BRADY INVESTMENT COUNSEL LLC

CORE GROWTH EQUITY INVESTMENT STRATEGY REVIEW

ANNUAL REPORT
DECEMBER 31, 2006

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OS277 KELLAR SQUARE
GENEVA, ILLINOIS 60134
630/845-1125
WWW.BRADYINVESTMENTCOUNSEL.COM

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TO OUR CLIENTS AND INTERESTED INVESTORS

SUMMARY

Our Core Growth Strategy achieved an impressive 17.8% total return making 2006 a very good year by any measure. Sizeable gains for key holdings such as Hewlett-Packard, Comcast and Avaya enhanced results. We are optimistic for the equity markets in 2007 and are targeting a 13% return for the S&P 500. Our top risk-adjusted ideas are in the Health Care and Technology sectors. The Consumer Cyclical and Consumer Discretionary sectors are also attractive as demand prospects are bright for domestic and foreign purchases for US goods and services. Commodity energy prices appear to have peaked. Consequently, we are overweight the energy-dependant Industrial and Materials sectors and underweight the Energy sector. The risks to our forecast first include the Housing industry correction accelerating beyond our expectation. The lack of investment spending here is already projected to be a significant drag on 2007 economic growth. We are also concerned by the proposed increase in the national minimum wage and the evitable destabilizing effects such legislation will have on prices and employment.

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INVESTMENT REVIEW, FORECAST AND TRADING

REVIEW

The Brady Investment Counsel Core Growth Strategy achieved a total return of 17.8% in 2006 compared to a 9.1% return for Russell 1000 Growth Index (Russell) -- our investment style benchmark -- and a 15.1% gain for the Standard and Poor's 500 Index (S&P 500). Individual holdings boosting 2006 performance were Hewlett-Packard (HPQ – up 45%), Comcast (CMCSA – up 61%) and Avaya (AV – up 30%). Our HPQ position was acquired in February 2005. Both CMCSA and AV were acquired in January 2006. Holdings detracting from performance were Xyratex (XRTX – down 20%) and Interpublic Group (IPG – down 14%). XRTX's management is capable and the growth prospects for this small cap storage component manufacturer are solid. We continue to hold our shares. IPG was sold in August after our work suggested the company's operating turnaround was not materializing as expected. However, our assessment appears to be mistaken, at least initially, as the shares are up 45% from the point of our sale.

FORECAST

We are optimistic for 2007. GDP is growing, jobs are being created and wages are rising. All three are important metrics in determining the health of an economy that is powered two-thirds by the consumer. We are comforted somewhat by the fact that the Fed has the room to cut rates in order to support short-term growth should the economy show signs of slowing. However, this comfort level is mitigated by the prospect of accelerating inflation. The December 2006 Core PPI increased at a 2.0% annual rate. This is benign enough by itself but becomes a source of concern when compared the 1.4% rate in 2005.

Our year-end 2007 S&P 500 price forecast is $1,570, which represents an 11% gain from the 2006 closing level. Adding the current 1.8% dividend yield produces a 2007 total return expectation of 13%. This gain is particularity strong when compared to the current low level of interest rates. Additionally, this gain is above the historic 10% return the S&P 500.

Positive surprises to look for in 2007 include the benefits from reducing the nation's trade or current account deficit. Treasury Secretary Paulson's efforts to stimulate foreign demand for US goods and encourage free floating currency exchange are expected pay off both broadly and with developing countries such as China in particular. Reducing the current account deficit by stimulating foreign demand will provide a boost to the national income. However, the Treasury's policy can achieve maximum benefit only with fiscal restraint. In order to maintain private investment spending the US government must use the resulting increase in tax revenues from higher income to reduce the budget deficit as opposed to increasing government spending. If this is not accomplished, there is the risk that an increase in government spending will "crowd-out" private investment and/or cause interest rates to increase. Both outcomes would have a negative impact on the economy.

We also forecast that commodity energy prices have peaked for the current cycle. Stable or declining commodity energy prices will broaden consumer spending behavior patterns as the percentage of disposable income spent at the pump will decline. This will benefit sales and profits in the Consumer-related sectors. Low energy costs will also provide a boost to profits for the energy-dependent Industrial and Materials sectors.

Housing will continue to be a drag in 2007. The housing industry is in the extended process of "returning to normalcy" after experiencing its 2005 muted version of the Technology sector's Y2K bubble. Our work suggests that investors who are expecting housing construction companies to meet or exceed the level of earnings posted in 2005 will be disappointed for years to come.

Another potential negative is the proposal for an increase in the national minimum wage. Paying workers more for producing the same amount at the same skill level is inflationary and something an economy operating at a 4.5% unemployment rate simply does not need. Interestingly, the late Nobel Laureate George Stigler argued that minimum wage controls can at worst act to reduce employment levels and at best simply redistribute income among the same participants in the low-wage earning group. That is, minimum wage earners are likely to produce the very goods and services consumed by the other minimum wage earners; therefore, the benefit of higher wages is offset by an increase in the cost of the goods and services consumed. Education is the answer to a higher wages, income and standard of living. If Congress were serious about achieving these objectives, they would focus on making real changes to improve the quality of our public education system and/or reduce the real cost of achieving a higher education.

