

APRIL 2008

Contents

The Economy: The Federal Reserve Counterattacks the Credit Crunch	Page 2
Interest Rates: A Conundrum – Inflation is Higher, Yet Interest Rates are Lower	Page 4
The Stock Market: Lurking Opportunity	Page 4

The Markets	Current 3/31/2008	3-Month Values	3-Month Change	Year-Ago Values	12-Month Change
Cash					
Taxable MMF Yield	2.19%	3.99%	-180bp	4.87%	-268bp
Tax-Exempt MMF Yield	2.06%	2.70%	-64bp	3.13%	-107bp
Fixed Income					
Federal Funds Rate	2.25%	4.25%	-200bp	5.25%	-300bp
5-Yr US Treasury note	2.51%	3.52%	-101bp	4.54%	-203bp
10-Yr US Treasury bond	3.45%	4.11%	-66bp	4.65%	-120bp
5-Yr Aaa Muni Bond Index	3.03%	3.27%	-24bp	3.56%	-53bp
30-Year Conv. Mortgage	5.87%	5.94%	-7bp	6.18%	-31bp
Equities					
S&P 500	1,323	1,468	-9.9%	1,421	-6.9%
S&P LargeCap 100	614	686	-10.5%	650	-5.6%
S&P MidCap 400	780	858	-9.2%	848	-8.1%
S&P SmallCap 600	365	395	-7.7%	412	-11.5%
EAFA Foreign Index	72	79	-8.4%	76	-5.7%
S&P 500 PE Ratio	14.1	16.1	-12.4%	15.4	-8.4%
S&P 500 Dividend Yield	2.1%	1.9%	20bp	1.8%	30bp
Misc.					
Inflation Rate (CPI, last 12 mo.)	4.03%	4.43%	-40bp	2.78%	125bp
CRB Index (Commodities)	387	359	7.9%	317	22.1%
London Gold / oz.	916	835	9.7%	662	38.5%
Crude Oil / bbl.	106	92	15.3%	62	70.1%
Recent Economic Data					
Real GDP - 4th Quarter	0.60%	Personal Income			0.5%
ISM Manufacturing Index	48.30	Personal Spending			0.1%
Industrial Capacity Utilization	80.90	Retail Sales			-0.6%
Productivity - 4th Quarter*	1.90%	New Home Sales			-1.8%
Unemployment Rate	4.8%	Consumer Confidence			64.50*

*Stock index performance excludes dividends

bp = basis point (1/100th of one percent)

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Economic Forecasts*

	2007	08:1Qe	08:2Qe	08:3Qe	08:4Qe	09:1Qe
Real GDP	2.2%	-0.1%	1.6%	3.2%	2.0%	2.2%
GDP Price Deflator	2.7%	2.7%	2.2%	2.2%	2.2%	2.6%
10-Year Treasury Bond	4.63%	3.63%	3.63%	3.88%	4.13%	4.25%
Fed Funds Rate	5.00%	3.13%	2.00%	2.00%	2.00%	2.00%

*Mesirow Financial estimates e = estimated

QUOTE OF THE MONTH:

“Our present regulatory framework was born of Depression-era events and is not well suited for today’s environment where billions of dollars race across the globe with the click of a mouse. That fact, teamed with the current market conditions, result in a universal agreement that it is time to modernize and revitalize the current system.”

- Tim Ryan, chief executive of the Securities Industry and Financial Markets Association, in reaction to Treasury Secretary Henry Paulson’s recent proposal to update banking regulations.

The Economy: The Federal Reserve Counterattacks the Credit Crunch

The consequences of the greed that led many firms on Wall Street to abuse the most fundamental thread of the nation’s economic and social fabric – housing – continue to tear through the economy and financial markets. The episode has caused much consternation among the country’s fiscal and monetary institutions while they scramble to find ways to mend the tear as the presidential election rolls ever nearer, so the stakes are high. The confluence of the sub-prime mortgage securities mess, rising gasoline and other consumer-staples prices, a slowing economy, an increasing rate of job layoffs and an increasingly viscous political campaign has caused uncertainty in the stock market and unnerved many investors.

