

ATLAS CAPITAL MANAGEMENT

Just as investment performance moves in cycles, so do your investment goals and needs. When we are young, with our highest earning potential ahead, we can take greater risks. As our assets grow and retirement tops our financial objectives, the need for full-time management of our assets also gains importance—both for capital preservation and to assure that we reach our goals.



Letter from the President

It's a whole new world out there now. Fifty years ago, people didn't worry too much about retiring. You worked, you retired, and you died. If you happened to last a little longer, hopefully your pension, Social Security or the kids would pay the costs.

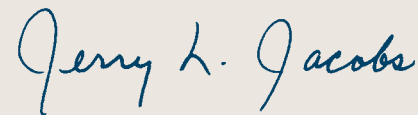
Today, the average 65-year-old retiree has 20 to 30 more years of living to do. That's nearly one-third of your adult life. And forget about the financial planning formulas that say that you are only going to need 50-70% of your current income during those years. With that much time on your hands, you are going to want new experiences, an opportunity to enjoy the good life. You may even want to start your own business or fund your own foundation to change the world.

If you don't want to play out the old formula—work, retire, die—you are going to need the financial resources to enjoy retirement. Those resources start with your savings. But what really makes the difference is putting your savings to work for you through investments that provide real growth.

There's a wealth of information out there to help you invest in everything from mutual funds and exchange-traded funds (ETFs) of every flavor, including sector and overseas funds, to stocks, variable annuities, real estate investment trusts and more. But there's one big information gap. It's the same gap that has existed the more than 35 years I have been in this business. Investors are rarely told when an investment should be sold. There are many ghosts of mutual funds, public companies, investment trusts and other investments that failed, or never performed satisfactorily in the portfolios of individuals.

At Atlas Capital Management Corp., we believe one of the best ways to make money is to reduce the risk of losing money in the first place. If you take that belief and combine it with a blend of active approaches to growing your assets, the results can be impressive. Please take a few moments to find out more about our firm's investment philosophy, and then take a step toward building an exciting, vital future for you and your family.

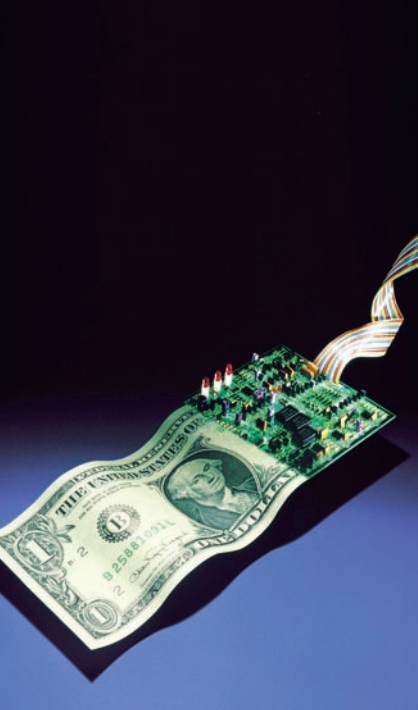
Sincerely,



Jerry L. Jacobs, CFP®
President

Jerry L. Jacobs, CFP®, is founder and president of Atlas Capital Management Corp. For 24 years prior to founding Atlas in 1993, Mr. Jacobs was a registered investment executive with major Wall Street investment firms, where he supervised and managed a variety of individual and large institutional accounts.

A graduate of Ball State University and the Investment Institute, Mr. Jacobs holds the designations of Certified Financial Planner and Certified Portfolio Manager.



The Money Manager Decision

"An investment strategy is not worth much if you constantly change due to a lack of underlying confidence or comfort. This is the difference between investing and playing the market."

— Peter Skirkanich

Why use an investment advisor? If you are like most investors, you are short on the time or expertise needed to confidently manage your investment portfolio. And this is a dangerous time to leave a portfolio unattended. The parameters of the financial markets are changing dramatically. As little as ten years ago, Internet stocks were science fiction. Now they are a key element of a market that is increasingly global. If you don't believe in international investing, it's time to sell Coca-Cola, Procter & Gamble and almost every blue chip stock on the New York Stock Exchange.

