Sure Dividend

HIGH QUALITY DIVIDEND STOCKS, LONG-TERM PLAN

February 2015 Edition

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Opening Thoughts

There are 2 primary macroeconomic themes driving stock market results at this time:

- The strong U.S. dollar
- Falling oil prices

The biggest beneficiary of these two trends is *U.S. retailers*. U.S. retailers benefit from low oil prices because low oil prices reduce transportation costs. Additionally, U.S. retailers who purchase international goods and sell them in the U.S. benefit from the strong U.S. dollar. The strong dollar allows retailers to purchase more goods for every dollar internationally, while not changing prices domestically. Both low oil prices and the strong U.S. dollar increase margins for domestic retailers.

Two retailers have been recommended in the Sure Dividend newsletter: Wal-Mart (WMT) and Target (TGT). Wal-Mart is currently the top ranked stock using The 8 Rules of Dividend Investing. Target made the Top 10 in April of 2014, but has since fallen off due to its relatively high P/E ratio.

Wal-Mart generates about 70% of its revenue in the U.S. The company's 'Buy American' campaign pledges to purchase $50 billion in U.S. merchandise over a 10 year period. This amounts to only about 1% of sales. The vast majority of Wal-Mart's goods are purchased internationally. The company may experience positive tailwinds over the next year from the strong U.S. dollar and low oil prices.

The U.S. dollar will likely remain strong through 2015. The Federal Reserve has continuously hinted at interest rate increases in either the second half of 2015 or near the end of 2015. Whether this is posturing or reality is up for debate. The mere rumor of increasing interest rates should keep the U.S. dollar stronger than foreign currencies through 2015, as long as the Federal Reserve does not change course.

Low oil prices have reduced earnings from oil corporations. No one knows with any certainty when oil prices will rise. Historical Sure Dividend oil recommendations are ExxonMobil and ConocoPhillips. This month Helmerich & Payne was added to the Top 10. All 3 of these companies have long histories of paying steady or increasing dividends despite oil price declines. Additionally, all 3 have strong balance sheets. This time is not different; oil prices have fallen before. Companies that have grown dividends through *decades* of oil price fluctuations and are conservatively financed are very unlikely to reduce dividend payments any time soon.

Currently no past recommendations are up for sale based on The 8 Rules of Dividend Investing.

The Top 10 List

Ticker	Name	Yield	Payout	Growth	Volatility
WMT	Wal-Mart Stores Inc.	2.26%	37.94%	7.31%	18.98%
XOM	ExxonMobil Corp.	3.16%	34.72%	6.15%	25.37%
DE	Deere & Co.	2.82%	27.84%	10.32%	35.16%
PM	Philip Morris	4.99%	74.63%	8.58%	24.05%
ABT	Abbott Laboratories	2.14%	42.11%	10.00%	19.76%
HP	Helmerich & Payne Inc.	4.62%	40.92%	13.66%	45.25%
KO	Coca-Cola Company	2.96%	58.84%	8.76%	18.47%
PEP	PepsiCo Inc.	2.79%	57.47%	9.63%	17.26%
SJM	The J.M. Smucker Co.	2.48%	44.60%	6.72%	21.18%
MCD	McDonald's Corp.	3.68%	70.39%	6.91%	19.73%

Once again, Wal-Mart is the top ranked stock using The 8 Rules of Dividend Investing. Long-time Sure Dividend favorites PepsiCo, ExxonMobil, Coca-Cola, and McDonald's remain on the list as well.

General Mills, Kellogg, and ConocoPhillips were replaced this month by Helmerich & Payne, J.M. Smucker, and Abbott Laboratories. General Mills is now ranked at 11, Kellogg at 16, and ConocoPhillips at 17.

Changes in the Top 10 occur only when companies release new financial data, or when stock prices change or reduce dividend yields. The stability of the Top 10 list shows the ranking method is consistent, not based on rapid swings. An equally weighted portfolio of these 10 businesses has the following characteristics:

	Top 10	**S&P500**
Dividend Yield:	3.19%	1.92%
Payout Ratio:	48.95%	36.11%
Growth Rate:	8.80%	7.43%
Volatility:	15.37%	20.34%
PE Ratio:	15.87	18.90

- P/E is calculated as the current price divided by trailing-twelve month earnings ; lower is better
- Dividend Yield is calculated as the most recent quarterly dividend x 4 divided by the current price; higher is better
- Payout ratio is the most recent quarterly dividend x 4 divided by trailing-twelve month earnings; lower is better
- Growth Rate is the lower of 10 year revenue per share or dividend per share compound growth; higher is better
- Volatility is the 10 year standard deviation of the dividend and split adjusted price series; lower is better

Review of February's Top 10 Stocks

Wal-Mart (WMT)

Overview & Current Events

Wal-Mart employs 2.2 million people in its 11,150+ stores across 27 countries. The company *has over 1.1 billion* square feet of retail space. Wal-Mart is *by far* the largest retailer in the world. Over the last year it has generated 1.76x as many sales as Amazon, Costco, and Target *combined*.

Wal-Mart grew EPS 1% in its most recent quarterly report (11/13/14). U.S. comparable store sales were up 0.5% in the most recent quarter showing improvement after several quarters of declines.

Wal-Mart stands to benefit from both a strong dollar and lower oil prices. The company still imports the bulk of its products from overseas and sells them in the U.S.. A strong dollar allows the company to buy goods for less and sell them at normal prices in the U.S. Low oil prices reduce the company's transportation costs, causing margins to rise.

Next Dividend Record Date: Early March, 2015 Next Earnings Release: February 19^{th}, 2015

Competitive Advantage & Recession Performance

Wal-Mart's competitive advantage comes from its massive scale and operating efficiency. The company pressures suppliers to lower their prices and then passes savings on to consumers which results in an even greater size advantage. Wal-Mart is attempting to leverage its strong distribution network to provide online shoppers with convenient in-store pick up options and fast delivery.