Evidence continues to mount that the United States economy is in recession; it feels like a recession to many. The economy slowed to a crawl in the fourth quarter, and it appears that this deceleration has carried over into the first quarter. Declining non-farm jobs, sluggish retail sales, declining manufacturing activity, and rising prices contribute to the feeling that workers are spinning their wheels.

Yet there are signs for optimism, and we expect the second half of 2008 to show growing momentum and a higher growth rate. Current attempts by the fiscal (Congressional) and monetary (Federal Reserve) authorities to stimulate the economy will pay off, and they will become gradually discernable as the usual lag effect of these policies starts to take hold.

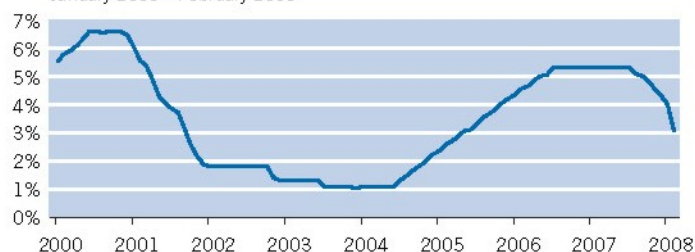
Regulators counterattack, too. The stock market reacted positively to comments from Treasury Secretary Henry Paulson outlining plans to more tightly regulate financial institutions. Paulson’s proposed updating of financial regulations would emphasize more control at the federal level at the expense of state oversight, and it would consolidate an alphabet soup of existing agencies; if only regulators had been paying more attention during the sneak attack of the mortgage brokers over the past several years. Paulson’s plan is recognition that Wall Street innovation has advanced well beyond the regulators’ abilities to keep up and provide effective oversight, and Paulson’s announcement boosted investor confidence.

The Federal Reserve Launches a Fierce Counter Attack

The Federal Reserve squeezed the monetary trigger hard in an attempt to counter slowing economic growth and the credit crunch that resulted from the sub-prime mortgage debacle on Wall Street. To date, the central bank has reduced its benchmark borrowing target rate by 300 basis points, from 5.25 percent to 2.75 percent, and it doesn’t appear as if it is done yet. To put the Fed’s effort into perspective, the recent 75-basis-point cut in rates, to 2.25 percent, was more than the stimulus it provided in the aftermath of the 9/11 attacks.

Effective Fed Funds Rate

January 2000 – February 2008



The Fed has apparently thrown inflation caution to the wind in its effort to stimulate growth; we are not sure this is sound policy in the current environment of mounting inflationary pressures and an ever-weaker dollar. By just about every measure, monetary policy is very accommodative at the moment. The real Fed Funds rate is minus 1.30 percent (2.25 percent less 3.55 percent inflation as measured by the latest personal consumption expenditure deflator), which is about where it was in early 2004 when the Fed was fueling the housing bubble. A negative real rate means the Fed is paying banks to take money, and it may be trying to force the issue before the current cycle has had time to play itself out.

The Fed has been operating on a broad front, essentially attempting to engage every economic and financial market threat. It has used monetary policy to help combat the credit crisis, the ailing economy, the housing recession, the sub-prime collapse, and the declining stock market. Still, the Fed Funds rate may not be an effective weapon against all of these threats.

There are two major threats at the moment, and each might require a different form of reaction. The economy appears to be posing a run-of-the-mill cyclical slowdown, while the financial markets are suffering through a special problem largely of their own making, which perhaps only time and rebuilding will fix. The Fed, with assistance from Congress, has already laid down a blanket defense of the overall economy through its reduction of short-term interest rates that appears to have been pretty effective so far and probably enough to do the job; any further reduction increases the risk of inflation.