The outlook is for continued turbulent times in the stock and bond markets. There's little reason to expect the tempest



to subside as the new millennium gets underway. As a very astute investor once said...

"Investing is sometimes like flying an airplane; hours of boredom interrupted by moments of intense activity. Anyone can handle the boredom, but during the brief bursts of activity, you need an experienced and unemotional pilot at the controls."

An investment advisor provides the experienced hand at the controls during turbulence and keeps you on the most efficient path during the calm. The question is "With what kind of a pilot do you want to take a ride?"

With families come new responsibilities and concerns. The right education can help your children find personal success, but will you be able to afford it?

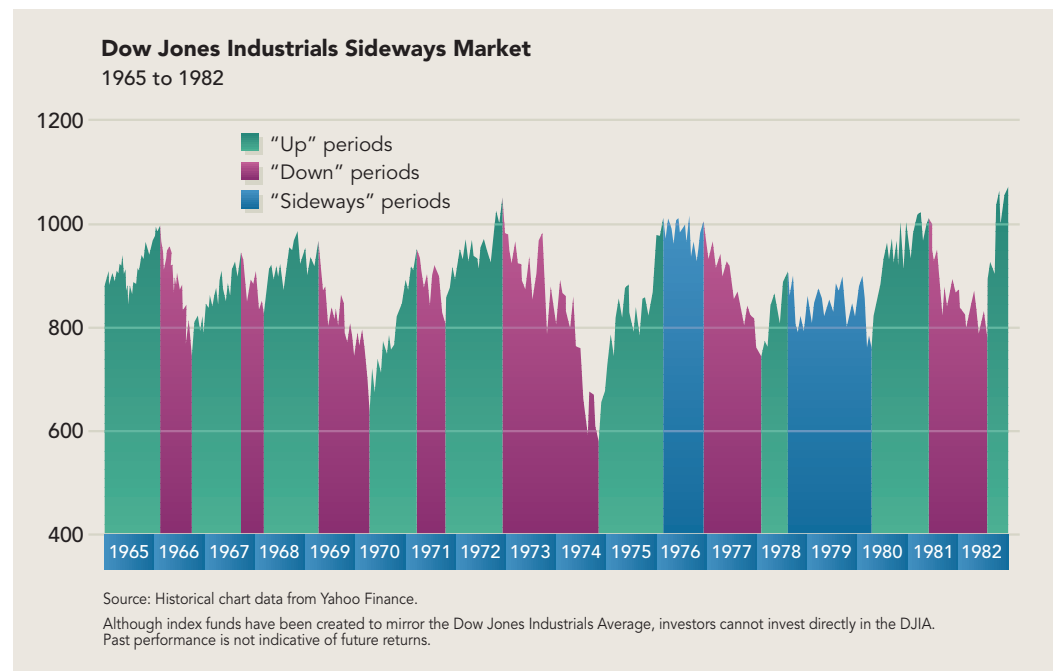
The Case for Active Management

Atlas Capital Management Corp. specializes in the management of client assets invested in retirement accounts, taxable investment accounts, annuities, variable life insurance contracts and other account structures, using a proprietary investment selection process and active money management systems to modify portfolio positions and allocations. These investment tools were developed by Atlas founder and president, Jerry L. Jacobs, and have established performance track records.

Walk into the typical investment advisor's office and on one of the walls you will encounter a 100-year chart of the financial market's progress. The value line begins slowly and then gradually gains speed until the more recent decades stand out like a mountain. It's easy to believe, looking

at that chart and listening to long-term performance results, that investing is just a matter of buying the right stock or fund and waiting for it to grow.

The truth, as investors find out in every bear market, is that successful investing is hard work. Part of the problem is that we don't have 100 years to wait for our investments to grow. While the long-term trend of the market has been up, there have been extended periods when the market as a whole gained very little. Invest at the start of a bear market and it can take a decade to recover.



