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Crummer/Suntrust Portfolio: Analysis and Recommendations [2009]

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CRUMMER SUNTRUST PORTFOLIO



ANALYSIS AND RECOMMENDATIONS

2009

Presented by:



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Executive Summary

In evaluating the Crummer/SunTrust portfolio for 2009, the first consideration was determining the amount of risk that should be taken. At present, the portfolio has a defensive position, guarding against a turbulent economy. However, as the portfolio trades only once a year, the question facing the team was when the market will rebound. If we believe the market will rebound between now and May, 2010, it would be prudent to position the portfolio more aggressively than it is currently allocated. Conversely, if the market remains uncertain, continuing a defensive position is sensible.

The determination of the team was to take a more aggressive position than the portfolio has in its current form, but to approach that added risk judiciously. We still believe there is a relationship between risk and return; however, our fiduciary responsibility to provide scholarship funding dictates that we remain conservative. The goal is to position the portfolio for success in the event of a market recovery while also guarding against significant losses in the event of a prolonged recession. To accomplish this, each company in the portfolio has been scrutinized regarding their fundamentals, cash positions, dividend policies, and overall risk of bankruptcy. Generally speaking, only companies with strong cash positions and consistent, sustainable dividend policies have been included. Additionally, a z-statistic was evaluated for the companies in the portfolio to quantify their risk of bankruptcy, and the companies we are keeping remain fundamentally sound.

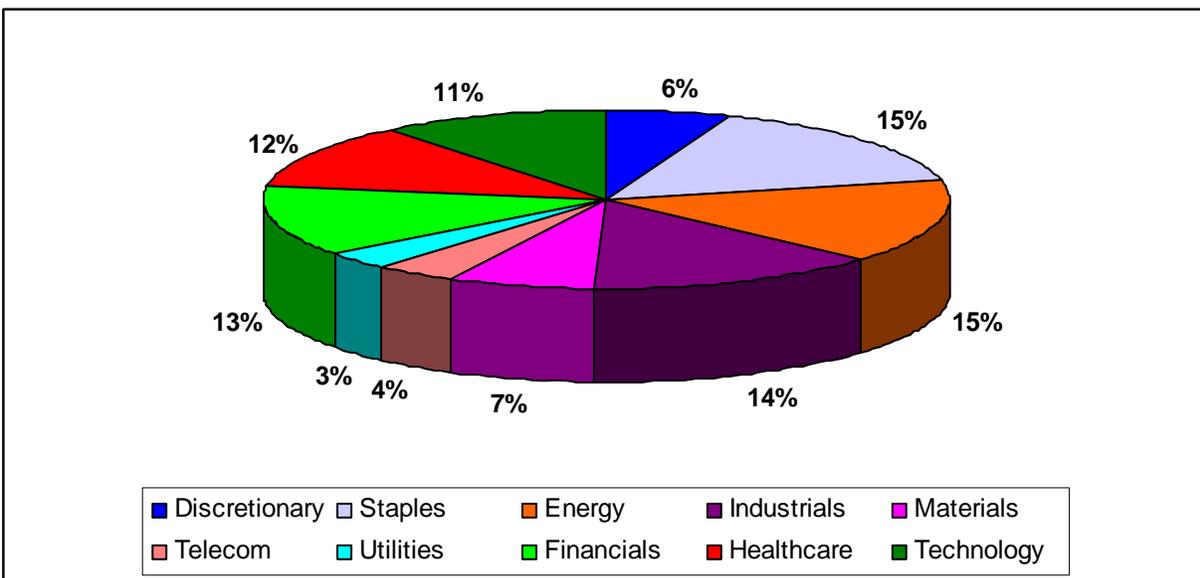
The portfolio will essentially be rebalanced toward market weighting. The key growth sectors in the portfolio will be healthcare and technology, with energy also being overweighted compared to the market. Financials, will potentially selling at a value, are still risky in the team's opinion, and that sector has been cut to slightly below market weight. Finally, we are reallocating some money from our fixed asset portfolio back into equities. The current portfolio consists of 70% equities and 30% bonds, representing roughly \$580,000 for the total portfolio. We are shifting 5 percent from bonds to equities for a 75-25 breakdown. The bond portfolio will also have a greater allocation in corporate bonds, moving away from low-yield treasuries.

The overall idea behind our position is this – If the market does not begin to recover during the next year, the portfolio is still guarded against significant losses. However, if a recovery does occur, and no action is taken this year, there will be no opportunity to trade again until May, 2010, missing significant gains that may occur during that time. The suggested allocation takes sensible risks while maintaining the fiduciary responsibility needed in managing this portfolio.

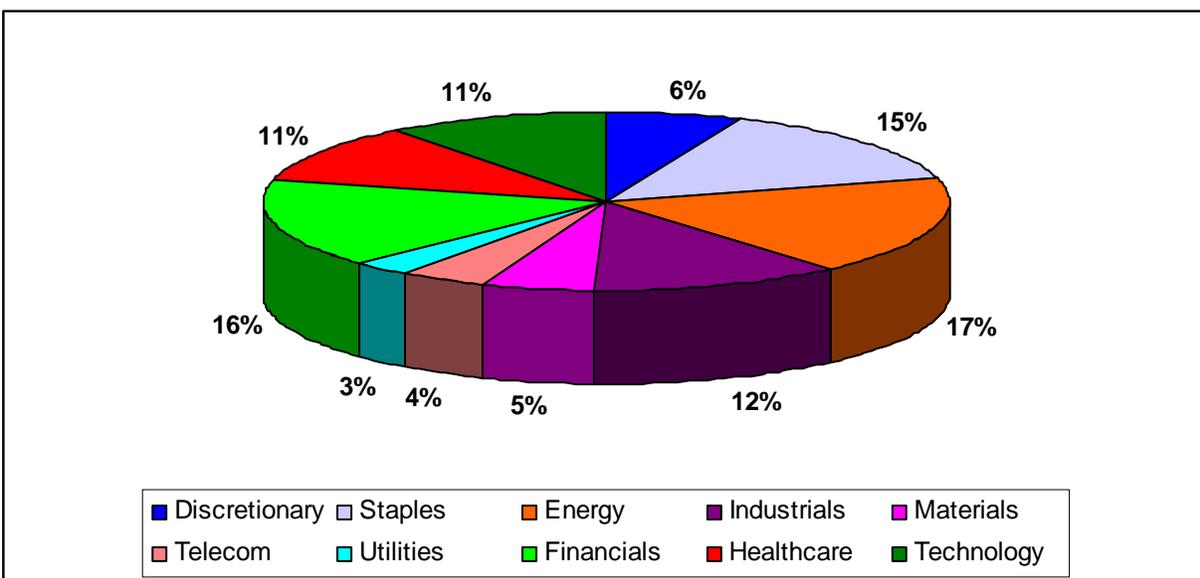


Visual Portfolio Allocation

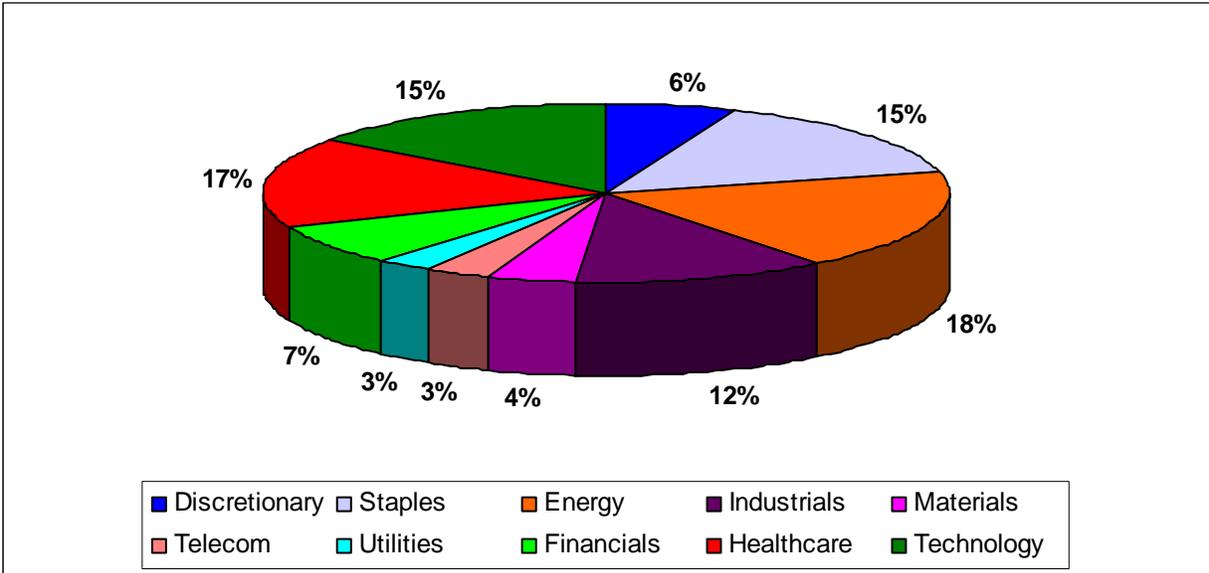
2008 Portfolio Allocation



2009 Current Portfolio Allocation



2009 Proposed Portfolio Allocation





Consumer Discretionary

Sector Overview

This sector has not performed well in the previous year. However, the sector weighting in our portfolio was adjusted last year for a recession. This sector has overall performed poorly in past recessions, most recently the 2001 and 1990 recessions. However, some months it has performed better due to high-performing sub sectors. In general, discretionary spending decreases in a recession, which results in poor results for the industry. The bright spot of this industry in a recession is its ability to recuperate quickly during upswings in the market. This is a strong reason for holding some discretionary sector stocks to capitalize on the market upswings. Key stock selections that have the upswing potential will need to be made for this sector.

Consumer Discretionary is made up of 4 sub sectors: Automobiles & Components, Consumer Durables & Apparel, Consumer Services, and Retailing. All 4 sub sectors are forecasting poor revenues for 2009. Increasing job losses and fear of unemployment has greatly reduced discretionary income. This has made for hard times for these industries. However, there are many different trends for this sector that shows potential. The main trend for these industries is expanding internationally. Many companies are trying to gain market share in Asia, where the demand is still strong. Macau is a very popular location to expand for the lodging and gaming industry. Two products that are seen to be increasing in demand are luxury handbags and sports apparel. The media industry is focusing on new ways to advertise. This is in response to increasing demand for online movie and TV show streaming, video on demand, and new HD channels. Retail stores are focusing on their core company products, but also adding services to differentiate themselves from the market.

The CCI is one of the indicators of how consumers will spend. The index is at its' lowest point in more than ten years, showing the consumer's tendency to lower their discretionary spending and save.



Current & Proposed Holdings – Company Overviews

Walt Disney Company¹ – Current & Proposed Holding

Stock Symbol: DIS	Market Capitalization: 30.71B
Last Trade: 20.00	P/E (ttm): 7.87
52 Week Range: 15.14 – 35.02	EPS (ttm): 2.10
Dividend Yield: 2.10%	Z-Score: 2.74

The Walt Disney Co. is a leading media conglomerate with key operations in theme parks, television, filmed entertainment, and merchandising licensing. Theme Parks and Resorts include the company's best known assets: Disney World and Disneyland parks in Orlando, FL and Anaheim, CA, respectively; the Disney Cruise Line; Euro Disney, Paris; and Hong Kong Disneyland. Media Networks include the ABC broadcast network, 10 television stations, and cable network's ESPN, The Disney Channel, ABC Family, and Lifetime. Studio Entertainment includes the film, television, and home video businesses under the Walt Disney, Touchstone, and Miramax brands. Consumer Products include merchandise licensing, children's book publishing, video game development, and retail stores, located mainly in Europe.

Disney has suffered from the recession, resulting in layoffs. However, Disney has focused on increasing avenue of displaying content. Disney's studios, Touchstone, entered into a deal with DreamWorks to produce 6 films a year. It has also expanded its Disney Channel. Disney has also launched a new social networking program called D23. Disney theme parks and hotels are offering substantial discounts to attract visitors. Although Disney's earnings for 1st quarter 2009 were 6 cents lower than estimates, at 51 cents, it still has expected earnings of 1.76 for 2009 and 1.97 for 2010. DIS is also yielding just over 2% yield, which is a positive attribute in this market. Analysts are recommending "Hold" for Disney.

¹ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage.

McDonald's Corporation² – Current & Proposed Holding

Stock Symbol: MCD	Market Capitalization: 56.64B
Last Trade: 56.64	P/E (ttm): 13.51
52 Week Range: 45.79 – 67.00	EPS (ttm): 3.76
Dividend Yield: 3.30%	Z-Score: 5.10

McDonald's Corporation, together with its subsidiaries, franchises and operates McDonald's restaurants worldwide. Its restaurants offer various food items, soft drinks, and other beverages. The company also a minority ownership interest in the U.K.-based Pret A Manger. As of December 31, 2008, McDonald's Corporation operated 31,967 restaurants in 118 countries, of which 25,465 were operated by franchisees, 6,502 were operated by affiliates, and 6,906 were operated by the company. The company was founded in 1948 and is based in Oak Brook, Illinois.

McDonald's has done very well compared to the market and most large cap companies in 2008. It recently beat the 4th quarter 2008 estimate by 4 cent with an 87 cent EPS. The reduction in EPS from the 4th qtr 2007 was due to a reduction in sales and currency exchange risk. McDonald's EPS is expected to grow to \$3.84 in 2009 and \$4.18 in 2010. Overseas operations still have a big impact on McDonalds' revenues. McDonald's value-priced menus should continue to see strong results, as more customers are eating out at more value-oriented restaurants. McDonald's new healthy offerings are attracting new customers and former customers turned off by the unhealthy fast food. Analysts recommendations are "buy/hold."

² Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage.

Coca Cola Company³ – Current & Proposed Holding

Stock Symbol: KO	Market Capitalization: 91.82B
Last Trade: 44.97	P/E (ttm): 15.97
52 Week Range: 37.44 – 61.90	EPS (ttm): 2.49
Dividend Yield: 3.90%	Z-Score: 6.36

The Coca-Cola Company engages in the manufacture, distributing, and marketing of nonalcoholic beverage concentrates and syrups worldwide. It principally offers sparkling and still beverages. The company's sparkling beverages include nonalcoholic ready-to-drink beverages with carbonation, such as energy drinks, carbonated waters, and flavored waters. Its still beverages consist of nonalcoholic beverages without carbonation, including non-carbonated waters, flavored waters and enhanced waters, juices and juice drinks, teas, coffees, and sports drinks. The Coca-Cola Company also offers fountain syrups, syrups, and concentrates, such as flavoring ingredients and sweeteners. The company markets its nonalcoholic beverages under the Coca-Cola, Diet Coke, Fanta, and Sprite brand names. It sells its finished beverage products primarily to distributors, and beverage concentrates and syrups to bottling and canning operators, distributors, fountain wholesalers, and fountain retailers. The Coca-Cola Company was founded in 1886 and is headquartered in Atlanta, Georgia.

Although in the discretionary sector, Coca-Cola has acted almost like a consumer staple. It beat fourth quarter earnings estimates by 3 cents with a 64 cent earnings. It's expected to have an EPS of 3.12 for 2009 and 3.38 for 2010. Coca-Cola is also showing a yield of almost 4%. The Board has just recently voted to increase the dividend per quarter by 8% to 41 cents per share. This is very favorable in a volatile market. Since most of Coca-Cola's revenue comes from outside the United States, it is important for the company to hedge its foreign currency risk. Coca-Cola has purchase foreign exchange contracts and currency options to protect its revenues. Analysts recommend a "buy/hold" for this stock.

³ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage.

Staples, Inc.⁴ – Current & Proposed Holding

Stock Symbol: SPLS	Market Capitalization: 11.09B
Last Trade: 19.42	P/E (ttm): 12.95
52 Week Range: 13.57 – 26.57	EPS (ttm): 1.2
Dividend Yield: 2.10%	Z-Score: 6.8

Staples, Inc., together with its subsidiaries, operates as an office products company. It offers business machines, computers and related products, and office furniture through its superstores. It also serves customers through its mail order catalog, e-commerce portal, and contract businesses. The company also provides a range of services, including high-speed, color, and self-service copying, other printing services, faxing, and pack and ship services. As of January 14, 2008, it operated approximately 2,000 office superstores. The company serves consumers and businesses ranging from home-based businesses to Fortune 500 companies in 22 countries throughout North and South America, Europe, and Asia. Staples, Inc. was founded in 1985 and is headquartered in Framingham, Massachusetts.

Staples has been through the toughest year in company history. Their fourth quarter EPS fell .06 less than expectations of 42 cents. Annual sales for 2008 increased 16% from 2007 due to the acquisition of Corporate Express. Excluding sales from Corporate express, sales fell 14%. The acquisition should help Staples in the business staple sector. This normally does well in recessions, since businesses always need office supplies. Consumers are putting off purchases of business machines and furniture. Analysts recommendations are “buy/hold” for Staples.

⁴ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage.

Abercrombie & Fitch⁵ – Current & Proposed Holding

Stock Symbol: ANF	Market Capitalization: 1.69B
Last Trade: 26.94	P/E (ttm): 6.37
52 Week Range: 13.66 – 80.50	EPS (ttm): 1.10
Dividend Yield: 3.7%	Z-Score: 8.13

Abercrombie & Fitch Co., through its wholly owned subsidiaries, operates as a retailer of casual apparel for men, women, and children in the United States. Its stores sell casual apparel, such as knit shirts, graphic t-shirts, jeans and woven shirts, and personal care and other accessories. The stores operate under the Abercrombie & Fitch, abercrombie, Hollister, and RUEHL brands. As of February 2, 2008 the company operated 1,035 stores located in the United States, Canada, and the United Kingdom. Abercrombie & Fitch Co. also sells its products through web-based stores, as well as through a mail order catalog. The company was founded in 1892 and is headquartered in New Albany, Ohio.

The teen apparel market industry has been hit very hard by the current recession. The long-term outlook for this industry remains positive. Although discretionary spending has been cut back drastically, the teen apparel market should fair better. Parents are more likely to cut back on their apparel spending than their teenage children – who believe fashion is very important. Although weaker chains have faltered, i.e. Steve and Barry's, ANF has a strong enough balance sheet to pull it through 2009. ANF beat earnings expectations in January 2009 by 10 cents with a 1.10 EPS. Abercrombie is also showing a yield of almost 4%, which is a positive in the volatile market. Store expansion is expected to slow to control expenses. However, for 2009, there is planned expansion for flagship stores in Milan and Tokyo, and possibly 10 new stores in Europe (Morningstar). ANF is a "buy/hold" rating from many analysts due to its strong balance sheet to weather the recession.

⁵ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage. Lemos, Brady. "Teen Retailers in Turmoil." Morningstar.com.

Urban Outfitters⁶ – Current Holding

Stock Symbol: URBN	Market Capitalization: 2.72B
Last Trade: 16.62	P/E (ttm): 13.86
52 Week Range: 12.33 – 38.40	EPS (ttm): 1.17
Dividend Yield: N/A	Z-Score: N/A

Urban Outfitters, Inc., a lifestyle merchandising company, operates specialty retail stores under the Urban Outfitters, Anthropologie, and Free People brands in North America and Europe. Its retail stores offer fashion apparel, footwear, accessories, gifts and decorative items, furniture, books, candles and novelties, pillows, shower curtains, rugs, lighting, antiques, tabletop items, and bedding products. As of January 31, 2008, the company operated approximately 245 stores in North America and Europe. It also markets its products directly to the consumer through its e-commerce portal, as well as through its catalogs. In addition, Urban Outfitters engages in the wholesale distribution of apparel, including young women’s casual wear, tops, bottoms, sweaters, and dresses to approximately 1,500 specialty retailers. The company was founded in 1970 and is based in Philadelphia, Pennsylvania.

URBN has seen its stock drop 50% in the past year and is going through a difficult time. Its fourth quarter 2008 profits fell 24% and sales were lower than expected. Inventory levels were high, which also had an effect on its profit margin. It is planning on reducing the store expansions for 2009 to control expenses. Urban Outfitters is still a “buy/hold” rating from many investors do to its strong balance sheet.

⁶ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, and NetAdvantage.

