GREENLEAF TRUST

Perspectives

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William D. Johnston
Chairman, Greenleaf Trust

Economic and Market Commentary

It is sometimes unpleasant to observe the actual playing out of previous predictions and analysis. Often you wish that what you thought was going to happen turned out not to be true. Recent economic data releases are validating some challenging circumstances and unfortunately those circumstances are going to remain with us for some time. Two opposing forces are at work and the result is that our economy will continue to be challenged to poke its head above the 3% growth range for some time.

The culprit this time is not the private sector but rather the capacity of the private sector to outpace the reductions in the public sector. We are likely to be in a period of public sector employment contraction for the next 24 months and the pace of job loss is likely to accelerate beyond the rate of normal attrition (retirement and deaths), thereby adding to the unemployment numbers. This acceleration in public sector layoffs diminishes the impact of private sector job growth gains which, while somewhat anemic, have none the less been averaging in the 100,000+ level for several months. These polar opposites in employment trends are likely to retard the impact of the growth in auto sales and residential housing gains on our overall GDP growth.

Economic recoveries always include inconsistent data trends and therefore it is not surprising to see the slowdown in the ISM survey data which gauges purchasing manager forecasts for the future months. Economists generally like to see this data reflect a trend that is growing consistently in excess of the 50% range. Unfortunately this data point has been unyieldingly stuck at the 50.3% level for several months. There remains some underlying positive implications when we dive deeper into the numbers. Fourteen of the eighteen industries surveyed reported expansions during the April period and those were closely aligned with autos and construction. Those gains however were not strong enough to move the total needle north as cutbacks to heavy electronic equipment and transportation related to defense industries offset the otherwise positive results.

The take away here seems to be that there is an underlying economic demand for goods and services that is being tempered by the reduction in public service workforce as well as government spend in defense industries. While none of the above is surprising, the reality is that we are likely to continue

Commentary, continued

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7.3% unemployment, less than 3% GDP growth and very low interest rates. In essence the band is still playing, the tune is the same, but the musicians playing the tune have taken on different roles.

Given the above, what is a government to do and what are the investment implications given possible public policy actions? Recently we have observed some interesting trends. Recall that we have always suggested that when conditions out of the ordinary exist, it is reason to pause and consider the future consequences. For some time now bond funds, which represent the aggregate appetite of bond investors, have been running out of attractive investable opportunities on the fixed income side. Simply put, yields are so low, that on an after fee basis, it is nearly impossible for bond funds to return a real rate of return to bond fund investors through fixed income (bond) investments. If investors were to peek under the tent of bond funds, they would see that a greater than normal percentage of bond fund investments are actually in equity investments as the funds are relying on dividend payments for yield. The discussion of enhanced risk for bond fund investors is a topic for future newsletters but the currently important discussion is about why bond funds are accepting more risk to achieve yield and as importantly what are the positive implications for corporate balance sheets given extremely low interest rates.

Bond funds seek more risk because investors demand more yield. Bond funds get paid to deliver results and in almost all bond fund assumptions return is comprised of yield plus capital gain. The current environment produces little opportunity for either yield or capital gain for bond fund managers. It is probably good to remind ourselves that since 1986 bonds have been in a bull market, meaning interest rates have been declining and therefore bond prices have been increasing. In fact, bond fund managers have had a more favorable landscape than stock fund managers over the same duration. The bull market in bonds has ended. Interest rate declines and therefore price increases in bonds are over. Given this scenario how are bond fund managers likely to produce either yield and or total return? By owning equities, collecting dividend yields and capturing equity price appreciation. That's correct, bond funds will very much act like stock funds which means that the appetite for stocks will not only include equity investors but also bond investors. The result of this "yield" appetite may well put pressure on stock P/E levels.

Compounding the lack of yield opportunities for bond investors is the rush to issuance for corporate debt. If I was a bond fund manager whose mission was to find total return for my fixed income investors, I would not be heartened to witness the rush by corporations with very strong balance sheets who have issued and successfully sold significant debt issues at historically low interest rates. The signal that is being sent by Apple, P&G, General Electric, etc. is that we are near the bottom in rates and they can borrow capital at rates far lower than they will be able to in the future. This capital financed with very low interest rates will add to corporations already flush war chests for acquisitions and capital expenditure needs. What is a fertile ground for corporate balance sheets is the antithesis for fixed income investors. Rates are low now, likely to have bottomed but… due to anemic GDP growth opportunities, not likely to increase in the near or medium term future. What is equally telling was the strong appetite for the recent corporate debt issuance. The bid to cover for Apple's $15.0 billion issue was 3:1 meaning that for every dollar issued in debt three were offered. While it is not unusual for high quality debt issues to be oversubscribed, a 3:1 bid to cover ratio reveals a very strong demand.

