

TOP STOCKS AND THEMES FOR 2014

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CAPITALIST TIMES

LIFELONG INCOME PORTFOLIO: GOALS AND STRATEGY

- BUY AND HOLD TO COLLECT DIVIDENDS
- DIVERSIFY AND BALANCE TO LIMIT RISK
- DIVIDEND GROWTH = CURE FOR INFLATION AND CREDIT RISK
- FOCUS ON BUSINESS, NOT INTEREST RATES
- BUY LOW BUT DON'T TRY TO PICK BOTTOMS
- TAKE PROFITS BUT DON'T TRY TO PICK TOPS

WEALTH BUILDERS PORTFOLIO: GOALS AND STRATEGY

- Generate total returns that beat the S&P 500.
- “Top-Down” strategy focused on evaluating the macro environment, prospects for market sectors and then choosing stocks.
- More aggressive and active than the Lifelong Income Portfolio.
- Growth focus doesn’t mean we ignore dividends – focused on total return.

10 YEARS OF TREASURY YIELDS



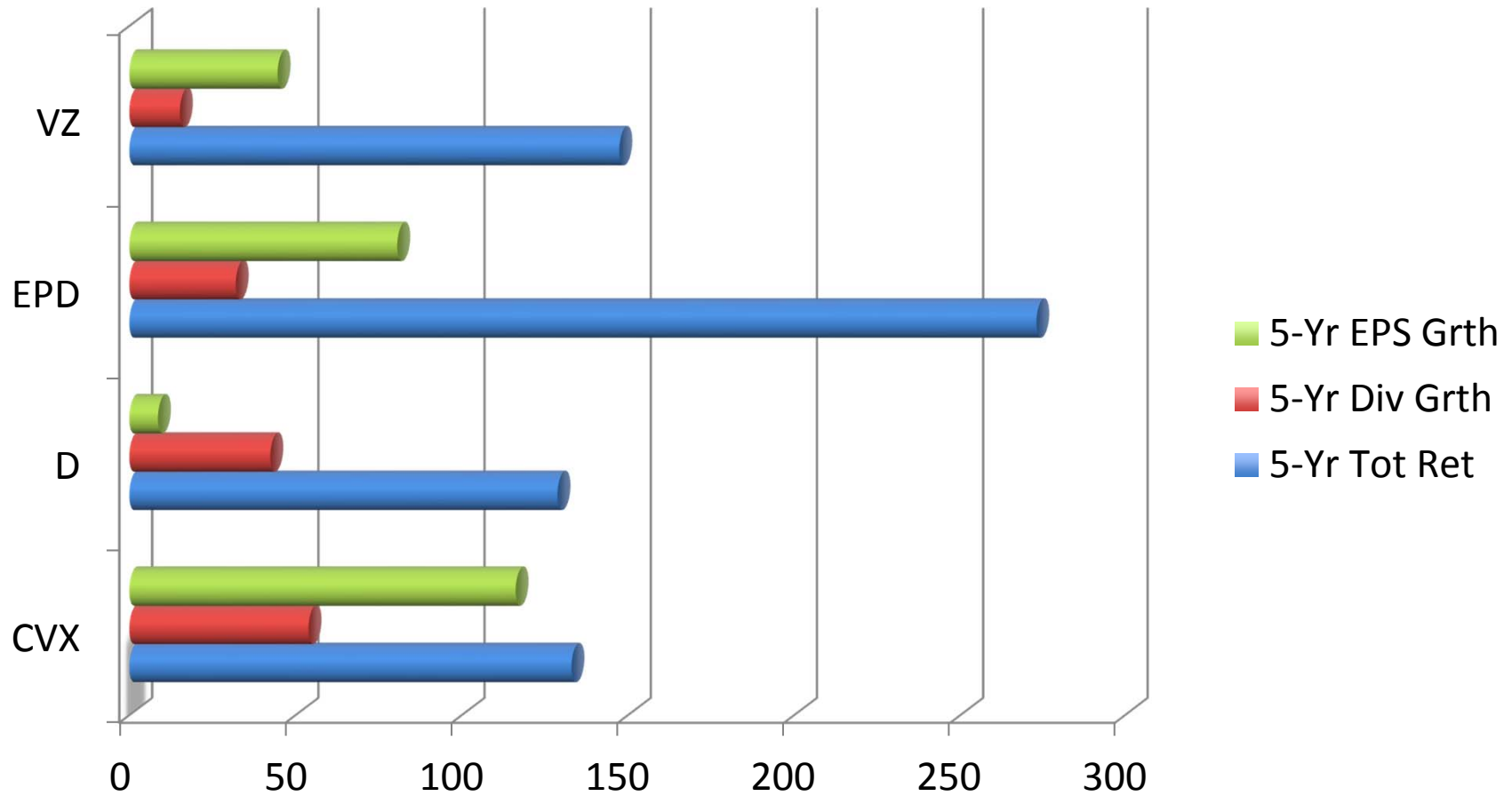
CORRELATIONS REAL & FALSE

INDEX	R2 S&P 500	R2 10-YEAR TREASURY YIELD
ALERIAN MLP INDEX	0.407	0.060
DOW UTILITY AVERAGE	0.365	0.001
S&P 500	1.000	0.261
XOI SUPER OILS	0.831	0.222
S&P 500 TELECOM SVC	0.398	0.035
S&P TSX ENERGY INDEX	0.661	0.219

UTILITIES VS S&P 500



DIVIDEND GROWTH FUELS RETURNS



SOUTHERN COMPANY (NYSE: SO): CAPEX IS GOOD

BUSINESS = REGULATED ELECTRICITY

