



Measurable Results.

Dividends: a Cornerstone of Your Investment Plan

Speakers:



Timothy R. O'Brien



Brian H. Reamer



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Investment Philosophy

- **Multi-cap Manager**
 - Large, Medium, and Small
- **Growth at Reasonable Price**
- **Value Driven**
- **Theme based**

Investment Committee



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Key Characteristics of Good Companies

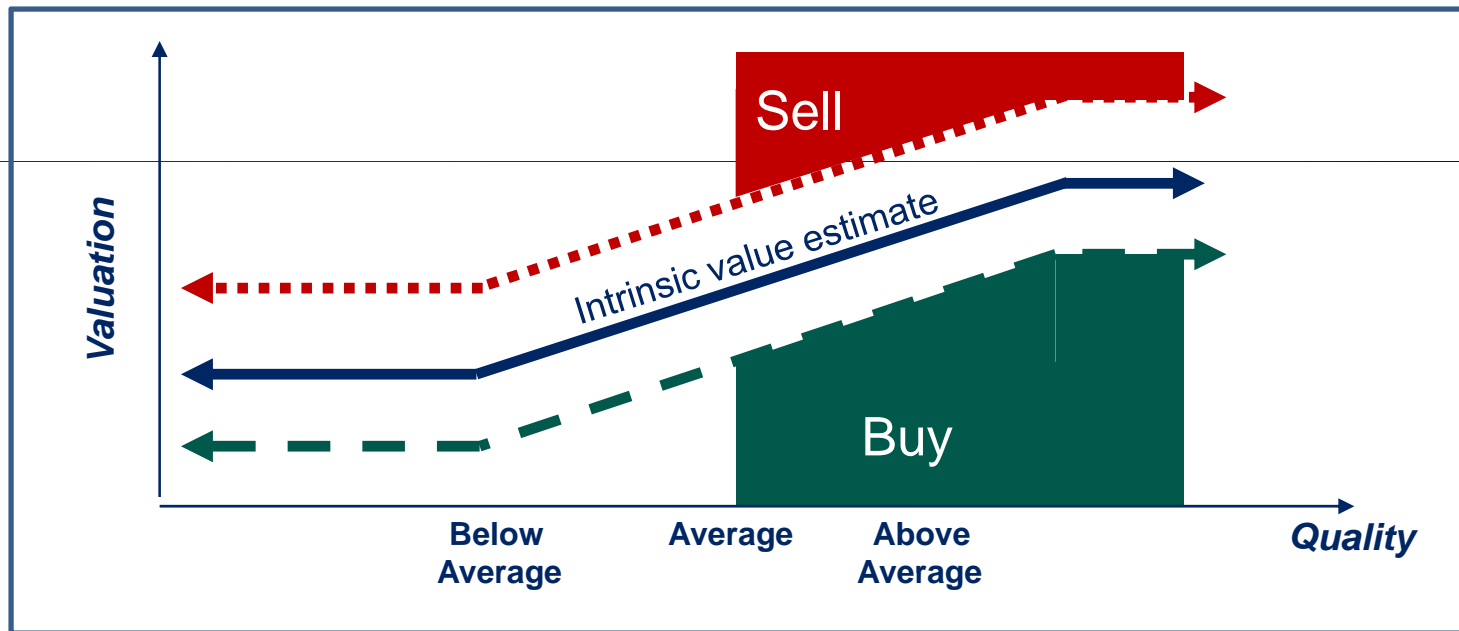
Company Evaluation

	Poor	Average	Superior
Return on Equity	<6%	13%	>20%
Growth Rate	<3%	6%	>10%
Profitability	<3%	6%	>10%
Debt/Capital Ratio	>60%	40%	<20%
Free Cash/Profits	<30%	60%	>90%
Competitive Advantage	Disadvantaged	None	Sustainable Advantage

