

**Quote of the week**

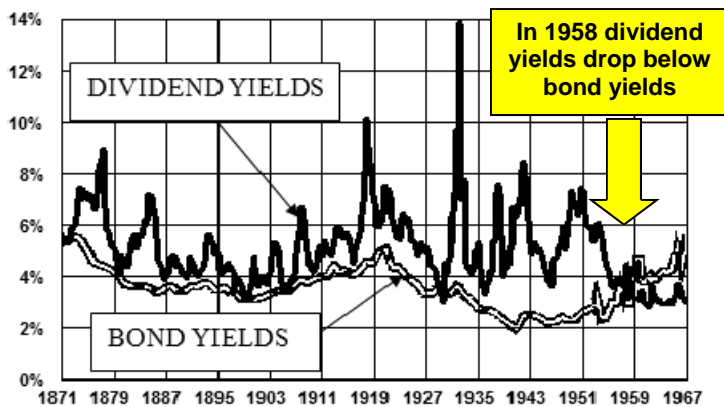
“A bird in the hand is worth two fleeing by.”  
*Scottish Proverb*

Out of all 500 stocks in the S&P 500 only 360 of them pay a cash dividend back to their shareholders. The other 140 of the companies figure they know better what to do with shareholder money and keep it for themselves to reinvest in their business for you. (Or to pay out big whoppin’ bonuses to executives!)

From 1871 until 1958 almost all stocks paid a dividend and the dividends paid were higher than the yield you could get on a 10-year U.S. Treasury bond. The reason stocks paid higher dividend yields than bonds is because they were perceived as *riskier* and as a result needed to pay high dividends to entice investors. Bonds paid between 2% and 5% and stocks yielded between 4% and 8%.

But in 1958 something happened (Maybe it was Elvis being inducted into the Army that shook ‘em up) that made investors decide that potential capital growth was worth something and dividends became less and less of an enticement.

**DIVIDEND YIELDS VERSUS BOND YIELDS, 1871:1 – 1967:4**



This relationship of bonds paying more than stock dividends stayed the same for 50 years, from 1958 until 2008. And then for a few months, during the meltdown in the stock market which drove Treasury yields down to almost 0%, dividends were higher than bond yields.

Today the stars are back in alignment and the 10-year Treasury is paying 3.4% while the S&P 500 is yielding right at 2%. Bonds are only paying 1.4% more than stocks today which means U.S. common stocks are still more attractively priced relative to bonds than they have been in 50 years.

Several years ago Dow Jones started an index of what they considered the 100 top dividend paying stocks, which they call the Dow Jones Select Dividend Index. Currently the 100 stocks in that index are yielding 3.6% in dividends. So the top dividend payers are yielding more than 10-year Treasuries. Dividend paying stocks are bargains.

But what about the risk? The volatility of the stock market is wicked, and dividends are fine but at least with a bond you know you will get your money back. With a stock you never know what it will be worth. That is true; a Treasury bond (or a CD, or a municipal bond) will be worth EXACTLY the same amount as you put in. And that is the problem with bonds vs. dividend paying stocks. Look at the following example.

Let’s say your parents set up a \$200,000 trust for you in 1958 and put it all into bonds; you would have earned about 4% per year, or \$8000, in interest. In 1958 the average yearly wage in America was \$4600, so a trust throwing off \$8000 per year would have been a sweet deal. Now though, 50 some years later, the trust would still be worth \$200,000 and \$8000 a year is nice, but no great shakes.

The same \$200,000 put into the S&P 500 in 1958 would have only paid about \$6000 in dividends to begin with, but would now be paying \$110,000 per year and the trust would be worth \$5 million dollars! Which portfolio is riskier?

The “safety” of bonds is in reality the biggest risk. Inflation kills bond values and income. The most beautiful thing about dividend paying stocks is companies have a propensity to raise their dividends. Over the long term dividends have increased a bit more than 5% per year. Using the Rule-of-72 tells you that your dividend income on average should double about every 14 years.

Over time your biggest risk is not volatility from stock prices. Your biggest risk is your income not keeping up with rising costs of living. Rising dividends in a stock portfolio is the way to avoid only being able to afford “Two-Buck Chuck” in your twilight years.

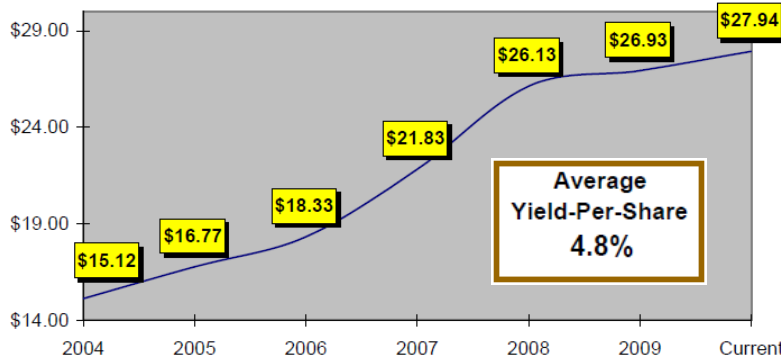
If you don’t remember anything else remember this:

**VOLATILITY**  **RISK**

Sheaff Brock's most popular portfolio for new accounts is our *Dividend Growth & Income Portfolio*. This is a portfolio of high quality "value" stocks that pay an above average dividend AND have a history of raising their dividend.

