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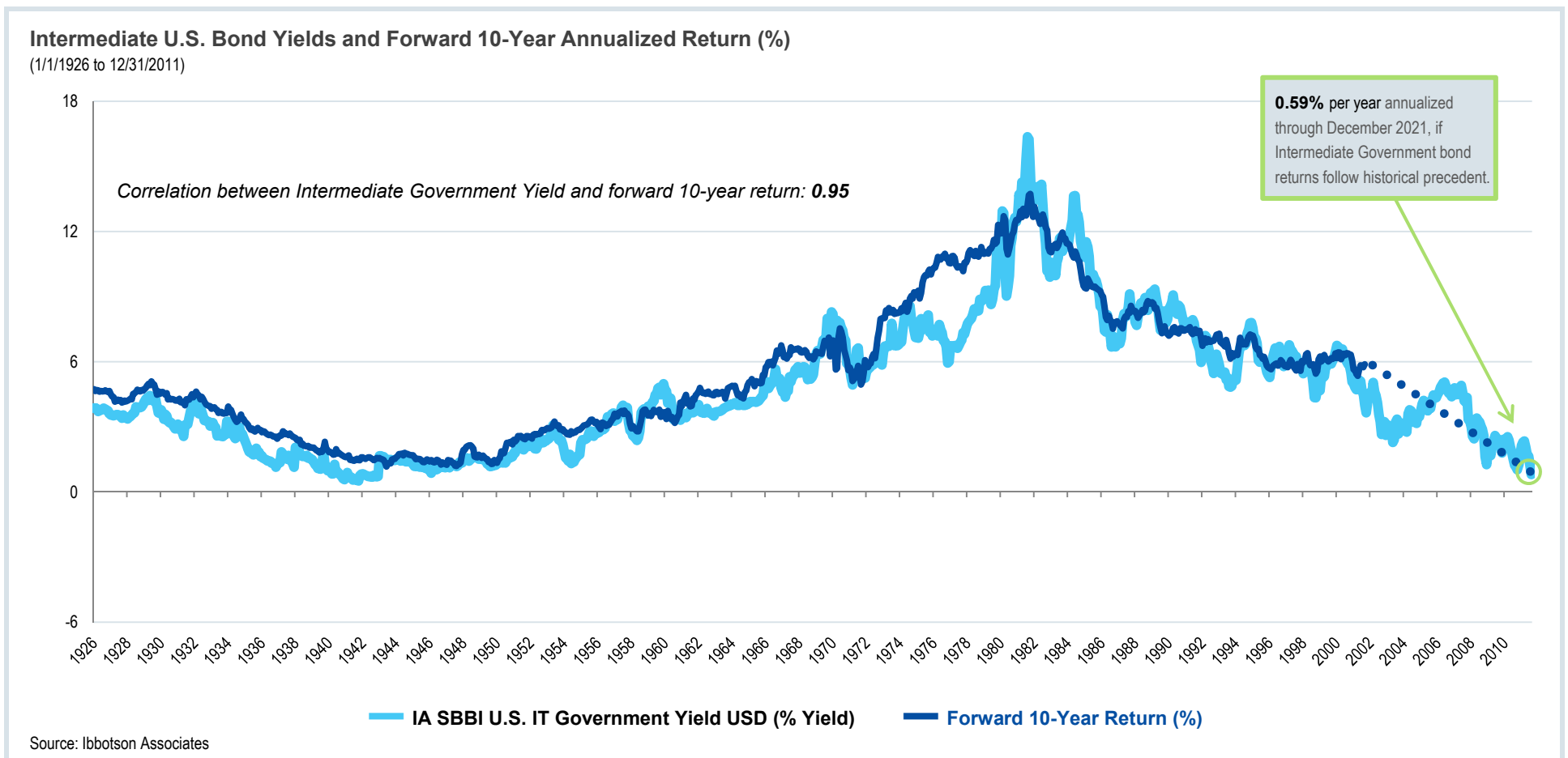
OShaughnessy
ASSET MANAGEMENT

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OSAM Research:
Dividend Opportunities
WINTER 2012

