

HGK Large Cap Core

HGK

Asset Management, Inc.

Firm Overview

- Founded in 1983
- 100% employee owned
- Low professional turnover
- Located in Jersey City, NJ
- Approximately \$4 billion AUM

Portfolio Characteristics:

- \$29 Million AUM in Large Cap Core composite
- 45-55 Stocks
- Fully invested at all times

Equity Discipline:

- Focus on cash flow & Economic performance
- Strong value orientation
- Fundamental analysis
- High quality companies
- Strict sell discipline

Outlook

The fourth quarter of 2007 was a volatile one with broadly lower equity prices. Concerns swept through financial markets due to a broad downward re-pricing of riskier credit assets. Many financial companies were forced to write down large portions of their balance sheets amid investor concerns over housing related debt. Additionally, the market expects a sharp drop in consumer spending due to continued declines in housing prices and pending resets in adjustable rate mortgages. Investors fear this will ultimately lead to a recession. As a result, the fourth quarter was negative for the domestic equity markets led downward by Financial Services and Consumer Discretionary stocks, two of the largest sectors in the S&P 500. Despite the weak fourth quarter the market overcame significant headwinds and finished positively for the year.

We expect the economy will avoid a recession in 2008. Although the market is already pricing in recessionary valuations, there are several forces that can prevent these expectations from becoming a reality. Recent Federal Reserve and global central bank intervention has led to increased liquidity and lower interest rates, which should cushion the economy in the near to intermediate future; the Fed's actions have shown its willingness to provide the U.S. economy with a soft landing. Additionally, while GDP growth should be stagnant through mid 2008, the second half of the year should show signs of recovery. US goods and services should experience greater overseas demand due to a weak US Dollar which will help offset economic weakness. Finally, there are no considerable signs of a widespread labor crisis, which is significant to consumer spending and confidence thus we expect the consumer to be much more resilient than is widely expected.

HGK is focused on companies with significant foreign exposure as they should see their revenue and earnings hold up relatively well in this environment. We are concentrating on those sub-industries, and companies that we expect to demonstrate above average revenue and earnings growth regardless of economic conditions. We continue to stress broad diversification among industry sectors particularly given a period of heightened volatility. We continue to be bullish on the Healthcare sector, which is both attractively valued and positioned to post strong growth benefiting from demographic trends. Recently, we have increased our exposure to the Consumer Discretionary sector, as valuations are discounting near recession levels. At current levels these stocks are undervalued given even sub-par corporate performance. Any successes should lead to significant returns for the sector. While we were overweight Energy for most of 2007, we have recently shifted our exposure to a slight underweight. Valuations have increased and earnings comparisons will be difficult. Finally, the recent share price declines in the Financial Services sector has made the group more attractively valued. Increased levels of loan losses and reserves, as well as the need to replenish their capital bases will result in limited to no earnings growth. While the operating environment for these companies will be very difficult in the near term the group appears to have little downside from current levels even given limited growth prospects, especially when buoyed by an accommodative Federal Reserve. HGK may look to selectively and gradually increase exposure to this sector as we move through 2008. As always, HGK will adhere to its value discipline.

Portfolio Characteristics

As of 12/31/07	HGK Large Cap Core	S&P 500	Russell 1000
Wtd. Avg. Market Cap	\$ 66.62 bil	\$ 109.45 bil	\$ 97.61 bil
Median Market Cap	\$ 37.86 bil	\$ 13.04 bil	\$ 5.51 bil
P/E Ratio	15.70	16.90	17.30
Price/Book	2.80	2.77	2.76
Price/Cash Flow	11.50	11.80	11.90
Price/Sales	1.30	1.60	1.60
L.T. Growth Forecast	13.00	12.30	12.60
ROE 5 Yr	23.20	20.40	19.90
Number of Holdings	46	500	999
Dividend Yield	1.76	1.97	1.87
Beta (vs. Russell 3000)	0.82	0.90	0.93
Debt / Capital	41.82	46.96	46.75
Debt Coverage	11.61	6.66	6.40

Sector Weighting

	HGK Large Cap Core	S&P 500	Russell 1000
Technology	14.60	16.70	16.50
Health Care	17.00	12.00	11.80
Consumer Cyclical	10.20	8.50	9.30
Consumer Staples	13.70	10.20	9.60
Energy	11.30	12.90	12.40
Materials	2.40	3.30	3.70
Industrials	11.80	11.50	11.80
Financials	12.80	17.60	17.50
Telecom	2.50	3.60	3.50
Utilities	3.70	3.60	3.90

