Sure Dividend

HIGH QUALITY DIVIDEND STOCKS, LONG-TERM PLAN

October 2014 Edition

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Opening Thoughts

Over the last month, the S&P500 (measured by SPY) lost about 2% of its value. The S&P Low Volatility Index (measured by SPLV) and the Dividend Aristocrats Index (measured by NOBL) each lost less than 1% over the same time-period. Higher quality businesses tend to be less volatile. When the overall market is trending lower, low volatility stocks have historically outperformed.

Common sense tells us that if a stock doesn't fall as far, it has less ground to make up in order to recover. Less intuitive but even more impactful is *how much* ground stock prices have to make up when they fall. If a stock price falls 10%, a 10% recovery *will not get you back to where you started*. You need an 11.11% return to fully recover. The effect is worse with larger drops. A stock that loses 50% of its value needs a 100% return to recover[1]. A stock that loses 70% of its value needs a massive 333.33% recovery to get back to break even[2]. This is why volatility matters in compounding returns.

Several Sure Dividend stocks' total returns moved ahead of total market returns this month. While the strategy as a whole still has more losers than winners, the results do not reflect a full business cycle. Based on historical results and studies, I believe that high quality businesses will compound investor wealth at a slightly faster rate than the S&P500, in part because high quality businesses give up less ground during recessions.

The October edition of Sure Dividend marks the first month maximum drawdown figures are included for each of our Top 10 stocks. Maximum drawdown is calculated using stock prices from 2000 onward to show relatively recent maximum losses over the last few business cycles.

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[1] Here's an example: If a stock is worth $1.00 and losses 50% of its value, it is now worth $0.50. If the stock then goes up 50%, it is only worth $0.75, not $1.00. It would take a 100% return to get back to $1.00 from $0.50.

[2] To find the return needed to recover from a loss, use the following formula: 1 / (1 - % lost) - 1
For example, if a stock price declined 20%, then your calculation would look like this: 1 / (1 - 20%) – 1 = 25%, so you would need a 25% return to recover from a 20% loss.

The Top 10 List

The stocks below have the best rankings based on the 8 Rules of Dividend Investing.

Ticker	Name	Yield	Payout	Growth	Volatility
WMT	Wal-Mart Stores Inc.	2.48%	37.27%	8.21%	19.14%
PEP	PepsiCo Inc.	3.04%	56.97%	10.64%	17.39%
GIS	General Mills	3.25%	57.95%	6.76%	17.02%
KO	Coca-Cola Company	2.83%	58.00%	9.04%	18.71%
MCD	McDonald's Corp.	3.42%	58.95%	6.98%	20.14%
BDX	Becton Dickinson & Co.	1.88%	34.88%	8.03%	20.23%
XOM	ExxonMobil Corp.	2.94%	34.46%	6.20%	25.33%
PM	Philip Morris	4.73%	78.43%	8.63%	24.05%
ABT	Abbott Laboratories	2.11%	39.17%	6.50%	19.84%
ECL	Ecolab Inc.	0.96%	26.61%	10.46%	23.69%

Wal-Mart tops the rankings again for the 7th consecutive month. PepsiCo, General Mills, and Coca-Cola follow Wal-Mart rounding out the top four. The top four remain the same from last month, although General Mills did move ahead of Coca-Cola as General Mills' price dropped (making it a better value), while Coca-Cola's price increased.

Ecolab replaced Kimberly-Clark this month. The company makes the list due to its high growth rate and low payout ratio. The combination of high growth and low payout ratio gives Ecolab an opportunity to rapidly increase its dividend in the future.

Changes occur only when companies release new financial data, or when stock prices change and reduce dividend yields. While not as exciting as a top 10 list that is constantly changing, the stability of the 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:	2.76%	1.90%
Payout Ratio:	48.27%	31.03%
Growth Rate:	8.15%	7.43%
Volatility:	14.63%	20.34%
PE Ratio:	18.39	16.35 (1 Yr. Forward P/E used)

- P/E is calculated as the current price divided by 2014 EPS as calculated by Value Line; lower is better
- Dividend Yield is calculated as the current price divided by the most recent quarterly dividend x 4; higher is better
- Payout ratio is the most recent quarterly dividend x 4 divided by 2014 EPS as calculated by Value Line; 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 dividend and split adjusted price series; lower is better

Stocks to Sell

The stocks below were previously on the top 10 list, and should now be sold.