The company's low prices are appealing to consumers during recessions. The Great Recession of 2007 to 2009 did not impede operations, in fact Wal-Mart grew revenue, earnings, and dividends each year through the recession. Wal-Mart is among the most 'recession-proof' publicly traded businesses.

Growth Prospects, Valuation, & Catalyst

Wal-Mart's future growth will come from smaller layout stores and grocery stores as well as digital/e-commerce growth. Wal-Mart is expecting 30% to 40% e-commerce growth a year over the next several years on its current e-commerce revenue base of $12.5 billion. The company's neighborhood market stores experienced 5.5% comparable store sales growth in Wal-Mart's last quarter.

Wal-Mart is currently trading at a P/E ratio of 16.8 which is well below the market's P/E ratio of 18.9. Wal-Mart *is the cheapest publicly traded discount retailer in the US*. It has a lower P/E ratio than competitors Target (P/E ratio of 22.2) and Costco (P/E ratio of 29.7) despite being the industry leader. Wal-Mart's P/E ratio will likely rise as the company's e-commerce sales continue to grow and the company reports favorable comparable store sales in the US.

Maximum Drawdown (starting in year 2000): -37% in October of 2000

DRIP Available:	Yes
Dividend Yield:	2.26%
10 Year Dividend Growth Rate:	14.00% per year
Most Recent Dividend Increase:	2.13%
Dividend History:	41 Consecutive years of dividend increases

ExxonMobil (XOM)

Overview & Current Events
ExxonMobil is the largest oil corporation in the world. It holds the record for profits in any one year by a corporation. The company has paid increasing dividends for 32 consecutive years despite oil price volatility.

Crude oil prices fell to about $48 this month. Oil prices are lower than we have seen since 2008, when crude oil prices dropped to nearly $30 per barrel before rapidly recovering. Analysts are expecting EPS of $4.33 in full fiscal 2015 versus EPS of $7.95 over the last 12 months for ExxonMobil. Despite this, ExxonMobil's stock has only fallen about 7% over the last 3 months (including 6% this month). ExxonMobil investors have not lost much faith in the company despite low oil prices.

Next Dividend Record Date: Mid February, 2015 Next Earnings Release: February 2nd, 2015

Competitive Advantage & Recession Performance
ExxonMobil's competitive advantage comes from its size, history, and technical knowledge in its highly profitable upstream business. ExxonMobil's industry leading size coupled with its history working with the US government and other large oil companies give it access to lucrative oil & gas investment opportunities that smaller companies don't have.

Despite its strong competitive advantage, ExxonMobil's short-term earnings are affected by recessions and falling oil prices. ExxonMobil's earnings took a significant dip from $11.58/share to $6.60/share in 2008. The company's profit margins are somewhat sensitive to recessions, as oil prices tend to decline during times of economic hardship. The company's long-term outlook is not impacted by short term (or even multiyear) recessions as ExxonMobil tends to remain profitable in economic downturns. This means the company can weather recessionary storms without fears of bankruptcy.

Growth Prospects, Valuation, & Catalyst
ExxonMobil's future growth will come from increasing demand for energy brought on by global GDP per capita growth. Oil price fluctuations will cause the company's earnings to be 'lumpy' over any one year, but stable over multi-year periods. We are currently seeing low oil prices. ExxonMobil will see lower EPS while oil prices are low, and higher EPS when oil prices rise.

ExxonMobil appears undervalued with a P/E ratio of just 11 and a forward P/E ratio of 18.9 using analyst expectations that assume continued low oil prices. The company is trading near the bottom of its historical P/E 10 ratio range as well, despite a shareholder friendly management and long growth runway. ExxonMobil shareholders will likely see sizeable gains when oil prices rise.

Maximum Drawdown (starting in year 2000): -37% in July of 2010

DRIP Available:	Yes
Dividend Yield:	3.16%
10 Year Dividend Growth Rate:	9.84% per year
Most Recent Dividend Increase:	9.52%
Dividend History:	32 consecutive years of dividend increases

Deere & Company (DE)

Overview & Current Events

Deere & Company is the largest manufacturer of farming machinery in the world. In addition, the company manufactures construction equipment, forestry equipment, and operates a financing division to help sell its expensive equipment. Deere & Company was founded in 1837 and has not reduced its dividend payments in 27 years despite the cyclical nature of the farming industry.

Next Dividend Record Date: March 31st, 2015 Next Earnings Release: Late February, 2015

Competitive Advantage & Recession Performance

Deere & Company's competitive advantage comes from its brand recognition and reputation for quality in the farming machinery industry. The company charges a premium price for its farming equipment, because its high quality equipment reduces downtime which increases farm production. Deere & Company's competitive advantage have given it a 60% market share of the farming equipment industry in the US and Canada.

Deere & Company is affected by recessions. The company saw EPS fall from a high of $4.70 in 2008 to a low of $2.82 in 2009 at the height of the Great Recession. Despite this, the company remained profitable and increased dividend payments each year of the recession. Deere & Company's earnings are cyclical and dependent upon grain price and the farming industry. Farmers tend to hold of large capital investments when their cash flows are low from reduced grain prices.

Growth Prospects, Valuation, & Catalyst

The farming machinery industry is highly cyclical. Deere & Company is expected to be in a cyclical trough next year due to falling grain prices and rising farmer input costs. As a result, analysts are expecting EPS of about $5.75 next year versus EPS of $8.63 in 2014. However, long term growth prospects are bright for Deere & Company. Increased affluence and population growth in emerging markets will drive demand for farming equipment globally. Over the last decade, Deere & Company has averaged EPS growth of over 12% a year.