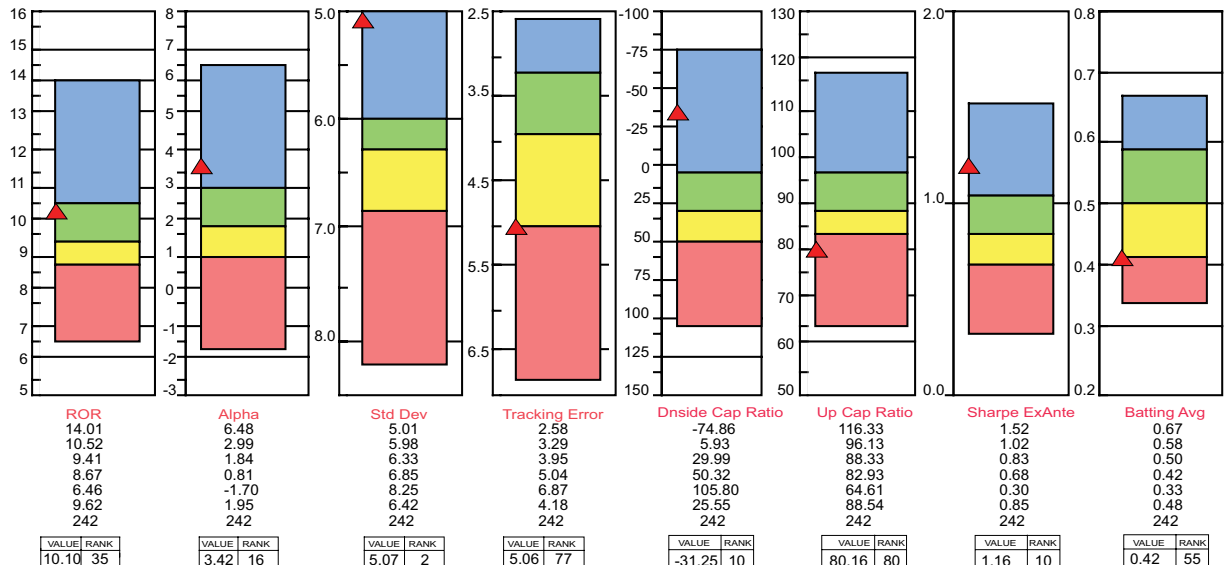
Multi-statistic Quartile Ranking Bar PSN Large Cap Core