NONE

Stocks to Hold

The stocks below were previously on the top 10 list. They have since fallen off the top 10 but should be held, not sold.

- Clorox (CLX) – Added April 2014, replaced by GPC
- Target (TGT) – Added April 2014, replaced by MMM
- Genuine Parts Co. (GPC) – Added May 2014, replaced by PM
- 3M (MMM) – Added May 2014, replaced by T
- AFLAC (AFL) – Added April 2014, replaced by BDX
- AT&T (T) – Added June 2014, replaced by ABT
- Chubb (CB) – Added April 2014, replaced by BDX
- J.M. Smucker (SJM) – Added August 2014, replaced by KMB
- Kimberly-Clark (KMB) – Added April 2014, replaced by ECL

Review of April's Top 10 Stocks

Wal-Mart (WMT)

Overview & Current Events
Wal-Mart serves over 245 million customers each week from 11,000+ locations in 27 countries. It is by far the largest retailer in the world, with a market capitalization of $241 billion, and annual sales of over $470 *billion* per year.

Wal-Mart's most recent quarterly results saw constant currency revenue grow 3.4%. Wal-Mart US increased revenue 3.1%, and Sam's Club grew revenues 2.3%. Wal-Mart International grew constant currency revenue a strong 5.3%. The company reversed its trend of negative same store earnings growth in the US, where Wal-Mart same store sales growth was flat this quarter.

Next Dividend Record Date: December 5th, 2014 Next Earnings Release: Mid November, 2014

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 the savings on to consumers which results in an even greater size advantage for Wal-Mart.

The company's low prices are appealing to consumers during times of economic hardship, thus insulating the company from recessions. The Great Recession of 2007 to 2009 *did not affect* Wal-Mart's operations. The company grew revenue, earnings, and dividends each year through the recession.

Growth Prospects, Valuation, & Catalyst
Wal-Mart's future growth will come from further penetration into international markets. Wal-Mart grew comparable store sales significantly faster internationally than domestically in its most recent quarter. The company will realize growth in the US from its burgeoning e-commerce business (up 27% year over year) and new store layouts. Wal-Mart is establishing several hundred hybrid stores 1/10 the size of a supercenter that combine a pharmacy, gas station, and dollar store pricing.
The company is currently trading at a P/E ratio of under 16, well below the market and its historical average P/E ratio. Wal-Mart *is the cheapest publicly traded discount retailer in the US*, well below the P/E ratio of its competitors Costco (P/E of 27), Target (P/E of 25) and Dollar General (P/E of 19). The company will likely see its valuation multiples revised upwards when comparable store sales in the US begin increasing.

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

Dividend Stats

Dividend Yield:	2.52%
10 Year Dividend Growth Rate:	14.00% per year
Most Recent Dividend Increase:	2.13%
Dividend History:	41 Consecutive years of dividend increases

PepsiCo (PEP)

Overview & Current Events

PepsiCo manufactures and sells snacks and food items primarily under its Frito-Lay and Quaker brands, and non-alcoholic beverages under its drink brands which include Pepsi, Mountain Dew, Gatorade, 7 Up, Aquafina, and Tropicana. In total, The company has 22 brands with over $1 billion in annual sales.

PepsiCo's growth continued in its most recent quarter. The company posted 3.6% constant currency revenue growth, and constant currency EPS growth of 9%. Its constant currency revenue growth by division is listed below. The company grew fastest in emerging markets:

PepsiCo Americas Foods	4%	PepsiCo Americas Beverages	1%
Europe	5%	Asia, Middle East, & Africa	7%

Next Dividend Record Date: Early December, 2014   Next Earnings Release: October 9th 2014

Competitive Advantage & Recession Performance

PepsiCo's competitive advantage lies in its highly recognizable brands. It reinforces brand awareness through its large advertising spending. The company is entrenched in consumer minds throughout the world thanks to its marketing. PepsiCo's strong 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 very 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 non-carbonated drinks. The company's growth potential lies with its Frito-Lay and non-carbonated beverage brands coupled with increased growth and market penetration in the developing world.

