

HAVERFORD

QUALITY INVESTING

THE HAVERFORD TRUST COMPANY

WOMEN'S SPEAKER SERIES 2011

“THE POWER OF DIVIDENDS”

Presented by

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The Power of Dividends



Agenda

1. What is a Dividend?
2. Why are Dividends Important?
3. Dividends' Prospects for 2011
4. Summary and Q&A

What is a Dividend?

Sum of money paid regularly (usually quarterly) by a company to its shareholders out of its profits.

Examples of Dividend-Paying Companies



Why Are Dividends Important?

- Demonstrates financial strength
- Represents a large portion of a stock's total return
- Has the ability to enhance returns
- Has the ability to reduce volatility and risk
- Companies with growing dividends have historically outperformed
- Opportunity for growth of income

Haverford's Investment Philosophy Focuses on Dividend Paying Companies

The information provided should not be considered a recommendation to purchase or sell any particular security. Index Returns are for illustrative purposes only and do not represent actual Haverford performance. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

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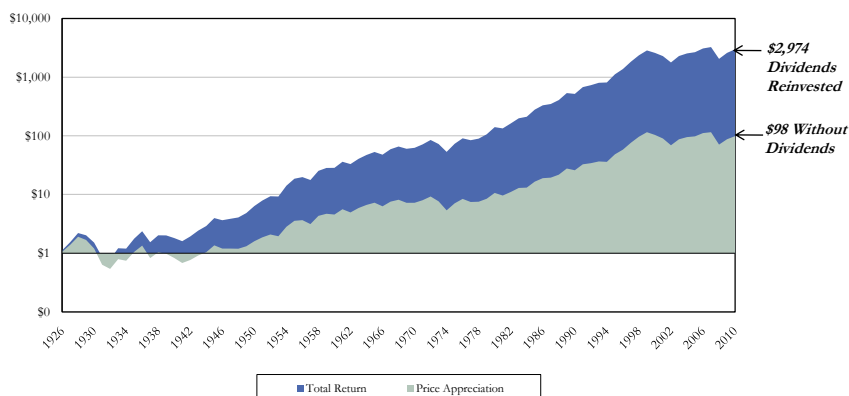
Demonstrates Financial Strength

Dividends are a tangible, clear sign of a company's financial strength

- Enhance earnings transparency
- Increase corporate accountability
- Exert financial discipline
- Signal management's confidence in the future outlook of the company

Represents a Large Portion of a Stock's Total Return

The cumulative effects of the reinvestment of dividends is significant. \$1 invested in 1926 and receiving only the price appreciation of the S&P 500 would have grown to \$98 by 2010. That same \$1 would have grown to \$2,974 with dividends reinvested.



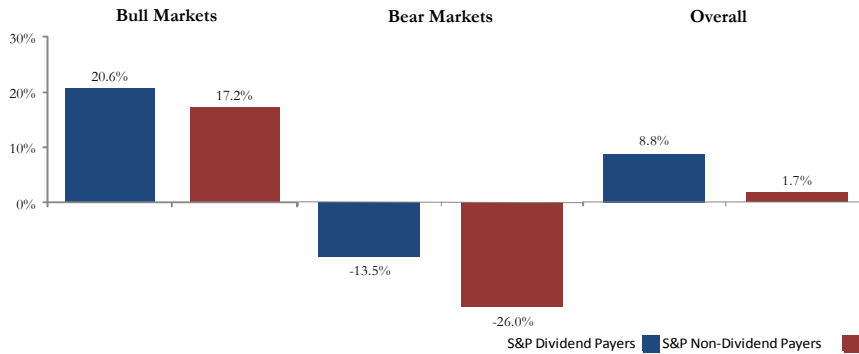
Source: Ibbotson Inc Large Company Stocks.

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Has the Ability to Enhance Returns

Average Returns From 1/31/72 to 12/31/10

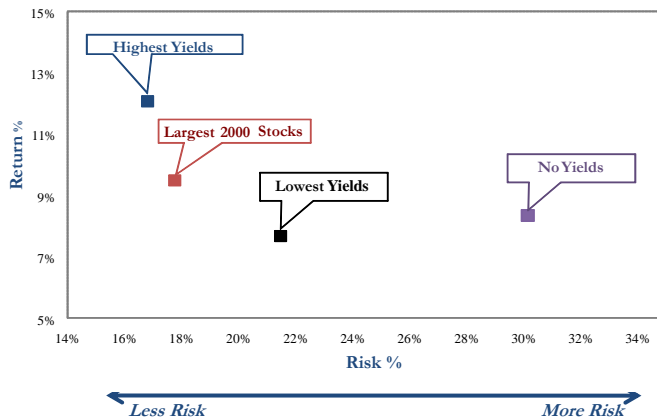


Source: Ned Davis Research. Past performance does not guarantee future results. Bull and bear markets as defined by Ned Davis Research.

