

**TO:** U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President – Senior Investment Advisor  
**DATE:** January 23, 2007  
**RE:** **2006 Year End 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 2006 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) had another remarkable year outperforming all four major market indexes as shown on the enclosed SEPP Performance spreadsheets. **Our model SEPP gained 16.72% in 2006**, (vs. the S & P 500 +15.68%, the Dow Jones Industrial Average +16.29%, the NASDAQ Composite +10.28% and the Russell 3000 +15.71%. The average gross total return for all four major market indexes was +14.28%). **In summary, the model SEPP Gross Total Return in 2006 was +16.72% vs. the average return of all four major market indexes of +14.28%!** We achieved this out-performance even while holding a fixed income (bond) portfolio as a risk reducing component of the model SEPP asset allocation.

In addition to the Q4 and 2006 year end performance numbers, also enclosed are the SEPP's yearly gross total returns for the last seven years (2000 – 2006), as well as the average annual trailing three-year and five-year performance history. You will see that the highly systematic and disciplined SEPP strategy has significantly outperformed the average gross total return of all four major market indexes in each of the one, three, and five year periods. **In particular, the closely watched trailing five-year gross total return as of 12/31/2006 for the model SEPP is +10.55% per year compared to the average total return of all four major market indexes of 5.53% per year as shown on the enclosed SEPP Performance Summary Report. Furthermore, we find much security and comfort in knowing that the aforementioned material out-performance has been achieved with significantly less risk than the major market indexes, as measured by standard deviation.**

The SEPP portfolios are designed to have relatively low portfolio turnover due to the fact that the holdings within each portfolio track their respective index, which minimizes capital gains to SEPP investors, **ultimately increasing our client's net returns over time**, unlike traditional, actively managed load and no-load mutual funds, where active trading, turnover and capital gains exposure can be significant and detrimental (*please refer to the enclosed iShare / ETF Tax Efficiency article for further details.*)



**Every January, the SEPP strategy rebalances all six (6) of its core portfolios** (Large Cap, Mid Cap, Small Cap, International, Fixed Income and High Dividend portfolios) back to their original benchmark weightings. The portions of the asset classes that are above their original benchmark weighting are **systematically sold**, and more of the asset classes that are below their original target benchmark weightings are **systematically bought**. This time-tested technique has historically resulted in better performance and decreased market risk.

When the six core SEPP portfolios are rebalanced every January, we then strategically invest 10% of client portfolio assets in the **Strategically Selected Sector Portfolio**. The Strategically Selected Portfolio is simply the worst performing market sector index during the previous trailing 12 month period. In 2005, the worst performing market sector was telecommunications. Therefore, starting in January of 2006, the model SEPP invested 10% in the Telecommunications Index. This portfolio was then sold after being held for approximately 12 months in January of this year (2007), when we rebalanced the six core SEPP portfolios. You may recall seeing the symbol for this portfolio on your monthly account statements or on-line when you logged into your account during 2006. **Our naturally contrarian Strategically Selected Sector Portfolio had an incredible return in 2006, gaining over 32%!**

Continuing this contrarian tradition within the SEPP in 2007, **the strategically selected underperforming sector will be represented by the Healthcare Index Portfolio, as it was the worst performing market sector in 2006 (i.e., the previous year)**. As of 01/01/2007, the Top Twenty Holdings in the 2007 Healthcare Sector Portfolio are:

- |                                     |   |
|-------------------------------------|---|
| 1. Johnson & Johnson (JNJ)          | 11. WellPoint, Inc. (WLP)                 |
| 2. Pfizer (PFE)                     | 12. Genentech, Inc. (DNA)                 |
| 3. Merck (MRK)                      | 13. Schering-Plough Corp. (SGP)           |
| 4. Amgen (AMGN)                     | 14. Baxter International, Inc. (BAX)      |
| 5. Abbott Laboratories (ABT)        | 15. Gilead Sciences, Inc. (GLE)           |
| 6. United Health Group, Inc. (UNH)  | 16. Caremark RX, Inc. (CMX)               |
| 7. Wyeth (WYE)                      | 17. Boston Scientific Corp. (BSX)         |
| 8. Medtronic, Inc. (MDT)            | 18. Aetna, Inc. (AET)                     |
| 9. Bristol-Myers Squibb, Inc. (BMY) | 19. Celgene Corp. (CELG)                  |
| 10. Eli Lilly & Co (LLY)            | 20. Thermo Fischer Scientific, Inc. (TMO) |

Enclosed, you will also find a report listing the TOP 20 HOLDINGS in each of the seven Portfolios that make up our model **Strategically Engineered Portfolio Program** as of the end of 2006 (12/31/2006).

