



**TO:** U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President – Senior Investment Advisor  
**DATE:** July 24, 2007  
**RE:** **Second (Q2) Quarter 2007 Performance and Review, including the Strategically Engineered Portfolio Program (SEPP) Performance Report and related materials.**

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**Dear Oliver Capital Management Private Client:**

There are three sections to the enclosed Second Quarter (Q2) 2007 Report:

- The Strategically Engineered Portfolio Program (SEPP)
- The Economy, the Markets and Business in general
- **Oliver Capital Management and You - Warren Buffet (and Oliver Capital Management) boosts health care sector stake**

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

**The Strategically Engineered Portfolio Program (SEPP)**, along with the rest of the market, posted strong results in the second quarter of 2007. **Our model SEPP gained +4.17% during the Second Quarter of 2007 (Q2 – 2007).** The Major Market Index returns for Q2 – 2007 were as follows: S&P 500 +6.27%, the Dow Jones Industrial Average +8.29%, the NASDAQ Composite +7.50%, and the Russell 3000 +5.77%.

The primary reasons for the model SEPP's underperformance relative to the four major market indexes during Q2 - 2007 are twofold:

1. The major market indexes are heavily over-weighted in large-cap, relative to the model SEPP (the large-cap sector posted phenomenally strong results this past quarter). **However, it should be noted that the model SEPP's underweighting in large-cap, relative to small and mid-cap asset classes, is precisely what should help us outperform the major market averages over the long term.**
2. The major market indexes do not contain any bonds or fixed income positions, whereas the model SEPP does (interest rates went up during Q2 – 2007, sending bond prices down). **It is important to point out that the model SEPP's bond component is what often helps the SEPP to outperform in down markets, and decreases the volatility of the model SEPP over the long-term, as measured by standard deviation.**

In addition to Q2 – 2007 performance information, enclosed is a chart showing the SEPP's yearly total returns from 2000 through the second quarter of 2007, as well as the average annual trailing three-year and five-year performance histories. **From January 1, 2000 through June 30, 2007, the model SEPP's Compound Annual Growth rate is +10.21% compared to +1.37% for the average of the four major market indexes.** Furthermore, we find much comfort and assurance knowing that the model SEPP's out-performance has been achieved with significantly less volatility (often referred to as risk) than the major market indexes, as measured by standard deviation.



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

During the second quarter of 2007, interest rates, oil prices, and the stock market all went up. What does that mean for us, as consumers and investors? In general, since more of our assets are directly affected by the stock market and interest rates (i.e., in the form of investment accounts, 401(k)'s, and mortgages) than by gas and oil prices, and other derivatives of oil and gas, the net result should be a positive one for most of us, provided the first two variables in our short list above (interest rates and oil prices) do not get out of hand. **From an historical perspective, current oil prices are relatively high and mortgage rates are still relatively low.**

**The Fed (and Ben Bernanke, Chairman):** At both Fed meetings during Q2 – 2007, **the Federal Open Market Committee (FOMC) decided to keep the Federal Funds rate at 5.25% (i.e., unchanged)**, citing “moderate economic growth” during the first half of this year, despite the ongoing adjustment in the housing sector. The core inflation rate has slowed in recent months, which could compel the Fed to keep interest rates at their current level, and perhaps even consider a cut at some point. However, future interest rate adjustments will, as they always have, depend upon the evolution of the outlook on both inflation and economic growth, as intimated by incoming information and data.

## OLIVER CAPITAL MANAGEMENT AND YOU

### **Warren Buffet (and Oliver Capital Management) boosts health care sector stake.**

As you should know by now, one of the value-added features of the SEPP is the inclusion of a strategically selected portfolio that is added to the six (6) core SEPP portfolios every January. This strategically selected SEPP portfolio represents the worst-performing sector of the US economy over the preceding calendar year. In 2006, the worst-performing economic sector in the US economy was Healthcare. Therefore, **last January all client portfolios employing our proprietary SEPP strategy had 10% of their assets allocated to a broad Healthcare Index portfolio.**

I found it intriguing when I recently came across a Reuters article (May 16, 2007) titled “**Warren Buffet boosts health care sector stake.**” The article began by stating “**Warren Buffet, known for buying undervalued stocks, is boosting his bet on health care, a sector known more for growth than value.**”

The article went on to say that Warren Buffet recently doubled his stake in Johnson & Johnson, the top holding in the Health Care Portfolio owned by the Oliver Capital Management model SEPP investment strategy. Mr. Buffet typically invests in companies he believes are undervalued, are easy to understand, have strong management, above average growth prospects, and healthy market shares. **It is re-assuring to consider that perhaps Mr. Buffet and I are thinking along the same lines with regard to the health care sector (i.e., contrarian).**

As always, please do not hesitate to call or e-mail me if you have any thoughts or questions about this Quarterly Report, or if you would like to receive an updated copy of our Form ADV.