Amazon⁷ – Proposed Holding

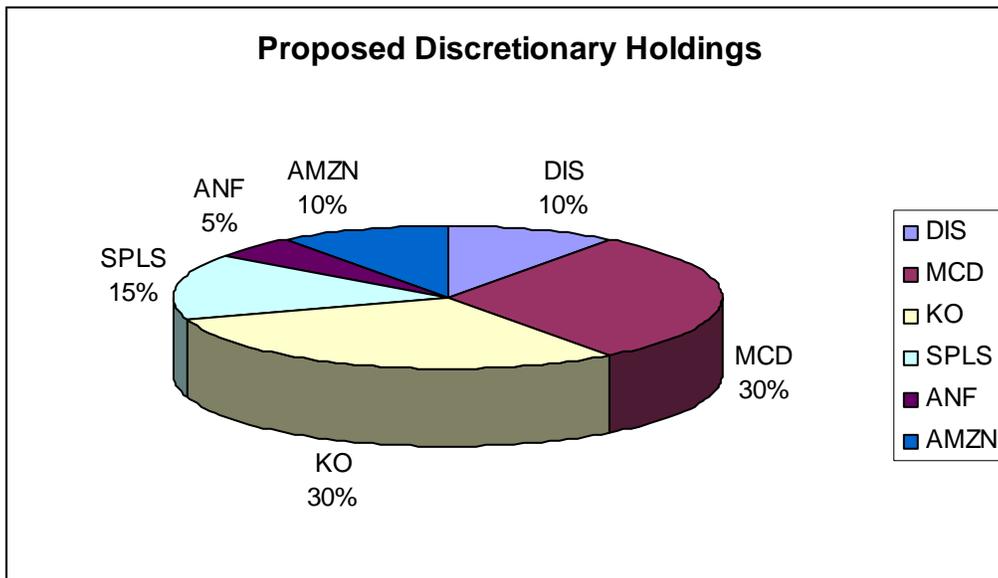
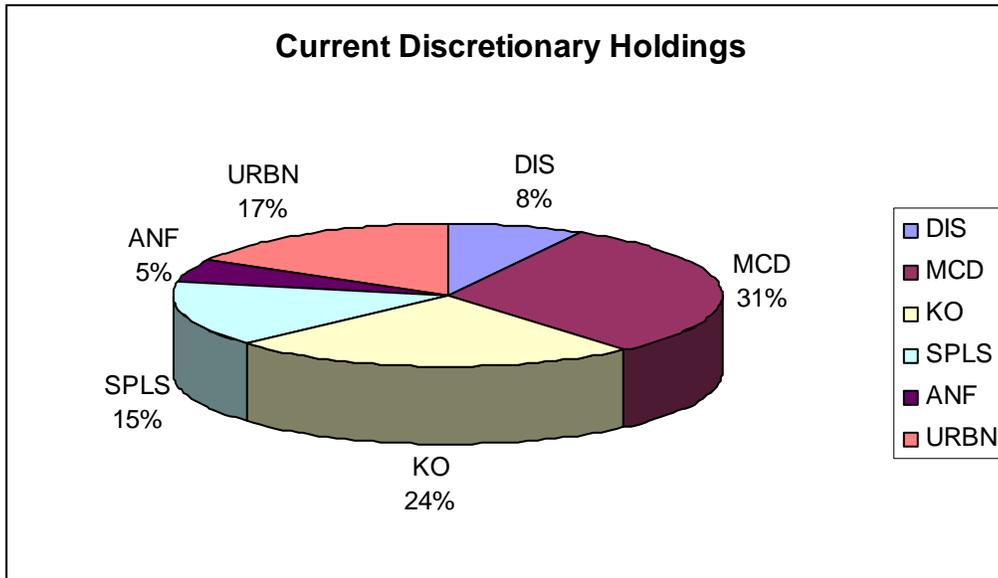
Stock Symbol: AMZN	Market Capitalization: 30.36B
Last Trade: 78.17	P/E (ttm): 47.43
52 Week Range: 34.68 – 91.75	EPS (ttm): 1.49
Dividend Yield: N/A	Z-Score: 5.01

Amazon.com, Inc. operates as an online retailer in North America and internationally. It operates various retail Web sites, including amazon.com, amazon.co.uk, amazon.de, amazon.fr, amazon.co.jp, amazon.ca, and amazon.cn. The company serves its consumer customers through its retail Websites and focuses on selection, price, and convenience. It also offers programs that enable seller customers to sell their products on its Websites and their own branded Websites. In addition, the company serves developer customers through Amazon Web Services, which provides access to technology infrastructure that developers can use to enable virtually any type of business. Further, it offers co-branded credit card programs, fulfillment, and other marketing and promotional services, such as online advertising. Amazon.com, Inc. was founded in 1994 and is headquartered in Seattle, Washington.

Even in the midst of a recession, Amazon is still growing. Amazon's 4th quarter 2008 revenues increased while most other retailers declined. From a recent article on Motley Fool, Amazon returned 177% after the 2001 recession. There are also current trends that make Amazon particularly attractive. Amazon has recently launched a program called Amazon Prime. This lets customers have unlimited 2-day shipping for \$75 annually. This will be a great program for Amazon's heavy users. It is also the pioneer and current leader of cloud-computing. This is allowing other companies to use Amazon's computing resources for a small fee. The other companies save money on hardware by using Amazon's. There has recently been news from competitors that makes Amazon attractive. E-bay has recently announced it will no longer be offering fixed-pricing on its website. This is because it cannot compete with Amazon on this structure. With e-bay going back to bidding prices, customers who used that option on e-bay will likely go to Amazon for their shopping. All these events have made Amazon a very attractive stock.

⁷ Summary obtained from Yahoo! Finance. Data obtained from Yahoo! Finance, Morningstar, NetAdvantage, and Motley Fool.

Current & Proposed Holdings – Visual Representation





Consumer Staples

Sector Overview

The consumer staples sector consists of the following industry sub-sectors: food retail, drug retail, food distributors, agricultural products, household products, personal products, tobacco, distillers & vintners, and brewers. This defensive sector has a safe reputation because the products offered in these sub-sectors are essential to daily life. Due to this inelastic product demand, the consumer staples sector is considered recession-proof and therefore steadily outperforms the market during recessionary periods.

The current holdings of this portfolio include securities from the personal products, drug retail, household products and food distribution sub-sectors. The following defines the overall outlook and trends associated with each sub-sector of our current holdings.

According to analysts from Net Advantage, the fundamental outlook for the personal products industry is neutral. There was a positive impact on sales reported in 2007 and for the first three quarters of 2008, due to the weaker dollar. However, with the recent strengthening of the dollar, reported sales growth was meaningfully below sales growth in local currency for the fourth quarter of 2008, and there are expectations for this to occur also in the first half of 2009 for companies with large international businesses.

The drug retail sub-sector has a positive outlook for the next 12 months. This positive outlook stems from favorable demographic trends, industry consolidation and improving merchandise offerings. Due to these trends, national chains are well positioned to take advantage of the growth opportunities over the next 12 months in generic drug sale margins and in-store health clinic offerings.

There is a fundamentally neutral outlook for the household products sub-industry. It remains very competitive due to the maturity of the industry in developed countries and with the majority of companies vying to capture market share in developing markets.

The overall outlook for food distribution over the next 12 months is neutral. This sector will experience moderate growth in U.S. food expenditures, realization of consolidation synergies, and technology-driven productivity improvements. Also, research indicates organic sales will increase from 1% to 3% in 2009, which represents the most current trend for this sub-sector.

It is recommended to overweight the consumer staples sector as it relates to asset allocation in the Crummer portfolio. The current holdings are expected to perform well, given the current economic environment, over the next 12 months.

Current & Proposed Holdings – Company Overviews

Avon Products, Inc. – Current & Proposed Holding

Stock Symbol: AVP	Market Capitalization: 9.06B
Last Trade: 21.11	P/E (ttm): 10.36
52 Week Range: 14.40 – 45.34	EPS (ttm): 2.04
Dividend Yield: 3.76%	Z-Score: 5.232

Avon Products, Inc. manufactures and markets beauty and related products worldwide. Its product categories include Beauty, Fashion, and Home. Beauty consists of cosmetics, fragrances, skin care, and toiletries. Fashion consists of fashion jewelry, watches, apparel, footwear, and accessories. Home includes gift and decorative products, housewares, entertainment and leisure, and children's and nutritional products. Avon Products markets its products through direct selling and independent representatives, as well as through distributorships. The company was founded in 1886 and is based in New York, New York.

Avon recently announced a new restructuring program that it expects will save about \$200 million per year when fully implemented. It will start in second half of 2009 and cost \$300-\$400 million. This plan includes reorganization of the company and a focus on international manufacturing, which was implemented in late 2005. The benefits from this restructuring effort were visible in 2008, but due to a negative Forex swing and economic weakness, full improvement was masked. With Forex worsening in Eastern Europe, a major Avon market, there is notable concern over the long term growth and success of Avon Products; however, it has a strong Z-Score of 5.232 and a substantial dividend yield of 3.76%.

Colgate-Palmolive Co. – Current & Proposed Holding

Stock Symbol: CL	Market Capitalization: 30.30B
Last Trade: 61.23	P/E (ttm): 16.74
52 Week Range: 54.36 – 80.49	EPS (ttm): 3.66
Dividend Yield: 2.27%	Z-Score: 6.664

Colgate-Palmolive Company, together with its subsidiaries, is a global manufacturer and marketer of consumer products. The company operates in two segments: Oral, Personal, and Home Care; and Pet Nutrition. Some of the notable brands associated with the Oral, Personal, and Home Care segment include Colgate, Palmolive, Mennen, Speed Stick, Lady Speed Stick, Softsoap, and Irish Spring. The brands within the Pet Nutrition segment include Hill’s Science Diet, and Hill’s Prescription Diet names. Colgate-Palmolive sells its products to wholesale and retail distributors, and to veterinarians and specialty pet retailers. The company was founded in 1806 and is headquartered in New York, New York.

Analysts maintain a strong buy recommendation on shares of Colgate-Palmolive, despite facing a significant Forex headwind. The company’s strength is attributed to its most basic of consumer staples, including toothpaste and soap. Toothpaste is its largest category and continues to face limited private label competition. Despite the success in toothpaste, due to the weak economy, there may be a slowing of the pet nutrition segment. This is a solid addition to the portfolio due to its strong Z-Score of 6.664% and its substantial dividend yield of 2.27%.

CVS Caremark Corp. – Current & Proposed Holding

Stock Symbol: CVS	Market Capitalization: 41.41B
Last Trade: 29.39	P/E (ttm): 13.46
52 Week Range: 23.19 – 44.29	EPS (ttm): 2.18
Dividend Yield: 0.98%	Z-Score 3.482

CVS Caremark Corporation, a pharmacy services company, provides prescriptions and related healthcare services in the United States. The company operates through two segments, Pharmacy Services and Retail Pharmacy. The Pharmacy Service segment provides a range of prescription benefit management services. The Retail Pharmacy Segment sells prescription drugs, over-the-counter drugs, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards, and convenience foods through its pharmacy retail stores, and online. As of December 31, 2008, it operated 6,923 retail drugstores located in 41 states and the District of Columbia, 560 retail health care clinics in 27 states, 58 retail specialty pharmacy stores, 19 specialty mail order pharmacies, and 7 mail service pharmacies located in 26 states of the United States, Puerto Rico, and the District of Columbia. The company was founded in 1892 and is headquartered in Woonsocket, Rhode Island.

Analysts reiterate a strong buy recommendation on shares of CVS Caremark Corp. This company benefited from acquisitions, improved product mix, and good cost control, in spite of difficult pharmacy benefit management comparisons. The expected benefits from expanded convenience of store operations, improved merchandising, strength of private-label goods and generic drug conversions are expected to offset slowing prescription growth and the impact of a weak economy.

Proctor & Gamble Co. – Current & Proposed Holding

Stock Symbol: PG	Market Capitalization: 145.46B
Last Trade: 49.42	P/E (ttm): 11.39
52 Week Range: 43.93 – 73.57	EPS (ttm): 4.34
Dividend Yield: 3.32%	Z-Score: 2.915

The Procter & Gamble Company (P&G), together with its subsidiaries, provides globally branded consumer goods products worldwide. The company operates in three global business units (GBU): Beauty, Health and Well-Being, and Household Care. Some of the most notable brands include Head & Shoulders, Pantene, CoverGirl, Braun, Gillette, Mach 3, Crest, Oral-B Iams, Tide, Bounty, and Pampers to name a few. The company sells its products in approximately 180 countries through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, salons, and high-frequency stores. P&G was founded in 1837 and is headquartered in Cincinnati, Ohio.

Procter & Gamble is still a strong buy recommendation, according to S&P analysts. This company is considered as recession-resilient as it gets. Despite being negatively affected by Forex, retailer and pantry de-stocking, and trading down by consumers within some categories, confidence in performance is high. Consumers will continue to purchase laundry detergent, razors, diapers, and toothpaste. This stock is a solid addition to the portfolio because of a strong Z-Score of 2.915 and a substantial dividend yield of 3.32%.

Sysco Corp. – Current & Proposed Holding

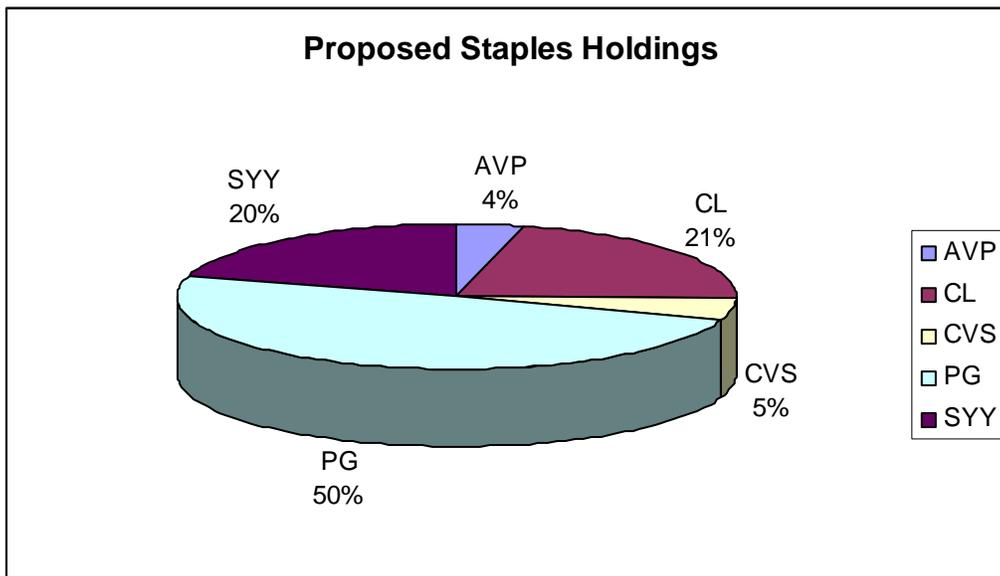
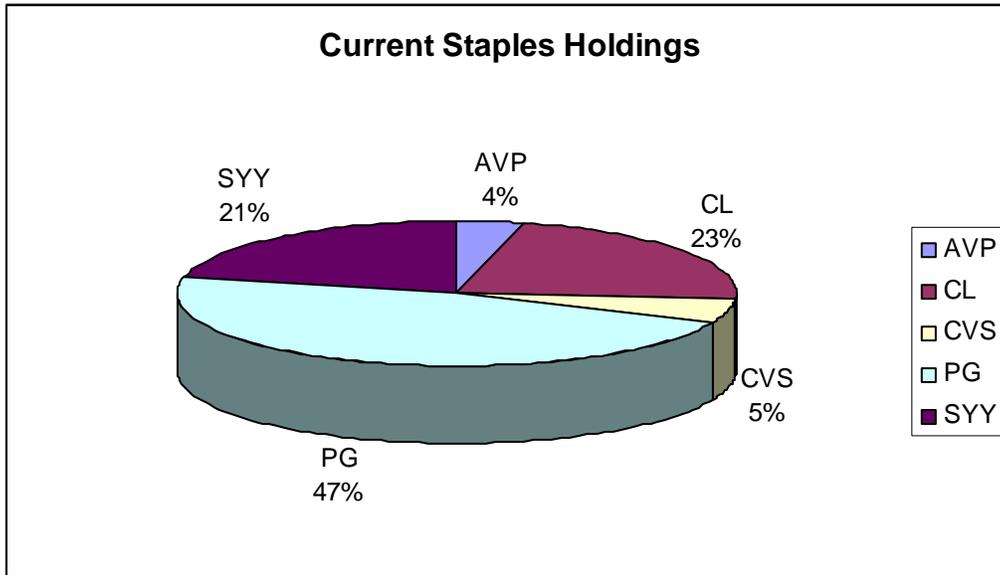
Stock Symbol: SYY	Market Capitalization: 13.51B
Last Trade: 23.36	P/E (ttm): 12.94
52 Week Range: 19.39 – 35.00	EPS (ttm): 1.81
Dividend Yield: 5.03%	Z-Score: 6.849

SYSCO Corporation, through its subsidiaries, markets and distributes a range of food and related products primarily for the foodservice industry. It distributes a line of frozen foods, a line of canned and dry foods, along with supplying various non food items and cleaning supplies to restaurants, hospitals and nursing homes, schools and colleges, and hotels and motels. As of June 28, 2008, it operated 180 distribution facilities throughout the United States and Canada. The company was founded in 1969 and is headquartered in Houston, Texas.

Analysts maintain a gold recommendation on SYSCO shares, due to the overall neutral outlook for the food distribution sector. Over the last year, revenues fell 1% despite inflation of about 7% as sales weakened at many restaurants and an above-average number of restaurants closed. Due to the recession, consumer spending outlook is weak. Even though there are several unfavorable trends affecting SYSCO, it is an industry leader, with a strong Z-Score of 6.849.

All financial statistics were from Yahoo! Finance and the research was based on Yahoo! Finance, Net Advantage and Value Line.

Current & Proposed Holdings – Visual Representation





Energy

Sector Overview

The energy sector is divided into two distinct industries: the Energy Equipment and Services industry and the Oil, Gas, and Consumable Fuels industry. The Equipment and Oilfield Services industry is a widely diverse, but still quite fragmented industry. Companies in this industry support the activities of the world's oil and gas producers and are classified into one of two segments: contract drilling, and oilfield services. These companies provide services not available in-house to oil producers as well as technical know-how on an as-needed basis.

The Oil, Gas, and Consumable Fuels industry consists of three major segments: exploration and production of oil and natural gas (the "upstream"), the transportation, storage, and trading of crude oil, refined products, and natural gas (the "midstream"), and refining and marketing of crude oil (the "downstream"). Participants in this industry include integrated oil and gas companies, and pure-play companies in various areas, including exploration and production, midstream services, and refining and marketing. Integrated oil and gas companies are involved in almost every aspect of the oil and natural gas business: the upstream, the midstream, and the downstream. Many integrated oil and gas companies also make and sell petrochemicals.

Barack Obama's administration has made the reduction on foreign dependence of oil a paramount part of their short and long-term objectives. The administration plans to do this by encouraging renewable forms of energy. There is a proposed tax credit which President Obama believes will help spur companies who deal in renewable energy markets. Also the move toward renewable energy is both supported by populous for two main reasons; environmental and foreign policy concerns.

The longer-term outlook on the oil industry is that as reserves begin to fry up, the reflected higher prices of oil will drive the market towards pursuing forms of renewable energy. According to some economists while the issue facing companies today is credit-worthiness and the leveraging of balance sheets, the issue of tomorrow is the environment. All signs point toward encouraging future times in the renewable energy market.

Proposed Changes in Energy Portfolio

According to our initial research and subsequent findings, the current holdings in the energy portfolio look promising with the exception of Valero. If our position in Valero is sold, this would give us additional \$5,952 (at last trade prices) to the \$2,500 that all sectors have been assigned giving us a total of \$8,452 to invest. We recommend buying 50 shares of First Solar and investing the rest in Chevron based on its outlook as the most stable and equally promising company for the near future.