* Based on equal-weighted geometric average of total returns (including dividends) of dividend-paying and non-dividend-paying historical S&P 500 Stocks. † Bull markets from 1/31/72-12/31/09, as defined by Ned Davis Research, are: 1/31/72-1/11/73, 12/6/74-9/21/76, 2/28/78-9/9/78, 4/21/80-4/27/81, 8/12/82-11/29/83, 7/24/84-9/25/87, 10/19/87-7/16/90, 10/11/90-7/17/96, 8/31/99-1/14/00, 9/21/01-3/19/02, 10/9/02-10/9/07, and 3/9/09-12/31/09. ‡ Bear markets from 1/31/72-12/31/09, as defined by Ned Davis Research, are: 1/11/73-12/6/74, 9/21/76-2/28/78, 9/9/78-4/21/80, 4/27/81-8/12/82, 11/29/83-7/24/84, 8/25/87-10/19/87, 7/16/90-10/11/90, 7/12/96-8/31/98, 1/14/00-9/21/01, 3/19/02-10/9/02, and 10/9/07-3/9/09. § The S&P 500 Index covers 500 industrial, utility, transportation and financial companies of the US markets (mostly NYSE issues). The unmanaged index represents about 75% of NYSE market capitalization and 30% of NYSE issues. The S&P 500 Equal Weight Index is designed to track the equally weighted performance of the 500 constituents in the S&P 500.

Has the Ability to Reduce Volatility & Risk

Highest Yields vs. Lowest Yields



Higher yielding stocks are less volatile than lower yielding stocks.

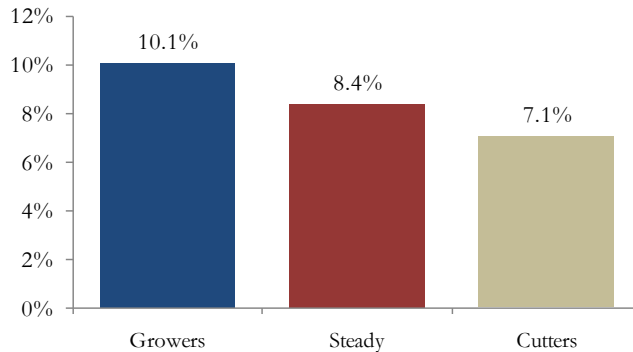
Highest Yield: Top 20% dividend yielders. Lowest Yields: Bottom 20% dividend yielders. Universe consists of 2000 largest companies ranked by market cap and is reconstituted quarterly. Assumes quarterly rebalancing and dividend reinvestment; returns 1969 through 2010. Source: Factset, Standard & Poor's.

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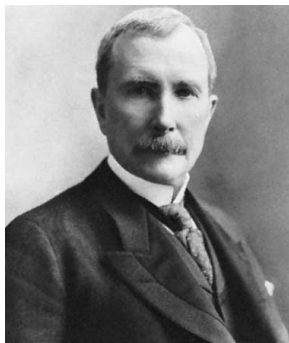
Companies with Growing Dividends have Outperformed

Annualized Return: January 1969 – December 2010



Data represent the cumulative growth of \$1, with dividends reinvested. Dividend Policy determined by a company's year-over-year change in its indicated annual dividend rate. Universe consists of 2000 largest companies ranked by market cap and is reconstituted quarterly. Portfolios rebalanced quarterly. Sources: Haverford, Factset, Compustat.

Wise Words



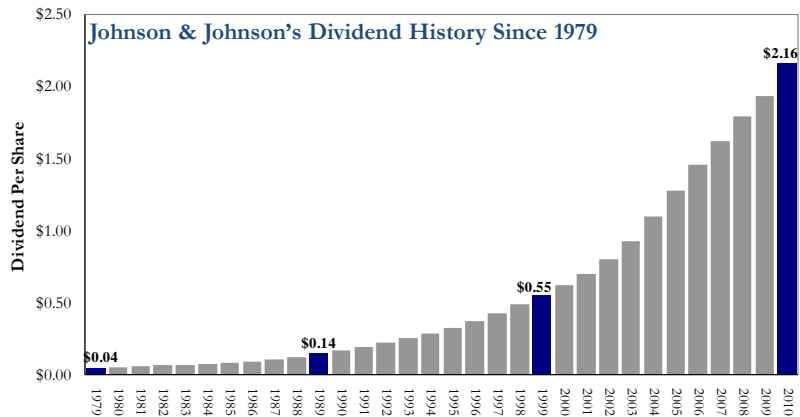
“Do you know the only thing that gives me pleasure? It’s to see my dividends coming in.”

