



**DATE:** October 22, 2007  
**TO:** U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President – Senior Investment Advisor  
**RE:** **Third Quarter (Q3) 2007 Report, 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 Third Quarter (Q3) 2007 Report:

- The Strategically Engineered Portfolio Program (SEPP)
- The Economy, the Markets and Business in general
- Oliver Capital Management and You

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

**The Model Strategically Engineered Portfolio Program (SEPP)** was considerably volatile this past quarter along with the rest of the market, ending down three-tenths of one percent (-0.30%). The Major Market Index returns for Q3 – 2007 were as follows: S&P 500 +2.03%, the Dow Jones Industrial Average +4.12%, the NASDAQ Composite +3.70%, and the Russell 3000 +1.48%. The average of these four major market indexes for Q3-2007 was +2.83%.

Two contributing factors that resulted in the model SEPP's underperformance relative to the four major market indexes during Q3 – 2007 were as follows:

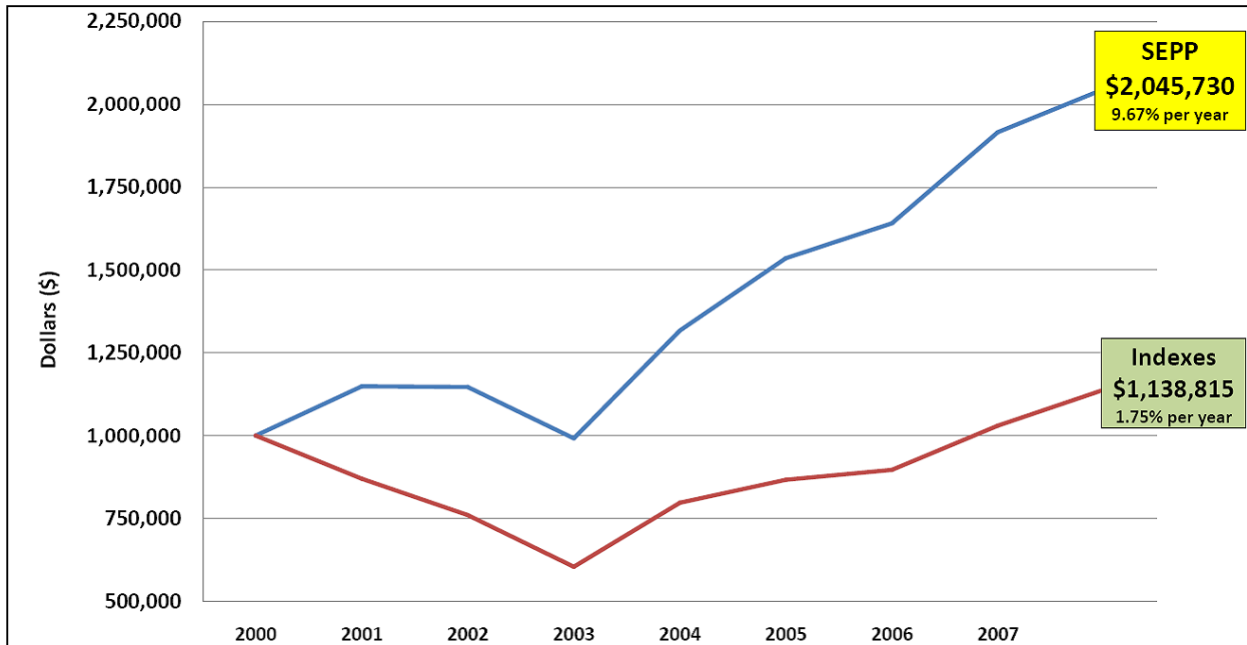
1. The model SEPP contains a 20% exposure to the Dow Jones Select Dividend Index Portfolio which has an overweighting in the Financial Sector (nearly 40% is invested in the financial sector). As you may already be aware, a “credit-crunch” was experienced during Q3-2007, causing most financial related companies to pull back in response. Accordingly, this portfolio experienced recent underperformance relative to the major market indexes. However, I am looking forward to adding more to this sector in January when we rebalance the model SEPP, as it contains an inordinate amount of well-known, high quality companies that pay relatively large dividends. I am confident that over the long term, this portfolio will continue be one of the model SEPP's better-performing asset classes as shown on the enclosed 10-Year historical performance column for this portfolio.
2. Additionally, the major market indexes are heavily over-weighted in large-cap, whereas the model SEPP is over-weighted in the mid-cap and small-cap sectors. Both the mid-cap (20% weighting) and small-cap (20% weighting) SEPP portfolios were negative for the quarter, whereas the SEPP's large-cap portfolio (10%) was positive. However, we are comfortable with this overweighting in the small and mid-cap sectors, as they have historically produced greater returns than large-cap for long term investors.

