

Portfolio Navigator.... April 21, 2008

	<u>Fundamental</u>	<u>Valuation</u>	<u>Technical</u>	<u>S&P Weight</u>	<u>Recommended Weight</u>	<u>25 Stock Portfolio</u>	<u>Comments</u>	<u>ETFs</u>	<u>Best Ideas</u> <u>Stocks</u>
Financials				17%	13%	4			
Banks/Div. Financial	Neg	Above	Neut	8%	5%	1	Banks no longer cheap or oversold.. Consensus opinion assumes the worst is behind them...This is unlikely if Recession strikes. Consider moving up capital structure to bank preferreds.	Powershares Preferred Port (PGX-A-\$19.33)	Aflac (AFL-N-\$67.88); US Bancorp (USB-N-\$33.56); Nasdaq (NDAQ-O-\$40.61)
Insurance	Neut	In-Line	Pos	4%	5%	2			
Cap. Mkts	Neut	Below	Neg	4%	3%	1			
REITs	Neg	Above	Pos	1%	0%	0			
Technology				16%	15%	3			
Computer Hardware	Neut	In-Line	Neg	4%	3%	0	Semiconductors likely to bounce but we do not believe it is a long-term investment opportunity. We continue to favor software over hardware (semis/PCs/networking) due to their more predictable earnings.	iShares Software (IGV-N-\$46.44)	Microsoft (MSFT-O-\$30.23); Citrix Systems (CTXS-O-\$32.27); International Business Machines (IBM-N-\$124.40)
Software & Services	Pos	In-Line	Neut	4%	6%	2			
Semiconductors	Neut	In-Line	Pos	3%	3%	0			
Networking	Neut	In-Line	Neg	3%	2%	1			
Internet	Neg	In-Line	Pos	2%	1%	0			
Energy				13%	16%	4			
Integrated/E&P's	Pos	In-line	Pos	10%	11%	2	Earnings rising as fast as share prices.... Stocks not yet expensive... Remain Overweight	SPDR Oil Service (XES-A-\$43.39)	Schlumberger (SLB-N-\$101.85); BJ Services (BJS-N-\$33.21)
Equipment & Services	Pos	In-line	Pos	3%	5%	2			
Healthcare				12%	13%	3			
Pharmaceuticals	Neut	In-Line	Neg	6%	5%	1	Long-term, we anticipate healthcare equipment and healthcare services to grow in importance at the expense of the pharmaceutical group. However, with the economy slowing drug stocks are likely to outperform in the short-term.	iShares Med Device (IHI-N-\$56.47)	Labcorp (LH-N-\$74.75); Wyeth (WYE-N-\$44.93)
Healthcare Equipment	Pos	Below	Pos	3%	6%	2			
Healthcare Services	Neut	Below	Neg	2%	0%	0			
Biotech	Pos	In-Line	Pos	1%	2%	0			
Industrials				12%	12%	3			
Conglomerates	Pos	Above	Neut	4%	3%	1	Machinery companies should be best performers due to the global nature of their business. We believe agriculture and mining machinery companies are the best of bunch. Within Transports, rails are ok, but would not touch the truckers due to their close correlation with U.S. retail	MarketVectors Agribusiness (MOO-A-\$62.34)	Caterpillar (CAT-N-\$85.28); Deere (DE-N-\$92.68); Illinois Tool Works (ITW-N-\$52.34)
Aerospace & Defense	Neut	Below	Neg	3%	3%	1			
Transport	Neg	Above	Pos	3%	2%	0			
Machinery	Neut	In-Line	Pos	2%	4%	1			
Consumer Staples				10%	14%	3			
Food & Beverage	Neut	Below	Pos	4%	6%	1	With the economy not yet 'out of the woods' we view the staples group as a necessary ballast to every portfolio. We prefer the personal care segment where growth is the greatest.	Vanguard Staples (VCR-A-\$49.79)	Proctor & Gamble (PG-N-\$67.17); Church & Dwight (CHD-N-\$56.31)
Food & Staple Retailing	Pos	Above	Pos	3%	3%	1			
Houshld. Product/Pers. Care	Pos	In-Line	Pos	3%	5%	1			
Consumer Discretionary				9%	6%	2			
Retail	Neg	Above	Pos	3%	2%	1	No longer cheap or oversold after recent bounce. Time to sell trading positions and return to 'Underweight'. We believe a consumer-led Recession is unavoidable and more 'hard-times' are ahead for discretionary companies.	Vanguard Cons. Disc. (VDC-N-\$68.92)	McDonalds (MCD-N-\$58.30); Dollar Tree (DLTR-O-\$30.54)
Media	Pos	In-line	Neut	3%	3%	1			
Leisure & Entertainment	Neg	Above	Neg	2%	0%	0			
Homebuilding	Neut	Above	Pos	1%	1%	0			
Utilities				4%	5%	1			
Electric Utilities	Pos	In-Line	Neut	4%	5%	1	Utilities are cheap relative to Treasuries and possess attractive defensive characteristics.	Vanguard Utilities (VPU-A-\$83.85)	MDU Resources (MDU-N-\$28.70)
Materials				4%	5%	2			
Chemicals	Neg	Above	Neg	2%	0%	0	We prefer Metals and Mining stocks. Avoid shares of chemical companies since they are most at risk to rising energy costs.	MarketVector Gold Mining (GDX-A-\$50.81)	Southern Corp. (PCU-N-\$119.30); Praxair (PX-N-\$92.77)
Precious Metals	Pos	Above	Pos	1%	2%	1			
Metals	Pos	Above	Pos	1%	3%	1			
Telecommunications Services				3%	1%	0			
Wireline Services	Neg	In-Line	Neg	3%	1%	0	Telco is no longer defensive we believe wireless spending is cyclical and likely to fall in a consumer-led Recession.	None	None
				100%	100%	25			

