Agenda

- Overview
- Business Analysis
- Economic Analysis
- Financial Analysis
- Valuation Analysis
- Recommandation
- Q&A
Overview - size as % of the S&P500

Sector Breakdown (as of 05-Nov-2010)

Cons Disc: 15.89%
Cons Staples: 10.68%
Energy: 11.29%
Financials: 9.51%
Health Care: 10.91%
Industrials: 11.16%
Info Tech: 9.28%
Materials: 3.66%
Telecom Svc: 10.58%
Utilities: 3.46%

<Resource : S&P 500 website Nov.05.2010>
Overview - industries

**Utilities Sector**
- Size (Market Cap.): 648.1B
- Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Market Cap</th>
<th>P/E</th>
<th>ROE %</th>
<th>Div. Yield %</th>
<th>Price to Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Utilities</td>
<td>342.6B</td>
<td>12.40</td>
<td>11.00</td>
<td>3.88</td>
<td>1.74</td>
</tr>
<tr>
<td>Diversified Utilities</td>
<td>141.2B</td>
<td>11.80</td>
<td>11.30</td>
<td>4.52</td>
<td>1.57</td>
</tr>
<tr>
<td>Gas Utilities</td>
<td>107.8B</td>
<td>15.70</td>
<td>11.00</td>
<td>4.62</td>
<td>2.49</td>
</tr>
<tr>
<td>Foreign Utilities</td>
<td>46.4B</td>
<td>6.70</td>
<td>22.90</td>
<td>3.26</td>
<td>1.67</td>
</tr>
<tr>
<td>Water Utilities</td>
<td>10.1B</td>
<td>18.40</td>
<td>6.70</td>
<td>3.39</td>
<td>1.55</td>
</tr>
</tbody>
</table>

(Resource: Yahoo Finance website)
Overview – largest companies

Companies 1 - 15 of about 153 in Utilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Grid plc (ADR)</td>
<td>33.22B</td>
<td>10.58</td>
<td>22,424.42</td>
<td>2,218.91</td>
</tr>
<tr>
<td>2</td>
<td>The Southern Company</td>
<td>32.07B</td>
<td>15.31</td>
<td>15,743.00</td>
<td>1,643.00</td>
</tr>
<tr>
<td>3</td>
<td>Enterprise Products Partners L.P.</td>
<td>27.98B</td>
<td>21.35</td>
<td>25,510.90</td>
<td>844.5</td>
</tr>
<tr>
<td>4</td>
<td>Exelon Corporation</td>
<td>27.31B</td>
<td>10.44</td>
<td>17,318.00</td>
<td>2,706.00</td>
</tr>
<tr>
<td>5</td>
<td>TransCanada Corporation (USA)</td>
<td>25.63B</td>
<td>20.03</td>
<td>8,884.72</td>
<td>1,341.73</td>
</tr>
<tr>
<td>6</td>
<td>Dominion Resources, Inc.</td>
<td>24.99B</td>
<td>9.62</td>
<td>15,131.00</td>
<td>1,287.00</td>
</tr>
<tr>
<td>7</td>
<td>Duke Energy Corporation</td>
<td>24.28B</td>
<td>19.75</td>
<td>12,731.00</td>
<td>1,063.00</td>
</tr>
<tr>
<td>8</td>
<td>NextEra Energy, Inc.</td>
<td>22.63B</td>
<td>10.97</td>
<td>15,643.00</td>
<td>1,615.00</td>
</tr>
<tr>
<td>9</td>
<td>Kinder Morgan Energy Partners LP</td>
<td>21.95B</td>
<td>56.64</td>
<td>7,003.40</td>
<td>331.7</td>
</tr>
<tr>
<td>10</td>
<td>PG&amp;E Corporation</td>
<td>18.67B</td>
<td>15.93</td>
<td>13,399.00</td>
<td>1,194.00</td>
</tr>
<tr>
<td>11</td>
<td>American Electric Power Company, Inc.</td>
<td>17.73B</td>
<td>13.9</td>
<td>13,489.00</td>
<td>1,362.00</td>
</tr>
<tr>
<td>12</td>
<td>Korea Electric Power Corporation (ADR)</td>
<td>17.12B</td>
<td>-</td>
<td>30,619.25</td>
<td>-992.88</td>
</tr>
<tr>
<td>13</td>
<td>Public Service Enterprise Group Inc.(PEG)</td>
<td>16.43B</td>
<td>10.1</td>
<td>12,406.00</td>
<td>1,592.00</td>
</tr>
<tr>
<td>14</td>
<td>Enersis S.A. (ADR)</td>
<td>16.38B</td>
<td>13.35</td>
<td>13,269.72</td>
<td>1,358.33</td>
</tr>
<tr>
<td>15</td>
<td>Spectra Energy Corp.</td>
<td>15.88B</td>
<td>17.14</td>
<td>4,552.00</td>
<td>843</td>
</tr>
</tbody>
</table>

