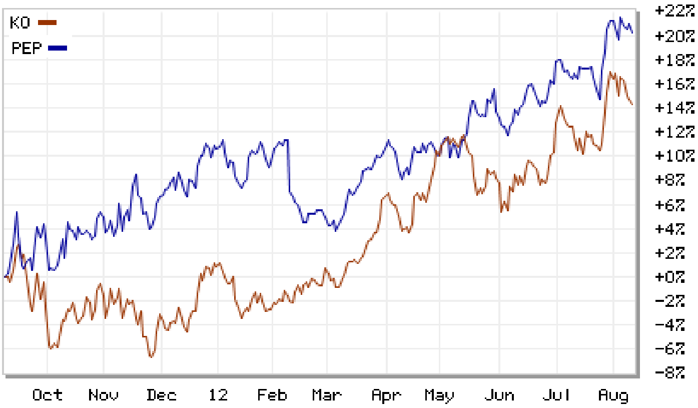
CHART OF THE MONTH

AUGUST 2012

Our September 2011 Chart of the Month explained our rationale for selling Coca-Cola (KO) and buying PepsiCo (PEP) for our Equity Income strategy and Walt Disney (DIS) for our Growth strategy. With PEP and DIS on the verge of going long term for tax purposes next month, we wanted to revisit these swaps and compare the subsequent performance of the three stocks.

PepsiCo vs Coca-Cola



Disney vs Coca-Cola

As shown above, PepsiCo (+21%) and Disney (+62%) have both outperformed Coca-Cola (+15%) over the past 11 months. PEP has appreciated 6% more than KO and provided a slightly higher dividend yield (3.4% vs. 2.7%). PepsiCo, which owns 22 brands that generate more than $1 billion each in annual retail sales, raised its payout 4.4% to an annualized rate of $2.15/share in May, the 40th consecutive yearly dividend increase. The stock now offers a yield of 3.6% based on our initial cost last summer.

DIS has outgained KO by a robust 47% since we bought the former and sold the latter. Disney delivered the largest quarterly earnings in its history earlier this week when it reported a 31% increase while beating the consensus estimate by eight cents per share. Disney's stock responded favorably to the news and closed at an all-time high yesterday. The stock, which trades at 14.3x the consensus projection for the fiscal year ending 9/30/13, is now approaching fair value in our judgment.

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