2005 ANNUAL REPORT

IN THE BUSINESS OF BUILDING YOUR BUSINESS

INVESTORS CAPITAL

INVESTORS CAPITAL HOLDINGS
American Stock Exchange: ICH

Investors Capital Holdings (AMEX: ICH), of Lynnfield, Massachusetts, is a diversified financial services company founded to meet consumer needs in today's financial markets. The company owns and operates Investors Capital Corporation and Eastern Point Advisors, Inc.

Investors Capital Corporation is a nationally recognized, independent broker-dealer comprised of approximately 800 experienced financial professionals located throughout the United States.

Eastern Point Advisors, Inc. is a registered investment advisory firm managing portfolios for individual and institutional clients, as well as the advisor to Eastern Point Advisors Capital Appreciation Fund (ICTWX) and Eastern Point Advisors Rising Dividend Growth Fund (ICRDX).

FISCAL HIGHLIGHTS

January 2005 - Investors Capital Holdings' investment advisory subsidiary, Eastern Point Advisors, Inc. saw its Rising Dividend Growth Fund surpass $30 million in assets under management.

March 2005 -Investors Capital Holdings' wholly owned-broker dealer subsidiary, Investors Capital Corporation surpassed $5 billion in customer invested assets.

April 2005 - Investors Capital Holdings' declared it's first dividend of $0.02 per share on its outstanding common stock to all shareholders.

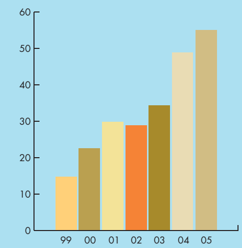
May 2005 - Investors Capital Holdings' investment advisory subsidiary, Eastern Point Advisors, Inc., celebrated the one year anniversary of its Rising Dividend Growth Fund.

May 2005 - Investors Capital Holdings' investment advisory subsidiary, Eastern Point Advisors, Inc. appointed Peter Andersen, a veteran portfolio manager with broad experience managing a variety of asset classes including equities, fixed income and alternative products to run its flagship Capital Appreciation Fund.

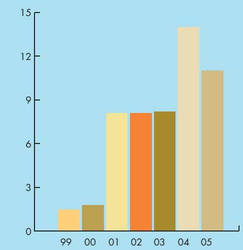
May 2005 - Investors Capital Holdings' ranked #14 in the Growth 50 category of *The Boston Globe 100*: Best of Massachusetts Business, the newspaper's annual index of top publicly traded Massachusetts companies. The ranking was based on average revenue and profit growth for the past two years. The Company also ranked #51 overall in the *The Globe 100* listing.

May 2005 - Investors Capital Holdings' ranked #148 in *The Boston Business Journal's* Fifteenth Annual BBJ 150 listing of Massachusetts Top 150 Public Companies.

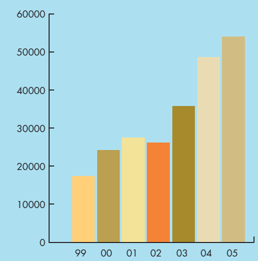
June 2005 - Investors Capital Holdings' wholly-owned broker dealer subsidiary, Investors Capital Corporation ranked #42 in *Financial Planning Magazine's* The Biggest, Fastest-Growing Independent Broker-Dealers of 2005 listing.



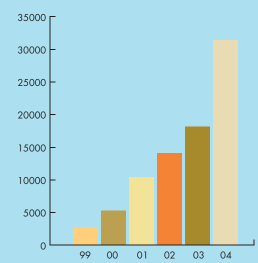
GROWTH IN SALES FOR THE YEARS ENDED (MILLIONS)



GROWTH IN STOCKHOLDERS' EQUITY (PERCENT)



ICH ADVISORS COMMISSIONS (MILLIONS)



GROWTH OF NEW ACCOUNTS (THOUSANDS)

TO OUR SHAREHOLDERS

From the early days of Investors Capital Holdings, we have eagerly embraced the possibilities and let our imagination propel us to create new opportunities instead of accepting the status quo. That spirit, combined with our belief that a company can indeed achieve the delicate balance between social and fiscal responsibility, and, frankly, our genuine love for helping people secure their financial futures, has guided Investors Capital Holdings on an amazing journey. From our humble beginnings in a small basement office to our presence today on a national scale, Investors Capital has grown into a firm with more than $5 billion in customer invested assets, proudly serving 800 dedicated financial professionals and their clients.