What Makes a Good Dividend Paying Company

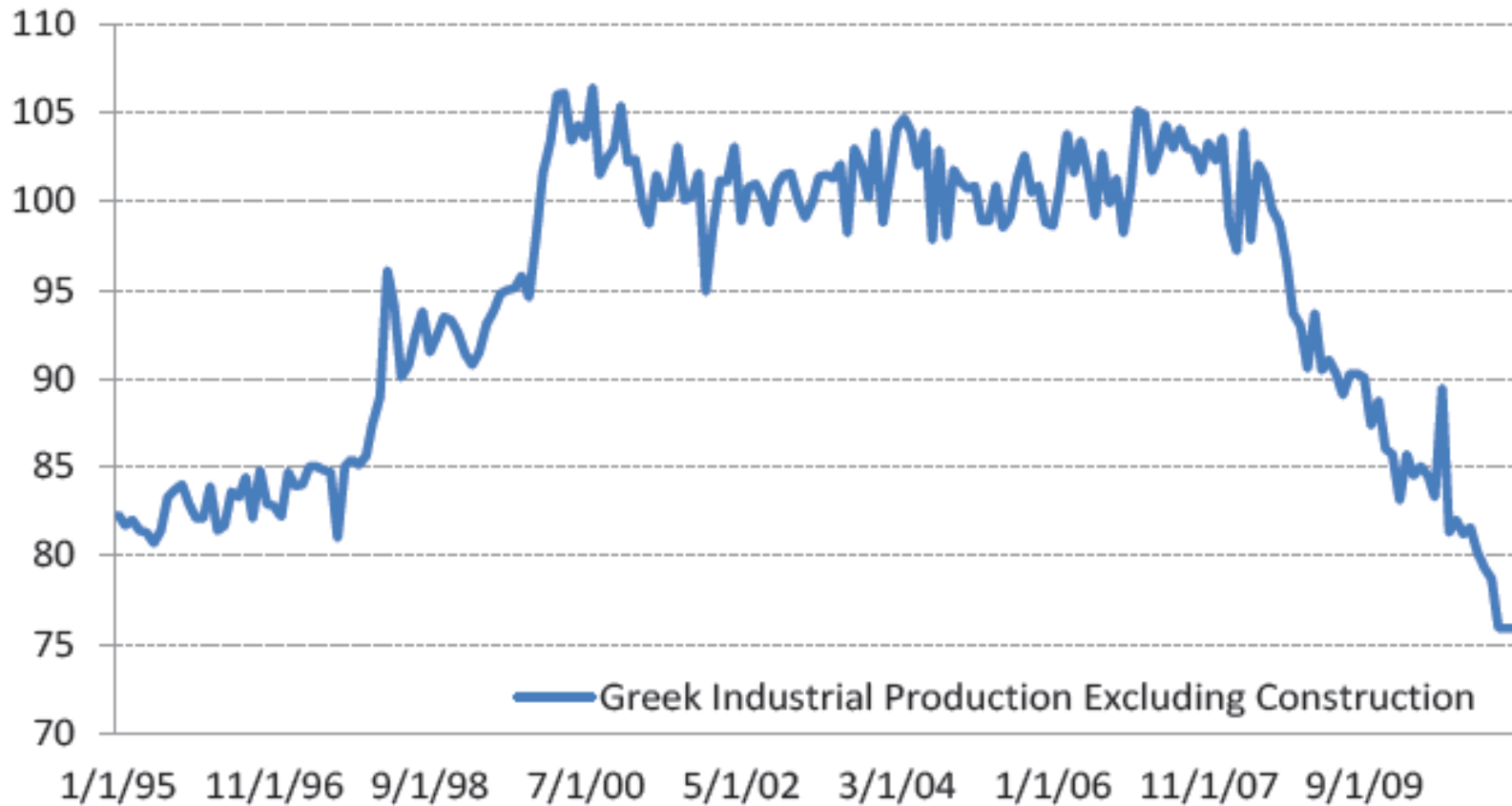
	Range
Actual Dividend Yield	2.5 – 8.0%
Payout Ratio	< 65%
Dividend Growth Rate	5.0 – 20.0%
Earnings	Stable/Growing
Management Commitment	Strong