TRADING

Our top risk-adjusted (three-year expected total return divided by historic price volatility) investment ideas are in the Health Care and Technology sectors. Opportunities are slim in the Energy, Utilities and Telecommunications sectors; consequently, we are underweight in each. Recent portfolio additions include Medtronic (MDT - $54), Cardinal Health (CAH - $64), Linear Technology (LLTC - $30) and small cap growth company Chipotle (CMG - $57). Chevron (CVX - $74) and Avaya (AV- $14) were sold.

We hold investments in 51 different companies which have increased their historic normalized (smoothed for peaks and troughs) weighted average earnings per share (EPS) at a 22% annual rate. We project future normalized EPS growth to range between 16-20% annually over the next three to five years. The portfolio is valued by the market at a forward price-to-earnings (P/E) multiple of 19X and its dividend yield is 1.5%.

PORTFOLIO STATISTICS AND ATTRIBUTES

CORE GROWTH STRATEGY GENERAL INFORMATION

Minimum Account Size	$500,000
Standard Management Fee	50 basis points
Target Portfolio Turnover[i]	20-40%
Current Yield	1.5%
Strategy Inception[ii]	September 30, 1994

Investment Manager: David P. Brady, CFA, is the developer of the Brady Investment Counsel LLC Core Growth (Core Growth) investment strategy and manager of its investment process. Prior to founding Brady Investment Counsel LLC, Mr. Brady was lead portfolio manager of the Stein Roe Young Investor Fund (Young Investor Fund) from September 1994 through March 2003. Mr. Brady employs substantially the same investment philosophy and strategy to manage the Core Growth strategy as he did to manage the Young Investor Fund.

PORTFOLIO CHARACTERISTICS

	Brady core growth	**S&P 500**
Number of Stocks	51	500
Median Market Capitalization	$25.9	$12.4
Largest Co's Market Cap	$385	$385
Smallest Co's Market Cap	$0.61	$1.41
Normalized[iii] P/E		
Trailing	22X	16X
Forward	19X	15X
3-Yr. Normalized EPS Growth Rate		
Trailing	22%	13%
Forward	18%	11%

TEN LARGEST HOLDINGS

	% Invested Assets
Microsoft Corp	2.8%
Johnson & Johnson	2.8
Cardinal Health, Inc.	2.7
Hewlett-Packard Co.	2.6
Linear Technologies Corp.	2.6
Wal-Mart, Inc.	2.5
Pfizer, Inc.	2.5
Applied Materials, Inc.	2.4
AFLAC, Inc.	2.4
General Electric	2.4