As evidenced by the following chart showing the model SEPP's total return from **January 1, 2000 through September 30, 2007, the model SEPP's Compound Annual Growth Rate handily out performed the average of the four major market indexes** (i.e., Model SEPP +9.67% vs. +1.75% for the major benchmark average return for that time period).



## **Growth of \$1,000,000 Invested in the Model SEPP vs. the S&P 500, Dow Jones Industrial Average, NASDAQ, and the Russell 3000**

January 1, 2000 through September 30, 2007



Furthermore, we find much comfort and assurance knowing that the model SEPP's core portfolio's long term out performance has been achieved with 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**

The Dow Jones Industrial Average experienced a 1,500 point range during the third quarter of 2007: quite volatile from an historical perspective. Sparked by sub-prime woes and credit concerns, the widely followed benchmark fell well into negative territory midway through the third quarter before working its way back into positive territory by the end of the quarter (September 30, 2007).

Fueling the aforementioned rally back into positive territory was the **Fed's unscheduled August 17 meeting wherein they decided to lower the Discount Rate by ½ percent (0.50%)**. After announcing the ½ percent cut to the Discount rate, the Fed issued the following statement: "Financial market conditions have deteriorated, and tighter credit conditions and increased uncertainty have the potential to restrain economic growth going forward. In these circumstances, although recent data suggest that the economy has continued to expand at a moderate pace, the Federal Open Market Committee judges that the downside risks to growth have increased appreciably. The Committee is monitoring the situation and is prepared to act as needed to mitigate the adverse effects on the economy arising from the disruptions in financial markets."

Subsequently, **at the regularly scheduled Fed meeting on September 18, the Fed unanimously decided to cut the Fed Funds rate by ½ percent (0.50%) from 5.25% to 4.75%**. A drop in the Fed Funds rate more



directly affects individual consumers, whereas the Discount Rate mentioned in the previous paragraph covers only loans that the Fed makes directly to banks.

**Furthermore, all signs are pointing towards the Fed cutting the Fed Funds rate again at their next meeting on October 31.**

You may have heard the saying “**Don’t fight the Fed.**” In other words, there is strong historical evidence showing the inclination for the markets in general to make material moves upward following interest rate cuts by the Fed.

### **OLIVER CAPITAL MANAGEMENT AND YOU**

It is hard to believe that we are already closing in on the end of another year. I always look forward to this time of year as we approach the annual rebalancing of the core **Strategically Engineered Portfolio Program (SEPP)** asset classes, bringing them back to their original target benchmark weightings. **This time tested feature systematically causes us to “buy low and sell high” in a disciplined and unemotional manner.** Additionally, upon rebalancing our core SEPP portfolios, we’ll also place 10% of client portfolio assets into a **contrarian Strategically Selected Portfolio**, which consists of the worst-performing asset class over the trailing 12 months (for 2007, it is the Healthcare Index).

