



**TO:** U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President - Senior Investment Advisor  
**DATE:** January 28, 2008  
**RE:** **2007 Year End - 2008 Year Ahead Report, including the model Strategically Engineered Portfolio Program (SEPP) Performance Report and related materials.**

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**Dear Oliver Capital Management Private Client:**

The enclosed report contains three sections:

1. The Economy, the Markets and Business in general
  - a. **2007 - Year in Review**
  - b. **2008 - Year Ahead**
2. The model Strategically Engineered Portfolio Program (SEPP) Performance and Statistical Information
3. Oliver Capital Management and YOU

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

The sharp downturn during the first few weeks of 2008 raises understandable concerns, and there is no way to know the duration of the recent downward trending market. **I believe the best approach in the face of this uncertainty is to maintain a well-diversified, time tested, and disciplined approach to asset allocation, such as the model Strategically Engineered Portfolio Program (SEPP), and to try not to worry about the market's dips and gyrations along the way (as difficult as it can be at times). I mention this not to minimize the risks or frustrations associated with a market downturn, but rather to provide reassurance that history has proven that well-diversified portfolios can weather significant losses (such as in 2000, 2001, and 2002) while still delivering strong long-term results.**

**2007 - YEAR IN REVIEW**

- 2007 marked an uncommon fifth consecutive year of positive returns for both the model SEPP and the U.S. Equity (Stock) Market.
- Volatility returned to the markets.
- U.S. stocks struggled in the fourth quarter (Q4).
- Financial and Real Estate stocks/sectors lagged the overall market.
- International and Emerging stock markets bested U.S. Equities for the sixth straight year.
- Growth Stocks outperformed Value stocks for the first time in seven years.
- The U.S. residential housing market deteriorated further with the median price of U.S. single-family homes falling for the first time in 40 years.
- The sub-prime mortgage meltdown was followed by a tightening of credit.
- The Federal Reserve lowered interest rates.

- Oil and gold prices surged to unprecedented levels.
- The U.S. Dollar declined relative to most foreign currencies.

## 2008 - YEAR AHEAD

- The operative word for 2008 will be “stabilization.”
- Is there an upside? Given the efficiency of the markets in general, it is likely that much of the negative tone surrounding the economy is already baked into the market, and with any inkling from the Fed or news media of a return to normalcy, it would not surprise me if the markets ended 2008 on a positive note.
- Softening home prices, coupled with sub-prime/mortgage related woes and a tightening of the credit market will continue to weigh on the market in 2008.
- I think the U.S. Economy and the average consumer will feel the affects from rising oil, food, and gasoline prices, more so than from the media-focused sub-prime and credit market maladies.
- Given the nearly 20% drop in financial related stocks in 2007, it would not surprise me to see this sector outperform the overall market in 2008.
- Interest rates will likely remain near historic lows, and perhaps trend lower, as the Fed tries to ensure financial, housing and mortgage market stability.
- I would expect market volatility to remain elevated, relative to the past few years.
- 2008 is a presidential election year. On average, such years have historically been positive for stocks (+11.48% since 1948).

## THE MODEL STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

The model Strategically Engineered Portfolio Program (SEPP) posted another positive year, marking its fifth consecutive year of positive returns. In summary, **the Model SEPP performed in-line with the average of the four major market indexes during Q4-2007 returning -3.13% for the quarter vs. -3.09% for the major market index average, and gained +3.48% for the year, compared to +7.11% for the four major market index average** (Please see the attached model SEPP Performance Spreadsheet for detailed performance information).