Current & Proposed Holdings – Company Overviews

Exxon Mobile Corp. – Current & Proposed Holding

Stock Symbol: XOM	Market Capitalization: 348.09B
Last Trade: 70.44	P/E (ttm): 8.10
52 Week Range: 56.51 – 96.12	EPS (ttm): 8.69
Dividend Yield: 2.30%	Z-Score: 6.25

Exxon Mobil Corporation engages in the exploration, production, transportation, and sale of crude oil and natural gas. The company also engages in the manufacture of petroleum products, and transportation and sale of crude oil, natural gas, and petroleum products. It manufactures and markets commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics, and other specialty products. The company also has interests in electric power generation facilities. As of December 31, 2008, it operated 16,286 gross wells. Exxon Mobil Corporation primarily operates in the United States, Canada, Europe, Africa, the Asia Pacific, the Middle East, Russia/Caspian region, and South America. The company was formerly known as Exxon Corporation and changed its name to Exxon Mobil Corporation in November 1999. Exxon Mobil Corporation was founded in 1870 and is based in Irving, Texas.

Exxon Mobil could not escape the effects of the economic downturn. Valueline estimates are now for 2009 earnings per share to fall by over 40% on lower oil demand and weaker price realizations. Exxon Mobil produces 2.5M barrels of oil daily, or 3% of the world's total. Continued heavy project spending may allow combined oil and natural gas output to inch ahead in the coming years. Assuming global petroleum product demand rises, and lifts realized prices, earnings and the share price should regain lost ground in the coming years.

Exxon's real strength is its productivity. Corporate projects are accomplished with a level of efficiency that makes them among the industry's most profitable. What it comes down to is that a company this big can always find ways do things better, given a well-trained and motivated workforce. Moreover, dedication to a business model that tightly weaves the oil producing, refining, and chemicals lines together has paid off handsomely. There is reason to think the future will hold more of the same.

Capital plans include more share repurchases. Exxon has bought back \$115B in stock over the past four years. The pace will probably slow somewhat in 2009 as lower oil prices generate less cash flow. But the initiative has lifted internal returns notably.

Chevron Corp – Current & Proposed Holding

Stock Symbol: CVX	Market Capitalization: 141.28B
Last Trade: 70.48	P/E (ttm): 6.04
52 Week Range: 55.50 – 104.63	EPS (ttm): 11.674
Dividend Yield: 3.90%	Z-Score: 4.44

Chevron Corporation operates as an integrated energy company worldwide. The company's Petroleum operations include the exploration, development, production, and marketing of crude oil and natural gas; refining, marketing, and transportation operations comprise refining crude oil into finished petroleum products; marketing crude oil and products derived from petroleum; and transporting crude oil, natural gas, and petroleum products by pipeline, marine vessel, motor equipment, and rail car. Its chemical operations include manufacture and marketing of commodity petrochemicals, plastics for industrial uses, and fuel and lubricant oil additives. The company also engages in the production and marketing of coal and molybdenum; development and operation of commercial power projects; and cash management and debt financing, corporate administrative, insurance, and real estate activities. Chevron Corporation was founded in 1879 and is based in San Ramon, California.

Chevron ended 2008 with a favorable quarterly bottom-line comparison. Despite much lower oil and gas prices, the company posted final-period share net of \$2.44, compared to the year-ago figure of \$2.32. The quarter benefited from a gain of approx. \$600M on an upstream asset exchange transaction, and propitious foreign currency translation of \$478M, compared to the year-ago loss of \$2M. Although drilling income was down 47%, to \$2.55B, due to lower oil prices and decreased unit volume, refining and marketing net was up 14%, to \$2.1B, thanks to lower operating expenses, and beneficial timing. Full-year share net rose 33%, to \$11.67.

Global energy demand for most of this year is likely to be weak compared to recent levels. Capital expenditure, however, is likely to proceed unabated. Chevron is planning on spending \$22.8B on capital programs in 2009, exactly the same as it did in 2008. CVX has stated that it is committed to several long-term growth projects, which is viewed as the cornerstone to earnings and profits growth for the next 10 years.

This high-quality equity still has materially better long-term total return potential than it has had in many years. The dividend should remain safe and grow steadily, thanks to robust cash flow generation and strong finances. Chevron is positioning itself well for a global economic recovery, probably sometime in late 2009/early 2010.

Clean Energy Fuels Corp. – Current & Proposed Holding

Stock Symbol: CLNE	Market Capitalization: 357.19M
Last Trade: 7.11	P/E (ttm): N/A
52 Week Range: 3.23 – 19.95	EPS (ttm): -0.90
Dividend Yield: N/A	Z-Score: N/A

Clean Energy Fuels Corp. provides natural gas as an alternative fuel for vehicle fleets in the United States and Canada. It designs, builds, finances, and operates fueling stations and supplies compressed natural gas and liquefied natural gas. The company serves approximately 275 fleet customers operating 14,000 natural gas vehicles in public transit, refuse hauling, airports, taxis, seaports, and regional trucking markets. As of December 31, 2007, Clean Energy Fuels Corp. owned and operated 170 natural gas fueling stations in Arizona, California, Colorado, Maryland, Massachusetts, Nevada, New Mexico, New York, Texas, Washington, Georgia, Wyoming, and Canada. The company was incorporated in 2001 and is based in Seal Beach, California.

Clean Energy reported a loss for 2008. However, Valuline estimates expect the company to be profitable in 2009, helped by a gradual improvement throughout the year. Weaker energy commodity prices will likely create challenges for the company. Prices for oil, diesel fuel, and gasoline have declined sharply over the past several months. The price difference between conventional fuel and natural gas has narrowed considerably, making natural gas a less attractive alternative. Nonetheless, Clean Energy's business could benefit from increased government spending, and more favorable legislation, encouraging the use of alternative energy.

Meanwhile, Clean Energy Fuels plans to expand its business. The company has a considerable capital spending budget for the next few years. We expect Clean Energy Fuels will spend almost \$80M in both 2009 and 2010 to construct fueling stations, processing, and storage facilities. The company currently has two LNG (liquefied natural gas) production facilities that have a capacity to process about 260,000 LNG gallons per day. As demand strengthens, it is expected the company will have to expand and construct additional facilities.

The company's finances remain adequate. Clean Energy had about \$30M in cash, and a modest amount of long-term debt at the end of the September quarter. New projects may also be financed as partnerships, if securing funding becomes difficult in the current credit and equity market environment.

Suncor Energy, Inc. – Current & Proposed Holding

Stock Symbol: SU	Market Capitalization: 22.68B
Last Trade: 24.24	P/E (ttm): 13.51
52 Week Range: 14.52 – 74.28	EPS (ttm): 1.79
Dividend Yield: 0.70%	Z-Score: 2.775

Suncor Energy, Inc., together with its subsidiaries, operates as an integrated energy company in Canada. It operates through four segments: Oil Sands, Natural Gas, Energy Marketing and Refining, and Refining and Marketing. The Oil Sands segment recovers bitumen, primarily through oil sands mining and in-situ development, and upgrades it into refinery feedstock, diesel fuel, and by-products. This segment offers light sweet crude oil/diesel and light sour crude oil/bitumen. The Natural Gas segment explores, acquires, develops, and produces natural gas and natural gas liquids from reserves in western Alberta and northeastern British Columbia. This segment also acquires land and explores for coal bed methane in the United States. The Energy Marketing and Refining segment refines crude oil into a range of petroleum, petrochemical, and bio-fuel products. It offers gasoline, diesel, jet fuels, petrochemicals, heating fuels, and heavy fuel oils for industrial, wholesale, commercial, and retail customers principally in Ontario and Quebec. This segment also engages in third party energy marketing and trading activities. The Refining and Marketing segment refines and markets jet fuels, diesel, gasoline, and asphalt. This segment also transports crude oil through wholly or partly owned pipelines in Wyoming and Colorado. In addition, the company carry on energy trading activities focused principally on buying and selling futures contracts and other derivative instruments based on the commodities it produce. Suncor Energy sells its products in the United States, Canada, and Europe. The company was founded in 1953 and is headquartered in Calgary, Canada.

On March 23rd, Suncor announced it was acquiring Petro Canada to form Canada's largest energy company, and the new entity would be the fifth largest North America. The combined company, which would have a market capitalization of \$43.3B, would operate under the Suncor name. The merger was undertaken to address global competition in a time of economic uncertainty. Under the proposed all-stock deal worth more than \$19B, Petro-Canada shareholders would own 40 per cent of the new Calgary-headquartered entity and Suncor shareholders would own the rest. Merging with Petro-Canada should provide Suncor with access to much needed cash flow generated by Petro-Canada's downstream refining and marketing assets, putting the newly formed company on stronger footing to compete with both in North American and worldwide energy companies.

Valero Energy Corp – Current Holding

Stock Symbol: VLO	Market Capitalization: 10.24B
Last Trade: 19.84	P/E (ttm): N/A
52 Week Range: 13.94 – 55.00	EPS (ttm): -2.158
Dividend Yield: 3.40%	Z-Score: 4.33

Valero Energy Corporation operates as a crude oil refining and marketing company. The company operates through two segments, Refining and Retail. The Refining segment engages in the refining operations, wholesale marketing, product supply and distribution, and transportation operations. This segment produces conventional gasoline, distillates, jet fuel, asphalt, petrochemicals, lubricants, and other refined products, as well as a slate of premium products, including gasoline mixture, low-sulfur and ultra-low-sulfur diesel fuel, and oxygenates. It owns and operates 16 refineries located in the United States, Canada, and Aruba. The Retail segment sells transportation fuels at retail stores and unattended self-service card locks; convenience store merchandise in retail stores; and home heating oil to residential customers in the United States and Canada. Valero markets its refined products through bulk and rack marketing network, and approximately 5,800 retail and wholesale branded outlets in the United States, Canada, and Aruba under various brand names.

Fueling the American way of life has become a less profitable pursuit for Valero Energy lately. Refiners could hardly keep up with demand a couple of years ago, but the situation has toned down considerably as the economy has pulled back. Lower employment means fewer people are driving to work as well as to the mall or out for dinner. That translates into less call for the gasoline and diesel fuel that the company manufactures. The silver lining in recent months has been the reduced cost of crude oil.

The company is taking a disciplined approach to matching supply and demand. Valero Energy has reduced production runs at a couple of plants and, systemwide, its core units are working at 70%-75% of capacity. Other refiners need to continue taking similar measures, too, since Valero, while the nation's largest gasoline maker, can't support industry margins alone. Restricted output will support earnings and the stock price. But this is a volume-dependent business, and profits are unlikely to soar until boom times come around again.

Spending plans are less ambitious than before. Valero Energy has pushed back the start-up dates for a few refinery enhancements in view of the dip in product demand. These projects—aimed at lifting volume and allowing less expensive, lower-grades of crude oil to be processed—are worthwhile, and will eventually get done, but there's no rush to do so now. The deferrals allow Valero to hold on to more cash in these more uncertain times.

First Solar, Inc. – Proposed Holding

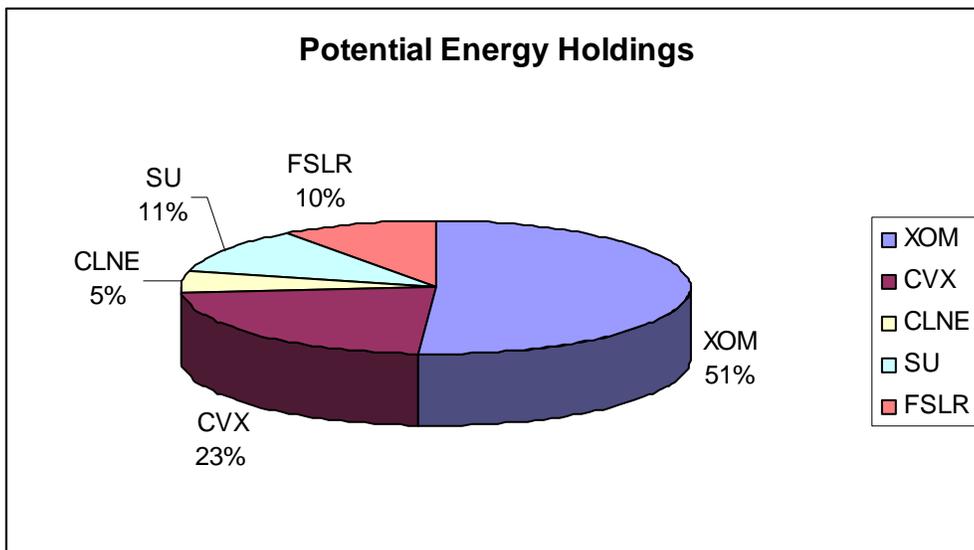
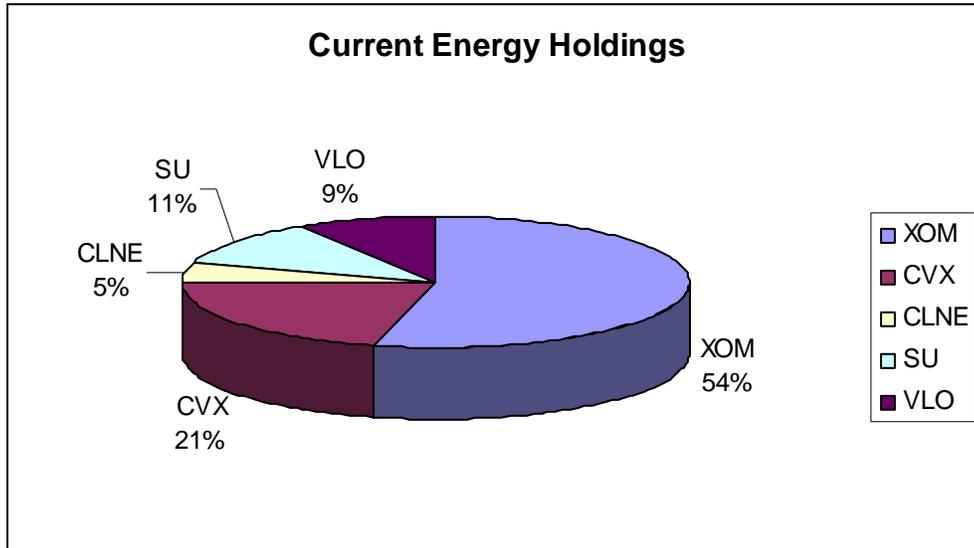
Stock Symbol: FSLR	Market Capitalization: 10.97B
Last Trade: 134.38	P/E (ttm): 31.68
52 Week Range: 85.28 – 317.00	EPS (ttm): 4.24
Dividend Yield: N/A	Z-Score: 9.144

First Solar, Inc. engages in the design, manufacture, and sale of solar electric power modules using a proprietary thin film semiconductor technology. The company's solar modules employ a thin layer of cadmium telluride semiconductor material to convert sunlight into electricity. It sells its products to project developers, system integrators, and operators of renewable energy projects in the United States and Europe. First Solar also focuses on designing and deploying commercial solar projects for utilities in the United States. First Solar was founded in 1999 and is headquartered in Tempe, Arizona.

First Solar probably ended 2008 on a high note. The company is performing extremely well, taking advantage of high demand for alternative energy, as well as a low-cost production process. Also, the weakening dollar (relative to the euro) in the first half of the year boosted results, since almost all of the company's customers are located in Germany. As a result, sales and share earnings totaled \$1.25B and \$4.24, respectively. By comparison, First Solar recorded revenues of \$504M and share net of \$1.43 in the prior year.

The company is attempting to penetrate the domestic market, via a relationship with SolarCity, a closely held firm that provides solar power capabilities to communities in California, Oregon, and Arizona. First Solar will provide 100 megawatts of modules, as well as a \$25M equity investment, to SolarCity. The company has also begun installing small photovoltaic power plants on rooftops of commercial buildings in southern California. This is part of a plan by Southern California Edison (SCE) to install 250 megawatts of modules on building rooftops. Although First Solar is competing for bids, it was awarded the first two projects, which demonstrates that the company can offer low-cost modules and win many subsequent bids. The entrance into the domestic market, coupled with existing projects and expansion overseas, should result into significant growths in revenues, profits, and earnings.

Current & Proposed Holdings – Visual Representation





Industrials

Sector Overview

Under the Global Classification Standard (GICS), the industrial sector includes companies whose businesses are dominated by one of the following activities: the manufacturing and distribution of capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery; the provision of commercial services and supplies, including printing, employment, environmental and office services; and the provision of transportation services, including airlines, couriers, marine, road and rail and transportation infrastructure.⁸

In Quarter 4 2008, the S&P 500 industrials sector was down -24.6%. Current analysts' estimation of sector performance is rated at market-weight.⁹

Sector positives¹⁰

- Outperformer following bear market bottoms
- Short-term, weakening U.S dollar helps exports
- Fiscal stimulus for global infrastructure plans

Sector Negatives¹¹

- GE dragging down performance
- Margins rolling over
- Earnings revision breadth week
- Sensitive to declining new home sales

⁸ Summary obtained from Net Advantage.

⁹ Information obtained from Ned Davis Research Inc.

¹⁰ Ibid.

¹¹ Ibid.

Current & Proposed Holdings – Company Overviews

Heico¹² – Current & Proposed Holding

Stock Symbol: HEI	Market Capitalization: 718.92M
Last Trade: 27.20	P/E (ttm): 1.83
52 Week Range: 21.40 – 54.35	EPS (ttm): 14.90
Dividend Yield: 0.50%	Z-Score: N/A

HEICO Corp. makes jet engine replacement parts and electronic equipment through two segments: the Flight Support Group and the Electronic Technologies Group.

S&P analysts expect HEI to be aided by long-term global expansion in the jet engine market, as well as increased demand for third-party parts as airlines seek to increase cost efficiencies due to higher-than-historical fuel costs and a slowing economy. However, they see airline capacity declining in 2009, as airlines continue to park airplanes, and see capacity cuts mainly among older models that require more spare parts. Offsetting this somewhat, analysts see HEI increasing parts supply agreements with major airlines, with a strategic alliance announced in May 2007 with British Airways.

¹² Summary obtained from Net Advantage. Data obtained from Yahoo! Finance, Morningstar, and Net Advantage.

United Technologies Corp.¹³ – Current & Proposed Holding

Stock Symbol: UTX	Market Capitalization: 43.00B
Last Trade: 45.63	P/E (ttm): 9.31
52 Week Range: 37.40 – 75.86	EPS (ttm): 4.903
Dividend Yield 3.60%	Z-Score: 2.814

United Technologies is a multi-industry holding company that conducts business through six business segments: Carrier (HVAC), Otis (Elevators), Pratt & Whitney (Jet Engine supplier), UTC Fire & Security, Hamilton Sundstrand (Aerospace Supplier), and Sikorsky (Helicopters).

S&P analysts see the following trends positively affecting UTX's business: very large backlogs of commercial aircraft at both Airbus and Boeing, which they view as providing good production levels into 2010; continued moderate demand for global infrastructure, particularly in emerging economies; and strong demand for military helicopters. Analysts see these positives offset in 2009 by a stronger U.S. dollar versus 2008, weak residential and commercial construction markets, and slowing global growth. However, they think recent valuations make UTX a compelling purchase.

¹³ Ibid

Caterpillar¹⁴ – Current & Proposed Holding

Stock Symbol: CAT	Market Capitalization: 19.34B
Last Trade: 32.15	P/E (ttm): 5.68
52 Week Range: 21.71-85.96	EPS (ttm): 5.67
Dividend Yield: 6.00%	Z-Score: 1.464

U.S. CAT operates in three principal lines of business, machinery, engines and financial products.

S&P analysts expect CAT to post reduced EPS through the first half of 2009, before a recovery in the second half of the year, based on an outlook for mixed short term trends in the wide variety of geographic end-markets that it serves. Analysts believe, at current levels, the shares have strong upside potential, which will materialize as the global economic stimulus plans for infrastructure spending likely stimulate demand for CAT's equipment and services.

¹⁴ Summary obtained from Net Advantage. Data obtained from Yahoo! Finance, Morningstar, and Net Advantage.

