



**Oliver Capital Management, Inc.**  
COMPREHENSIVE WEALTH MANAGEMENT

January 22, 2005

**TO:** All U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President – Senior Investment Advisor  
**RE:** **2004 Year End Report, including the Strategically Engineered Portfolio Program (SEPP) performance/update materials.**

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**Dear Valued Private Client:**

There are three primary parts to the enclosed 2004 Year End Report:

1. The Strategically Engineered Portfolio Program (SEPP) Performance and Statistical Information,
2. The Economy, The Markets and Business in general
3. Oliver Capital Management and You

**THE STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)**

**The Strategically Engineered Portfolio Program (SEPP)** is working, indeed! As shown on the enclosed SEPP Performance and Statistical Summary spreadsheets, **the Strategically Engineered Portfolio Program (SEPP) materially outperformed all four major indices returning +16.87% in 2004** (vs. the Dow Jones Industrial Average +5.31%, the S & P 500 +10.87%, NASDAQ Composite +9.16% and The Russell 3000 +11.95%), with less risk, as measured by standard deviation, than most major market indices and asset classes. This is exactly what we set out to achieve with the SEPP strategy: greater return than the overall market, with less risk. While we should not necessarily expect the SEPP to always outperform during all time periods to this degree, we'll calmly enjoy it when it does!

In addition to the Q4 and 2004 Year End performance numbers, we have also enclosed the SEPP's trailing Five (5) Year performance history to this report for your review. Again, you will see that the SEPP strategy significantly outperformed all four major market indices. In summary, the trailing five year return for the SEPP (as of 12/31/2004) is +8.88% vs. The Dow Jones Industrial Average +1.42, the S & P 500 -2.30%, the NASDAQ Composite -11.77% and the Russell 3000 -1.16% (see enclosed Trailing Five Year SEPP Performance Report).

Not only did the SEPP outperform on a gross performance basis, there were also no year-end capital gains distributions in 2004 for the entire SEPP. Unlike traditional actively managed mutual funds, where capital gains distributions can be significant, the SEPP portfolios are designed to have relatively low portfolio turnover, which minimizes capital gains distributions to investors, increasing investor's net returns. Strategically Engineered Portfolio Program investors, such as you, do not face the potential for taxable gains when other investors choose to



sell. This dynamic typically results in better performance.

Additionally, as you know, every January, the SEPP strategy rebalances all six (6) core portfolios (Large Cap, Mid-Cap, Small Cap, International, Fixed Income and Dividend) back to their original benchmark weightings, selling a portion the asset classes that are above their original benchmark weighting and buying more of the asset classes that are below their original benchmark weighting. This time-tested technique has historically resulted in better performance and decreased market risk.

Moreover, one of the key, value added features of the SEPP strategy is investing 10% of client portfolio assets into the worst performing economic sector of the trailing twelve month period every January. In 2004, this sector was represented by the Telecommunications Sector Portfolio, as it was the worst performing sector in the previous year, 2003. **For the upcoming year, 2005, the worst performing sector portfolio in the SEPP will be represented by the Technology Sector Portfolio** as it was the worst performing sector of the US economy in 2004 (out of 11 total). The Top Twenty Holdings in the 2005 Technology Sector Portfolio are:

- |                        |                              |
|------------------------|------------------------------|
| 1. Microsoft Corp.     | 11. Texas Instruments, Inc.  |
| 2. IBM Corp.           | 12. EMC Corp.                |
| 3. Intel Corp.         | 13. Applied Materials Inc.   |
| 4. Cisco Systems, Inc. | 14. Apple Computer Inc.      |
| 5. Dell Inc.           | 15. Corning Inc.             |
| 6. Qualcomm Inc.       | 16. Lucent Technologies Inc. |
| 7. Hewlett Packard Co. | 17. Symantec Corp.           |
| 8. Oracle Corp.        | 18. Xerox Corp.              |
| 9. Yahoo! Inc.         | 19. Sun Microsystems Inc.    |
| 10. Motorola Inc.      | 20. Adobe Systems Inc.       |

Enclosed, you will also find a report listing the TOP 20 HOLDINGS in each of the six Core Portfolios that make up the Strategically Engineered Portfolio Program (SEPP).

In conclusion, the performance numbers certainly support our conviction that a somewhat contrarian approach to investing (i.e. buy more of the underperforming sectors and asset classes and sell some of those that have recently out-performed the rest of the market) is not only prudent, but rewarding as well. **We will stay the course: disciplined and un-wavering.**

#### **THE ECONOMY, THE MARKETS AND BUSINESS IN GENERAL**

The market in general had one of its best quarters in recent memory. Much of this was due to solid earnings reported in early Q4 2004 and buoyed by the Republican (GOP) political victories. In our last quarterly report, we stated “significant amounts of assets remain on the sidelines with the apparent uncertainty regarding the upcoming elections. It is our belief that once this uncertainty is behind us, some of those assets will be re-deployed into the equity markets.” This



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proved to be the case, indeed, as we saw the market in general advance nearly 10% in Q4 2004, alone!

