ARGUS®

EQUITY INCOME MODEL PORTFOLIO

Portfolio Description *(Inception date: 12/31/1997)*

INVESTMENT OBJECTIVE

The objective of the hypothetical Equity Income Model Portfolio is to seek an above-average level of current income. Long-term capital appreciation is a secondary goal.

INVESTOR PROFILE

The Equity Income Model Portfolio may be appropriate for investors who seek current income and long-term capital appreciation as a secondary goal. This portfolio is designed for investors who have a tolerance for risk and are willing to accept volatility in the portfolio's value. The Equity Income Model Portfolio is not intended to be a complete investment program.

PORTFOLIO CONSTRAINTS

The hypothetical Equity Income Model Portfolio includes stocks selected from the Argus Research universe of coverage. Both BUY-rated stocks and HOLD-rated stocks are suitable for inclusion; BUY-rated, HOLD-rated and SELL-rated stocks may be removed from the model portfolio. Changes to the portfolio are historically executed on a monthly basis and are historically communicated by an Argus Action Alert. At the discretion of the portfolio manager, portfolio holdings downgraded to SELL by Argus Research analysts may be removed from the portfolio immediately or may be removed during the subsequent monthly portfolio review. No single issue is meant to represent more than 10% of the portfolio, but the high volatility of individual holdings may result in one or more holdings exceeding this metric. Except to facilitate transactions, the Equity Income Model Portfolio does not target a hypothetical cash balance.

PORTFOLIO RISKS

An investment in the Equity Income Model Portfolio is subject to a range of market, income, sector, and management risks.

Market Risk. Market risk is the possibility that market values of securities within the portfolio will decline. Investments in equity securities generally may be affected by changes in the stock markets which historically fluctuate substantially over time, sometimes suddenly and sharply. Moreover, different types of stocks and sectors may rapidly shift in and out of favor depending on the market and economic conditions. Because the Equity Income Model Portfolio does not target a hypothetical cash balance, returns of the portfolio may be more volatile than similar portfolios that maintain cash positions as part of a defensive strategy.

Income Risk. The portfolio's ability to generate income depends on the earnings and the continuing declaration of dividends by the securities selected for the portfolio. If dividends are reduced or eliminated, income from the Equity Income Model Portfolio will likely decline.

Sector Risk. The Equity Income Model Portfolio may emphasize certain sectors of the market. As such, portfolio returns may deviate substantially from diversified portfolios.

Management Risk. The portfolio manager may not be successful in selecting securities that collectively perform similar to the benchmark. Inclusion of securities is limited to the Argus Research universe of coverage. Changes to the portfolio may be inflexibly limited to a monthly schedule.

Methodology & Disclaimer

ABOUT ARGUS

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

The hypothetical model portfolios may include stocks rated either BUY or HOLD. Generally, the model portfolio management team favors BUY-rated stocks for inclusion. However, in order to achieve objectives such as suitable industry diversification, or low turnover, HOLD-rated stocks may be included in the models.