Chicago Bridge & Iron Co. N.V.¹⁵ – Current & Proposed Holding

Stock Symbol: CBI	Market Capitalization: 682.48M
Last Trade: 7.14	P/E (ttm): N/A
52 Week Range: 4.64 – 49.82	EPS (ttm): -0.22
Dividend Yield: 2.60%	Z-Score: N/A

Chicago Bridge & Iron Co. N.V. is a global, engineering, procurement and construction company specializing in turnkey projects for customers that produce, process, store and distribute the world's natural resources.

Risks to analysts recommendation and target price include significant timing issues on new project awards, additional subcontractor labor costs and adverse weather at certain projects, scarcity of engineering talent, a sustained slowdown in energy construction spending, a further sharp decline in oil prices, and financial reporting issues.

¹⁵ Ibid

Jacobs Engineering Group¹⁶ – Current & Proposed Holding

Stock Symbol: JEC	Market Capitalization: 5.31B
Last Trade: 43.17	P/E (ttm): 12.23
52 Week Range: 26.00 – 98.31	EPS (ttm): 3.53
Dividend Yield: N/A	Z-Score: 5.907

Jacobs Engineering focuses on providing a broad range of technical, professional and construction services to a large number of industrial, commercial and governmental clients worldwide.

Risks to analyst recommendations and target price include a prolonged global economic downturn; project delays or cancellations based on customer liquidity issues and sharply lower oil prices; an inability to offset a shortage of skilled labor via outsourcing overseas; and a lack of acquisition opportunities.

¹⁶ Ibid

3M Co.¹⁷ – Current & Proposed Holding

Stock Symbol: MMM	Market Capitalization: 36.15B
Last Trade: 52.11	P/E (ttm): 10.65
52 Week Range: 40.87-83.22	EPS (ttm): 4.89
Dividend Yield: 4.10%	Z-Score: 5.509

3M reports its business in six segments: Industrial and Transportation, Health Care, Display and Graphics, Consumer and Office, Electro and Communications, and Safety, Security and Protection Services.

Risks to analyst's recommendations and target price include slower global economic growth, lower than- projected growth in the optical display business, and execution risk associated with acquisitions and/or cost-saving initiatives.

¹⁷ Summary obtained from Net Advantage. Data obtained from Yahoo! Finance, Morningstar, and Net Advantage.

General Electric, Co.¹⁸ – Current & Proposed Holding

Stock Symbol: GE	Market Capitalization: 115.53B
Last Trade: 10.94	P/E (ttm): 6.37
52 Week Range: 5.87 – 38.03	EPS (ttm): 1.72
Dividend Yield: 12.30%	Z-Score: -1.546

General Electric, a heavy-equipment, media and financing giant does business through five segments: Energy Infrastructure, Technology Infrastructure, NBC Universal, Capital Finance, and Consumer & Industrial.

According to S&P analysts worries about the financial stability of GE Capital are growing stronger. Also, according to unconfirmed Bloomberg report, sellers of division's credit default swaps, which offer protection against debt default, are asking for 18% upfront payment. Analysts acknowledge rising uncertainty about this situation, even with parent injecting GE Capital with \$9.5B of capital in February, and cutting cash dividend some \$9B annually. Based on these factors, some analysts are cutting their target price by \$6 to \$8, a historically low 6.3X their \$1.27 2009 estimate.

¹⁸ Ibid

Danaher Corp.¹⁹ – Current & Proposed Holding

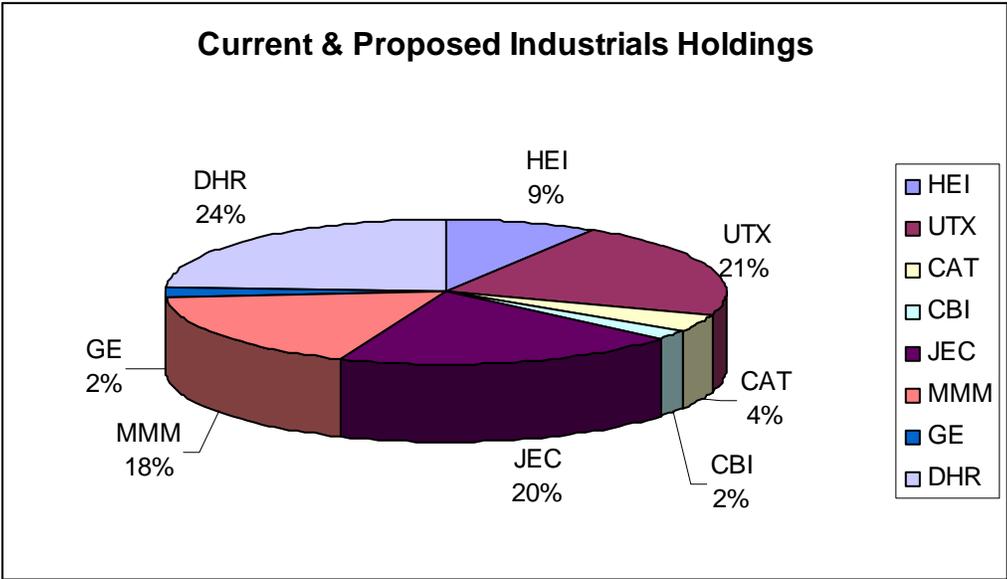
Stock Symbol: DHR	Market Capitalization: 17.16
Last Trade: 53.84	P/E (ttm): 13.62
52 Week Range: 47.20 – 85.00	EPS (ttm): 3.95
Dividend Yield: 0.20%	Z-Score 3.236

Danaher Corp. is a leading maker of hand tools and process and environmental controls. The company has four reporting segments: professional instrumentation, industrial technologies, tools and component, and medical technologies,

Analyst's opinions are based on a forecast of weakening global economic activity, especially in the U.S and Europe. Still, analysts view the company's balance sheet as strong. Based on several valuation measures, the stock is at a premium to some peers, which some believe reflects DHR's wider net margins and faster growth. Its earnings quality appears high to some, as they expect free cash flow in 2009 to exceed net income.

¹⁹ Summary obtained from Net Advantage. Data obtained from Yahoo! Finance, Morningstar, and Net Advantage.

Current & Proposed Holdings – Visual Representation





Materials

Sector Overview

Currently, the SunTrust Portfolio's weight in the materials sector is slightly overweight in comparison to the S&P500's weight in the materials sector. Using the S&P500 as a market index and the S&P500 Materials as the materials sector index, several correlations were run during different time periods. While the overall materials sector is correlated to the market .7442, the correlation of the materials sector to the S&P500 during recessionary periods increases significantly.

Time Period	Correlation
Overall (10/1989 – Present)	0.7442
Recession: 7/1990 – 3/1991	0.9182
4/1991 – 3/1992	0.8198
Recession: 2/2001 – 11/2001	0.9426
12/2001 – 11/2002	0.8239
Recession: 12/2007 – Present	0.8864

The materials sector has been greatly impacted by the global economic recession which has occurred over the past year. Several subsectors such as raw materials, chemical manufacturing, and metal and mining have been negatively affected. The slowdown caused a substantial drop in demand for raw materials. Also, chemical manufacturers have been hit hard and are some of the worst-performing securities. Chemical manufacturers involved in fertilizer and agricultural chemical manufacturing, the largest weight in the materials sector, have experienced significant losses due to falling agricultural commodity prices. Finally, prices of aluminum and copper dropped 50% which lead to poor performances by metal and mining companies.²⁰

In 2008, the material sector index declined approximately 47%, and was outperformed by the S&P500 which had a decline of 38.5%. After graphing the S&P500 versus a materials index (S&P500 Materials), it appears that the materials sector experiences more dramatic declines in returns than the S&P500 during recessionary periods. Also, in the year following the July 1990-March 1991 and the March 2001-November 2001 recessions, the sector appeared to underperform the market. Please see the attached graphs for further analysis of the material sector's performance against the S&P500 benchmark.

²⁰Fidelity Investments Research. Viewed 2/17/2009.

http://eresearch.fidelity.com/eresearch/markets_sectors/sectors_in_market.jhtml?tab=learn§or=15&benchmark=US%3BSPX&period=1yr#

Current & Proposed Holdings – Company Overviews

Companhia Vale Do Rio Doce – Current & Proposed Holding

Stock Symbol: RIO	Market Capitalization: N/A
Last Trade: 15.01	P/E (ttm): 6.23
52 Week Range: 8.80 – 44.15	EPS (ttm): 1.57
Dividend Yield: 3.47%	Z-Score: 2.630

Companhia Vale do Rio Doce (Vale) is a Brazil-based company engaged in the metal and mining industries. The Company provides components for such products as appliances, electronic equipment, cars, computers and construction materials, among others. The Company is also active in the exploration of iron ore, nickel, aluminum, copper, coal, cobalt, precious metals, potassium and other minerals. Vale operates logistic systems in Brazil, including railroads and maritime terminals, which are related to the mining operations. The Company's main subsidiaries are Brasilux SA, Companhia Paulista de Ferro Ligas, CVRD Overseas Ltd and Docepar SA, among others. In March 2009, the Company sold its stake in Usinas Siderurgicas de Minas Gerais S.A.²¹

²¹ msnmoney.com. 4/2/2009

Dow Chemical Company – Current & Proposed Holding

Stock Symbol: DOW	Market Capitalization: 10.17B
Last Trade: 9.94	P/E (ttm): 16.11
52 Week Range: 5.89 – 43.43	EPS (ttm): 0.62
Dividend Yield: 7.10%	Z-Score: 3.564

The Dow Chemical Company engages in the manufacture and sale of chemicals, plastic materials, agricultural, and other specialized products and services worldwide. The company operates in six segments: Performance Plastics, Performance Chemicals, Agricultural Sciences, Basic Plastics, Basic Chemicals, and Hydrocarbons and Energy. The Performance Plastics segment provides automotive products, building solutions, epoxy resins, intermediates and specialty resins, polyurethanes and polyurethane systems, specialty plastics and elastomers, and technology licensing and catalyst products. The Performance Chemicals segment offers polymers, latex, and specialty chemicals. The Agricultural Sciences segment provides pest management, agricultural, and crop biotechnology products and solutions. The Basic Plastics segment offers polyethylene, polypropylene, and polystyrene resins. The Basic Chemicals segment provides chemicals, such as acids, alcohols, caustic soda, chlorine, chloroform, and other chemicals; and ethylene oxide/ethylene glycol chemicals. The Hydrocarbons and Energy segment procures fuels, natural gas liquids, and crude oil-based raw materials, as well as supplies monomers, power, and steam. Its products include benzene; butadiene; butylene; cumene; ethylene; propylene; styrene; power, steam, and other utilities. The company also involves in the property and casualty insurance and reinsurance business through its Liana Limited subsidiaries. It serves various industries, including appliance; automotive; agricultural; building and construction; chemical processing; electronics; furniture; house wares; oil and gas; packaging; paints, coatings, and adhesives; personal care; pharmaceutical; processed foods; pulp and paper; textile and carpet; utilities; and water treatment industries. The Dow Chemical Company was founded in 1897 and is based in Midland, Michigan.²²

²² Finance.yahoo.com. 4/2/2009.

Helmerich & Payne, Inc. – Current & Proposed Holding

Stock Symbol: HP	Market Capitalization: 3.01B
Last Trade: 25.53	P/E (ttm): 5.45
52 Week Range: 17.01 – 77.24	EPS (ttm): 4.68
Dividend Yield: 0.90%	Z-Score: 6.036

Helmerich & Payne, Inc. engages in the contract drilling of oil and gas wells in the United States and internationally. The company provides drilling rigs, equipment, personnel, and camps on a contract basis to explore for and develop oil and gas from onshore areas and from fixed platforms, tension-leg platforms, and spars in offshore areas. It conducts domestic land drilling primarily in Oklahoma, California, Texas, Wyoming, Colorado, Louisiana, Mississippi, Alabama, Utah, Arkansas, New Mexico, and North Dakota, and offshore drilling from platforms in the Gulf of Mexico, California, Trinidad, and Equatorial Guinea. As of September 30, 2008, the company had 185 land drilling rigs in the United States; 8 offshore platform rigs; and international land rigs, including 11 in Venezuela, 4 in Ecuador, 5 in Argentina, 5 in Colombia, and 1 in Tunisia. In addition, Helmerich & Payne engages in the ownership, development, and operation of real estate, principally commercial properties, in Tulsa, Oklahoma. Its property portfolio includes a shopping center and a multi-tenant warehouse space. The company was founded in 1920 and is based in Tulsa, Oklahoma.²³

²³ Finance.yahoo.com. 4/2/2009.

Freeport-McMoRan Copper & Gold, Inc. – Current Holding

Stock Symbol: FCX	Market Capitalization: 17.57B
Last Trade: 41.57	P/E (ttm): -1.40
52 Week Range: 15.70 – 127.24	EPS (ttm): -30.03
Dividend Yield: N/A	Z-Score: 1.4

Freeport-McMoRan Copper & Gold Inc. engages in the exploration, mining, and production of mineral resources. It primarily focuses on copper, gold, silver, cobalt, and molybdenum deposits. The company's portfolio of assets includes the Grasberg minerals district in Indonesia; mining operations in North and South America; and the Tenke Fungurume development project in the Democratic Republic of Congo. As of December 31, 2008, its consolidated recoverable proven and probable reserves included 102.0 billion pounds of copper, 40.0 million ounces of gold, 2.48 billion pounds of molybdenum, 266.6 million ounces of silver, and 0.7 billion pounds of cobalt. The company was founded in 1987 and is headquartered in Phoenix, Arizona.²⁴

²⁴ Finance.yahoo.com. 4/2/2009.

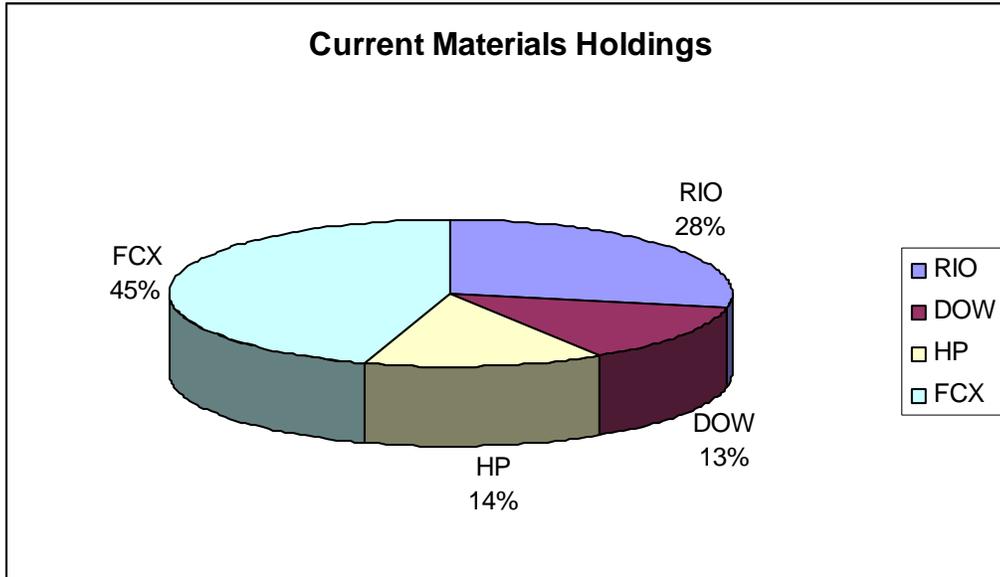
Monsanto Company – Proposed Holding

Stock Symbol: MON	Market Capitalization: 44.48B
Last Trade: 81.41	P/E (ttm): 19.59
52 Week Range: 63.47 – 145.80	EPS (ttm): 4.16
Dividend Yield: 1.30%	Z-Score: 5.8

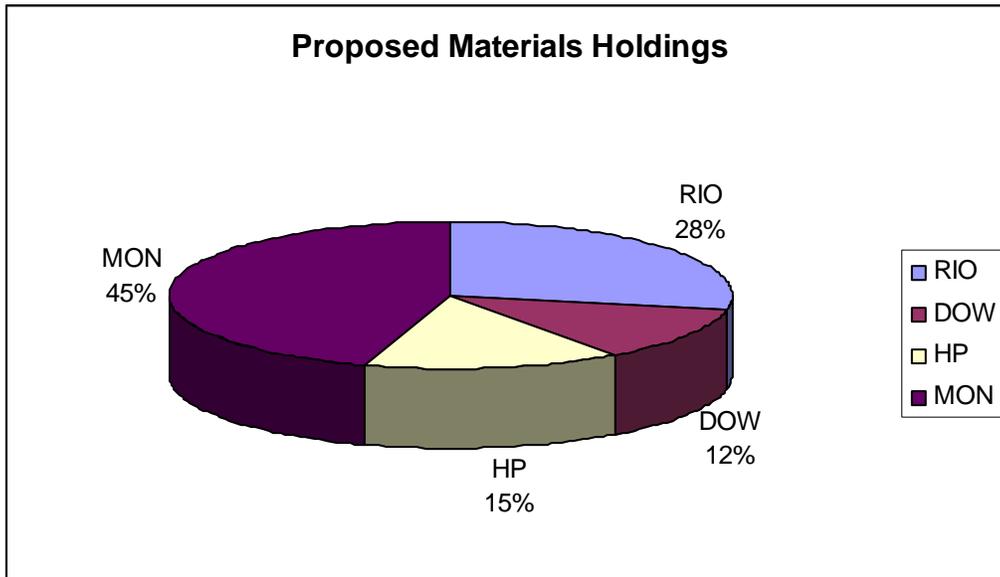
Monsanto Company provides agricultural products for farmers in the United States and internationally. It operates in two segments, Seeds and Genomics, and Agricultural Productivity. The Seeds and Genomics segment produces corn, soybeans, canola, and cotton seeds, as well as vegetable and fruit seeds, including tomato, pepper, eggplant, melon, cucumber, pumpkin, squash, beans, broccoli, onions, and lettuce. This segment also develops biotechnology traits that assist farmers in controlling insects and weeds, as well as provide genetic material and biotechnology traits to other seed companies for their seed brands. The Agricultural Productivity segment offers glyphosate-based herbicides for agricultural, industrial, ornamental, and turf applications; lawn-and-garden herbicides for residential lawn-and-garden applications; and other selective herbicides for control of preemergent annual grass and small seeded broadleaf weeds in corn and other crops. The company offers its products under various brands, including the Roundup Ready, Bollgard, Bollgard II, YieldGard, YieldGard VT, Roundup Ready 2 Yield, and SmartStax for traits; DEKALB, Asgrow, Deltapine, and Vistive for row crop seeds; Seminis, De Ruitter, Royal Sluis, Asgrow, and Petoseed for vegetable seeds; Roundup for herbicides; and Harness for corn. It also licenses germplasm and trait technologies to seed companies. The company sells its products through distributors, retailers, dealers, agricultural co-operatives, plant raisers, and agents, as well as directly to farmers. Monsanto Company has a joint venture with Cargill, Inc. to commercialize a proprietary grain processing technology under the name Extrax. It has collaborations with BASF in plant biotechnology that focuses on high-yielding crops and crops that are tolerant to adverse conditions; and Biotechnology, Inc. to source genetic elements that enable crops to express desirable traits. The company, in its current form, was established in 2000 and is based in St. Louis, Missouri.²⁵

²⁵ Finance.yahoo.com. 4/2/2009.

Current & Proposed Holdings – Visual Representation



Correlation of sector stocks and weighting to S&P500 Materials Sector: 0.7814



Correlation of sector stocks and weighting to S&P500 Materials Sector: 0.7783



Telecommunications

Sector Overview

The GICS Telecommunications Services Sector is comprised of two groups: integrated (or wireline) and wireless providers. Both of these groups provide communications services and combined make up 3.83% of the S&P 500 Index.²⁶ Integrated providers historically have been known for phone service, but in the past decade have increasingly sought to provide other services, such as broadband internet access.²⁷ The wireless providers are known for cellular phone services and mobile internet access.²⁸

The integrated subsector has been gradually losing customers in its traditional POTS (Plain Old Telephone Service) services.²⁹ Value-added services have raised the profitability of integrated providers, but the wireless subsector is rapidly cannibalizing customers. Expect this trend to continue. Furthermore, the integrated providers are experiencing a slowdown in the expansion of some of their services, particularly broadband internet access, because of the slumping housing market.