On December 14<sup>th</sup>, 2004, The Federal Open Market Committee (along with Alan Greenspan), decided to raise its target for the federal funds rate by 25 basis points (.25%) for the fifth time in 2004, pushing the fed-funds rate to 2-1/4 percent (from 1% at the beginning of 2004).

The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Output appears to be growing at a moderate pace despite the earlier rise in energy prices, and labor market conditions continue to improve gradually. Inflation and longer-term inflation expectations remain well contained.

Lastly, I would like to take this opportunity to thank you for the trust you have placed in us and for your continued partnership as we look forward to another successful year in 2005.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Mark K. Oliver'. The signature is fluid and cursive.

**Mark K. Oliver**  
**President – Senior Investment Advisor**

## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### FOURTH QUARTER 2004 (10/01/2004 - 12/31/2004)

#### Index

S&P 500  
 NASDAQ  
 Russell 3000  
 Dow Jones Industrial Average

Total Return*
9.23%
14.86%
10.16%
7.59%

#### SEPP Portfolio

Large Cap Portfolio	9.21%
Mid-Cap Portfolio	12.11%
Small Cap Portfolio	12.95%
International Portfolio	15.04%
Aggregate Bond Portfolio	0.88%
Select Dividend Portfolio	7.85%
Strategically Selected Portfolio (Telecommunications Sector)	8.01%

**Model SEPP Fourth Quarter 2004 Total Return** **9.90%**

### 2004 YEAR END (12/31/2003 - 12/31/2004)

#### Index

S&P 500  
 NASDAQ  
 Russell 3000  
 Dow Jones Industrial Average

Total Return*
10.87%
9.16%
11.95%
5.31%

#### SEPP Portfolio

Large Cap Portfolio	10.78%
Mid-Cap Portfolio	16.29%
Small Cap Portfolio	22.45%
International Portfolio	19.76%
Aggregate Bond Portfolio	4.01%
Select Dividend Portfolio	17.91%
Strategically Selected Portfolio (Telecommunications Sector)	18.13%

**Model SEPP Year End 2004 Total Return** **16.87%**

# STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

## AVERAGE ANNUAL TOTAL RETURN TRAILING FIVE YEARS (12/31/1999 - 12/31/2004)

### Index

S&P 500  
NASDAQ  
Russell 3000  
Dow Jones Industrial Average

Average Annual Total Return*
-2.30%
-11.77%
-1.16%
1.42%

### Exchange Traded Portfolio (Rebalanced Annually)

Large Cap Portfolio	7.82%
Mid-Cap Portfolio	8.82%
Small Cap Portfolio	9.86%
International Portfolio	9.46%
Aggregate Bond Portfolio	6.80%
Select Dividend Portfolio	9.10%
Strategically Selected Portfolio	9.20%

### Model SEPP Trailing Five Year Average Total Return per Year

**8.88%**

\* Total Return numbers (as shown above) include capital appreciation, and assume all dividends and interest are reinvested.

\*\* In 2000 through 2004, the Strategically Selected Portfolios were utilities, telecommunications, technology, technology again and telecommunications respectively.

**PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS** The results and conclusions made herein are not intended to recommend any specific investment or type of investment, and should not be construed as such. SEPP performance numbers contained herein are that of the Model SEPP as of the printing of this report and do not necessarily reflect that of any OCM client portfolio. Before making any investment, all aspects associated with it, including, but not limited to, applicable fees, charges, expenses and tax implications, should be considered. The information and results contained herein are based upon data obtained from sources we believe to be reliable (including, but not limited to, Ibbotson Associates, Barclays Global Investors, SEI); however, Oliver Capital Management, Inc., and/or its affiliates, do not guarantee the completeness or accuracy thereof.

iShares are bought and sold at market price (not NAV) and are not individually redeemed from the Portfolio. Brokerage commissions reduce returns. Index performance returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index. Index performance is based upon information provided by the index providers.

Market returns are based upon the midpoint of the bid/ask spread at 4:00 PM Eastern time (when NAV is normally determined for most iShares), and do not represent the returns you would receive if you traded shares at other times. The first trading date is typically several days after the Portfolio inception date. Therefore, NAV is used to calculate market returns prior to the first trade date because there is no bid/ask spread until the Portfolio starts trading.

