



## **Favorable Relative Earnings Growth: A Result of Our Top-Down and Bottom-Up Analysis**

Overall earnings growth for companies in the Standard & Poor's (S&P) 500 Index continues to be under pressure due to the ongoing turbulent economic conditions. For calendar year 2009, earnings for the companies that comprise the S&P 500 Index are estimated to decline 23.4% versus calendar year 2008. During the first quarter of 2009, earnings growth for the companies in the S&P 500 Index declined 57% as compared to the first quarter of 2008. Companies in the Financial, Basic Materials and Consumer Discretionary industry sectors led the declines in the first quarter of 2009 and are expected to lead the year-over-year earnings declines for the full year.

Godsey & Gibb Associates Investment Council (Godsey & Gibb) has prepared for the expected earnings declines by proactively positioning portfolios. Despite extremely difficult economic conditions, our internal economic (top-down) and company specific (bottom-up) research and analysis continues to focus on companies with financial results that compare favorably to those in the S&P 500 Index. Portfolios managed by Godsey & Gibb maintain significantly underweight exposures to the most cyclical sectors of the broad market such as the Financials, Basic Materials and Consumer Discretionary industries. Moreover, in the first quarter of 2009, the companies that we recommend for clients (Godsey & Gibb's Approved List) continue to exhibit favorable relative earnings growth as compared to the overall market. A summary of the recent earnings reports for several Approved List companies are highlighted below:

### **Godsey & Gibb Associates Selected Approved List Companies Earnings Summaries**

**TEVA Pharmaceutical Industries (TEVA/Healthcare)** – TEVA is a global pharmaceutical company that develops, produces and markets generic drugs covering all treatment categories. TEVA's recent financial results included year-over-year revenue growth of 18% for 2008, topping \$11 billion. Earnings in calendar year 2008 grew 20% to \$3.11 per share. TEVA also generated free cash flow of \$2.2 billion and recently increased its dividend.

**Pepsico (PEP/Consumer Staples)** – PEP is a global snack and beverage company that manufactures, markets and sells a variety of salty, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods. For 2008, PEP's revenues grew 10% to \$43.3 billion and operating earnings per share were \$3.68, up 9% year-over-year. PEP also generated \$7.0 billion in cash from operations in 2008.

**Northern Trust (NTRS/Financials)** – NTRS is a financial holding company, which provides investment management, asset and fund administration, fiduciary, and banking solutions for corporations, institutions, and affluent individuals. NTRS generated \$4.3 billion in annual revenue in 2008, representing 21% year-over-year growth. Earnings per share grew 7% to \$3.47. NTRS' loan loss ratio of 0.31% is far below those of its industry peers. Moreover its tier 1 capital ratio of 13.1% is much higher than its peer group.

**WGL Holdings (WGL/Utilities for Income)** – WGL is an electric utility and energy services company that serves over 1 million customer throughout metropolitan Washington D.C. and the surrounding region. WGL's operating revenues increased 9.3% in 2008 to \$821 million. Earnings per share advanced 8.4% year-over-year in 2008. WGL also recently increased its annual dividend.

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