KEY STATES = GA, AL, FL, MS

YIELD = 4.9%

5 YEAR DIV GROWTH = 20.8%

CAPEX PAST THREE YEARS = \$14.4 BIL

PROJECTED 3 YEAR CAPEX = \$17.5 BIL

PAYOUT RATIO = 74.5%

FUEL SOURCES = NAT GAS (42%), COAL (38%), NUCLEAR (18%), HYDRO (2%)

KEY RISKS:

1. KEMPER PLANT COST OVERRUNS NOW ACCOUNTED FOR
2. VOGTLE PLANT ON TRACK AND PAID FOR AS WORK COMPLETED
3. RATE CASE IN GEORGIA

NEXT EARNINGS OCT 30

INSIDERS RAISE HOLDINGS 8.84%



CONSOLIDATED COMMUNICATIONS (NSDQ: CNSL): SQUEEZING THE SHORTS

KEY BUSINESS: BROADBAND
TELECOMMUNICATIONS

KEY MARKETS: RURAL AREAS, SMALL
TOWN USA

YIELD = 8.7%

DIVIDEND GROWTH = 0.0%

PAYOUT RATIO = 60.9% OF FREE CASH
FLOW

WIRELINE DIV CUTS = 8 LAST 3 YEARS

BROADBAND 98% OF ACCESS LINES

SERVES 42% MARKETABLE HOMES
WITH DIRECT FIBER/HYBRID FIBER

WIRELESS BACKHAUL = 776 FIBER TO
THE TOWERS

VERIZON WIRELESS PARTNERSHIPS

TRAD BUSINESS <15% OF REVS

REVENUE STABILITY

SHORTS DAYS TO COVER = 10.2

NEXT EARNINGS NOV 7



BHP BILLITON (NYSE: BHP): RESOURCE WONDER FROM DOWN UNDER

BUSINESS: GLOBAL DIVERSIFIED
NATURAL RESOURCE PRODUCER

DIVIDEND YIELD = 3.5%

5-YEAR DIVIDEND GROWTH = 43.9%

PAYOUT RATIO = 56.7%

CREDIT RATING = A+ (STABLE)