**Oliver Capital Management, Inc.**  
**2004 Strategically Engineered Portfolio Program**  
**Top Twenty Holdings Report**

**LARGE CAP PORTFOLIO**  
**TOP 20 HOLDINGS AS OF 12/31/2004**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 GENERAL ELECTRIC CO	GE	NYSE
2 EXXON MOBIL CORP	XOM	NYSE
3 MICROSOFT CORP	MSFT	NASDAQ
4 CITIGROUP INC	C	NYSE
5 WAL-MART STORES INC	WMT	NYSE
6 PFIZER INC	PFE	NYSE
7 JOHNSON & JOHNSON	JNJ	NYSE
8 BANK OF AMERICA CORP	BAC	NYSE
9 AMERICAN INT'L GROUP	AIG	NYSE
10 INT'L BUSINESS MACHINES	IBM	NYSE
11 INTEL CORP	INTC	NASDAQ
12 PROCTER & GAMBLE CO	PG	NYSE
13 JPMORGAN CHASE & CO	JPM	NYSE
14 ALTRIA GROUP INC	MO	NYSE
15 CISCO SYSTEMS INC	CSCO	NASDAQ
16 CHEVRONTXACO CORP	CVX	NYSE
17 VERIZON COMMUNICATIONS	VZ	NYSE
18 WELLS FARGO & CO	WFC	NYSE
19 DELL INC	DELL	NASDAQ
20 COCA-COLA CO (THE)	KO	NYSE

**MIDCAP PORTFOLIO**  
**TOP 20 HOLDINGS AS OF 12/31/2004**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 DR HORTON INC	DHI	NYSE
2 WASHINGTON POST CO (B)	WPO	NYSE
3 LENNAR CORP CLASS A	LEN	NYSE
4 HARMAN INT'L INDUSTRIES	HAR	NYSE
5 FIDELITY NATIONAL FINANCIAL	FNF	NYSE
6 MURPHY OIL CORP	MUR	NYSE
7 LEGG MASON INC	LM	NYSE
8 LYONDELL CHEMICAL CO	LYO	NYSE
9 WEATHERFORD INTERNATIONAL	WFT	NYSE
10 BANKNORTH GROUP INC	BNK	NYSE
11 SEPRACOR INC	SEPR	NASDAQ
12 TYSON FOODS INC CLASS A	TSN	NYSE
13 EXPEDITORS INT'L OF WA	EXPD	NASDAQ
14 CAESARS ENTERTAINMENT INC	CZR	NYSE
15 PATTERSON COS INC	PDCO	NASDAQ
16 WHOLE FOODS MARKET INC	WFMI	NASDAQ
17 MOHAWK INDUSTRIES INC	MHK	NYSE
18 SMITH INTERNATIONAL INC	SII	NYSE
19 VARIAN MEDICAL SYSTEMS INC	VAR	NYSE
20 CDW CORP	CDWC	NASDAQ

**SMALL CAP PORTFOLIO**  
**TOP 20 HOLDINGS AS OF 12/31/2004**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 NVR INC	NVR	AMEX
2 NEW CENTURY FINANCIAL REIT	NEW	NYSE
3 COOPER COS INC	COO	NYSE
4 MDC HOLDINGS INC	MDC	NYSE
5 POLARIS INDUSTRIES INC	PII	NYSE
6 YELLOW ROADWAY CORP	YELL	NASDAQ
7 ROPER INDUSTRIES INC	ROP	NYSE
8 PATINA OIL & GAS CORP	POG	NYSE
9 MASSEY ENERGY CO	MEE	NYSE
10 FLORIDA ROCK INDUSTRIES	FRK	NYSE
11 FIRST BANCORP	FBP	NYSE
12 PHARM. PRODUCT DEV	PPDI	NASDAQ
13 OSHKOSH TRUCK CORP	OSK	NYSE
14 LANDSTAR SYSTEM INC	LSTR	NASDAQ
15 SOUTH FINANCIAL GROUP INC	TSFG	NASDAQ
16 GLOBAL PAYMENTS INC	GPN	NYSE
17 TIMKEN CO (THE)	TKR	NYSE
18 STANDARD-PACIFIC CORP	SPF	NYSE
19 EAST WEST BANCORP INC	EWBC	NASDAQ
20 FLIR SYSTEMS INC	FLIR	NASDAQ

**INTERNATIONAL PORTFOLIO**  
**TOP 20 HOLDINGS AS OF 12/31/2004**

<u>Name</u>	<u>Ticker</u>
1 BP PLC	BP
2 HSBC HOLDINGS PLC	HSBA
3 VODAFONE GROUP PLC	VOD
4 GLAXOSMITHKLINE PLC	GSK
5 TOTAL SA	FP
6 ROYAL DUTCH PETROLEUM	RDA
7 NOVARTIS AG	NOVN
8 TOYOTA MOTOR CORP	TM
9 NESTLE SA REGISTERED	NESN
10 ROYAL BANK OF SCOTLAND	RBS
11 UBS AG REGISTERED	UBSN
12 TELEFONICA SA	TEF
13 SHELL TRANSPORT & TRADING	SHEL
14 ROCHE HOLDING AG GENUSSSCHEIN	ROG
15 NOKIA OYJ	NOK
16 BARCLAYS PLC	BARC
17 BANCO SANTANDER C HISPANO SA	SAN
18 SANOFI-AVENTIS	SNY
19 ENI SPA	ENI
20 SIEMENS AG REGISTERED	SIE