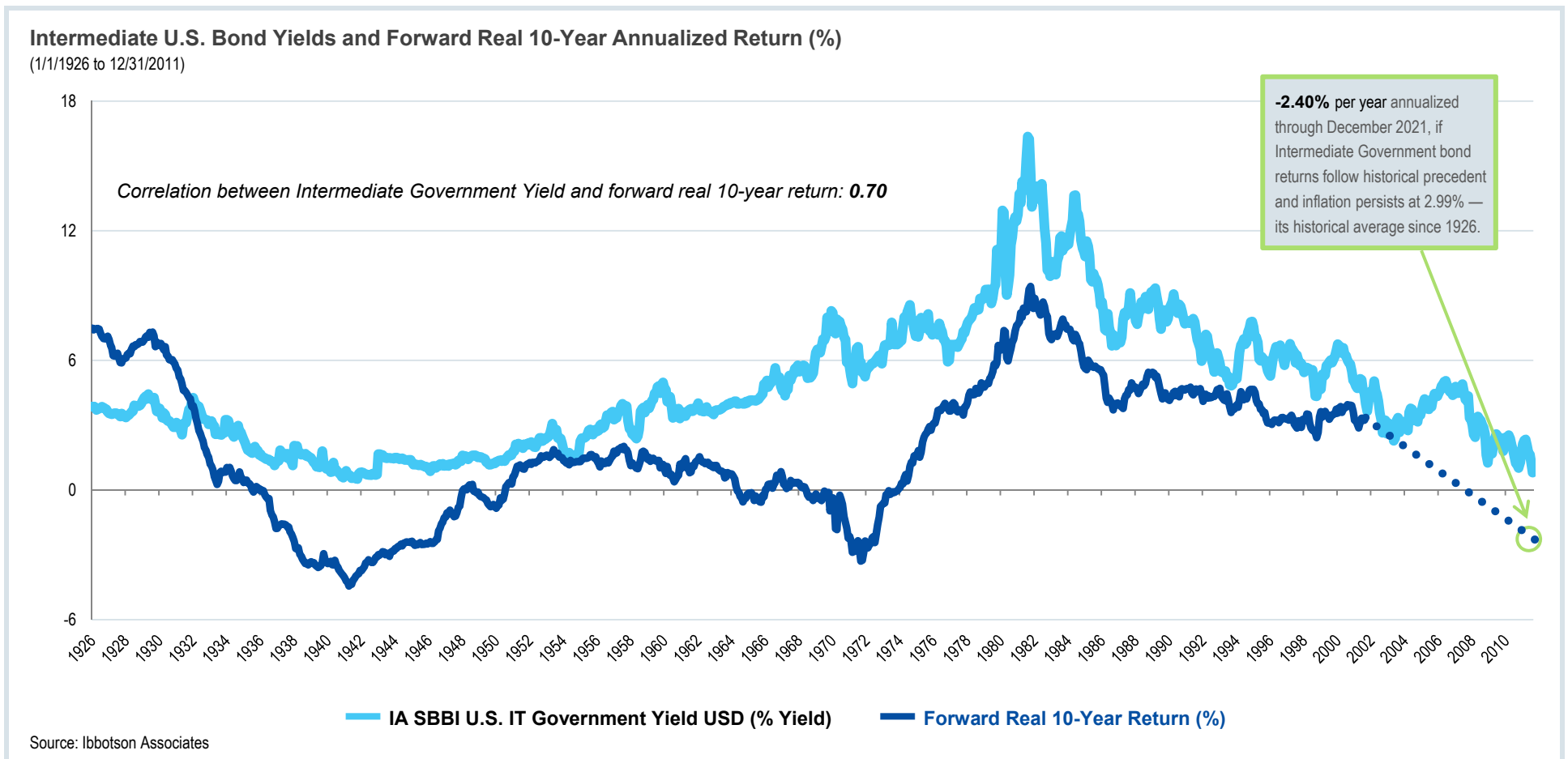
What Current Yields Tell Us About Future Returns

- Yields have historically been an excellent indicator of the forward 10-year returns on government bonds.
- With government yields at 50-year lows, historical precedent does not bode well for future bond returns.