Investment Process Security Selection



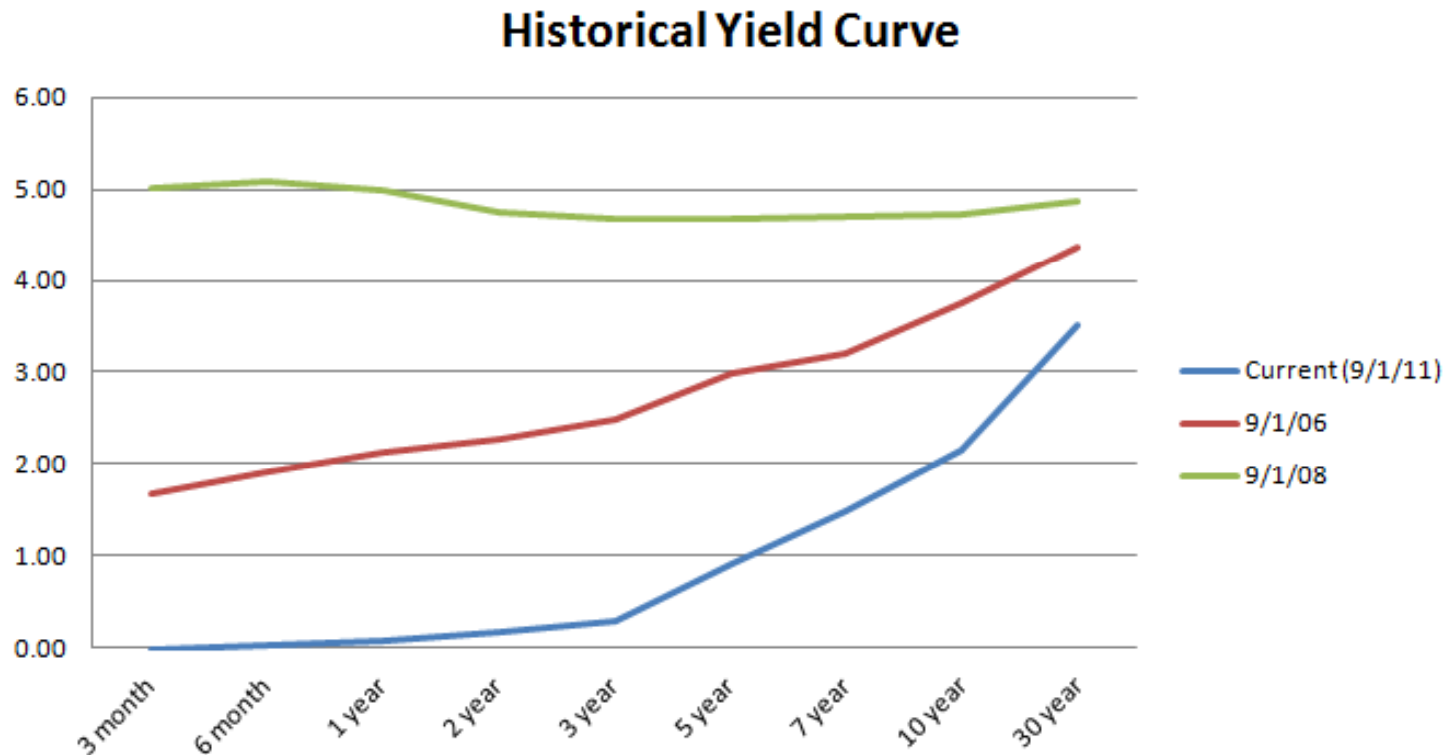
Sovereign Debt Crisis Weighing on European Countries & World