As we approach the Holiday Season, I would like to send warm, positive and prosperous wishes your way. I am thankful for our relationship, and I look forward to working more closely with you on your financial goals and objectives. As always, please do not hesitate to call or e-mail me if you have any thoughts or questions about this Quarterly Report, or any other aspect of your personal financial situation.

Sincerely yours,

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



**STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)  
 Third Quarter Performance Report as of September 30, 2007**

<b>Model SEPP Portfolio Component</b>	<b>Weight</b>	<b>Third Quarter Total Return as of 9/30/2007</b>	<b>Year to Date Total Return as of 9/30/2007</b>	<b>One Year Total Return as of 9/30/2007</b>	<b>Three Year Average Annual Return as of 9/30/2007</b>	<b>Five Year Average Annual Return as of 9/30/2007</b>	<b>Ten Year Average Annual Return as of 9/30/2007</b>
Large Cap Portfolio	10.00%	2.03%	9.06%	16.34%	13.05%	15.34%	6.48%
Mid-Cap Portfolio	20.00%	-0.96%	10.76%	18.40%	15.43%	17.97%	11.40%
Small-Cap Portfolio	20.00%	-1.86%	6.40%	14.73%	14.09%	18.54%	9.21%
International Portfolio	10.00%	2.09%	13.13%	24.69%	22.97%	23.29%	7.66%
Aggregate Bond Portfolio	10.00%	2.72%	3.47%	4.77%	3.55%	3.89%	5.73%
Select Dividend Portfolio	20.00%	-3.09%	0.06%	7.51%	9.89%	15.49%	10.23%
Strategically Selected Portfolio (Healthcare)*	10.00%	1.97%	7.72%	15.61%	16.04%	25.60%	9.57%
<b>Oliver Capital Management Model SEPP Portfolio</b>		<b>-0.30%</b>	<b>6.78%</b>	<b>14.34%</b>	<b>13.56%</b>	<b>17.13%</b>	<b>9.47%</b>
<b>Index / Benchmark</b>	<b>Weight</b>						
S&P 500	100.00%	2.03%	9.06%	16.34%	13.05%	15.34%	6.48%
Dow Jones Industrial Average	100.00%	4.12%	13.11%	21.42%	13.60%	15.17%	7.58%
NASDAQ	100.00%	3.70%	11.65%	19.35%	12.24%	17.91%	4.56%
Russell 3000	100.00%	1.48%	8.57%	16.25%	13.47%	15.91%	6.56%
<b>Average of all Four (4) Major Market Indexes</b>		<b>2.83%</b>	<b>10.60%</b>	<b>18.34%</b>	<b>13.09%</b>	<b>16.08%</b>	<b>6.30%</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.

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 have been reduced by applicable iShare expense ratios, and do not represent the returns one would receive if shares were traded at other times than that of the Model SEPP. Performance numbers above have not been reduced by Oliver Capital Management fees. 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. Fund Indexes, minus applicable iShare expense ratios, were used when actual iShare funds did not exist. 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 As of 09/30/2007**

**LARGE CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

<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 Microsoft, Inc.	MSFT	NASDAQ
5 Citigroup Inc	C	NYSE
6 Bank Of America Corp	BAC	NYSE
7 Procter & Gamble Co	PG	NYSE
8 Cisco, Inc.	CSCO	NASDAQ
9 Chevron Corp	CVX	NYSE
10 Johnson & Johnson	JNJ	NYSE
11 American Intl Group	AIG	NYSE
12 Pfizer Inc	PFE	NYSE
13 Intl Business Machines	IBM	NYSE
14 JP Morgan Chase	JPM	NYSE
15 Intel	INTC	NASDAQ
16 Altria Group Inc	MO	NYSE
17 Conocophillips	COP	NYSE
18 Apple Computer	AAPL	NASDAQ
19 Google	GOOG	NASDAQ
20 Verizon Communications	VZ	NYSE