Yet in order to help the troubled banking industry, the Fed keeps pressing ahead on a broad front, again at the risk of over-stimulating the entire economy and again at risk of inflation. Providing facilities solely for those who are hurting is a targeted solution, while an aggressive cut in the Fed Funds rate helps everyone whether they need it or not. The Fed's newly created lending facilities seem to be a prudent move, however, because they are specifically for banks, and they produce less overkill for the economy.

The aggressive interest-rate cuts of the past several months tend to suggest to the markets that the Fed knows something that they don't, which increases uncertainty and undermines confidence; time will tell.

ISM Sends Mixed Signals

The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI) fell to 48.3 in February, thus falling below the expansion/contraction boundary of 50 for manufacturing activity. Oddly enough, the PMI boundary line for expansion and contraction for the overall economy is 41.1, so February PMI indicates that while manufacturing activity is contracting, the overall economy is expanding. The ISM said the average PMI for January and February (at 49.5) corresponds to a 2.6-percent increase in real GDP and that the trend is down. In contrast, the Chicago Purchasing Managers Index rose to 48.2 in March, up from 44.5 in February. These are mixed signals that are hard to read, although the overall feel tends to lean toward softness and caution in corporate boardrooms.

Consumer Spending Slowed in February

Personal consumption expenditures rose a scant 0.1 percent in February, following a revised 0.4-percent gain in January; after adjusting for inflation, spending in February was essentially flat, while January spending rose by only 0.1 percent. Early evidence suggests that spending picked up in March, a month that included the Easter holiday. (Keep in mind that month-to-month movements are more meaningful than year-over-year comparisons because it is the trend that matters.)

Despite Job Losses, the Unemployment Rate Fell to 4.8 percent

The United States economy lost 63,000 non-farm payroll jobs in February, which followed a downwardly revised loss of 22,000 in January. Despite the loss of jobs, the unemployment rate actually fell to 4.8 percent, representing the lowest level since November and much lower than the Street consensus. The unemployment rate may be a better indicator of employment conditions than the actual nominal number of jobs gained or lost because it is comprised mostly of small businesses and self-employed workers, and (perhaps surprisingly, given the number of massive companies in the U.S.) small businesses represent 99.7 percent of all employer firms. In essence, the core of the economy appears to be relatively healthier than it feels at the moment.

Exports Continue to be Strong and Contribute to Overall Economic Growth

The strong demand for U.S. products and services continues apace as the fantastic global economic build-out continues to roll. The weak dollar has helped stimulate foreign demand for U.S. products because it makes them cheaper for foreign buyers relative to their own products. You must remember the scenes of Berliners knocking down the Berlin Wall with sledge hammers in 1989; those sledge hammers knocked the cork out of the bottle, letting the capitalist genie out, and given human nature, we don't see any way he will ever be put back in.

The boom in exports is offsetting weakness in the financial and housing sectors, enabling the economy to stay out of recession by keeping the trade deficit at stable, livable levels. The top U.S. exports included transportation equipment, chemicals, computers and electronic products, machinery (except electrical) and agricultural products.

On the other side of the ledger, the U.S. trade deficit widened 0.6 percent in January as Americans increased imports of high-priced crude oil. Total U.S. imports rose 1.3 percent in January to a seasonally adjusted annual rate of \$206.43 billion, while imports climbed an impressive 1.6 percent to \$148.23 billion. The trade deficit currently stands at \$58.2 billion, which can be counted as peanuts in a \$14 trillion economy.

Interest Rates: A Conundrum – Inflation is Higher, Yet Interest Rates are Lower

Inflation has taken hold, and that fact has not been lost on consumers, businesses or the Federal Reserve. At the same time, interest rates continue to remain low. The Federal Reserve has evidently chosen to accept inflation risk in its attempt to stimulate the economy; over the past several months the central bank has lowered the key federal-funds target rate from 5.25 percent to 2.25 percent.