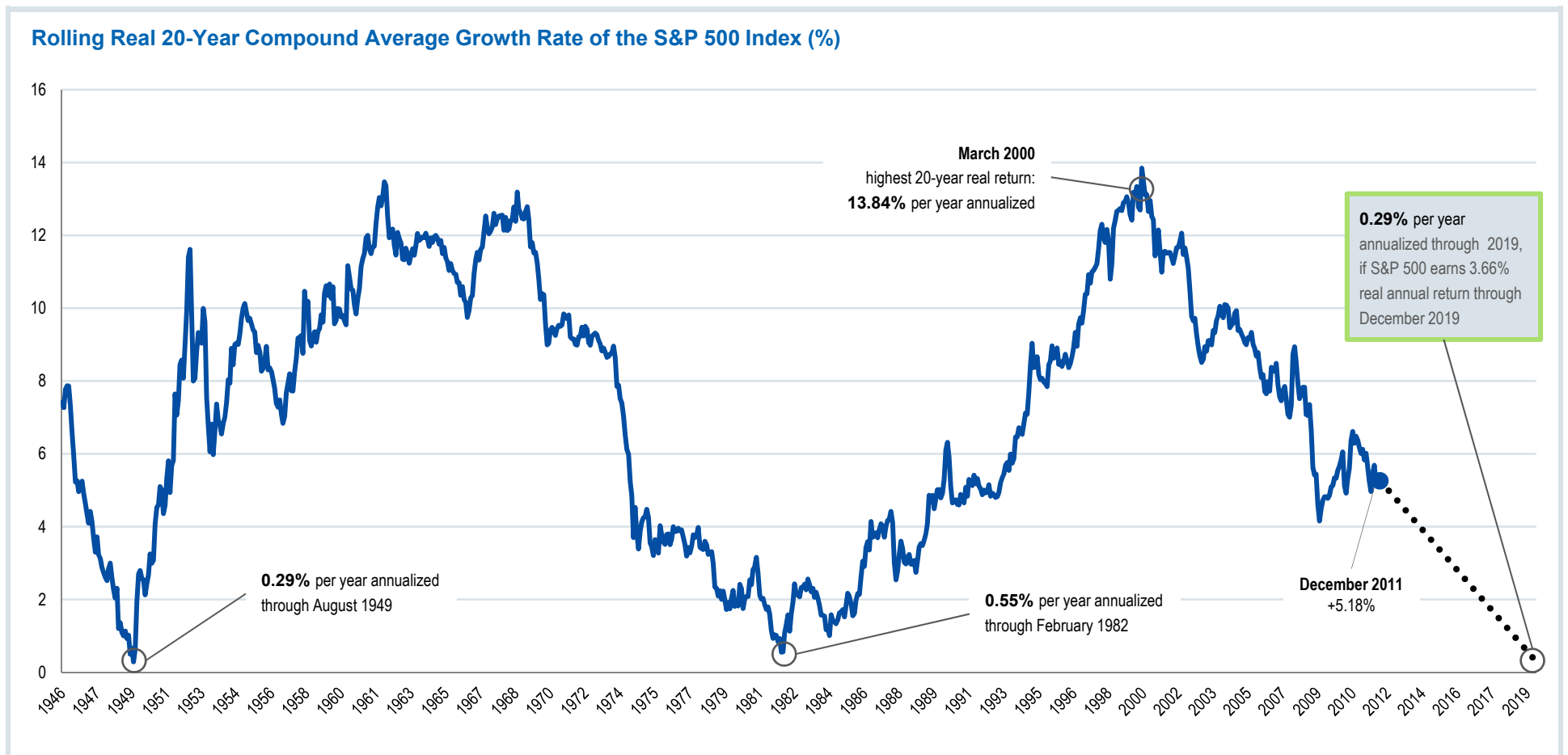
What Current Yields Tell Us About Future Returns

Inflation further erodes fixed income returns:



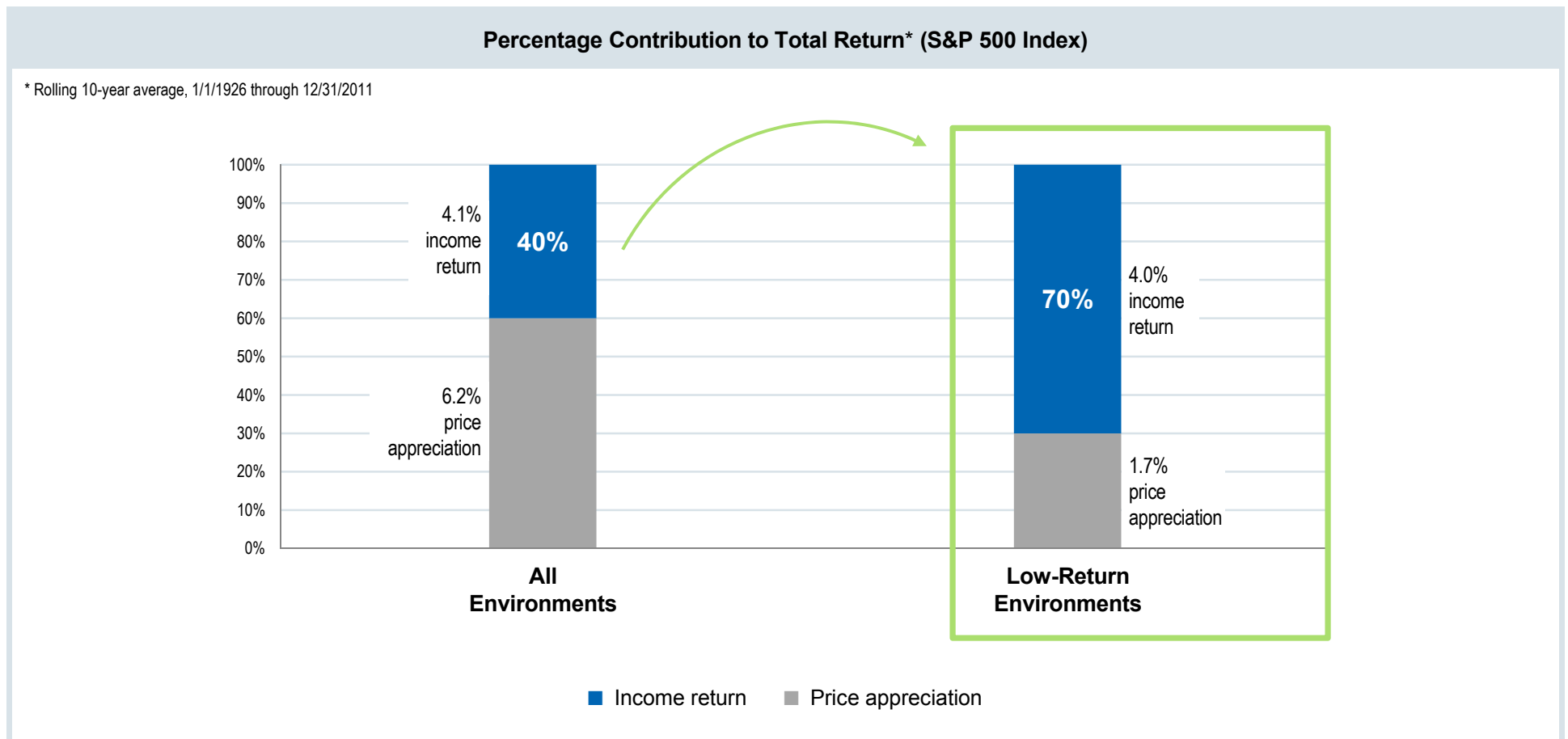
Expanding our Horizons

If the S&P 500 compounds at 3.66 percent per year (after inflation) for the next 8 years, the 20-year period ending in 2019 would be equal to the worst 20-year period encompassing the Great Depression:



I Importance of Dividend Yield in Low-Return Environments

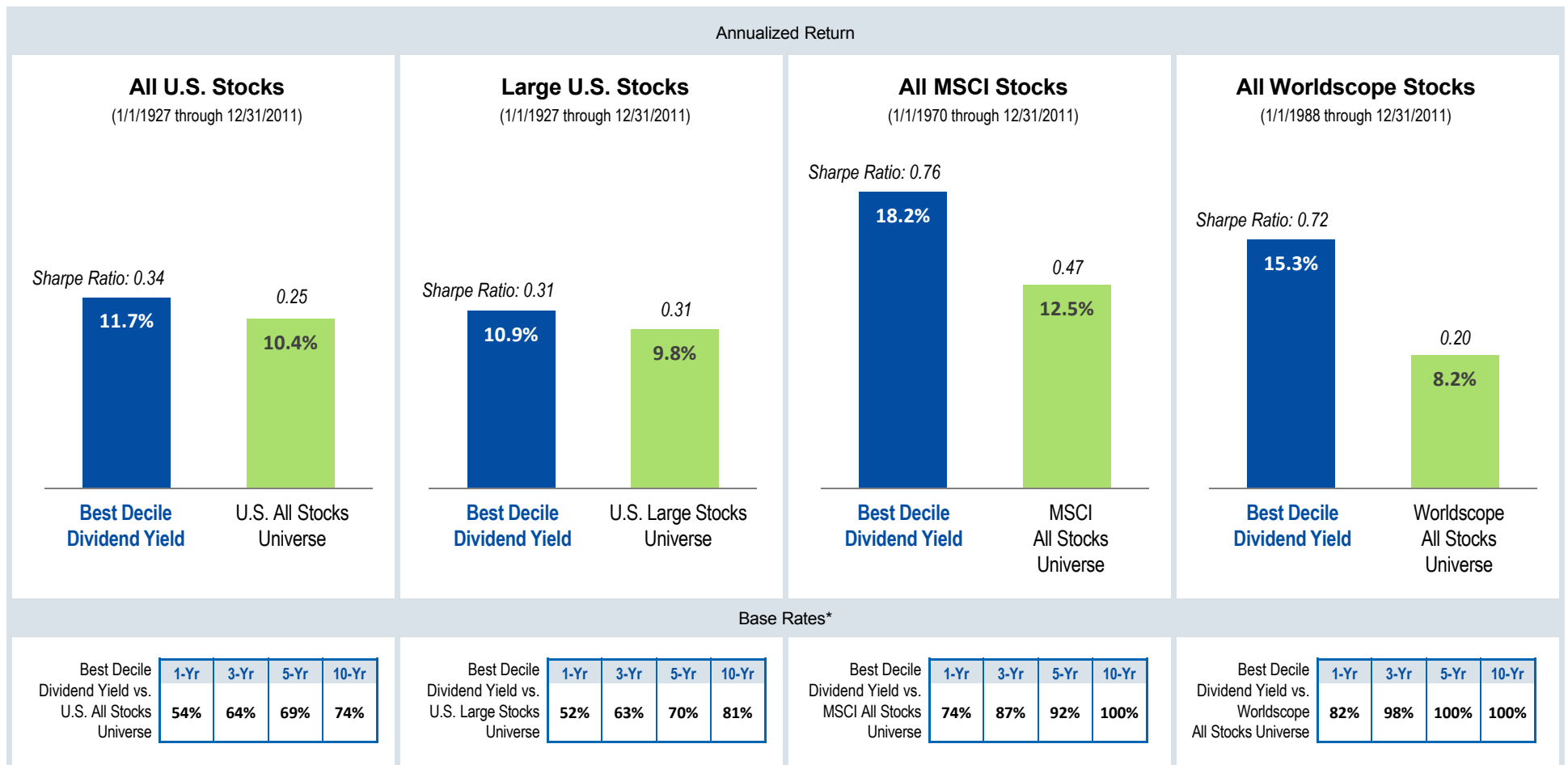
Dividend yield is an increasingly important contributor in low-return environments:



Source: Ibbotson Associates

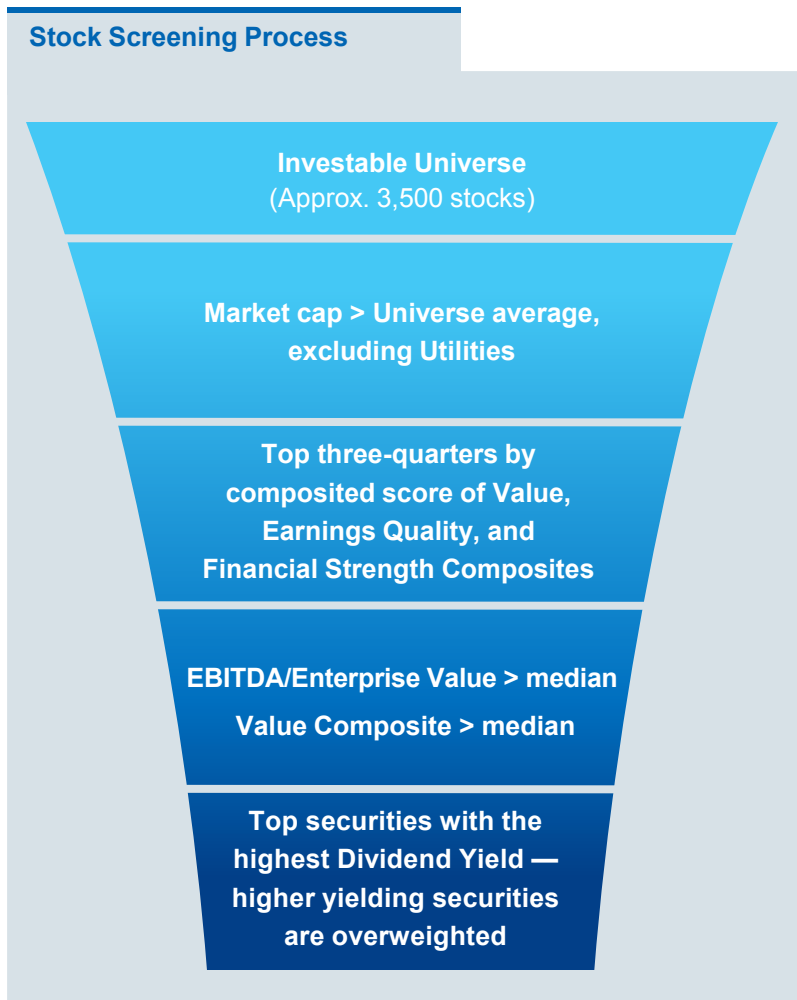
I The Efficacy of Dividend Yield

Dividend yield is a powerful factor that historically has outperformed through market cycles and across geographic regions:



* Base rate are a batting average for how often a strategy beats its benchmark over certain rolling time periods.