Low yield, low growth environments don't necessarily mean low investor returns. For over fifty months we have witnessed increasing productivity and efficiency across the spectrum of industries. Cash balances and strong balance sheets coupled with very low interest rates provide an attractive playing field for symmetry, consolidation, efficiency and increased profitability. It could well be that equity investors continue to see earnings growth advancement while overall GDP growth and employment gains remain modest at best. Current prospects for return are also troubling for asset allocation advisors whose academic and regression analysis studies cause them to advise clients on appropriate allocation of assets across various asset classes given the investors age, risk tolerance, income needs etc. Traditionally asset allocation studies advise investors to diversify among asset classes, capitalization weights, and country of origin. The current fixed income environment has everyone searching for yield while trying to manage risk. Some worry that yield seekers who are venturing into the equity market in growing numbers are causing valuations to be richer than a sub three percent GDP growth economy would otherwise warrant. Another way of asking the question is "How much of the equity rally is inspired by the Federal Reserve's accommodating policy on credit which results in what appears to be an intractably low interest rate environment?"

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The "Fed" has few tools left to stimulate economic growth but has many to rein in inflation should it begin in earnest. Deflation continues to be the main focus of the Federal Reserve and there are few economists who expect the economy to accelerate rapidly in the near term. While many would like to see stronger economic growth and would take joy in seeing more people employed, critics of the Federal Reserve argue that too much debt has been issued and increasing economic activity would jumpstart inflation, rendering the "Fed" impotent given all of the credit and debt it has pumped into the system. We have maintained for some time that we are in for a prolonged period of "new normal" GDP growth and have provided the various reasons for the "new normal" many of which our economy does not control. The "Fed," I think, sees it the same way (though they never called to ask). Low interest rates are great for corporate balance sheets and help to cure the significant ills of our financial institutions. Low rates also give us the best chance for sustaining the incremental improvement in our economy as we creep along to three percent growth. Investors seeking yield will continue to be troubled and will by definition accept more risk. The "Fed" can take incremental action to reduce outstanding debt in harmony with the underlying economic growth. A delicate balance for sure, but the stage seems set for that balance to have a fair chance to succeed.

Michael F. Odar, CFA
President

Culture and Candor

As many of you know, our organizational culture is extremely important to us. It provides the foundation for how we serve our clients and therefore requires everyone's attention every day. Communication plays a vital role in nurturing and strengthening our culture. Not just any form of communication, but purposeful, constructive, open, honest, and frank discussions. It's what we refer to as candor.

In our role as a trusted advisor to clients, it is imperative that we have strong relationships with them that allow us to have open and honest two-way discussions. To provide solutions and satisfy the wants, needs, and desires of our clients using a team based approach, we need to be able to have open and honest two-way discussions with other teammates. Without candor, accountability is diminished, problems go unsolved, mistakes morph into trends, people's growth is stunted, and a pillar of our core culture, continuous improvement, is disregarded.

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In the most recent issue of Harvard Business Review, Professor Rob Goffee and Professor Gareth Jones describe the six most essential imperatives for creating an ideal work environment in their article aptly entitled "Creating the Best Workplace on Earth." They spent three years surveying hundreds of executives and listening to them describe their ideal organization. Their findings reinforce our belief in the importance of candor. The second attribute of the six listed possessed by a "dream company" focused on communication and what they referred to as "radical honesty."

Whether it is in our Research Analyst meetings where we vet investment ideas or divisional team meetings, we want collaborative discussions. We believe great ideas come from candor. It is unacceptable behavior to have a team meeting end and wait to express your concerns to someone else outside the room after the meeting.

I tell every new employee on their first day that I want them to be a "sponge" for the next couple of weeks and "soak" things in during their onboarding process. Then we want to hear from them how we can get better. As you know, we also formally survey our clients bi-annually and our employees annually to identify and implement ways we can serve our clients better. Both groups also know they don't have to wait to speak up. From a leadership perspective, we want to know if there is a problem.