Dec. 31, 2004 To Dec. 31, 2007

source: PSN Informa

■ HIGH (0.95)
■ 1st QUARTILE
■ MEDIAN
■ 3rd QUARTILE
■ LOW (0.05)
■ MEAN
■ VALID COUNT

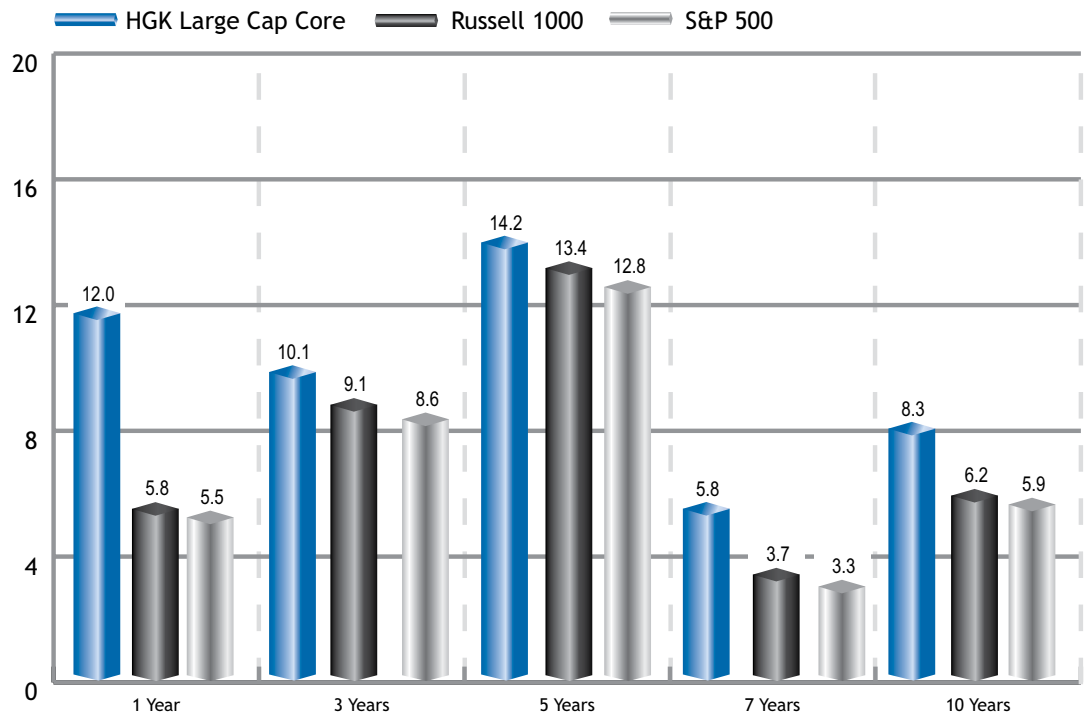
▲ HGK Asset Mgmt Large Cap Core



Top 10 Holdings as of 12/31/07

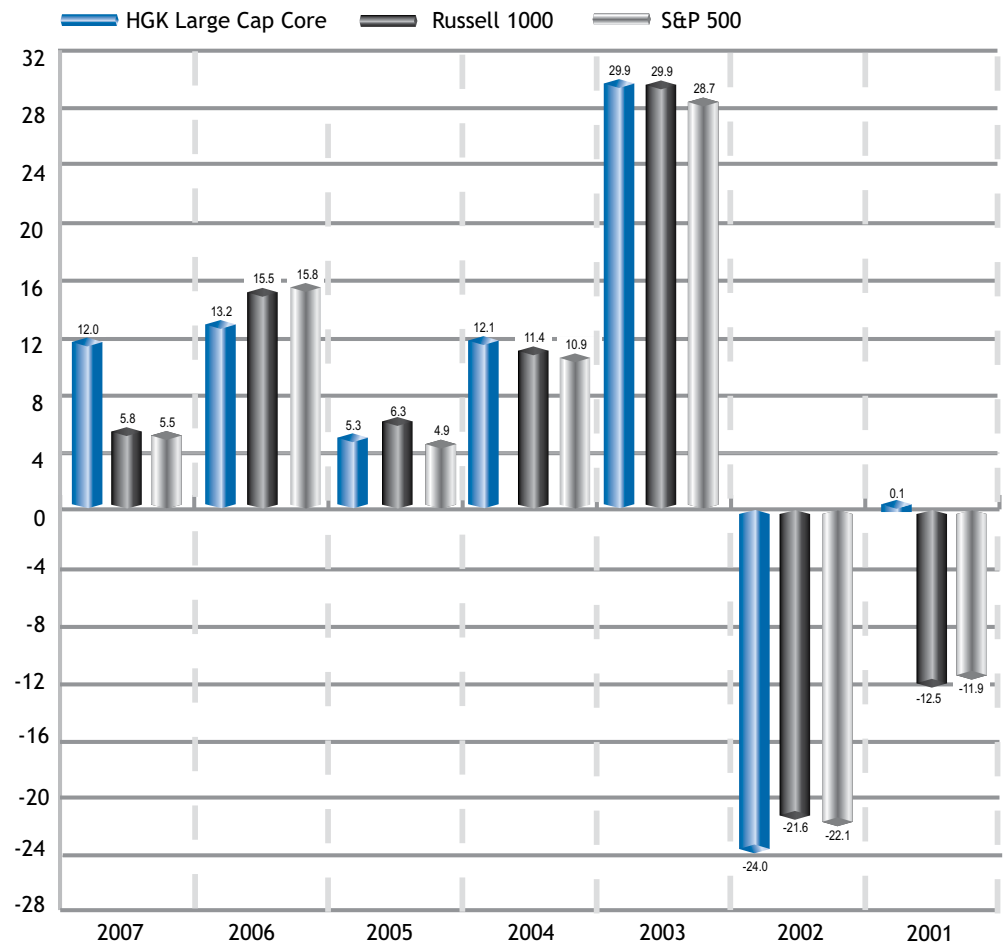
No.	Symbol	Description
1	ADM	ARCHER DANIELS
2	WLP	WELLPOINT HEALTH NETWORKS
3	BA	BOEING COMPANY
4	ORCL	ORACLE SYSTEMS
5	PG	PROCTOR & GAMBLE
6	PEP	PEPSICO
7	WAG	WALGREEN CO
8	JNJ	JOHNSON & JOHNSON
9	BBY	BEST BUY
10	DO	DIAMOND OFFSHORE DRILLING

Annualized Total Returns



source:
HGK Asset Management, Inc.

Year End Total Returns



source:
HGK Asset Management, Inc.

HGK Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®)

Past performance does not guarantee future results.

Returns Calculated in US Dollars, Gross of Fees

The Large Cap Core Composite includes all institutional portfolios invested in U.S. equities greater than \$5 Billion that may exhibit growth or value characteristics.

To receive a complete list and description of HGK Asset Management, Inc.'s composites and/or a presentation that adheres to the GIPS standards, contact Adam Gerentine at 201.659.3700 or email him at Performance@hgk.com.

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