatic move, but both fuels remain competitive on a per BTU basis

Additionally, Keyspan has business segments that serve the regulated and non-regulated electric utility networks. This segment, dubbed electric services, primarily serves the New York City and Long Island areas. Through its network of generation facilities the company generates electricity that is transmitted and distributed through the Long Island Power Authority (LIPA). Keyspan also has a long-term contract as the service and maintenance provider for the LIPA transmission and distribution network. Through its newly expanded Ravenswood facility, Keyspan generates electricity for the New York City load pocket. This facility supplies 25% of New York City's electricity.

Our interest in Keyspan is predicated on three items. First, we love its position as the natural gas provider in a predominantly fuel oil area. In recent years the company has made the capital expenditures necessary to bring natural gas to those who were tied to fuel oil as a heat source. We think the growth from conversions will add to the natural growth from new construction to make Keyspan grow faster than a normal utility might. The company has stated a goal of growing its core businesses of electric services and gas distribution by 5% annually.

Second, through a series of divestitures in progress and planned the company is becoming focused on its core competencies of gas distribution and electric services. These divestitures include selling the company's position in the Houston Exploration Co. (THX), KeySpan Canada, and the energy services business unit. These divestitures will also decrease KeySpan's debt load.

Third, the company has become one of the largest importers of liquefied natural gas in the country. We think this approach will help KeySpan control its costs for both distribution and electric generation in the long-term as natural gas production in the U.S. and Canada decreases. Finally, the company has recently declared the first dividend increase in 5 years. We see this as the first step in many more to come. Our expectation is that as debt load decreases we will see a price appreciation bringing KeySpan in line with its peers on dividend yield valuation.