Greek Economy Remains in Freefall



Bloomberg BRIEF Economics – 6/30/2011

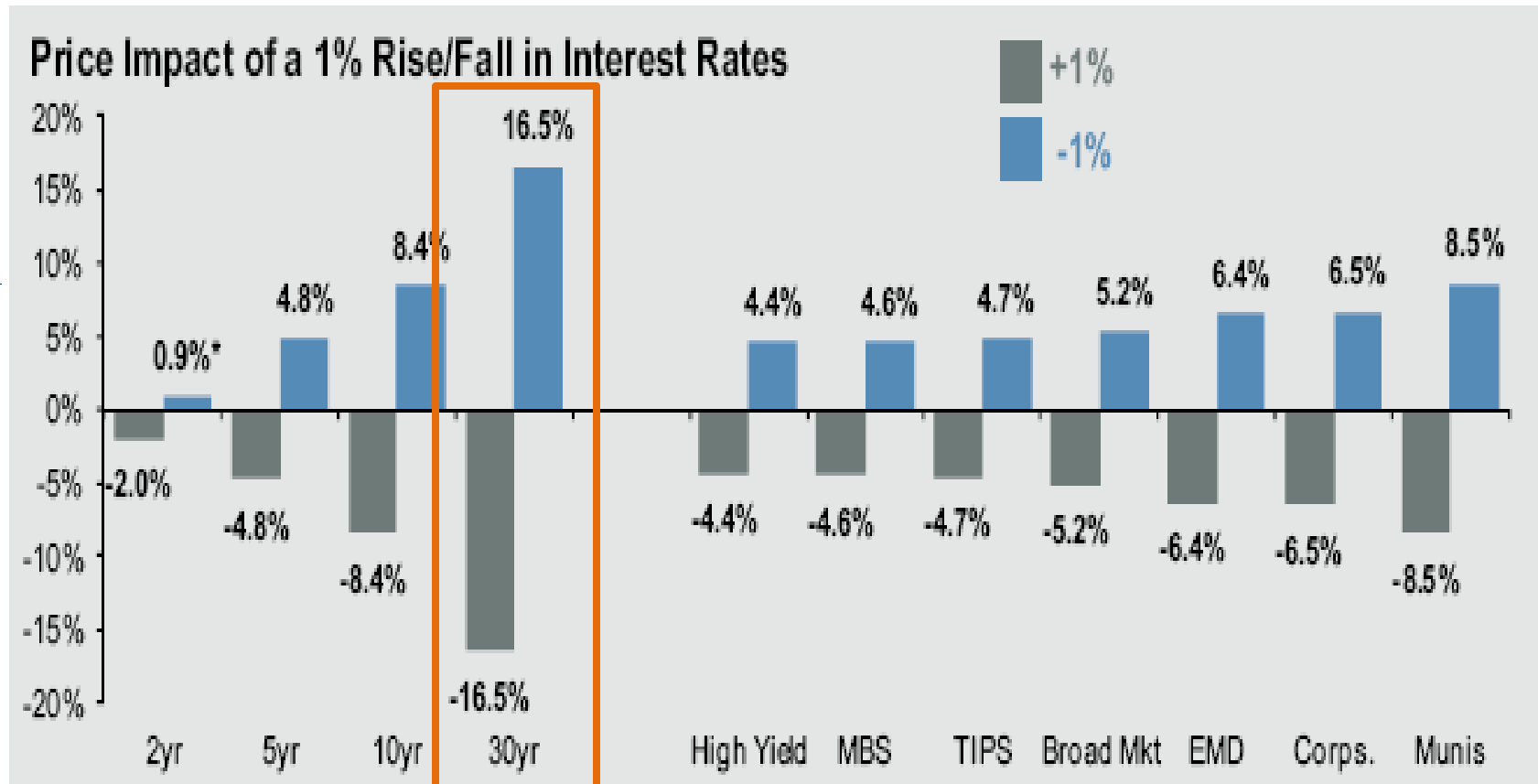
Where do you find safety and yield?