INFLATION HEDGE

1. RESOURCE PRICES KEEP UP
2. DIVIDEND BASE IS AUD

TWO WAYS TO BUY

1. LOCAL SYMBOL ASX: BHP
2. NYSE ADR = 2 LOCAL SHARES

FALL FROM THE HIGH = -32.3%

KEY RISKS:

1. EMERGING ASIAN ECONOMIES
2. RESOURCE NATIONALISM
3. EXECUTING STRATEGY

INSIDERS ADD 51.5% TO HOLDINGS

NEXT EARNINGS FEB 20



KINDER MORGAN ENERGY PARTNERS (NYSE: KMP): MLP BARGAIN

5 GROWING ENERGY MIDSTREAM BUSINESS LINES

VIRTUALLY ALL FEE-BASED

DIVIDEND YIELD = 6.7%

5-YEAR DIVIDEND GROWTH = 33.3%

COVERAGE RATIO = 1.02-TO-1

30 YEAR DEBT YIELD TO MATURITY = 5.6%

INSIDERS ADD 4.6% TO HOLDINGS

KEY RISKS:

1. CO2 DIVISION HAS SOME COMMODITY PRICE EXPOSURE
2. EXECUTION OF MULTIPLE PROJECTS
3. HEDGEYE CRITICISM OF CAPEX POLICY IS OVERSTATED

IDR STRUCTURE STILL ALLOWS FOR SUFFICIENT GROWTH

NEXT EARNINGS OCT 16



WHAT TO AVOID

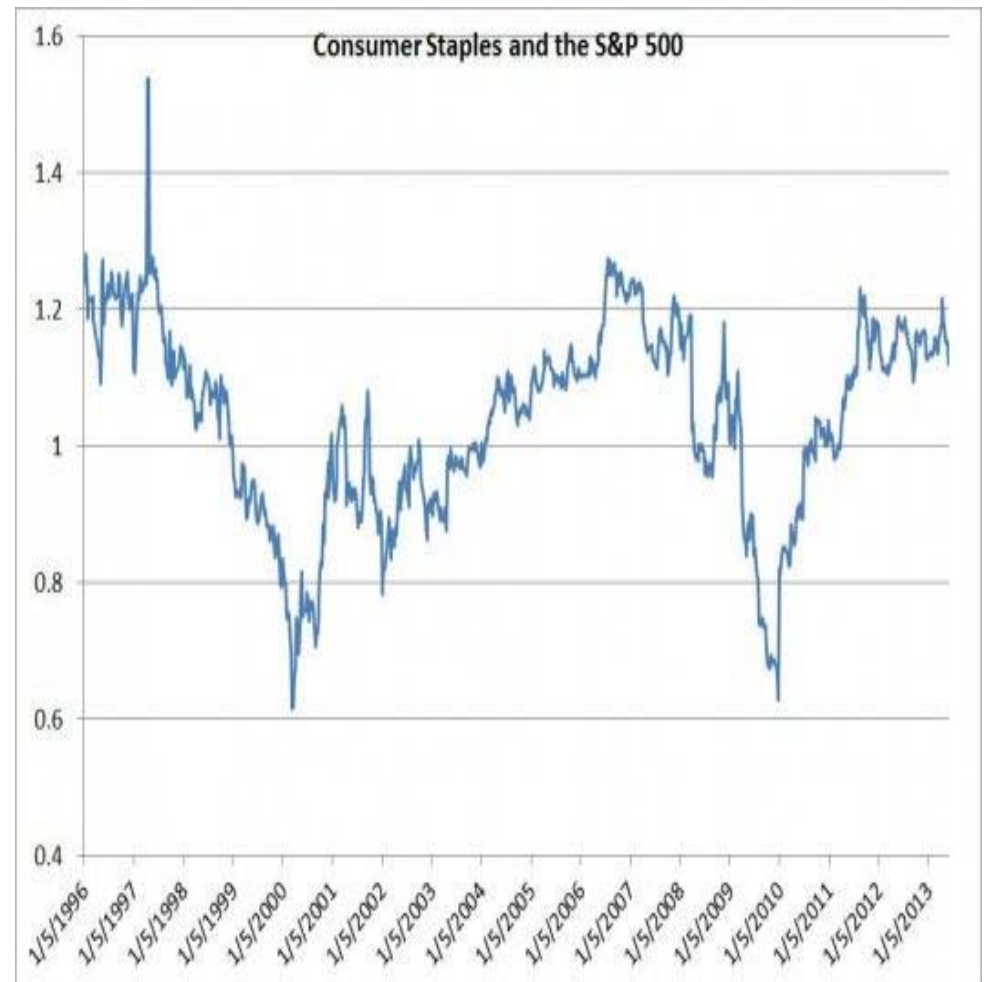
- INCOME WITHOUT GROWTH POTENTIAL
- BLACK BOXES = MOST M-REITS, CLOSED-END BOND FUNDS, COMPLEX STRUCTURES
- BONDS IN A SELLER'S MARKET = DON'T SACRIFICE SAFETY FOR YIELD
- SWEET YIELDS CAN BRING SOUR CONSEQUENCES