I O'Shaughnessy Enhanced Dividend®: Strategy Buy Discipline



O'Shaughnessy Enhanced Dividend generally seeks to provide long-term growth and income by investing in stocks with high dividends. First, we screen for stocks with market capitalizations greater than average and exclude Utilities. We then screen for Value, Earnings Quality, and Financial Strength. Stocks are also screened for above average EBITDA/Enterprise Value and Value Composite scores. From the remaining securities, we select stocks with the highest dividend yields.

Weighting the Securities:

The strategy's final ranking factor for security selection is dividend yield. Securities with the highest dividend yield are given the greatest weight in the portfolio.

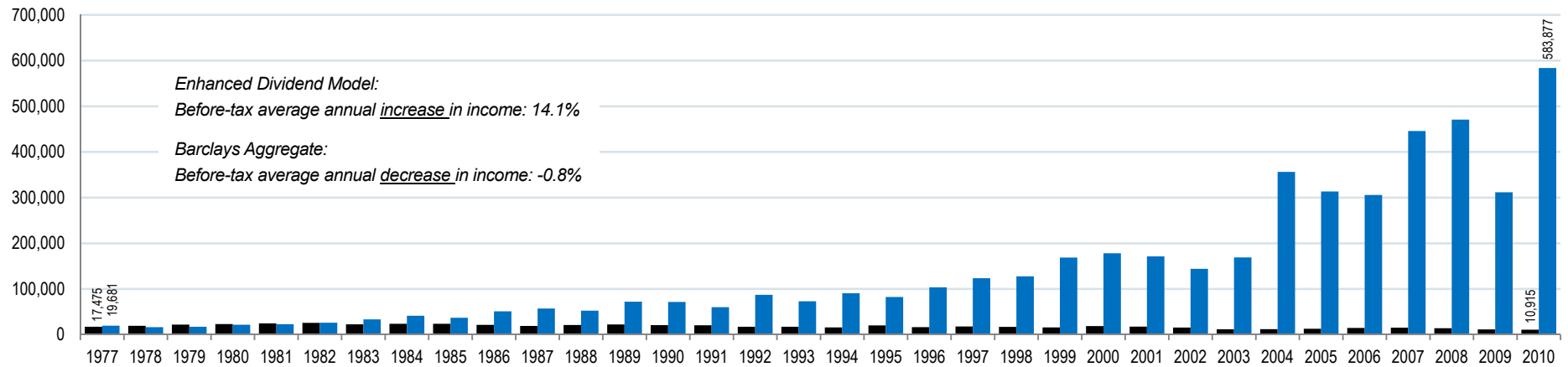
Due to ongoing research, the manager may from time to time adjust the model by changing certain factors or screens which comprise the model without prior notice. OSAM may determine it appropriate to rebalance at times other than the regularly scheduled rebalance without prior notice.

Stocks with small and mid-sized market capitalizations (those defined by OSAM as less than \$10 billion) may have greater risk and volatility than those with larger market capitalizations.