The personal-consumption expenditure deflator (PCED) increased 0.4 percent in January. No doubt all of those price-pass-along announcements in the final quarter of 2007 are starting to show up at the cash register. The headline pace of consumer inflation now stands at 3.7 percent, representing the highest rate of price increases since September 2005, when hurricane-related supply disruptions temporarily sent prices higher. Unfortunately, these latest price gains, many of which were caused by the rising price of energy, may not prove to be temporary.

Easy money fuels inflation. The easy money prescribed by the Fed to cure the economy is the primary reason why the dollar is falling relative to other currencies – currencies from countries that currently have less stimulative monetary policies in place. (Other countries do not have a sub-prime mortgage securities crisis to offset.) The Fed is in effect creating more dollars per euro and yen, so the value of the dollar naturally declines. More dollars means more dollars chasing the same amount of goods, so the price of the goods goes up. This is particularly true for imports, and in particular and most pertinent for American businesses and consumers, the price of a barrel of oil and its direct consequence: the price of gasoline at the pump.

Creativity at the Fed. In its latest attempt to prop up financial institutions crippled by the sub-prime mortgage foray, the Federal Reserve has created another tool, the Term Securities Lending Facility (TSLF). This facility is designed to alleviate liquidity pressures in the funding market. This latest measure is a coordinated effort by several other central banks, including the Bank of Canada, the Bank of England, the European Central Bank and the Swiss National Bank, and it is designed to lend, through an auction process, up to \$200 billion of Treasury securities for 28 days. Participating banks will pledge securities including “federal agency debt, federal agency residential mortgage-backed securities (MBS), and nonagency AAA/Aaa-rated private-label residential MBS.”

This effort marks the first time the Fed has accepted nonguaranteed MBSs as collateral. This is a novel attempt to solve a novel economic problem. By forming separate facilities, the Fed isn’t stimulating the economy and it isn’t fueling inflationary pressures. Rather, it is providing a facility solely for the benefit of ailing financial institutions: more of a rifle shot, or a targeted solution, as opposed to a broad-based stimulus. We view this as positive because it should help to avoid future bubbles. The market appears to have viewed it positively, as well, because as soon as the facility was announced, stocks registered the largest single-day advance in five years.

Corporate Bond Yields Influenced by the Credit Crunch

The market for auction-rate securities is the latest to seize up. The Fed announced another plan to inject liquidity into the banking system – an extra \$140 billion through auctions of short-term loans to banks. While the number of corporate bond defaults (and likely the risk of defaults) remains low, the high price (coupon and yield) demanded by investors to compensate for the risk they perceive is high. An easy way to measure the perceived risk of corporate bonds is to measure the spread between corporates and risk-free U.S. Treasury securities, which in bond-trader jargon is known as the “spread.” The current spread between AAA-rated corporate bonds and U.S. Treasury bonds of like maturities have widened from near all-time lows in mid-2007 to near-record peaks. Our sense is that corporate balance sheets are in much better shape than investors are giving them credit for, and that corporate bonds represent good relative value and should be considered as prudent investment candidates for conservative portfolios.

Part of the reason for the wide yield spread is that the yield on Treasury securities has fallen so far, which is likely a result of the legendary “flight to quality” that many investors take during times of economic and financial-market discord; this environment will not last forever.

The Stock Market: Lurking Opportunity

Stock-market volatility continues to grab investors’ attention and media headlines. The combination of the credit crunch and a slowing economy has naturally caused uncertainty among investors, which is reflected in the movement of stock prices. The decline in the key stock-market indexes since last summer, while unnerving, has yet to breach the 20-percent boundary line that is the classical definition of a bear market.