Capitalist Times Premium

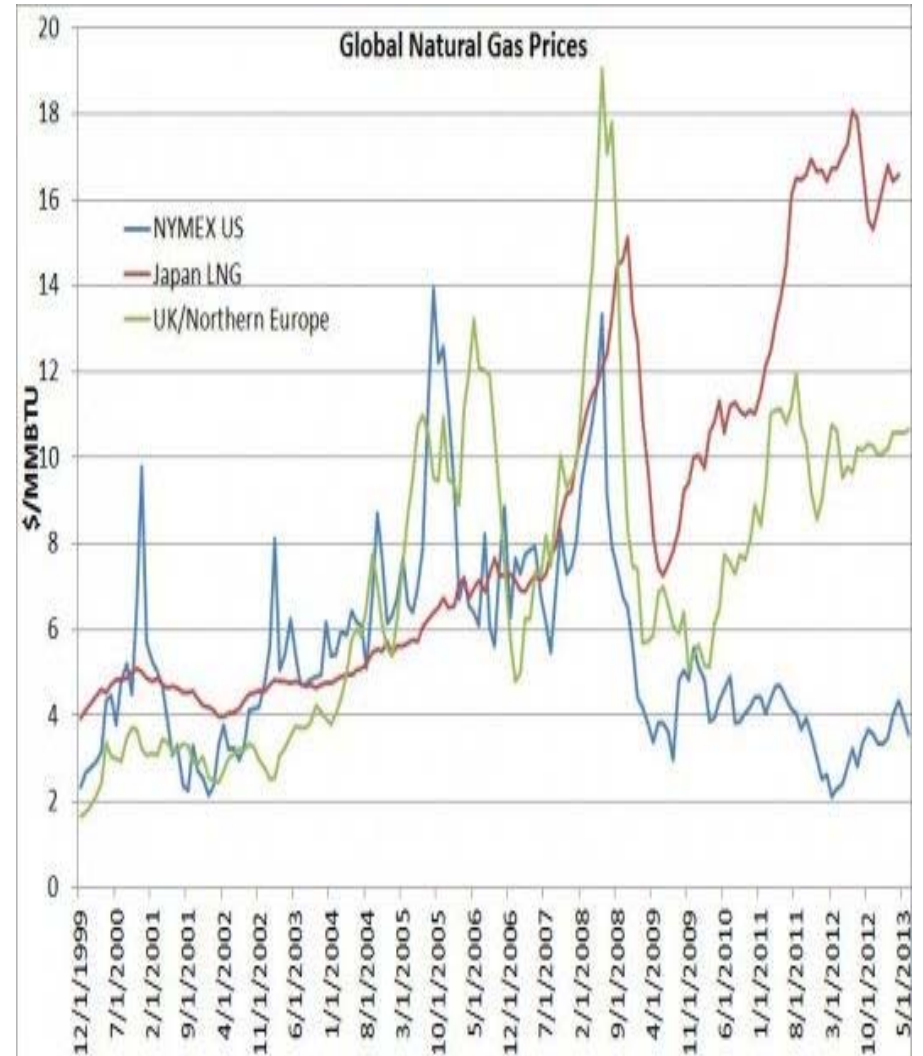
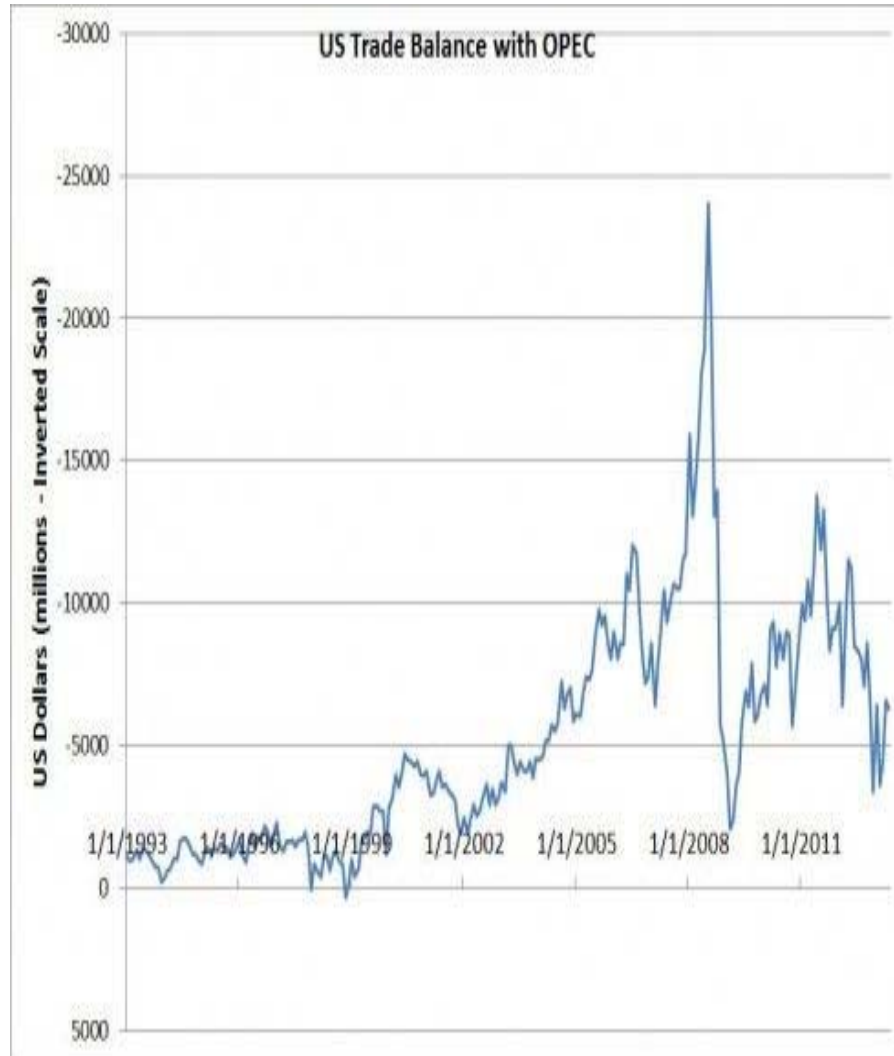
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The Great Rotation

