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INVESTORS  
CAPITAL

INVESTORS CAPITAL HOLDINGS

Annual Report 2003



A M E X : I C H



A M E X : I C H

## 2 0 0 3   H i g h l i g h t s

- Investors Capital Holdings' wholly-owned broker-dealer subsidiary, Investors Capital Corporation, placed number 11 in *The Boston Globe's* ranking of "biggest financial services companies by revenue" list. (May 20, 2003)
- Investors Capital Corporation was ranked #1 in Client Account Growth, and #6 in Revenue Growth, in the June 2003 issue of *Financial Planning* magazine.
- Investors Capital Corporation placed in the "Top 100 return on equity" listing by *The Boston Globe*. (June 2, 2003)
- Investors Capital Holdings' wholly-owned insurance subsidiary, ICC Insurance Agency, Inc., expanded its staff and significantly diversified its product portfolio to offer both fixed and variable insurance solutions to affiliated registered representatives.
- Since its expansion in September 2002, ICC Insurance Agency is quoting up to 70 new cases per week.
- Investors Capital Corporation established a comprehensive "Tax Solutions" program to help its representatives provide clients with personalized income tax preparation. The turn-key program also enables representatives to advise clients in establishing proactive, year-round financial strategies.
- Investors Capital Corporation opened four Tax Solutions centers—two in Massachusetts, and two in Florida—with plans to expand nationwide over the coming year.
- Investors Capital Corporation launched its highly successful "Seminar Boot Camp" program (featured in *Research* magazine) to help its representatives plan and implement seminars to attract new business and dramatically increase production.
- Investors Capital Corporation forged several important partnerships to diversify its portfolio of financial product offerings.
- Investors Capital Corporation significantly increased the number and variety of its conferences and meetings. These events assist representatives in fulfilling their continuing education requirements, and keep them current with new and revised regulations from the Securities and Exchange Commission (SEC), and National Association of Securities Dealers (NASD) organizations.

AMEX.WELCOMES.INVESTORS.CAPITAL.HOLDINGS.LTD..ICH IYY

28s28.96 MWY 7.65 MAR%B 15s21.50 PNK 10.25 SRM 30.000s18.90 IT.B

# I n v e s t o r s   C a p i t a l   H o l d i n g s

Investors Capital Holdings (AMEX:ICH) of Lynnfield, Massachusetts, is a diversified financial services company that owns and operates three distinct subsidiaries. Investors Capital Corporation is a nationally recognized, independent broker-dealer comprised of approximately 1,000 experienced, registered financial representatives throughout the United States. Eastern Point Advisors, Inc. is an investment advisory firm managing portfolios for individual and institutional clients, as well as the advisor to the Eastern Point Advisors Twenty Fund. ICC Insurance Agency, Inc. provides insurance services to agents of Investors Capital Corporation, as well as brokers affiliated with outside firms.

## C o r p o r a t e   S t r u c t u r e

### I n v e s t o r s   C a p i t a l   H o l d i n g s



i n d e p e n d e n c e

## Letter From The CEO

Dear Shareholders, Financial Advisors, and Customers,

Investors Capital Holdings and our subsidiaries enjoyed a very strong year. In 2002, we increased our profitability by more than 100%, despite one of the most difficult years in the financial services industry. Total revenue for the fiscal year ended March 31, 2003 increased by 18.7% from the prior year. We improved our position in the financial services industry with investments in technology and sharpened customer focus.

Our performance is laudable considering it is difficult to imagine a worse scenario to operate in than that which we experienced in 2002. A recession in the U.S. economy, the outfall of 9/11, the war in Iraq, a declining stock market, and suppressed investor desire combined to create a challenging business landscape. Further exacerbating the situation were the numerous examples of corporate fraud, aggressive accounting practices, inadequate audit oversights, and doubts surrounding the integrity of Wall Street research.

