



May 2008

Positions Recently Added

American Electric Power Co., Inc. (AEP)

American Electric Power is one of the nations largest electric utility companies with over 5 million customers across 11 states. At the industry level we view the Utilities sector as timely for defensive growth given the heightened risks to the macroeconomic outlook from weakness in housing, financial and some consumer sectors. As a company, AEP also has several positive attributes in our view. The company's revenues are diversified across residential, commercial, industrial and wholesale customers. Earnings growth potential for AEP is attractive due to customer growth and operational improvements. AEP's total return prospects are also enhanced by its attractive current dividend yield (currently between 3.5% and 4.0%) and the prospects for potential future dividend growth. Overall, we view AEP as a defensive, consistent growth story with attractive total return attributes and we have therefore taken the opportunity to add positions to portfolios.

Barrick Gold Corp. (ABX)

Barrick Gold is the world's largest gold mining company in terms of annual production and overall reserves. The Company maintains 27 mines across five continents. Given the risks to macroeconomic growth, we view the precious metals subsector within the Basic Materials industry favorably due to its defensive characteristics. The Federal Reserve's stimulative monetary policy actions and the resulting decline in the value of the U.S. dollar have increased our expectations for inflation, especially from rising food and energy prices. Gold bullion, and by proxy gold mining stocks, have historically performed well as a hedge and store of value against rising levels of inflation. Barrick Gold is expected to generate attractive revenue growth and margins as gold bullion prices have risen significantly. Barrick Gold also maintains a high level of financial strength evidenced by the Company's recent dividend increase. Given its positive fundamentals and the heightened risks to inflation, we have added ABX to client accounts.

United Technologies Corp. (UTX)

United Technologies, a Dow Jones Industrial Average component, is a leading growth Industrial company. The Company's diversified business model includes commercial and residential heating and air (Carrier), elevators (Otis), fire and security (UTC), aerospace (Hamilton Sundstrand) and military and commercial helicopters (Sikorsky). UTX has a global presence and generates 60% of its revenues from outside the U.S. The Company is generating attractive margins and order growth and earnings expectations are for double digit advances going forward. Moreover, we believe the stock's attractive valuations, which are currently below long-term levels, tilt the risk/reward ratio in favor of owning UTX shares. Overall, we view United Technologies as a high-quality Industrial company, with a diversified business model that appears well positioned to capitalize on global growth trends in infrastructure and aerospace. As such, we have recently established positions in the stock.

Existing Positions Increased

None this month.

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Existing Positions Decreased

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

Due to the heightened risks to inflation from rising food and energy prices we have started to reduce positions in preferred stocks across client accounts with an income focus. The \$25 par value enhanced trust preferred securities (“preferred stocks”) are hybrids by nature, with features of both bonds and stocks. The securities are structured and issued as long maturity bonds that are listed and traded on the New York Stock Exchange like stocks. Similar to the behavior and risk characteristics of long maturity bonds however, higher levels of inflation detract from the income generated from preferred stocks and increase the price risk. In order to manage these risks, we have decreased the overall allocations to preferred stocks for income-oriented investors.

Positions Eliminated

None this month.

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