

# High Dividend Income Equity

DECEMBER 31, 2011



## Investment Rationale

- Downside protection in volatile markets.
- Additional value - can produce higher and more consistent income.
- Tax savings due to Dividends-Received Deduction (DRD)
- Effective inflation hedge - complements a well-diversified bond portfolio.

## Strategy Description

- Portfolio stocks include diversified, financially strong companies
- Portfolio stocks have attractive current dividend yields
- Portfolio stocks have history of stable or increasing dividend payments

Conning's strategy consists of a separate account equity mandate. All individual holdings are owned and are recorded on Schedule D. Dividends are meant to be reinvested in the product at the quarterly rebalance but can be distributed to the client. Changes of asset allocation to the strategy by the Client will be managed by pro rata purchases as cash is added, or by pro rata sales as cash is required.

## Multi-stage screening process narrows S&P 500 universe to target portfolio.

### Quantitative screens of broad universe identifies companies meeting parameters

Criteria reviewed include equity market capitalization, current dividend yield, gross debt to equity market capitalization (or to EBITDA), dividend payout, cash flow from operations, investment grade rating (Moody's, S&P and Conning).

### Qualitative screens eliminate companies with higher risk profiles

Names are eliminated if they are at risk of dividend reduction/elimination, if they have a higher risk financial/business profile, or if they appear on Close Watch.

### Companies passing these screens compared to eliminate 10% of remaining names

Conning analysts conduct continuous review of names. A meaningful decline in business profile can lead to a Conviction Sale. Target universe is reviewed quarterly for addition of new names and elimination of names no longer meeting screen parameters.

## PRODUCT TEAM

### Joseph Mayo

*Head of Credit Research*  
25 years of experience

### David Miller, FSA

*Portfolio Manager*  
42 years of experience

### Garett Plona

*Portfolio Manager*  
17 years of experience

### Patrick M. Macary

*Credit Analyst*  
21 years of experience

## CONTACT INFORMATION

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## ABOUT CONNING

Founded in 1912, Conning is a leading global provider of expert solutions and services to the insurance market. As a knowledge leader for the insurance industry, Conning serves clients with a unique combination of asset management, risk and capital management solutions and insurance research. The company is headquartered in Hartford, Connecticut, with additional offices in New York, London, Dublin, Cologne and Hong Kong. Through Conning's Hartford and Dublin investment centers and Goodwin Capital Advisers, at December 31, 2011, the firm had almost \$88 billion in assets under management. Visit Conning's website at [www.conning.com](http://www.conning.com) for more details.

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**Portfolio Characteristics as of 12/31/11**

<b>Issuer Count</b> 56 names in portfolio	<b>Avg Market Capitalization</b> \$67 billion
<b>Indicated Dividend Yield</b> 3.28%	<b>Trailing 12 month Yield</b> 3.11%
<b>Avg 60 month Beta vs. S&amp;P 500</b> 0.81	<b>Avg NRSRO Credit Rating</b> A2/A
<b>Avg Price/Earnings Ratio</b> 13.58	<b>Avg Price/Book Ratio</b> 3.34

- For the 56 names in the portfolio at 12/31/11, 52 increased their dividend in 2011 (3 of them increased their dividend twice).
- The average increase for companies increasing their dividend was 12.6%.

<b>Sector Concentrations</b> (maximum 20% in a single category)	
Aerospace & Defense	12.43
Pharmaceuticals	9.26
Food Products	7.19
Oil, Gas & Consumable Fuel	5.48
Household Products	5.43
Machinery	5.32
Food & Staples Retailing	5.29
Chemicals	5.19
Semiconductors & Semi Eq	5.15
Specialty Retail	3.74

<b>Top Names</b>	<b>% of Total Market Value</b>	<b>Indicated Dividend Yield</b>
ELI LILLY	1.93	4.72
BRISTOL-MEYERS	1.88	3.86
HOME DEPOT	1.88	2.76
RAYTHEON	1.87	3.56
EXXON MOBIL	1.87	2.22
LOWES COS	1.86	2.21
MERCK	1.86	4.46
VERIZON COMM	1.86	4.99
TIME WARNER	1.85	2.60
AUTOMATIC DATA	1.84	2.93

**12/31/11 Performance vs S&P 500, S&P 500 Value Index and S&P Dividend Aristocrats**

	<b>Conning HDE</b>	<b>S&amp;P 500</b>	<b>Excess</b>	<b>S&amp;P 500 Value Index</b>	<b>Excess</b>	<b>S&amp;P Div. Aristocrats Index</b>	<b>Excess</b>
<b>YTD</b>	9.74%	2.11%	7.63%	-0.48%	10.23%	8.33%	1.42%
<b>Quarter</b>	12.27%	11.82%	0.45%	12.99%	-0.72%	12.94%	-0.67%
<b>Month</b>	1.93	1.02%	0.90%	1.82%	0.10%	1.61%	0.32%

Note: The S&P 500 Index is shown for reference only.

Source: Bloomberg/Conning

**ORGANIZATION**

Conning & Company is the parent of Conning, Inc., Goodwin Capital Advisers, Inc., and Conning Investment Products, Inc., a FINRA registered broker dealer, and an affiliate of Conning Asset Management Limited, Conning Asset Management (Europe) Limited and Conning Services (Ireland) Limited (together, "the Conning entities"). The Conning entities are portfolio companies of the funds managed by Aquiline Capital Partners, LLC. (a New York-based private equity firm.) with offices in Hartford, New York, Dublin, London, Cologne and Hong Kong. Conning & Company acquired Goodwin Capital Advisers, Inc. on November 18, 2011. Conning as defined below was previously a wholly owned subsidiary of Swiss Reinsurance Company prior to being sold to Aquiline effective October 9, 2009.

Conning was previously defined for GIPS purposes as "CAM Global" for the period January 1, 2004 through October 2009, a defined term representing the aggregation of Conning & Company, Conning Asset Management Limited, and Conning Asset Management (Europe) Limited. This defined term has been replaced by the defined term "Conning". For the prior period of January 1, 1994 through December 31, 2003, the firm was defined as "CAM U.S.", and included only the Conning & Company entity.

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Composite results are presented gross of investment advisory fees.

The benchmarks shown are the S&P 500 Value Index and the S&P 500 Dividend Aristocrats Index. Previously, the S&P 500 Index and the S&P 500 Dividend Aristocrats Index were shown as benchmarks for this strategy. The benchmark was changed in May 2011 to the S&P 500 Value Index and was retroactively applied to the historical periods as the new benchmark represents a more appropriate comparative measure for the strategy. Effective November 2011 the S&P 500 Dividend Aristocrats Index was added and applied to historical periods. Due to the specific investment approach of this strategy, no benchmark could be determined to provide an effective comparison for performance purposes - these benchmarks are shown as references to the equity market and strategies focused on income and capital preservation.

Past Performance is not indicative of future returns. Any tax-related information is for informational purposes only and should not be considered tax advice. You should consult a tax professional with any questions.

To receive a complete list and description of Conning composites and/or a presentation that adheres to the GIPS standards, contact Monica McKenzie at 860-299-2334 or monica.mckenzie@conning.com.