While the model SEPP did outperform a number of widely followed indexes in 2007 (i.e., the Russell 2000, the S & P Small Cap 600 Index, etc.), there were two primary reasons that resulted in the model SEPP’s underperformance relative to the four major market indexes in 2007, as follows:

1. The model SEPP contains a 20% exposure to the Dow Jones Select Dividend Index Portfolio which is over-weighted in the Financial sector (nearly 40% of this component is invested in the Financial sector). A “credit-crunch” that began during the second half of 2007, caused most financial-related companies to pull back in response. Accordingly, this component experienced recent underperformance relative to the major market indexes. In lieu of this component’s recent underperformance, we recently added more to this SEPP component when we rebalanced the model SEPP in early January. **I am confident that over the long term, this component should continue to be one of the model SEPP’s better performing asset classes as shown on the enclosed ten-Year historical performance column for this component.**

2. Furthermore, 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 and small-cap SEPP portfolios, each with a 20% weighting, were negative for the quarter, whereas the SEPP's large-cap portfolio, with only a 10% weighting, was positive. Nonetheless, we are comfortable with this overweighting in the small-cap and mid-cap sectors, as they have historically produced greater returns than large-cap for long-term investors.

In addition to Q4 and 2007 year-end performance numbers, also included in the enclosed Model SEPP's three-year, five-year, and ten-year gross total returns. **As shown, the model SEPP has outperformed the major market index average during the trailing five-year, and ten-year periods.** Furthermore, we find comfort knowing that the core Model SEPP's ten-year outperformance has been achieved with significantly less risk than the major market indexes, as measured by standard deviation.

**Every January, the SEPP strategy rebalances all six (6) of its core components** (Large-Cap, Mid-Cap, Small-Cap, International, Fixed Income and High Dividend portfolios) back to their original benchmark weightings. The percentage amount of each asset classes that is above its original target weighting at the end of the year are **systematically sold**, and more of each asset class that is below its original target benchmark weightings is **systematically bought**. This researched and proven re-balancing technique has historically resulted in better performance and decreased market risk over the long-term.

When the six core model SEPP components are rebalanced every January, we also strategically invest 10% of client portfolio assets in the **Strategically Selected Contrarian SEPP component**. This contrarian SEPP component is added to the model SEPP because it was the worst performing market sector index during the trailing twelve-month period, and is expected to outperform the overall market over the year ahead. In 2007, the worst performing market sector was Financials. Accordingly, earlier this month (January 2008), we placed 10% of model SEPP assets in the Financial Sector Index. **Note that, once again, last year's Strategically Selected Contrarian SEPP component (the Healthcare Index) outperformed the major market index average for 2007.**

As of 01/01/2008, the TOP 20 HOLDINGS in our 2008 Strategically Selected Contrarian Component (the Financial Sector Portfolio) are:

- |                                  |                                    |
|----------------------------------|------------------------------------|
| 1. Bank Of America Corp.         | 11. Morgan Stanley                 |
| 2. JP Morgan Chase & Co.         | 12. Merrill Lynch & Co., Inc.      |
| 3. Citigroup, Inc.               | 13. Prudential Financial, Inc.     |
| 4. American International Group  | 14. Fannie Mae                     |
| 5. Wells Fargo & Company         | 15. CME Group, Inc.                |
| 6. Goldman Sachs Group, Inc.     | 16. Lehman Brothers Holdings, Inc. |
| 7. Wachovia Corp.                | 17. Travelers Co.                  |
| 8. Bank Of New York Mellon Corp. | 18. State Street Corp.             |
| 9. US Bancorp                    | 19. Aflac, Inc.                    |
| 10. American Express Co.         | 20. Allstate Corp.                 |

A listing of the six core Model SEPP component's TOP 20 HOLDINGS as of the start of 2008 is enclosed for your review, as well.

**By design, model SEPP components have extraordinarily low expense ratios, and turnover due to the fact that the holdings within each portfolio track their respective index. This unique dynamic should ultimately increase our client's net returns over time, in stark contrast to traditional, actively managed load and no-load mutual funds where active trading, turnover, and capital gains exposure can be significant and detrimental to long-term net returns (*Please refer to the enclosed "Savvy Investor's 7-minute Guide to iShares" for further details*).**

## **OLIVER CAPITAL MANAGEMENT AND YOU**

If the recent market volatility has caused more concern and anxiety than you are comfortable with, please call or e-mail to discuss, as my primary roles as your trusted financial advisor are:

1. to **consistently**, and **systematically** apply a well thought out, **disciplined**, and time-tested investment strategy (such as the model SEPP), giving you the best possible chance to achieve solid, long-term results over the long-term,
2. to act as a **rational** sounding board for your thoughts, concerns and questions, and
3. to **clearly** and **adequately** provide my professional opinions with, **forthrightness**, **candor**, and **sincerity**.