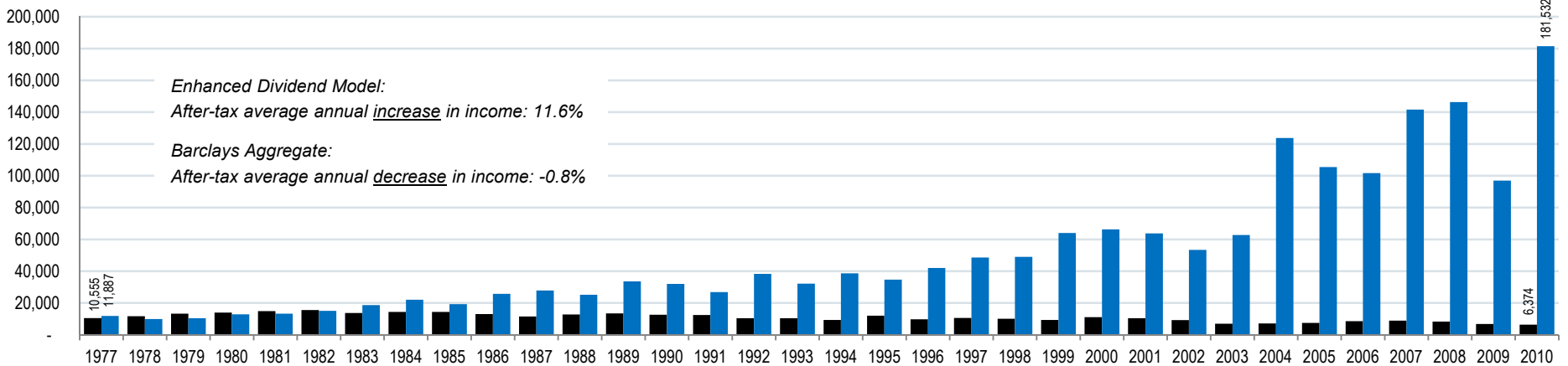
Income Growth

■ **Enhanced Dividend® Model** ■ **Barclays Capital U.S. Aggregate Bond Index** (Inception: 1/1/1976)

Before-Tax Income Consumed*



After-Tax Income Consumed*

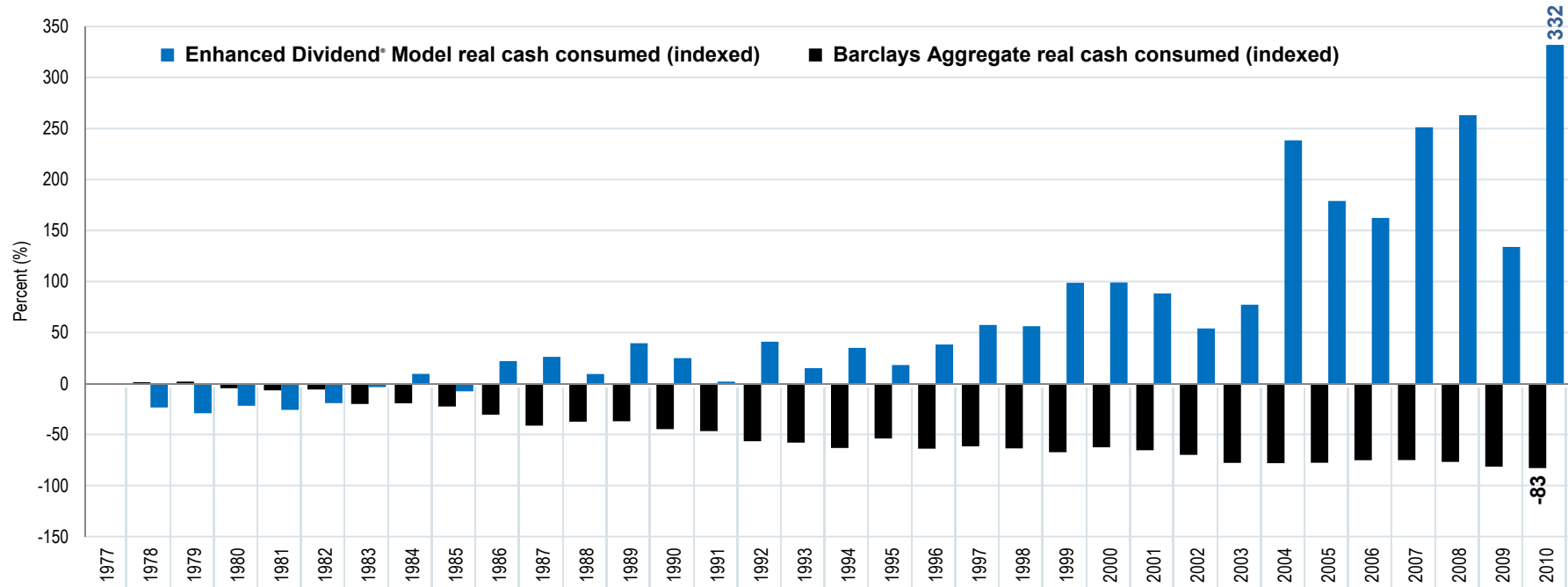


* The analysis assumes an initial Portfolio Value of \$250,000 as of 1/1/1977. All income generated by the respective investments are assumed to be consumed by the investor. Income is not reinvested. Income for the Enhanced Dividend model is approximated using the gross realized yield of the investment over the trailing 12 months. The Barclays Aggregate Index income is approximated by the yield-to-worst on the index. After-Tax Assumptions: 39.6% tax on income; 20% tax on capital gains. Source: EnCorr, OSAM calculations

After-Tax Income Growth — The Impacts of Inflation

- An investment in a common diversified bond index in 1977 results in an **83 percent loss** (inflation-adjusted after-tax) in the investor's income stream.
- A similar investment in the model Enhanced Dividend® strategy results in a **332 percent gain** (inflation-adjusted after-tax) in the investor's income stream.