While our financial achievements were indeed impressive this past year, the recognition we received for the way we conducted our business was equally gratifying. We were pleased to be in *The Boston Globe*'s, Globe 100 list of Top Performing Public Companies in Massachusetts and *The Boston Business Journal*'s, BBJ 150. We were also excited to be included on the prestigious FP 50, *Financial Planning Magazine*'s list of top independent broker-dealers. Perhaps the most important recognition we received was from our nationwide network of financial advisors: the results of our internal satisfaction survey were the highest in our history. Representative satisfaction increased and our satisfaction scores identified Investors Capital as a top broker-dealer. The results reflect an amazing degree of passion and commitment from our representatives—the individuals responsible for delivering Investors Capital success, every day. These honors are an affirmation of our strength and unity as a company. We remain committed to our goals and guiding principles; they have provided an enduring framework for our success.

In addition, our focus was on maintaining uncompromisingly high ethical standards. We continued to strengthen our board of directors who distinguished themselves as true leaders in corporate governance. Our board members are independent, highly qualified and diverse, with an outstanding work ethic and relationship with management. Our compensation programs and stock ownership requirements clearly align with executive and stockholder interests. We continue to work diligently to provide all shareholders with the information to make good decisions about our operations and the potential of our business.

Sincerely,

Theodore E. Charles
President, Chairman & CEO, Investors Capital Holdings
CEO, Investors Capital Corporation

BOARD OF DIRECTORS


THEODORE CHARLES


TIMOTHY MURPHY


DAVID SMITH


C. TROY SHAVER, JR.


ARTHUR STICKNEY


WILLIAM ATHERTON

Theodore Charles
President, Chairman & CEO,
Investors Capital Holdings

Timothy Murphy
Treasurer & CFO,
Investors Capital Holdings

David Smith
Managing Director,
Charter Financial Publishing

C. Troy Shaver, Jr.
President & CEO,
Dividend Growth Advisors

Arthur Stickney
Former Marketing & Advertising
Firm Owner,
Stickney & Associates

William Atherton
Former President &
Chief Operating Officer,
Ameritas Variable Life Insurance

Investors Capital Holdings' Board of Directors is comprised of several of the financial industry's most talented executives. Board members on average bring more than 30 years experience in financial services to their advisor roles. All are either actively engaged with their respective companies or within various professional organizations. They continue to map the course providing strategic direction to grow revenue for Investors Capital Holdings and its subsidiaries, control costs, recruit top financial talent, and hold the company accountable to its financial objectives.

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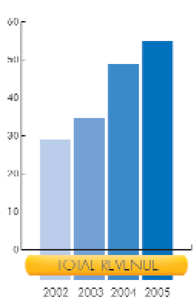
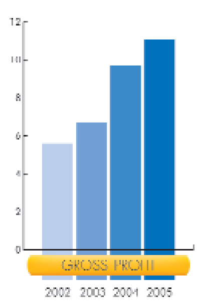
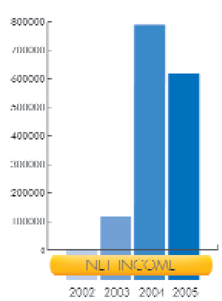
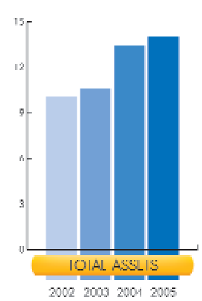
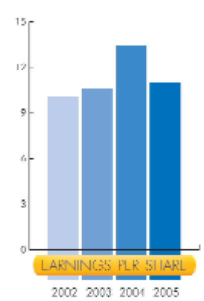










TO OUR STOCKHOLDERS

In a challenging economic environment where enduring success is extremely difficult to achieve, Investors Capital Corporation continued to thrive. The overwhelming national acceptance of Investors Capital brand has resulted in the strongest performance in our history. Fiscal 2004 was marked by consolidated net revenues of $55 million (up 12.7 percent from $49 million in fiscal year 2003).

