



During the worst year for the Dow Industrials since 1931, stock prices fell across the board and there were few places investors could hide. Dividend-paying stocks were no exception as they suffered from the fallout in the Financial sector and a vast amount of dividend reductions during the year. For 2008, the Merrill Lynch Dividend Index was down 41% and was one of the worst performers for the year.

While investors' portfolios suffered from lower stock prices in 2008, they were also hurt by a record number of dividend reductions or deletions throughout the year. According to Standard and Poor's, nearly 290 publicly owned companies decreased their dividend in the fourth quarter alone and made it the worst quarter for dividends since 1956. Investors should take recent history to heart as this trend will continue into the New Year. As a result, a company's free cash flow, payout ratio, and debt levels will be critical in 2009 as it applies to maintaining or decreasing the quarterly dividend. We do not expect to see a large number of dividend increases in 2009 as a weak economy will convince U.S. corporations to err on the side of being conservative with its cash.

The Dividend Equity Strategy outperformed all of its relative benchmarks in 2008 as it avoided the landmines in the Financial sector, including Wachovia, Lehman Brothers, Bear Stearns, AIG, and Fannie Mae. The Strategy currently holds an overweight position in the Consumer Staples, Materials, and Telecom sectors and is underweight in Technology and Energy. Until the economy shows visible signs of a recovery, our sector allocations will remain at year-end levels.

Recognitions - 2008:

Morningstar Database of Investment Managers

Ranked #5 out of 429 Large-Cap Value Managers
#1 ranked Dividend-Focused Manager
3rd highest Alpha among Large-Cap Value Managers

Informais Investment Solutions

"Top Gun" Manager - 1st Quarter of 2008
"Top Gun" Manager - 3rd Quarter of 2008
"Top Gun" Manager - 2008

Year End Statistics

Portfolio Turnover	10%
Upside Capture	134
Downside Capture	67
Dividend Yield	5.2%
Number of Holdings	38

Sector Weighting

Consumer Staples	20%
Financials	13%
Consumer Discretion	12%
Health Care	12%
Industrials	10%

Largest Holdings: Johnson & Johnson, McDonald's, Kellogg, AT&T, Lance, and Southern Company