2008 Corporate Earnings Expectations

The mean of analyst estimates suggests 12.8-percent earnings growth in 2008. While this is down from the 15.1 percent expected two months ago, it is a bullish assumption considering that 2007 earnings were down only slightly from the peak level of 2006. It’s also extraordinary given that analysts expect earnings to contract in both the first and second quarters of 2008 (though only modestly). Prevailing earnings-growth expectations for 2008 could turn out to be too high, especially in the financials sector, where sub-prime securities danger continues to lurk. Indeed, terrible results in the second half of 2007 for banks drove earnings in the sector down 31 percent for the year from the peak level of 2006. But the anticipated growth of 24 percent in 2008 would restore sector earnings to nearly 80 percent of their peak 2006 levels, which appears to be far too optimistic in light of current credit-market conditions.

Home-Builder Sentiment Versus Stock Prices

The National Association of Home Builders (NAHB) and Wells Fargo publish a monthly index of sentiment among builders of single-family homes. By late 2006, the index had fallen by more than 50 percent to its lowest level in more than a decade. Early in 2007, the readings ticked higher, suggesting stabilization, but recent readings have continued to hit new all-time lows. In any event, during much of this period, the broad stock-market indexes continued to trade within striking distance of their all-time highs. Historically, a weak housing market has taken time to flow through the broader economy and the stock market. Back in 1999–2000, the peak of the NAHB index predated the peak of the S&P 500 by several months. Again in late 2002–early 2003, the NAHB bottomed months before the S&P 500. Current weak housing numbers suggest further stock-market weakness.

Despite the current shakiness of the stock market, many blue-chip stocks have sunk to valuation levels that we believe will prove to be bargains over time, especially in the beaten-down yet recently rebounding retail sector. We thought Value Line put it well in their most recent publication when they wrote, “It takes courage to be a bull on stocks in this environment. However, investing in such uncertain times is often highly rewarding if one is able to look past the valley to the business recovery that lies beyond.” If the Federal Reserve maintains its current blistering pace of monetary stimulation, then that recovery might well prove to be quite strong. The bite that inflation will take out of that eventual rate of growth and accompanying stock market returns is yet to be seen.