Deere & Company is currently trading at a P/E ratio of just 9.88. The company's P/E ratio is low due to expected weakness in 2015. The company has a forward P/E ratio of 14.8. Deere & Company will likely repurchase a significant amount of shares in 2015 to take advantage of low prices. The catalyst for the company is the recovery of grain prices and farmer profits, which will likely take place after 2015.

Maximum Drawdown (starting in year 2000): -73% in March of 2009

DRIP Available:	Yes
Dividend Yield:	2.82%
10 Year Dividend Growth Rate:	11.56%
Most Recent Dividend Increase:	15.54%
Dividend History:	27 consecutive years without a reduction

Philip Morris International (PM)

Overview & Current Events
Philip Morris International is the largest cigarette company in the world. Philip Morris International sells Marlboro, Parliament, Chesterfield, and other cigarette brands outside the United States. The company has 40% or more market share in 45 countries/markets.

Philip Morris is one of the most well-managed companies Sure Dividend has analyzed. Management has done a fantastic job of growing EPS despite paying out the majority of earnings as dividends and being in a declining industry. The company is facing short-term difficulties due to the strong U.S. dollar versus other currencies.

Next Dividend Record Date: Late March, 2015 Next Earnings Release: Early February, 2015

Competitive Advantage & Recession Performance
Philip Morris' competitive advantage comes from its strong brands. Marlboro is one of the most valuable global cigarette brands. Philip Morris controls nearly 40% of the cigarette market in Europe. In addition, the addictive properties of nicotine allow the company to increase prices to offset additional taxes levied by governments around the world due to the inelastic demand curve for cigarettes.

Philip Morris was spun-off from its sister company Altria during the most recent recession. Because of this, the company does not have financial data from the last recession. Tobacco businesses have traditionally performed well through recessions, as consumers tend to smoke the same amount (or more) of cigarettes during times of economic hardship.

Growth Prospects, Valuation, & Catalyst
Philip Morris shareholders will receive strong returns from the company's high dividend yield, large share repurchases, and organic growth. The company's long-term growth will come from the e-vapor and heated tobacco industry, which is still in its infancy. Philip Morris has partnered with Altria to create new products and to license each other's current offerings in the burgeoning e-vapor and heated tobacco industry.

The company trades at a P/E ratio of 14.97, which is in line with its historical P/E average. Philip Morris is a high quality business trading around fair value. Its management's capital allocation skills are first class, which will likely result in continued strong 12%+ returns for shareholders. The P/E ratio will likely go higher if the U.S. dollar shows any signs of weakness.

Maximum Drawdown (starting in year 2008): -41% in March of 2009

Dividend Stats

Dividend Yield:	4.99%
10 Year Dividend Growth Rate:	10.82% per year for past 5 years, (10 year data not available)
Most Recent Dividend Increase:	6.38%
Dividend History:	31 consecutive years of dividend increases (Counting Altria history before spin-off)

Abbott Laboratories (ABT)

Overview & Current Events
Abbott Laboratories designs and produces nutritional products, medical devices, pharmaceuticals, and diagnostic equipment. Abbott Laboratories has positioned itself to take advantage of emerging market growth with 50% of sales coming from emerging markets, 30% from the US, and 20% from other developed economies.

Abbott Laboratories' 4th quarter results (1/29/15) showed full-year 2014 adjusted EPS growth of 13.4% despite headwinds from a strong dollar. The company expects 6% to 11% EPS growth in full fiscal 2015. The company is selling its developed market pharmaceuticals division to Mylan for $5.3 billion and acquiring CFR Pharmaceuticals in Latin America and Veropharm in Russia to focus further on emerging market growth.

Next Dividend Record Date: Mid April, 2015 Next Earnings Release: Late April, 2015

Competitive Advantage & Recession Performance
Abbott Laboratories' has a strong competitive advantage in over-the-counter nutrition products. The company owns the Ensure, Pedialyte, Similac, Zone Perfect, and Elecare nutrition brands which make Abbott Laboratories the leader in global nutritional products.

The company has invested heavily in emerging markets and now has strong health care connections and distribution internationally. Abbott Laboratories is the top pharmaceutical company in India, top generic pharmaceutical company in Russia, and a top 10 pharmaceutical company in Latin America.

Abbott Laboratories managed to grow revenue, earnings, and dividends each year through the Great Recession of 2007 to 2009. Consumers and governments typically do not cut back on health care expenditures regardless of the economic climate.

Growth Prospects, Valuation, & Catalyst
Abbott Laboratories' emerging market penetration gives it excellent long-term growth prospects. The combination of emerging market economic growth and aging populations provide a favorable macroeconomic environment for Abbott Laboratories. The company further increased its exposure to emerging markets with its recently announced acquisition of CFR Pharmaceuticals and Veropharm. The company hit double-digit EPS growth in 2014 despite currency headwinds from the strong dollar.

Abbott Laboratories is trading at a P/E ratio of 19.63 (using its more accurate operating EPS, not GAAP EPS). The company appears to be fairly valued at this time. Gains from Abbott will come primarily from growth and dividends, not valuation multiple increases.

Maximum Drawdown (starting in year 2000): -46% in July of 2002

DRIP Available:	Yes
Dividend Yield:	2.14%
10 Year Dividend Growth Rate:	5.84% (Pre 2012 ABBV spin-off growth rate)
Most Recent Dividend Increase:	57.14%
Dividend History:	42 consecutive years of dividend increases

Helmerich & Payne (HP)

Overview & Current Events
Helmerich & Payne provides contract drilling services primarily to U.S. based oil and gas producers. The company operates a fleet of 374 rigs, including 329 of its best-in-class AC Flex Rigs. Helmerich & Payne is the industry leader in U.S. contract drilling services, with 16% market share. For comparison, its next largest competitor (Patterson-UTI Energy) has 11% market share.

Helmerich & Payne's 1st quarter 2015 results (1/29/15) showed surprisingly good performance despite oil price declines. The company posted 16.4% EPS growth versus the same quarter a year ago. Management expects reduced drilling due to low oil prices to impact results through the rest of 2015.

