CHART OF THE MONTH

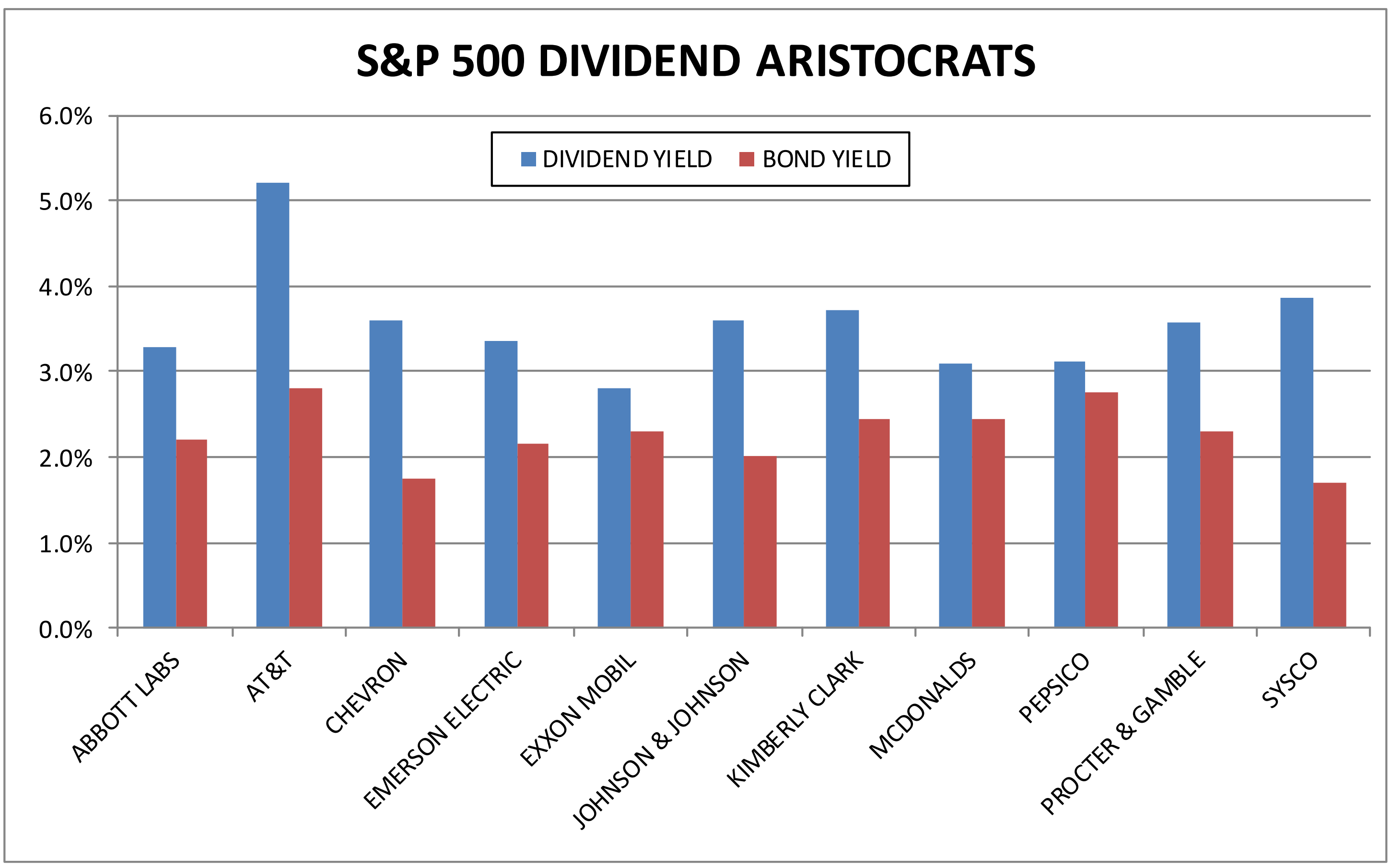
MAY 2012

If you're seeking a reliable and growing stream of income, look no further than our Equity Income strategy.

Known as Dividend Aristocrats, there are more than 50 companies in the S&P 500 Index that have increased their dividends annually for at least 25 consecutive years. We own 14 of these stocks in our Equity Income strategy, which focuses on dividends, dividend growth, and total return (income plus capital appreciation). Thirteen of the 14 have issued bonds, including 11 companies with maturities ranging from 7 to 10 years shown in the graph below. In each case, the yield on the stock exceeds the yield on the same company's bonds.

Of note, the average dividend yield is 3.6% vs. 2.3% for the bonds. Therefore, a portfolio of these stocks yields 1.3 percentage points more than their corresponding bonds, which amounts to a 56.5% increase in income. The improvement in after-tax income can be more than double (3.1% vs. 1.5% in the maximum federal bracket) because dividends are taxed at a much lower rate than interest income. In addition, these companies have a history of raising their dividends every year. The average boost among these companies was 9.0% over the past 12 months. At that rate, the payout will double in eight years or, in almost every example, before the subject bonds mature.

To summarize, our Equity Income strategy generates significantly higher before- and after-tax income than like bonds, plus it offers a proven track record of dividend growth and prospects for capital appreciation. While no investment is without risk, a diversified portfolio of high-quality, dividend-paying stocks is generally safer and less volatile than the stock market as a whole.



LEDERER & ASSOCIATES
INVESTMENT COUNSEL

111 West Ocean Boulevard, Suite 1350, Long Beach, California 90802
Tel: (562) 495-2350 ▲ Fax: (562) 495-2006
www.lederer-associates.com