ZACKS INVESTMENT MANAGEMENT

*Value Investing For Total Return*

# Dividend Strategy

SECOND QUARTER 2011

**STRATEGY OBJECTIVES**

**ZACKS DIVIDEND STRATEGY SEEKS TAX EFFICIENT RETURNS FROM BOTH CAPITAL APPRECIATION AND DIVIDENDS.**

**PERFORMANCE HIGHLIGHT**

**1.36% HIGHER ANNUAL DIVIDEND YIELD THAN THE S&P 500.**

## Investment Process Summary

**"A HIGH DIVIDEND YIELDING STRATEGY CAN HELP REDUCE VOLATILITY IN A CLIENT PORTFOLIO AND AT THE SAME TIME PROVIDE CONSISTENT AND PREDICTABLE RETURNS."**

*- Mitch Zacks, Portfolio Manager*

**UNIVERSE SELECTION**
- **RUSSELL 1000** Value Universe

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**VALUE SCREEN**
- **POSITIVE** scoring based on proprietary value model which includes dividend yield

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**STOCK SELECTION**
- **STOCKS** with potential price appreciation and low risk selected

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**PORTFOLIO CONSTRUCTION**
- **50** to 100 positions

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**DAILY PORTFOLIO REVIEW**

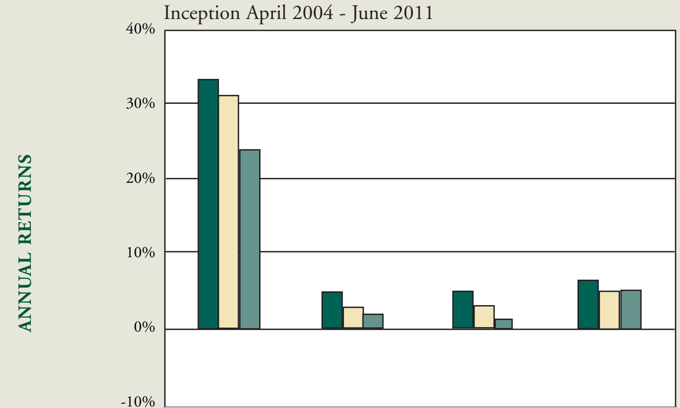
## Strategy Overview

The Zacks Dividend Strategy is managed by Mitch Zacks. The strategy holds stocks that, on an historic basis, have paid, in aggregate, a higher dividend yield than the broad market. Additionally, the strategy seeks to own those shares that have produced predictable dividend income.

**ZACKS DIVIDEND STRATEGY**

Annualized Returns

Inception April 2004 - June 2011




| | 1 YEAR | 3 YEAR | 5 YEAR | Since Inception |
|---|---|---|---|---|
| Div. Strategy (Gross) | 33.15% | 4.85% | 5.07% | 6.53% |
| Div. Strategy (Net) | 30.54% | 2.76% | 2.95% | 4.39% |
| Russell 1000 Value | 28.94% | 2.28% | 1.15% | 4.40% |

## Portfolio Annual Returns

**APRIL 2004 TO JUNE 2011**

| | DIVIDEND GROSS | DIVIDEND NET | RUSSELL 1000 VALUE |
|---|---|---|---|
| 2011 YTD | 9.38% | 8.26% | 5.92% |
| 2010 | 14.33% | 12.42% | 15.51% |
| 2009 | 16.22% | 13.92% | 19.69% |
| 2008 | -26.48% | -28.00% | -36.85% |
| 2007 | 6.36% | 4.20% | -0.17% |
| 2006 | 20.94% | 18.51% | 22.25% |
| 2005 | 2.76% | 0.68% | 7.05% |
| 2004 (Apr-Dec) | 11.99% | 10.31% | 13.06% |
| Standard Deviation | | 14.29 | 16.28 |

## Portfolio Characteristics

- **HIGH YIELD:** provides substantially higher current yield than the S&P 500.
- **LOW VOLATILITY**
- **LOW TURNOVER**
- **TAX EFFICIENT:** most capital gains are long-term

## Portfolio Statistics

**AS OF 6/30/11**

| | DIVIDEND STRATEGY | S&P 500 |
|---|---|---|
| Price/Earnings | 12.84 | 14.52 |
| Price/Sales | 1.32 | 1.35 |
| Price/Book | 1.88 | 2.00 |
| Dividend Yield | 3.32% | 1.96% |
| Beta | 0.95 | 1.00 |

Zacks
INVESTMENT MANAGEMENT

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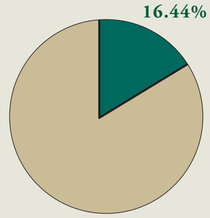
## About Zacks

Founded and headquartered in Chicago, Zacks Investment Management is a Registered Investment Advisor. Our parent company, Zacks Investment Research, is a privately held investment research firm who is well known for their expert analysis of investment data and strong commitment to independence in the equity research universe.

Zacks Investment Management is uniquely qualified in the areas of portfolio management for institutions and wealthy individual investors. We employ a specialized process combining a quantitative screening methodology and fundamental bottom up analysis that is unparalleled in the industry. Client assets are managed in an active account manner, incorporating both a macro and micro economic view of the markets, overall economy and our clients' objectives.

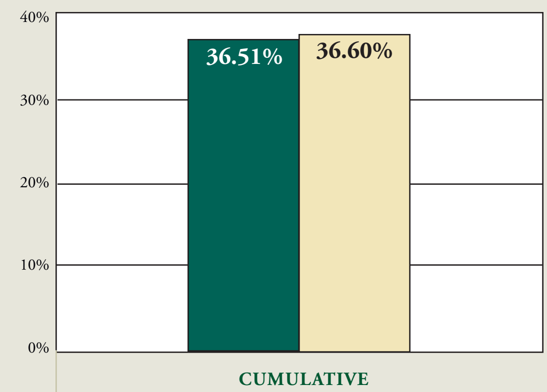
## Market Capitalization

The current portfolio is an all-cap blend that includes 16.44% mid- and 83.56% large-cap stocks representing both value and growth styles. The average market cap is $83.2 billion.




### CUMULATIVE PERFORMANCE COMPARISON

Zacks Dividend Strategy (April 2004 to June 2011)




| | |
|---|---|
| Dividend (Net) | 36.51% |
| Russell 1000 Value | 36.60% |

## How the Zacks Dividend Strategy is Managed

- **DIVERSIFIED:** 50 to 100 stocks
- **VALUE BASED:** as determined by price and yield on an historic basis
- **CURRENT YIELD** of the overall strategy strives to be greater than the S&P 500
- **PROPRIETARY** quantitative model focused on value stocks
- **EXPECTATION** of future dividend payments

## Sample Portfolio Holdings

**(AS OF 6/30/11)**

- EL DUPONT DE NEMOURS
- CHEVRON CORP.
- CONOCO PHILLIPS
- AT&T INC..
- PFIZER INC.
- GENERAL ELECTRIC.
- AMERICAN EXPRESS CO.
- EXXON MOBILE CORP
- INTEL CORPORATION.
- JP MORGAN CHASE & CO.

**INDEPENDENT**

Research | Thinking | Results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