Fourth Quarter 2005

Thompson, Siegel & Walmsley, Inc.

INVESTMENT COUNSEL

We know what you expect this time of year, but what do you really want from Thompson, Siegel & Walmsley, Inc. (TS&W)? Traditionally, we have provided you each January with a lengthy "review and outlook" essay that described the major developments of the prior year and their impact on the investment portfolios we manage, and detailed our economic and financial market forecast for the year ahead. Our viewpoint has always been the consensus thinking of our talented investment team, distilled by years of experience, observation and insight. We scrupulously avoided sensational "blue sky" or doomsday predictions in favor of careful, balanced analysis. It has always been, to be honest, dry, academic fare, better suited for a staff memo than a letter to valued clients. Many of you, we suspect, never got past the first page.

In lieu of the musty tradition, we think that what you might want in a "year in review" piece from TS&W is some assurance that we can continue in the years ahead to deliver the kind of excellent investment results that we earned for our clients in 2005. You probably wonder whether or not you are right to continue placing your faith in TS&W's ability to successfully manage your assets in an increasingly complex world. Can we actually meet our singular goal of exceeding each client's benchmark, net of our fee, over rolling three to five year periods?

We believe the answer is an emphatic "yes." We cannot, of course, offer you any guarantees. What we can do, however, is highlight for you the reasons we have confidence in the likelihood of our future success.

Market Performance Benchmarks
Twelve Months Ended December 31, 2005

Broad Stock Market	
Russell 3000® Index	6.1%
Large Cap Stocks	
Russell 1000®	6.3%
Russell 1000® Value	7.0%
Standard & Poors 500	4.9%
Midcap Stocks	
Russell Midcap® Index	12.7%
Russell Midcap® Value Index	12.6%
Small Cap Stocks	
Russell 2000®	4.6%
Russell 2000® Value Index	4.7%
Bonds	
Lehman Aggregate Index	2.4%
3-Month Treasury Bill	3.1%

A Value Approach…

First, TS&W employs a value investment philosophy. In our case, value investing means confining our portfolios to stocks that are inexpensive relative to similar companies and to our calculation of their intrinsic worth. We concentrate on cash flow, a relatively stable and accessible measure of the money available after a company collects what it is owed, pays its bills and provides for maintenance and future growth, in determining value. The cash generated by a business provides us with a solid, non-emotional foundation for making judgments, and cash flow is less prone to management manipulation than are profits calculated according to Generally Accepted Accounting Principles.

Cash flow is directly affected by macroeconomic conditions such as the overall rate of expansion of the economy or the level and trend in interest rates, and it is here that our economic view is brought to bear by TS&W's investment team. In each case, however, we look for situations where cash flow can exceed widely held expectations or where the market's appraisal of the value of a particular company's future cash flow is likely to change for the better, under a wide variety of economic and market conditions - not just our most likely scenario. In most cases, the economic "big picture" is not the critical element in our investment decision.

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We have refined our approach to value investing over many years. Unlike some investment managers who seek only the deepest values, we insist upon a combination of good value and some positive catalyst that will lead to a much higher stock price. If catalysts do not exist, or if they fail to materialize as we expect, a stock will not find a place in our portfolios, no matter how "cheap" it may appear to be. This requirement helps TS&W avoid "value traps," depressed stocks that offer the illusion of value but are likely to languish or head even lower. It also encourages us to replace unproductive investments with fresh ideas that hold greater potential for gains. We believe this disciplined, resolute focus on the combination of value and clearly defined fundamental factors, along with the requirement that each stock be experiencing some positive development, gives us a repeatable advantage.

A significant portion of our strong performance in 2005 came from technology and healthcare stocks, two market segments that are not often prominent in value portfolios. However, during 2005, our quantitative screens and fundamental work revealed stocks in these sectors that were inexpensive, generated substantial and sustainable free cash flow, and possessed unique catalysts that suggested that the stock prices could rise significantly. In this case, our analytical conclusions were supported by our broad macroeconomic assumptions about business capital spending on technology and pricing power in the health care sector. Our purchases, however, were not contingent upon being correct about macroeconomic factors. We believed each stock we bought had limited downside risk and, due to the existing catalysts, could perform well under a variety of economic scenarios. Subsequent performance has borne out this conclusion.

…Implemented by an Experienced Team…

The likelihood of achieving our goal is further enhanced by our team approach to decision-making. In recent years, as many investment firms trimmed their staffs, TS&W added talented and experienced analysts, portfolio managers, and client service professionals to its investment team. We have tripled the number of full-time research analysts on our staff in the last five years, and more than doubled the number of Chartered Financial Analysts. We plan further additions to our research team in 2006.

Importantly, our investment team stays on mission: we do not expend precious time divining the minutiae of monetary policy or projecting economic growth. We rely on a lineup of independent economic and market research firms to provide us with different points of view on big picture issues. Our analytical efforts are concentrated on the relatively limited list of factors affecting each stock that are most likely to discriminate a good investment from an ordinary one. Simply stated, we direct the undivided energy of a deep, talented and highly experienced team toward one straightforward task: finding stocks that meet the specific criteria explained above. We firmly believe this is a formula for consistent success.

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Since even the brightest investors occasionally blow it, we employ a set of rules that prevent us from becoming too enamored with successful investments and that limit the damage from investments that do not work out. We measure the sensitivity of our portfolio to a range of economic and other factors, and we impose limitations on the degree of exposure to individual stocks, industries and economic sectors. This is a roundabout way of saying that we maintain broad diversification, the best tool for limiting portfolio risk. To keep from compounding mistakes when they do happen, we resist "averaging down" on declining stocks, and we move quickly to eliminate stocks that exhibit fundamental deterioration, fall short of earnings expectations or experience declining earnings estimate trends. We believe these strategies help to mitigate risk in declining markets.

...Raises the Probability of Success

If investment returns for our clients depended upon the accuracy of our macroeconomic forecasts, 2005 would have been a mediocre year, at best. We expected an economic environment very similar to what most others anticipated—a formula for only ordinary results. Instead, most portfolios under our management exceeded market benchmarks for the full year due primarily due to good stock selections—not bets on major trends.

Our current viewpoint also does not differ in any radical fashion from widely available forecasts, nor does our future success depend on developing some unique insight into the fluctuations of GDP or the mind of new Federal Reserve chief Ben Bernanke. In 2006, TS&W will keep to the formula that has brought us success over many years. We certainly cannot promise to deliver results like 2005's in every market environment, but we do believe that our investment philosophy, our disciplined process, and our talented investment team provide our clients with the best chance for continued success.

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