Sincerely yours,

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



**STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)  
 SECOND QUARTER PERFORMANCE REPORT AS OF JUNE 30, 2007**

<b>Model SEPP Portfolio Component</b>	<b>Weight</b>	<b>Second Quarter Total Return as of 6/30/2007</b>	<b>Year to Date Total Return as of 6/30/2007</b>	<b>One Year Total Return as of 6/30/2007</b>	<b>Three Year Average Annual Return as of 6/30/2007</b>	<b>Five Year Average Annual Return as of 6/30/2007</b>
Large Cap Portfolio	10.00%	6.24%	6.89%	20.44%	11.58%	10.61%
Mid-Cap Portfolio	20.00%	5.74%	11.82%	18.19%	14.97%	13.98%
Small-Cap Portfolio	20.00%	5.16%	8.42%	15.83%	14.27%	14.17%
International Portfolio	10.00%	6.49%	10.82%	26.85%	22.00%	17.51%
Aggregate Bond Portfolio	10.00%	-0.62%	0.74%	5.80%	3.72%	4.24%
Select Dividend Portfolio	20.00%	1.54%	3.26%	17.87%	12.51%	12.08%
Strategically Selected Portfolio (Healthcare)*	10.00%	4.66%	5.64%	16.66%	6.82%	7.54%
<b>Oliver Capital Management Model SEPP Portfolio</b>		<b>4.17%</b>	<b>7.11%</b>	<b>17.35%</b>	<b>12.76%</b>	<b>12.04%</b>
<b>Index / Benchmark</b>	<b>Weight</b>					
S&P 500	100.00%	6.24%	6.89%	20.44%	11.58%	10.61%
Dow Jones Industrial Average	100.00%	8.22%	8.63%	22.77%	10.95%	9.92%
NASDAQ	100.00%	7.43%	7.65%	19.58%	8.06%	11.94%
Russell 3000	100.00%	5.70%	6.98%	19.80%	12.17%	11.26%
<b>Average of all Four (4) Major Market Indexes</b>		<b>6.90%</b>	<b>7.53%</b>	<b>20.65%</b>	<b>10.69%</b>	<b>10.93%</b>

\* In 2002 through 2006, the Strategically Selected Sector Portfolios were technology, technology, telecommunications, technology and telecommunications respectively. In 2007, the Strategically Selected Sector Portfolio is the healthcare sector index (IYH).

ALL DATA IS BASED ON PRICE RETURN. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Unless otherwise stated, all performance data above reflects the reinvestment of all dividends and interest, and unless otherwise stated, are presented before management fees, have been reduced by applicable expense ratios, and do not represent the returns one would receive if shares were traded at other times than that of the Model SEPP. The Model SEPP is intended for investors seeking long-term growth of capital. Comparisons to broad stock market indexes, such as the unmanaged indexes listed above, may not be appropriate. Client accounts may be invested in securities that are not included in these indexes, and one cannot invest directly in an index. The model SEPP involves investment risk, including possible loss of principal.