Currently there are 20 stocks in the portfolio and 15 of them have already increased their dividend from last year. Below is the history of the 18 stocks on our current "buy" list and what the dividend history is if you owned 1 share of each.

Per-Share Income History of Buy List



The current list is yielding a dividend stream of 4.8% and in 6 years the dividends paid by our current holdings have grown 85%.

We measure our portfolio's success against the index we mentioned on the front, the Dow Jones Select Dividend Index. Again these are the 100 stocks Dow Jones considers to be the top dividend paying companies in the U.S.

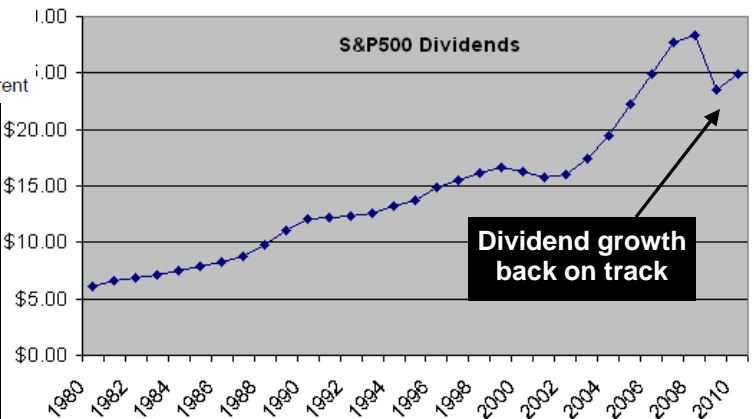
Year	Calendar year total return	Dow Jones Select Div. Index
2005	7.32%	3.00%
2006	12.44%	19.40%
2007	2.30%	-5.36%
2008	-28.49%	-32.92%
2009	24.46%	11.15%
2010	9.09%	5.68%
Inception Return	19.86%	-8.29%

We started this portfolio in 2005 and from inception through the first quarter of 2010 we have crushed the index.

Since CDs are only yielding 1% to 3% and bonds are around 3% to 4% it is no wonder this is our most popular new account product. Dividends allow investors to "get paid to wait" - dividends now...capital growth down the road.

The other thing folks like is the fact that dividend paying stocks often cushion the volatility of the market. That is evidenced by 2008 when stocks generally dropped between 38% and 50%, depending on the index, and the dividend index only dropped 33%. In that year our average Dividend Growth & Income account was down about 28%. We did better than the index because we didn't own any bank stocks going into the credit crisis. The portfolio owns two high quality bank stocks today as well as stocks in 12 other industries.

As the economy worsened in the last couple of years S&P 500 companies cut dividends. But this year dividends should grow by 6%.



## Rising dividends = "Bird-in-Hand"

### Performance year-to-date as of 4/19/10

Sheaff Brock Growth Model	+ 2.2%
Sheaff Brock Dividend Growth	+ 5.2%
Auer Growth Fund	- 4.8%
S&P 500	0.0%

Regarding the Auer Growth Fund: You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-888-711-2837 or visiting [www.sbauerfunds.com](http://www.sbauerfunds.com). Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Sheaff Brock Investment Advisors, LLC (SBIA) obtains data from reliable sources but does not guarantee the accuracy or completeness of this report, nor does SBIA assume any liability for any loss that may result from reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice and are for general information only. Index return and yield data is from *The Wall Street Journal and Thomson*. Past performance does not indicate future results. Model account returns are gross of fees but net of commissions and include the payment of dividends which are held in money market funds pending reinvestment in other portfolio securities. Client returns may differ because all securities in the model may not be owned by each client. The securities mentioned in this report can be, and often are, owned by clients and employees SBIA. Clients and prospective clients should understand that there is no assurance that capital gains made in the past will continue. There is always the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. The Classic Growth model and Dividend Growth and Income model are compared to the performance of the S&P 500 and sometimes to the Dow Jones Industrial Index (DJIA) or the Dow Jones Select Dividend Index although the model positions may not reflect the securities making up these indices. None of the indices may be an appropriate comparison index as our model accounts may own companies not represented in the benchmarks. There were no other strategies employed to obtain the results portrayed other than those strategies disclosed in the Sheaff Brock Investment Advisors, LLC Form ADV or other disclosure brochure.