<Resource : Google Finance website Nov.08.2010 >
S&P 500 vs. SIM Weight

**S&P 500 (%)**

- **consumer discretionary:** 10.58
- **consumer staples:** 11.15
- **energy:** 11.13
- **financials:** 15.39
- **health care:** 11.46
- **industrials:** 10.67
- **IT:** 19.32
- **materials:** 3.63
- **telecom:** 3.12
- **utilities:** 3.55
- **cash:** 0

**SIM Weight (%)**

- **consumer discretionary:**
- **consumer staples:**
- **energy:**
- **financials:**
- **health care:**
- **industrials:**
- **IT:**
- **materials:**
- **telecom:**
- **utilities:**
- **cash:**

<Resource : SIM website Oct.29.2010>
## S&P/Sector Performance

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Adjusted Market Cap ($Million)</th>
<th>Index Level</th>
<th>1 Day</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RETURNS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500 (TR)</td>
<td>N/A</td>
<td>2,053.77</td>
<td>.4%</td>
<td>3.64%</td>
</tr>
<tr>
<td><strong>PRICE RETURNS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>11,110,953.48</td>
<td>1,225.85</td>
<td>.39%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>PRICE RETURNS BY SECTOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>1,254,511.10</td>
<td>465.12</td>
<td>.47%</td>
<td>5.09%</td>
</tr>
<tr>
<td>Materials</td>
<td>406,610.30</td>
<td>224.81</td>
<td>.33%</td>
<td>4.32%</td>
</tr>
<tr>
<td>Industrials</td>
<td>1,187,066.20</td>
<td>288.21</td>
<td>.54%</td>
<td>3.74%</td>
</tr>
<tr>
<td>Cons Disc</td>
<td>1,175,212.27</td>
<td>287.53</td>
<td>.53%</td>
<td>3.62%</td>
</tr>
<tr>
<td>Cons Staples</td>
<td>1,212,353.57</td>
<td>300.50</td>
<td>.1%</td>
<td>1.39%</td>
</tr>
<tr>
<td>Health Care</td>
<td>1,240,189.47</td>
<td>364.31</td>
<td>-.5%</td>
<td>.92%</td>
</tr>
<tr>
<td>Financials</td>
<td>1,765,239.49</td>
<td>209.41</td>
<td>2.12%</td>
<td>6.94%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>2,142,031.09</td>
<td>404.73</td>
<td>.03%</td>
<td>3.36%</td>
</tr>
<tr>
<td>Telecom Svc</td>
<td>343,330.22</td>
<td>194.48</td>
<td>.56%</td>
<td>7.55%</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>384,500.76</td>
<td>162.54</td>
<td>-.01%</td>
<td>1.05%</td>
</tr>
</tbody>
</table>

<Resource : S&P 500 website Nov.08.2010, SIM Reports to the Treasurer Oct.2010>
Business Analysis – Catalysts/Risks

**Catalysts**
- Rate Regulation Increase
- Improvement in Economy
- Weather Patterns
- Green Policy (Nuclear/Water)

**Risks**
- Rate Regulation Neutral/Decrease
- Inconsistent or over-demand
- Commodity Prices
- Green Policy (Electric/Diversified/Gas)
- Weather Patterns
Business Analysis – phase of life cycle

SALES

TIME

Introduction

Growth

Diversified
Water

Electric
Foreign
Gas

Maturity

Decline
Economic Analysis - Industry vs. Sector Performance

**GICS Sector:** Utilities
**Sub-Industry:** Multi-Utilities

Based on S&P 1500 Indexes
Month-end Price Performance as of 10/29/10

**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)
Economic Analysis - Industry vs. Sector Performance

GICS Sector: Utilities
Sub-Industry: Multi-Utilities

Based on S&P 1500 Indexes
Month-end Price Performance as of 10/29/10

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)
Economic Analysis - Economic cycle & stock market cycle