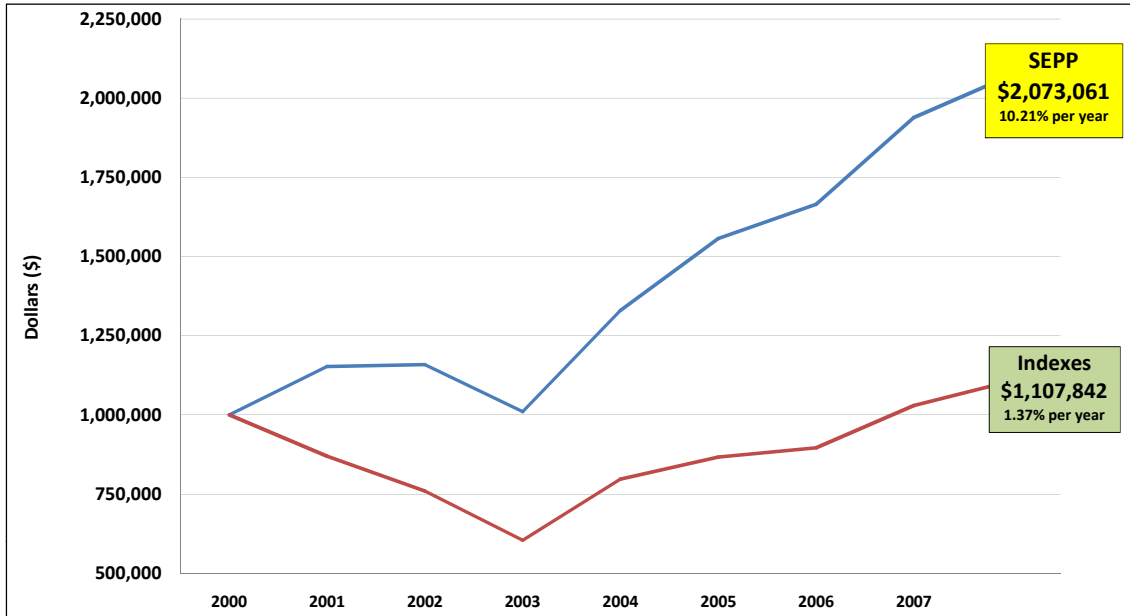
The results and conclusions made herein do not necessarily reflect that of any OCM client portfolio and are not intended to recommend any specific investment or type of investment. Before making any investment, all aspects associated with it, including, but not limited to, applicable fees, charges, expenses 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.



**STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)**

**Performance Detail Showing Growth of \$1,000,000 Invested in the Model SEPP**  
 Compared to the Average of the S&P 500, Dow Jones Industrial Average, NASDAQ, and the Russell 3000

**From January 1, 2000 through June 30, 2007**



	<b>Model SEPP Portfolio</b>	
	SEPP Return (%)	\$1,000,000 Invested in the SEPP on January 1, 2000
Year 2000	15.28%	\$ 1,152,780
Year 2001	0.01%	\$ 1,158,722
Year 2002	-13.23%	\$ 1,010,410
Year 2003	33.15%	\$ 1,330,107
Year 2004	16.87%	\$ 1,556,986
Year 2005	7.23%	\$ 1,664,645
Year 2006	16.72%	\$ 1,939,143
Year 2007*	7.11%	\$ 2,073,061

	<b>Indexes</b>	
	Index Return (%)	\$1,000,000 Invested in Indexes on January 1, 2000
Year 2000	-12.97%	\$ 870,263
Year 2001	-12.67%	\$ 759,989
Year 2002	-22.76%	\$ 604,747
Year 2003	34.28%	\$ 797,095
Year 2004	8.95%	\$ 866,529
Year 2005	3.32%	\$ 896,480
Year 2006	14.28%	\$ 1,029,786
Year 2007*	7.53%	\$ 1,107,842

\* Through 6/30/2007

<b>Compound Annual Growth Rate</b>	
<b>Model SEPP Portfolio</b>	<b>10.21% per year</b>
<b>Indexes</b>	<b>1.37% per year</b>
<b>From January 1, 2000 through June 30, 2007</b>	

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Unless otherwise stated, all performance data above reflects the reinvestment of all dividends and interest, and unless otherwise stated, are presented before management fees, have been reduced by applicable expense ratios, and do not represent the returns one would receive if shares were traded at other times than that of the Model SEPP. The Model SEPP is intended for investors seeking long-term growth of capital. Comparisons to broad stock market indexes, such as the unmanaged indexes listed above, may not be appropriate. Client accounts may be invested in securities that are not included in these indexes, and one cannot invest directly in an index. The model SEPP involves investment risk, including possible loss of principal.

The results and conclusions made herein do not necessarily reflect that of any OCM client portfolio and are not intended to recommend any specific investment or type of investment. 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.