Next Dividend Record Date: February 13, 2015 Next Earnings Release: Late April, 2015

Competitive Advantage & Recession Performance
Helmerich & Payne's competitive advantage comes from its best-in-class AC Flex Rigs. These rigs have higher utilization rates and better safety records than competitor rigs. Additionally, they have higher margins per day. Helmerich & Payne is the industry leader in U.S. contract drilling services.

Helmerich & Payne is less affected by recessions and low oil prices than one would expect. The company tends to use 3 year contracts with early termination payment clauses. Helmerich & Payne has about 50% of its fleet under contract for 2015, and about 35% in 2016. In 2009 and 2010 (during the Great Recession & low oil prices), the company generated $210 million in income from early termination fees. EPS declined only 26% through the Great Recession, better than many oil & gas giants (including ExxonMobil).

Helmerich & Payne is very conservatively financed. The company expects $1.6 billion in capital expenditures and dividend payments (at current dividend level) in 2015. It has $1.35 billion in investments and current assets with, with only ~$80 million in long-term debt. Analysts expect the company to have at least $235 million in earnings next year. Capital expenditures and dividend payments should be covered by earnings and cash on hand in 2015 if oil prices stay low. If the company needs additional cash flows it can easily issue corporate bonds at attractive interest rates.

Growth Prospects, Valuation, & Catalyst
Helmerich & Payne has *grown EPS at 22% a year* over the last decade. The company will see continued growth from the renaissance in North American oil. Helmerich & Payne currently trades at a P/E ratio of 8.86. The stock appears extremely undervalued and will likely generate very strong returns for shareholders when oil prices rise.

Maximum Drawdown (starting in year 2000): -76% in March of 2009

DRIP Available:	Yes
Dividend Yield:	4.62%
10 Year Dividend Growth Rate:	34.45% per year
Most Recent Dividend Increase:	10.08%
Dividend History:	No dividend reductions since 1987

Coca-Cola (KO)

Overview & Current Events
Coca-Cola is #1 in both carbonated and non-carbonated non-alcoholic beverages around the world. The company has 17 brands that sell over $1 billion annually including: Coca-Cola, Sprite, Fanta, Dasani, Simply (orange juice), and Minute Maid. Coca-Cola has delivered *29 consecutive quarters* of value share gains in the beverage market.

Coca-Cola's latest presentation (12/15/14) shows the company expects long-term EPS growth of between 7% and 9%. The company is expecting full year constant-currency EPS growth of 6% in both 2014 and 201, which is below long-term expectations.

Growth is being negatively impacted by the stronger U.S. dollar which hurts Coca-Cola because the company generates nearly 80% of operating income outside North America. Growth in 2014 and 2015 will also be impacted by refranchising its bottling assets in North America to decentralize decision making and better adapt to local preferences. The company also plans to integrate its soon-to-be-acquired Monster beverage non-energy drink brands (Hubert's Lemonade, Peace Tea, etc.) in 2015.

Next Dividend Record Date: Mid March, 2015 Next Earnings Release: February 10, 2015

Competitive Advantage & Recession Performance
Coca-Cola's competitive advantage comes from its powerful brands. Coca-Cola supports its brands by spending over $3 billion per year on advertising. The company's dominance in the beverage industry gives it more advertising power than competitors (other than PepsiCo), further reinforcing Coca-Cola's brand based competitive advantage.

Coca-Cola was only minimally affected by the Great Recession of 2007 to 2009. The company's earnings per share dipped 2.6% in 2009, but overall performance was not severely impacted. The company is resistant to recessions because it sells low cost consumer beverages.

Growth Prospects, Valuation, & Catalyst
Coca-Cola's long-term growth will come from increasing market penetration in developing markets. The company's still beverages (juice, water, tea) will be its growth drivers in the developed world. Over the next few years, growth will come from margin enhancement through streamlined operations from the company's current restructuring and bottling refranchising plan as well as through strategic partnerships with both Keurig and Monster Beverage.

Coca-Cola trades at a P/E ratio of 19.89 which is around its 10 year historical average. Investors should expect gains from dividends, share repurchases, and organic growth, not valuation multiple expansion. Total shareholder return should be between 10% and 12% over the long run from EPS growth (7% to 9%) and dividends (~3%).

Maximum Drawdown (starting in year 2000): -42% in March of 2003

DRIP Available:	Yes
Dividend Yield:	2.96%
10 Year Dividend Growth Rate:	9.33% per year
Most Recent Dividend Increase:	8.93%
Dividend History:	52 consecutive years of dividend increases

PepsiCo (PEP)

Overview & Current Events

PepsiCo is the2nd largest non-alcoholic beverage company in the world (behind only Coca-Cola). Interestingly, the company generates *more than 50% of its revenue* from food and snacks including its Frito-Lay and Quaker brands. In total, PepsiCo has 22 brands that generate over $1 billion per year in sales including: Doritos, Cheetos, Gatorade, Mountain Dew, and Tropicana.

PepsiCo's 3rd quarter results (10/9/14) showed constant-currency EPS growth of 11%, emerging market revenue growth of 8%, and gross margin expansion. In addition, the company raised its full year guidance from 8% EPS growth to 9% and increased its dividend 15%. PepsiCo generates about 50% of its revenue in the U.S. As a result, it should be neither positively nor negatively affected by the strong U.S. dollar.

Next Dividend Record Date: Early March, 2015 Next Earnings Release: February 11th, 2015

Competitive Advantage & Recession Performance

PepsiCo's competitive advantage comes from its powerful brands. It reinforces brand awareness through large advertising spending. In 2013, PepsiCo spent *$3.9 billion* on advertising and marketing, which is nearly 6% of total revenues.