In conclusion, the out-performance achieved by our model SEPP Portfolio clearly supports our conviction that a somewhat contrarian approach to investing (i.e. buying more of the underperforming sectors and asset classes and selling some of those sectors and asset classes that have recently out-performed the rest of the market) is not only prudent, but profitable as well. **We shall stay the SEPP course: consistent, systematic and disciplined in our approach to growing your wealth.**

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

2006 marked the fourth consecutive year of positive returns for the US Equity (Stock) Markets. So what will the coming year bring? Well, from an historical perspective, it is asking quite a lot from "Mr. Market" to stack on a fifth consecutive year of positive returns. While we always welcome positive returns, they must also be taken in context. In other words, if the markets "took a breather" in 2007 and did not produce positive returns, from a historical perspective, this would not be all that surprising. Conversely, historical market data shows us



that **over 80% of pre-presidential election years have produced positive returns**, and 2007 is a pre-presidential election year. So, which of these market dynamics will win out in '07? Only time will tell, but we find assurance in knowing that **the Strategically Engineered Portfolio Program (SEPP) has built-in, time-tested, systematic strategies that exploit (for your benefit) volatility in both up and down markets.**

**The Fed:** The widely tracked Fed Funds rate started 2006 at 4.25% and ended one percent higher at 5.25%. In August 2006, the Federal Open Market Committee, along with Fed Chairman Ben Bernanke, decided to hold the Fed Funds rate steady at 5.25%. This “pause” in raising the Fed Funds rate marked the first time in the 17 FOMC meetings since May 2004 that the Fed Funds rate was not increased. This “pause” was likely motivated by the perceived balance between growth and inflation within the overall economy.

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

As Oliver Capital Management approaches its Four Year Anniversary, **I would like to take this opportunity to sincerely thank you** (first and foremost) for your confidence and your trust, and for sharing Oliver Capital Management and our proprietary SEPP strategy with your family, friends and co-workers.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Mark K. Oliver', written in a cursive style.

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



## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP) 2006 YEAR END PERFORMANCE REPORT

Model SEPP Portfolio Component	Weight	Fourth Quarter 2006 Gross Total Return as of 12/31/2006	2006 Gross Return as of 12/31/2006	Three Year Average Annual Gross Return as of 12/31/2006	Five Year Average Annual Gross Return as of 12/31/2006
Large Cap Portfolio	10.00%	6.67%	15.68%	10.34%	6.10%
Mid-Cap Portfolio	20.00%	6.89%	10.14%	12.94%	10.71%
Small-Cap Portfolio	20.00%	7.82%	14.94%	14.80%	12.33%
International Portfolio	10.00%	10.21%	26.01%	19.60%	14.86%
Aggregate Bond Portfolio	10.00%	1.24%	4.14%	3.43%	4.78%
Select Dividend Portfolio	20.00%	7.44%	19.41%	13.18%	12.60%
Strategically Selected Portfolio (Telco) *	10.00%	7.78%	32.37%	17.51%	8.50%
<b>Oliver Capital Management Model SEPP Portfolio</b>		<b>7.02%</b>	<b>16.72%</b>	<b>13.27%</b>	<b>10.55%</b>
<b>Index / Benchmark</b>	<b>Weight</b>				
S&P 500	100.00%	6.67%	15.68%	10.34%	6.10%
Dow Jones Industrial Average	100.00%	6.64%	16.01%	5.76%	4.18%
NASDAQ	100.00%	7.06%	10.00%	6.86%	4.09%
Russell 3000	100.00%	7.05%	15.43%	10.91%	6.89%
<b>Average of all Four (4) Major Market Indexes</b>		<b>6.85%</b>	<b>14.28%</b>	<b>8.46%</b>	<b>5.31%</b>

\* In 2002 through 2005, the Strategically Selected Sector Portfolios were technology, technology, telecommunications, and technology respectively. In 2006, the Strategically Selected Sector Portfolio was the telecommunications sector index (IYZ).

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. The 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. All performance data above, for both the Model SEPP and Indexes, have been adjusted for ETF expense ratios and are based on Gross Total Return which includes capital appreciation and assumes all dividends and interest are reinvested. One cannot invest directly in an index. 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 one would receive if shares were traded at other times.

