



## Manager: Summit Portfolio Advisors, LLC Portfolio: Equities Hedged with Collars

### Overview of Firm

Summit Portfolio Advisors, LLC ("SPA") is a 100% family owned Investment Advisor. The firm opened for business in September 2005 with Joseph M. Schwab as Chief Executive Officer and Thomas J. Schwab as Chief Investment Officer, and was joined shortly thereafter by Elizabeth M. Schwab as President. As of 6-30-2007, assets under management were approximately \$13 million.

### Investment Philosophy

SPA has pioneered "Collar Investing", a conservative and innovative investment discipline which utilizes equity collars to shield stock investments from significant loss. While a stock is wrapped in a collar, any loss or gain is limited by the minimum and maximum price range of the collar, no matter how much the stock actually falls or rises.

Major benefits of Collar Investing are:

- Collars clearly define the maximum gain or loss that an investor may experience, so there are no surprises.
- With collars, maximum risk levels can be pre-set. For example, a client can specify realized losses to be limited to no more than 5%. Knowing the worst case scenario ahead of time provides peace of mind.
- In the unlikely event of a general market collapse, stocks shielded with collars will likely retain the bulk of their value. Listed options are backed by the Option Clearing Corporation, rated AAA by Standard & Poors.

### Suitability

Collar Investing may suit a broad spectrum of investors:

- Retirees, baby boomers, or nervous investors who are willing to forgo some possible excess return in exchange for protection.
- Pension Plans or other long term investors who use Collar Investing as an alternative to bonds if they don't require current income and expect collared stocks to outperform bonds in the long run.
- Investors who buy guaranteed annuities, structured notes, and other products that provide protection of principal. Unlike some protective products, Collar Investing fees and other costs are transparent to the client, and the reward vs. risk equation may be more favorable with Collar Investing.

Investors regularly insure their real estate holding, but rarely their stock investments, yet the odds of needing protection against a severe market drop may be greater than needing property insurance.

### Portfolio Overview

Accounts of less than \$100K may hold ten or fewer positions with corresponding collars, while larger accounts may hold over twenty positions. Each separately managed portfolio consists of mostly large cap stocks diversified by economic sector, with no sector typically representing more than 25% of the total weight.

### Fees

Annual account fees are 0.8% (fees are prorated quarterly in arrears). Minimum account size is \$50,000. Investment Advisors or clients who household more than \$5 million of assets with SPA may be eligible for a lower fee of 0.55%.

### Investment Process

With Collar Investing, the focus shifts from stock selection to collar selection. The art of Collar Investing is to find those combinations offering the greatest reward with the least risk. By selecting a diversified mix of stock/collar combinations, SPA assembles a core portfolio for each client where potential gains for any holding substantially exceed potential losses. The portfolio construction process is dynamic. When stocks are hitting new highs, lower risk collars might be selected to defensively skew the portfolio. Conversely, when stocks have plummeted, higher risk (and return) collars might be selected to more aggressively position the portfolio for a market rebound.

### Buy Discipline

To be included in a client's portfolio, stock/collar combinations must meet the following conditions:

- Downside risk on any collared stock is no more than 10%, unless the client specifies a higher or lower risk tolerance.
- The upside potential for any collared stock is significantly greater than the downside risk.
- The net cost for the collar protection is minimal.

### Sell Discipline

Until option expiration, stocks are generally not sold, but collar boundaries are sometimes adjusted for opportunities. At collar expirations, stocks not sold through option exercise are compared with other collar opportunities to determine if they should be re-collared or sold.

### Summary

Collar Investing is a conservative investment discipline. Because investors know the range of possible gain or loss before investing, there are no surprises. SPA offers three disciplines to choose from: Large Cap Core, International, and Socially Responsible.

Period	SPA Composite*	S&P 500 (dividends reinvested)
Last 4 Qtrs	10.37%	20.60%
2007 YTD	3.25%	6.96%
Q2	2.16%	6.28%
Q1	1.07%	0.64%
2006	7.73%	15.80%
Q4	3.87%	6.70%
Q3	2.91%	5.67%
Q2	-0.34%	-1.44%
Q1	1.13%	4.21%
2005 YTD	1.51%	2.08%
Q4	1.51%	2.08%

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\*Collar Investing uses listed equity options which may be subject to special tax rules and other relevant factors that may effect your decision to invest. You should consult with your investment, tax, and accounting advisors before investing. **Performance notes:** Composite performance is calculated quarterly, size-weighted by beginning of the quarter asset values, and net of all fees and commissions. The composite performance has been calculated using the Modified Dietz Method and there are no alterations of the composite returns as presented. The benchmark is the S&P 500 Index. This is not a sales solicitation, but rather a profile of our investment management approach. Past performance is never a guarantee of future results. Investing in securities involves risk and investors may incur a loss.