PepsiCo's branding and low priced consumer food and beverage products insulate it from much of the effects of recessions. PepsiCo's operating performance was stellar over the 2007 to 2009 Great Recession. The company's revenue dipped slightly from 2008 to 2009, and earnings had a small dip from 2007 to 2008. Recessions have historically slowed PepsiCo's growth, but have done little to impact its profitability.

Growth Prospects, Valuation, & Catalyst

PepsiCo's flagship Pepsi brand and other carbonated beverages are experiencing stagnant growth as consumers change their beverage preferences to still (water, tea, juice) drinks. The company's growth potential lies with its Frito-Lay and still beverage brands coupled with market penetration in the developing world.

PepsiCo's current P/E ratio of 20.57 is close to its historical average. The company is slightly more expensive than the overall market, but is of a much higher quality than the average publicly traded stock. PepsiCo has had double-digit revenue and dividend growth over the last ten years. The company has positioned itself to take advantage of growth in the developing world with its popular chip brands.

Maximum Drawdown (starting in year 2000): -40% in March of 2009

DRIP Available: Yes
Dividend Yield: 2.79%
10 Year Dividend Growth Rate: 11.00% per year
Most Recent Dividend Increase: 15.32%
Dividend History: 42 Consecutive years of dividend increases

J.M. Smucker (SJM)

Overview & Current Events
J.M. Smucker is the U.S. industry leader in retail coffee, peanut butter, fruit spreads, natural beverages, shortening, sweetened condensed milk, and ice cream toppings. The company sells food products under the Folger's coffee, Jif peanut butter, Smucker's jams and jellies, R.W. Knudsen juice, and Crisco shortening, and other brands. Folger's is the company's most important brand; it generates over 50% of operating income for J.M. Smucker.

J.M. Smucker's latest quarter (11/19/14) showed poor performance in the company's coffee brands (primarily Folger's) as coffee revenue fell 10% due to lower volume from price increases and losing ground to competitors. On the bright side, operating income grew 17% in the company's retail consumer foods segment thanks to lower agricultural input costs (especially peanuts).

Next Dividend Record Date: February 13th, 2015 Next Earnings Release: February 13th, 2015

Competitive Advantage & Recession Performance
J.M. Smucker's competitive advantage comes from its portfolio of high quality US food brands. The company controls the top peanut butter and retail coffee brands in the US. JM Smucker advertises over a wide range of mediums to support its brands' images.

The company is highly resistant to recessions. EPS increased each year through the great recession of 2007 to 2009. J.M. Smucker does well during recessions because it sells branded consumer food products that consumers do not cut back on in times of economic hardship.

Growth Prospects, Valuation, & Catalyst
J.M. Smucker's long-term EPS growth goal is 8%. With a current dividend yield of 2.5%, shareholders can expect 10.5% total returns. The company's EPS growth will come from organic growth and innovation (~3.5%), acquisitions (~2.5%), and share repurchases and margin improvements (~2%). The company is seeing strong growth in its recently acquired Café Bustelo coffee brand and its innovative Smucker's Uncrustables sandwiches.

J.M Smucker has historically traded in line with the P/E ratio of the S&P500. The S&P 500 currently has a P/E ratio of 18.8. J.M. Smucker appears to be trading around fair value at this time. Recent weakness in the Folger's brand gives investors a chance to buy into the company's strong brand portfolio for a fair price. A potential catalyst for J.M. Smucker is the resurgence of its Folger's brand.

Maximum Drawdown (starting in year 2000): -38% in March of 2009

DRIP Available:	Yes
Dividend Yield:	2.48%
10 Year Dividend Growth Rate:	9.77%
Most Recent Dividend Increase:	10.34%
Dividend History:	J.M. Smucker has not reduced its dividend since 1949

McDonald's (MCD)

Overview & Current Events

McDonald's has 35,000+ locations around the world. McDonald's is the largest publicly traded restaurant in the world with a market cap nearly 3 times as large as its closest competitor (Yum! Brands). The company now generates more revenue in Europe than in the US.

McDonald's latest earnings release (1/23/15) showed more poor performance. Comparable store sales fell in all 3 company segments. For the full year, constant-currency revenues were flat and EPS fell 13%. Quite frankly, McDonald's had a terrible 2014. The tainted meat fiasco in China, politically motivated store closures in Russia, and continued bad press from 'pink slime' chicken videos and the 'living wage' debate all damaged the company.

Due to poor performance, McDonald's CEO Donald Thompson is being replaced by Steve Eastbrook. Eastbrook successfully turned around McDonald's U.K. operations (which had positive comparable store sales in the most recent quarter) by focusing on burgers (not drinks and wraps) and improving consumer perceptions. McDonald's stock went up 5% on the day of the CEO announcement (1/29/15).

Next Dividend Record Date: Early March, 2015 Next Earnings Release: Late April, 2015

Competitive Advantage & Recession Performance

McDonald's derives its competitive advantage from its strong brand and franchising business model. McDonald's franchising model allows it to grow quickly and realize higher returns on assets than a store-owned business model. The company's golden arches and McDonald's brand are recognizable throughout the world. The company's brand is associated with affordable hamburgers and fast service.

The Great Recession of 2007 to 2009 did not impact McDonald's. The company grew revenue per share, earnings per share, and dividends per share each year throughout the recession. The company's low priced food items do well in recessions as consumers switch from more expensive restaurants.

Growth Prospects, Valuation, & Catalyst

As discussed above, McDonald's had an especially bad 2014. The company plans to turn around results in the US by: removing 8 items from its menu to reduce complexity and increase order speed, advertising its 'food transparency' program to educate consumers on its food, and strengthening its brand by showing that McDonald's is 'American' using ads like its 'signs' spot on the Golden Globes.

McDonald's has significant upside potential that will likely be realized when the company returns to positive comparable store sales growth. Comparable store growth could come as early as the 2nd half of 2015 as the company's marketing and menu changes begin to bear fruit. The company has gone through rough patches before (Late 1990's and early 2000's) and then recovered.

