



Mid-Quarter Newsletter

NOVEMBER 22, 2006

From My Corner

Jeff Mengis



In addition to the normal holiday celebration and cheer that this time of year brings, November of 2006 marks our 5 year anniversary as a company! The opening of our doors in the fall of 2001 was the first step in fulfilling a lifetime entrepreneurial dream. Looking back, the early years presented some of the more challenging market conditions that I've experienced since I began managing accounts. However, since this time we've doubled in size as measured by assets under management and I feel that we are well positioned for the future. I'm very pleased with the development of our staff as we've had the good fortune of having Rob Greenman in the organization for the last three years. Rob's enthusiasm and knowledge is truly an asset to the firm. Looking forward, we realize that our future success will be greatly influenced by the satisfaction of our clients. Most of our growth can be attributed to the trust you have placed in us by either referring new business, or by allowing us to manage more assets. You've all played a key role in our expansion and we would like to thank you. This being said, be sure to check your mail at home for an invitation to a holiday reception and five year anniversary party. We look forward to seeing you at the event and hope that you have a wonderful Holiday Season with your family.

MENGIS CAPITAL 5 YEAR ANNIVERSARY & HOLIDAY RECEPTION

In celebration of our 5 year anniversary and the arrival of the holiday season, please join us at our office for a party!

WHEN: Thursday, December 7th
4:00 – 7:00 PM

WHERE: Umpqua Bank Plaza
1 SW Columbia, Suite 780
Portland, OR 97258







Validated parking available just one block away at the Smart Park garage located on 1st and Jefferson

Please stay until the end to catch the traditional Christmas Ship Parade from our windows!

Regrets to Rob by December 1st – 503.916.0776 or rob@mengiscapital.com

Previous Investment Focuses:

Two and half years and 9 publications later, we thought it might be interesting for readers to review all of the previous focus ideas of our Mid-Quarter Newsletter in list form. Over the course of publication, we have highlighted seven equity and two fixed income investments. The date and price of each investment idea are correlated to the date of publication and do not reflect a recommended date or an average price for Mengis Capital accounts. While most accounts hold or have held these names, not all accounts have held positions in the securities listed below. For compliance reasons we have not listed today's closing price or gain/loss percentages. Please note that you can always view our previous publications on our website (www.mengiscapital.com).

<i>EQUITIES:</i>			
	Company	Focus Date	Focus Date Price
	General Electric (GE)	8/31/2004	\$30.88
	Global Industries (GLBL)	3/1/2005	\$9.50
	Costco (COST)	5/18/2005	\$44.24
	International Game Tech. (IGT)	8/18/2005	\$26.06
	IBM	11/17/2005	\$85.74
	Walt Disney (DIS)	2/28/2006	\$27.99
	Amgen (AMGN)	5/15/2006	\$69.83
<i>FIXED INCOME:</i>			
	Security	Focus Date	Focus Date Price
	Aberdeen Asia-Pacific Prime Income Fund (FAX)	11/18/2004	\$5.82
	Goldman Sachs High Yield Fund (GSHIX)	8/31/2006	\$7.83



Investment Strategy and Goal

The *Focused Taxable Composite* seeks long term capital appreciation by investing in companies which, in MCM's judgment, offer value relative to their long term potential and the market as a whole. Using a multi-cap approach, the composite is able to invest in companies of all sizes, although most companies have market capitalization in excess of \$500 million. Our overall goal is to consistently outperform the S&P 500 index.

This information is presented as supplemental and complements the Annual Disclosure Presentation located at the bottom of this page

Top 10 Holdings

GOLDMAN SACHS	4.7%
GENERAL ELECTRIC	4.6%
COSTCO	4.6%
ORACLE	4.2%
AMGEN	4.2%
DISNEY	4.0%
JOHNSON & JOHNSON	3.9%
IBM	3.9%
INTERNATIONAL GAME TEC	3.7%
NORFOLK SOUTHERN	3.5%

Data presented represents a percent of the total market value of the Focused Taxable Equity Composite, including cash. As of September 30, 2006, cash represented 1.2% of the total composite. This information is presented as supplemental and complements the Annual Disclosure Presentation located at the bottom of this page.