PepsiCo's current P/E ratio is about 21, which is close to its historical average. The company is slightly more expensive than the overall market, but is of a higher quality than the overall market. PepsiCo has had double-digit revenue and dividend growth over the last ten years and has positioned itself well to take advantage of growth in the developing world through strong branding.

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

Dividend Stats

Dividend Yield:	2.81%
10 Year Dividend Growth Rate:	11.00% per year
Most Recent Dividend Increase:	15.32%
Dividend History:	42 Consecutive years of dividend increases

General Mills (GIS)

Overview & Current Events
General Mills sells branded food products in over 100 countries around the world. The company's brands include: Cheerios, Yoplait, Pilsbury, Betty Crocker, Valley Fresh, Nature Valley, and Progresso.

On September 8th, General Mills announced plans to acquire the natural food company, Annie's. The deal will boost General Mill's natural and organic products revenues from $330 million to $540 million. The acquisition shows General Mills is allocating more capital to natural and organic products. The company's 1st quarter earnings were released on September 17th. As the company's management expected, sales were down 1% on a constant currency basis. The international division saw strong growth, while U.S. sales declined. Management expects high single digit earnings per share growth and mid-digit revenue growth for the full fiscal year.

Next Dividend Record Date: Mid October, 2014 Next Earnings Release: Mid December, 2014

Competitive Advantage & Recession Performance
General Mills is able to sell its grocery products at premium prices because of their strong brand names. The company's brands are ubiquitous in grocery stores and easily recognizable by consumers.

General Mills sells staple food products. Food is one of the few items people can't cut back on during recessions. General Mills increased revenue, earnings, and dividends each year from 2007 through 2009 during the Great Recession. The company is highly insulated from the effects of economic downturns.

Growth Prospects, Valuation, & Catalyst
General Mills currently generates the bulk of its revenue from US retail sales. The company has the following plans to return its US operations to growth:

- Renovating its flagship cereal brands and yogurt brands
- Capitalizing on increasing Hispanic brand sales
- Focusing on "better-for-you" snacking through its LARA, Nature Valley, and Fiber One brands

In addition to renovating its US brands, General Mills has significant growth opportunities overseas. The company has grown international sales at a 16% CAGR since 2009, and currently generates 35% of sales internationally. General Mills currently has a P/E ratio of about 19 which is in line with the general market. The company is likely trading near fair value. Investors should expect returns from growth and dividends, not an increase in the P/E multiple.

Maximum Drawdown (starting in year 2000): -32% in March of 2009

Dividend Stats

Dividend Yield:	3.25%
10 Year Dividend Growth Rate:	9.53% per year
Most Recent Dividend Increase:	7.89%
Dividend History:	114 consecutive years without a reduction

Coca-Cola (KO)

Overview & Current Events
Coca-Cola is the world's leading carbonated beverage company based on sales. Coca-Cola has 17 brands that sell over $1 billion annually including its flagship Coca-Cola, Sprite, and Fanta. The company boasts a strong non-carbonated brand portfolio as well including: Simply, Minute Made, Vitamin Water, Dasani, and Powerade.

Coca-Cola increased constant currency revenue 3% for its most recent quarter. The company grew volume by geography as follows:

Asia Pacific	8%	Euraisa & Africa	5%	North America	0%
Europe	0%	Latin America	0%		

Coca-Cola's most recent quarterly results show the company is expanding in the faster growing emerging markets. The company is stagnating in the developed world as consumers slowly switch from sodas to still beverages. The company also recently purchased a 16.7% equity stake in Monster Beverage and entered into a long-term strategic partnership with the company. Coca-Cola also announced it will produce Honest Tea hot K-Cups in partnership with Keurig/Green Mountain Coffee Roasters. These two moves show the company is looking to capitalize on new growth trends in the beverage industry through partnerships.