Inflation-Adjusted Purchasing Power of After-Tax Income Consumed by Strategy*



Source: EnCorr, OSAM calculations, U.S. Dept. of Labor

* Indexed to 0.0 as of 1/1/1977. All income generated by the respective investments are assumed to be consumed by the investor. Income is not reinvested. Income for the Enhanced Dividend model is approximated using the gross realized yield of the investment over the trailing 12 months. The Barclays Aggregate Index income is approximated by the yield-to-worst on the index. After-Tax Assumptions: 39.6% tax on income; 20% tax on capital gains. CPI used for inflation adjustment.

I General Legal Disclosure/Disclaimer and Backtested Results

It should not be assumed that your account holdings correspond directly to any comparative indices. Individual accounts may experience greater dispersion than the composite level dispersion (which is an asset weighted standard deviation of the accounts in the composite for the full measurement period). This is due a variety of factors, including but not limited to, the investment approach that OSAM employs and the fact that each account has its own customized rebalance frequency. Over time, dispersion should stabilize and track more closely to the composite level dispersion. Gross of fee performance computations are reflected prior to OSAM's investment advisory fee (as described in OSAM's written disclosure statement), the application of which will have the effect of decreasing the composite performance results (for example: an advisory fee of 1% compounded over a 10-year period would reduce a 10% return to an 8.9% annual return). Portfolios are managed to a target weight of 3% cash. Account information has been compiled by OSAM derived from information provided by the portfolio account systems maintained by the account custodian(s), and has not been independently verified. In calculating historical asset class performance, OSAM has relied upon information provided by the account custodian or other sources which OSAM believes to be reliable. OSAM maintains information supporting the performance results in accordance with regulatory requirements. Please remember that different types of investments involve varying degrees of risk, that past performance is no guarantee of future results, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised and/or implemented by OSAM) will be either suitable or profitable for a prospective client's portfolio. OSAM is a registered investment adviser with the SEC and a copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.

The risk-free rate used in the calculation of Sortino, Sharpe, and Treynor ratios is 5%, consistently applied across time.

The universe of All Stocks consists of all securities in the Chicago Research in Security Prices (CRSP) dataset or S&P Compustat Database (as noted) with inflation-adjusted market capitalization greater than \$200 million as of most recent year-end. The stocks are equally weighted and generally rebalanced annually.

Hypothetical performance results shown on the preceding pages are backtested and do not represent the performance of any account managed by OSAM, but were achieved by means of the retroactive application of each of the previously referenced models, certain aspects of which may have been designed with the benefit of hindsight.

The hypothetical backtested performance does not represent the results of actual trading using client assets nor decision-making during the period and does not and is not intended to indicate the past performance or future performance of any account or investment strategy managed by OSAM. If actual accounts had been managed throughout the period, ongoing research might have resulted in changes to the strategy which might have altered returns. The performance of any account or investment strategy managed by OSAM will differ from the hypothetical backtested performance results for each factor shown herein for a number of reasons, including without limitation the following:

- Although OSAM may consider from time to time one or more of the factors noted herein in managing any account, it may not consider all or any of such factors. OSAM may (and will) from time to time consider factors in addition to those noted herein in managing any account.
- OSAM may rebalance an account more frequently or less frequently than annually and at times other than presented herein.
- OSAM may from time to time manage an account by using non-quantitative, subjective investment management methodologies in conjunction with the application of factors.
- The hypothetical backtested performance results assume full investment, whereas an account managed by OSAM may have a positive cash position upon rebalance. Had the hypothetical backtested performance results included a positive cash position, the results would have been different and generally would have been lower.
- The hypothetical backtested performance results for each factor do not reflect any transaction costs of buying and selling securities, investment management fees (including without limitation management fees and performance fees), custody and other costs, or taxes – all of which would be incurred by an investor in any account managed by OSAM. If such costs and fees were reflected, the hypothetical backtested performance results would be lower.
- The hypothetical performance does not reflect the reinvestment of dividends and distributions therefrom, interest, capital gains and withholding taxes.
- Accounts managed by OSAM are subject to additions and redemptions of assets under management, which may positively or negatively affect performance depending generally upon the timing of such events in relation to the market's direction.
- Simulated returns may be dependent on the market and economic conditions that existed during the period. Future market or economic conditions can adversely affect the returns.

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