Please also take a few minutes to read the enclosed booklet "**The Savvy Investor's 7-minute Guide to iShares**." It is important to understand why we use iShares as an integral part of our model Strategically Engineered Portfolio Program (SEPP), including **the likely benefits and advantages to you as a result of owning iShares in your investment account(s) here with us over the years ahead**.

Lastly, as Oliver Capital Management approaches its Five-Year Anniversary, **I would like to take this opportunity to sincerely thank you**, first and foremost, for your confidence, your trust, and for sharing Oliver Capital Management and our proprietary Comprehensive Wealth Management Program and model SEPP strategy with your family, friends, and associates when appropriate. **Please know that I am truly honored to serve you and those whom you know in this trusted financial advisory capacity.**

Sincerely yours,



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



## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### Year End Performance Report as of December 31, 2007

Model SEPP Portfolio Component	Weight	Fourth Quarter Total Return as of 12/31/2007	One Year Total Return as of 12/31/2007	Three Year Average Annual Return as of 12/31/2007	Five Year Average Annual Return as of 12/31/2007	Ten Year Average Annual Return as of 12/31/2007
Large Cap Portfolio	10.00%	-3.34%	5.43%	8.54%	12.73%	5.82%
Mid-Cap Portfolio	20.00%	-2.68%	7.80%	10.12%	16.02%	11.00%
Small-Cap Portfolio	20.00%	-6.44%	-0.45%	7.15%	15.86%	8.83%
International Portfolio	10.00%	-1.91%	10.97%	16.61%	21.32%	8.36%
Aggregate Bond Portfolio	10.00%	3.00%	6.57%	4.28%	4.18%	5.73%
Select Dividend Portfolio	20.00%	-5.44%	-5.38%	5.18%	12.19%	9.00%
Strategically Selected Portfolio (Healthcare)*	10.00%	0.11%	7.84%	9.92%	24.18%	7.73%
<b>Oliver Capital Management Model SEPP Portfolio</b>		<b>-3.13%</b>	<b>3.48%</b>	<b>8.43%</b>	<b>15.06%</b>	<b>8.53%</b>
<b>Index / Benchmark</b>	<b>Weight</b>					
S&P 500	100.00%	-3.34%	5.43%	8.54%	12.73%	5.82%
Dow Jones Industrial Average	100.00%	-3.98%	8.61%	9.38%	11.96%	7.15%
NASDAQ	100.00%	-1.70%	10.37%	7.37%	15.20%	5.61%
Russell 3000	100.00%	-3.35%	5.04%	8.74%	13.44%	5.94%
<b>Average of all Four (4) Major Market Indexes</b>		<b>-3.09%</b>	<b>7.36%</b>	<b>8.51%</b>	<b>13.33%</b>	<b>6.13%</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 was the healthcare sector index