Next Dividend Record Date: Mid December, 2014   Next Earnings Release: October 21st, 2014

Competitive Advantage & Recession Performance
Coca-Cola's competitive advantage comes from its highly recognizable brands. The company's brands are developed through large advertising campaigns globally. Coca-Cola is the gold standard in advertising for the beverage industry. Coca-Cola was minimally affected by the Great Recession of 2007 to 2009. The company's earnings per share dipped slightly in 2009, but overall performance was not severely impacted.

Growth Prospects, Valuation, & Catalyst
Coca-Cola's future growth will come from market share gains and growth in emerging markets. The company will experience strong growth in its non-carbonated brands and flat growth in carbonated beverages going forward; Coca-Cola has captured 33% of global juice growth since 2007.

Coca-Cola trades at a P/E ratio of 22.8 which is slightly above its 10 year historical average. The company is currently sitting at the high end of its fair valuation. Investors should expect gains from dividends, share repurchases, and organic growth, not valuation multiple expansion.

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

Dividend Stats

Dividend Yield:	2.86%
10 Year Dividend Growth Rate:	9.33% per year
Most Recent Dividend Increase:	8.93%
Dividend History:	52 consecutive years of dividend increases

McDonald's (MCD)

Overview & Current Events
McDonald's is the largest publicly traded restaurant in the world; nearly 3 times as large as its closest competitor by market cap. The company serves a variety of low-cost burgers and sides through its 35,000+ locations around the world.

McDonald's recently increased its dividend 5%, which is the same as last year's increase of about 5%. The company plans to return an additional $15 billion to $17 billion to shareholders in dividends and share repurchases through 2016, which is a total return of between 16% and 18%. The company's August sales results were poor. Constant currency sales decreased 1.1%. U.S. constant currency sales were down 1.8%, while European constant currency sales increased 2%. Sales in the rest of the world were down 10.7% on a constant currency basis due to the meat supplier issues in China. The sales decline in the rest of the world is temporary, and will likely correct itself in several quarters. McDonald's declining U.S. sales show the company needs to evaluate its marketing strategy.

Next Dividend Record Date: Early December, 2014 Next Earnings Release: October 21, 2014

Competitive Advantage & Recession Performance
McDonald's derives its competitive advantage from its strong brand and franchising business model. The company's golden arches are recognized throughout the world. McDonald's franchising model allows it to grow quickly and realize higher return on assets than a store-owned business model. The company generates significant cash flows which it uses to repurchase shares, pay dividends, and invest in new franchise locations.

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 tend to do well in recessions as consumers switch from more expensive restaurants to cheaper options.

Growth Prospects, Valuation, & Catalyst
McDonald's long-term growth prospects are more favorable than negative current events indicate. McDonald's can improve its US same store sales through product innovation and a cleaner menu layout. The China meat supplier debacle is a one-time event. Despite recent setbacks, the company has high growth potential in the developing world.

The company currently trades at a P/E ratio of about 17. The median P/E ratio for mid and large cap restaurant companies is about 27.5. McDonald's has significant upside potential that will likely be realized when the company returns to positive comparable store sales growth.

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

Dividend Stats

Dividend Yield:	3.42%
10 Year Dividend Growth Rate:	19.40% per year
Most Recent Dividend Increase:	5.00%
Dividend History:	38 consecutive years of dividend increases

Becton Dickinson (BDX)

Overview & Current Events
BDX is a global producer of medical, diagnostic, and bioscience products. The company is one of the oldest in the medical equipment industry; BDX was founded in 1897. BDX's proprietary medical technology makes the company a leading provider of medical products.

BDX grew constant currency revenue 4.6% for its most recent quarter and EPS 10.9%. The company saw its most rapid growth in emerging markets, which were up 12% on the quarter, and over 20% in China. BDX now generates 25% of its total sales from emerging markets.