Yield curve today, 3 and 5 years ago

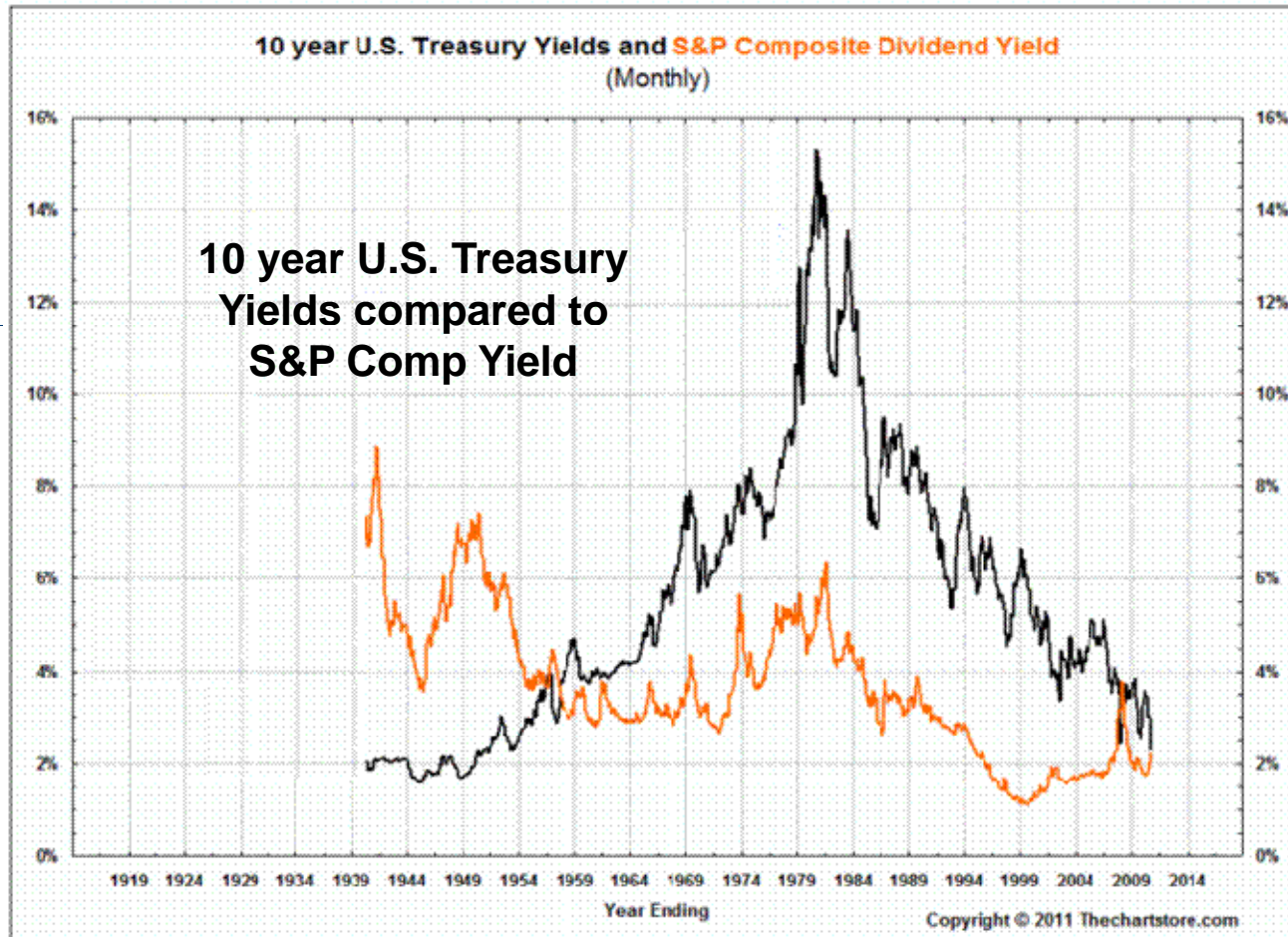
Source: Bloomberg – Sept. 22, 2011

When Rates Change, What Happens To Bond Prices?







J.P. Morgan Asset Management, Guide to the Markets – 2Q 2011

Dividends Yields > 10YR Treasury Yield



An Attractive Alternative

Company	Approximate 10 Year Bond Yield*	Current Dividend Yield	Dividend Growth (5 yr)
	2.81%	3.32%	11.3%
	3.28%	7.63%	5.3%
	2.77%	3.75%	10.1%
	3.20%	3.30%	12.2%

Source: Bloomberg – Sept. 22, 2011

Dividend-Paying Stocks

- Durable business models
- Stable cash flows
- Strong balance sheets
- Attractively priced
- 40% of historical returns

Johnson & Johnson



PEPSICO



P&G

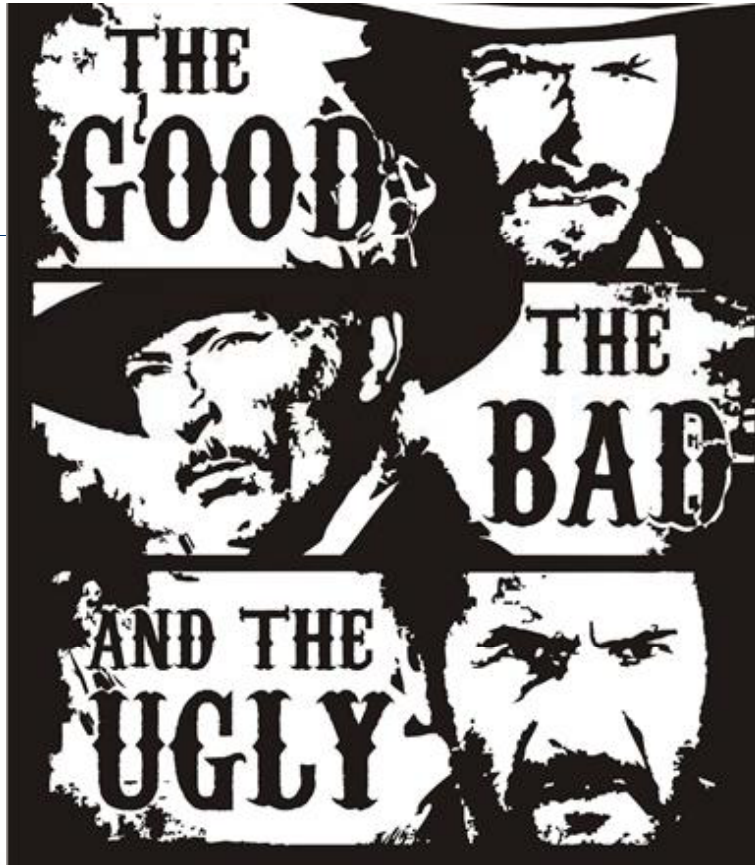
Dividends are a commitment

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**“You have a 30 year mortgage, a 5 year car lease,
and a lifetime gym membership...but you’re
afraid of commitment?”**