In the wireless sector, the market is around 85% penetration and growth is slowing.³⁰ However, the increased use of SMS, MMS, and 3G services have increased average revenue per user, and family plans have caused wireless providers to begin replacing POTS services (however, the process will take a long time, particularly among businesses).

For the portfolio, what is currently most important for this sector is the minimization of risk. While much of the Telecommunications Services industry is composed of large, stable firms, the industry is cannibalizing itself, and also tends to underperform during recessions.³¹ Consequently, the sector is to be underweighted in the portfolio.

²⁶ Standard & Poor's December 2008 Sectors Factsheet.

²⁷ Standard & Poor's April 2009 Wireline Industry Report.

²⁸ Standard & Poor's January 2009 Wireless Industry Report.

²⁹ Standard & Poor's April 2009 Wireline Industry Report.

³⁰ Standard & Poor's January 2009 Wireless Industry Report.

³¹ Ned Davis Research: Telecommunications Services Sector, February 13, 2009.

Current & Proposed Holdings – Company Overviews

*iShares S&P Global Telecommunications*³² – Current & Proposed Holding

Stock Symbol: IXP	Market Capitalization: 52.676B
Last Trade: 46.29	P/E (ttm): 10.31
52 Week Range: 38.74 – 72.50	EPS (ttm): -21.48
Dividend Yield: 5.60%	Z-Score: N/A

*The iShares S&P Global Telecommunications Sector Index Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of companies that Standard & Poor's deems part of the telecommunications sector of the economy and important to global markets, as represented by the Standard & Poor's Global Telecommunications Sector Index.*³³

Because of the small weight applied to this sector, a fund represents the best method to diversify the investment and reduce overall risk. The iShares fund succeeds in its aim to possess globally diversified holdings. Only 29% of its holdings are in U.S. securities, and the five countries it invests in most heavily comprised only 63% of its holdings as of December 31st, 2008.³⁴ With this diversification also comes heavy investment in large, relatively stable companies.

Because a number of funds could meet the above criteria, the iShares fund was compared to a number of other funds to determine the best investment. Returns narrowed the search to five funds, which were rated on the following factors (in order of importance): dividends, expense ratios, recent news, growth potential, and sector correlation. In every rating except sector correlation (iShares was third), the iShares fund was either first or second. Importantly, it has by far the highest dividend yield and only one fund had more attractive expense ratios. Growth potential was measured by taking each fund's current price and comparing it to its 52 week high. In this measure, the iShares fund had the smallest loss in percentage terms but also will make the most in dollar terms if all the funds were to simply reach their 52 week highs again. In light of these criteria and recent news, the iShares fund proved the most attractive investment.³⁵

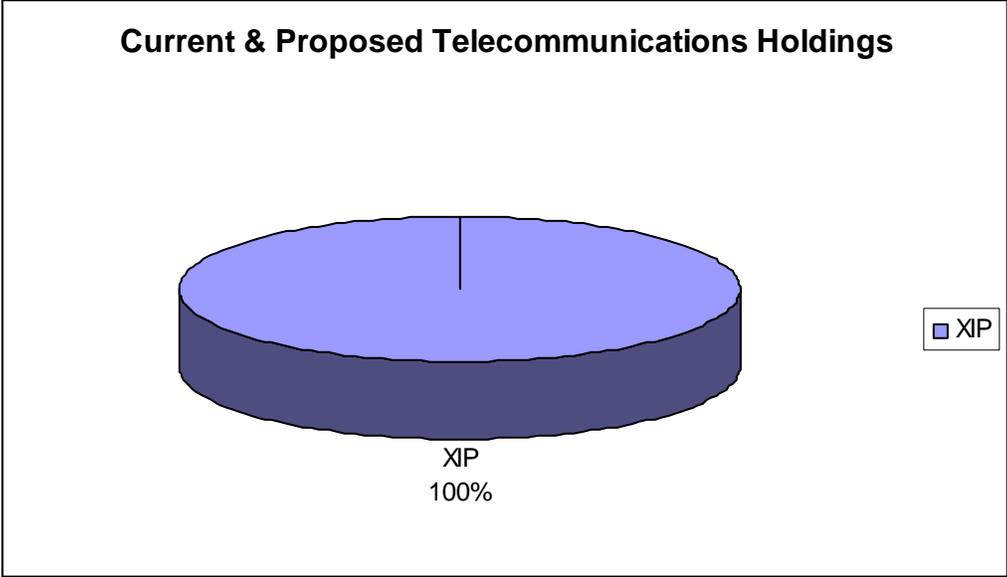
³² Data obtained from Yahoo! Finance, Google Finance, Seeking Alpha, NetAdvantage, and Morningstar.

³³ Fund description at <http://us.ishares.com>.

³⁴ Widows, Richard, *Nine ETFs for an Uncertain '09*. <http://www.thestreet.com/story/10455351/3/nine-etfs-for-an-uncertain-09.html>

³⁵ See *TradingMarkets 7 ETFs You Need to Know for Wednesday*. <http://finance.yahoo.com/news/TradingMarkets-7-ETFs-You-tm-14106838.html>

Current & Proposed Holdings – Visual Representation





Utilities

Sector Overview

Electric Utilities: Average

The new legislation repealed the Public Utility Holding Company Act of 1935. The new law required that holding companies maintain and make available any books and records deemed relevant to the costs incurred by a utility within a holding company. PUHCA was enacted to eliminate the abuses committed by the holding companies of that period, such as excessive charges for services provided to the operating utilities that were then passed on to the consuming public. PUHCA restricted the nonutility activities of holding companies and required that the service territories of the utility operating companies be contiguous. PUHCA's repeal could pave the way for the entry of new nonutility domestic players into the industry and for additional acquisition activity by foreign companies; however, there have been many recent terminations of major merges that have set back industry consolidation.³⁶

Water Utilities: Above Average

Major growth in desalination is projected. About 84% of the 50,000 water systems in the U.S. serve fewer than 3,300 people. According to a March 2008 report by the Organization for Economic Cooperation and Development (OECD), 44% of the world's population, or 2.8B people, live in areas of high water stress, and \$10B a year is needed to reduce by 50% the number of people without adequate access to fresh water and sanitation by 2015. The number may rise to 3.9B people by 2030 if major new water-wise policies are not implemented.⁸

³⁶ NetAdvantage

Current & Proposed Holdings – Company Overviews

American States Water Company – Current Holding

Stock Symbol: AWR	Market Capitalization: 616.14M
Last Trade: 36.13	P/E (ttm): 28.70
52 Week Range: 27.00 – 42.00	EPS (ttm): 1.26
Dividend Yield: 2.8%	Z-Score: N/A

American States Water Company, through its subsidiaries, provides water and electric utility services to residential and commercial customers in the United States. The company engages in the purchase, production, and distribution of water. It also distributes electricity in 1 electric customer service area and 3 water service regions operating within 75 communities in 10 counties in the state of California, as well as provides water service in 21 customer service areas. As of December 31, 2008, the company served 254,482 water customers and 23,172 electric customers. American States Water Company also served 13,423 customers in Fountain Hills, Arizona and a portion of the City of Scottsdale, Arizona. In addition, the company provides water and/or wastewater services, including the operation and maintenance of water and/or wastewater systems. American States Water Company was founded in 1929 and is headquartered in San Dimas, California.³⁷

³⁷ Yahoo!Finance

Exelon Corp. – Current Holding

Stock Symbol: EXC	Market Capitalization: 31.99B
Last Trade: 47.29	P/E (ttm): 11.54
52 Week Range: 38.41 – 92.13	EPS (ttm): 4.10
Dividend Yield: 4.6%	Z-Score: 1.527

Exelon Corporation, a utility services holding company, through its subsidiaries, engages in the generation, transmission, distribution, and sale of electricity to residential, commercial, industrial, and wholesale customers in northern Illinois. The company also purchases and sells electricity and natural gas on retail basis to customers in southeastern Pennsylvania. It generates electricity through nuclear, fossil, and hydroelectric generation facilities. As of December 31, 2008, Exelon owned generation assets with an aggregate net capacity of 24,809 megawatts. The company distributed electricity to approximately 3.8M customers in northern Illinois and 1.6M customers in southeastern Pennsylvania, as well as natural gas to 485,000 customers in Pennsylvania. Exelon Corporation was founded in 1887 and is based in Chicago, Illinois.⁹

Vanguard Utility Fund – Proposed Holding

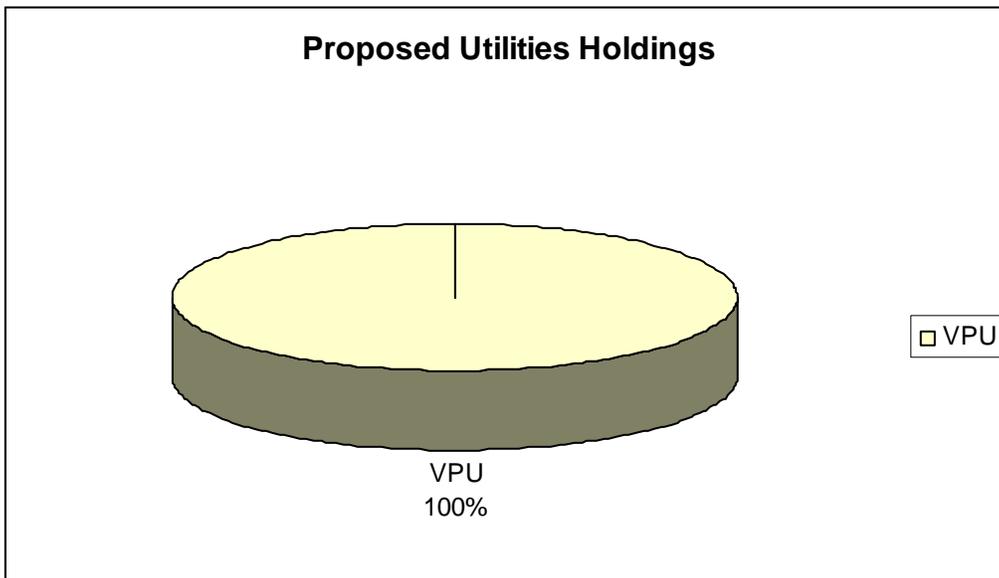
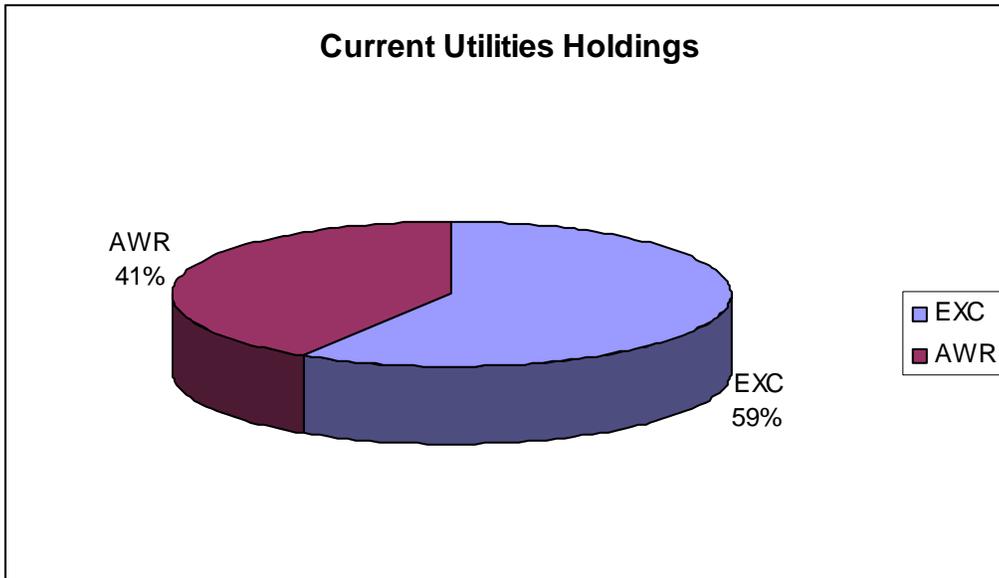
Stock Symbol: VPU	Market Capitalization: N/A
Last Trade: 54.60	P/E (ttm): 12.07
52 Week Range: 46.64 – 86.88	EPS (ttm): 4.52
Dividend Yield: 4.49%	Z-Score: N/A

The investment seeks to track the performance of a benchmark index that measures the investment return of utilities stocks. The fund employs a passive management investment approach designed to track the performance of the MSCI U.S. Investable Market Utilities Index. This index consists of all capitalization companies within the utilities sector.⁹ The top 10 holdings in this exchange traded fund are:³⁸

	<u>Net % of Assets</u>
Exelon Corporation	8.69%
Southern Company	6.77%
Dominion Resources, Inc.	4.94%
FPL Group	4.64%
Duke Energy	4.51%
Entergy Corporation	3.78%
Public Service Enterprise Group	3.53%
First Energy Corporation	3.52%
PG & E Corporation	3.35%
American Electric Power	3.18%

³⁸ Morningstar

Current & Proposed Holdings – Visual Representation





Financials

Sector Overview

The financial sector consists of capital markets, commercial banks, financial services companies, consumer finance companies, insurance companies, and Real Estate Investment Trusts (REITs).

The trends in this sector have been negative over the past 16 months. Commercial banks are suffering a liquidity crisis caused by defaulting mortgages and reduced consumer spending. Compounding this problem, insurance companies are being forced to cover policies in volumes that they did not expect, resulting in the crippling of various firms. REITs have been hit hard by declining property values, defaulting tenants, reduced consumer spending, and the liquidity crisis. As a result, the remaining financial sectors have been dragged down, as they are all intertwined.

The sector continues to perform poorly. Write-downs continue and most firms are struggling on a daily basis to meet liquidity requirements. Some REITs are struggling to avoid default on loans on a weekly basis. The sector outlook is grim. Many companies in the sector are expected to fail. Some commercial banks may also be nationalized.

While the future may be bleak for many companies, there are a few with good management and solid fundamentals that merit attention. The sector meltdown provides an opportunity to acquire these companies at sharp discounts. The potential upside for acquiring financial sector companies at the moment is enormous, particularly if they pay dividends.

Current & Proposed Holdings – Company Overviews

Bank of America – Current & Proposed Holding

Stock Symbol: BAC	Market Capitalization: 48.65B
Last Trade: 7.60	P/E (ttm): 13.72
52 Week Range: 2.53 – 40.67	EPS (ttm): 0.55
Dividend Yield: 0.60%	Z-Score: N/A

Bank of America Corporation, a financial holding company, provides a range of banking and nonbanking financial services and products in the United States and internationally. Its Global Consumer and Small Business Banking segment offers savings accounts, money market savings accounts, certificate of deposits, individual retirement accounts, and checking accounts; U.S. Consumer and Business Card, unsecured lending, and international card; consumer real estate products, including mortgage products for home purchase and refinancing, reverse mortgage products, and home equity products; and insurance services. The company's Global Corporate and Investment Banking segment provides commercial and corporate bank loans, indirect consumer loans, real estate lending products, and leasing and asset-based lending products for banking clients, middle market commercial clients, multinational corporate clients, public and private developers, homebuilders, and commercial real estate firms; advisory services, financing, and related products for institutional investor clients in support of their investing and trading activities; debt and equity underwriting, merger-related advisory services, and risk management solutions; and treasury management, trade finance, foreign exchange, short-term credit facilities, and short-term investing options for correspondent banks, commercial real estate firms, and governments. The company's Global Wealth and Investment Management segment offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients and high-net-worth individuals. As of December 31, 2008, the company operated approximately 6,100 banking centers and 18,700 automated teller machines. Bank of America was founded in 1874 and is headquartered in Charlotte, North Carolina.

Goldman Sachs Group, Inc. – Current & Proposed Holding

Stock Symbol: GS	Market Capitalization: 55.14B
Last Trade: 119.40	P/E (ttm): 26.69
52 Week Range: 47.41 – 203.39	EPS (ttm): 4.474
Dividend Yield: 1.8%	Z-Score: N/A

The Goldman Sachs Group, Inc., together with its subsidiaries, provides various investment banking, securities, and investment management services to corporations, financial institutions, governments, and high-net-worth individuals worldwide. Its Investment Banking segment offers financial advisory services, including advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings, and spin-offs; and underwriting services, including equity underwriting and debt underwriting. The company’s Trading and Principal Investments segment engages in market making in, trading of, and investing in commodities and commodity derivatives, including power generation and related activities; credit products, such as credit derivatives, investment-grade corporate securities, high-yield securities, bank and secured loans, municipal securities, emerging market and distressed debt, public and private equity securities, and real estate; currencies and currency derivatives; interest rate products consisting of interest rate derivatives and global government securities; money market instruments, including matched book positions; and mortgage-related securities and loan products. This segment also provides equity securities, derivative securities, futures, and options clearing services; market-making and specialist services in equity securities and options; and insurance services, as well as involves in principal investments activities. Its Asset Management and Securities Services segment offers various asset management services comprising investment advisory services, financial planning, and investment products; management of merchant banking funds; and securities services, such as prime brokerage, financing services, and securities lending. The company was founded in 1869 and is headquartered in New York, New York.

Annaly Capital Management, Inc. – Current & Proposed Holding

Stock Symbol: NLY	Market Capitalization: 7.89B
Last Trade: 14.50	P/E (ttm): 22.62
52 Week Range: 9.94 – 18.03	EPS (ttm): 0.64
Dividend Yield: 14.40%	Z-Score: N/A

Annaly Capital Management, Inc., a real estate investment trust, engages in the ownership, management, and financing of a portfolio of investment securities. The company invests primarily in mortgage pass-through certificates, collateralized mortgage obligations, agency callable debentures, and other mortgage-backed securities representing interests in or obligations backed by pools of mortgage loans. Annaly Capital also invests in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association debentures. The company has elected to be taxed as a real estate investment trust (REIT). As a REIT, the company would not be subject to federal corporate income tax, provided it distributes at least 90% of its taxable income to its stockholders. It was formerly known as Annaly Mortgage Management, Inc. and changed its name to Annaly Capital Management, Inc. in August 2006. Annaly Capital Management was incorporated in 1996 and is based in New York City.

US Bancorp – Current & Proposed Holding

Stock Symbol: USB	Market Capitalization: 28.03B
Last Trade: 15.97	P/E (ttm): 9.94
52 Week Range: 8.06 – 42.23	EPS (ttm): 1.61
Dividend Yield: 1.4%	Z-Score: N/A

U.S. Bancorp operates as the holding company for U.S. Bank National Association that provides various banking and financial services in the United States. It generates various deposit products, including checking accounts, savings accounts, money market savings, and time certificates of deposit accounts. The company originates a portfolio of loans comprising commercial loans and lease financing; commercial real estate; residential mortgage; and retail loans, including credit card, retail leasing, home equity and second mortgages, and other retail loans. It also offers wholesale lending, equipment finance, small-ticket leasing, depository, treasury management, capital markets, foreign exchange, and international trade services to middle market, large corporate, commercial real estate, and public sector clients. In addition, U.S. Bancorp provides telebanking, online banking, direct mail, and automated teller machine services. The company, through other subsidiaries, provides trust, private banking, financial advisory, investment management, retail brokerage services, insurance, and custody and mutual fund services; and payment services, including consumer and business credit cards, stored-value cards, debit cards, corporate and purchasing card services, consumer lines of credit, ATM processing, and merchant processing. U.S. Bancorp primarily serves individuals, estates, foundations, business corporations, and charitable organizations. As of March 16, 2009, it operated 2,791 branches and 5,164 ATMs. The company was founded in 1863 and is headquartered in Minneapolis, Minnesota.