We have adopted a method of facilitating candor in our offices from Tom Mendoza, Vice Chairman of NetApp. Every internal meeting agenda includes three words: pace, content, and candor. At the end of internal meetings, leaders ask three questions to make sure the time was productive: 1) what did you think of the pace, 2) what did you think of the content and, 3) what did you think of the candor? The bottom line is we want to get better for our clients and if we do improve every day our clients benefit.

With a Record Setting First Quarter in the Market, What Should We Expect for the Remaining Three Quarters?

Michelle M. Sanderson
Participant Services Coordinator

The S&P 500 Index finished up 10.61% for the first quarter of 2013 (5.04% in January, 1.11% in February and 3.60% in March), but what does that mean for the rest of the year? Some experts believe that a first quarter with as strong of a performance as we saw this year is indicative of a year that is going to end nicely. In addition, most analysts and traders have predicted that 2013 is going to be a turn-around year for the US equity market, and by the end of the year, the market will end up at a better place.

Since 1990, in years in which the market had a positive first quarter, it continued to post strong gains the rest of the year 86% of the time. The average gain from April through December during those years was 8.5%! Looking back further, in the years from 1926 – 2012, the US equity market posted double-digit first quarter returns 15 times. In 13 of those 15 years, the remaining nine months of the year posted positive results. The two negative years were 1930 (Great Depression) and 1987 (Black Monday).

Hot trends tend to stay hot. When the S&P 500 has had a positive first quarter, the three sectors with the strongest gains at the start of the year went on to post positive gains for the rest of the year 93% of the time and the average gain was 12.1%! The S&P 500's three best sectors in the first quarter of 2013 were health care, consumer staples and utilities.

As of the close of the market on April 29, 2013 (the date this article was written), the S&P 500 Index was up 1.56% for the first 29 days of April. Although the market has continued to climb, it is important to remember that the US recovery is broad based, with rising employment, strengthening consumer spending and a housing recovery that appears to be driven by fundamentals. At the same time, risks remain – domestically, in the form of a potential breakdown in the current bipartisan cooperation, and globally, as other major world economies struggle to resume growth. In previous years, we have had strong first quarters followed by weak second quarters, and that remains a risk this year as well. Overall, however, we are in a relatively good place, certainly better than other areas of the world. As such, investors have reason for optimism, even as they should be mindful of the risks. As always, it is important to remember that past performance does not guarantee future results!

> "...most analysts and traders have predicted that 2013 is going to be a turn-around year for the US equity market, and by the end of the year, the market will end up at a better place."

Daniel L. Baker, JD, CFTA
Vice President
Director of Business Development

Preparing Heirs to Receive and Manage Wealth

The December 2012 edition of *Perspectives* included an article entitled "The Holidays—Time to Have the Talk With Your Children." The article focused on age appropriate ways to discuss family wealth with your children. We received an unusually high number of responses to the article from readers. Apparently, many of our readers have struggled with how to appropriately communicate family wealth matters with children and were thankful to have received some suggestions on how to approach this sensitive subject. For your reference, the December 2012 edition of Perspectives, along with all others from the last twelve months, is available under the Important Links tab at www.greenleaftrust.com.

So, if we consider the December article as the introduction to the communication piece of the puzzle, let's move on to the preparation piece. In the body of this article, we'll focus on ways (in addition to communicating) to prepare heirs to receive and manage wealth.

You may ask, "Is it really that important to prepare heirs to receive an inheritance?" If you consider that 90 percent of families fail to keep both their unity and their assets for more than three generations, we would suggest that it is extremely important. This classic failure to sustain family wealth is epitomized by the proverb "Shirtsleeves to shirtsleeves in three generations." So pervasive is this phenomenon that a variant of the "shirtsleeves" proverb exists in countries and cultures throughout the world. Numerous studies and scholarly writings exist which point to the reasons for this failure to successfully transfer wealth across generations, primary of which are breakdowns in trust, communication, planning and governance—all of which fall under the broad category of failing to prepare the next generation.

> "You may ask, 'Is it really that important to prepare heirs to receive an inheritance?'"

Preparing heirs to handle wealth that they had no role in creating and garnering an appreciation for the responsibilities that come with it is not always easy. It certainly does not occur serendipitously. Wealth preservation is a dynamic process of group activity, or governance, that must be successfully re-energized in each successive generation to overcome the threat of inevitable decline.