– John D. Rockefeller

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Opportunity for Growth of Income



Source: Factset.

Power of Dividends – 2011

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Positive Signs for 2011

- Enhanced income
- Strong corporate earnings
- Significant amount of cash
- Valuations remain attractive
- Payout ratios are at all-time lows

Power of Dividends – 2011

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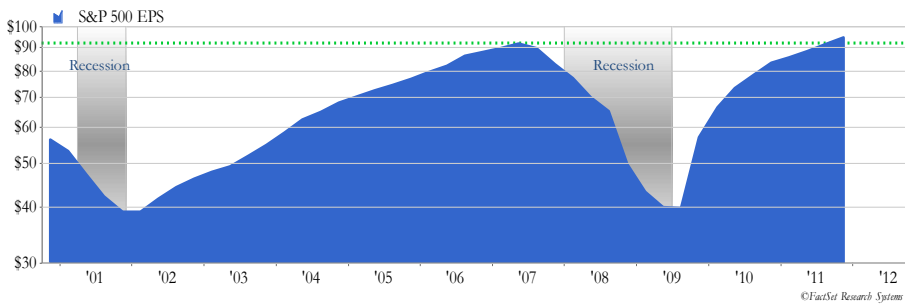
Enhanced Income

Stocks		Bonds	
	Current Yields (as of 3/31/2011)		Current Yields (as of 3/31/2011)
S&P 500	1.79%	1 Year Treasury	0.25%
Haverford Quality Growth	2.32%	5 Year Treasury	2.30%
Haverford Dividend Value	3.74%	10 Year Treasury	3.57%

Gold = 0% Yield

Strong Corporate Earnings

Earnings have exceeded the previous peak set back in 2007

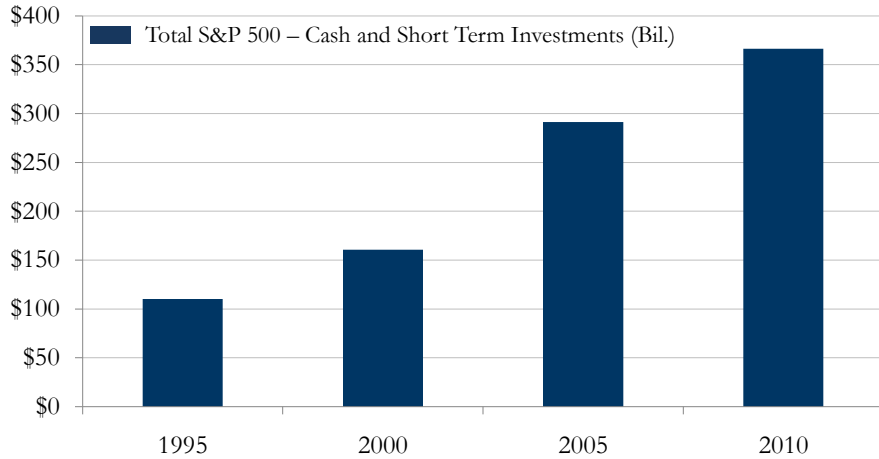


Estimates are forecasts and cannot be guaranteed.

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Significant Amount of Cash

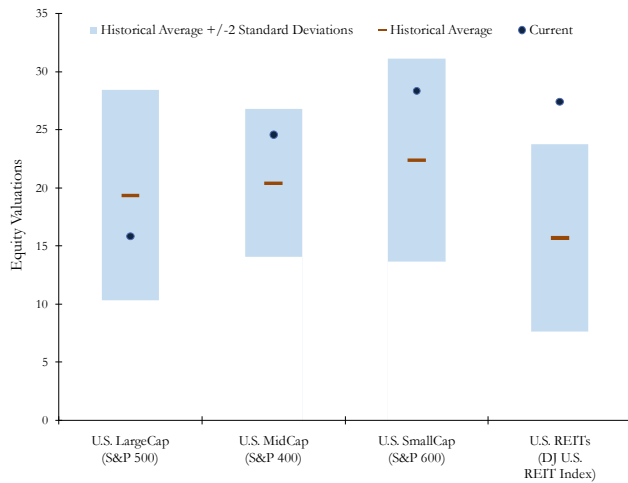


Sources: Standard & Poor's, Factset Research Systems

Power of Dividends – 2011

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Large Cap Stock Valuations Remain Attractive