Broadridge Financial Solutions – Current Holding

Stock Symbol: BR	Market Capitalization: 2.72B
Last Trade: 19.37	P/E (ttm): 14.23
52 Week Range: 9.21 – 23.00	EPS (ttm): 1.36
Dividend Yield: 1.5%	Z-Score: N/A

Broadridge Financial Solutions, Inc. provides technology-based outsourcing solutions to the financial services industry. The company operates in three segments Investor Communication Solutions, Securities Processing Solutions, and Clearing and Outsourcing Solutions. The Investor Communication Solutions segment involves in the processing and distribution of proxy materials to investors in equity securities and mutual funds, and facilitation of related vote processing; and distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions. This segment also offers financial information distribution and transaction reporting services to financial institutions and securities issuers. The Securities Processing Solutions segment offers computerized real-time transaction processing services, which automate the securities transaction lifestyle. Its products and services include desktop productivity tools, portfolio management, order capture and execution, trade confirmation, settlement, and accounting. The Clearing and Outsourcing Solutions segment provides securities clearing and operations outsourcing services, including the process of matching, recording, and processing transaction instructions and then exchanging payment between counterparties. The company offers its services to retail and institutional brokerage firms, global banks, mutual funds, annuity companies, institutional investors, specialty trading firms, and clearing firms, as well as to corporate issuers. It has a strategic partnership agreement with Information Mosaic Ltd. The company is headquartered in Lake Success, New York. Broadridge Financial Solutions Inc. (NYSE:BR) operates independently of Automatic Data Processing, Inc. as of March 30, 2007.

Hartford Financial Services – Current Holding

Stock Symbol: HIG	Market Capitalization: 2.48B
Last Trade: 8.74	P/E (ttm): N/A
52 Week Range: 3.33 – 79.04	EPS (ttm): -8.989
Dividend Yield: 2.5%	Z-Score: N/A

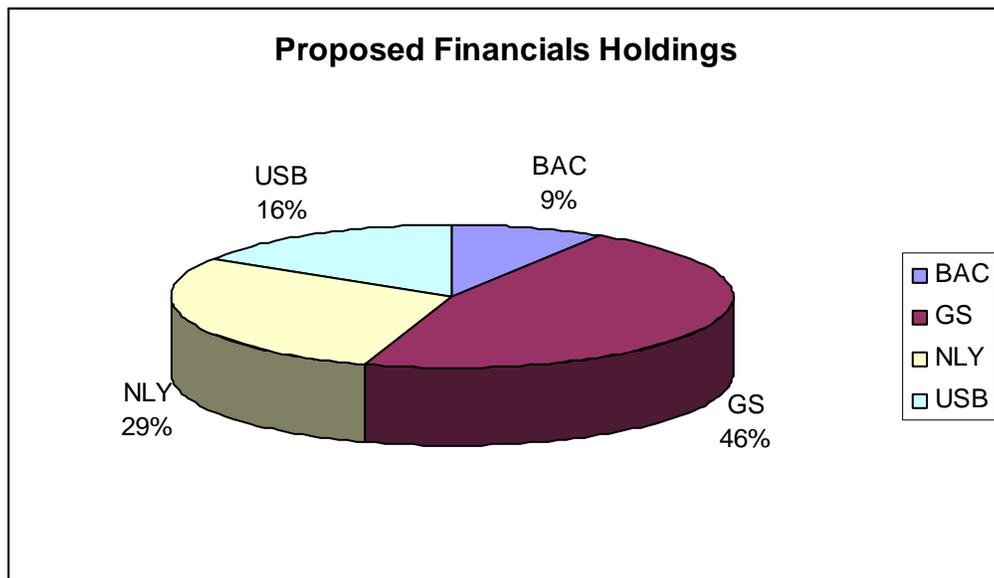
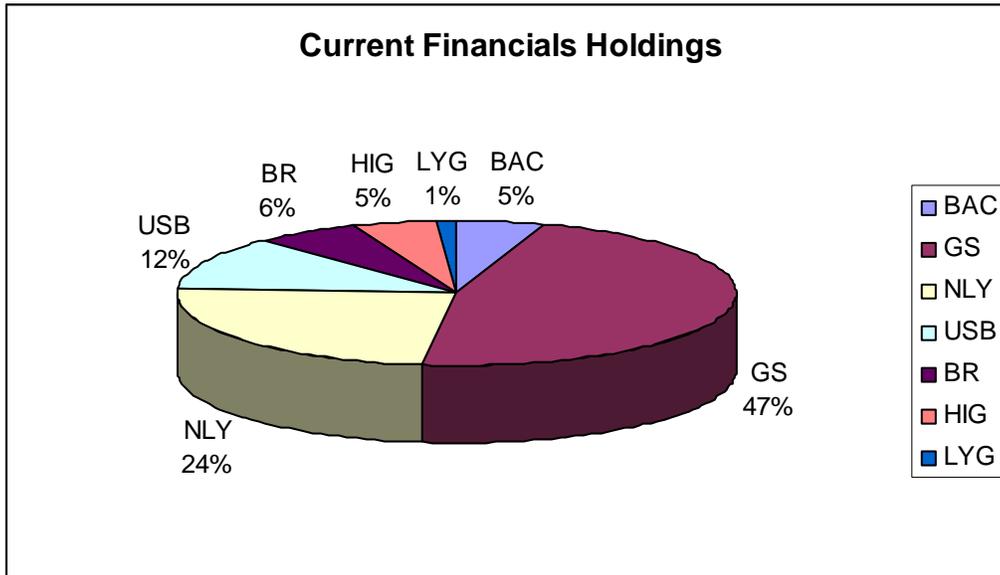
The Hartford Financial Services Group, Inc., through its subsidiaries, provides insurance and financial services in the United States and internationally. It engages in life, and property and casualty insurance businesses. The life insurance business comprises six segments: Retail Products Group (Retail), Retirement Plans, International and Institutional Solutions Group (Institutional), Individual Life, Group Benefits, and International. Retail segment offers variable and fixed market value adjusted annuities, retail mutual funds, 529 college savings plans, and Canadian and offshore investment products. Retirement Plans segment provides products and services to corporations and municipalities. Institutional segment offers institutional liability products and variable private placement life insurance, as well as mutual funds to institutional investors. Individual Life segment sells variable universal, whole, and term life products. Group Benefits segment offers group life, accident, and disability coverage. International segment provides investments, retirement savings, and other insurance and savings products in Japan, Brazil, Ireland, and the United Kingdom. The property and casualty insurance business includes five segments: Personal Lines, Small Commercial, Middle Market, Specialty Commercial, and Other Operations. Personal Lines segment offers automobile, homeowners', and home-based business coverage. Small Commercial segment provides standard commercial insurance coverage to small commercial businesses. Middle Market segment offers standard commercial insurance coverage to middle market commercial businesses. Specialty Commercial segment provides various property and casualty insurance products and services to large commercial clients. Other Operations segment comprises certain property and casualty insurance operations, including the company's asbestos and environmental exposures. The company was founded in 1810 and is headquartered in Hartford, Connecticut.

Lloyds Banking Group – Current Holding

Stock Symbol: LYG	Market Capitalization: 7.07B
Last Trade: 4.85	P/E (ttm): 5.99
52 Week Range: 2.10 – 37.38	EPS (ttm): 0.81
Dividend Yield: 44.70%	Z-Score: N/A

Lloyds Banking Group plc, through its subsidiaries, provides various financial services to personal and corporate customers in the United Kingdom and internationally. It operates through three segments: UK Retail Banking, Insurance and Investments, and Wholesale and International Banking. The UK Retail Banking segment provides banking and financial services, mortgages, and private banking services. Its products and services include current accounts, savings accounts, loans and overdrafts, credit cards, and Internet and telephone banking, as well as wealth management services, including portfolio management, retirement planning, insurance, and estate planning services. The Insurance and Investments segment offers life assurance, pensions and savings products, general insurance, and fund management services. The Wholesale and International Banking segment provides banking and related services for companies, small and medium-sized businesses, banks, and financial institutions; and asset finance to personal and corporate customers. The company, formerly known as Lloyds TSB Group plc, was founded in 1765 and is headquartered in London, the United Kingdom.

Current & Proposed Holdings – Visual Representation





Healthcare

Sector Overview

The healthcare sector includes stocks relating to medical and healthcare goods or services and includes several sub-sectors including biotechnology, drug manufacturers, hospital management firms, health maintenance organizations, and a variety of medical products. The sector includes companies that develop, manufacture, market, and/or distribute health-related products or provide health care services, such as hospitals, nursing homes, HMOs, medical product suppliers, medical equipment and medical device makers, and medical laboratories.

The healthcare sector is typically considered a defensive sector because these goods and services are essential and consumers typically will not stop purchasing prescriptions or seeing the doctor during a recession. This consistent demand makes this sector less sensitive to business cycle fluctuations. Year to date through April 2nd, 2009, the S&P 500 Healthcare Sector was down 8.65% while the broad market, as measured by the S&P 500 Index was down nearly 7%.³⁹ Compared to the other ten sectors within the S&P 500 Index, Healthcare outperformed three of the ten sectors. Previously viewed as one of the most recession-proof sectors, healthcare has recently come under significant pressure from the severe economic downturn. Despite some of the recent volatility within the healthcare sector during the first quarter of 2009, there are several trends that will positively affect the industry this year and into 2010:

- **The aging population and the baby boomers:** Baby boomers (those born between 1946 and 1964) make up 28% of our population.⁴⁰ As they near retirement and get older, they will require more healthcare as a part of the aging process.
- **Healthcare use is constant** and people are living longer with chronic disease. The monthly use of healthcare services by Americans has remained remarkably consistent over the past 40 years, according to the Agency for Healthcare Research and Quality.⁴¹
- **Technological advances:** The adoption of the Electronic Medical Record (EMR) is still a major technology trend impacting healthcare, but doctors have been slow to adopt this new technology. The economic downturn will further slow the transition to an EMR as physicians and hospitals might not have the funds available to make the necessary IT investments.⁴²

³⁹ Standard & Poor's (www.standardandpoors.com)

⁴⁰ Seeking Alpha, [Baby Boomers Retire: Health Care Spiders Surge](#), May 14, 2008.

⁴¹ U.S Department of Health and Human Services Press Release, [Use of U.S. Health Services Stays Fairly Constant Over Forty Years](#), June 27, 2001. Agency for Healthcare Research and Quality.

⁴² Medical News Today, [The Camden Group Outlines Major Healthcare Industry Trends and Challenges for 2009](#), January 9, 2009.

- **Healthcare Reform:** With a new Democratic President and Congress, universal healthcare is closer to becoming a reality. The administration is planning to reduce skyrocketing costs, and invest in health information technology, prevention and care coordination. Despite these changes in reform, it will take time for a true change to take place in the healthcare system.⁴ In a recent address to Congress, President Obama said the country could not afford to put healthcare reform on hold. He said healthcare costs cause a bankruptcy in America every 30 seconds and by the end of the year, it could cause 1.5M Americans to lose their homes. The Obama Administration believes that investing heavily in the healthcare industry will likely lead to a faster economic recovery.
- **In 2008, healthcare spending represented 17% of GDP:** According to the National Coalition on Healthcare, it is projected that the percentage will reach 20% by 2017;⁴³ Although nearly 46M Americans are uninsured, the United States spends more on health care than other industrialized nations, and those countries provide health insurance to all their citizens. National surveys show that the primary reason people are uninsured is the high cost of health insurance coverage. According to John Osbon, head of Osbon Capital Management, to ignore or underweight healthcare represents a serious potential opportunity cost.⁴⁴
- **Mergers & Acquisitions:** Pfizer's acquisition of Wyeth for \$68B —two-thirds of it in cash—is seen by some investors as an indication that the health care sector is strong. Merck also recently acquired Schering-Plough.
- **Patent Protection:** Generic drugs account for more than 60% of all prescriptions filled in the U.S., and more than \$60B worth of drugs face U.S. patent expiration by 2011, providing a large opportunity for generic drugs.⁴⁵

The Suntrust portfolio currently consists of six health care stocks: Covance, Johnson & Johnson, Merck, Perrigo, St. Jude Medical, and Stryker. The healthcare portfolio is well diversified and covers various sub-sectors of the healthcare sector. Covance is a drug development services company, Johnson & Johnson and Merck are both drug manufacturers, Perrigo sells drug related products, and St. Jude Medical and Stryker are both medical supplies companies. Considering the healthcare industry trends for 2009, the analysts' overall fundamental outlook of the health care industry is positive. Therefore, it is recommended that this sector be overweight as compared to the index.

Other stocks were considered for addition into the portfolio, however the current portfolio already has good diversification and exposure to different areas of the healthcare market and different market capitalizations. Therefore, the analyst does not recommend the removal of any of the current stocks or the addition of any new healthcare stocks.

⁴³ National Coalition on Healthcare, [Health Insurance Costs](http://www.nchc.org/facts/cost.shtml), 2009 (<http://www.nchc.org/facts/cost.shtml>)

⁴⁴ Forbes, [Safety in Healthcare Stocks](#), David Serchuk, January 27, 2009.

⁴⁵ Research & Markets, [Combating Generics: Counter-Generics Strategy, Tactics and Execution](#)

Current & Proposed Holdings – Company Overviews

Covance, Inc. – Current & Proposed Holding

Stock Symbol: CVD	Market Capitalization: 2.30B
Last Trade: 36.28	P/E (ttm): 11.80
52 Week Range: 31.43 – 99.08	EPS (ttm): 3.08
Dividend Yield: N/A	Z-Score: 18.705

Covance Inc. is a drug development services company that provides early-stage and late-stage product development services primarily to the pharmaceutical, biotechnology, and medical device industries worldwide. They are the leading supplier of clinical trial laboratory services, providing lab work for more than a third of all clinical trials worldwide. Founded in 1987, Covance is based in Princeton, NJ and has offices in more than 20 countries, generating nearly 40% of its revenue outside the United States. Covance experienced a 6.7% growth in sales in the fourth quarter of 2008 from fourth quarter 2007 results. There are no concerns surrounding the company's financial health – the company has no debt on their balance sheet and \$300M in cash. The company sees revenue growth in the range of 5-10% in 2009. Morningstar's estimate for sales growth in 2009 is 11%.

The company recently announced a \$1.6B 10-year collaborative agreement with Eli Lilly for contract research services. Covance also purchased an early drug-development site from Lilly, expanding the firm's pharmacology capacity. Over the past five years, Covance has expanded its operating margin by 400 basis points. Even in years of subpar growth, the firm has managed to improve its profitability.

Covance is poised for positive growth prospects in 2009. In the past 18 months, Covance has been added by three clients as a preferred provider of late-stage services. With its global presence and broad service offering, the company has positioned itself to take advantage of increasing drug-development outsourcing by pharmaceutical and biotechnology companies, particularly as stricter regulations of the drug development process come into play. More pharmaceutical companies will seek the expertise of contract research organizations such as Covance. For these reasons, it would be prudent to purchase additional shares of Covance, Inc.

Johnson & Johnson – Current & Proposed Holding

Stock Symbol: JNJ	Market Capitalization: 144.24B
Last Trade: 52.15	P/E (ttm): 11.42
52 Week Range: 46.25 – 72.76	EPS (ttm): 4.57
Dividend Yield: 3.50%	Z-Score: 5.49

Founded in 1885, Johnson & Johnson ranks as the world's largest and most diverse health-care company and controls the top or number-two leadership spot in 70% of its products. The company comprises three divisions: pharmaceutical, medical devices and diagnostics, and consumer. Its consumer segment, contributing approximately 25% of total sales, provides products used in baby care, skin care, oral care, wound care and women's health care fields as well as nutritional products. Johnson & Johnson's 2007 acquisition of Pfizer's consumer business further solidified Johnson & Johnson's position in this market. The company's pharmaceutical segment, which contributes 40% of total revenue, offers products in various therapeutic areas such as anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, oncology, pain management and others. The pharmaceutical group has a robust late-stage product pipeline with more than 10 potential blockbusters in late-stage development. The medical devices and diagnostics segment, bringing in 35% of sales, offers circulatory disease management, orthopedic joint reconstruction and spinal care and sports medicine, surgical care, and diagnostic products, as well as disposable contact lenses.

The company has a diversified product line and because of this, the company is able to sustain positive and strong cash flows. Strong cash generation has enabled the company to increase its dividend for the past 45 years. Despite the fact that the company faces more than \$6.3B in patent exposure through 2009, strong growth from the remaining business lines should offset these losses.

As the baby boom generation ages, the entire spectrum of Johnson & Johnson's products should benefit from the increase in health-care needs. In addition, the company is implementing a \$10B share-repurchase program, signaling management's confidence in the stock. The firm reported a 14% increase in 4th quarter 2008 earnings, and the company generated \$12.2B in cash in 2008. The company has solid long term growth prospects and many advantages over its competitors including the coveted AAA credit rating. Johnson & Johnson maintains worldwide market leadership, a strong commitment to new product development, and is well positioned for future growth due to its solid pipeline of new and innovative products and its focus on products that reduce the cost of healthcare. During the turbulent economic times of 2008, Johnson & Johnson was the third best-performing stock on the Dow Jones Industrial Average.⁴⁶ For these reasons, it would be prudent to purchase additional shares of Johnson & Johnson.

⁴⁶ Johnson & Johnson 2008 Annual Report

Merck & Company, Inc. – Current & Proposed Holding

Stock Symbol: MRK	Market Capitalization: 55.77B
Last Trade: 26.46	P/E (ttm): 7.27
52 Week Range: 20.05 – 42.24	EPS (ttm): 3.64
Dividend Yield: 5.70%	Z-Score: 4.62

Merck & Company, Inc. provides products for human and animal health in the United States and internationally. Merck makes pharmaceutical products to treat conditions in a number of therapeutic areas, including cardiovascular disease, asthma, infections, and osteoporosis. The company also has a substantial vaccine business, with treatments to prevent hepatitis B and pediatric diseases as well as HPV and shingles. About 60% of the company's sales are generated in the United States.

Merck has excellent credit and a solid balance sheet. It closed the third quarter of 2008 with cash and short-term investments of just less than \$7 billion, providing significant shelter from the current storm in the credit markets. The majority of Merck's key drugs posted declines during the fourth quarter of 2008. Merck faced increased competition, patent losses, and a pipeline of drugs with poor chances of approval. Merck faces the loss of Cozaar/Hyzaar in 2010 and Singulair in 2012. These two producers represented more than 30% of 2007 sales. The patent expirations create major roadblocks to Merck's growth. Morningstar expects poor growth over the next few years as competition heats up and patent expirations knock out leading drugs. In addition, approximately 25,000 lawsuits have been filed against Merck for Vioxx. The potential liability of these suits could be billions of dollars.

On March 9, 2009, Merck acquired Schering-Plough for \$41B, and in doing so, created a stronger and more diversified product portfolio. Financial analysts believe the acquisition should help the company increase earnings and maintain its dividend. It could also boost sales of cholesterol drugs Zetia and Vytorin, which the two companies jointly sell. Merck will now have twice as many medicines in the late stages of development than it did before. Due to the acquisition, Merck should be positioned for positive growth in the future. The new Obama administration will propose new policies to allow for the importation of cheaper drugs from abroad, and this could potentially hurt Merck's sales, as a price cut on drugs will follow. The combining of Schering's and Merck's operations will probably encounter several integration problems. Because the acquisition is relatively new and the effects on the company are uncertain, our analyst recommends we should hold our current number of shares and not make any changes at this time.

Perrigo Company – Current & Proposed Holding

Stock Symbol: PRGO	Market Capitalization: 2.19B
Last Trade: 23.77	P/E (ttm): 17.26
52 Week Range: 18.54 – 43.08	EPS (ttm): 1.38
Dividend Yield: 0.90%	Z-Score: 4.859

Founded in 1887, Perrigo is the world's largest manufacturer of over the counter pharmaceutical products for the store brand market, supplying around 1200 private-label over-the-counter drugs and nutritional products to large pharmaceutical chains. The company operates through three segments – consumer healthcare, Rx pharmaceuticals, and API. The Consumer Healthcare segment offers products which include analgesic, cough/cold/allergy/sinus, gastrointestinal, smoking cessation, first aid, and vitamin and nutritional supplement products. The Rx Pharmaceuticals segment develops, manufactures, and markets topical generic prescription drug products, including creams, ointments, lotions, gels, shampoos, suppositories, liquid suspensions, and solutions, as well as nasal sprays, oral liquids, and transdermal products. The API segment engages in the development, manufacture, and marketing of APIs used by the generic drug industry and branded pharmaceutical companies. Perrigo Company also provides consumer products, such as cosmetics, toiletries, bar soaps, and detergents. Its customers primarily include retail drug, supermarket, wholesalers, and mass merchandise chains.