# Oliver Capital Management, Inc.

## 2004 Strategically Engineered Portfolio Program

### Top Twenty Holdings Report

#### AGGREGATE FIXED INCOME/BOND PORTFOLIO TOP 20 HOLDINGS AS OF 12/31/2004

	<u>Name</u>	<u>Credit Rating (S&amp;P)</u>
1	UNITED STATES TREAS	TSY (AAA Implied)
2	UNITED STATES TREAS	TSY (AAA Implied)
3	FNMA TBA 30YR	AAA
4	FEDERAL NATL MTG ASS	TSY (AAA Implied)
5	UNITED STATES TREAS	TSY (AAA Implied)
6	FNMA TBA 30YR	AAA
7	UNITED STATES TREAS	TSY (AAA Implied)
8	UNITED STATES TREAS	TSY (AAA Implied)
9	FHLMC GOLD TBA 30 YR	AAA
10	FHLMC GOLD TBA 15YR	AAA
11	FEDERAL HOME LN MTG	TSY (AAA Implied)
12	FNMA TBA 30YR	AAA
13	FHLMC GOLD TBA 30 YR	AAA
14	FEDERAL HOME LN MTG	TSY (AAA Implied)
15	FNMA TBA 15YR	AAA
16	FHLMC GOLD TBA 15YR	AAA
17	FNMA TBA 30YR	AAA
18	FHLMC GOLD TBA 30 YR	AAA
19	FEDERAL NATL MTG ASS	TSY (AAA Implied)
20	FHLMC GOLD TBA 30 YR	AAA

#### SELECT DIVIDEND PORTFOLIO TOP 20 HOLDINGS AS OF 12/31/2004

	<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1	ALTRIA GROUP INC	MO	NYSE
2	BANK OF AMERICA CORP	BAC	NYSE
3	DTE ENERGY CO	DTE	NYSE
4	FPL GROUP INC	FPL	NYSE
5	PNC FINANCIAL SERVICES	PNC	NYSE
6	EASTMAN CHEMICAL CO	EMN	NYSE
7	PINNACLE WEST CAPITAL	PNW	NYSE
8	UNITRIN INC	UTR	NYSE
9	COMERICA INC	CMA	NYSE
10	GENERAL MOTORS CORP	GM	NYSE
11	BRISTOL-MYERS SQUIBB CO	BMJ	NYSE
12	DUQUESNE LIGHT HOLDINGS	DQE	NYSE
13	PPG INDUSTRIES INC	PPG	NYSE
14	FIRSTENERGY CORP	FE	NYSE
15	SBC COMMUNICATIONS INC	SBC	NYSE
16	NATIONAL CITY CORP	NCC	NYSE
17	PEOPLE'S BANK	PBCT	NASDAQ
18	KEYCORP	KEY	NYSE
19	NICOR INC	GAS	NYSE
20	LINCOLN NATIONAL CORP	LNC	NYSE

#### US TELECOMMUNICATIONS SECTOR PORTFOLIO TOP 20 HOLDINGS AS OF 12/31/2004

	<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1	VERIZON COMMUNICATIONS	VZ	NYSE
2	SBC COMMUNICATIONS INC	SBC	NYSE
3	BELLSOUTH CORP	BLS	NYSE
4	NEXTEL COMMUNICATIONS (A)	NXTL	NASDAQ
5	SPRINT CORP	FON	NYSE
6	AT&T CORP	T	NYSE
7	ALLTEL CORP	AT	NYSE
8	VODAFONE GROUP PLC ADR	VOD	NYSE
9	BCE INC	BCE	NYSE
10	TELEPHONE & DATA SYSTEMS	TDS	AMEX
11	CENTURYTEL INC	CTL	NYSE
12	CITIZENS COMMUNICATIONS	CZN	NYSE
13	MCI INC	MCIP	NASDAQ
14	UNITED STATES CELLULAR	USM	AMEX
15	QWEST COMMUNICATIONS INC	Q	NYSE
16	NII HOLDINGS INC CLASS B	NIHD	NASDAQ
17	WESTERN WIRELESS CORP	WWCA	NASDAQ
18	NEXTEL PARTNERS INC (A)	NXTP	NASDAQ
19	CINCINNATI BELL INC	CBB	NYSE
20	IDT CORP CLASS B	IDT	NYSE