Next Dividend Record Date: Early December, 2014 Next Earnings Release: November 4th , 2014

Competitive Advantage & Recession Performance
The company's competitive advantage comes from its existing contacts and distribution network in the global health care industry coupled with its excellent new product pipeline. BDX currently generates about 60% of its revenues internationally, and is growing revenue fastest in developing markets.

BDX operates in the health care industry which has traditionally done well through recessions. BDX grew revenue, earnings, and dividends from 2007 through 2009, throughout the Great Recession. The company is only minimally affected by economic downturns.

Growth Prospects, Valuation, & Catalyst
BDX has excellent future growth prospects. The company has a long history of innovating new products to grow revenue. It is also adept at international expansion, generating more than 60% of revenue from international markets. The company has a long growth runway ahead due to an aging global population and significant exposure to quickly growing emerging markets.

The company is trading near its average P/E 10 ratio (also known as Shiller P/E). The company is also trading near the median P/E ratio for its industry. BDX is trading near fair value at this time. Its current 2014 EPS estimate is $6.25, giving the company a P/E of about 18 for the full fiscal year 2014. Shareholders will benefit from continued growth and share repurchases from BDX, rather than a bump in price from valuation multiple reversion.

Maximum Drawdown (starting in year 2000): -35% in July of 2002

Dividend Stats

Dividend Yield:	1.92%
10 Year Dividend Growth Rate:	11.72% per year
Most Recent Dividend Increase:	10.10%
Dividend History:	42 consecutive years of dividend increases

ExxonMobil (XOM)

Overview & Current Events

ExxonMobil is the world's largest publicly traded oil company, and 2nd largest publicly traded corporation overall with a market cap of $401 billion. Nearly 90% of ExxonMobil's profits come from its highly lucrative upstream business. The company also has smaller downstream and chemical business units.

Next Dividend Record Date: Mid November, 2014 Next Earnings Release: End of October, 2014

ExxonMobil's earnings per share increased 32% up to $2.05 in the most recent quarter versus the same quarter a year ago. Earnings increased in each of the company's business units. ExxonMobil is well positioned for the future with a globally diversified portfolio of oil and gas assets.

Competitive Advantage & Recession Performance

ExxonMobil's competitive advantage comes from its size, history, and technical knowledge in its highly profitable upstream business. The company is efficient at finding and producing oil and natural gas. ExxonMobil's massive size coupled with its history working with the US government and other oil companies give it access to lucrative oil & gas investment opportunities that smaller companies do not have the connections or resources in which to invest. Despite its strong competitive advantage, ExxonMobil is affected by recessions.

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.

Growth Prospects, Valuation, & Catalyst

ExxonMobil's future growth will come from increasing demands for energy brought on by global GDP per capita growth. Energy demand for oil is expected to rise as far out as 2040. The company is well positioned to take advantage of rising global energy demand.

ExxonMobil is undervalued with a P/E ratio of 12. The company is also trading near the bottom of its historical P/E 10 ratio range, despite a shareholder friendly management and long-growth runway. ExxonMobil shareholders will likely benefit from gains due to an increase in the company's P/E ratio when the business reports increasing volume growth.

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

Dividend Stats

Dividend Yield:	2.93%
10 Year Dividend Growth Rate:	9.84% per year
Most Recent Dividend Increase:	9.52%
Dividend History:	32 consecutive years of dividend increases

Philip Morris International (PM)

Overview & Current Events
Philip Morris is the world's largest cigarette company, with a market cap of $130 billion. The company sells Marlboro, Parliament, Virginia Slims, and other cigarette brands internationally. Its parent company Altria sells the same brands in the US.

Next Dividend Record Date: End of December, 2014 Next Earnings Release: October 16th, 2014

Philip Morris grew constant currency revenue 4.5% for its most recent quarter. In addition to revenue growth, Philip Morris has *repurchased about 8%* of its shares outstanding over the last 12 months. The company achieved solid growth in the most recent quarter by gaining market share over its competitors and raising prices. The company makes up for volume declines in the overall cigarette industry by raising prices faster than increased government taxation and by effectively marketing its products to gain market share from competitors. The company has proven it can grow revenue despite declines in overall cigarette volume. Philip Morris recently increased its dividend by 6.4%, up to $4.00 per share.