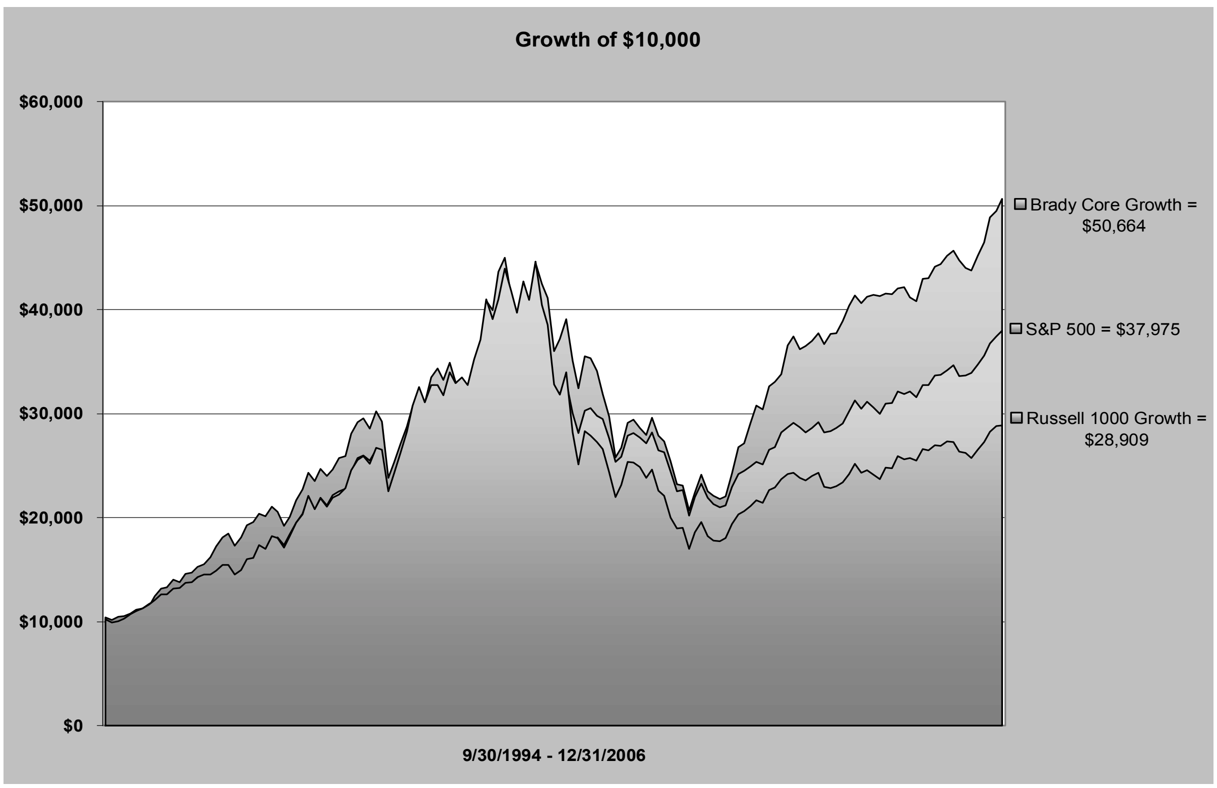
AVERAGE ANNUAL TOTAL RETURN

	1-Year	**3-Year**	**5-Year**	**10-Year**
Brady Core Growth[iv]	17.8%	14.5%	11.5%	9.7%
S&P 500	15.8	10.4	6.2	8.4
Russell 1000 Growth	9.1	6.9	2.7	5.4

SECTOR DIVERSIFICATION

	Brady Core Growth	S&P 500
Technology	25.8%	15.1%
Health Care	25.5	12.0
Industrials	13.6	10.8
Financials	10.6	22.3
Consumer Staples	10.5	9.3
Consumer Discretionary	10.1	10.6
Materials	3.9	3.0
Energy	0.0	10.0
Telecommunications	0.0	3.5
Utilities	0.0	3.4

INVESTMENT GROWTH



The above chart represents the hypothetical increase of a $10,000 made on September 30, 1994. Investment returns exclude management fees, certain trading expenses and taxes.

[i] Turnover range is a long-term target average. Turnover can vary significantly in any given year depending on the extent of portfolio rebalancing. Portfolio evaluation and rebalancing typically occurs twice per year.
[ii] Strategy duration is the combined results of the Brady Investment Counsel LLC Core Growth Strategy and the Stein Roe Young Investor Fund. Both strategies are/were managed by David P. Brady, CFA, in substantially the same manner. Contact Brady Investment Counsel LLC for a complete discussion of how the figures were combined.
[iii] Normalized data is smoothed to reduce the effect of extraordinary occurrences that can have a sizeable yet nonrecurring impact in any given year.

[iv] DISCLOSURES AND COMPLIANCE STATEMENTS

Brady Investment Counsel LLC is an independent investment advisor established in 2003. Brady Investment Counsel LLC manages a variety of equity and balanced accounts for US individual clients. Additional information regarding the firm's policies and procedures for calculating and reporting performance returns is available upon request. The Russell 1000 Growth Index is an appropriate benchmark for pure equity style performance analysis. Performance is presented gross of management fees and withholding taxes but net of certain trading expenses. A complete listing and description of all composites is available on request. The standard management fee for accounts is 50 basis points (0.50%). The minimum account size is $500,000.

The Core Growth Composite currently includes three accounts. Accounts related David P. Brady, the founder of Brady Investment Counsel LLC, comprise a substantial portion of the Core Growth Strategy invested assets.

From March 2003 and to present, the Core Strategy returns are Brady Investment Counsel LLC equity composite returns before fees but after certain trading expenses. Prior to March 2003, the Core Growth returns are the results before expenses but after certain trading costs of the Stein Roe Young Investor Fund. David P. Brady was the lead manager of the Stein Roe Young Investor Fund between September 1994 and March 2003. Mr. Brady has employed a similar investment strategy of buying high-quality growth stocks for each of the aforementioned investment products over the entire investment performance reporting period.

The Core Strategy and the Stein Roe Young Investor Fund returns are combined and provided as supplemental information only. Past performance is not a guarantee of future results. Potential Brady Investment Counsel LLC clients should primarily consider and rely on an understanding of their personal investment constraints and objectives, among other things, before selecting Brady Investment Counsel LLC as an investment advisor. Not past investment performance.

The Brady Investment Counsel LLC investment strategies are appropriate for investors with a long-term time horizon only. Contact Brady Investment Counsel LLC for a discussion of the risks when evaluating model portfolio results or if you have other questions concerning the calculation of our investment returns. Brady Investment Counsel LLC reserves the right to change previously reported total return figures should significant discrepancies be discovered without notification.

IMPORTANT DISCLAIMER

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The Core Growth Strategy historic performance record is calculated by Brady Investment Counsel LLC. Data post 2002 has not been audited by a third party. Contact Brady Investment Counsel LLC for a discussion of important performance disclosures.

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