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. **All SEPP and Index performance returns above do not reflect all management fees, transaction costs and/or expenses.**



## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### Performance Summary - Gross Total Return (2000 - 2006)

Oliver Capital Management	2000 Total Return	2001 Total Return	2002 Total Return	2003 Total Return	2004 Total Return	2005 Total Return	2006 Total Return	Trailing 3 Year Avg. Annual Return	Trailing 5 Year Avg. Annual Return
<b>Model SEPP Portfolio</b>	<b>15.28%</b>	<b>0.01%</b>	<b>-13.23%</b>	<b>33.15%</b>	<b>16.87%</b>	<b>7.23%</b>	<b>16.72%</b>	<b>13.27%</b>	<b>10.55%</b>
Index	2000 Total Return	2001 Total Return	2002 Total Return	2003 Total Return	2004 Total Return	2005 Total Return	2006 Total Return	Trailing 3 Year Avg. Annual Return	Trailing 5 Year Avg. Annual Return
S&P 500	-9.10%	-11.89%	-22.10%	28.68%	10.88%	4.91%	15.68%	10.34%	6.10%
Dow Jones Industrial Avg.	4.43%	-5.72%	-15.30%	27.98%	5.01%	1.44%	16.01%	5.76%	4.18%
Nasdaq	-39.50%	-21.34%	-31.82%	49.73%	8.28%	1.09%	10.00%	6.86%	4.09%
Russell 3000	-7.73%	-11.75%	-21.84%	30.76%	11.63%	5.85%	15.43%	10.91%	6.89%
<b>Average of All Indexes</b>	<b>-12.97%</b>	<b>-12.67%</b>	<b>-22.76%</b>	<b>34.28%</b>	<b>8.95%</b>	<b>3.32%</b>	<b>14.28%</b>	<b>8.46%</b>	<b>5.31%</b>

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## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### Performance Detail Showing Gross Total Return of \$1,000,000 Invested in Model SEPP (2000 - 2006)

Oliver Capital Management	Weight (%)	Amount (\$)	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006
			Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars
<b>Model SEPP Portfolio</b>																
Large Cap Portfolio	10%	100,000	-9.10%	90,900	-11.89%	80,092	-22.10%	62,392	28.68%	80,286	10.88%	89,021	4.91%	93,392	15.68%	108,035
Mid-Cap Portfolio	20%	200,000	17.51%	235,020	-0.60%	233,610	-14.52%	199,690	35.62%	270,819	16.48%	315,450	12.56%	355,071	10.14%	391,075
Small-Cap Portfolio	20%	200,000	11.80%	223,600	6.54%	238,223	-14.62%	203,395	38.78%	282,272	22.65%	346,206	7.68%	372,795	14.94%	428,491
International Portfolio	10%	100,000	-14.17%	85,830	-21.72%	67,188	-15.64%	56,680	38.59%	78,552	20.25%	94,459	13.54%	107,249	26.01%	135,144
Aggregate Bond Portfolio	10%	100,000	11.63%	111,630	8.44%	121,052	10.25%	133,459	4.10%	138,931	4.34%	144,961	2.43%	148,483	4.14%	154,631
Select Dividend Portfolio	20%	200,000	24.86%	249,720	13.09%	282,408	-3.94%	271,281	30.16%	353,100	18.14%	417,152	3.79%	432,962	19.41%	517,000
Strategically Selected Portfolio*	10%	100,000	56.08%	156,080	-12.77%	136,149	-38.66%	83,514	51.05%	126,147	18.70%	149,737	3.31%	154,693	32.37%	204,767
<b>Model SEPP Totals</b>			<b>15.28%</b>	<b>\$1,152,780</b>	<b>0.01%</b>	<b>\$1,158,722</b>	<b>-13.23%</b>	<b>\$1,010,410</b>	<b>33.15%</b>	<b>\$1,330,107</b>	<b>16.87%</b>	<b>\$1,556,986</b>	<b>7.23%</b>	<b>\$1,664,645</b>	<b>16.72%</b>	<b>\$1,939,143</b>