The Dow Jones Industrials Average bounced between a low near 600 and a high of approximately 1000 for 18 years from 1965 to 1982. An individual who bought and held the stocks making up the index during that period would have achieved minimal growth. Participating in the majority of the up periods and avoiding the bulk of the down times would have produced dramatically different results.

Even the best-managed funds generally lose value in a declining market. The larger and more diversified a fund is, the more vulnerable it is to overall market direction.

Suppose you achieve 15% returns for three years in a row and then lose 15% in year four. That one bad year drops your performance for the four-year period to 6.6%.

It's also important to remember that every time you lose money, you lose precious time. True, the U.S. stock market has increased during more than 66% of the time over the last 65 years. But, investors spent nearly half of that time getting back to breakeven after the most recent market drop. Only 33% of the time were they actually making money. Many investors didn't even make money during that 33% of the time. They held on as long as they could and then when the pain became too great (typically near the market's bottom), they panicked and sold—fearing a greater loss—and missed the recovery.

According to Dalbar, Inc., a leading financial services market research firm, over the 19 years ended 2003, the average equity investor earned a paltry 2.57% annually compared to inflation of 3.14% and the 12.22% the S&P 500 index earned annually. The reason, Dalbar hypothesizes, is chasing hot performance.

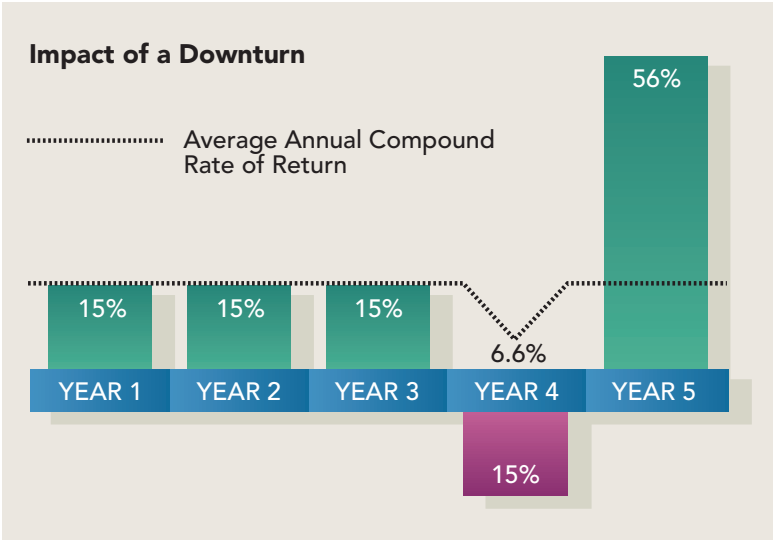
Financial columnist Chuck Jaffe with the *Boston Globe* explains, "The fund heats up enough so that its recent record attracts new investors. When the average shareholder buys in, the fund's run is already slowing. The momentum contin-

ues for a while, from six months to a year, before the fund's preferred asset category slips out of favor with the market."

"Still above breakeven, the investor hangs on, until the performance downturn reaches 12 to 18 months, at which point he dumps the fund and moves into something else with sexy current numbers."

"The real problem is people think this story applies to someone else, that they're not a part of this, when in fact, they're right in the middle of it and managing themselves into a poor return," says Dalbar president Lou Harvey.¹

The chart on page 6 shows the peril of investing purely on the basis on top performance. Even among the broad market segments, good performance one year may be a poor indicator of continued top performance.



Even if your account is up 15% for three years running, one 15% decline takes your four-year average annual compound return down to 6.6%. To get back to a 15% average annual compound return, in year 5 you would need a gain of 56%.

Manage the Risk, Maximize the Opportunity

Atlas Capital Management's investment philosophy helps keep you invested in the market for the long term.