Maximum Drawdown (starting in year 2000): -70% in March of 2003

DRIP Available: Yes
Dividend Yield: 3.68%
10 Year Dividend Growth Rate: 19.40% per year
Most Recent Dividend Increase: 4.94%
Dividend History: 39 consecutive years of dividend increases

List of Stocks by Sector

Each of the 152 stocks with 25 or more years of dividend payments without a reduction are sorted by sector below. Stocks are listed in order based on The 8 Rules of Dividend Investing, with the highest ranked first, and the lowest ranked last.

Basic Materials

1. ExxonMobil (XOM)
2. Helmerich & Payne (HP)
3. BHP Billiton (BHP)
4. ConocoPhillips (COP)
5. Chevron (CVX)
6. Phillips 66 (PSX)
7. Murphy Oil (MUR)
8. Valspar (VAL)
9. Imperial Oil (IMO)
10. Enbridge (ENB)
11. Sherwin-Williams (SHW)
12. Sigma-Aldrich (SIAL)
13. HB Fuller (FUL)
14. PPG Industries (PPG)
15. National Fuel Gas (NFG)
16. Phillips 66 Partners LP (PSXP)
17. RPM International (RPM)
18. Nucor (NUE)
19. Air Products & Chem. (APD)
20. Energen (EGN)
21. NACCO Industries (NC)

Consumer Goods

1. Philip Morris International (PM)
2. Coca-Cola (KO)
3. PepsiCo (PEP)
4. J.M. Smucker (SJM)
5. General Mills (GIS)
6. Kimberly-Clark (KMB)
7. Kellogg (K)
8. Archer-Daniels-Midland (ADM)
9. Altria (MO)
10. Ecolab (ECL)
11. McCormick & Company (MKC)
12. Hormel Foods (HRL)
13. Procter & Gamble (PG)
14. Colgate-Palmolive (CL)
15. Flowers Foods (FLO)
16. Nike (NKE)
17. Bemis Company (BMS)
18. Hershey (HSY)
19. V.F. Corporation (VFC)
20. Sonoco Products (SON)
21. Church & Dwight (CHD)
22. Clorox (CLX)
23. Weyco Group (WEYS)
24. Stepan Company (SCL)
25. Universal Corporation (UVV)
26. Mondelez (MDLZ)
27. Kraft (KRFT)
28. Brown-Forman (BF-B)
29. Tootsie Roll Industries (TR)
30. Carlisle Companies (CSL)
31. Lancaster Colony (LANC)
32. Leggett & Platt (LEG)
33. Nestle (NESN)
34. Johnson Controls (JCI)
35. HNI Corporation (HNI)

Financial

1. AFLAC (AFL)
2. Chubb (CB)
3. Commerce Bankshares (CBSH)
4. Tompkins Financial (TMP)
5. T. Rowe Price Group (TROW)
6. American Express (AXP)
7. First Financial Bank (FFIN)
8. Franklin Resources (BEN)
9. Eaton Vance (EV)
10. Community Trust (CTBI)
11. M&T Bank Corporation (MTB)
12. RLI Corporation (RLI)
13. McGraw Hill Financial (MHFI)
14. 1st Source Corporation (SRCE)
15. Eagle Financial Services (EFSI)
16. Arthur J Gallagher & Co (AJG)
17. First Financial Corp. (THFF)
18. HCP, Inc. (HCP)
19. Harleysville Savings (HARL)
20. Universal Health Realty (UHT)
21. Northern Trust (NTRS)
22. Cincinnati Financial (CINF)
23. Old Republic Int'l (ORI)
24. United Bankshares (UBSI)
25. Mercury General (MCY)
26. Federal Realty Trust (FRT)

Technology

1. AT&T (T)
2. BCE Inc. (BCE)
3. Verizon Wireless (VZ)
4. Auto. Data Processing (ADP)
5. Computer Services Inc. (CSVI)
6. Diebold Incorporated (DBD)
7. Brady Corporation (BRC)
8. Telephone & Data Syst. (TDS)

Utilities

1. UGI Corporation (UGI)
2. Consolidated Edison (ED)
3. Integrys Energy Group (TEG)
4. Black Hills Corporation (BKH)
5. Northwest Natural Gas (NWN)
6. SJW Corporation (SJW)
7. Fortis (FTS.TO)
8. Questar Corporation (STR)
9. Atmos Energy (ATO)
10. Connecticut Water (CTWS)
11. Vectren Corporation (VVC)
12. WGL Holdings (WGL)
13. MGE Energy (MGEE)
14. Middlesex Water (MSEX)
15. Canadian Utilities (CU.TO)
16. Otter Tail (OTTR)
17. American States Water (AWR)
18. Piedmont Natural Gas (PNY)
19. California Water Service (CWT)

Industrial Goods

1. Deere & Company (DE)
2. Caterpillar (CAT)
3. Pentair (PNR)
4. Dover Corporation (DOV)
5. Parker-Hannifin (PH)
6. 3M (MMM)
7. Emerson Electric (EMR)
8. Nordson Corporation (NDSN)
9. United Technologies (UTX)
10. Stanley Black & Decker (SWK)
11. Illinois Tool Works (ITW)
12. Donaldson Company (DCI)
13. Clarcor (CLC)
14. Raven Industries (RAVN)
15. Gorman-Rupp (GRC)
16. Tennant Company (TNC)

Services

1. Wal-Mart (WMT)
2. McDonald’s (MCD)
3. W.W. Grainger (GWW)
4. Genuine Parts Company (GPC)
5. Cintas Corporation (CTAS)
6. Walgreens Alliance (WBA)
7. Sysco Corporation (SYY)
8. United Parcel Service (UPS)
9. Disney (DIS)
10. Lowe’s Companies (LOW)
11. Empire Company (EMP-A.TO)
12. Target (TGT)
13. Family Dollar Stores (FDO)
14. RR Donnelley (RRD)
15. ABM Industries (ABM)
16. Cardinal Health (CAH)
17. Mine Safety Appliances (MSA)
18. Bowl America (BWL-A)

Health Care

1. Abbott Laboratories (ABT)
2. AbbVie (ABBV)
3. Johnson & Johnson (JNJ)
4. Becton, Dickinson & Co. (BDX)
5. CR Bard (BCR)
6. Medtronic (MDT)
7. United Health Group (UNH)
8. Merck & Co. (MRK)
9. Eli Lilly & Co. (LLY)

List of Stocks by Rank

Each of the 152 stocks with 25 or more years of dividend payments without a reduction are listed below. Stocks are listed in order based on The 8 Rules of Dividend Investing, with the highest ranked first, and the lowest ranked last.