**2007 Strategically Engineered Portfolio Program (SEPP)  
 Top Twenty Holdings Report**

**LARGE CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 6/30/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Exxon Mobil Corp	XOM	NYSE
2 General Electric Co	GE	NYSE
3 AT&T Inc	T	NYSE
4 Citigroup Inc	C	NYSE
5 Microsoft Corp	MSFT	NASDAQ
6 Bank Of America Corp	BAC	NYSE
7 Procter & Gamble Co	PG	NYSE
8 American Intl Group	AIG	NYSE
9 Chevron Corp	CVX	NYSE
10 Pfizer Inc	PFE	NYSE
11 Johnson & Johnson	JNJ	NYSE
12 Cisco Systems Inc	CSCO	NASDAQ
13 JP Morgan Chase	JPM	NYSE
14 Altria Group Inc	MO	NYSE
15 Intl Business Machines	IBM	NYSE
16 Intel Corp	INTC	NASDAQ
17 Conocophillips	COP	NYSE
18 Verizon Communications	VZ	NYSE
19 Wells Fargo Company	WFC	NYSE
20 Hewlett-Packard Co	HPQ	NYSE

**MID CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 6/30/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Noble Energy Inc	NBL	NYSE
2 Expeditors Intl Wash Inc	EXPD	NASDAQ
3 Microchip Technology Inc	MCHP	NASDAQ
4 Lyondell Chemical Company	LYO	NYSE
5 Cameron International Corp	CAM	NYSE
6 Manpower Inc	MAN	NYSE
7 Southwestern Energy Co	SWN	NYSE
8 Harris Corp	HRS	NYSE
9 Lam Research Corp	LRCX	NASDAQ
10 Martin Marietta Materials	MLM	NYSE
11 Everest Re Group Ltd	RE	NYSE
12 Grant Prideco Inc	GRP	NYSE
13 Jacobs Engineering Group Inc	JEC	NYSE
14 Telephone And Data Systems	TDS	NYSE
15 Amphenol Corp-CI A	APH	NYSE
16 Edwards (A.G.) Inc	AGE	NYSE
17 Joy Global Inc	JOYG	NASDAQ
18 Pride International Inc	PDE	NYSE
19 Dun & Bradstreet Corp	DNB	NYSE
20 Cadence Design Sys Inc	CDNS	NASDAQ

**S&P SMALL CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 6/30/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Manitowoc Company Inc	MTW	NYSE
2 Energen Corp	EGN	NYSE
3 Trimble Navigation Ltd	TRMB	NASDAQ
4 Shaw Group Inc	SGR	NYSE
5 Helix Energy Solutions Group	HLX	NYSE
6 Cabot Oil & Gas Corp	COG	NYSE
7 Southern Union Co	SUG	NYSE
8 Corn Products Intl Inc	CPO	NYSE
9 Chaparral Steel Co	CHAP	NASDAQ
10 Cleveland-Cliffs Inc	CLF	NYSE
11 Varian Semiconductor Equip	VSEA	NASDAQ
12 Respironics Inc	RESP	NASDAQ
13 Idex Corp	IEX	NYSE
14 Flir Systems Inc	FLIR	NASDAQ
15 Essex Property Trust Inc	ESS	NYSE
16 Hologic Inc	HOLX	NASDAQ
17 Idexx Laboratories Inc	IDXX	NASDAQ
18 Oceaneering Intl Inc	OII	NYSE
19 Unit Corp	UNT	NYSE
20 UGI Corp	UGI	NYSE

**INTERNATIONAL PORTFOLIO  
 TOP 20 HOLDINGS AS OF 6/30/2007**

<u>Name</u>	<u>Ticker</u>
1 British Petroleum Plc	BP
2 HSBC Holdings Plc	HSBA
3 Vodafone Group Plc	VOD
4 Toyota Motor Corp	TM
5 Total SA	FP
6 Royal Dutch Shell Plc-A Shs	RDSA
7 Nestle SA-Reg	NESN
8 Glaxosmithkline Plc	GSK
9 Novartis Ag-Reg	NOVN
10 Roche Holding Ag-Genusschein	ROG
11 Ubs Ag-Reg	UBSN
12 Siemens Ag-Reg	SIE
13 Royal Bank Of Scotland Group	RBS
14 Royal Dutch Shell Plc-B Shs	RDSB
15 Nokia	NOK
16 Banco Santander Central Hisp	SAN
17 Allianz Se-Reg	ALV
18 E.On Ag	EOA
19 BHP Billiton Ltd	BHP
20 Telefonica SA	TEF