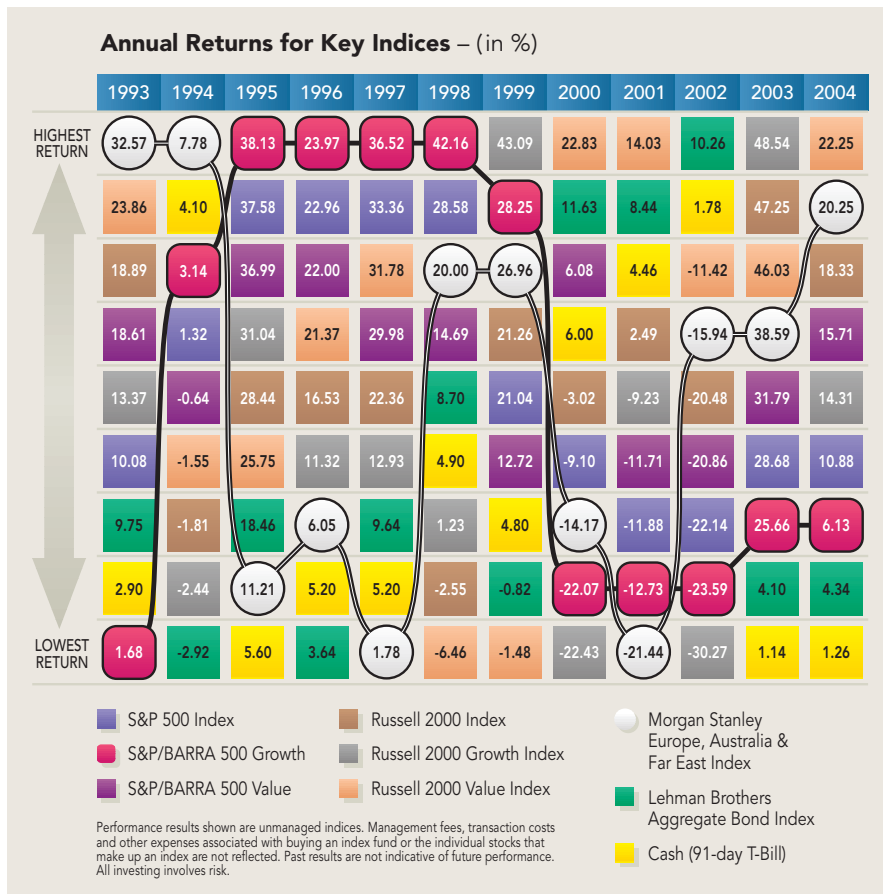
Atlas' Rotational and Tactical strategies offer different proprietary approaches to moving between investment opportunities. These strategies strive to minimize

exposure to market downturns and have client assets invested in equity positions when the market turns up.

Our goal is to outperform the broad market indices over a full market cycle. Past performance is no guarantee of future results, however, any time you reduce the impact of market downturns, you have additional leverage over a buy-and-hold position when the market turns back up.

Atlas' Rotational Strategy capitalizes on the tendency of asset classes and even broad market segments, such as growth and value stocks, to excel at different times in the economic and business cycles. For example, growth oriented stocks led market performance in the late 1990s only to fall dramatically for the next three years. Value and fixed income investments, which had modest returns in the late 1990s, moved up to outperform growth stocks for the next three years.

Through its Rotational Strategy, Atlas strives to identify asset classes and market segments with the best performance potential given current market conditions and to position client assets accordingly. Client portfolios will be positioned in available investment opportunities that Atlas ranks highly for return potential.



No single asset class historically has persisted at the same relative ranking for longer than four years. Although large cap growth (■) has been one of the more consistent performers, ranking in the top three asset classes 50% of the years from 1993 to 2004, the other 50% of the time it was in the bottom third. International equities (□) were in the top third 5 out of 12 years, but spent the same number of years in the bottom third from 1993 to 2004. Being in the correct market segment at the correct time, historically has offered the potential for better investment results.

Selected investments and others in the target universe are constantly monitored and ranked using proprietary indicators developed by Atlas Capital. As long as the investment maintains an appropriately high ranking, it is held in the client's portfolio. When an investment falls out of the desired range, its assets are moved to a higher ranked position.