Approved List of Common Stocks

April 2008

			3-31-08	2008 Estimate		2009 Estimate		Est EPS			Profit	5-Yr	Debt/	Mid. Cap	Price Change		S&P
S&P 500	Ticker	Status	Price	EPS	P/E	EPS	P/E	Growth	Div	Yield	Margin	ROE	Capital	(Mil)	12-wk	YTD	Rank
S&P 500	SPX	–	\$1,322.70	\$93.92	14.1	\$100.72	13.1	–	\$27.80	2.1%	8.5%	18%	32%	\$95,965	-10%	-9%	–
CONSUMER DISCRETIONARY																	
Bed Bath & Beyond	BBBY	Buy	\$29.50	\$2.09	14.1	\$2.17	13.6	15%	–	0.0%	9.0%	24%	0%	\$7,728	0%	-4%	A
Best Buy	BBY	Buy	\$41.46	\$3.07	13.5	\$3.32	12.5	15%	\$0.46	1.1%	3.8%	24%	15%	\$17,392	-21%	-18%	B+
Kohl's	KSS	Buy	\$42.89	\$3.29	13.0	\$3.75	11.4	15%	–	0.0%	6.6%	17%	25%	\$13,453	-6%	-3%	B+
Lowe's	LOW	Buy	\$22.94	\$1.55	14.8	\$1.75	13.1	15%	\$0.32	1.4%	5.8%	20%	26%	\$33,552	1%	6%	A+
Staples	SPLS	Buy	\$22.11	\$1.51	14.6	\$1.71	12.9	14%	\$0.33	1.5%	5.1%	19%	6%	\$15,499	-4%	-4%	B+
Starbuck's	SBUX	Buy	\$17.50	\$0.96	18.2	\$1.13	15.5	18%	–	0.0%	7.1%	22%	20%	\$12,782	-15%	-12%	B+
McDonald's	MCD	Hold	\$55.77	\$3.20	17.4	\$3.52	15.8	9%	\$1.88	3.4%	10.2%	17%	32%	\$64,227	-5%	-8%	A
Target	TGT	Hold	\$50.68	\$3.55	14.3	\$4.07	12.5	15%	\$0.56	1.1%	4.5%	18%	50%	\$41,492	1%	5%	A+
Williams-Sonoma	WSM	Hold	\$24.24	\$1.49	16.3	\$1.66	14.6	15%	\$0.47	1.9%	5.0%	20%	1%	\$2,571	-6%	-10%	B+
CONSUMER STAPLES																	
Altria Group	MO	Buy	\$22.20	\$4.82	4.6	\$5.34	4.2	7%	\$2.94	13.2%	24.1%	34%	30%	\$46,804	-5%	-3%	A
CVS	CVS	Buy	\$40.51	\$2.48	16.3	\$2.88	14.1	17%	\$0.24	0.6%	3.5%	15%	21%	\$58,005	2%	2%	A
Estee Lauder	EL	Buy	\$45.85	\$2.37	19.3	\$2.65	17.3	12%	\$0.55	1.2%	6.4%	24%	44%	\$8,869	5%	-2%	A
Pepsico	PEP	Buy	\$72.20	\$3.73	19.4	\$4.14	17.4	11%	\$1.50	2.1%	14.3%	34%	20%	\$115,649	-5%	-8%	A+
Proctor & Gamble	PG	Buy	\$70.07	\$3.49	20.1	\$3.90	18.0	12%	\$1.40	2.0%	13.5%	31%	26%	\$215,640	-5%	-10%	A+