During fiscal year 2004, we broadened our scope and strengthened our position as one of the nation's leading diversified financial services companies. We made Investors Capital Corporation even stronger in 2004. Our business performed solidly despite the continued stagnation in the financial services sector as we grew operating cash flow and continued to strengthen our balance sheet. We invested substantial time and resources in technology and continued to expand our suite of traditional and alternative investment products.

Overall, we made tremendous progress on the strategy for long-term growth. We further established our strength in products and service and enhanced our national footprint and capitalized on our unique market strengths.

With that said, this does not mean that Investors Capital will sit idle in the coming year. Two important lessons were provided to me over the past year: the value of context and the importance of driving change. By context I mean understanding national trends and their impact on Investors Capital. I believe we are going through a time of rapid and meaningful changes to the economic environment. My belief has only increased our need to accelerate change at Investors Capital.

By changing we will serve to enhance our corporate structure while offering even better services to our national representative network. With plans to extend our equity ownership program, expand our suite of investment products, augment our fee-based business, extend our marketing programs, and fortify our back-office and compliance processes, we are going to look a bit different. In being a bit different, we will be better and ready to thrive in the years ahead.

Regards,

Timothy B. Murphy

Treasurer & CFO, Investors Capital Holdings

President, Investors Capital Corporation

During the last 3 years both my individual and branch office production have dramatically increased. This is due in large part to the Investors Capital Corporation personnel and the ideas and concepts they bring to the table. I am proud to be a part of an organization that not only understands that everything starts in the field but also has a deep concern for both its representatives and their clients.

DON INGRAM

WINTER HAVEN, FL

INVESTORS CAPITAL CORPORATION

Investors Capital Corporation serves 800 registered and licensed representatives and maintains 209 branch offices. Conducting business in 49 states, Puerto Rico and the District of Columbia, the firm provides, support, technology, and back office services to its nationwide network of investment professionals.

We are focused on providing representatives with the flexibility and happiness that comes from driving your own financial practice.

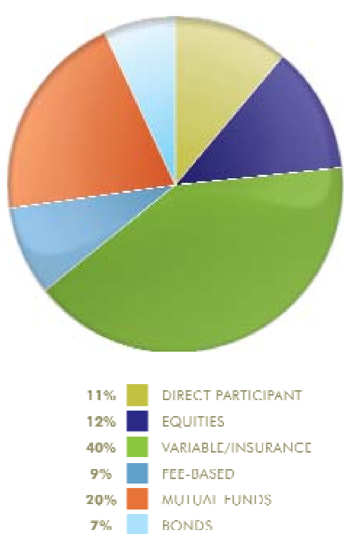
Since 1992, we have helped thousands of financial advisors enhance their quality of life, choose and execute their own business model, improve client service and build equity in their own business.

In 2004, Investors Capital Corporation continued to refine its programs, benefits, and technology to support our nationwide network of financial advisors.

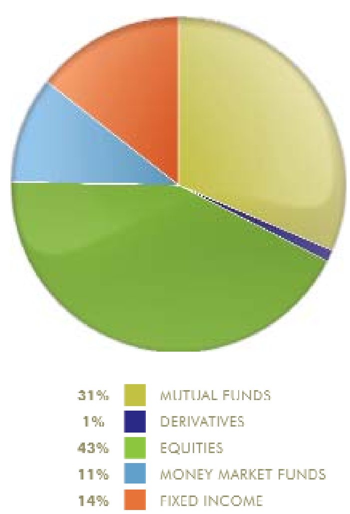
Financial advisors across the country saw Investors Capital roll-out ClientInsight, one of the industry's most advanced aggregation, consolidation and reporting tools available, which allows representatives to view and consolidate their clients' accounts online and generate in-depth reports to use in their practices.

The company also augmented its marketing support mechanism to further aid our representative network with seminars, direct marketing, eMarketing, advertising and public relations, which positively impacted their bottom line.