Atlas' Tactical strategy takes a macro approach to investing asking first, "Do we want to be invested in equities at

this time?" If our proprietary indicators answer "Yes," the next question becomes "Which investment style or styles appear to have the greatest opportunity for appreciation?"

Depending upon market conditions, the Tactical Strategy could be 100% invested in one investment style, diversified among styles or 100% cash. The ability to move to a 100% cash position adds a layer of risk management that limits the possibility of a serious market decline impacting the client's financial wellbeing.

When retirement is almost a reality, the temptation is to take no risks, to make certain your money is there when you need it. But you need to keep in mind the potential impact of inflation. Your money still needs to be earning money.



Basics of Successful Investing

Why are investors told to “buy and hold” and to avoid active management strategies such as those used by Atlas Capital Management—with their potential to reduce investment risk and enhance risk adjusted returns?

Major Wall Street managers lack the ability to use active management because of the tremendous amount of money they control. Few fund managers have the capacity to move to large cash positions due either to the size of the fund or their charter. *Since they can't do it, their attitude is that it cannot be done.*

In a lengthy analysis of five decades of academic research on fund performance, market timing ability, and performance persistence, finance professors at the Coggin College of Business at the University of North Florida conclude: “The basic results have not changed; it appears that: (1) mutual funds underperform the ‘market;’ (2) fund managers in aggregate are incapable of timing the market; and (3) mutual fund investors are ill advised to invest based on prior fund performance.”²

What determines a successful investment approach? The 1986 study entitled “Determinants of Portfolio Performance” by Brinson, Hood and Beebower is often used to establish that asset allocation, not stock selection or timing, determines more than 90% of your portfolio’s performance. William Jahnke, president of Jahnke & Associates, with an undergraduate in economics from Stanford University and a MBA from the University of California, Berkeley, took a hard look at the study and found its methodology and conclu-

sion flawed. *Asset allocation, he proved, accounted for less than 15% of portfolio performance.*³ *What really counts is being in the right asset class at the right time.*

Another favorite tactic used to discredit attempts to avoid down markets is to cite only what happens when an investor misses the best days or months of the market. The flip side—the improvement in returns from missing the worst days—is rarely mentioned.

Studies by Ned Davis Research and Professor Nejat Seyhun at the University of Michigan⁴ have shown that missing the worst periods of the market dramatically increases your return. In fact, investors can outperform a buy-and-hold position, even if they miss the best days of the market, as long as they also miss the worst. This ability to outperform a buy-and-hold investment is consistent whether you miss 10, 20, 30 or 40 of the best and worst days.

An investment manager doesn’t have to be perfect to outperform a buy-and-hold position. As long as the portfolio misses the worst periods of the market, missing the best doesn’t have the impact that the studies citing only “missing the best days” lead investors to believe.

Professor Don Chance at Virginia Tech University has published a multi-year study of professional active investment managers and found *“evidence of significant ability across all tests and portfolios for timing to improve portfolio performance.”* Unlike prior studies, which relied on theoretical timing systems, Professor Chance studied professionals who actually execute their recommendations for clients.⁵

Implementing the Atlas Strategy

With Atlas Capital Management Corp., investors benefit from strategies that strive to reduce risk and have the potential to outperform market indices. Often an ideal client portfolio contains a blend of the different strategies. In fact, because our individual strategies have shown different results in varying market conditions, we recommend that clients utilize more than one strategy to diversify their portfolios. Our objective is: to outperform a buy-and-hold position with less volatility over time.

The Atlas strategies are strictly objective, based on fundamental and technical analysis of the market's movements and trends. Using this **non-emotional approach**, the

Requirements of a Successful Investment Strategy

- ▶ A sound knowledge and understanding of the investment approach,
- ▶ Well defined, objective (quantitative) decision rules,
- ▶ Discipline; the absence of emotion in decision making,
- ▶ Risk control to potentially limit losses,
- ▶ Patience.

Tactical Strategy strives to catch trends slightly above market bottoms and exit shortly after market tops. As with all investment strategies, there is no guarantee this strategy will be successful.