[Diagram showing the economic cycle and stock market cycle with key stages and industries labeled]

1. Consumer Non-Cyclicals
2. Consumer Cyclicals (durable and non)
3. Health Care
4. Financials
5. Technology
6. Basic Industry
7. Capital Goods
8. Transportation
9. Energy
10. Utilities
11. Precious Metals
Economic Analysis – real GDP & Utilities

Forecast: GDP will very slowly increase over the short term
Earnings projected up 9% in Q/weather-aided
Spot power prices jumped 15%-74%

Forecast: Increased GDP = Decrease in Utility
Economic Analysis – GDP & UNRATE

Forecast: Increased Unemployment = Decrease in Utility
Economic Analysis – S&P500 & Utilities

Over perform

Under perform

Over perform

Over perform

Under perform
Economic Analysis – 2-10-30-year treasury & Utilities

**Forecast:** Increase in Interest Rates in Short Term
Increase in Capital Spending
= Decrease in Trade Deficit
= Increase Utilities
Economic Analysis- Export/Imports & Oilfield equip. & Utilities

Exports/Imports Oil Drill Equip Positively Correlated with Utility Performance
Economic Analysis - Natural Gas/Crude Oil Inventory
Economic Analysis

Forecast: Potential for long term growth
Financial Analysis –
Sector Revenue and Earnings

Forecast:
Revenues – Decrease/Same,
EPS – Same/Decrease
Financial Analysis-
Sector Revenue and Earnings

ROE slightly decrease, Margins slightly better
Financial Analysis

P/E Ratio (Earnings) – Top; Revenue - Bottom
P/E around 13- stable, decreasing, Revenue – Slightly Decrease
Valuation Analysis

<table>
<thead>
<tr>
<th>Absolute Basis</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>19.4</td>
<td>8.4</td>
<td>14.6</td>
<td>13.0</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>20.9</td>
<td>10.5</td>
<td>14.6</td>
<td>12.9</td>
</tr>
<tr>
<td>P/B</td>
<td>2.7</td>
<td>1.1</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>P/S</td>
<td>1.6</td>
<td>.4</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>P/CF</td>
<td>9.6</td>
<td>4.4</td>
<td>6.5</td>
<td>6.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relative to SP500</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/Trailing E</td>
<td>1.1</td>
<td>.44</td>
<td>.82</td>
<td>.82</td>
</tr>
<tr>
<td>P/Forward E</td>
<td>1.1</td>
<td>.48</td>
<td>.90</td>
<td>1.0</td>
</tr>
<tr>
<td>P/B</td>
<td>1.0</td>
<td>.4</td>
<td>.7</td>
<td>.7</td>
</tr>
<tr>
<td>P/S</td>
<td>1.2</td>
<td>.3</td>
<td>.8</td>
<td>.9</td>
</tr>
<tr>
<td>P/CF</td>
<td>.8</td>
<td>.4</td>
<td>.6</td>
<td>.6</td>
</tr>
</tbody>
</table>

- P/E Ratios are relatively cheap on the absolute basis, but in line on the S&P basis, or slightly more expensive
- P/B and P/S are in line with the 10 year averages (essentially)
Valuation Analysis

P/E Declining / in Line
Valuation Analysis
## Summary

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Conclusions</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>Mature industry, cyclical in nature</td>
<td>Neutral</td>
</tr>
<tr>
<td>Economic</td>
<td>Expect slow growth, more aggressive for sector</td>
<td>Slightly Positive</td>
</tr>
<tr>
<td>Financial</td>
<td>Declining Revenue, declining ROE, and slightly increasing in Net Profit Margin.</td>
<td>Negative</td>
</tr>
<tr>
<td>Valuation</td>
<td>Sector seems to be trading at a slightly discount.</td>
<td>Slightly Positive</td>
</tr>
</tbody>
</table>

Overall: Slightly negative for short term
Recommendation

- Current Underweight 142 bps
- Decrease weight in SIM portfolio by 25 bps
- Final: Underweight 167 bps
Q&A

- What questions do you have?