Particularly in this economy, customers are favoring cheaper store brands as opposed to name brand prescriptions. Perrigo supplies 75% of store brand drugs and vitamins to pharmacies worldwide, which accounts for more than 70% of sales. It maintains this position by passing along the cost savings to customers such as Wal-Mart, Walgreens, and CVS. Besides maintaining the best price, Perrigo offers a broad product portfolio, creating packaging and outstanding customer service. In addition, the launch of the over the counter version of Prilosec could boost revenue by 15%.

In March 2005, the company expanded its presence in generic drugs and active pharmaceutical ingredients with the acquisition of Agis Industries, the second-largest pharmaceutical company in Israel. In February of 2009, it was announced that Perrigo plans to maintain higher spending on research and development, citing new products as a key growth driver. The launch of Prilosec OTC will add \$250M in sales in 2010, according to Morningstar, which could boost total revenue by over 15%. In addition, the new administration will prevent drug companies from blocking generic drugs from the consumer, which is positive news for Perrigo. Perrigo's five strategic pillars – commitment to quality, superior customer service, innovation, low cost structure, and focus on people – serve as the foundation of the company's strategic plan.⁴⁷ Perrigo's commitment to these five pillars contributed significantly to their performance in 2008 and will serve as the basis for their success in 2009. Our analyst recommends the purchase of additional shares of Perrigo company stock.

⁴⁷ Perrigo Company 2008 Annual Report

St. Jude Medical, Inc. – Current & Proposed Holding

Stock Symbol: STJ	Market Capitalization: 12.14B
Last Trade: 35.07	P/E (ttm): 31.91
52 Week Range: 24.98 – 48.49	EPS (ttm): 1.10
Dividend Yield: N/A	Z-Score: 5.690

Founded in 1976, St. Jude Medical, Inc. designs, manufactures, and distributes cardiovascular medical devices including the world's most widely used mechanical heart valve, and implantable neurostimulation devices worldwide. It operates in four segments: Cardiac Rhythm Management, Cardiovascular, Atrial Fibrillation, and Advanced Neuromodulation Systems. The Cardiac Rhythm Management segment offers products for irregular heart beats. The Cardiovascular segment provides mechanical and tissue replacement heart valves, as well as heart valve repair products. The Atrial Fibrillation segment provides a system of products for access, diagnosis, visualization, and ablation that assist physicians in diagnosing and treating various irregular heart rhythms used in the electrophysiology lab and cardiac surgery. It offers electrophysiology introducers and catheters, cardiac mapping, navigation and recording systems, and ablation systems. The Neuromodulation segment offers a range of neurostimulation systems, including rechargeable implantable pulse generators, conventional implantable pulse generators, and radio frequency powered systems. St. Jude Medical markets its products through a direct sales force and independent distributors and sells to hospitals and heart-surgery centers in the United States and abroad.

The company markets its products through a direct sales force and independent distributors. Foreign sales make up more than 45% of the company's total sales. St. Jude's business remained recession-resistant through 2008. Overall, the medical supplies sub-sector has a positive outlook for the upcoming year. Morningstar expects 9% average annual growth through 2012.

St. Jude's stock remained recession resistant in 2008 and while the firm has not really demonstrated that it can surpass market leader Medtronic when it comes to innovation, St. Jude is still well positioned in this market and provides competition in this industry. St. Jude was originally a pioneer in mechanical heart valves but has branched out with various acquisitions. In 2008, cardiac rhythm management devices accounted for 74% of total sales. Product recalls could hamper St. Jude's performance. In addition, advances in minimally invasive heart-valve repair could reduce demand for the traditional heart-valve replacements that St. Jude offers. Changes to Medicare funding could hamper St. Jude's profits. The government will be reducing excessive payments to Medicare Advantage programs, which could limit the amount of funding available for the products provided by St. Jude Medical. Our analyst suggests selling a small amount of our shares in this company and distributing those assets to other companies within the healthcare portfolio.

Stryker Corporation – Current & Proposed Holding

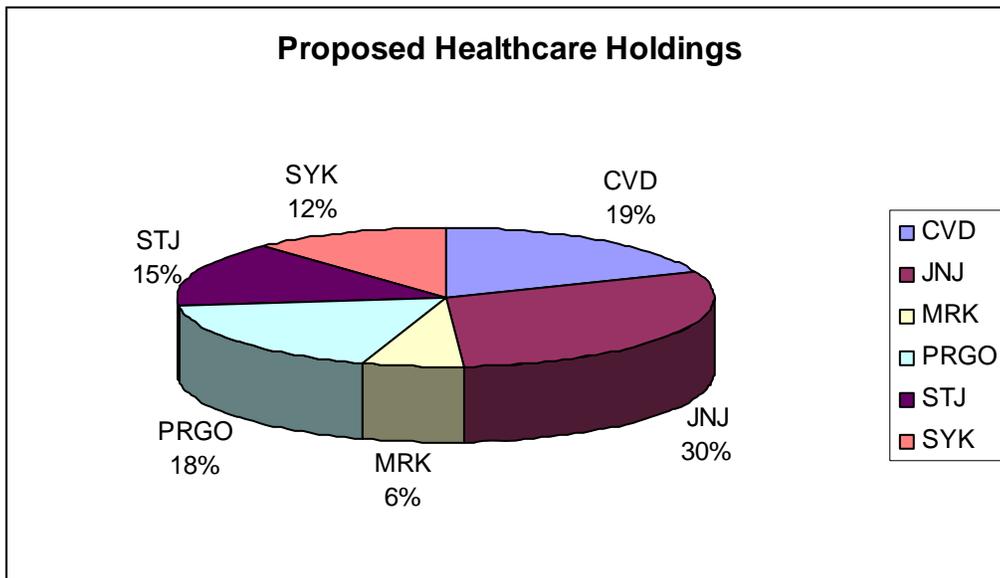
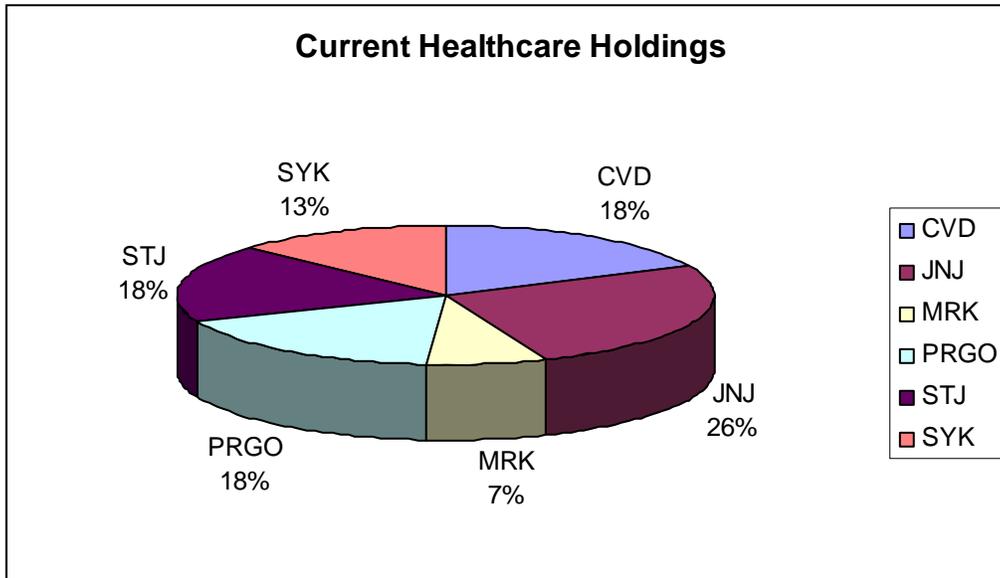
Stock Symbol: SYK	Market Capitalization: 13.20B
Last Trade: 33.29	P/E (ttm): 12.00
52 Week Range: 30.82 – 69.00	EPS (ttm): 2.78
Dividend Yield: 1.20%	Z-Score: 12.20

Founded in 1941, Stryker develops, manufactures, and markets orthopedic implants and medical devices. It operates in two segments: Orthopedic Implants and MedSurg equipment. The orthopedic implants include multiple types of implant systems and the MedSurg equipment includes surgical equipment. The firm generates most of its revenue from reconstructive implants, such as knees and hips. Stryker also offers a wide range of operating room equipment and tools used for orthopedic and other procedures. Hospital beds, stretchers, and other hospital equipment account for the rest of Stryker's sales.

Sales grew 4% in the fourth quarter of 2008, and sales growth is expected to be between 6 and 9% in 2009. At the end of December, Stryker was sitting on \$2.2B in cash. Stryker should continue to launch innovative products that will help its profitability in the long run and currently holds the top tier position in the highly profitable orthopedic implant market which accounts for 60% of company sales. Economic concerns appear to be disrupting Stryker's business, particularly in the medical equipment segment. Purchases of big ticket items may be delayed until the economic outlook improves. In addition, many resource-rich firms compete with Stryker. If it does not stay near the top of the innovation curve, it risks losing customers to those rivals. Because there is both bullish and bearish news on Stryker, our analyst recommends a hold position for Stryker stock.

Company Information taken from Morningstar & Yahoo Finance.

Current & Proposed Holdings – Visual Representation





Technology

Sector Overview⁴⁸

The technology sector offers a wide arrange of products and services for both customers and other businesses. Performance of the technology sector has been steadily increasing since the last major recession of 2001, reaching highs in 2007. Historical returns after a recession have little consistency, but do become positive relatively quickly when compared with the S&P500 as a whole. Approximately half of the industry sales come from domestic sources, with an increasing amount of sales coming from abroad in order to minimize the effects of the current economic recession. The industry is attractive because of the ever present need for computing technology in business.

Several advancements in the technology industry are already having a positive impact on the way businesses and individuals conduct operations on a day to day basis. High speed wireless networks, or WiMax networks, are already in place in Baltimore, MD, with several companies planning on expanding coverage to large cities throughout the United States. Additionally, as more information is stored electronically, advancements in business server technology prove to significantly increase efficiency. Businesses continue to contribute a large amount of funds to realize these advancements and long term cost savings. One more impact on the technology industry is the shift in healthcare to online medical records storage. This trend, although in early stages, will undoubtedly increase revenues for several companies in the portfolio. These current and future trends will absolutely impact the technology environment in a positive way.

Currently, our portfolio's technology sector is underweight at approximately 10.21% when compared to the S&P500 technology sector at approximately 16%. Our recommendation is to increase the investment in technology to market weight because of the solid potential for earnings growth in the years to come. As mentioned above, companies in the technology sector often have relatively low leverage and strong amounts of cash on hand which will allow them to navigate the down economy. Increasing investment in the technology sector is a way to capitalize on unusually low prices for strong companies, providing great returns in the future.

⁴⁸ All information compiled from Investopedia, Yahoo! Finance, and BusinessWeek

Current & Proposed Holdings – Company Overviews

Accenture⁴⁹ – Current & Proposed Holding

Stock Symbol: ACN	Market Capitalization: 17.19B
Last Trade: 28.04	P/E (ttm): 10.03
52 Week Range: 24.76 – 43.04	EPS (ttm): 2.788
Dividend Yield: 1.80%	Z-Score: 6.068

Accenture operates as a management consulting, technology services, and outsourcing company. Its management consulting services include customer relationship management; finance and performance management, which offers financial transaction processing, risk management, and business performance reporting solutions; talent and organization performance that assists clients on talent management, workforce, and organizational issues; process and innovation performance, which helps clients in operational and innovation performance, and growth; strategy service line that helps clients turn insights into results; and supply chain management. The company also provides various system integration and technology consulting services, such as enterprise solutions and enterprise resource planning, industry and functional solutions, information management services, service-oriented architecture, custom solutions, software as a service, mobility solutions, and Microsoft solutions, as well as, IT strategy and transformation, enterprise architecture, infrastructure and security consulting, application portfolio optimization and renewal, research and development, and digital solutions. In addition, Accenture offers application outsourcing services comprising application testing, application management of enterprise-wide software programs and capacity services, application enhancement and development, and application portfolio rationalization and consolidation; infrastructure outsourcing services, including IT spend management, data center, service desk, security and network, and workplace services; and business process outsourcing services in the areas of finance and accounting, human resources, learning, procurement, and customer contact. It primarily serves the communications, electronics, high technology, media, and entertainment industries in the Americas, Europe, the Middle East, Africa, and the Asia Pacific. The company was founded in 1995 and is based in Hamilton, Bermuda.

⁴⁹ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Automatic Data Processing⁵⁰ – Current & Proposed Holding

Stock Symbol: ADP	Market Capitalization: 18.51B
Last Trade: 36.67	P/E (ttm): 14.69
52 Week Range: 30.83 – 45.97	EPS (ttm): 2.38
Dividend Yield: 3.70%	Z-Score: 1.979

Automatic Data Processing provides technology-based outsourcing solutions to employers, vehicle retailers, and manufacturers. It operates in three segments: Employer Services, Professional Employer Organization Services, and Dealer Services. The Employer Services segment offers a range of human resource information, payroll processing, and tax and benefits administration products and services, including traditional and Web-based outsourcing solutions. The Professional Employer Organization Services segment provides small and medium sized businesses with employment administration outsourcing solutions, including payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers' compensation coverage, and other supplemental benefits for employees. The Dealer Services segment offers integrated dealer management systems and business management solutions to automotive, heavy truck, motorcycle, marine, and recreational vehicle retailers in North America, Europe, South Africa, and the Asia Pacific region. This segment also provides a suite of additional integrated applications to address department and functional area of the dealership, including customer relationship management applications, front-end sales and marketing solutions, and an IP telephony phone system integrated into the dealer management systems to help dealerships drive sales processes and business development initiatives, as well as offers its dealership clients computer hardware, hardware maintenance services, software support, system design, and network consulting services. The company was founded in 1949 and is headquartered in Roseland, New Jersey.

⁵⁰ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

EMC Corp.⁵¹ – Current & Proposed Holding

Stock Symbol: EMC	Market Capitalization: 25.13B
Last Trade: 12.49	P/E (ttm): 18.10
52 Week Range: 8.25 – 18.50	EPS (ttm): 0.64
Dividend Yield: N/A	Z-Score: 2.95

EMC Corporation develops, delivers, and supports information infrastructure technologies and solutions. The company's Information Storage segment offers networked information storage systems, networked attached storage, content addressed storage, or direct attached storage environment. Its software products include EMC SRDF, EMC MirrorView, EMC TimeFinder, and EMC SnapView, which control and enable replication, optimization, and data movement functions in the EMC networked storage system; and EMC Celerra Replicator that copies, protects, and shares data across various distances. Its Content Management and Archiving segment offers software, which optimizes business processes, as well as creates, manages, delivers, and archives information from documents and discussions, e-mail, Web pages, images, XML, reports, records, rich media, and application data. The company's RSA Information Security segment delivers products, packaged solutions, and services to guard the integrity and confidentiality of information. This segment offers security product and services, such as enterprise identity and access management products, and encryption and key management software that enable companies to collect, monitor, analyze, and report on security event-related activity. Its VMware Virtual Infrastructure segment offers virtual infrastructure solutions and services that enable customers to address a range of IT problems that include cost and operational inefficiencies, business continuity, software lifecycle management, and desktop management. The company also provides consulting services, technology deployment, managed services, customer support services, and training and certification services. It sells its products and services through direct sales and multiple distribution channels in North America, Latin America, Europe, the Middle East, South Africa, and the Asia Pacific region. EMC Corporation was founded in 1979 and is headquartered in Hopkinton, Massachusetts.

⁵¹ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Flextronics International⁵² – Current & Proposed Holding

Stock Symbol: FLEX	Market Capitalization: 2.70B
Last Trade: 3.33	P/E (ttm): N/A
52 Week Range: 1.23 – 11.23	EPS (ttm): -7.18
Dividend Yield: N/A	Z-Score: 4.616

Flextronics International provides design and electronics manufacturing services to original equipment manufacturers of a range of products in infrastructure; mobile communication devices; computing; consumer digital devices; industrial, semiconductor, and white goods; automotive, marine, and aerospace; and medical devices markets. Its services include printed circuit board (PCB) and flexible circuit fabrication; and systems assembly and manufacturing, including enclosures, testing services, materials procurement, and inventory management. The company also offers design and engineering services comprising user interface and industrial design, mechanical engineering and tooling design, electronic system design, and PCB design; and components solutions consisting camera modules, power supplies, antennas, and radio frequency modules, as well as thin film transistor display modules for mobile phones, MP3 players, industrial and commercial products, and digital cameras. In addition, Flextronics International provides logistics services, such as freight forwarding, warehousing/inventory management, and outbound/e-commerce solutions; and after-sales services, including product repair, remanufacturing and maintenance at repair depots, logistics and parts management, returns processing, warehousing, and engineering change management. It offers its services in the Americas, Asia, and Europe. The company was founded in 1990 and is based in Singapore, Singapore.

⁵² All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Hewlett-Packard⁵³ – Current & Proposed Holding

Stock Symbol: HPQ	Market Capitalization: 81.84B
Last Trade: 34.15	P/E (ttm): 10.26
52 Week Range: 25.39 – 49.97	EPS (ttm): 3.20
Dividend Yield: 1.00%	Z-Score: 2.399

Hewlett-Packard Company provides a range of products, technologies, software, solutions, and services worldwide. The company's Enterprise Storage and Servers segment offers storage and server products in industry standard servers, business critical systems, and storageworks offerings. Its HP Services segment provides a portfolio of multi vendor IT services, such as technology, consulting and integration, and outsourcing services. This segment also offers information technology, applications, and business process outsourcing services to commercial customers primarily in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries, as well as governments. The company's HP Software segment provides enterprise IT management software, information management and business intelligence solutions, and opencall solutions. Its Personal Systems Group segment offers a line of personal computers (PCs) consisting of commercial PCs, consumer PCs, workstations, handheld computing devices, digital entertainment systems, calculators and other related accessories, and software and services for the commercial and consumer markets. The company's Imaging and Printing Group segment provides consumer and commercial printer hardware, printing supplies, printing media, and scanning devices, such as inkjet and Web solutions, laserjet and enterprise solutions, graphics solutions, and printer supplies. Its HP Financial Services segment offers leasing, financing, and utility programs; asset recovery services; and financial asset management services for enterprise customers, as well as various specialized financial services to small-and medium-sized businesses, and educational and governmental entities. The company also provides certain network infrastructure products, including Ethernet switch products under the ProCurve brand. Hewlett-Packard was founded in 1939 and is headquartered in Palo Alto, California.

⁵³ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

IBM⁵⁴ – Current & Proposed Holding

Stock Symbol: IBM	Market Capitalization: 137.15B
Last Trade: 102.22	P/E (ttm): 10.93
52 Week Range: 69.50 – 130.93	EPS (ttm): 8.93
Dividend Yield: 2.10%	Z-Score: 2.944

International Business Machines Corporation (IBM) develops and manufactures information technology products and services worldwide. Its Global Technology Services segment offers IT infrastructure and business process services, such as strategic outsourcing, integrated technology, business transformation outsourcing, and maintenance. The company's Global Business Services segment provides professional services and application outsourcing services, including consulting and systems integration, and application management. Its Systems and Technology segment offers computing and storage solutions, including servers, disk and tape storage systems and software, semiconductor technology and products, packaging solutions, engineering and technology services, and retail store solutions. IBM's Software segment primarily offers middleware and operating systems software comprising WebSphere software for Web-enabled applications; information management software for database, content management, information integration and business intelligence; Tivoli software for infrastructure management, including security and storage management; Lotus software for collaboration, messaging, and social networking; and rational software, a process automation tool. The company's Global Financing segment provides commercial financing to dealers and remarketers of IT products; lease and loan financing to external and internal clients; and sale and lease of used equipment. IBM serves banking, insurance, education, government, healthcare, life sciences, aerospace and defense, automotive, chemical and petroleum, electronics, distribution, telecommunications, media and entertainment, and energy and utilities, as well as small and medium sized business. The company was formerly known as Computing-Tabulating-Recording Co. and changed its name to International Business Machines Corporation in 1924. IBM was founded in 1910 and is based in Armonk, New York.