Index	Weight (%)	Amount (\$)	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006
			Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars
S & P 500	25%	250,000	-9.10%	227,250	-11.89%	200,230	-22.10%	155,979	28.68%	200,714	10.88%	222,552	4.91%	233,479	15.68%	270,088
Dow Jones Industrial Avg.	25%	250,000	4.43%	261,063	-5.72%	246,143	-15.30%	208,495	27.98%	266,822	5.01%	280,176	1.44%	284,197	16.01%	329,682
NASDAQ	25%	250,000	-39.50%	151,263	-21.34%	118,991	-31.82%	81,134	49.73%	121,478	8.28%	131,530	1.09%	132,957	10.00%	146,246
Russell 3000	25%	250,000	-7.73%	230,688	-11.75%	203,593	-21.84%	159,139	30.76%	208,082	11.63%	232,271	5.85%	245,848	15.43%	283,770
<b>Average of All Indexes</b>			<b>-12.97%</b>	<b>\$ 870,263</b>	<b>-12.67%</b>	<b>\$ 759,989</b>	<b>-22.76%</b>	<b>\$ 604,747</b>	<b>34.28%</b>	<b>\$ 797,095</b>	<b>8.95%</b>	<b>\$ 866,529</b>	<b>3.32%</b>	<b>\$ 896,480</b>	<b>14.28%</b>	<b>\$ 1,029,786</b>

\* In 2001 through 2005, the Strategically Selected Portfolios were telecommunications, technology, technology, telecommunications, and technology respectively. In 2006, the Strategically Selected Portfolio is telecommunications.

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**2006 Strategically Engineered Portfolio Program (SEPP)  
 Top Twenty Holdings Report**

**LARGE CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Exxon Mobil Corp.	XOM	NYSE
2 General Electric Co.	GE	NYSE
3 Microsoft Corp.	MSFT	NASDAQ
4 Citigroup, Inc.	C	NYSE
5 Bank of America Corp.	BAC	NYSE
6 AT&T, Inc.	T	NYSE
7 Procter & Gamble Co.	PG	NYSE
8 Johnson & Johnson	JNJ	NYSE
9 Pfizer, Inc.	PFE	NYSE
10 Altria Group, Inc.	MO	NYSE
11 American International Group	AIG	NYSE
12 Cisco Systems, Inc.	CSCO	NASDAQ
13 JPMorgan Chase & Co.	JPM	NYSE
14 Chevron Corp.	CVX	NYSE
15 Int'l Business Machines	IBM	NYSE
16 Intel Corp.	INTC	NASDAQ
17 Wells Fargo & Co.	WFC	NYSE
18 Hewlett-Packard Co.	HPQ	NYSE
19 Wal-Mart Stores, Inc.	WMT	NYSE
20 Verizon Communications	VZ	NYSE

**MID CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Precision Castparts Corp	PCP	NYSE
2 Expeditors International WA	EXPD	NASDAQ
3 Noble Energy, Inc.	NBL	NYSE
4 Lam Research Corp.	LRCX	NASDAQ
5 CH Robinson Worldwide	CHRW	NASDAQ
6 Microchip Technology	MCHP	NASDAQ
7 MEMC Electronic Materials	WFR	NYSE
8 Developers Diversified Realty	DDR	NYSE
9 Abercrombie & Fitch	ANF	NYSE
10 Harris Corp.	HRS	NYSE
11 American Eagle Outfitters	AEOS	NASDAQ
12 Sepracor, Inc.	SEPR	NASDAQ
13 The Macerich Co REIT	MAC	NYSE
14 Manpower, Inc.	MAN	NYSE
15 Everest Re Group, Ltd.	RE	NYSE
16 Varian Medical Systems	VAR	NYSE
17 Carmax, Inc.	KMX	NYSE
18 Mercantile Bankshares Corp.	MRBK	NASDAQ
19 Telephone & Data Systems	TDS	NYSE
20 Southwestern Energy Co.	SWN	NYSE

**S&P SMALL CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 The ManitoWoc Co.	MTW	NYSE
2 Energen Corp.	EGN	NYSE
3 Essex Property Trust	ESS	NYSE
4 Trimble Navigation, Ltd.	TRMB	NASDAQ
5 Phillips-Van Heusen Corp.	PVH	NYSE
6 Cerner Corp.	CERN	NASDAQ
7 Veritas DGC, Inc.	VTS	NYSE
8 Frontier Oil Corp.	FTO	NYSE
9 Southern Union Co.	SUG	NYSE
10 UGI Corp.	UGI	NYSE
11 NVR, Inc.	NVR	NYSE
12 Cabot Oil & Gas Corp.	COG	NYSE
13 Helix Energy Solutions Group	HLX	NYSE
14 Respironics	RESP	NASDAQ
15 Atmos Energy Corp.	ATO	NYSE
16 Carpenter Technology Corp.	CRS	NYSE
17 Philadelphia Consolidated Hldg.	PHLY	NASDAQ
18 Kilroy Realty Corp. REIT	KRC	NYSE
19 The Shaw Group, Inc.	SGR	NYSE
20 Idexx Laboratories, Inc.	IDXX	NASDAQ