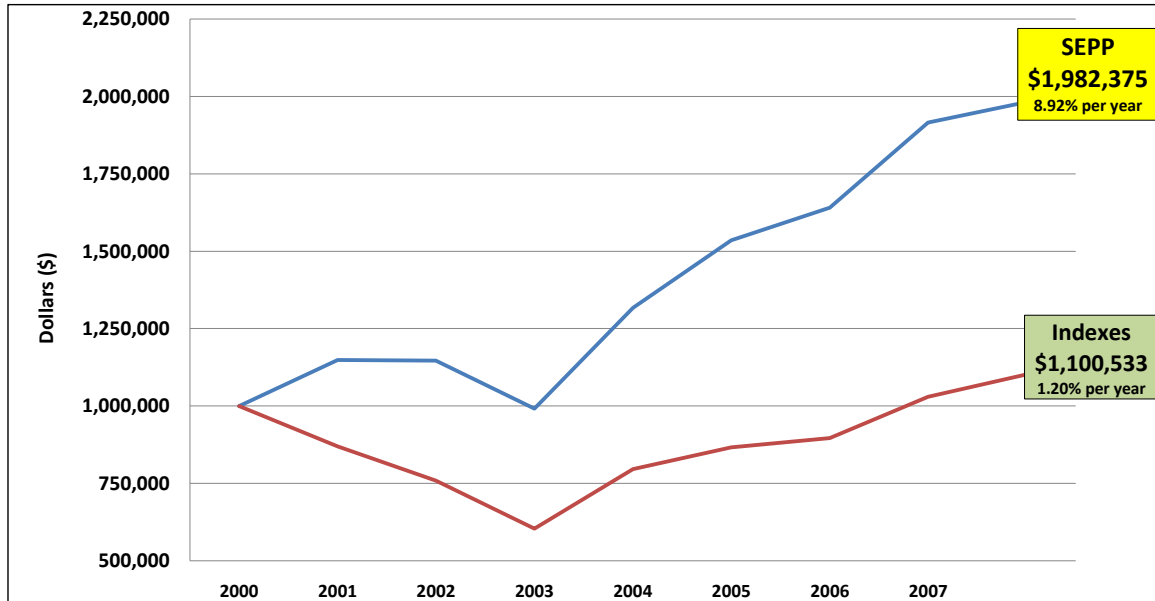
ALL DATA IS BASED ON PRICE RETURN. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Unless otherwise stated, all performance data above reflects the reinvestment of all dividends and interest and have been reduced by applicable iShare expense ratios, and do not represent the returns one would receive 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 and 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.



## 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 December 31, 2007**



	Model SEPP Portfolio	
	SEPP Return (%)	\$1,000,000 Invested in the SEPP on January 1, 2000
Year 2000	14.92%	\$ 1,149,200
Year 2001	-0.24%	\$ 1,146,442
Year 2002	-13.49%	\$ 991,787
Year 2003	32.82%	\$ 1,317,291
Year 2004	16.55%	\$ 1,535,303
Year 2005	6.91%	\$ 1,641,393
Year 2006	16.72%	\$ 1,915,801
Year 2007*	3.48%	\$ 1,982,375

	Indexes	
	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*	7.36%	\$ 1,102,305

\* Through 12/31/2007

### Compound Annual Growth Rate

**Model SEPP Portfolio** 8.92% per year  
**Indexes** 1.20% per year

From January 1, 2000 through December 31, 2007

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**2007 Strategically Engineered Portfolio Program (SEPP)  
 Top Twenty Holdings Report As of 012/31/2007**

**LARGE CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

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

**MID CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Intuitive Surgical Inc	ISRG	NASDAQ
2 Cameron International	CAM	NYSE
3 Southwestern Energy Co	SWN	NYSE
4 Activision Inc	ATVI	NASDAQ
5 Hologic Inc	HOLX	NASDAQ
6 Harris Corp	HRS	NYSE
7 Amphenol Corp	APH	NYSE
8 Fmc Technologies Inc	FTI	NYSE
9 Denbury Resources Inc	DNR	NYSE
10 Joy Global Inc	JOYG	NASDAQ
11 Grant Prideco Inc	GRP	NYSE
12 Newfield Exploration Co	NFX	NYSE
13 Dentsply International Inc	XRAY	NASDAQ
14 Telephone And Data Systems	TDS	NYSE
15 Western Digital Corp	WDC	NYSE
16 Kbr Inc	KBR	NYSE
17 Equitable Resources Inc	EQT	NYSE
18 Energizer Holdings Inc	ENR	NASDAQ
19 Arch Coal Inc	ACI	NYSE
20 Everest Re Group Ltd	RE	NYSE