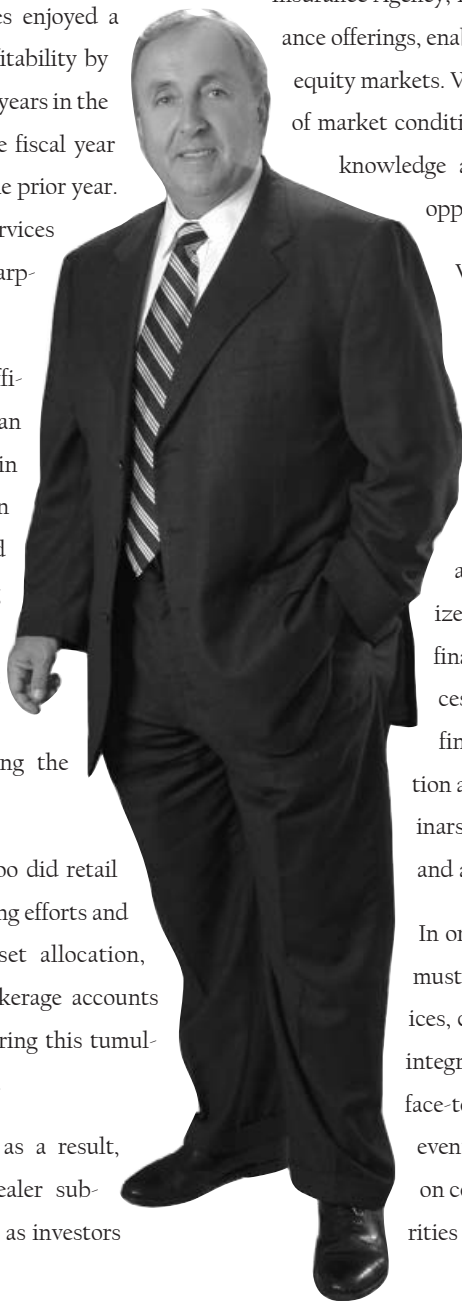
As clients saw their accounts shift in size, so too did retail investment activity. However, due to our recruiting efforts and increased training in seminar selling and asset allocation, Investors Capital was able to increase our brokerage accounts from 13,905 in FY 2002 to 17,996 in FY 2003 during this tumultuous period where many firms suffered declines.

We internalized our bond desk in 2002 and as a result, Investors Capital Holdings and our broker-dealer subsidiary, Investors Capital Corporation, benefited as investors

sought the safe haven of fixed income. Our insurance division, ICC Insurance Agency, Inc., expanded to offer fixed annuity and life insurance offerings, enabling us to capture fixed assets as investors fled the equity markets. We are extremely well positioned to take advantage of market conditions, and our management staff has the breadth of knowledge and experience to act accordingly to maximize opportunities in this ever-changing global economy.

We and our highly trained, independent financial advisors realized that customers were requesting a higher level of financial planning, as well as asset protection and allocation strategies. As a result, Investors Capital Corporation introduced two new initiatives. We established a comprehensive "Tax Solutions" program to train our financial advisors how to provide their clients with personalized income tax preparation, as well as year-round financial strategies. We also launched our highly successful "Seminar Boot Camp" series that helps many financial advisors dramatically increase their production and attract new clients. More importantly, our seminars teach our advisors how to help their clients define and achieve their goals.

In order to consistently deliver value to our clients, we must deliver the best ideas, products, solutions and services, coupled with the highest standards of professional integrity. We have significantly increased the number of face-to-face meetings and conferences this year (over 130 events) to educate our independent financial advisors on compliance issues, as well as new and evolving securities regulations at both the state and federal levels.



Over the past 12 months, Investors Capital Holdings and our subsidiaries have aggressively controlled expenses, diversified revenues, and committed resources to invest in our future.

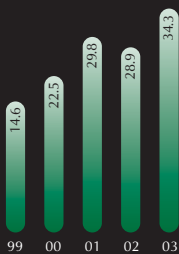
Our management team has reshaped our business model to deliver superior client service and shareholder value across all economic cycles. We are dedicated to a performance-based culture with the fundamental building blocks of excellence, honesty, and integrity. We have a solid balance sheet, we are debt free, and we enjoy sustainable cash flow.