INVESTORS CAPITAL REVENUE MIX



INVESTORS CAPITAL ASSET DISTRIBUTION

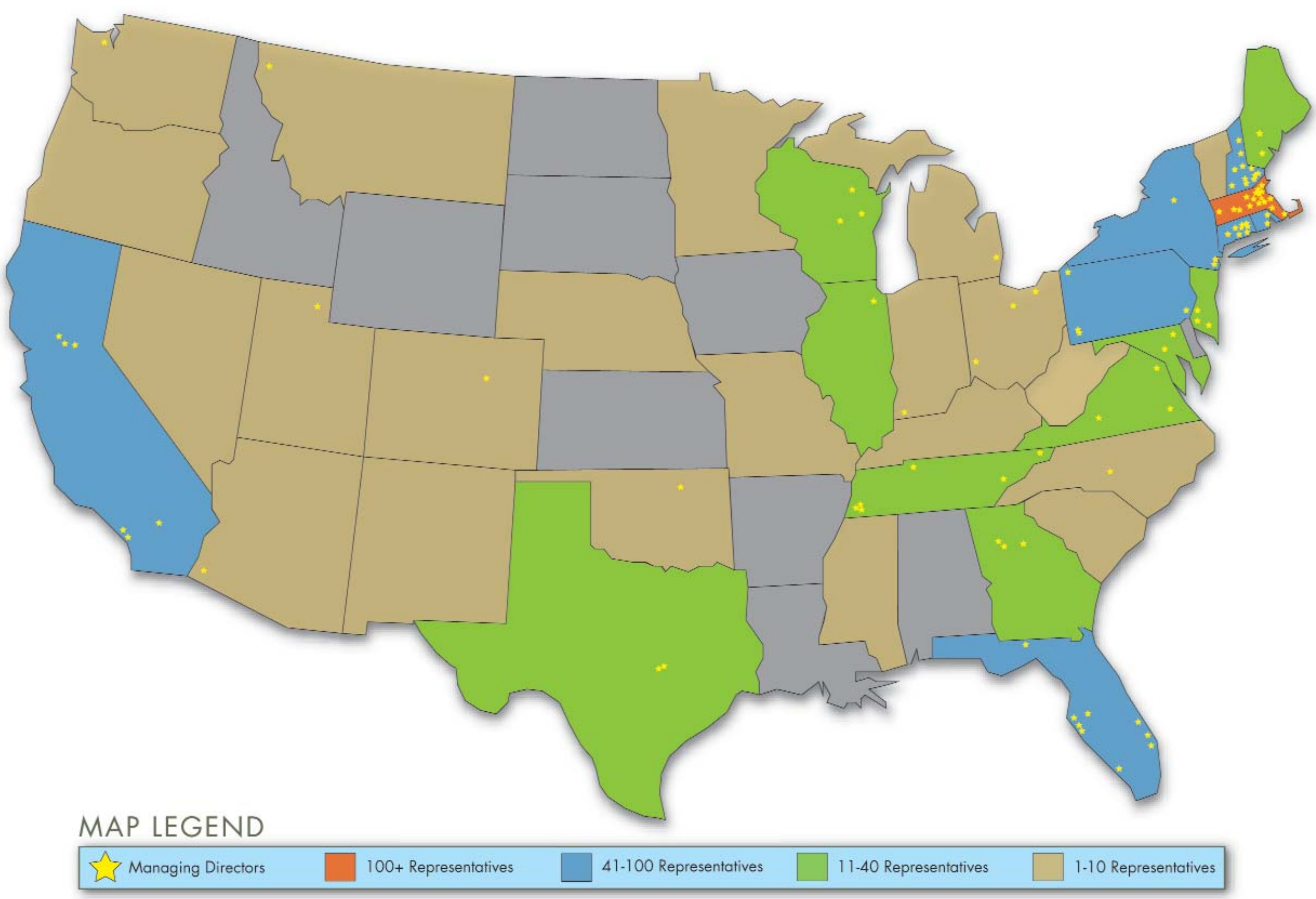


INVESTORS CAPITAL NATIONWIDE OFFICES

From the smallest towns to the largest cities throughout the United States, Investors Capital maintains a presence. Investors Capital which has always maintained strength within major business centers like Boston, Los Angeles, New York, Miami and San Francisco, today serves more than 150,000 clients in forty-nine states.

Across the country our representatives offer their clients full service stock and bond trading capabilities, mutual funds, annuities, long-term care insurance, life insurance, managed asset plans, private placements, limited partnerships, unit investment trusts, 1031 exchanges, CDs and a variety of other investment products and services.

