



June 2007

### **Companies Recently Added**

#### **Cognizant Technology Solutions (CTSH)**

Cognizant Technology Solutions (Cognizant) is a U.S. based global information technology services and business process outsourcing solutions provider. The firm provides high-quality, cost effective, full life cycle technological solutions to complex software development and maintenance problems. Cognizant's services are delivered through the use of an on-site and offshore consulting project model, and include application development and integration, application management and other information technology related services. The firm began operations as the in-house technology development center for Dun & Bradstreet Corp. and its affiliates. Cognizant went public in an IPO in June of 1998. Cognizant serves leading clients across multiple industry sectors including health care, financial services, information services, telecommunications, manufacturing and retail. Cognizant appears to be well positioned to serve a growing market as the trend to outsource work to areas of the world with low labor costs is forecasted to expand. Moreover, barriers to entry appear to be high, as a large infrastructure is needed to compete on a global basis. We believe recent weakness in the shares has presented us with a compelling entry point for one of the leading global IT outsourcing solutions firms, given the company's strong fundamentals remain in tact.

#### **Teva Pharmaceutical Industries (TEVA)**

Teva Pharmaceutical Industries (Teva), based in Israel, develops, manufactures and commercializes generic and branded drugs. In addition to a broad line of generic drugs, Teva offers branded pharmaceutical products, bulk pharmaceutical chemicals and veterinary products. The company is the successor to a number of corporations, the oldest of which was established in 1901. It has grown over the years to become the world's largest generic drug company. Teva's vertical integration allows it to provide active pharmaceutical ingredients to third parties as well as to its own manufacturing. Additionally, the company maintains the lowest selling and administrative expense ratios as a percentage of sales in its industry. We believe Teva to be a financially strong leader in the pharmaceutical industry that is well positioned to benefit from demographic trends, which indicate an increasing demand for low-priced generic drugs, and an expanding portfolio of new products. Moreover, as compared to its projected growth rates, we view the company's shares as attractively valued. As such, we have taken this opportunity to add Teva shares to client accounts.

#### **Preferred Stocks (diversified list as bond-equivalents for income oriented investors)**

Preferred stocks, which offer greater price stability than common shares, along with higher fixed income payments than common stock, are an attractive alternative in our view for income oriented investors. Our research generated an approved list of preferred shares from a diversified industry mix, with strong financial strength, high credit quality, long call protection and attractive current yields, currently over six percent. Additionally, preferred stocks have a \$25 par value that allows for the diversification of exposure to several corporate issuers. Given these attractive characteristics, we have added a diversified blend of multiple preferred stock issues to income oriented client accounts.

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### ***Existing Positions Increased***

None this month.

### ***Existing Positions Decreased***

None this month.

### ***Positions Eliminated***

#### **American Electric Power (AEP) and Dominion Resources (D) as bond-equivalents**

While both AEP and Dominion remain financially sound companies with good records of operating performance, our analysis indicated that due to the strong price increases in the shares over the trailing 12-month period ending May 31, 2007, the shares had become overvalued relative to historic levels and peers. Additionally, the price increases in the shares of both AEP and Dominion took the stocks toward the high-end of their respective 52-week trading ranges and drove down the dividend yields for both companies. In fact, the rally decreased the dividend yields to below the level of many of the electric utility peers and the 10-year U.S. Treasury Note. Moreover, as market interest rates are anticipated to gradually rise as the economy improves, the downside risk appeared to outweigh any potential for upside return to these interest rate sensitive companies. Therefore, we have taken this opportunity to remove AEP and Dominion shares from client accounts.

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