A substantial portion of my net worth is directly linked to the performance of Investors Capital Holdings' stock (AMEX:ICH). As CEO, I also have the duty to clearly communicate to investors how our fundamentals are both real and sustainable, and how Investors Capital Holdings plans to grow. I am committed to leading the company with integrity and clarity of purpose, while generating sustained, meaningful value for our clients, shareholders, financial advisors, and employees—both now and in the years to follow.

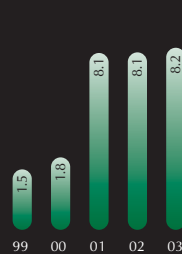
Sincerely,



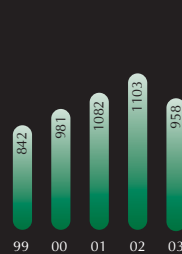
Theodore E. Charles  
 President, Chairman, and CEO, Investors Capital Holdings  
 CEO, Investors Capital Corporation



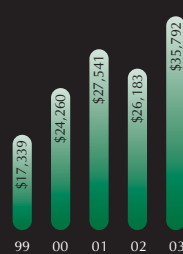
Growth in Sales for the Years Ended March 31



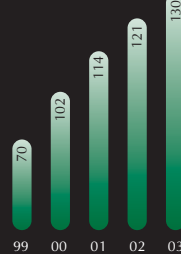
Growth in Stockholders' Equity March 31



Growth in Financial Advisors



ICH Advisor Commissions



Growth in ICH Training, Networking, and Marketing Sessions

g r o w t h

# Letter From The President

Dear Investors Capital Stakeholders,

In 2002, Investors Capital Corporation had its best revenue year in another very difficult market environment. Although the economy and financial markets were weak, the firm was strong. Our financial results in 2002 demonstrated the breadth and resiliency of our franchise.

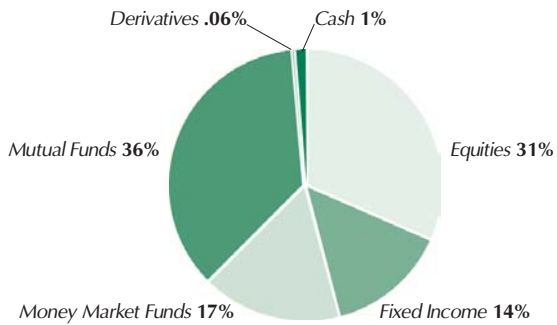
We performed well in a period of market turmoil resulting from heightened geopolitical risks, weak growth rates in the major economies around the world, and both investor skepticism and greater regulatory scrutiny in the wake of high profile cases of corporate fraud. Merger and acquisition activity dropped substantially from the already depressed 2001 levels; global equity markets suffered their third consecutive year of negative returns, which had not happened in over 70 years; and fixed income markets experienced extreme volatility and significant deterioration in corporate credit quality. Despite all these challenges, the firm reported net revenues of \$34.5 million and net income of \$115 thousand.



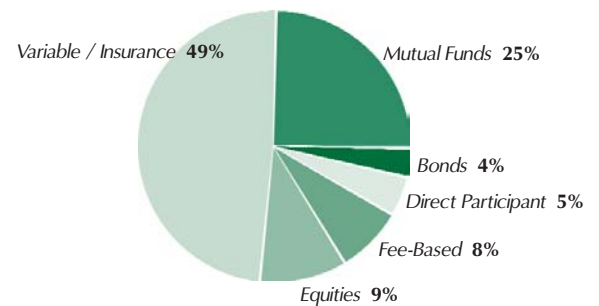
During the year, we made changes in the responsibilities of our senior management team to help position Investors Capital Corporation for continued success. These changes reflect an important evolution in the senior management structure of the firm, broadening decision-making powers and strengthening our resources devoted to risk management.

Our strategy emphasizes building a diversified set of high-margin businesses that, together, deliver consistently strong results throughout the market cycle. In 2002, even at the weakest point in the cycle so far, we increased market share in nearly every one of our major products.