**INTERNATIONAL PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2006**

<u>Name</u>	<u>Ticker</u>
1 BP PLC	BP
2 HSBC Holdings PLC	HSBA
3 Toyota Motor Corp.	TM
4 Vodafone Group PLC	VOD
5 GlaxoSmithKline PLC	GSK
6 Total SA	FP
7 Nestle SA	NESN
8 Novartis AG	NOVN
9 Roche Holding AG	ROG
10 Royal Bank of Scotland Group PLC	RBS
11 Royal Dutch Shell PLC-Class A	RDSA
12 UBS AG	UBSN
13 Banco Santander Chile SA, ADR	SAN
14 Mitsubishi UFJ Financial Group, Inc.	MTSBF
15 Telefonica SA	TEF
16 Barclays PLC	BARC
17 BNP Paribas	BNP
18 Banco Santander Chile SA, ADR	SAN
19 Royal Dutch Shell PLC-Class B	RDSB
20 AstraZeneca PLC	AZN



**2006 Strategically Engineered Portfolio Program (SEPP)  
Top Twenty Holdings Report**

**AGGREGATE BOND PORTFOLIO**  
TOP 20 HOLDINGS AS OF 12/31/2006

<u>Name</u>	<u>Credit Rating (S&amp;P)</u>
1 FNMA 30YR TBA(REG A)	AAA
2 U.S. Treasury Note 6.00% 8/15/2009	TSY
3 FNMA 30YR TBA(REG A)	AAA
4 FGOLD 30YR TBA(REG A)	AAA
5 U.S. Treasury Bond 7.63% 2/15/2025	TSY
6 FNMA 2.75% 3/15/2008	TSY
7 FNMA 30YR TBA(REG A)	AAA
8 U.S. Treasury Note 5.13% 6/30/2008	TSY
9 U.S. Treasury Bond 8.13% 8/15/2019	TSY
10 FGOLD 30YR TBA(REG A)	AAA
11 FNMA 4.63% 1/15/2008	TSY
12 FGOLD 30YR TBA(REG A)	AAA
13 U.S. Treasury Note 3.50% 2/15/2010	TSY
14 FNMA 4.50% 1/15/2013	TSY
15 U.S. Treasury Note 4.75% 5/15/2014	TSY
16 U.S. Treasury Note 4.75% 11/15/2008	TSY
17 FGOLD 15YR TBA(REG B)	AAA
18 FNMA 7.25% 1/15/2010	AAA
19 FNMA 15YR TBA(REG B)	AAA
20 FGOLD 15YR TBA(REG B)	AAA

**SELECT DIVIDEND PORTFOLIO**  
TOP 20 HOLDINGS AS OF 12/31/2006

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Altria Group, Inc.	MO	NYSE
2 Bank of America Corp.	BAC	NYSE
3 Regions Financial Corp.	RF	NYSE
4 PNC Financial Services Group, Inc.	PNC	NYSE
5 Pinnacle West Capital Corp.	PNW	NYSE
6 FPL Group, Inc.	FPL	NYSE
7 DTE Energy Co.	DTE	NYSE
8 Merck & Co., Inc.	MRK	NYSE
9 FirstEnergy Corp.	FE	NYSE
10 AT&T, Inc.	T	NYSE
11 Kinder Morgan, Inc.	KMI	NYSE
12 Unitrin, Inc.	UTR	NYSE
13 Comerica, Inc.	CMA	NYSE
14 Lincoln National Corp.	LNC	NYSE
15 Keycorp	KEY	NYSE
16 Bristol-Myers Squibb Co.	BMJ	NYSE
17 National City Corp.	NCC	NYSE
18 People's Bank	PBCT	NASDAQ
19 Eastman Chemical Co.	EMN	NYSE
20 Chevron Corp.	CVX	NYSE