1. Wal-Mart Stores (WMT)
2. ExxonMobil (XOM)
3. Deere & Company (DE)
4. Philip Morris (PM)
5. Abbott Laboratories (ABT)
6. Helmerich & Payne (HP)
7. Coca-Cola Company (KO)
8. PepsiCo (PEP)
9. The J.M. Smucker Co. (SJM)
10. McDonald's (MCD)
11. General Mills (GIS)
12. AFLAC (AFL)
13. Chubb (CB)
14. Kimberly-Clark (KMB)
15. BHP Billiton (BHP)
16. Kellogg (K)
17. ConocoPhillips (COP)
18. AbbVie (ABBV)
19. Chevron (CVX)
20. Caterpillar (CAT)
21. W.W. Grainger (GWW)
22. Johnson & Johnson (JNJ)
23. Bect. Dickinson, & Co. (BDX)
24. AT&T (T)
25. Commerce Banc. (CBSH)
26. UGI Corporation (UGI)
27. Phillips 66 (PSX)
28. Pentair (PNR)
29. C.R. Bard (BCR)
30. Medtronic (MDT)
31. Murphy Oil (MUR)
32. Archer-Daniels-Mid. (ADM)
33. Altria Group (MO)
34. Ecolab (ECL)
35. Valspar (VAL)
36. BCE, Inc. (BCE)
37. McCormick & Co. (MKC)
38. United Health Group (UNH)
39. Dover (DOV)
40. Genuine Parts Co. (GPC)
41. Imperial Oil (IMO)
42. Hormel Foods (HRL)
43. Parker-Hannifin (PH)
44. Enbridge (ENB)
45. 3M Company (MMM)
46. Verizon Wireless (VZ)
47. Procter & Gamble (PG)
48. Cintas (CTAS)
49. Emerson Electric (EMR)
50. Tompkins Financial (TMP)
51. Colgate-Palmolive (CL)
52. T. Rowe Price Group (TROW)
53. Flowers Foods (FLO)
54. American Express (AXP)
55. Consolidated Edison (ED)
56. Walgreens Alliance (WBA)
57. Nordson (NDSN)
58. Nike (NKE)
59. First Fin. Bankshares (FFIN)
60. Bemis Company (BMS)
61. United Technologies (UTX)
62. Franklin Resources (BEN)
63. Hershey (HSY)
64. Stanley B&D (SWK)
65. VF Corporation (VFC)
66. Sherwin-Williams (SHW)
67. Sysco (SYY)
68. Integrys Energy Group (TEG)
69. Eaton Vance (EV)
70. Automatic Data Proc. (ADP)

71. Sonoco Products (SON)
72. Illinois Tool Works (ITW)
73. United Parcel Service (UPS)
74. Comm. Trust Banc. (CTBI)
75. M&T Bank Corp. (MTB)
76. Disney (DIS)
77. Church & Dwight (CHD)
78. Clorox (CLX)
79. Sigma-Aldrich (SIAL)
80. RLI Corporation (RLI)
81. Black Hills Corp. (BKH)
82. Merck & Co. (MRK)
83. Computer Services (CSVI)
84. Donaldson Company (DCI)
85. H.B. Fuller Company (FUL)
86. Lowe's Companies (LOW)
87. Northwest Natural Gas (NWN)
88. Empire Co. (EMP-A.TO)
89. Weyco Group (WEYS)
90. Stepan Company (SCL)
91. Target (TGT)
92. Family Dollar Stores (FDO)
93. McGraw Hill Fin. (MHFI)
94. SJW Corporation (SJW)
95. Universal Corporation (UVV)
96. Mondelez (MDLZ)
97. R.R. Donnelley (RRD)
98. Fortis (FTS.TO)
99. 1st Source Corp. (SRCE)
100. Questar Corporation (STR)
101. Eagle Financial Svcs. (EFSI)
102. Atmos Energy (ATO)
103. Kraft Company (KRFT)
104. Brown-Forman (BF-B)
105. Arthur J Gallagher (AJG)
106. ABM Industries (ABM)
107. First Financial Corp. (THFF)
108. Cardinal Health (CAH)
109. Conn. Water Service (CTWS)
110. Vectren (VVC)
111. WGL Holdings (WGL)
112. MGE Energy Inc. (MGEE)
113. HCP Inc. (HCP)
114. Harleysville Savings (HARL)
115. Univ. Health Realty (UHT)
116. PPG Industries (PPG)
117. Clarcor (CLC)
118. Raven Industries (RAVN)
119. Middlesex Water (MSEX)
120. Eli Lilly & Co. (LLY)
121. Northern Trust (NTRS)
122. Tootsie Roll Industries (TR)
123. Diebold Inc. (DBD)
124. Canadian Utilities (CU.TO)
125. Otter Tail (OTTR)
126. American States Water (AWR)
127. National Fuel Gas (NFG)
128. Cincinnati Financial (CINF)
129. Carlisle Companies (CSL)
130. Old Republic Int’l (ORI)
131. Piedmont Natural Gas (PNY)
132. United Bankshares (UBSI)
133. Mine Safety App.(MSA)
134. Gorman-Rupp Co. (GRC)
135. Phillips 66 Partners (PSXP)
136. Mercury General (MCY)
137. RPM International (RPM)
138. Nucor Corporation (NUE)
139. Brady Corporation (BRC)
140. Air Products & Chem. (APD)
141. California Water Serv. (CWT)
142. Energen (EGN)
143. NACCO Industries (NC)
144. Bowl America (BWL.A)
145. Lancaster Colony (LANC)
146. Federal Realty Trust (FRT)
147. Leggett & Platt (LEG)
148. Tennant Company (TNC)
149. Nestle (NESN)
150. Johnson Controls (JCI)
151. Telephone & Data Sys. (TDS)
152. HNI Corporation (HNI)