We have positioned ourselves as a broker-dealer where advisors go to grow their business. The independent broker-dealer channel has seen significant growth in recent years as many traditional “full service” brokers make the transition from a wirehouse environment to owning and operating their own businesses. Brokers seeking to serve their clients with true independent advice—not dictated by corporate policy or product preference—flourish in our franchise.



Investors Capital Corporation  
Asset Distribution



Investors Capital Corporation  
Revenue Mix

It is not surprising that a recent *BusinessWeek* poll reported that 75% of U.S. individual investors are concerned about their investments. Moreover, 65% of those investors were concerned about the objectivity of investment advisors' recommendations, and 78% report they have less confidence in analysts' recommendations.

Investors Capital Corporation is committed to a needs-driven approach to resolving clients' financial problems. While we can't avoid the volatility of the market, sound financial planning methodology and proven diversification techniques will generate winning strategies in the long run. I believe that Investors Capital Corporation will emerge from these challenging times with even better results than our peers.

I am confident that our strategy, the experience of our management team, and most importantly the quality of our advisors, will continue to produce attractive returns into the future.

Regards,

A handwritten signature in black ink, appearing to read "Timothy B. Murphy". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Timothy B. Murphy  
Treasurer and CFO, Investors Capital Holdings  
President, Investors Capital Corporation

v a l u e

# Investors Capital Corporation

Incorporated in 1992, Investors Capital Corporation is a nationally-recognized, independent broker-dealer committed to providing quality services and a full range of investment products that its registered financial representatives can offer to their clients.

Investors Capital Corporation continually develops field-tested, proven, lead-generation marketing and sales programs that help its registered representatives uncover and close brand new business, while continuing to increase additional, year-over-year revenue from existing clients.

Investors Capital Corporation introduced several innovative programs in fiscal year 2003 to help its registered representatives successfully grow their businesses, and strengthen the firm's reputation as an ideal, end-to-end broker-dealer.

## Powerful Seminar-Selling Program Boosts Production

Seventy percent of Investors Capital Corporation's top producers boosted their new client business in the last year as a direct result of incorporating seminars into their business models. Consequently, the firm introduced its extremely popular "Seminar Boot Camp" program.

*"I walked away with \$40,000 in commissions from hosting just one seminar. Investors Capital's seminar boot camp showed me step-by-step how to implement this powerful sales vehicle to grow my business exponentially."*



**- Roman Martin, MBA, Managing Director  
Topsfield, MA**

The program is designed to help the firm's representatives plan and implement successful seminars to attract new client business, including how to easily identify niche markets, how to select compelling seminar topics, and how to dramatically increase production.

The seminar boot camp program has garnered positive responses from both representatives and the media alike. *Research* magazine featured Investors Capital Corporation's boot camp program in its April 2003 issue.

## Innovative Tax Solutions Program Ensures Return Business

Investors Capital Corporation developed a new "Tax Solutions" program that enables its registered representatives to turn a once-a-year, stressful tax preparation exercise into a seamless, proactive financial planning experience for their clients. The tax solutions program—

