



November 2007

### ***Positions Recently Added***

#### **Southern Company (SO) for Income-oriented investors**

The Southern Company is the parent to four electric utility subsidiaries (Georgia Power, Alabama Power, Mississippi Power and Gulf Power) that serve over four million customers. Georgia and Alabama customers combine to generate most of Southern's revenue (86%). We believe the attractive demographics and stable regulatory environment of Southern's geographic service territory in the southeastern United States makes the shares attractive. Moreover, Southern maintains modest earnings growth potential and a strong financial position. Most of all, we feel that the Company's above-average dividend yield of 4.1% will prove to be beneficial to income-oriented clients. Southern's dividend history is attractive. The Company has paid a stable or increasing dividend for 240 consecutive quarters. Given these positive characteristics, we have taken the opportunity to add Southern Company (SO) shares to portfolios in which additional exposure to utility stocks is appropriate.

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

None this month.

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

None this month.

### ***Positions Eliminated***

#### **Best Buy (BBY)**

Best Buy sells consumer electronics, personal computers, televisions and appliances. We believe that the growing macroeconomic headwinds facing U.S. consumers may limit Best Buy's future growth. The negative wealth effect from declines in housing prices, lower levels of mortgage equity withdrawal, combined with tighter lending standards by financial institutions and higher energy prices will likely negatively impact U.S. consumer discretionary spending and 2007 holiday retail sales. Competition in this sector is also extremely strong which works to decrease prices and pressure margins. While Best Buy remains a leading consumer electronics retailer, we have chosen to remove the shares from portfolios due to the macroeconomic issues currently impacting its business model and to reduce exposure to economically cyclical stocks.

#### **Lowe's Companies (LOW)**

Lowe's operates a chain of building material and home improvement superstores. While Lowe's is more leveraged to home remodeling and upgrades than new construction, the housing downturn has proven to be more severe and longer in duration than we originally anticipated. As such, and similarly to Best Buy, we believe the negative wealth effect from declines in housing prices, lower levels of mortgage equity withdrawal, combined with tighter lending standards by financial institutions and higher energy prices will likely negatively impact U.S. consumer discretionary spending. While Lowe's remains a leading home improvement retailer, we have chosen to remove the shares from portfolios in order to reduce exposure to economically cyclical stocks.

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### **Puget Energy (PSD) for Income-oriented investors**

Puget Energy, the holding company for Puget Sound Energy, is a regulated Utility that sells electricity and gas to 1.4 million customers in western Washington state. Puget recently entered into a definitive merger agreement with a consortium of private infrastructure investors from Canada. Under the terms of the agreement, the Consortium will acquire all of the outstanding shares of Puget Energy for \$30.00 per share in cash, presenting a 25% premium to Puget's closing share price at the time of the announcement. The transaction has been approved by Puget's Board of Directors and is expected to close in the second half of 2008. Puget's shares increased approximately 17% after the announcement, driving down the Company's dividend yield to 3.6%. Given the increase the share price, the decrease in the dividend yield and the pending merger, we elected to sell shares of Puget Energy in income portfolios.

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