Portfolio Building Guide

The process of building a high quality dividend growth portfolio is not complicated: Each month invest in the top ranked stock in which you own the smallest dollar amount. Over time, you will build a well-diversified portfolio of great businesses purchased at attractive prices.

Examples

Portfolio 1		
Ticker	**Name**	**Amount**
WMT	Wal-Mart Stores Inc.	$ 1,002
XOM	ExxonMobil Corp.	$ -
DE	Deere & Co.	$ -
PM	Philip Morris	$ -
ABT	Abbott Laboratories	$ -
HP	Helmerich & Payne Inc.	$ -
KO	Coca-Cola Company	$ -
PEP	PepsiCo Inc.	$ -
SJM	The J.M. Smucker Co.	$ -
MCD	McDonald's Corp.	$ -

Portfolio 2		
Ticker	**Name**	**Amount**
WMT	Wal-Mart Stores Inc.	$ 4,374
XOM	ExxonMobil Corp.	$ 4,878
DE	Deere & Co.	$ 4,353
PM	Philip Morris	$ 2,952
ABT	Abbott Laboratories	$ 3,309
HP	Helmerich & Payne Inc.	$ 4,864
KO	Coca-Cola Company	$ 6,660
PEP	PepsiCo Inc.	$ 2,367
SJM	The J.M. Smucker Co.	$ 2,818
MCD	McDonald's Corp.	$ 6,243

- If you had portfolio 1, you would buy ExxonMobil, the top ranked stock you own least.
- If you had portfolio 2, you would buy PepsiCo, the top ranked stock you own least.

If you have an existing portfolio, switch over to the Sure Dividend strategy over a period of 20 months. Each month, take 1/20 of your initial portfolio value, and buy the top ranked stock you own the least (as per the examples above).

When you sell a stock, use the proceeds to purchase the top ranked stock you own the least. Reinvest dividends in the same manner.

This simple investing process will build a diversified portfolio of high quality dividend stocks over a period of less than 2 years. Further, higher ranked stocks will receive proportionately more investment dollars as they will stay on the rankings longer. You will build up large positions in the highest quality stocks over your investing career.

Alternatively, the Top 10 list is also useful as an idea generation tool for those with a different portfolio allocation plan.

List of Past Recommendations

The stocks below are all of the previous recommendations of Sure Dividend using The 8 Rules of Dividend Investing. The date each stock was first recommended is also shown below.

Name	Ticker	Current Rank	Status	1st Rec. Date
Clorox	CLX	78	Hold	April 2014
Target	TGT	91	Hold	April 2014
AFLAC	AFL	12	Hold	April 2014
Chubb	CB	13	Hold	April 2014
Kimberly-Clark	KMB	14	Hold	April 2014
Genuine Parts Co.	GPC	40	Hold	May 2014
3M	MMM	45	Hold	May 2014
General Mills	GIS	11	Hold	June 2014
AT&T	T	24	Hold	June 2014
Becton, Dickinson	BDX	23	Hold	June 2014
EcoLab	ECL	34	Hold	October 2014
Kellogg	K	16	Hold	December 2014
ConocoPhillips	COP	17	Hold	December 2014

When a stock comes up as a sell, it will be highlighted here as well as in the opening thoughts segment of the newsletter. So far, no stock recommendations have come up as a sell using The 8 Rules of Dividend Investing.

Ending Thoughts

The S&P 500 fell about 3.9% this month. High quality dividend growth stocks *should see smaller* losses when the S&P 500 posts significant losses. As expected, high quality non-oil industry stocks posted smaller losses. Some examples:

- PepsiCo down 2.3% versus 3.9% for S&P 500
- Wal-Mart down 2.1% versus 3.9% for S&P 500
- McDonald's down 1.9% versus 3.9% for S&P 500
- General Mills down 2.7% versus 3.9% for S&P 500
- Kellogg down 1.6% versus 3.9% for S&P 500
- Coca-Cola down 3.7% versus 3.9% for S&P 500
- Abbott Laboratories down 1.5% versus 3.9% for S&P 500
- McDonald's down 1.9% versus 3.9% for S&P 500
- J.M. Smucker's up 0.6% versus 3.9% for S&P 500
- Philip Morris down 2.7% versus 3.9% for S&P 500

All of the above stocks beat the S&P 500 this month. I am not recommending to focus on short term performance. Rather, the stocks above illustrate with real world examples that high quality businesses tend to fall less than the overall stock market during stock market declines.

This does not hold true when there is a crisis in one specific industry. During 2009, banking stocks were pummeled. Even the highest quality banking stocks (like Wells Fargo) underperformed. We are in a similar (though less severe) situation with oil stocks. Even high quality oil companies are underperforming as the market falls. They will likely have a stronger rebound, however, when oil prices rise.

The oil stocks recommended in this current newsletter (XOM, HP) and past newsletters (COP) have strong balance sheets and long dividend streaks. Their stock prices may fall, but it is very likely that these companies continue to reward shareholders with steady dividends until oil prices rise and growth resumes.

Thanks,

Ben Reynolds