Wrigley (Wm) Jr	WWY	Buy	\$62.84	\$2.48	25.3	\$2.73	23.0	10%	\$1.21	1.9%	11.7%	24%	26%	\$17,216	7%	2%	A+
Coca-Cola	KO	Hold	\$60.87	\$3.02	20.2	\$3.31	18.4	9%	\$1.40	2.3%	20.7%	32%	13%	\$141,463	-1%	-5%	A
Walgreen	WAG	Hold	\$38.09	\$2.21	17.2	\$2.48	15.4	15%	\$0.36	1.0%	3.8%	18%	0%	\$37,762	0%	-4%	A+
Walmart	WMT	Hold	\$52.68	\$3.40	15.5	\$3.76	14.0	12%	\$0.95	1.8%	3.4%	21%	34%	\$210,973	11%	4%	A+
ENERGY																	
Chevron	CVX	Buy	\$85.36	\$9.68	8.8	\$9.83	8.7	7%	\$2.32	2.7%	9.2%	26%	7%	\$177,265	-9%	-7%	A
ConocoPhillips	COP	Buy	\$76.21	\$10.40	7.3	\$10.58	7.2	10%	\$1.70	2.2%	6.9%	20%	19%	\$119,002	-14%	-6%	B+
Devon Energy	DVN	Buy	\$104.33	\$8.87	11.8	\$9.11	11.5	6%	\$0.58	0.6%	27.7%	19%	24%	\$46,363	17%	16%	A
Noble	NE	Buy	\$49.67	\$5.94	8.4	\$7.02	7.1	20%	\$0.12	0.2%	40.3%	17%	15%	\$13,344	-12%	-13%	B
Exxon Mobil	XOM	Hold	\$84.58	\$8.25	10.3	\$8.33	10.2	6%	\$1.40	1.7%	11.3%	31%	6%	\$452,505	-10%	-7%	A+
FINANCIALS																	
Capital One Financial	COF	Buy	\$49.22	\$5.65	8.7	\$6.58	7.5	11%	\$0.46	0.9%	17.8%	16%	61%	\$18,358	4%	-3%	A
JP Morgan	JPM	Buy	\$42.95	\$3.49	12.3	\$4.28	10.0	9%	\$1.52	3.5%	21.5%	11%	65%	\$145,881	-2%	-7%	B
U.S. Bancorp	USB	Buy	\$32.36	\$2.58	12.5	\$2.84	11.4	8%	\$1.65	5.1%	31.2%	22%	77%	\$55,975	2%	1%	A
Wells Fargo	WFC	Buy	\$29.10	\$2.46	11.8	\$2.76	10.5	10%	\$1.21	4.2%	20.5%	19%	68%	\$95,937	-4%	-3%	A
Aflac	AFL	Hold	\$64.95	\$3.91	16.6	\$4.48	14.5	15%	\$0.86	1.3%	10.6%	17%	14%	\$30,835	4%	-0%	A
Goldman Sachs	GS	Hold	\$165.39	\$16.60	10.0	\$20.70	8.0	12%	\$1.40	0.8%	13.2%	23%	79%	\$65,347	-23%	-21%	A
Morgan Stanley	MS	Hold	\$45.70	\$5.66	8.1	\$6.63	6.9	12%	\$1.08	2.4%	3.0%	17%	86%	\$50,480	-14%	-21%	B+
SLM Corp	SLM	Hold	\$15.35	\$1.75	8.8	\$2.02	7.6	12%	\$0.87	5.7%	-43.0%	49%	96%	\$7,162	-24%	-3%	B