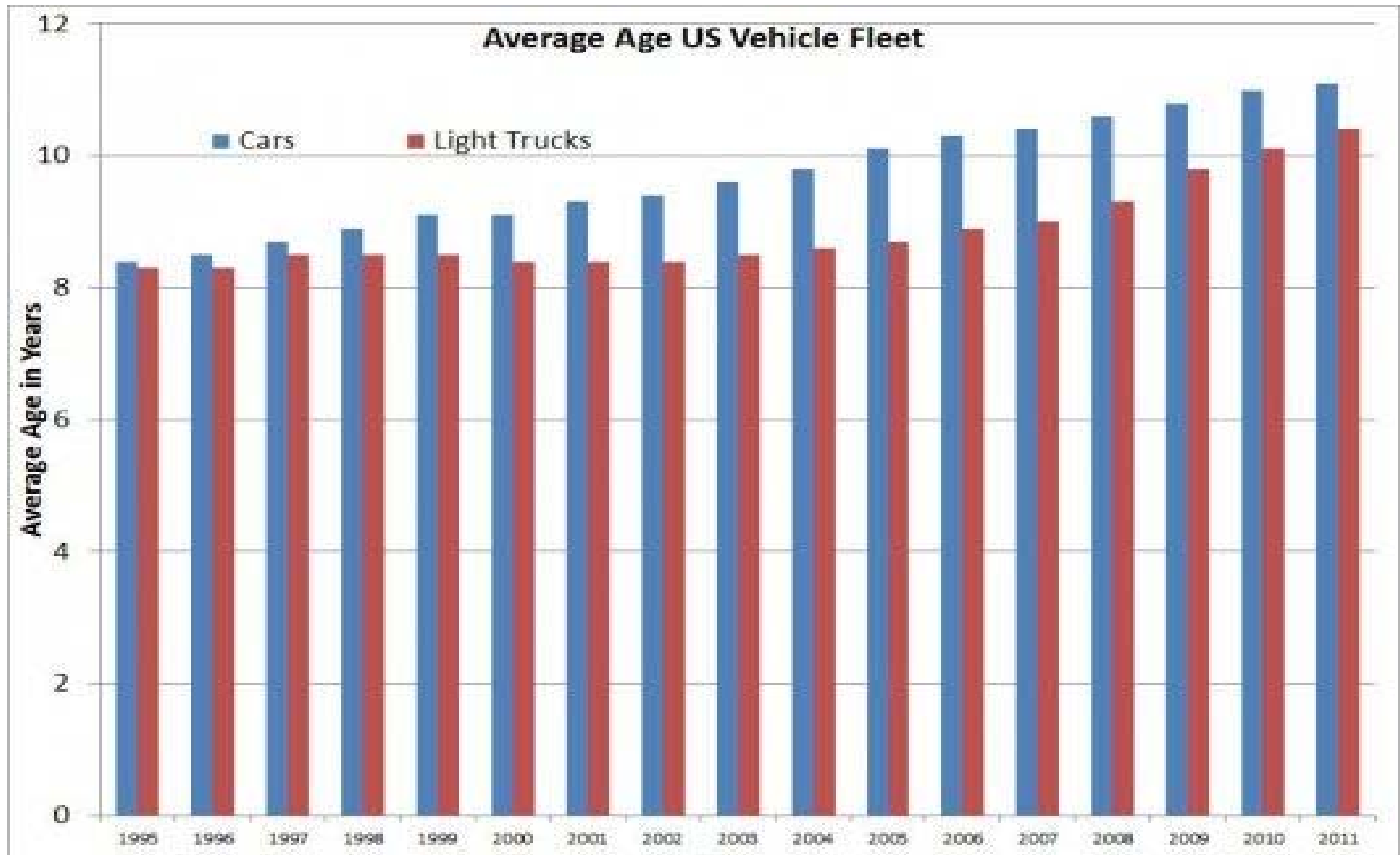
- Defensive market groups like consumer staples are expensive as investors focus on low volatility.
- More cyclical groups like industrials, technology and energy are cheap.
- Economic growth and gradual rise in rates to prompt a rebalancing.