Perhaps you've made it to the stage where your concern is now how to leave as much as possible to your family and as little as possible to estate taxes. Structuring your investments and beneficiaries properly can make all the difference.



Likewise, the Rotational Strategy attempts to catch broad trends in the financial markets to keep assets invested in whatever style or asset class is currently doing well.

Over a full market cycle, our approach to investing should result in returns superior to “buy-and-hold” with less exposure to market volatility. Past performance is no guarantee of future results. The potential for loss as well as profit exists.

Among the indicators used in Atlas’ investment strategies are:

- Ratio of New Highs/New Lows
- Ratio of Advances/Declines
- New York Stock Exchange Composite
- Value Line Composite
- Seasonally Favorable Periods
- Broad-based Market Averages
- Various Oscillators
- Moving Averages
- Direction of Interest Rates
- Market Momentum

Atlas’ strategies are best suited to investors who want to improve their performance in a steady, disciplined manner. To miss a substantial portion of any decline, investors must also be willing to forgo part of the market’s rise. Not every trade will be profitable. There may also be periods when there are several consecutive losses.

As a result, the best assessment of Atlas Capital Management’s investment strategies can be made over a complete market cycle, including a down market of substance. These cycles normally require five to six years.

Sometimes, too much information can make the decision process more difficult than too little information. An effective investment strategy requires cutting through the noise to focus on the factors that make a difference and then having the confidence in your system and discipline to make decisions and avoid second guessing.



Getting Started with Atlas

First, review Atlas' information and fee disclosures contained in Part II of our Form ADV filed with the U.S. Securities and Exchange Commission and discuss which investments and/or risk levels are suitable for your portfolio with your Investment Representative. Before investing in any mutual fund, variable annuity or variable life insurance policy, be sure to read the prospectus.

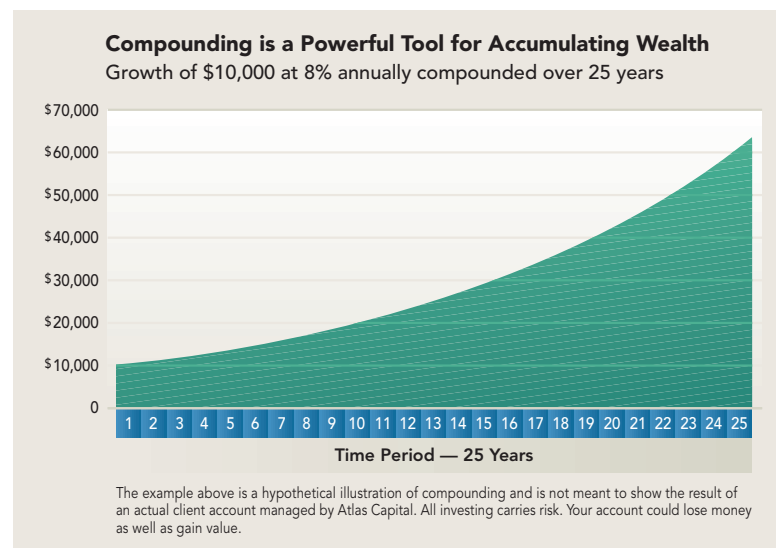
Complete the Atlas Capital Investment Advisory Agreement and the Investor Application and any other necessary documents provided by your Investment Representative.

Once we receive and review all completed documents necessary for handling exchanges internally and at the mutual fund, insurance company or trust company, Atlas will officially accept your account for management.

All assets are held in your name at your custodian. This may be your brokerage firm, trust company or insurance company. With the exception of management fees deducted with your authorization, Atlas has no access to the cash or assets in these accounts. You assign Atlas a limited power of attorney to make exchanges in your account in response to the signals generated by our investment models.

You will receive statements directly from the custodian through which you are invested. The frequency of those statements will depend upon each custodian's respective policies. Atlas Capital Management Corp. may also distribute periodic updates to clients as market conditions warrant.

We look forward to working with you to build financial security for your future and striving to make your retirement free of financial worries.