Statement Of Security Holdings

Security	Ticker	November 30, 2004				November 30, 2005			
		Shares	Price	Value	Weight	Shares	Price	Value	Weight
Affiliated Computer Svcs.	ACS	125	59.54	$ 7,443	2.0%	125	56.63	$ 7,079	1.6%
Alltel	AT	150	56.26	$ 8,439	2.2%	150	66.38	$ 9,957	2.2%
Ambac Financial Group	ABK	180	82.03	$ 14,765	3.9%	220	77.58	$ 17,068	3.9%
AmerUs Group	AMH	275	44.37	$ 12,202	3.2%	275	59.11	$ 16,255	3.7%
Anheuser Busch Cos.	BUD	125	49.54	$ 6,193	1.6%	125	43.61	$ 5,451	1.2%
Barr Pharmaceuticals	BRL	250	38.85	$ 9,713	2.6%	250	57.52	$ 14,380	3.2%
BellSouth	BLS	150	26.69	$ 4,004	1.1%	150	27.84	$ 4,176	0.9%
BHP Billiton Limited (ADR)	BHP	300	23.71	$ 7,113	1.9%	300	32.68	$ 9,804	2.2%
Briggs & Stratton Corporation	BGG	200	38.92	$ 7,784	2.1%	200	36.85	$ 7,370	1.7%
Central European Distribution	CEDC	300	26.38	$ 7,914	2.1%	300	43.80	$ 13,140	3.0%
Citigroup	C	300	44.23	$ 13,269	3.5%	400	48.85	$ 19,540	4.4%
Emulex Corporation	ELX	500	14.84	$ 7,420	2.0%	500	20.58	$ 10,290	2.3%
Exxon-Mobil Corp.	XOM	300	50.40	$ 15,120	4.0%	300	59.35	$ 17,805	4.0%
Finish Line, Inc.	FINL	400	18.61	$ 7,444	2.0%	400	18.25	$ 7,300	1.6%
Guidant Corp.	GDT	265	66.85	$ 17,715	4.7%	265	61.82	$ 16,382	3.7%
Harley Davidson	HDI	200	57.73	$ 11,546	3.0%	200	54.01	$ 10,802	2.4%
International Speedway	ISCA	100	50.97	$ 5,097	1.3%	220	54.61	$ 12,014	2.7%
KeySpan Corp	KSE	300	37.48	$ 11,244	3.0%	300	33.89	$ 10,167	2.3%
Logitech Intl.	LOGI					300	45.89	$ 13,767	3.1%
Lowe's Companies, Inc.	LOW	150	56.23	$ 8,435	2.2%	150	67.78	$ 10,167	2.3%
Microsoft	MSFT					775	27.89	$ 21,615	4.9%
Morgan Stanley	MWD	250	50.95	$ 12,738	3.4%	250	56.96	$ 14,240	3.2%
Pepsico Inc.	PEP	255	49.90	$ 12,725	3.4%	255	59.86	$ 15,264	3.4%
Pfizer	PFE	420	27.39	$ 11,504	3.0%	420	21.38	$ 8,980	2.0%
Praxair	PX	225	44.79	$ 10,078	2.7%	225	53.06	$ 11,939	2.7%
Procter & Gamble	PG	150	53.59	$ 8,039	2.1%	150	57.64	$ 8,646	2.0%
SanDisk Corporation	SNDK	500	23.26	$ 11,630	3.1%	350	49.32	$ 17,262	3.9%
Southwest Airlines	LUV	170	16.29	$ 2,769	0.7%	170	16.52	$ 2,808	0.6%
Target Corp.	TGT	200	51.58	$ 10,316	2.7%	200	53.80	$ 10,760	2.4%
Technology Select SPDR	XLK	800	20.99	$ 16,792	4.4%	650	22.04	$ 14,326	3.2%
S&P 500 Index SPDR	SPY					310	126.69	$ 39,274	8.9%
St. Paul Travelers	STA	122	36.90	$ 4,502	1.2%	122	46.55	$ 5,679	1.3%
Walt Disney Holdings Co.	DIS	250	27.43	$ 6,858	1.8%	250	24.96	$ 6,240	1.4%
Autodesk	*ADSK*	*300*	*33.16*	$ 9,948	2.6%				
Agrium Inc.	*AGU*	*450*	*18.50*	$ 8,325	2.2%				
Electronic Arts Inc.	*ERTS*	*200*	*49.70*	$ 9,940	2.6%				
Frontier Oil Corporation	*FTO*	*600*	*12.84*	$ 7,704	2.0%				
New York Times	*NYT*	*180*	*40.23*	$ 7,241	1.9%				
Mellon Financial Corp.	*MEL*	*250*	*28.93*	$ 7,233	1.9%				
Metal Management, Inc.	*MTLM*	*300*	*25.65*	$ 7,695	2.0%				
Omnicom Group	*OMC*	*100*	*81.45*	$ 8,145	2.1%				
Pogo Producing	*PPP*	*100*	*48.84*	$ 4,884	1.3%				
Polycom, Inc.	*PLCM*	*300*	*23.49*	$ 7,047	1.9%				
RenaissanceRe Holdings	*RNR*	*150*	*49.56*	$ 7,434	2.0%				
Total Equity Portfolio				$376,402	99.2%			$409,947	92.5%
SCI Cash/MM Account				$ 3,204	0.8%			$ 33,257	7.5%
Active Portfolio Value				$379,607	100.0%			$443,203	100.0%
Henry Fund Scholarship								$ 1,500	
Effective Portfolio Value				$382,607				$444,703	
S&P500 (index change)	^GSPC			**1,191.37**				**1,264.67**	

Income Statement

November 30, 2005		December 31, 2004	
Beginning Fund Balance	$ 396,896	Beginning Fund Balance	$ 346,109
Cash Added	$ -	Cash Added	$ -
Income		Income	
Dividend Income-Active	$ 4,714	Dividend Income-Active	$ 4,762
Dividends-Money Funds	$ 278	Dividends-Money Funds	$ 44
Total Income	$ 4,992	Total Income	$ 4,806
Total Capital Gains, Net	$ 39,548	Total Capital Gains, Net	$ 47,981
Taxes and fees	$ -	Taxes and fees	$ -
Scholarship Appropriation	$ (1,500)	Scholarship Appropriation	$ (2,000)
Miscellaneous	$ -	Miscellaneous	$ -
Ending Fund Balance	**$ 439,936**	**Ending Fund Balance**	**$ 396,896**

A special thanks to all Henry Fund Managers for their dedication and commitment to the 2005 Annual Report.