Investors Capital Corporation's number one goal is to help our representatives build their business. Our focus is to offer the most comprehensive value-added products and services to individual clients, financial advisors, financial institutions and banks across the United States.



INVESTORS CAPITAL INVESTMENT CENTERS

In response to increasing demand by representatives making the transition from a wirehouse environment to independent financial advisors, Investors Capital continues to grow its transition suites—ICC Investment Centers. Located in Massachusetts, New Hampshire and California, ICC's Investment Centers provide representatives with the opportunity to ease into independence. Investors Capital Investment Centers provide compensation packages with payouts up to 70%, and include benefits such as health and 401(k). Unlike other investment centers, Investors Capital supports representatives with a transition team to help set up their practice, including the necessary technology and account transfers. ICC Investment Centers help financial advisors to run their business as independent entrepreneurs.

INVESTORS CAPITAL BOND DESK

In 2004, Investors Capital continued growing its full-service bond desk, which now accounts for 7% of Investors Capital's total revenue. Under the direction of Alan Cobb and Maurice Kauff, the bond department established in 2002, serves as a full service fixed income department. Through our bond desk, our brokers can locate specific issues or search the market for products that their clients need. Our objective is to provide our brokers with competitive pricing and the highest available yields in the marketplace including municipal bonds, corporate bonds, agencies, treasuries, unit investment trusts and CDs. In addition, our bond desk provides advice to Investors Capital representatives on bond portfolio construction and analysis, bond portfolio laddering and trade execution.

Having spent over twenty years as an Investment Advisor with a major wirehouse , I joined Investors Capital Corp. two years ago. Managing primarily a transactional business , what I have found to be most impressive is the cooperation I experience from both the trading , and operations staff on a daily basis. The professional and courteous support received has been invaluable in allocating my clients' assets efficiently.

KEN STEUER
HUNTINGTON, NY

EASTERN POINT ADVISORS, INC.

Eastern Point Advisors is a federally registered advisory firm named after the lighthouse on Eastern Point, in Gloucester, Massachusetts. The Eastern Point Lighthouse was built in 1831 under the direction of President Andrew Jackson, and today still guides the way for fisherman, sailors and tourists making their way to port. Like the Eastern Point Lighthouse, Eastern Point Advisors has served as a beacon of light for investors' financial strategies since 1995.

Eastern Point Advisors provides professionally managed portfolios to its individual and institutional clients, and serves as the advisor to Eastern Point Advisors Capital Appreciation Fund and Eastern Point Advisors Rising Dividend Growth Fund. Rooted in the Nobel Prize winning Model Portfolio Theory, Eastern Point Advisors leverages state-of-the-art technology and a rigorous selection process to construct portfolios of mutual funds, variable annuities, and individual equity securities.

Eastern Point Advisors continuously monitors, maintains and tailors portfolios to meet individual specific investment goals and objectives. Eastern Point Advisors also provides a fee-for-service model that guarantees the highest level of client service and attention.

In 2005, Eastern Point Advisors continued its aggressive growth plan, by focusing on extending its wholesaling network to increase awareness and sales around it's two mutual funds and grow its professionally managed portfolios of variable annuities, individual equity securities and fee-based, money management programs.

HELPING NAVIGATE YOUR FINANCIAL FUTURE

Each individual maintains varying levels of comfort and distinct goals when it comes to their financial plan. Eastern Point Advisors uses asset allocation to help reduce risk through diversification to provide the greatest opportunity for the greatest potential return. To implement this strategy, Eastern Point Advisors relies upon five basic Model Portfolios that appropriately reflect the varying levels of risk while providing a path to help reach the goals of individual investors.

Along with the active involvement and assistance of each client, Eastern Point Advisors determines the tolerance for risk, expectation of reward and personal investment goals. Once analyzed, Eastern Point Advisors then builds the appropriate model portfolio for each client.

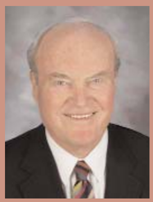
By agreeing on the strategy, Eastern Point Advisors will then implement a program by objectively selecting individual stocks, bonds, mutual funds and insurance products based on individual client needs. Eastern Point Advisors constantly reassess's each client's situation and realigns their portfolio accordingly.