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

## 2007 Strategically Engineered Portfolio Program (SEPP) Top Twenty Holdings Report

### AGGREGATE BOND PORTFOLIO TOP 20 HOLDINGS AS OF 6/30/2007

<u>Name</u>	<u>Credit Rating (S&amp;P)</u>
1 FNMA 30yr TBA (Reg A)	Aaa / AAA
2 Treasury Note	TSY / TSY
3 FGold 30yr TBA (Reg A)	Aaa / AAA
4 FNMA 30yr TBA (Reg A)	Aaa / AAA
5 FGold 30yr TBA (Reg A)	Aaa / AAA
6 Treasury Bond	TSY / TSY
7 Freddie Mac	TSY / TSY
8 FNMA 30yr TBA (Reg A)	Aaa / AAA
9 Treasury Note	TSY / TSY
10 FGold 30yr TBA (Reg A)	Aaa / AAA
11 Fannie Mae	TSY / TSY
12 Treasury Note	TSY / TSY
13 Treasury Note	TSY / TSY
14 Treasury Bond	TSY / TSY
15 Freddie Mac	TSY / TSY
16 Treasury Note	TSY / TSY
17 FGold 15yr TBA (Reg B)	Aaa / AAA
18 Fannie Mae	TSY / TSY
19 FNMA 15yr TBA (Reg B)	Aaa / AAA
20 FGold 15yr TBA (Reg B)	Aaa / AAA

### SELECT DIVIDEND PORTFOLIO TOP 20 HOLDINGS AS OF 6/30/2007

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Altria Group Inc	MO	NYSE
2 Firstenergy Corp	FE	NYSE
3 Merck & Co. Inc.	MRK	NYSE
4 Pnc Financial Services Group	PNC	NYSE
5 DTE Energy Company	DTE	NYSE
6 Bank Of America Corp	BAC	NYSE
7 FPL Group Inc	FPL	NYSE
8 AT&T Inc	T	NYSE
9 Pinnacle West Capital	PNW	NYSE
10 Regions Financial Corp	RF	NYSE
11 Lincoln National Corp	LNC	NYSE
12 Comerica Inc	CMA	NYSE
13 Bristol-Myers Squibb Co	BMJ	NYSE
14 Unitrin Inc	UTR	NYSE
15 Chevron Corp	CVX	NYSE
16 PPL Corporation	PPL	NYSE
17 Keycorp	KEY	NYSE
18 PPG Industries Inc	PPG	NYSE
19 Eastman Chemical Company	EMN	NYSE
20 National City Corp	NCC	NYSE

### US HEALTHCARE SECTOR PORTFOLIO TOP 20 HOLDINGS AS OF 6/30/2007

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Pfizer Inc	PFE	NYSE
2 Johnson & Johnson	JNJ	NYSE
3 Merck & Co. Inc.	MRK	NYSE
4 Abbott Laboratories	ABT	NYSE
5 Wyeth	WYE	NYSE
6 Unitedhealth Group Inc	UNH	NYSE
7 Amgen Inc	AMGN	NASDAQ
8 Bristol-Myers Squibb Co	BMJ	NYSE
9 Medtronic Inc	MDT	NYSE
10 Eli Lilly & Co	LLY	NYSE
11 Wellpoint Inc	WLP	NYSE
12 Schering-Plough Corp	SGP	NYSE
13 Baxter International Inc.	BAX	NYSE
14 Gilead Sciences Inc	GILD	NASDAQ
15 Genentech Inc	DNA	NYSE
16 Aetna Inc	AET	NYSE
17 Medco Health Solutions Inc	MHS	NYSE
18 Thermo Fisher Scientific Inc	TMO	NYSE
19 Celgene Corp	CELG	NASDAQ
20 Boston Scientific Corp	BSX	NYSE

## **OLIVER CAPITAL MANAGEMENT, INC. NOTICE OF PRIVACY PRACTICES**

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The Advisor, Oliver Capital Management, Inc., an investment advisory firm, is committed to safeguarding the confidential information of its clients. We do collect nonpublic personal information in order to open and administer your accounts with us and to provide you with accurate and pertinent advice. We hold all nonpublic personal information you provide to us in the strictest confidence. If we were to change our Firm policy, we would be prohibited under the law from doing so without advising you first.

Oliver Capital Management, Inc. may collect personal information about you from the following sources:

- Applications or other forms.
- Discussions with unaffiliated third parties.
- Information about your transactions with us or others.
- Questionnaires.
- Tax Returns.
- Estate Planning Documents.

Oliver Capital Management, Inc. uses your personal information in the following manner:

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- We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so you will have the opportunity to opt out of such disclosure.
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.

- For unaffiliated third parties that require access to your personal information, including, attorneys, accountants, insurance agents and brokers, we require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review Firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Identifiable information about you will be maintained during the time you have a business relationship with Oliver Capital Management, Inc. and retained for a period of five years thereafter. After this required period of record retention, all such information will be destroyed.