**US TELECOMMUNICATIONS SECTOR PORTFOLIO**  
TOP 20 HOLDINGS AS OF 12/31/2006

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 AT&T, Inc.	T	NYSE
2 Verizon Communications, Inc.	VZ	NYSE
3 Sprint Nextel Corp.	S	NYSE
4 Alltel Corp.	AT	NYSE
5 CenturyTel, Inc.	CTL	NYSE
6 NII Holdings, Inc.	NIHD	NASDAQ
7 Qwest Communications	Q	NYSE
8 Embarq Corp.	EQ	NYSE
9 US Cellular Corp.	USM	AMEX
10 BCE, Inc.	BCE	NYSE
11 Telephone & Data Systems, Inc.	TDS	AMEX
12 Citizens Communications Co.	CZN	NYSE
13 Windstream Corp.	WIN	NYSE
14 Leucadia National Corp.	LUK	NYSE
15 Telephone & Data Systems, Inc.	TDS	AMEX
16 NTL, Inc.	NTLI	NASDAQ
17 American Tower Corp.	AMT	NYSE
18 Level 3 Communications, Inc.	LVL3	NASDAQ
19 Crown Castle International Corp.	CCI	NYSE
20 Leap Wireless International, Inc.	LEAP	NASDAQ



## NEWSROOM - PRESS RELEASE

January 23, 2007 - For Immediate Release

[Edited Abstract]

### UNDERSTANDING THE TAX EFFICIENCY OF iSHARES® ETFs

Fewer Tax Liabilities. Greater Efficiency. More Control

Tax efficiency is one of the more striking advantages of iShares ETFs, and one of the significant distinctions between mutual funds and ETFs\*. iShares ETFs tend to incur fewer capital gains liabilities than traditional actively managed mutual funds. And in the end, iShares can play a part in giving you more control over your tax liabilities.

The burden of taxes is receiving more attention in recent years, particularly when it comes to the impact of taxes on portfolio performance, even more specifically for actively managed funds where high turnover and potentially greater tax liabilities can truly eat at returns. Constructed to tightly track an index, iShares ETFs tend to have lower portfolio turnover and therefore are less likely to realize capital gains than heavily traded active funds.

#### **More Control, Fewer Tax Liabilities**

Traditional mutual funds do not pay taxes - in the end shareholders do. If a mutual fund realizes capital gains, it is obligated to distribute those gains to every shareholder. Essentially, traditional mutual fund shareholders remaining in the fund may receive capital gains for activity they may not have initiated. A mutual fund may trade based on fund objectives, the maintenance of diversification requirements and liquidity management. Regardless, this activity, including the need to sell securities based on shareholder redemptions, other than you, can in turn cause the fund to incur capital gains liabilities.

The specialized creation/redemption mechanism available to iShares ETFs, particularly the "in-kind" transactions (securities exchanged for shares,) brings several advantages to controlling tax consequences.

- The creation and redemption of shares in an ETF is done "in-kind" meaning securities are exchanged for shares and visa versa. Under current tax laws, such an "**in-kind**" **transaction is not considered a taxable event**.
- Just like an individual stock, iShares ETFs are bought and sold on the exchange. In contrast, mutual fund shares are bought and redeemed directly from the fund. With iShares ETFs, you **avoid potential tax consequences of other shareholder activity. You own your trades and the resulting tax implications**. And even those implications can be tended to with iShares ETFs by utilizing tax management strategies, including tax-loss harvesting with iShares ETFs.

#### **Promoting Tax Efficiency**

With iShares ETFs you have a greater reign of control when it comes to taxes and tax consequences. iShares ETFs not only provide tax efficiency, but give you more control over your tax management strategies. With iShares ETFs, you get significantly less negative impact from taxes (if any at all) and more room to drive performance.

\*As with any open-ended fund, iShares ETFs may realize gains due to index rebalancing or diversification requirements and are obliged to distribute portfolio gains to shareholders by year-end. iShares ETF trading, too, will generate tax consequences and transaction expenses. Certain traditional mutual funds can be tax efficient as well..

To determine if iShares are an appropriate investment for you, carefully consider the funds' investment objectives, risk factors and charges and expenses before investing. Barclays Global Investors (BGI) is one of the world's largest asset managers<sup>1</sup> providing structured investment strategies such as risk-controlled active strategies and indexing. In the U.S., BGI is one of the largest active managers<sup>2</sup>, set apart by its risk-controlled approach. BGI manages 65% of the world's 100 largest pension plans<sup>3</sup> and is the global leader in assets and products in the exchange traded funds through its iShares® brand with more than 130 ETFs. The firm manages over \$1.5 trillion in assets, for more than 2,700 clients in 48 countries around the world. BGI is owned by Barclays PLC.