

# SKBA CAPITAL MANAGEMENT, LLC

PERSPECTIVE

PROCESS

PERFORMANCE

## SOCIALLY RESPONSIBLE VALUE

### INTRODUCTION

SKBA Capital Management, LLC ("SKBA") was founded in 1989 as an independent investment advisory firm. In 1999, SKBA became an affiliate of Convergent Capital Management LLC ("CCM"). In 2003 CCM was acquired by City National Corporation.

Our investment philosophy and process are backed by uncompromising professional ethics and consistent investment discipline.

### OUR PHILOSOPHY

- Challenge conventional thinking to discover real value.
- Develop unique perspectives by looking beyond reported earnings.
- Purchase inexpensive stocks to increase upside potential and decrease downside risk.
- Provide attractive returns while controlling risk.

### RESEARCH

SKBA employs a team approach to investing. Our research effort is centralized to ensure that investment ideas translate to each investment discipline.



### DISCOVERING VALUE

SKBA brings the investor a strategic array of value-based investment solutions, backed by perspective, process and performance. Our objective is to outperform our benchmarks while maintaining appropriate risk exposure.

*Socially Responsible Value (SRV)*, a value-oriented investment philosophy, seeks to achieve long-term capital appreciation by investing in undervalued equity securities while meeting our clients' social screening criteria. The strategy utilizes the firm's established value approaches to select securities from a socially screened universe of approximately 800 companies from which SKBA selects individual securities for inclusion into a diversified portfolio.

### PERFORMANCE As of 12/31/09

	4Q 2009	YTD	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception (1/1/00)
Gross of Fees	4.1 %	24.5 %	24.5 %	-6.0 %	0.8 %	6.9 %	5.4 %	5.4 %
Net of Fees	3.9 %	23.4 %	23.4 %	-6.9 %	-0.2 %	5.9 %	4.4 %	4.4 %
Russell 1000 Value	4.2 %	19.7 %	19.7 %	-9.0 %	-0.3 %	5.9 %	2.5 %	2.5 %
S&P 500 Index	6.0 %	26.5 %	26.5 %	-5.6 %	0.4 %	5.5 %	-1.0 %	-1.0 %

*Performance for periods greater than one year is annualized. Past performance is not indicative of future results.*

### APPROACH

We begin with a universe of equity securities traded on a major US Exchange with a minimum market capitalization greater than \$1 billion. We use external social research services socially screen, and further limit this initial universe.

Next our valuation filters evaluate the Relative Market Capitalization to Revenues (RMCR) & Relative Dividend Yield (RDY) of each company in relation to the S&P 500 and to that company's history. Companies passed through both the social screens and our valuation filters provide a diverse group of investment names from which to begin our research process.

We then determine a company's earnings power -- its long-term ability to generate profit for reinvestment or distribution to shareholders. We focus on factors such as balance sheet and income statement strength, competitive position and overall industry prospects, as well as management's alignment with shareholders' interests. Our research process determines if an investment offers sufficient return potential.

### SELL DISCIPLINE

We will sell a security when:

- Stock reaches valuation extreme
- We expect or observe a long-term deterioration of fundamentals
- We identify more compelling investment ideas
- The stock weighting exceeds 5% of portfolio
- Company's social profile deteriorates

### PORTFOLIO CONSTRUCTION

Our objective is to construct a portfolio of 40-60 stocks, diversified by sector to control risk. Our bottom up approach to stock selection highlights industries and sectors with the most attractive values. Sector weights are reviewed when they reach the greater of 15% of the portfolio or twice the Russell 1000 Value Index.

### STRATEGY TEAM

Andrew W. Bischel, MBA, CFA

Kenneth Kaplan, MBA, CFA

Josh J. Rothe, MBA

Matthew Zuck, MBA, CFA

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### DISCLOSURE

❖ SKBA Capital Management, LLC ("SKBA") claims compliance with the Global Investment Performance Standards (GIPS®).

❖ SKBA, an investment advisory firm registered with the Securities & Exchange Commission, was founded in 1989 as an independent investment advisory firm. In 1999, SKBA became an affiliate of Convergent Capital Management LLC ("CCM"). In 2003 CCM was acquired by City National Corporation. SKBA manages a variety of equity, fixed-income and balanced assets for U.S. institutional and high net worth clients. Firm assets under management are defined as all actual, institutional and private client, accounts managed by SKBA.

❖ This composite contains all fee-paying, separately-managed discretionary accounts, both equity-only and the equity portion of balanced accounts, that employ SKBA's Socially Responsible Value (SRV) strategy. SRV is a mid-to-large-capitalization value-oriented investment philosophy that seeks to achieve long-term capital appreciation by investing in undervalued equity securities as identified by SKBA's Relative Dividend Yield (RDY) and/or Relative Market Capitalization (RMCR) valuation disciplines. At the time of purchase, the stocks used by this strategy typically have market capitalizations greater than \$1 billion and pass certain restrictive social screens (such as companies that do not manufacture tobacco products) that SKBA believes are most commonly desired by investors interested in socially responsible investment strategies. Although cash reserves may vary from time to time, normal cash reserves are expected to be frictional.

❖ The U.S. Dollar is the currency used to express performance.