When we study what the ten percent of families who have succeeded throughout history have in common, we find that they consciously and deliberately prepared their heirs for their inheritance, most often through the use of ongoing family governance structures. In most cases, a closer look at these successful outcomes reveals families, who have intentionally emulated successful companies which, in most all cases, set a vision, establish core values, set goals, create governance structures, communicate across the organization, prepare leaders, foster trust between co-workers and intentionally work toward success. Wealth and the preservation thereof, in this context, should be viewed not only as financial capital, but also as human and intellectual capital. All three must be nurtured. In fact, most writers who have spent their professional lives studying family wealth believe that it is the focus on financial capital to the exclusion of human and intellectual capital that is most critical in the failure of families to preserve their wealth.

So, let's talk about family governance and some structures which may be worth exploring to prepare heirs to receive and ultimately preserve family wealth. These structures, in some form, can be used by most all families including those with a limited amount of financial capital to pass to a successive generation. All families should, however, determine a purpose for putting the structures in place and the family's goals before embarking on this journey.

The ultimate goal of family governance is to create a high-performance, multi-generational team in which the succeeding generations are participating in decision making, leadership activities and hands-on money management long before their parents pass on. It is a structured process within which the business of the family (as differentiated from the family business or investments the family may own) can be conducted for multiple generations.

A commonly used governance structure, used to accomplish a family's objectives is often referred to as a Family Council. It will vary from family to family; but in general the purpose of it will be three-fold: family fun, family development and business of the family. The Council might include the entire family, extended family and in-laws. The make-up and form will often be as unique as the family itself. The Family Council should convene at least annually. It is in this setting that the values, stories, life lessons, and family traditions that comprise a family's story are passed down to younger family members. It is an important celebration of a family's uniqueness. It also becomes the classroom where children are prepared for the inheritance they will receive. Activities should be structured so that children learn by doing.

It is not unusual for adult children to be reluctant to attend. However, when told that "we will be discussing your inheritance," most will find a way to be there. When the succeeding generations decide it is worth their investment of time and effort, the likelihood that their family will enjoy success across generations becomes significantly greater. To operate optimally, the Family Council must create zones of safety and trust. As with any high performing teams, individual family members

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Preparing Heirs, continued

"While deciding to pursue family governance opportunities may appear daunting, as with any journey the first step is often the most difficult."

must feel empowered. This is done by giving them permission to assert themselves, to feel safe in asserting themselves, and to feel that what they contribute will make a difference. And, finally, if the Family Council is to fulfill its promise, the mom and dad have to be willing to let go.

Another structure which may be used for a myriad of mentoring, training and ongoing support purposes is the Family Fund. The form the Fund takes is extremely flexible and can be as formal or casual as the family decides. The amount of money committed to seeding the Fund is not of great importance. What is important is that multiple generations gain hands-on experience working together to effectively manage assets allowing for younger or less experienced family members to be mentored by older or more experienced members.

Some wealthy families have used the Family Fund as a vehicle to get siblings to work together, seeding the Fund with very small amounts relative to their overall wealth with the promise of additional funding if certain objectives are achieved. The objectives are often not investment performance based, but rather "carrot and stick" objectives like challenging feuding siblings to learn to work together as they learn to manage money. If the objective is reached, additional assets can be added to the Fund (for the benefit of the siblings). If not, the initial funding might serve as the siblings' entire inheritance.

As assets in the Fund grow (through investment gains and / or additional funding) the Fund can become a source for funding Family Council retreats, family vacations, and even scholarships, home down-payments, investments and intra-family business start-up loans. In many cases, the real value of the Family Fund, however, will be the educational and mentoring opportunities it provides across generations.

While deciding to pursue family governance opportunities may appear daunting, as with any journey the first step is often the most difficult. If you focus on the process, the performance will follow and the rewards, both quantitative and more importantly qualitative, will be reaped for generations to come.

If this topic is of interest to you, Greenleaf Trust will be presenting a seminar next month in Kalamazoo, Traverse City and Bay Harbor entitled "Bestowing Wealth Along with Values to the Next Generation." If you live in one of these areas, please watch for an invitation and we encourage you to join us. If you do not normally receive seminar invitations and would like to attend or are unable to attend but would like to receive seminar materials, please contact Sarah Johansson at sjohansson@greenleaftrust.com or 269.553.7268.