EASTERN POINT ADVISORS RISING DIVIDEND GROWTH FUND

Recently celebrating its first anniversary, the Eastern Point Advisors Rising Dividend Growth Fund centers its strategy on dividends, believing they are the linchpin to a total return strategy. Historically, dividends have offered investors attractive growth and consistent income.

Mr. Thomas W.L. Cameron and his team bring a long-term approach for helping investors build sustainable wealth over the long term. The fund's objective is long-term growth of capital and current income investing in common stocks of domestic and foreign companies that have increased their dividend payments to shareholders at least each year for the past ten years.

The Rising Dividend Growth Fund focuses on companies with solid histories, strong finances and positive prospects. Typical portfolios consist of approximately 30-40 holdings of companies with stockholder-oriented management teams, who manage debt well, and have reasonable stock prices and solid growth rates.



TOM CAMERON

Portfolio Manager,

Eastern Point Advisors Rising Dividend Growth Fund (ICRDX)

EASTERN POINT ADVISORS CAPITAL APPRECIATION FUND

Eastern Point Advisors Capital Appreciation Fund takes a value-based approach toward growth investing. The fund seeks to find stocks that are underdogs, in mid-stage recovery, within the growth universe. Typical portfolios consist of 30-40 mid-to-large-cap equally weighted, concentrated holdings of companies that have the potential to outperform broad benchmarks.

The fund's investment philosophy is to amplify growth potential by identifying companies with the potential to increase earnings. The Capital Appreciation Fund takes a consistent cash flow-based approach toward evaluating stocks, investing in companies that demonstrate financial stability, growth potential, dominant or strong market position, and proven leadership.

In early 2005, Eastern Point Advisors welcomed Peter Andersen as the Capital Appreciation Fund's new portfolio manager. Peter Andersen is a veteran portfolio manager with broad experience managing a variety of asset classes including equities, fixed income and alternative products.

PETER ANDERSEN

Portfolio Manager,

Eastern Point Advisors Capital Appreciation Fund (ICTWX)

When I made the transition from an "agency environment" to that of an independent advisor, Investors Capital provided an incredible amount of support and guidance to get me through the transition process. And now, 7 years later, I'm delighted to say that no matter what the issue, they still give me the same level of support, and attention as they did when I was a prospective representative. I only wish I'd made the transition in my first few years of practice instead of my 14th.

JIM HILL
LEWISTON, PA

INVESTORS CAPITAL
INVESTORS CAPITAL HOLDINGS

Investors Capital is about taking control of your own destiny, the opportunity to gain ownership of your happiness and drive your financial future. As we look to the year ahead, we look to embrace change and positively impact the Investors Capital family of representatives, clients, investors and corporate staff.

Since 1992, Investors Capital Corporation, the broker dealer of Investors Capital Holdings (AMEX: ICH) has been helping thousands of independent brokers grow their financial practices and realize their potential.

CORPORATE INFORMATION

CONTACTS

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Computershare Trust Company, Inc.
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Golden, CO 80401

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90 Canal Street
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Phone: 617-227-4546

CORPORATE COUNSEL

Steven C. Preskenis, Esq.
Investors Capital Corporation
230 Broadway East
Lynnfield, MA 01940
Phone: (800) 949-1422

STOCK EXCHANGE LISTING

Investors Capital Holdings' common stock is listed on the American Stock Exchange under the symbol ICH.

BOARD OF DIRECTORS

Theodore E. Charles
President, Chairman & CEO,
Investors Capital Holdings

Timothy B. Murphy
Treasurer & CFO,
Investors Capital Holdings

David R. Smith
Managing Director,
Charter Financial Publishing Network

C. Troy Shaver, Jr.
President & CEO,
Dividend Growth Advisors

Arthur Stickney
Former Marketing & Advertising Firm Owner,
Stickney & Associates

William J. Atherton
Former President & Chief Operating Officer,
Ameritas Variable Life Insurance

INVESTOR RELATIONS

For more information, including the online version of Investors Capital Holdings' annual report, visit our Web site at **www.investorscapital.com**. Additional copies of this report and other corporate information are available upon request from:

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WWW.INVESTORSCAPITAL.COM

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