THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Dividend-Paying Stocks Prove Competitive With Alternative Investments

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TWST: Is there one particular portfolio strategy you'd like to focus our discussion on today?

Mr. Lederer: I think our dividend strategy is compelling in an environment of extremely low interest rates. Dividends receive preferential tax treatment, which makes dividend-paying stocks highly competitive with most alternative investments after taxes. These stocks should also benefit from an aging demographic that is seeking income on an increasing basis in a world where there is so little yield in terms of savings accounts, money market funds and CDs.

TWST: Are you finding a better set of opportunities in particular areas of the market, whether it be sectors or industries or by market cap ?

Mr. Lederer: Our favorite stock is **Apple** (AAPL), which will begin paying a quarterly dividend of $2.65 per share this summer. At an annualized rate of $10.60, the dividend yield works out to 2% at the current price of $530. In addition, there is ample room for dividend growth given that the initial payout is only about 20% of the company's projected earnings for the next 12 months.

Moreover, **Apple** is not only perhaps the world's greatest company, but it might be the most undervalued stock, as well. Although people are a little bit concerned because the stock has performed so well over the last five or 10 years, I think it's important to recognize that the company's earnings have grown even faster than the stock price. Therefore, the price/earnings multiple has actually contracted significantly over the last several years, so much so that the stock is now trading at about 11 times calendar 2012 consensus estimates of around $48 per share. The valuation works out to less than nine times earnings net of the company's $110 billion cash position, which equals $116 per share.

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