Reprinted from DOW JONES NEWS SERVICE

TUESDAY, JANUARY 3, 2006

TIP SHEET:

Dividend Investing Pays Off For RNC's Genter

By CYNTHIA KOONS
Dow Jones Newswires

NEW YORK (Dow Jones)—For Dan Genter, 2006 is going to be the Year of the Dividend.

Genter, president and chief investment officer of RNC Genter Capital Management, started offering a high-dividend portfolio a few years ago to high net worth individuals who were often times conservative investors in search of consistent income. He sees it as a smart investment vehicle as a number of companies started issuing dividends or raised their payouts in 2005, a trend he expects to continue.

"What we did three years ago is we carved it out as a separate identifiable strategy," he said. "What we're really trying to do, generally speaking, we're trying to be very, very close to double the dividend yield that you would see in the S&P 500."

To do that, he looks to a variety of sectors, such as energy and finance.

His favorite picks in energy include Kinder Morgan Inc. (KMI), Exxon Mobil Corp. (XOM) and Chevron Corp. (CVX). Kinder Morgan, for one, said when it raised its dividend in July that management expects to increase the dividend at a rate consistent with its projected earnings growth rate of 10% to 12%.

"What we're trying to do with this portfolio is be very diversified from a sector standpoint," he said. "Utilities was the first thing that came to mind. From investors' standpoint, I think they expect to see a portfolio that's all utilities."

But utilities aren't the only dividend-paying investments poised to benefit in 2006.

"The area that's probably going to see the largest total returns is going to be in the financial area," Genter said. "They've been fighting their old nemesis, the rising fed funds rate, the fact is that the old adage 'you can't fight the Fed' has never been more true than it's been in the last 18 months."

But he expects the Federal Reserve to stop raising rates in the second half, allowing financial firms to expand loan margins.

Genter's top dividend-paying picks in the financial sector include Bank of America Corp. (BAC) and Citigroup Inc. (C). In June, Bank of America increased its quarterly dividend by 11%, to 50 cents from 45 cents a share, in its 28th consecutive year of dividend increases.

Another type of company which stands to benefit next year is the base materials producer, Genter said. His favorite in that group is Dow Chemical Co. (DOW).

"They're going to be a beneficiary of a very strong economy, their demand has continued to go up," he said. "They had trouble last year getting the price increases through, but now the price increases are going to stick."

He added that Dow Chemical is the No. 1 or No. 2 provider in all of its classes and that the company's base cost structure is going to stabilize as the price of energy levels off.

Traditionally, his picks tend to be large-cap companies, which are solid earnings producers.

"The reason that these stocks have done very well historically, they're very consistent, you have a very high cash flow. When the market is going down, or is flat, they act not only as a stock but as a bond substitute," he said.

That's the philosophy behind investing in a high-dividend portfolio, he said. The platform appeals to conservative investors wary of relying on the stock market to turn out big profits in the post-tech-bubble world.

"You have a market environment that's very mundane," Genter said. "No one is expecting and no one is receiving 20% returns."

Instead, investors with minimum portfolio investments of $250,000 can use Genter's strategy to generate income. This year, he said, the firm's high-dividend portfolios are tracking about 250 basis points ahead of the S&P 500 and 350 basis points ahead of the Dow Jones U.S. Select Dividend Index.

The Dow Jones dividend index is a 100-stock measure of the top dividend-paying U.S. companies.

Dividends were hot in 2005. As of Dec. 21, 305 of the S&P 500 companies increased their dividends, according to S&P data. That compares with 272 companies increasing their dividends in the same time period a year ago and 247 in 2003.

"You're clearly going to see more individual (dividend) funds start to burgeon out," Genter said. "I've heard that some of the fund companies are starting to bring them out in different types of labels. There definitely seems to be a movement."

However, he maintains his firm's strategy is unique.

"The difference is that ours truly is a high dividend strategy," he said. "There is a very primary focus on generating high dividends. What we've seen from other (firms) in many cases, the dividend is a byproduct of their methodology of investing."