The Good, The Bad & The Ugly



➔ *Dividend Growers*

➔ *Dividend Fakers*

➔ *Dividend Cutters*

Dividend Payout Ratio = Dividend Safety

Dividend Payout Ratio = Dividend / Earnings

Stable Business

Low

Reasonable

High

Extreme

Dividend Payout Ratio

0 % – 20%

21% - 60%

61 % – 85%

85% - 100%

Dividend Stocks: Abbott Labs



	Poor	Average	Superior	Abbott
Return on Equity	<6%	13%	>20%	25%+
Growth Rate	<3%	6%	>10%	9%
Profitability	<3%	6%	>10%	15%+
Debt/Capital Ratio	>60%	40%	<20%	32%
Free Cash/Profits	<30%	60%	>90%	90%+
Competitive Advantage	Disadvantaged	None	Sustainable Advantage	

Source: Bloomberg – Sept. 22, 2011

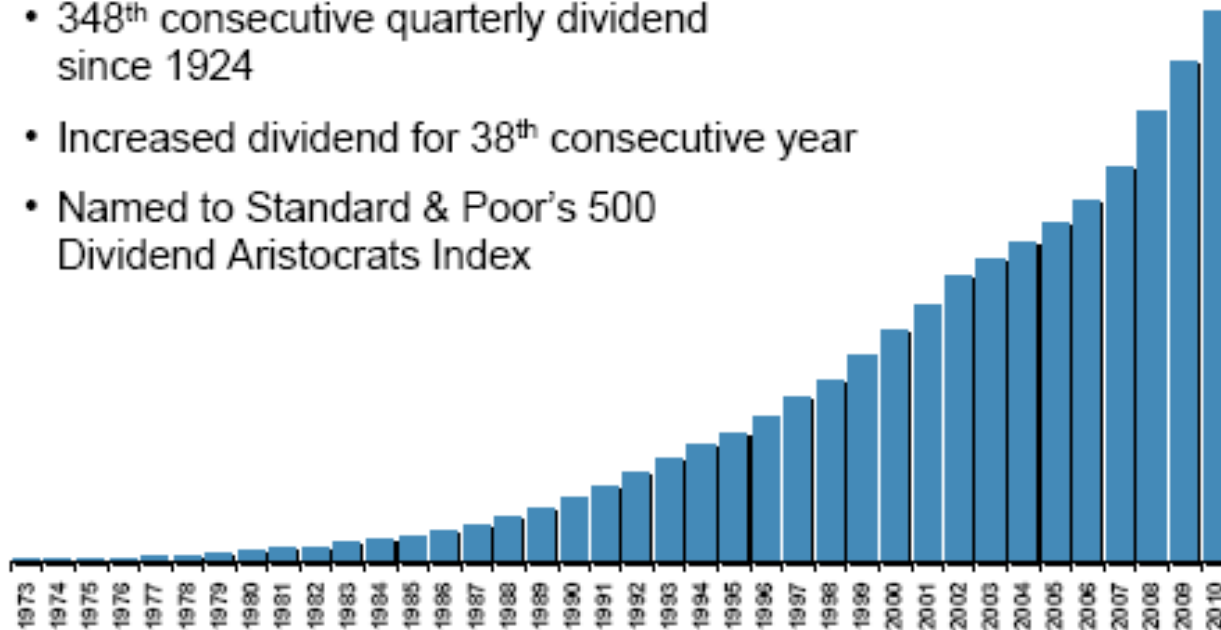
Dividend Stocks: Abbott Labs

	<u>ABT</u>	<u>Range</u>
Actual Dividend Yield	3.8%	2.5 – 8.0%
Dividend Payout Ratio	40%	< 65%
Dividend Growth Rate	10.0%	5.0 – 20.0%
Earnings	Growing	Stable/Growing
Management Commitment	Strong	Strong

Dividend Stocks: Abbott Labs

Consistent Dividends

- 348th consecutive quarterly dividend since 1924
- Increased dividend for 38th consecutive year
- Named to Standard & Poor's 500 Dividend Aristocrats Index



Dividend Stocks: Microchip Technology

Microcontrollers are sold to:

- Automotive Industry
- Communications
- Computing
- Consumer Industry
- Industrial Control



	Poor	Average	Superior	Microchip
Return on Equity	<6%	13%	>20%	20%+
Growth Rate	<3%	6%	>10%	8-10%
Profitability	<3%	6%	>10%	25%+
Debt/Capital Ratio	>60%	40%	<20%	16%
Free Cash/Profits	<30%	60%	>90%	>90%
Competitive Advantage	Disadvantaged	None	Sustainable Advantage	

Source: Bloomberg – Sept. 22, 2011

Dividend Stocks: Microchip Technology

	<u>MCHP</u>	<u>Range</u>
Actual Dividend Yield	4.4%	2.5 – 8.0%
Dividend Payout Ratio	60%	< 65%
Dividend Growth Rate	11.6%	5.0 – 20.0%
Earnings	Growing	Stable/Growing
Management Commitment	Strong	Strong