Competitive Advantage & Recession Performance
Philip Morris' competitive advantage comes from its strong brands. Marlboro is one of the most valuable global cigarette brands. In addition, Philip Morris sells a highly addictive product and can increase prices to offset additional taxes levied by governments around the world due to the inelastic demand curve for its products.

Philip Morris was spun-off from its parent company Altria during the most recent 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, strong share repurchases, and organic growth. The company's long-term growth will come from the e-vapor 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 industry, which is expected to grow rapidly.

The company trades at a P/E ratio of about 17, which is in line with its historical P/E average. Philip Morris is a high quality business trading at about its fair value. Its management's capital allocation skills are first class, which will likely result in continued strong returns for shareholders.

Maximum Drawdown (starting in year 2000): -41% in March of 2009

Dividend Stats

Dividend Yield:	4.84%
10 Year Dividend Growth Rate:	10.82% for past 5 years, per year (10 year data not available)
Most Recent Dividend Increase:	6.40%
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 in the health care industry. Abbott Laboratories has positioned itself to take advantage of emerging market growth, with 40% of sales coming from emerging markets, 30% from the US, and 30% from other developed economies.

Abbott Laboratories saw strong EPS growth for its second quarter. The company's EPS were $0.54 for the quarter, beating its guidance of $0.50 to $0.52. Abbott also announced it will sell its developed market branded pharmaceutical business, and acquire pharmaceutical companies in Latin America and Russia. The acquisitions more clearly focus the company on emerging market growth.

Next Dividend Record Date: October 15th, 2014 Next Earnings Release: October 22nd, 2014

Competitive Advantage & Recession Performance
Abbott Laboratories' competitive advantage comes from its ability to develop new medical products, devices, and pharmaceuticals, as well as have its products approved and marketed throughout the world. The company's product and global diversification allows it to allocate more capital where returns are highest.

The company managed to grow revenue, earnings, and dividends each year through the Great Recession of 2007 to 2009. Health care is one of the few areas that consumers and governments do not cut back on, even in times of economic trouble.

Growth Prospects, Valuation, & Catalyst
Abbott Laboratories' strong emerging market penetration gives it excellent long-term growth prospects. As emerging markets grow, their GDP spending on health care will increase. Additionally, the average age of people around the world is increasing. The combination of emerging market economic growth and aging populations make an excellent macroeconomic environment to promote Abbott Laboratories' growth.

Abbott Laboratories is trading at a P/E ratio of about 19 (using its more accurate operating EPS, not GAAP EPS). The company appears to be fairly valued at this point as it is trading at about the same P/E ratio as the overall market. 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

Dividend Stats

Dividend Yield:	2.12%
10 Year Dividend Growth Rate:	5.84%
Most Recent Dividend Increase:	57.14%
Dividend History:	42 consecutive years of dividend increases

Ecolab (ECL)

Overview & Current Events

Ecolab is the global leader in water, hygiene, and energy technologies and services that protect and clean. The $33 billion dollar company provides safe food services, clean environment services, and operational efficiencies for customers in the food, healthcare, energy, hospitality, and industrial markets in over 170 countries throughout the world.

The company reported a sales increase of 7% and an earnings per share increase of 20% for its most recent quarter. The company is realizing strong growth in its global energy segment due to the company's acquisition of energy specialty product provider Champion Technologies, and the related synergies that have accompanied the acquisition.

Next Dividend Record Date: Mid December, 2014 Next Earnings Release: October 28th, 2014

Competitive Advantage & Recession Performance

Ecolab's competitive advantage comes from its excellent research and development department, dedication to customer service, and customer trust. Ecolab has over 1,600 research and development engineers who create new solutions for customers. The company has realized double digit new product growth for 5 years in a row. Ecolab is also a trusted provider of energy conservation and cleaning services for customers.

