



STRATEGY OBJECTIVE & PROCESS

Objective

Provide a high level of dividend income while providing capital appreciation

Best for yield conscious individuals and institutions looking for:

- Income via a steady stream of dividends
- Less volatility than the overall Market
- Moderate long term growth of dividends and capital appreciation
- High quality companies

The primary objective of the Income Equity strategy is to provide quality current income via dividends that are double that of the S&P 500 Index. A secondary objective is to provide long-term capital appreciation that is twice the rate of consumer inflation in the U.S.

Osborn Rohs Williams & Donohoe screens from a database that includes over 16,000 companies. The eligible universe is then screened for quality, capitalization and dividend yield to reduce the number of candidates to between 200 and 300. Fundamental research is performed to arrive at companies with the best earnings prospects with proper consideration for sector and industry diversification. Here we look for other factors such as earnings stability and net debt to equity that would enhance the quality of the portfolio and reduce volatility. A diverse portfolio about 40 to 50 high quality & high yielding companies is the result.

The strategy is thoroughly reviewed on a regular basis by the investment committee. Companies that are failing to meet the quality, dividend and earnings growth parameters are replaced with superior alternatives. Normal turnover in this strategy is only 20-30% per year. The Income Equity Strategy may use as much as 25% preferred stocks in order to enhance portfolio yield.

Routinely portfolios are customized to adapt to social criteria or special situations such as large, low basis holdings. Because of the high regularly occurring and growing income stream, the Income Equity strategy is well suited for tax sensitive high net worth clients, foundations & endowments.

SECTOR WEIGHTS & CHARACTERISTICS

	<i>Income Equity</i>	<i>S&P 500 Index</i>
<i>Consumer Discretionary</i>	9.8%	10.6%
<i>Consumer Staples</i>	10.0%	11.3%
<i>Energy</i>	12.3%	11.0%
<i>Financial</i>	14.3%	16.1%
<i>Health Care</i>	14.0%	11.8%
<i>Industrials</i>	11.8%	10.4%
<i>Materials</i>	5.8%	3.5%
<i>Technology</i>	8.0%	18.9%
<i>Telecom</i>	4.0%	3.0%
<i>Utilities</i>	8.0%	3.6%
<i>Other</i>	2.0%	0%

<i>Characteristics vs S&P 500</i>	<i>Income Equity</i>	<i>S&P 500 Index</i>
<i>Market Capitalization</i>	\$47 Billion	\$79 Billion
<i>Current Dividend Yield</i>	4.3%	2.0%
<i>5 Yr. Dividend Growth</i>	12%	3%
<i>Long Term Earnings Growth</i>	8%	8%
<i>Expected Volatility (beta)</i>	.88	1.0
<i>Quality (S&P Rank)</i>	A-	B+
<i>Source: Baseline</i>		