**S&P SMALL CAP PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 Shaw Group Inc	SGR	NYSE
2 Respiroics Inc	RESP	NASDAQ
3 Flir Systems Inc	FLIR	NASDAQ
4 Cabot Oil&Gas Corp	COG	NASDAQ
5 Helix Energy Solutions Group	HLX	NYSE
6 Oceaneering Intl Inc	OII	NYSE
7 Trimble Navigation Ltd	TRMB	NASDAQ
8 Idexx Laboratories Inc	IDXX	NASDAQ
9 Southern Union Co	SUG	NYSE
10 Pediatrix Medical Group Inc	PDX	NYSE
11 Mgi Pharma Inc	MOGN	NASDAQ
12 Ansys Inc	ANSS	NASDAQ
13 Crocs Inc	CROX	NASDAQ
14 Itron Inc	ITRI	NASDAQ
15 Ugi Corp	UGI	NYSE
16 Micros Systems Inc	MCRS	NASDAQ
17 Massey Energy Co	MEE	NYSE
18 Varian Semiconductor Equip	VSEA	NASDAQ
19 Aptargroup Inc	ATR	NYSE
20 Atwood Oceanics Inc	ATW	NYSE

**INTERNATIONAL PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

<u>Name</u>	<u>Ticker</u>
1 BGIF Institutional Money Mkt	BGIXX
2 Bp Plc	BP
3 Hsbc Holdings Plc	HSBA
4 Vodafone Group Plc	VOD
5 Total Sa	FP
6 Nestle Sa-Reg	NESN
7 Royal Dutch Shell Plc-A Shs	RDSA
8 Toyota Motor Corp	TM
9 Nokia Oyj	NOK
10 Glaxosmithkline Plc	GSK
11 Banco Santander Sa	SAN
12 Telefonica Sa	TEF
13 Siemens Ag-Reg	SIE
14 E.On Ag	EOA
15 Novartis Ag-Reg	NOVN
16 Roche Holding Ag-Genusschein	ROG
17 Bhp Billiton Ltd	BHP
18 Royal Dutch Shell Plc-B Shs	RDSB
19 Rio Tinto Plc	RIO
20 Allianz Se-Reg	ALV



**2007 Strategically Engineered Portfolio Program (SEPP)  
 Top Twenty Holdings Report As of 012/31/2007**

**AGGREGATE BOND PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

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

**SELECT DIVIDEND PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 PNC Financial Services Group	PNC	NYSE
2 Altria Group Inc	MO	NYSE
3 FirstEnergy Corp	FE	NYSE
4 Pinnacle West Capital	PNW	NYSE
5 At&T Inc	T	NYSE
6 Merck & Co. Inc.	MRK	NYSE
7 DTE Energy Company	DTE	NYSE
8 Comerica Inc	CMA	NYSE
9 Unitrin Inc	UTR	NYSE
10 Regions Financial Corp	RF	NYSE
11 Chevron Corp	CVX	NYSE
12 Keycorp	KEY	NYSE
13 Lincoln National Corp	LNC	NYSE
14 Bank Of America Corp	BAC	NYSE
15 Eastman Chemical Company	EMN	NYSE
16 PPG Industries Inc	PPG	NYSE
17 Nicor Inc	GAS	NYSE
18 Energy East Corporation	EAS	NYSE
19 Genuine Parts Co	GPC	NYSE
20 People's United Financial	PBCT	NASDAQ

**US HEALTHCARE SECTOR PORTFOLIO  
 TOP 20 HOLDINGS AS OF 12/31/2007**

<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 Unitedhealth Group Inc	UNH	NYSE
6 Wyeth	WYE	NYSE
7 Medtronic Inc	MDT	NYSE
8 Bristol-Myers Squibb Co	BMJ	NYSE
9 Eli Lilly & Co	LLY	NYSE
10 Amgen Inc	AMGN	NASDAQ
11 Wellpoint Inc	WLP	NYSE
12 Schering-Plough Corp	SGP	NYSE
13 Gilead Sciences Inc	GILD	NASDAQ
14 Baxter International Inc.	BAX	NYSE
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 Stryker Corp	SYK	NYSE
20 Covidien Ltd	COV	NYSE