Ecolab was minimally impacted by the recession of 2007 to 2009. The company saw earnings per share increase each year of 2007 through 2009. Revenue per share dipped slightly in 2009, but otherwise the company was unaffected. The company's diversified revenue stream and reliance on large corporate clients helps insulate it from recessionary effects.

Growth Prospects, Valuation, & Catalyst

Ecolab has excellent growth prospects ahead. The company is benefiting from the global push for cleaner food, cleaner energy, and waste reduction. Ecolab has a long growth runway ahead by capitalizing on the macro economic trends that are currently propelling growth.

Ecolab is expected to have earnings per share of $4.15 for full fiscal 2014. The company trades at about $113 a share, for a P/E ratio of 27 which is well above the other businesses on this list. The company's fantastic growth prospects and rapid growth in recent history are what will propel shareholder returns in the future. Over time, the P/E ratio will decrease, but shareholders will likely see solid returns from the company's growth.

Maximum Drawdown (starting in year 2000): -42% in March of 2009

Dividend Stats

Dividend Yield:	0.96%
10 Year Dividend Growth Rate:	12.07% per year
Most Recent Dividend Increase:	19.57%
Dividend History:	40 years without a reduction, 22 consecutive years of increases

List of All Stocks

The following 131 businesses all have 25+ years of dividend payments without a reduction. The list is ranked in order based on the 8 Rules of Dividend Investing, with the highest ranked stocks first. International stocks are denoted in Blue.

1. WMT
2. PEP
3. GIS
4. KO
5. MCD
6. BDX
7. XOM
8. PM
9. ABT
10. ECL
11. SJM
12. KMB
13. BCR
14. CB
15. GWW
16. HRL
17. MDT
18. MO
19. MKC
20. JNJ
21. CBSH
22. SIAL
23. MMM
24. TGT
25. SHW
26. CVX
27. CTAS
28. VAL
29. AFL
30. PNR
31. KRFT
32. WAG
33. CL
34. T
35. PG
36. HSY
37. VFC
38. UTX
39. ENB
40. GPC
41. MDLZ
42. BMS
43. ADP
44. BCE
45. HP
46. CLX
47. FTS.TO
48. ED
49. IMO
50. COP
51. ITW
52. TROW
53. DOV
54. ABBV
55. LOW
56. FFIN
57. ADM
58. TMP
59. UVV
60. SON
61. UGI
62. PH
63. SYY
64. CU.TO
65. FDO
66. MHFI
67. AWR
68. NDSN
69. BF-B
70. SWK
71. BEN
72. EV
73. BKH
74. ATO
75. FUL
76. WGL
77. EMR
78. VVC
79. AJG
80. PPG
81. MGEE
82. RLI
83. CSVI
84. TR
85. DCI
86. CTBI
87. ABM
88. RAVN
89. CLC
90. CSL
91. NWN
92. PNY
93. WEYS
94. EMP-A.TO
95. CAH
96. LANC
97. SCL
98. MSEX
99. SRCE
100. NTRS
101. EFSI
102. CTWS
103. BRC
104. JCI
105. GRC
106. MCY
107. UHT
108. RPM
109. CINF
110. STR
111. THFF
112. APD
113. OTTR
114. BWL.A
115. HCP
116. EGN
117. HARL
118. NFG
119. CWT
120. UBSI
121. SJW
122. LEG
123. DBD
124. NC
125. ORI
126. TNC
127. MSA
128. FRT
129. NUE
130. NESN
131. TDS
132. HNI

Performance

This section tracks the total return of each Sure Dividend recommendation and compares them to the total return (including dividends) of the stock market (as measured by the ticker SPY) over the same time period.