Riverfront Investment Group owns shares of AFL, USB, NDAQ, IGV, MSFT, CTXS, IBM, XES, SLB, BJS, IHI, LH, WYE, MOO, CAT, DE, ITW, VCR, PG, CHD, VDC, MCD, DLTR, VPU, MDU, GDX, PCU and PX

Playbook Explained

	Fundamental	Valuation	Technical	S&P Weight	Recommended Weight	25 Stock Portfolio	Comments	ETFs	Best Ideas	Stocks
Technology				16%	15%	3				
Computer Hardware	Neut	In-Line	Neg	4%	3%	0	Semiconductors likely to bounce but we do not believe it is a long-term investment opportunity. We continue to favor software over semis/hardware/networking due to their more predictable earnings.	iShares Software (IGV)		Microsoft (MSFT); Citrix Systems (CTXS)
Software & Services	Pos	In-Line	Neut	4%	6%	2				
Semiconductors	Neut	In-Line	Pos	3%	3%	0				
Networking	Neut	In-Line	Neg	3%	2%	1				
Internet	Neg	In-Line	Pos	2%	1%	0				

Our Fundamental View combines our long-term industry outlook with our shorter-term (6-month) cyclical outlook and expectations around potential catalysts.

For example: Industries where our long-term bias is negative, like semiconductors, we may raise our ratings to neutral if significant near-term catalysts exist. However, we would be unlikely to ever move our rating to Positive.

Our valuation rating is determined by measuring the sub-sectors price, Price/Earnings and Price/Cashflow ratios relative to the S&P 500. 'Above' ratings are given to sub-sectors trading one-standard deviation or more above their normal range and a rating of 'Below' is given to those one-standard deviation or more below.

Our technical rating is based on the long-term technical trend of the sub-sector. There are three ratings: 'Negative', 'Neutral', or 'Positive'.

We use a 'weight of evidence' approach to determine our recommended weightings. Sub-sectors with favorable fundamental, valuation and technical ratings are overweighted relative to the S&P and vice-versa.

In a 25 stock portfolio, we would allocate 3 positions to Technology... 2 to Software, 1 to Networking

Our advice can be implemented multiple ways. In these two columns we provide ideas for the ETF investor and for those building a traditional stock portfolio.

The specific securities identified do not represent all of the securities purchased, sold or recommended for client portfolios. Other securities mentioned may be considered by Riverfront Investment Group for purchase or sale in client portfolios in the future. Riverfront owns shares of GE in its discretionary Portfolios. The opinions expressed are current as of the date shown and are subject to change. They are not intended to be investment recommendations. Past performance is no guarantee of future results.