The Gift of Giving

Steven J. Christensen, CTFA
Wealth Management Advisor

Financial goals are often categorized as personal, dynastic or philanthropic. As an organization, Greenleaf Trust feels fortunate to serve the best and arguably most generous clients on the planet and frequently find ourselves engaged in meaningful goals based conversations focused on the achievement of philanthropic aspirations. Am I able to give? At what level can I give? How will gifting affect my other goals? What are the financial implications, including taxes, of my gift? How should I structure my gift? Perhaps most importantly, how can I gift in a way that provides maximum satisfaction?

The decision to give often depends upon the potential impact the gift will have on the broader wealth management plan. Fortunately, there are modeling tools available that offer context and probability to the impact a potential gift will have on a pool of assets and their future income. Monte Carlo modeling is the industry gold standard and what we use at Greenleaf Trust. If gifting is an important goal and the analysis concludes with an acceptable level of certainty that it can be done without having to sacrifice the achievement of your other goals, we will gladly advise you accordingly.

With the feasibility issue resolved the question of optimal structure is often the next issue to address. There are numerous gifting structures and even more iterations of structure combinations that can be employed. Selecting your optimal structure requires an analysis of all of the relevant factors, including how and when you would like to gift. This is where having a team of advisors (CPA, Attorney, and Financial Advisor) working on your behalf can be invaluable. Each brings a specific knowledge and skillset. Solutions can range in simplicity from direct giving to the establishment of a family foundation. All strategies have their benefits and limitations, but it is important to select a structure that allows for the accomplishing of your goals.

Regardless of the amount of a gift or its structure, additional measures should be taken to ensure the gift provides you with the satisfaction you desire. Creating a giving plan that aligns your budget with your values is an important step in the process. Your giving plan should detail how much you intend to give each year and at what time of year, what causes or geographic areas you intend to focus on, and perhaps most importantly how much time and energy you will devote. Determine what organizations are doing work in your areas of conviction and select a few causes that align with your passions and concerns. Once organizations and causes have been identified, stick with them through the course of several years. Allow for flexibility within your giving plan, evaluate and revise it each year as needed.

Assuming anonymity is not important, we encourage you to develop a personal connection with the charitable causes by visiting the organizations or the projects you have identified.

"We make a living by what we get, we make a life by what we give"

– Winston Churchill

The Gift of Giving, continued

Volunteer your time and get to know the people involved. Confirm your money is being used wisely by performing the due diligence necessary to gain an understanding of the project's incremental goals and then determine whether your contributions are making a difference.

If it is important for you to structure your gifts in a way that allows for maximum impact, consider giving fewer large contributions rather than several smaller ones. Another strategy to consider is gifting to organizations unlikely to receive support from mainstream donors or to organizations with smaller budgets. If your selected organization is a startup it is likely the impact will not always be immediate so make your commitment of support for more than just one year. This will allow the organization to budget your contribution.

Having completed the steps involved with the development of a comprehensive gifting plan, you will possess the confidence necessary to avoid potentially unsatisfying gifting. No longer will you be giving out of guilt or obligation. Now it comes down to patience, compassion and faith. Patience because change can take time, compassion for those whom you have decided to serve, and faith to know that that people working together can make the world a better place.

Dave P. Mange, CFA
Vice President
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Floating Rate Bank Loans: A Low Duration Fixed Income Asset Class

There are no magic asset classes. All of us find our e-mail in-boxes crowded with ads for subscription investment newsletters promising wonderful past results. I recently clicked on a list of 10 high dividend stocks from a fairly reputable source. All ten of the stocks did indeed pay a high dividend in the 6-7% range. None of them were remotely tempting and many of them had destroyed more investor capital than the dividends paid over the past four years. This column is intended to introduce our participation in a fixed income asset class new to many Greenleaf Trust clients. We hope to do so with 100% realism and no hype.

The general equation for determining the value of a stock or bond is: Value = the present discounted sum of all future cash flows.

For stocks, we have to estimate those cash flows. For bonds, we can model those cash flows with confidence unless there is a default (which is why we care about credit quality). Therefore, we expect a smaller chance of discovering some hidden value in fixed income than we do in equities.