⁵⁴ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Microsoft⁵⁵ – Current & Proposed Holding

Stock Symbol: MSFT	Market Capitalization: 166.70B
Last Trade: 18.75	P/E (ttm): 10.31
52 Week Range: 14.87 – 32.10	EPS (ttm): 1.87
Dividend Yield: 3.00%	Z-Score: 5.764

Microsoft provides software products for computing devices worldwide. Its Client segment offers Windows product family that comprises Windows Vista; Windows XP Professional and Home; Media Center Edition; Tablet PC Edition; and other Windows operating systems. The company's Server and Tools segment provides integrated server infrastructure and middleware software that support software applications and tools built on the Windows Server operating system. This segment offers Windows Server operating system; Microsoft SQL Server; Microsoft Enterprise Services; product support services; Visual Studio; System Center products; Forefront Security products; Biz Talk Server; and MSDN. Its Online Services Business provides an on-line advertising platform for publishers and advertisers; personal communications services, such as email and instant messaging; and online information. It offers Live Search; MSN; MapPoint; MSN Internet Access; MSN Premium Web Services; Windows Live; MSN Mobile Services; AvenueA Razorfish media agency services; Atlas online tools for advertisers; and the Drive PM ad network for publishers. The company's Microsoft Business Division provides Microsoft office product set comprising enterprise content management, collaboration, unified communications, and business intelligence products; and Microsoft Dynamics products for financial management, customer relationship management, supply chain management, and analytics applications. Its Entertainment and Devices Division offers the Xbox video game system, including consoles and accessories, third-party games, games published under the Microsoft brand, and Xbox Live operations. This division also provides Zune digital music and entertainment device; PC software games; online games; Mediaroom, an Internet protocol television software; mobile and embedded device platforms; and Surface computing platform. Microsoft was founded in 1975 and is headquartered in Redmond, Washington.

⁵⁵ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Cisco⁵⁶ – Proposed Holding

Stock Symbol: CSCO	Market Capitalization: 106.00B
Last Trade: 18.16	P/E (ttm): 13.93
52 Week Range: 13.61 – 27.72	EPS (ttm): 1.25
Dividend Yield: N/A	Z-Score: 4.859

Cisco Systems designs, manufactures, and sells Internet Protocol (IP)-based networking and other products relating to the communications and information technology industry worldwide. The company offers routers that interconnect IP networks and moving information between networks; switching systems, which provide connectivity to end users, workstations, and servers; application networking solutions; home networking products, such as voice and data modems, network cards, media adapters, Internet video cameras, network storage, and USB adapters; and Cisco security solutions to protect information systems. It also provides storage area networking products that deliver connectivity between servers and storage systems; unified communication products, which integrate voice, video, data, and mobile applications on fixed and mobile networks; video systems, including digital set-top boxes and digital media technology products; and in-building and outdoor wireless networking products. Further, the company offers optical networking products, cable access, and service provider VoIP services. It provides its products and services through its direct sales force, systems integrators, service providers, resellers, distributors, and retail partners to large enterprises, public institutions, telecommunications companies, commercial businesses, and personal residences. Cisco Systems has strategic alliances with Accenture, Ltd.; AT&T, Inc.; BearingPoint, Inc.; Cap Gemini S.A.; Dell, Inc.; EMC Corporation; Fujitsu Limited; Hewlett-Packard Company; Intel Corporation; International Business Machines Corporation; Italtel SpA; Microsoft Corporation; Nokia; Nokia Siemens Networks; Oracle Corporation; Siemens AG; Sitronics Telecom Solutions, Czech Republic a.s.; Sprint Nextel Corporation; ThruPoint, Inc.; Wipro Limited; and Tata Consultancy Services, as well as a partnership with NASA. The company was founded in 1984 and is headquartered in San Jose, California.

⁵⁶ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

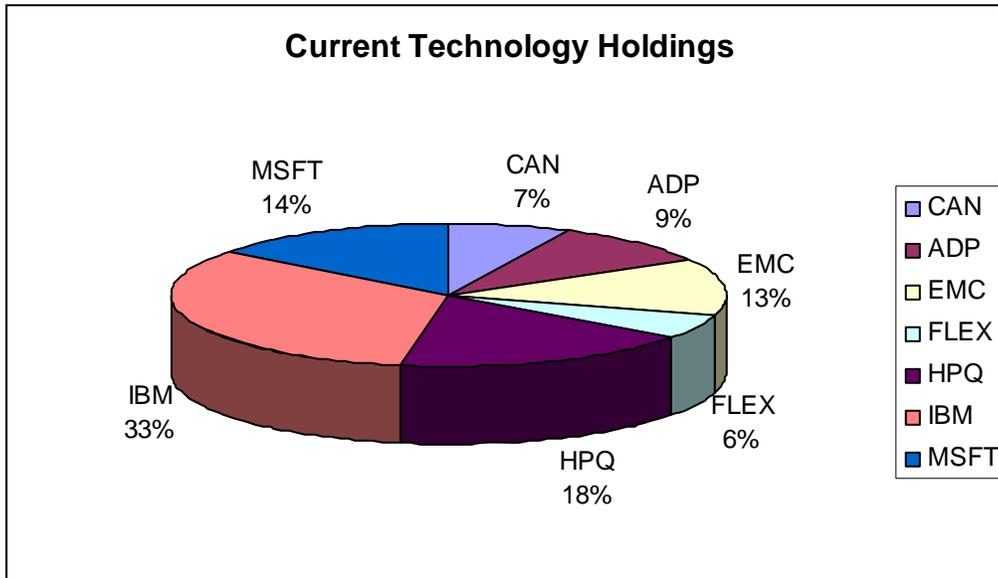
Intel⁵⁷ – Proposed Holding

Stock Symbol: INTC	Market Capitalization: 88.71B
Last Trade: 15.95	P/E (ttm): 16.31
52 Week Range: 12.05 – 25.29	EPS (ttm): 0.92
Dividend Yield: 3.80%	Z-Score: 6.584

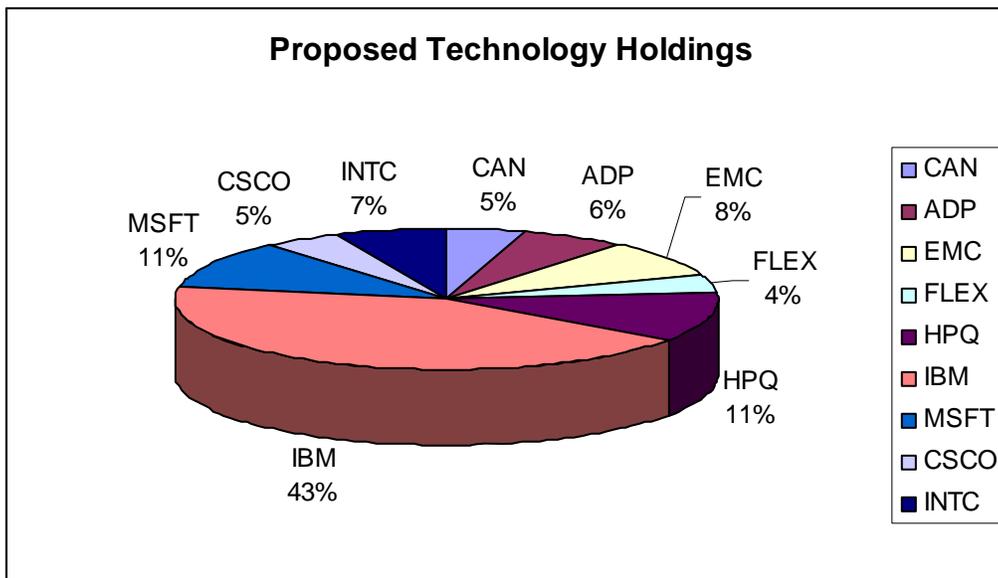
Intel Corporation designs, manufactures, and sells integrated circuits for computing and communications industries worldwide. It offers microprocessor products used in desktops, nettops, workstations, servers, embedded products, communications products, notebooks, netbooks, mobile Internet devices, and consumer electronics, as well as in embedded designs, such as industrial equipment, point-of-sale systems, panel PCs, automotive information/entertainment systems, and medical equipment. The company also provides chipset products that send data between the microprocessor and input, display, and storage devices, such as keyboard, mouse, monitor, hard drive, and CD or DVD drives; motherboards that has connectors for attaching devices to the bus, and contains the CPU, chipset, memory, and other components used in the desktop, workstation, and server platforms; wired and wireless connectivity products, including network adapters and embedded wireless cards used to translate and transmit data across networks; NAND flash memory products primarily used in digital audio players, memory cards, and system-level applications, such as solid-state drives; communications infrastructure products, including network processors and communications boards; and network and server storage products, as well as software products and services that enable and advance the computing ecosystem. In addition, it offers platforms that include a microprocessor, chipset, and enabling software to incorporate various components and technologies. Intel sells its products primarily to original equipment manufacturers, original design manufacturers, PC and network communications products users, and other manufacturers of industrial and communications equipment. The company was founded in 1968 and is based in Santa Clara, California.

⁵⁷ All information compiled from Morningstar, Yahoo! Finance, and NetAdvantage

Current & Proposed Holdings – Visual Representation



Correlation between Crummer SunTrust Portfolio and S&P500 Technology Sector: 0.95



Correlation between Crummer SunTrust Portfolio and S&P500 Technology Sector: 0.94



Fixed Assets

Sector Overview

Most notably, today's bond market is characterized by exceptionally wide yield spreads. Investors seeking safety have driven yields on Treasuries to extremely low levels. The Federal Reserve appears committed to and capable of keeping rates low. On Friday, April 3rd, a 1 year Treasury note had a yield of 0.60%, a 5 year Treasury bill yielded 1.87%, a 10 year Treasury bill yielded 2.91%, and a 30 year Treasury bond yielded 3.70%. Moreover, yields on corporate bonds are quite high due to elevated default premiums reflecting the tightened credit market and current recessionary conditions. The Lehman Brothers US Corporate Bond Index currently has a yield of 7.83%. Most analysts, including me, expect spreads to narrow over the coming year.

Our strategy for the fixed asset portion of our portfolio is to overweight corporate bonds while underweighting government securities. Specifically, we recommend placing 35% of the bond portfolio in the Vanguard Long Term Investment Grade Bond Fund (VWESX), 25% in the Vanguard Intermediate Investment Grade Bond Fund (VFICX), 10% in the T. Rowe Price High Yield Bond Fund (PRHYX), and 30% in the Fidelity Government Income Fund (FGOVX). Such a strategy should generate greater income from higher yields, see appreciation as yield spreads narrow and corporate bond prices rise, and realize gains from exiting Treasuries at peak prices. Even considering the removal of roughly \$28,000 from the bond portfolio, the proposed holdings would have a yield of 5.68% and are expected to generate \$7,720 in income and an average weighted duration of 6.84.

Current & Proposed Holdings – Company Overviews

Vanguard Inter-Term Investment-Grade – Current & Proposed Holding

Symbol: VFICX	
Net Asset Value: 8.42	Net Assets: 3.75 b
Expense Ratio: 0.21%	Average Maturity: 6.30
Average Duration: 5.12	Average Credit Rating: A
Yield: A	Morning Star Rating: * * *

The investment seeks to provide a moderate and sustainable level of current income. The fund invests at least 80% of assets in short- and intermediate-term investment-grade securities. It maintains an average weighted maturity of between five and ten years.

T. Rowe Short Term Bonds – Current Holding

Symbol: PRWBX	
Net Asset Value: 4.65	Net Assets: 1.93 b
Expense Ratio: 0.55%	Average Maturity: 2.30
Average Duration: 1.35	Average Credit Rating: AA
Yield: 4.19%	Morning Star Rating: * * * *

The investment seeks income consistent with minimal fluctuation in principal value and liquidity. The fund normally invests in short and intermediate-term investment-grade corporate, government and mortgage-backed securities. It may invest at least 80% of net assets in bonds. Its average effective maturity does not exceed three years. It only purchase securities that are rated within the four highest credit categories (AAA, AA, A, BBB, or equivalent) by at least one nationally recognized credit rating agency or, if unrated, deemed to be of comparable quality by T. Rowe Price.

Vanguard Inflation Protected Secs – Current Holding

Symbol: VIPSX	
Net Asset Value: 11.99	Net Assets: 8.91 b
Expense Ratio: 0.20%	Average Maturity: 8.80
Average Duration: 5.12	Average Credit Rating: AAA
Yield: 5.37	Morning Star Rating: * * * *

The investment seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of assets in inflation-indexed bonds issued by the U.S. government. It may invest in bonds of any maturity, though the fund typically maintains a dollar-weighted average maturity of seven to 20 years.

Vanguard Long-Term US Treasury – Current Holding

Symbol: VUSTX	
Net Asset Value: 11.95	Net Assets: 1.80 b
Expense Ratio: 0.26%	Average Maturity: 17.40
Average Duration: 11.79	Average Credit Rating: AAA
Yield: 4.10%	Morning Star Rating: * * * *

The investment seeks to provide a high and sustainable level of current income. The fund invests at least 80% of assets in U.S. Treasury securities, which include bills, bonds, and notes issued by the U.S. Treasury. The average weighted maturity generally ranges from 15 to 30 years.

Vanguard Long-Term Investment-Grade – Proposed Holding

Symbol: VWESX	
Net Asset Value: 7.76	Net Assets: 3.33 b
Expense Ratio: 0.22%	Average Maturity: 22.30
Average Duration: 11.09	Average Credit Rating: A
Yield: 6.48%	Morning Star Rating: * * *

The investment seeks to provide a high and sustainable level of current income. The fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be intermediate- and long-term investment-grade securities. The average weighted maturity generally ranges from 15 to 25 years.

T. Rowe Price High-Yield – Proposed Holding

Symbol: PRHYX	
Net Asset Value: 4.87	Net Assets: 3.70 b
Expense Ratio: 0.76%	Average Maturity: 5.78
Average Duration: 3.27	Average Credit Rating: BB
Yield: 9.95	Morning Star Rating: * * * *

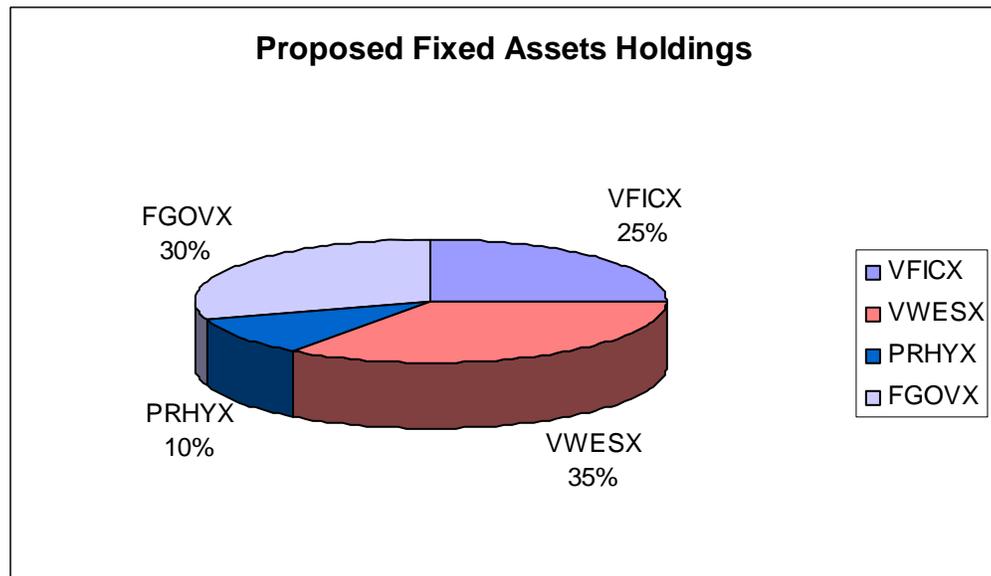
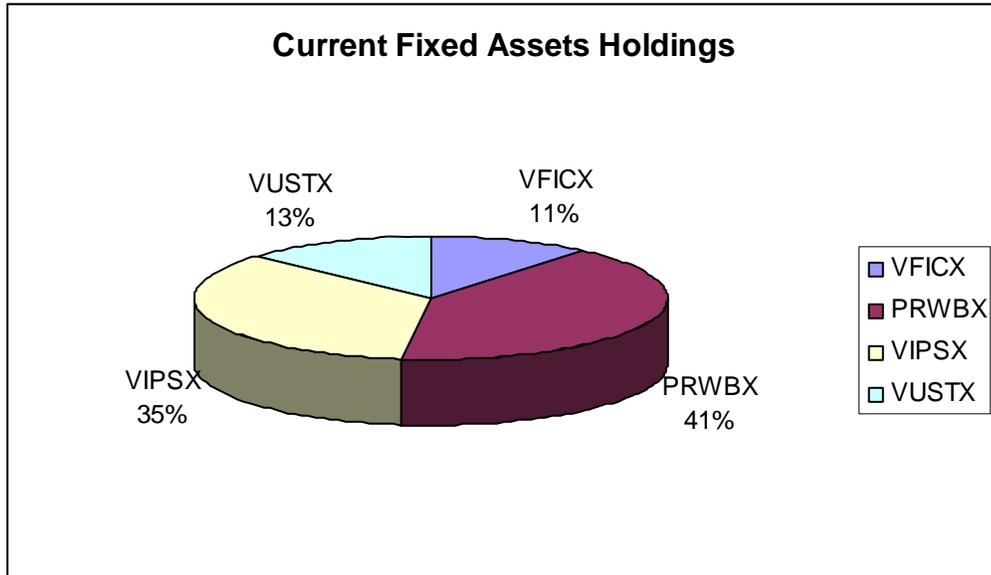
The investment seeks high current income; capital appreciation is a secondary consideration. The fund normally invests at least 80% of assets in a widely diversified portfolio of high-yield corporate bonds, income-producing convertible securities, and preferred stocks. High-yield bonds are rated below investment grade (BB and lower). Its weighted average maturity generally is expected to be in the six- to 10-year range. The fund may invest in futures, options, and swaps.

Fidelity Government Income – Proposed Holding

Symbol: FGOVX	
Net Asset Value: 10.83	Net Assets: 5.52 b
Expense Ratio: 0.45%	Average Maturity: 5.20
Average Duration: 4.50	Average Credit Rating: AAA
Yield: 3.75%	Morning Star Rating: * * * * *

The investment seeks a high level of current income, consistent with preservation of principal. The fund normally invests the fund's assets in U.S. Government securities and instruments related to U.S. Government securities. Certain issuers of U.S. Government securities are sponsored or chartered by Congress but their securities are neither issued nor guaranteed by the U.S. Treasury. It normally invests at least 80% of the assets in U.S. Government securities and repurchase agreements for those securities. The fund does not currently intend to invest more than 40% of the assets in mortgage securities.

Current & Proposed Holdings – Visual Representation





Appendix 1: Z-Score

The z-score bankruptcy measure was initiated in 1968 by Edward Altman. While this multivariate analysis of ratios remains controversial, it can be used with 80-90% accuracy in identifying bankrupt firms. The z-score evaluates 22 variables related to leverage, coverage, and profitability, ending with a figure known as “Z”. If Z is less than 1.81, there is a high probability of bankruptcy. If Z is greater than 3, there is a low probability. Along with the score’s high accuracy in predicting bankrupt firms, it is less than ten percent inaccurate in falsely identifying firms as potentially bankrupt. As such, we believed this was a worthwhile figure to add to company analysis for the portfolio.



Appendix 2: Proposed Trade List

<u>Sector</u>	<u>Holding</u>	<u>Buy/Sell</u>
Discretionary	Urban Outfitters	Sell
Discretionary	Amazon	Buy
Staples	Proctor & Gamble	Buy additional 10%
Energy	Valero Energy	Sell
Energy	First Solar	Buy
Energy	Chevron	Buy additional 10%
Materials	Freeport McMoRan	Sell
Materials	Monsanto Company	Buy
Utilities	American States Water	Sell
Utilities	Exelon Corp.	Sell
Utilities	Vanguard Utility Fund	Buy
Financials	Goldman Sachs	Sell 60%
Financials	Broadridge Financial	Sell
Financials	Hartford Financial	Sell
Financials	Lloyd's Banking Group	Sell
Healthcare	Johnson & Johnson	Buy
Technology	Cisco	Buy
Technology	Intel	Buy