Dividend Stocks: Vodafone

Delivering growth from data, enterprise and emerging markets

Mobile data: accelerating mobile data growth opportunity

Enterprise: selectively expanding in growth segments

Emerging markets: increasing mobile penetration and data adoption











	Poor	Average	Superior	Vodafone
Return on Equity	<6%	13%	>20%	10%
Growth Rate	<3%	6%	>10%	5-10%
Profitability	<3%	6%	>10%	19%
Debt/Capital Ratio	>60%	40%	<20%	24%
Free Cash/Profits	<30%	60%	>90%	>90%
Competitive Advantage	Disadvantaged	None	Sustainable Advantage	

Source: Bloomberg – Sept. 22, 2011

Dividend Stocks: Vodafone

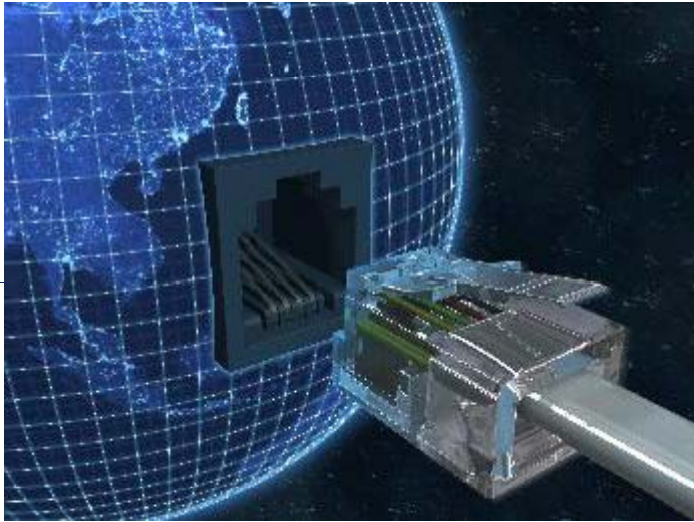
	<u>VOD</u>	<u>Range</u>
Actual Dividend Yield	8.0%	2.5 – 8.0%
Dividend Payout Ratio	50%	< 65%
Dividend Growth Rate	5.25%	5.0 – 20.0%
Earnings	Growing	Stable/Growing
Management Commitment	Strong	Strong

Holdings with High Dividends

	<u>Yield</u>	<u>Price/Earnings</u>
 Vodafone	8.0%	9.2
 BP Amoco	4.8%	5.3
 Microchip Technology	4.4%	15.2
 CONOCO	4.3%	7.6
 Abbott	3.8%	11.0
 10 Year Treasury	1.7%	58.8

Baseline and Bloomberg – 9/23/2011

Technology – the next big dividend growers?