Performance

	Year To Date	3 Year**	5 Year**	Since Inception** 10/1/98
Focused Taxable Composite	6.99%	15.42%	7.33%	11.51%
S&P 500 Index	8.56%	12.28%	6.96%	5.07%

* Past performance does not guarantee future results. Numbers are net of fees.

** Annualized performance figures

Mengis Capital Management, Inc., has prepared and presented performance returns in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS®), the U.S. and Canadian version of the Global Investment Performance Standards (GIPS®). AIMR has not been involved with the preparation or review of this report. Mengis Capital Management, Inc. is a registered investment advisor. Performance prior to November 28, 2001, occurred while the portfolio manager was employed at a prior firm. Compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) was verified at the prior firm, beginning February 1, 1998. As represented by management, the performance from the predecessor firm conforms to the AIMR-PPS with regard to portability of investment results. The firm maintains a complete list and description of composites, which is available upon request. Focused Taxable Equity Composite contains fully discretionary taxable equity accounts and for comparison purposes is measured against the S&P 500 Index. Sector weightings observed in the Focused Taxable accounts vary significantly from those in the S&P 500 Index. In addition, from time to time, the Focused Taxable accounts will generally have 20-30 holdings as compared to the S&P 500 Index (composed of 500 different stocks). For certain time periods, the composite may be more concentrated than the benchmark. Due to the limited number of holdings relative to this index, the investment risks associated with concentration are significantly greater for the Focused Taxable accounts than it is for the index used for comparison. The minimum account size for the Focused Taxable Equity Composite is \$150,000. Results are based on a portion of fully discretionary accounts under management, including those accounts no longer with the firm. At present, there are 14 accounts being managed consistent with the discipline referred to as "Focused Taxable". Jeff Mengis manages over 50 other portfolios on a discretionary basis. These portfolios are not managed according to the Focused Taxable methodology and the results in these accounts will vary, both positively and negatively, from those experienced by the Focused Taxable accounts. Information regarding the performance achieved in these accounts is available upon request. No non-fee-paying accounts are included in this composite. Past performance is not indicative of future results. Investments are subject to market fluctuations and investors could lose some or all funds invested. The U. S. dollar is the currency used to express performance. Beginning January 1, 2002, returns are presented gross and net of management fees and include the reinvestment of all income. A fee schedule is available upon request and is described in Part II of the firm's ADV. In general, most equity accounts under \$1M are charged 2% annually. However, fees may vary. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Prior to January 1, 2002, gross returns are stated gross of all fees and have not been reduced by transaction costs; net returns are reduced by all actual fees incurred. Fee schedules for the individual wrap agreements are available from the associated wrap sponsor. There has been no material change in personnel responsible for the investment management of this composite. Balanced portfolio segments are not included in this composite. Leverage is not used in the composite. The Focused Taxable Equity Composite was created October 1, 1998.

	Total Firm Assets (thousands)	Composite Assets		Accounts at Year End	Asset-Weighted Annual Return		S&P 500	Annual Composite Dispersion
		US Dollars (thousands)	% of Firm Assets		Gross	Net		
2005	89,242	15,206	18%	12	9.55%	8.49%	4.88%	1.1%
2004	85,368	11,016	13%	9	17.70%	16.51%	10.88%	1.2%
2003	86,803	8,414	10%	13	30.04%	28.79%	28.69%	1.1%
2002	61,896	4,072	7%	10	(24.82%)	(25.44%)	(22.10%)	2.2%
2001*	45,728	1,848	4%	8	(9.74%)	(11.16%)	(11.88%)	4.4%
2000*		1,404	2%	6	35.90%	33.49%	(9.11%)	N.A.
1999*		481	1%	5 or fewer	25.13%	22.35%	21.04%	N.A.
1998*		137	<1%	5 or fewer				

- N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

- *Information presented pertains to portfolios managed by the portfolio manager while affiliated with a prior firm. Their presentation conforms to AIMR-PPS guidelines regarding the portability of investment results.

- S&P 500 Index performance returns reflect gross dividends reinvested into index. S&P Index performance returns through September 30, 2001, were obtained from Bloomberg; index performance returns for periods after September 30, 2001, were calculated using data from FT Interactive Data.