Approved List of Common Stocks

April 2008

			3-31-08	2008 Estimate		2009 Estimate		Est EPS			Profit	5-Yr	Debt/	Mid. Cap	Price Change		S&P	
	Ticker	Status	Price	EPS	P/E	EPS	P/E	Growth	Div	Yield	Margin	ROE	Capital	(Mil)	12-wk	YTD	Rank	
HEALTHCARE																		
Abbott Labs	ABT	Buy	\$55.15	\$3.22	17.1	\$3.60	15.3	12%	\$1.34	2.4%	13.9%	21%	35%	\$85,248	-2%	-5%	A	
Johnson & Johnson	JNJ	Buy	\$64.87	\$4.43	14.6	\$4.67	13.9	7%	\$1.66	2.6%	17.3%	28%	14%	\$183,751	-3%	-7%	A+	
Medtronic	MDT	Buy	\$48.37	\$2.55	19.0	\$2.96	16.3	14%	\$0.50	1.0%	22.8%	23%	34%	\$54,321	-4%	-2%	A	
Stryker	SYK	Buy	\$65.05	\$2.88	22.6	\$3.43	19.0	19%	\$0.33	0.5%	16.4%	22%	0%	\$26,748	-13%	-13%	A+	
Wellpoint	WLP	Buy	\$44.13	\$5.75	7.7	\$6.50	6.8	14%	–	0.0%	5.5%	12%	28%	\$23,916	-50%	-20%	NR	
Amgen	AMGN	Hold	\$41.78	\$4.18	10.0	\$4.51	9.3	10%	–	0.0%	21.4%	15%	34%	\$45,441	-10%	-2%	B+	
Pfizer	PFE	Hold	\$20.93	\$2.39	8.8	\$2.54	8.2	4%	\$1.19	5.7%	17.0%	12%	10%	\$141,508	-8%	-2%	B+	
INDUSTRIALS																		
Danaher	DHR	Buy	\$76.03	\$4.36	17.4	\$4.93	15.4	13%	\$0.12	0.2%	11.0%	18%	27%	\$24,200	-13%	-16%	A+	
Emerson Electric	EMR	Buy	\$51.46	\$3.02	17.0	\$3.34	15.4	14%	\$1.13	2.2%	9.5%	21%	26%	\$40,511	-9%	-10%	A	
Eaton Corp	ETN	Buy	\$79.67	\$7.75	10.3	\$9.00	8.9	13%	\$1.79	2.2%	7.4%	20%	32%	\$11,672	-18%	-17%	B+	
Illinois Tool Works	ITW	Buy	\$48.23	\$3.56	13.5	\$3.98	12.1	12%	\$1.05	2.2%	11.3%	18%	17%	\$25,413	-10%	-8%	A+	
L-3 Communications	LLL	Buy	\$109.34	\$6.57	16.6	\$7.34	14.9	21%	\$1.05	1.0%	5.4%	12%	43%	\$13,383	3%	0%	A	
General Electric	GE	Hold	\$37.01	\$2.43	15.2	\$2.70	13.7	11%	\$1.18	3.2%	13.2%	19%	73%	\$369,570	-0%	-11%	A+	
INFORMATION TECHNOLOGY																		
Autodesk	ADSK	Buy	\$31.48	\$2.17	14.5	\$2.56	12.3	16%	\$0.06	0.0%	16.4%	32%	0%	\$7,269	-37%	-38%	B	
Cisco Systems	CSCO	Buy	\$24.09	\$1.54	15.6	\$1.70	14.2	14%	–	0.0%	21.0%	21%	17%	\$143,600	-11%	-10%	B+	
Citrix Systems	CTXS	Buy	\$29.33	\$1.63	18.0	\$2.03	14.4	16%	–	0.0%	15.4%	16%	0%	\$5,435	-23%	-13%	B+	
Ebay	EBAY	Buy	\$29.84	\$1.66	18.0	\$1.88	15.9	17%	–	0.0%	4.5%	10%	0%	\$39,626	-10%	-21%	B	
Hewlett-Packard	HPQ	Buy	\$45.66	\$3.52	13.0	\$3.92	11.6	14%	\$0.32	0.7%	7.0%	12%	12%	\$112,566	-10%	-5%	B+	
Int'l Business Mach	IBM	Buy	\$115.14	\$8.25	14.0	\$9.28	12.4	10%	\$1.60	1.4%	10.5%	30%	45%	\$159,392	7%	5%	A	
Oracle	ORCL	Buy	\$19.56	\$1.27	15.4	\$1.45	13.5	15%	–	0.0%	23.7%	32%	23%	\$100,472	-13%	-17%	B	
Microsoft	MSFT	Buy	\$28.38	\$1.87	15.2	\$2.11	13.5	12%	\$0.43	1.5%	27.5%	24%	0%	\$264,132	-20%	-24%	B+	
Texas Instruments	TXN	Buy	\$28.27	\$1.97	14.4	\$2.20	12.9	15%	\$0.36	1.3%	19.1%	18%	0%	\$37,495	-15%	-10%	B+	
Adobe Systems	ADBE	Hold	\$35.59	\$1.89	18.8	\$2.14	16.6	15%	\$0.03	0.0%	22.9%	26%	11%	\$20,249	-17%	-21%	B+	
Accenture	ACN	Hold	\$35.17	\$2.55	13.8	\$2.77	12.7	14%	\$0.42	1.2%	5.8%	64%	0%	\$26,829	-2%	-2%	NR	
Fiserv	FISV	Hold	\$48.09	\$3.42	14.1	\$4.06	11.8	18%	–	0.0%	10.4%	18%	66%	\$7,907	-13%	-5%	B+	
Linear Technology	LLTC	Hold	\$30.69	\$1.68	18.3	\$1.85	16.6	15%	\$0.75	2.4%	38.0%	27%	–	\$6,781	-4%	-13%	A	
Western Union	WU	Hold	\$21.27	\$1.27	16.7	\$1.44	14.8	12%	\$0.04	0.2%	17.5%	–	–	\$15,945	-12%	-14%	NR	
MATERIALS																		
Materials SPDR	XLB	Buy	\$40.17	\$2.76	–	\$3.05	–	–	\$0.89	2.2%	–	–	–	\$1,212	-4%	-2%	NR	
TELECOMMUNICATIONS																		
Vanguard ETF	VOX	Buy	\$61.88	\$2.53	–	\$3.27	–	–	\$2.00	3.2%	–	–	–	\$155	-18%	-18%	NR	
UTILITIES																		
Utilities SPDR	XLU	Buy	\$37.94	\$2.56	–	\$2.81	–	–	\$1.16	3.1%	–	–	–	\$1,958	-10%	-11%	NR	