

## TOP INCOME PICKS 2007

### PROPERTY TALK: GLADSTONE INVESTMENT...

"Last year, we recommended **Gladstone Investment Corp.** (GAIN 16.00 NASDAQ GS – yield 5.63%) as our top income pick. Even though the yield last year was only 3.5%, we anticipated dividend increases. In fact, the monthly payout almost doubled; that, plus the gain on the stock price, puts the one-year return at 17% (slightly less from the publication date). Despite this gain, we are recommending it again this year, and once again expect a dividend boost, as well as stock price appreciation. Gladstone Investment is a 'Business Development Company (BDC).' BDCs lend money to small and middle-market companies, often receiving equity as well as interest on the loans and pay out all their net income to investors without tax at the corporate level. Gladstone Investment is one of the newest and most conservative, run by David Gladstone, who has had a multi-decade career in this industry. He has been cautious in investing its funds since going public in the middle of 2005 because of concerns that the market is overheated. All of Gladstone's loans are current, with no delinquencies, and the company has plenty of cash available to use if opportunities arise. Thus, over time, as the money is put to work, the dividend should increase and in the meantime, investors collect 5.63% on a stock that's trading at barely net asset value. For patient investors, this is one to buy and put away. Ignore the short-term stock price fluctuations...collect the dividend and be happy in three to five years time."

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