If there is a secret behind accumulating wealth, it is the all too often overlooked value of compounding. Compounding is the result of earning interest on interest, on interest, and so on. The value of your account builds slowly at first, but then begins to snowball. The only way you can put compounding to work in your favor is to find an investment approach that matches your risk tolerance and that you can stay with for the long term.

¹ "The Whopping Cost of Market Timing," Chuck Jaffe, *The Boston Globe*, July 20, 2003.

² "A Review of Studies in Mutual Fund Performance, Timing and Persistence," page 33, Working Paper 006-05 by Seth C. Anderson, Ph.D., and Oliver Schnusenberg, Ph.D., Coggin College of Business, The University of North Florida.

³ "The Asset Allocation Hoax," William Jahnke, MBA, 1997.

⁴ "Stock Market Extremes and Portfolio Performance," a study commissioned by Towneley Capital Management and conducted by Professor H. Nejat Seyhun, University of Michigan, 1994.

⁵ "The performance of professional market timers; daily evidence from executed strategies," Don M. Chance, Ph.D., CFA, MBA, Virginia Tech University; Michael L. Hemler, Ph.D., University of Notre Dame, November 1998.

What Our Clients Can Expect

Atlas Capital Management provides investment management services designed to optimize the risk-adjusted performance of your assets through investing in what our proprietary indicators tell us are the right asset classes for current market conditions.

Investment Tools

To do so, we may use any or all of the following: mutual funds, exchange traded funds, variable annuity accounts, stock baskets and other investment options that provide us with a diversified portfolio of individual securities, thus reducing individual security risk. Diversification does not eliminate market risk, however. In fact, the larger the fund or individual security, the more vulnerable it is to losing money in a declining market. Atlas Capital's investment approaches strive to reduce market risk and increase the probability that client monies are invested in top performing asset classes.

Suitability

Our investment approaches are suitable for almost every type of account including:

- Individual investment accounts
- IRAs and Keoghs
- Profit sharing plans
- Custodial accounts,
- Variable life insurance
- Pension plans
- 401(k)s and 403(b)s
- Variable annuities.

Because many of our transactions will be short-term in nature, Atlas' strategies work well with tax-deferred accounts where taxes on gains are deferred until withdrawn at retirement. Tax deferral also allows gains that might have been lost to taxes to continue to grow in your account.

Compensation

Atlas charges an annual fee, paid quarterly in arrears, to manage client accounts. We do not receive commissions, brokerage fees or incentive fees to promote one investment over another. Thus, Atlas' goals coincide with our clients' financial objectives: namely to manage your accounts prudently and make your assets grow. Our fees are as follows:

	FULLY MANAGED ACCOUNTS	HIGH YIELD ACCOUNTS
• First \$250,000	2.00%	1.50%
• Next \$250,000	1.75%	1.25%
• Next \$500,000	1.50%	1.00%
• Thereafter	1.00%	.75%

Performance-based fees are available to investors who meet SEC qualifications, requiring investors have a minimum net worth of \$1.5 million or \$750,000 under management with the Atlas Capital.

Although we do not have a minimum investment requirement, we do have a minimum annual fee of \$1,000. Multiple accounts managed by Atlas for the same household can be combined for

the purpose of computing the management fee.

Fees can be billed separately or withdrawn from the client's account if permitted by the custodian.

A portion of the annual advisory fee is shared with your investment advisor representative as long as we manage the account. Our advisory fee remains the same regardless of whether or not there is an investment advisor representative representing you.

To Retain Our Services

To retain Atlas Capital Management to manage your assets, talk with your investment representative regarding the appropriate investment and to obtain the required account applications and forms. Upon receipt and review of all completed documents necessary for handling exchanges internally and at the custodian, Atlas will officially accept the account for management.

Further Disclosure

Atlas Capital Management is registered as an Investment Advisor with the U.S. Securities and Exchange Commission. A copy of our ADV disclosure statement, with further background on our firm, management style and investment approaches, is available on request and can be found on the SEC's Investment Advisor Public Disclosure site at www.adviserinfo.sec.gov.



Atlas Capital Management Corporation