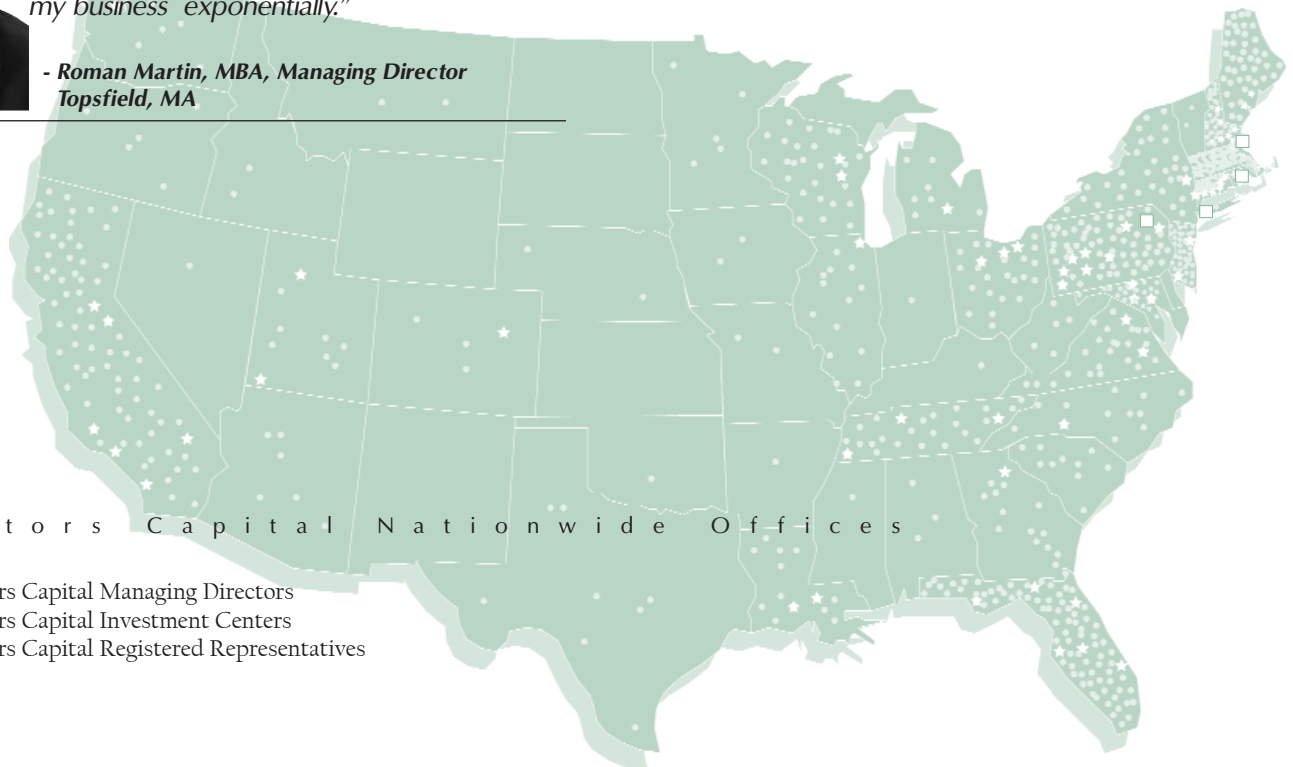
*"Prior to joining Investors Capital, I took an office losing \$50,000 yearly and grew it into a profit center that generated \$750,000 annually. I brought my sales track record to Investors Capital, where they empowered me to develop a full-service tax solutions program. We are now rolling it out to help their independent brokers generate increases in revenue."*



**-Anthony Maraschiello, Managing Director  
Woburn, MA**

## Investors Capital Nationwide Offices

- ☆ Investors Capital Managing Directors
- Investors Capital Investment Centers
- Investors Capital Registered Representatives



already in full operation in four strategic geographic locations—will be available later this year as a franchise to qualified representatives and accountants who wish to add financial services to their practices.

In addition to providing personalized income tax preparation for their clients, registered representatives who franchise the turn-key tax solutions program can provide customized, year-round strategies to educate and assist clients in implementing comprehensive, proactive financial plans—and set the stage for return business and production increases.

### **Fixed Income Securities Expertise**

Investors Capital Corporation expanded its fixed income department in 2002, and anticipates a marked increase in revenue as it extends its bond expertise to a wider distribution channel of independent broker-dealers who do not offer in-house bond trading services.

Bond market investments make up between 25-75% of the portfolio of the high-net-worth investor. Consequently, Investors Capital opened a dedicated bond desk overseen by a team of seasoned bond traders who direct the management and execution of all fixed income securities traded through Investors Capital.

Investors Capital offers various fixed income securities, including U.S. Treasury securities, municipal bonds, corporate bonds, collateralized mortgage obligations, and zero coupon bonds, among others. Investors Capital's bond department also provides custom laddering that enables representatives to offer their clients portfolio diversification and maturity selection.