Valuations for equities based on multiple of normalized EPS. Valuation for U.S. REITs based on multiple of normalized dividend yield. Hist. Ave. and Hist. Ave. +/- 2 SD represent the historical average and the 2-standard-deviation range around the historical average, respectively, and are based on the last 20 years, except for U.S. MidCap (data starts in 1996), U.S. SmallCap (data starts in 1996), and International Emerging Markets (data starts in 1995). Data as of 3/31/2011.

Source: Factset Systems, Federal Reserve.

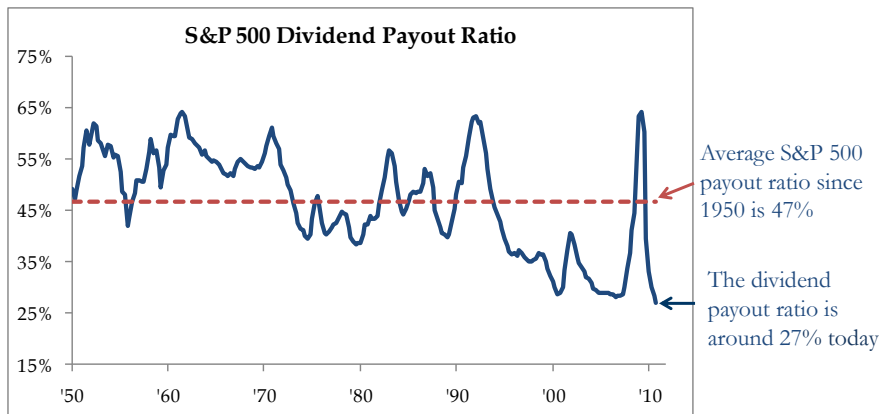
Power of Dividends – 2011

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Payout Ratios are at All-Time Lows



Summary

- Dividends provide real dollars in your pocket
- Dividends have historically enhanced total returns
- Dividends may dampen risk
- Dividends may provide growth of income

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Glossary of Financial Terms

Annualized Return - An annualized rate of return is the return on an investment over a period other than one year (such as a month, or two years) multiplied or divided to give a comparable one-year return.

Asset Allocation - An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

Balance Sheet – A Financial Statement that summarizes a company's assets (what the company owns), liabilities (what a company owes) and shareholders' equity (the amount invested by the shareholder) at a specific point in time. (Assets = Liabilities + Shareholders' Equity)

Bear Market - The prices of securities are falling along with, widespread pessimism. A downturn of 20% or more in multiple broad market indexes, such as the Dow Jones Industrial Average (DJIA) or Standard & Poor's 500 Index (S&P 500), over at least a two-month period, is considered an entry into a bear market.

Bull Market - The prices of securities are rising or are expected to rise. Bull markets are characterized by optimism, investor confidence and expectations that strong results will continue.

Dividend – A portion of a publicly-traded company or fund's earnings that is distributed to shareholders.

Dividend Yield - A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Dividend yield is calculated as follows:

$$= \frac{\text{Annual Dividends per Share}}{\text{Price per Share}}$$

Earnings - The amount of profit that a company produces during a specific period. Earnings typically refer to after-tax net income.

Earnings Per Share (EPS) – The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Equity - A stock, or other security, representing an ownership interest in a publicly traded corporation.

Financial Strength – Measures the safety, stability, and overall financial health of a company from the shareholder's perspective based upon earnings and a combination of dividends and balance sheet information.

Fixed Income - An investment that provides income in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, in which payments change on the basis of an underlying measure such as short-term interest rates, the

payments of a fixed-income security are known in advance and do not change. Price changes in a fixed-income security are caused primarily by changes in long-term interest rates.

High-Yield Bond - A bond with a low rating. Bonds rated less than Baa3 by Moody's or BBB- by S&P or Fitch are considered high-yield bonds. They have higher yields because they have a higher risk of default on the part of the issuer. High-yield bonds are considered sufficiently high-risk that the law does not allow banks to invest in them. They are also called low-grade bonds, and, informally, junk bonds.

