Boulegeris Investments, Inc.

Pheidippides, Dividends and Recovering Markets

August 4, 2009

Analyzing the income streams which contribute to the total return of portfolio performance is essential to understanding the long-term success of discretionary managed equity accounts. In our market commentary of July 2008 (*Taming the "Bear" Through Dividends*) we examined the profound impact of dividends in light of their role as bear market *insulators;* and, with the subsequent upturn, as portfolio accelerators or *boosters*.

During periods of precipitous market decline, reinvestment of dividends positively impacts the long-term performance of a portfolio. In a recovering market, rather than a hypothetical linear advance, portfolio performance is accelerated by the dividends that were reinvested to purchase additional shares at deeply discounted prices. Market historians verify that over 40% of the total return of the equity markets has been derived from dividends being reinvested. (Total return includes income as well as appreciation). We anticipate that given the severity of the recent bear market, dividend reinvestment may have played an even more consequential role in the total return equation.

Business headlines reporting on corporate distributions over the past year have dwelled on the negative - particularly the slashed payouts of financial institutions and Real Estate Investment Trusts (REITs). Because of our underweighting of the financial sector for the past three years (that has been modified in the first half of 2009), client accounts have been only slightly affected by dividend reductions. Eliminating positions that have impaired dividend models (i.e. General Electric), while emphasizing cash-rich transparent companies like Zurich-based ABB, underscores our approach toward consistent total returns.

This commentary emphasizes positive dividend developments. The table on page two highlights dividend expansion over the past twelve months in several of our core equity holdings.

ExxonMobil (XOM)	Raised 2nd quarter dividend to $0.42 from $0.40. The world's largest publicly traded international oil & gas company has paid dividends for over 100 years. ExxonMobil's dividend payments to shareholders have grown by an average annual rate of 5.5% over the last 27 years. Taking advantage of its strong balance sheet XOM purchased $32 billion of its common stock last year.
IBM (IBM)	Reflecting strong cash generation, IBM continues to deliver value to shareholders with a 10% increase in the June quarterly dividend to $0.55. In the first half of 2009, the company posted revenue growth of 12% (5% adjusting for currency) and raised its full year EPS guidance to $9.70 from $9.20 per share.
Johnson & Johnson (JNJ)	The world's most comprehensive and broadly based manufacturer of health care products declared a 6.5% increase in the quarterly dividend rate, from $0.46 to $0.49 per share. Positioned to succeed in a strengthening global economy, JNJ operates in 57 countries with 49% of 2008 sales outside the US.
McDonald's (MCD)	Citing momentum in its core global business, McDonald's raised the quarterly dividend payout 33% to $0.50 in September 2008. The company has raised its dividend each year since paying its first dividend in 1976. MCD posted a 4.8% increase in global comparable sales for the second quarter.
Monmouth Real Estate (MNRTA)	While larger REIT's have slashed distributions, MNRTA continues to achieve solid Funds From Operations (FFO) that supports the current $0.60 annual dividend. With net leases that extend on average for 5.2 years and blue chip tenants such as Anheuser-Busch and Fed-Ex, there is reasonable assurance that Monmouth should maintain attractive distributions.
United Technologies (UTX)	A diversified leader in high technology products and services to the building and aerospace industries, UTX raised its quarterly dividend by 20.3% to $0.385 per share. The company has paid cash dividends on its common stock for 72 consecutive years.

We are providing this information regarding the dividend payment schedules of selected stocks. This does not imply anything with respect to the performance of the stock's price.

Just as constancy of earnings growth is a cornerstone to long-term appreciation, high quality income streams are foundational to a healthy total return. Anchor positions like Johnson & Johnson, IBM and ExxonMobil have weathered the severe recession while increasing distributions. Expect these large-cap global leadership companies to further differentiate themselves as drivers to portfolio growth.

In recent years the craft of investing has been diminished by a misguided emphasis on short-term trading marked by leveraged financial products. During the current 45% market advance we hear the incendiary exhortations of hedge funds that peddle fear, decry that the global financial system is insolvent and that "all is lost!" These same short sellers argue that "It's too early to buy" and imminent retesting of the first quarter lows is at hand. One imagines as the market surge continues their battle cry will morph into "Prices are too high. It's too late to buy".

Rather than succumb to hourly trading commentary, investors are wise to adopt a longer-term investment horizon. Consider that the stakeholder who purchased 100 shares of McDonald's at its initial public offering (IPO) in 1965 paid $2,250. Twelve stock splits later, by the end of last year, the original position would have grown to 74,360 shares, worth $4.6 million – without taking into the account the reinvestment of dividends!

Compounding of dividends is too often the forgotten variable in the total return equation. A review of the Compound Annual Growth Rate (CAGR) of McDonald's common stock, which factors in dividends, provides a compelling example. The 25, 10, 5 and 1 year CAGR through June 30, 2009 was 14.71%, 5.28%, 20.38% and 5.63% respectively. The above metrics convey the powerful message that solid dividends coupled with moderate growth transform mundane investments into ones that can create and sustain wealth.

Our commentary of March 2009 (*Azimuth North*) counsels that trough valuations represent a crescendo of fear and a generational investment opportunity. As systemic risk is contained and uncertainty recedes, our investment thesis remains optimistic. Unquestionably, investor psychology needs mending, and there will continue to be bumps in the long road to recovery. But history teaches that the human spirit is resilient.

Recall the story of the warrior Pheidippides, who after fighting all morning in heavy armor, ran 26 miles to announce the Athenian victory at Marathon – then dropped dead from exhaustion. The message of this testament to human endurance and will transcends the achievement of the individual. The story of Pheidippides coupled with the Athenian victories at Marathon and Salamis is a seminal moment in world history. Confidence of the city states would soar evolving into the Classical Age of ancient Greece. Athenian democracy then flourished, along with advances in mathematics, architecture, medicine, law, philosophy, arts and literature. And notably, commerce and trade would thrive and prosper for centuries.

Reflecting 2,500 years after the lesson of Pheidippides, we recognize that the global economy presents unbridled opportunity for the restoration of financial markets. Investors who embrace the disciplined strategy of expanding dividend streams will endure to reap the benefits of resurgent economic growth.

Michael G. Boulegeris Lester Breen