Greenleaf Trust's fixed income philosophy, as clearly articulated over the years by Chairman Bill Johnston, is "return of capital before return on capital." In other words, we pay close attention to default risk. The ultra-low yields on investment grade bonds today have caused many individual and institutional investors to take on more risk than they normally would to gain a relatively small degree of incremental yield. As we have added fixed income asset classes to portfolios over the years to gain both diversification and yield, we have always been conscious of limiting risk.

By the time this is published, Greenleaf will have introduced a floating rate bank loan fund into many fixed income portfolios. Our research began by examining the asset class and then moved to finding the best investment vehicle to participate in the attractive features of floating rate loans.

Floating rate bank loans are loans to corporate borrowers that can frequently change interest rates and are characterized by these traits:

- Changes in interest rates when the base rate (usually the LIBOR rate) changes
- Borrowers have mostly single and double B credit ratings
- Loans are Senior secured obligations (two notches above a typical unsecured corporate bond)

We will examine each characteristic in the light of the two biggest challenges faced by fixed income investors today:

- Interest rates are at historic lows, and they are below the rate of inflation
- Interest rates will probably rise when the Fed stops buying $85 billion of bonds per month

How do these characteristics of floating rate bank loans help fixed investors deal with their biggest challenges?

1) The frequent re-set of interest rates means that floating rate bank loans are not subject to price declines in a time of rising interest rates.

   The price of a fixed coupon bond goes down as interest rates go up. If an investor holds the bond to maturity, it does pay in full plus interest and there is no "loss", but the price from the point of the interest rate increase until maturity will fall. Although Greenleaf Trust has constructed low duration fixed income portfolios for most clients, even a low duration portfolio is somewhat vulnerable to rising interest rates. By adding an allocation to floating rate bank loans, this effect is reduced.

2) Below investment grade credit ratings.

   The average credit rating of most floating rate bank loans is just below investment grade. When we buy individual bonds for client accounts, we do not venture below BBB+ rated bonds (the lowest investment grade) and with our use of US Agency step increasing coupons, the average credit quality of most portfolios is at least A rated. The addition of sub-investment grade bonds is not an asset by itself. We expect that even with a significant allocation to these lower rated credits, the average credit quality of your portfolio will remain very high.

3) Senior secured credit status.

   Floating rate bank loans are senior secured debt. If one assumes that the default rate is consistent with that of BB and B rated loans, the principal recovery rate has proven to be very high resulting in very little net loss. This has been more than compensated for by yield pickup over other low duration alternatives.

We chose the Fidelity Floating Rate High Income Fund (ticker FFRHX), an open end mutual fund for investing in this fixed income asset class because buying individual floating rate bank loans is not the best strategy to participate in the benefits we are seeking. Once the research team completed a look at how floating rate bank loans have performed in various time frames, we selected the specific investment vehicle by choosing the fund that had performed best during the credit crisis of 2008-2009. This was the period of maximum stress for both US stocks and bonds since the great depression of 1929 and following.

There are funds in this category with better recent returns and with higher current yields. There are no funds in this category that managed risk this well during the credit crisis. Consistent with our fixed income philosophy, as stated in our investment policy, we want to win over the long term by finding the most intelligent balance between risk and reward. The reward is currently sub-standard in fixed income even with a risk on strategy. We want to capture what is prudently available today while preserving capital for the next time fixed income provides its typical inflation adjusted return.

Stock Market Pulse

Index	4/30/13	% Change Since 12/31/2012
S&P 1500	369.75	12.81%
DJIA	14,839.80	14.21%
NASDAQ	3,328.79	10.62%
S&P 500	1,597.57	12.74%
S&P 400	1,160.02	14.16%
S&P 600	529.60	11.51%
NYSE Composite	9,276.88	9.87%
Dow Jones Utilities	537.32	19.88%
Barclays Aggregate Bond	111.54	1.04%

P/E Multiples	4/30/13
S&P 1500	15.6
DJIA	14.2
NASDAQ	16.9
S&P 500	15.2
S&P 400	18.7
S&P 600	19.2

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.05%
T Bond 30 Yr	2.89%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	369.75	15.6x	2.06%
S&P 500	1,597.57	15.2x	2.15%
DJIA	14,839.80	14.2x	2.38%
Dow Jones Utilities	537.32	NA	3.61%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.82%

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