Index - An index reports changes up or down, usually expressed as points and as a percentage, in a specific financial market, in a number of related markets, or in an economy as a whole. Each index -- and there are a large number of them -- measures the market or economy it tracks from a specific starting point. Indexes are often used as performance benchmarks against which to measure the return of investments that resemble those tracked by the index. Indexes are unmanaged, do not incur fees or expenses, and cannot be invested in directly.

Large Cap - A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization".

Payout Ratio - The amount of earnings paid out in dividends to shareholders. Equal to:

$$= \frac{\text{Dividends per Share}}{\text{Earnings per Share}}$$

Price Appreciation - An increase in the value of an asset over time. This is the opposite of depreciation, which is a decrease over time.

P/E Ratio – Stock price divided by earnings per share (EPS). P/E ratio measures how much investors are willing to pay for stock ownership per dollar of the company's earnings.

Reinvestment - Using dividends, interest and capital gains earned in an investment, to purchase additional shares rather than receiving the distributions in cash.

Returns - The gain or loss of a security in a particular period.

Shareholder - Any person, company, or other institution that owns at least one share in a company. A shareholder may also be referred to as a "stockholder".

Standard Deviation – A common measure of risk. The more a portfolio's returns vary from its average, the higher the standard deviation (higher risk).

Total Return – The annual return on an investment including price appreciation, dividends/interest, and other distributions.

S&P 500 Index - The benchmark Standard & Poor's 500 Index, widely referred to as the S&P 500, tracks the performance of 500 widely held large-cap US stocks in the industrial, transportation, utility, and financial sectors.

S&P 400 Index - The benchmark Standard & Poor's mid-cap 400 Index, provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

S&P 600 Index - The benchmark Standard & Poor's small-cap 600 Index covers approximately 3% of the domestic equities market. Measuring the small cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

DJ U.S. REIT Index - The benchmark Standard & Poor's 500 Index, widely referred to as the S&P 500, tracks the performance of 500 widely held large-cap US stocks in the industrial, transportation, utility, and financial sectors.

Treasury Note - A saleable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasuries are considered to be a low-risk investment because they are backed by the full faith and credit of the U.S. government, which includes the government's authority to raise taxes to cover its obligations.

Treasury Yield - The return on investment on the debt obligations of the U.S. government.

Valuations - Valuation is the process of estimating the value, or worth, of an asset or investment.

Volatility - A statistical measure of the dispersion of returns for a given security or market index. Commonly, the higher the volatility, the riskier the security.

Sources:

Wall Street Words: An A to Z Guide to Investment Terms for Today's Investor by David L. Scott. Copyright © 2003 by Houghton Mifflin Company. Published by [Houghton Mifflin Company](#). All rights reserved.

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Refined over three decades, Haverford's *Quality Investing*[™] strategy is committed to maximizing returns while minimizing risk throughout the entire market cycle. *Quality Investing* focuses on "A" rated equities that deliver consistent earnings and dividend growth, and investment grade fixed income securities that seek to protect both principal and income over the long term.

HAVERFORD'S PRODUCTS

EQUITY

- Quality Growth
- Quality Dividend Value
- Quality Global Strategy
- Quality 250[™]
- Quality SRI (Socially Responsible)

FIXED INCOME

- Quality Intermediate
- Quality Core
- Quality Municipal
- Client Specific Mandates

BALANCED

- Customized Allocations

HAVERFORD CLIENTS

Haverford serves a range of clients including:

- Individuals and Families
- Institutions & Institutional Consultants
- Employers
- Employee Benefit Plans
- Non-Profit Organizations
- Trusts and Estates
- Religious Organizations
- Endowments
- Private Foundations
- Financial Advisors

HAVERFORD SERVICES

Haverford clients enjoy a range of investment options designed to provide the best in personalized service and sophistication. Some of our additional offerings include:

- **BANKING SERVICES**, delivered through an FDIC-insured state-chartered trust company. We offer below-prime loans and competitive rate certificates of deposit to meet our clients' financing and depository needs.
- **TRUST SERVICES**, including the management of revocable ("living") trusts, testamentary trusts, guardian accounts, irrevocable lifetime trusts, charitable trusts and estate settlement.
- **RETIREMENT PLAN SERVICES**, supporting every type of qualified and non-qualified plan. Haverford provides education, fee transparency, and an open architecture investment platform for plan participants.

To learn more about Haverford and its services, or to schedule an appointment to review your financial future, please call us at 610-995-8700 or visit www.HaverfordQuality.com.

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