

# GURUN *Report*

*A timely message from GURUN INVESTMENT ADVISORS, INC. for its valued clients*

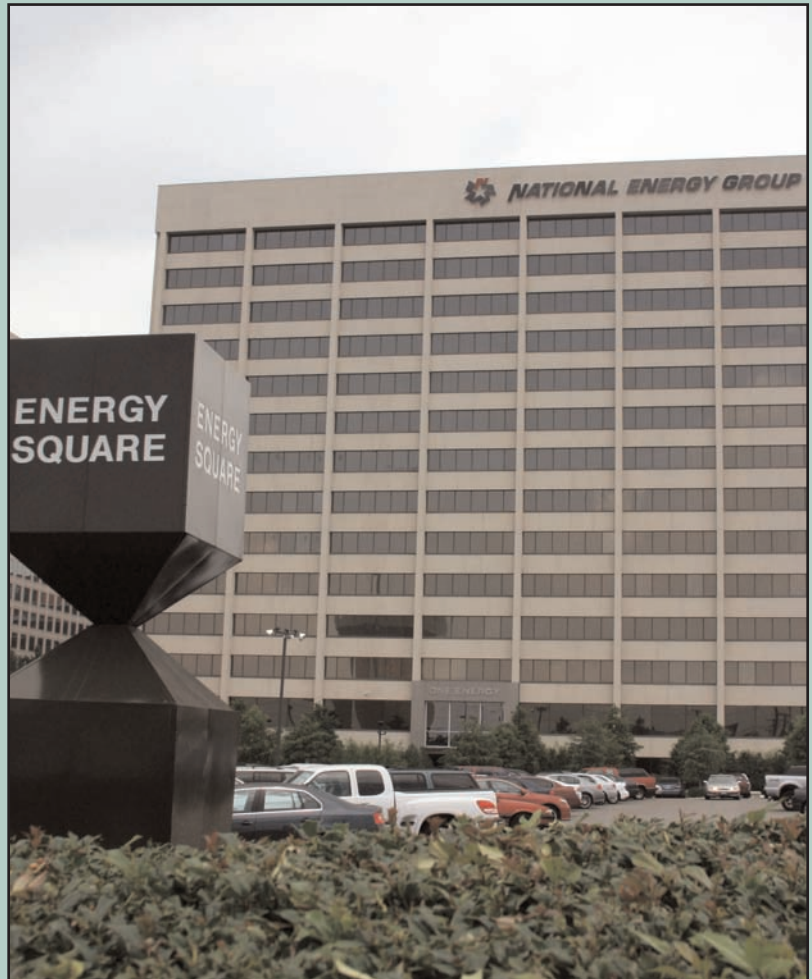
## Building Wealth with Dividends

Total return measures the performance of your common stock portfolio and is comprised of two components: price appreciation of the underlying securities and reinvestment of dividends generated by these securities.

Stocks selected for your investment portfolio are carefully culled to maximize total return in a conservative, disciplined manner. Our firm places special emphasis on high quality, well established companies that pay a dividend and raise their dividend every year. According to Ned Davis Research (an independent institutional investment research and advisory firm), dividend growers and initiators outperform non-dividend paying stocks by more than 8% a year.

Historically, the reinvestment of dividends has accounted for over 40% of the stock market's total return. This remarkably large portion of total return is attributable to the compounding effect of reinvesting these dividend payments. Compounding accelerates wealth accumulation on previously distributed and reinvested cash flows.

*BetterInvesting Magazine* (National Association of Investment Clubs) recently highlighted several additional compelling reasons to focus on dividend-paying stocks: 1) dividends provide predictable cash flows to investors relying on the distributions for



### Gurun Investment Advisors is moving up

Effective August 1, our office is relocating within One Energy Square to the 11th floor. Our mailing address will only change by suite number. All other means of communication including the facsimile and phone numbers will remain the same. This larger, upgraded space in Suite #1102 will allow our firm to better serve you and our expanding client base.

This issue of the

# GURUNReport

has been prepared by  
**Gurun Investment Advisors**  
to help you understand and achieve your long-term financial  
objectives via conservative investment management.

## Gurun Investment Rule #2

*Distinguish between wants and needs.*

### Executive Profile

#### Charles H. "Chick" Martin, CFA, MBA

Chick's extensive entrepreneurial background includes senior management stints with 7-Eleven, Blockbuster and Schneider, Bernet & Hickman (now UBS). He is a Chartered Financial Analyst, a Notre Dame grad and holds an MBA from The Stern School of Business (NYU).

He serves on the John Paul II High School Advisory Council (Plano, Texas) as well as the Advisory Board of The Museum of Nature & Science (Dallas, Texas).

Any free time is spent with his seven grandchildren and his passion for photography. He has been director of marketing since he joined Gurun Investment Advisors in June of 2006.



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monthly expenses; 2) companies that pay dividends display better earnings growth by forcing management to be more deliberate and less wasteful in their allocation of capital; 3) 2003 tax law changes mean qualified dividends are taxed at a preferential maximum tax rate of only 15%; 4) dividend-paying stocks usually sell at cheaper valuations than "growth" stocks that do not pay dividends; and 5) stocks with meaningful dividend

yields and consistent growth records generally display less volatility in bear markets.

Albert Einstein postulated, "Compounding is mankind's greatest invention because it allows for the reliable, systematic accumulation of wealth." Dividend-paying stocks allow our investment portfolios to participate in this powerful wealth building mechanism.

#### GURUN INVESTMENT ADVISORS, INC.

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## GURUNSPEAK

An Investment Glossary

### Stagflation

Sluggish economic growth coupled with a higher rate of inflation and unemployment... a blend of stagnation and inflation. Stagflation presents a problem because the two principal tools for directing the economy, fiscal policy and monetary policy, generally offer only tradeoffs between growth and inflation.

### Beta

A quantitative measure of the volatility of rates of return on a common stock or portfolio relative to the overall market, such as the Standard & Poor's 500 Index. A beta greater than 1 indicates the stock / portfolio is more volatile than the overall market while a beta below 1 is less volatile.

### Share Repurchase Plan

A systematic program where a company buys back its own stock on the open market. The buyback is typically a sign the company's management believes its stock is undervalued. Because the Repurchase Plan reduces the number of shares outstanding and thus increases Earnings Per Share, it tends to elevate the market value of the remaining shares held by stockholders.