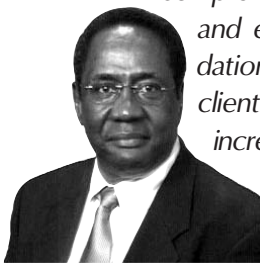
o p p o r t u n i t i e s

Incorporated in 1995, Eastern Point Advisors, Inc. is a federally-registered investment advisory firm rooted in Nobel Prize-winning Model Portfolio Theory, and provides clients with professionally managed portfolios of mutual funds, variable annuities, and individual equity securities.

Utilizing portfolios tailored to each client's specific goals and objectives, Eastern Point Advisors combines state-of-the-art technology with rigorous selection procedures to construct, monitor, and maintain each and every client portfolio. Additionally, Eastern Point Advisors' fee-for-service structure ensures that the clients' needs are considered first and foremost.

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*"Eastern Point Advisors' fee-based asset management provides a broader selection of investments, allows for more comprehensive portfolio analysis and monitoring, and ensures objective investment recommendations because financial professionals and clients are on the same side. My income increases only with the growth of a client's assets."*



**- Robert Kenon, CFP  
Tallahassee, FL**

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### Balanced Money Management Begins With Asset Allocation

When it comes to risk and reward, stocks, bonds, and cash behave quite differently. Because every investment comes with some degree of risk, "asset allocation" is an attractive solution because it covers the bases and can reduce risks typically associated with investing in only one vehicle (e.g., all stocks, all bonds, etc.). An asset allocation strategy looks at an individual's goals and circumstances, and determines what mix will return the optimal blend of risk and reward.

Eastern Point Advisors rigorously follows the asset allocation principle to provide clients with peace of mind that their investment portfolios will be constructed, monitored, and maintained to yield the highest available gains possible under normal market conditions.

### The Eastern Point Advisors "Twenty Fund"

Eastern Point Advisors created its own mutual fund in 1999 when the firm attracted and hired an experienced, in-house portfolio fund manager to develop and oversee the Eastern Point Advisors Twenty Fund. Frederick Sears, Jr., also a well-known financial media spokesperson, (having participated in the *Wall Street Journal's* "Dart Board Contest" as well as appearing on over 75 television programs seen worldwide, including CNNfn, CNBC, Bloomberg, Reuters, and FOX News) takes a conservative approach toward evaluating stocks for the Twenty Fund. His investment objective is to amplify growth potential by identifying the "best of the best" companies with no less than five-year earnings histories in most cases. To reduce risk and guard against market fluctuations, a stop-loss strategy is utilized to help preserve capital.

The Twenty Fund concentrates its holdings in a select group of approximately 20-30 stocks of what are usually considered to be "large cap" companies of primarily U.S. origin. Stocks are selected based on high capital appreciation potential through execution of solid business models, use of technology, dominant or dominating market share, proprietary products, and excellent management/corporate culture.

Pursuant to information compiled by Morningstar, the Twenty Fund was ranked in the top 5% of mutual funds in the large-blend category, based on total return for the six-month period January 2, 2003 to June 30, 2003.

ICC Insurance Agency, Inc. expanded its staff, diversified its product offerings, and increased its revenue in 2002 by strategically bringing together fixed and variable insurance offerings under one internal insurance division. ICC Insurance Agency is geared toward helping independent brokers develop their life, disability, long-term care, and health insurance businesses, and provides brokers with access to multiple insurance carriers and products.

As part of its expansion, ICC Insurance Agency recruited Richard Brown in 2002 from Lincoln Benefit Life Company, a member of Allstate Financial Group. Brown, a 14-year veteran of the insurance industry, was previously responsible for wholesaling Lincoln Benefit Life's variable universal life products throughout the Northeast. He now leads a dedicated, internal staff of insurance professionals who collaborate with Investors Capital Corporation's brokers, as well as brokers with outside firms, to assist them with comprehensive, cost-effective insurance case placement from beginning to end. Additional services offered include advanced case design and pre-sales support, sales training, and active case management.