**MID CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Noble Energy Inc	NBL	NYSE
2 Lyondell Chemical	LYO	NYSE
3 Expeditors Intl Wash	EXPD	NASDAQ
4 Cameron International	CAM	NYSE
5 Jacobs Engineering Group	JEC	NYSE
6 Gamestop Corp	GME	NYSE
7 Intuitive Surgical Inc	ISRG	NASDAQ
8 Harris Corp	HRS	NYSE
9 FMC Technologies Inc	FTI	NYSE
10 Lam Research Corp	LRCX	NASDAQ
11 Southwestern Energy Co	SWN	NYSE
12 Amphenol Corp	APH	NYSE
13 Telephone And Data Sys	TDS	NYSE
14 Grant Prideco Inc	GRP	NYSE
15 Everest Re Group Ltd	RE	NYSE
16 KBR Inc	KBR	NYSE
17 Edwards (A.G.) Inc	AGE	NYSE
18 Dentsply International	XRAY	NASDAQ
19 Energizer Holdings Inc	ENR	NYSE
20 Macerich Co	MAC	NYSE

**S&P SMALL CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Manitowoc Company	MTW	NYSE
2 Crocs Inc	CROX	NASDAQ
3 Shaw Group Inc	SGR	NYSE
4 Trimble Navigation Ltd	TRMB	NASDAQ
5 Oceaneering Intl Inc	OII	NYSE
6 Energen Corp	EGN	NYSE
7 Varian Semiconductor	VSEA	NASDAQ
8 Helix Energy Solutions	HLX	NYSE
9 Southern Union Co	SUG	NYSE
10 Flir Systems Inc	FLIR	NYSE
11 Respironics Inc	RESP	NASDAQ
12 Corn Products Intl Inc	CPO	NYSE
13 Cabot Oil & Gas Corp	COG	NYSE
14 Idexx Laboratories Inc	IDXX	NASDAQ
15 Hologic Inc	HOLX	NASDAQ
16 Pediatrix Medical Group Inc	PDX	NYSE
17 URS Corp	URS	NYSE
18 Essex Property Trust Inc	ESS	NYSE
19 Factset Research Systems Inc	FDS	NYSE
20 Itron Inc	ITRI	NYSE

**INTERNATIONAL PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

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



**2007 Strategically Engineered Portfolio Program (SEPP)  
 Top Twenty Holdings Report As of 09/30/2007**

**AGGREGATE BOND PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

<u>Name</u>	<u>Credit Rating (S&amp;P)</u>
1 FNMA 30yr. TBA (REG A)	Aaa / AAA
2 FNMA 30yr. TBA (REG A)	Aaa / AAA
3 Treasury Note	TSY / TSY
4 FGOLD 30yr. TBA (REG A)	Aaa / AAA
5 FGOLD 30yr. TBA (REG A)	Aaa / AAA
6 FNMA 30yr. TBA (REG A)	Aaa / AAA
7 FNMA 30yr. TBA (REG A)	Aaa / AAA
8 FGOLD 30yr. TBA (REG A)	Aaa / AAA
9 FGOLD 30yr. TBA (REG A)	Aaa / AAA
10 Treasury Bond	TSY / TSY
11 FREDDIE MAC	TSY / TSY
12 FNMA 30yr. TBA (REG A)	Aaa / AAA
13 FNMA 30yr. TBA (REG A)	Aaa / AAA
14 Treasury Note	TSY / TSY
15 FGOLD 30yr. TBA (REG A)	Aaa / AAA
16 FGOLD 30yr. TBA (REG A)	Aaa / AAA
17 Treasury Note	TSY / TSY
18 Treasury Note	TSY / TSY
19 Treasury Bond	TSY / TSY
20 FREDDIE MAC	TSY / TSY

**SELECT DIVIDEND PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

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

**US HEALTHCARE SECTOR PORTFOLIO  
 TOP 20 HOLDINGS AS OF 9/30/2007**

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