America's Industrial Renaissance: Energy Independence



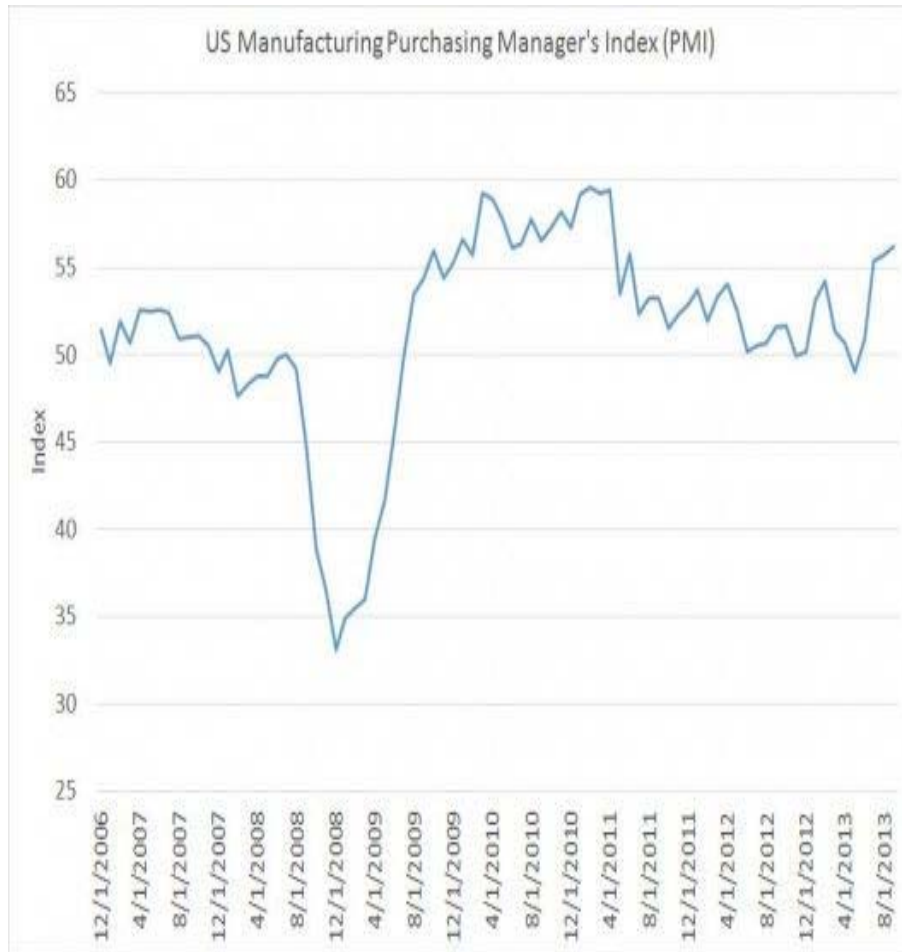
Average Age of US Vehicle Fleet



BorgWarner (NYSE: BWA)

