

Health Care Sector Update

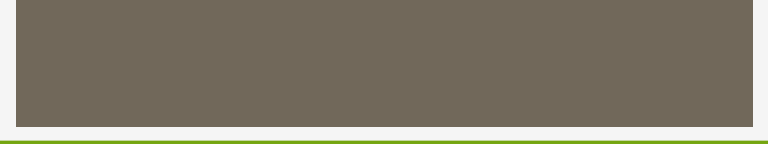


Divisions of the Sector

- biotechnology
- health care distributors
- health care equipment
- health care facilities
- health care services
- health care supplies
- health care technology*
- Life sciences Tools & services
- managed health care*
- pharmaceuticals

Our Holdings

- BMY – Pharmaceutical
- TEVA – Pharmaceutical
- CELG – Bio technology



Performance Measures vs. S&P

S&P YTD Returns

- S&P Index = (6.64%)
- S&P Healthcare = 2.89%
- BMY = 21.18%
- TEVA = (31.48%)
- CELG = 6.70%

S&P 3 Month Returns

- S&P Index = (8.32%)
- S&P Health Care = (6.32%)
- BMY = 8.18%
- CELG = 7.37%
- TEVA = (24.44%)

Ranking against Other Sectors

- YTD Health Care is #3 behind Utilities and Consumer Staples

5 Year Beta

- Health Care = 0.7
- Biotechnology = 0.5
- Pharmaceutical = 0.6

Outlook

- Political reform will not affect us
- Consumption is biggest contributor to GDP
- Healthcare has been rising every quarter as a percentage of consumption

Where we want to be

- Risk averse
- Low volatility
- High dividend

Ideal Securities in the Sector

Company	Dividend Yield
BMY	4.3%
J&J	3.7 %
LLY	5.4%
ABT	3.8%

- These companies have robust pipelines in late stages of testing
- This represents significant upside

Weighting vs. S&P

- Overweight by 1 to 1.5%
 - Low beta = 0.7
 - Growing health care consumption
 - High dividends
 - Hedge risk against S&P by overweighting slightly