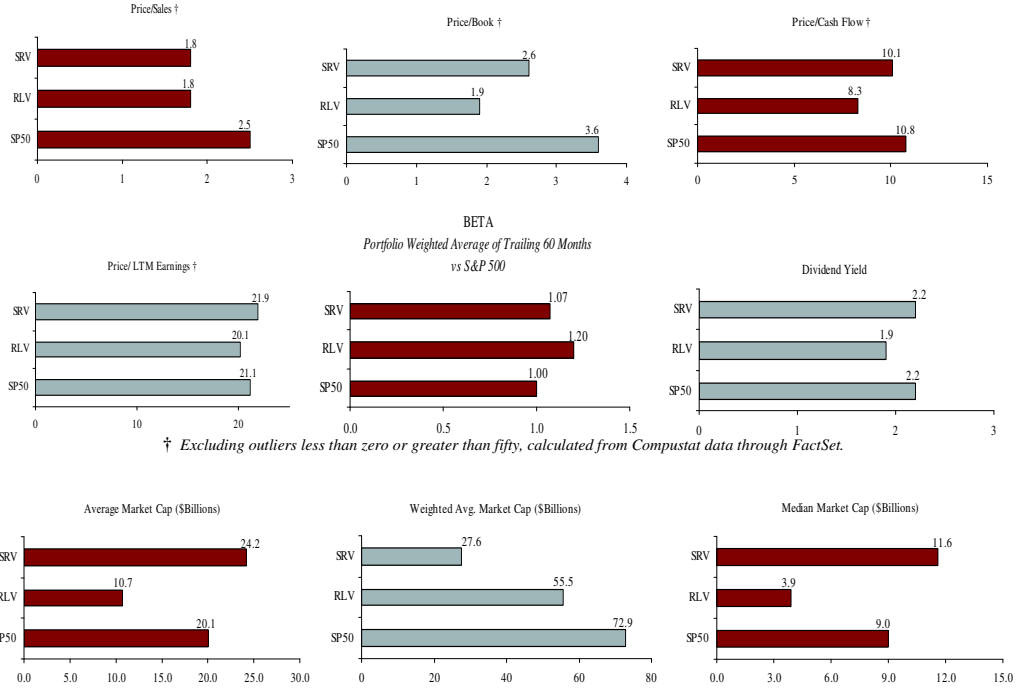
❖ To receive a full disclosure presentation that complies with the requirement of the GIPS standards and/or a list and description of the firm's composites, please e-mail [clientservice@skba.com](mailto:clientservice@skba.com), call us at 415.989.7852 or follow the link to the Annual Disclosure Presentation on our website:

<http://www.skba.com/>

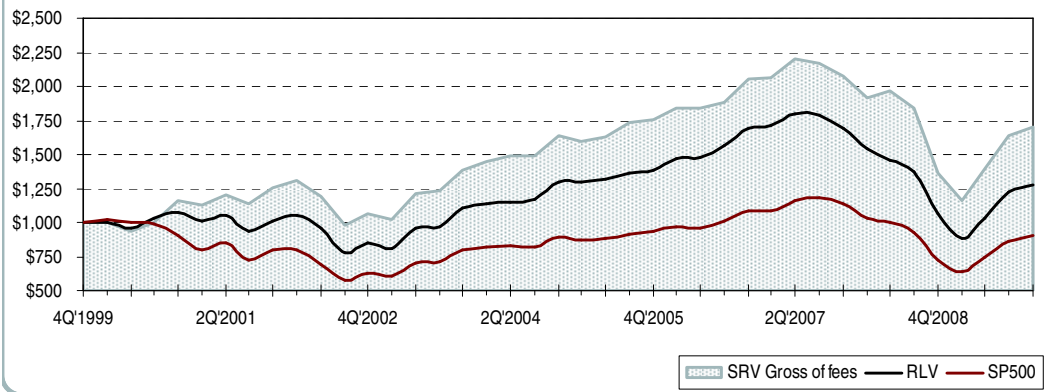


## EQUITY CHARACTERISTICS As of 12/31/09

SRV = SKBA's Socially Responsible Value / RLV = Russell 1000 Value / SP50 = S&P 500



## Value of \$1,000 Invested Gross of Fees, Since Inception through 12/31/09



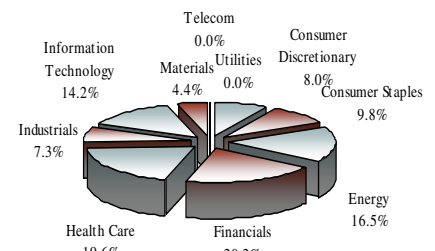
### 10 LARGEST HOLDINGS \*

As of 12/31/09

Quest Diagnostics Inc.	3.5 %
Brookfield Asset Management Inc.	3.4 %
Microsoft Corp.	3.4 %
Patterson-UTI Energy Inc.	3.2 %
Emerson Electric Co.	3.1 %
Unit Corp.	3.1 %
Spectra Energy Corp.	3.1 %
Symantec Corp.	3.1 %
Patterson Cos. Inc.	3.1 %
CBS Corp (Cl B)	3.0 %
TOTAL	32.0 %

### SECTOR DIVERSIFICATION \*

As of 12/31/09



Reader should not assume that investments in the securities identified were or will be profitable.

\* Percent of total equity holdings

The Equity Characteristics, 10 Largest Holdings, and Sector Diversification are included as supplemental information and complements a full disclosure presentation, which can be obtained upon request.