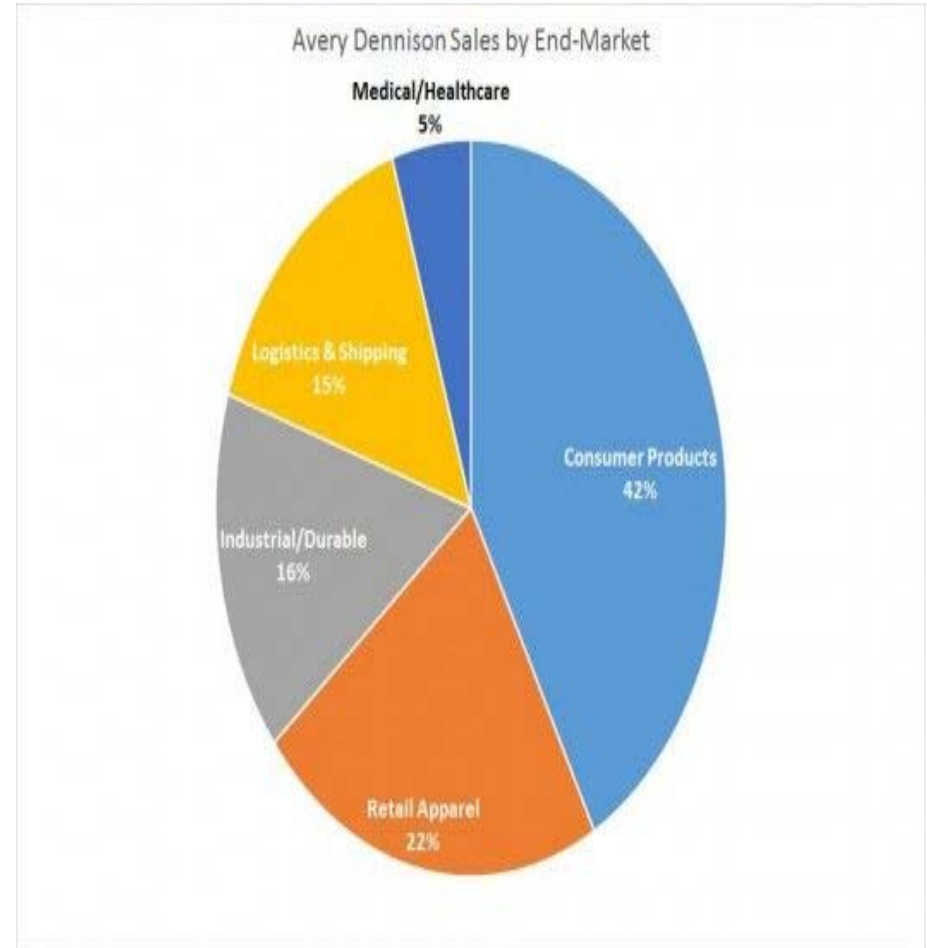
- Manufactures engine and drive train components.
- US and Europe account for 75 percent of sales.
- Specializes in parts and components that boost a car's fuel efficiency.
- For example, turbochargers can squeeze more power out of a smaller engine, boosting efficiency by 30%.
- Dual-Clutch transmission technology becoming an industry standard in the US and boosts efficiency by as much as 15%.
- Buy under \$105.

US Economy is Improving



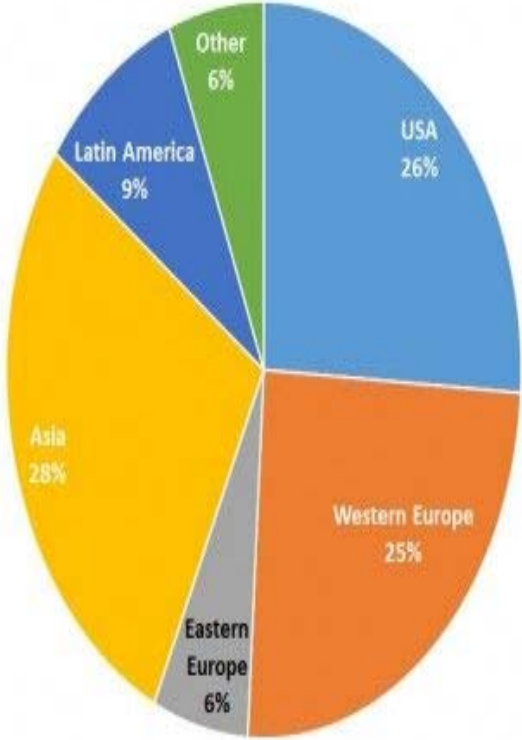
Avery Dennison (NYSE: AVY)

- Pressure-Sensitive Materials includes labels used on bottles, cans and shipping labels for the US post office.
- PSM accounts for three-quarters of AVY's business and has twice the market share of nearest competitor.
- Retail branding and information solutions (RBIS) makes RFID tags and equipment.
- Has been buying back stock and hiked its dividend 7.5 percent this year to yield 2.7%.



Avery Dennison Benefits from EU Recovery

Avery Dennison Revenue by Geography



Avery Dennison Corp (NYSE: AVY), Price to Forward Sales*



*Based on Bloomberg Consensus Estimate.



Thank You

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