QUALCOMM

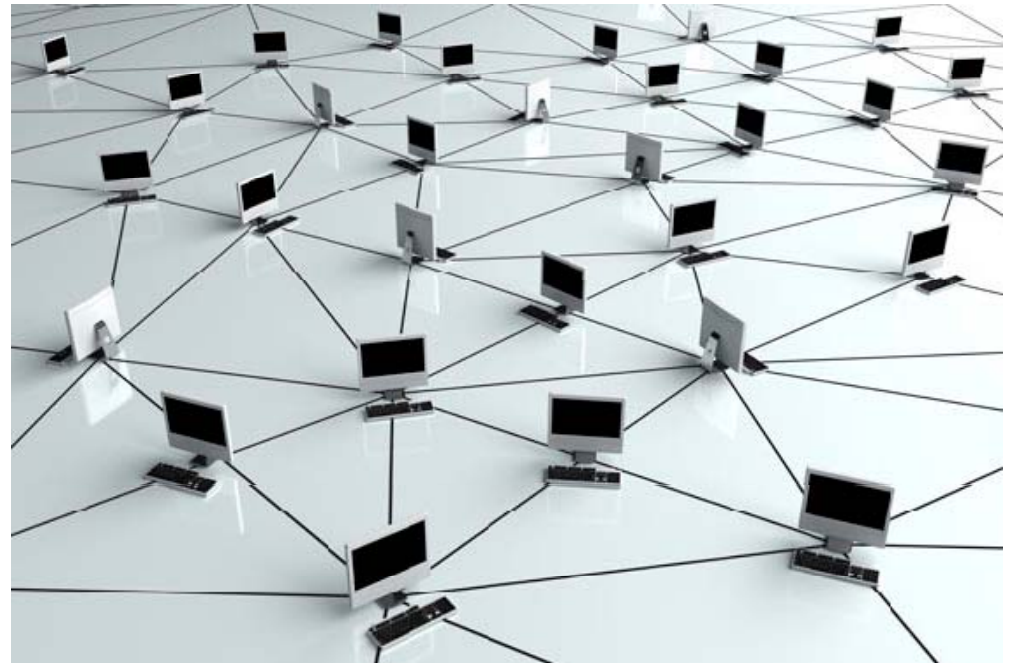
Seagate 

ORACLE®

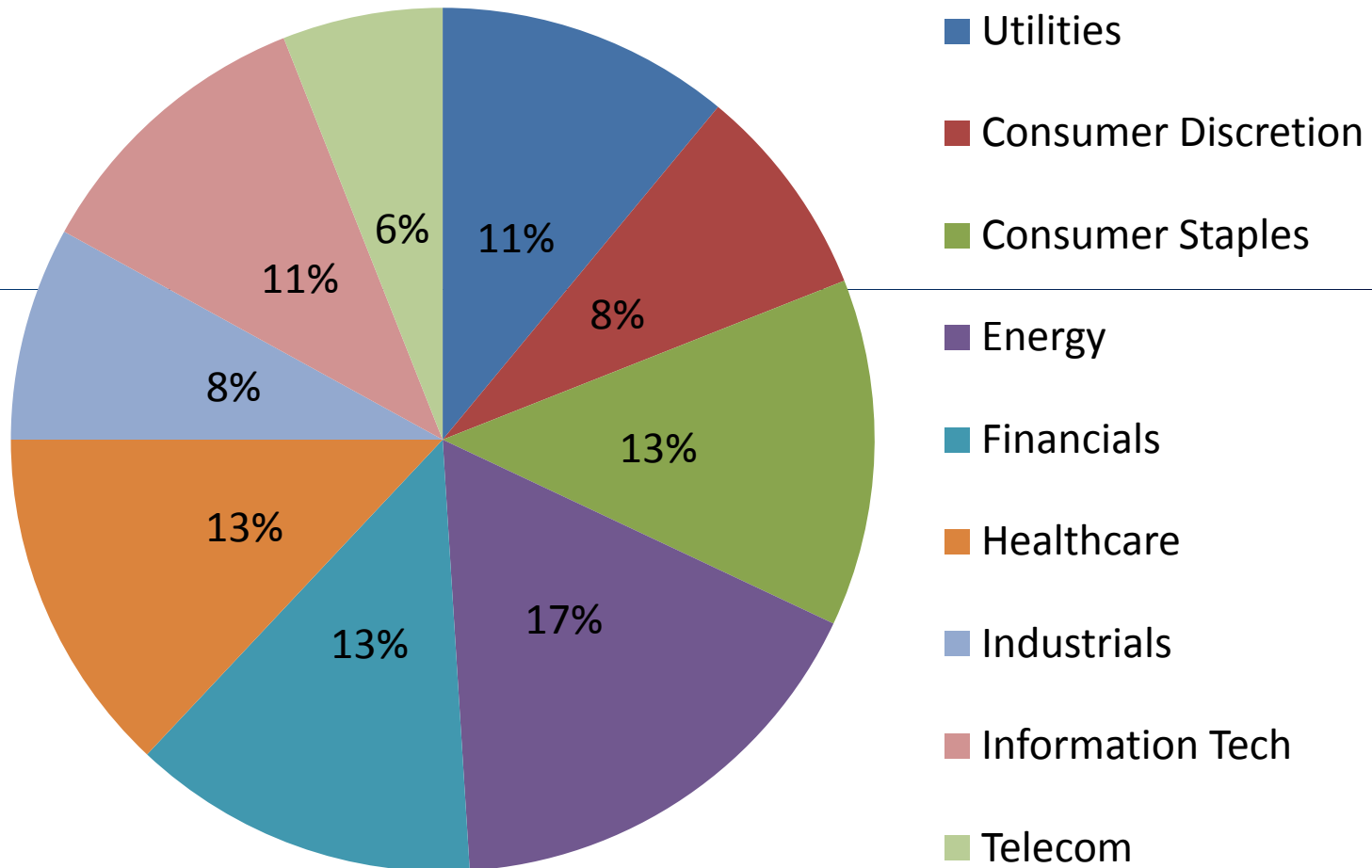
intel®


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Diversified Portfolio



Equity Income Model
9/23/2011 – Baseline & Axys

Dividends can help you stay invested and sleep at night



Thank you!

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Questions