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***"Our branch office is so pleased to be able to combine our fixed and securities business. ICC Insurance Agency provides us with seamless assistance, from helping with contracts, to recommending the right carriers and products to offer our clients. I couldn't be happier with the comprehensive service and support we receive from ICC Insurance Agency."***



***- Lynn Berry, Managing Director  
Neenah, WI***

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## Company Milestones

- **2003** · Expands ICC Insurance Agency to include both fixed and variable insurance offerings
- Establishes a “Tax Solutions” franchise business, and opens four specialized tax offices on East Coast
- Launches “Seminar Boot Camp” program to help reps attract new business and increase production
- Expands fixed income department, offering in-house bond trading capabilities

## Board of Directors



**Theodore E. Charles**  
President, Chairman, and CEO  
Investors Capital Holdings

**Timothy B. Murphy**  
Treasurer and CFO  
Investors Capital Holdings

**David R. Smith**  
Managing Director  
Charter Financial PublishingNetwork

Investors Capital Holdings' Board of Directors brings more than 150 years of collective financial services expertise to their advisor roles. The board members hold a full range of securities licenses, and belong to various professional organizations. All are actively involved in financial services management with their respective companies. They are char-

tered with providing strategic direction to grow revenue for Investors Capital Holdings and its subsidiaries, controlling costs, recruiting financial talent, and holding the company accountable to its financial objectives.



**2002** • Opens additional Investment Centers and an Investment Banking Division

**2001** • Completion of initial public offering

**2000** • Sales force approaches 1,000 independent advisors

**1999** • Revenue exceeds \$15 million

**1997** • Sales force surpasses 500 independent financial advisors

**1995** • Eastern Point Advisors, Inc. founded

**1994** • ICC Insurance Agency, Inc. founded

**1992** • Investors Capital Corporation founded



**Stephen Parker**  
Professional Consultant  
Former Vice President  
Allmerica Financial

**C. Troy Shaver, Jr.**  
Vice Chairman  
GoldK

**James F. Twaddell**  
Investment Banker  
Investors Capital Investment  
Banking Division

# C o r p o r a t e I n f o r m a t i o n

## C o n t a c t s

### Transfer Agent

Computershare Trust Company, Inc.  
12039 W. Alameda Parkway  
Lakewood, CO 80228

### Independent Accountants

Shatswell, MacLeod & Company, P.C.  
83 Pine Street  
West Peabody, MA 01960

### Corporate Counsel

C. David Weller, Esq.  
Law Offices of C. David Weller, P.L.L.C.  
One Harbour Place  
Suite 115  
Portsmouth, NH 03801

### Stock Exchange Listing

Investors Capital Holdings' common stock is listed on the American Stock Exchange under the symbol ICH.

## I n v e s t o r R e l a t i o n s

For more information, including the online version of Investors Capital Holdings' annual report, visit our website at [www.investorscapital.com](http://www.investorscapital.com). Additional copies of this report and other corporate information are available upon request from:

### Investor Relations

Investors Capital Holdings  
230 Broadway  
Lynnfield, MA 01940  
800-949-1422

## B o a r d o f D i r e c t o r s

### Theodore E. Charles

President, Chairman, and CEO, Investors Capital Holdings

### Timothy B. Murphy

Treasurer and CFO, Investors Capital Holdings

### David R. Smith

Managing Director, Charter Financial Publishing Network

### Stephen Parker

Professional Consultant, Former Vice President, Allmerica Financial

### C. Troy Shaver, Jr.

Vice Chairman, GoldK

### James F. Twaddell

Investment Banker, Investors Capital Investment Banking Division

## O f f i c e r s

### Theodore E. Charles

President, Chairman, CEO

### Timothy B. Murphy

Treasurer, CFO

### Susan A. McCraine

Vice President

### Janice M. Charles

Secretary

### Steven C. Preskenis, Esq.

Assistant Secretary

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[www.investorscapital.com](http://www.investorscapital.com)

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INVESTORS CAPITAL HOLDINGS

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