Godsey & Gibb Associates

Investment Actions

Second Quarter 2009

Positions Recently Added

H.J. Heinz (HNZ) – May 2009

Pittsburgh, PA based H. J. Heinz Company manufactures and markets processed food products throughout the world. The Company's principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, and other processed food products. Our analysis indicates that HNZ offers both the potential for attractive income in the current environment as well as future growth. The shares should be supported near-term by its above-average dividend yield, currently over 4.5%. Moreover, HNZ has shown attractive dividend growth since its spin-off from Del Monte Foods Co. in 2003. Heinz is also investing in product development, marketing and advertising to promote and expand its leading brands in emerging markets in order to increase long-term growth. With its familiar branded products including Heinz ketchup, beans and soups, Ore-Ida frozen potatoes, Watchers and Smart Ones frozen dinners, as well as Lea & Perrins and Classico sauces, we believe HNZ is well positioned for both current income and future growth and we have therefore added positions to portfolios.

Kraft Foods (KFT) – May 2009

Kraft manufactures and markets packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. The Company has operations in more than 70 countries and sells products in approximately 150 countries. As one of the world's largest branded food companies, with at least 8 brands with annual revenue of at least $1 billion including Kraft cheese, dinners and dressings, Oscar Meyer meats, Philadelphia cream cheese, Maxwell House coffee, Nabisco cookies and crackers and its Oreo brand, we believe that KFT shares represent a defensive growth, low-risk selection in the current economic and market environment. Kraft shares, a component of the Dow Jones Industrial Average, currently maintain an attractive dividend yield of nearly 4.5%. Our analysis indicated that the dividend is both well covered by current and future earnings and positioned for future growth. Given its strong brand equity, appealing income generation and financial strength, we have added shares of Kraft to income-oriented portfolios.

Verizon Communications (VZ) – May 2009

Verizon is a provider of communications services, including wireless voice and data services, as well as wireline communications services including voice, internet access, broadband video and data, network access, and long distance. It provides these services to consumers, carriers, businesses and government customers both in the U.S. and internationally in 150 countries. In our analysis, Verizon's operations generate an appealing level of cash flow. The shares pay an attractive dividend yield, currently over 6%, and the dividend is growing, evidenced by Verizon's dividend increase in September 2008. We also believe that based on the stability and growth of Verizon's businesses that the dividend is well covered with current and future earnings. Moreover, in our analysis, Verizon maintains manageable debt as well as an investment grade credit rating. For clients interested in income producing investments we have added shares of Verizon.

Vanguard GNMA Fund (VFIIX and VFJIX) – May 2009

The Fund invests at least 80% of its assets in Government National Mortgage Association (Ginnie Mae or GNMA) pass-through certificates, which are fixed-income securities representing part ownership in a pool of mortgage loans supported by the full faith and credit of the U.S. Government. The balance of the Fund's assets may be invested in U.S. Treasury or other U.S. government agency securities, as well as repurchase agreements collaterized by such securities. Ginnie Mae mortgage-backed securities (MBS) are pools of mortgages used as collateral for the issuance of securities in the secondary market. MBS are commonly referred to as "pass-through" certificates because the principal and interest of the underlying loans is "passed through" to investors. Given the historically low level of U.S. Treasury yields, the Vanguard GNMA Fund has a number of appealing characteristics, including AAA quality equal to Treasuries, a relatively stable net asset value across interest rate and market cycles, and an attractive yield superior to that of comparable U.S. Treasury securities. As such we have added the Fund to income oriented portfolios.

iShares Emerging Markets ETF (EEM) – June 2009

EEM consists of over 700 holdings designed to provide results that correspond to publicly traded securities in emerging markets, as represented by the MSCI Emerging Markets Index. The most heavily weighted countries represented in the index include China, Brazil, Korea (South), Taiwan, South Africa, India and Russia. In our analysis, economies in the emerging markets should continue to increase in relative size and strength as a result of recent trends. Governments in China, Taiwan and other Asian nations, for example, were more aggressive than developed nations with regard to size the of the recently passed economic stimulus plans. Moreover, domestic and regional growth in Southeast Asia should benefit from the fact that the banks are relatively free of toxic assets, unlike many in developed economies. Lastly, the debt loads of governments, corporations and consumers in the developing world are only a fraction of those in the U.S. Given the large fiscal stimulus plans, the healthier state of both public and private sector balance sheets and a positive outlook for domestic and regional spending, we have added positions in EEM.

iShares Global Materials ETF (MXI) – June 2009

MXI is comprised of a diversified basket of global, large cap growth companies in the global Materials sector, representing the mining, chemicals, iron/steel, building materials and forest/agricultural products industries. The Fund seeks to track the performance of the S&P Global Materials sector, which is a subset of the S&P Global 1200 Index. MXI is comprised of the largest global producers of materials, including BHP Billiton, Rio Tinto, Anglo American and Freeport McMoran. The constituents are based in the U.S., as well as Australia, the U.K., Canada, Japan and a number of other countries. The relative size and strength of commodity dependant economies such as China, India and Brazil should work to benefit MXI. Moreover, the value of many industrial metals has suffered during the global economic downturn. Many are trading near five-year lows, creating attractive price levels for countries with strong import demand. Lastly, the aggressive actions by global central banks to cut interest rates and increase the money supply in an effort to stimulate economic growth could benefit MXI as commodities represent "hard assets" which are typically viewed as a store of value, or hedge, against inflation. Given these positive characteristics, we have added positions of MXI.

Positions Recently Eliminated

Valero Energy Corp. (VLO) – June 2009

San Antonio, Texas based VLO owns and operates 16 refineries located in the United States, Canada and the Caribbean that produce refined products, such as reformulated gasoline, diesel fuel, and other petrochemicals. In early June, VLO preannounced that its second quarter 2009 earnings results would be significantly below consensus expectations. VLO's operations have been negatively impacted by multiple factors, including the volatility and seasonality of margins, crude oil availability and prices, as well as economic growth and the potential for alternative sources of fuel from biofuels and hybrids. Moreover, VLO's business faces several structural challenges including rising fuel efficiency standards, higher operating costs related to carbon emissions, and large capital requirements for maintenance of its refining facilities. Given these negative fundamentals, and the related uncertainty of VLO's independent refining operations, we elected to remove shares of VLO from client portfolios.