Ticker	Start	Start Price	Dividends	Price Now	Return	Market Return	Difference
WMT	7-Apr	$77.31	$0.960	$77.32	1.25%	7.63%	-6.38%
PEP	7-Apr	$83.91	$1.310	$93.50	12.99%	7.63%	5.36%
KO	7-Apr	$38.62	$0.610	$43.00	12.92%	7.63%	5.29%
MCD	7-Apr	$97.01	$1.620	$94.86	-0.55%	7.63%	-8.18%
CB	7-Apr	$88.64	$1.000	$93.24	6.32%	7.63%	-1.31%
XOM	7-Apr	$96.78	$1.380	$93.92	-1.53%	7.63%	-9.16%
KMB	7-Apr	$110.11	$1.680	$107.70	-0.66%	7.63%	-8.29%
AFL	7-Apr	$61.72	$0.740	$57.84	-5.09%	7.63%	-12.72%
CLX	7-Apr	$88.79	$1.450	$96.47	10.28%	7.63%	2.65%
TGT	7-Apr	$60.50	$0.950	$63.07	5.82%	7.63%	-1.81%
GPC	5-May	$84.73	$1.150	$88.22	5.48%	5.29%	0.19%
MMM	5-May	$140.61	$1.710	$140.17	0.90%	5.29%	-4.39%
GIS	2-June	$54.91	$0.410	$50.47	-7.34%	2.85%	-10.19%
T	2-June	$35.44	$0.460	$35.36	1.07%	2.85%	-1.78%
PM	2-June	$88.32	$1.940	$84.51	-2.12%	2.85%	-4.97%
BDX	2-June	$118.05	$1.090	$115.84	-0.95%	2.85%	-3.80%
ABT	7-July	$41.51	$0.220	$41.79	1.20%	-0.03%	1.23%

*Comparisons are virtually worthless over short timeframes (like the 4 months or less above). 3 years or longer is a fair timeframe to judge performance.

This month several Sure Dividend stocks posted strong gains. Coca-Cola, Clorox, and Genuine Parts Company went from underperforming the market to outperforming since being recommended. The biggest laggards in the portfolio are AFLAC (due to fears over Japanese exposure) and General Mills (poor recent results). AFLAC is now trading for a P/E ratio of around 9, while General Mills will likely rebound when operations improve.

Dividend Aristocrats tend to outperform the market during recessions and slightly underperform during bull markets. Much of Sure Dividend's history has been during a bull market. Over a long-horizon (3+ years), I believe the total return of the Sure Dividend strategy will outpace the total return of the stock market, with less volatility. This performance page will be more relevant as Sure Dividend has years of data instead of months.

Portfolio Building Guide

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
PEP	PepsiCo Inc.	$ -
GIS	General Mills	$ -
KO	Coca-Cola Company	$ -
MCD	McDonald's Corp.	$ -
BDX	Becton Dickinson & Co.	$ -
XOM	ExxonMobil Corp.	$ -
PM	Philip Morris	$ -
ABT	Abbott Laboratories	$ -
ECL	Ecolab Inc.	$ -

Portfolio 2		
Ticker	**Name**	**Amount**
WMT	Wal-Mart Stores Inc.	$ 4,374
PEP	PepsiCo Inc.	$ 4,878
GIS	General Mills	$ 4,353
KO	Coca-Cola Company	$ 2,952
MCD	McDonald's Corp.	$ 3,309
BDX	Becton Dickinson & Co.	$ 4,864
XOM	ExxonMobil Corp.	$ 6,660
PM	Philip Morris	$ 2,367
ABT	Abbott Laboratories	$ 2,818
ECL	Ecolab Inc.	$ 6,243

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

Ending Thoughts

As discussed in the opening of this newsletter, stocks with lower volatility tend to see less drastic price declines than higher volatility stocks. Besides the mathematical advantage to low volatility, there are several psychological advantages to investing in low volatility high and quality businesses.

One such advantage is the 'sleep well at night' psychological benefit you get from investing in less risky assets. It is much easier to convince yourself that Coca-Cola will not fail when times get tough than it is to be convinced that a highly leveraged mortgage REIT will, for example. This is one of the benefits of high quality stocks that are often overlooked.

Stocks with less volatility and strong business models need less maintenance and monitoring. It may be necessary to check into the operations of a business that is in the middle of a turnaround frequently. High quality businesses simply take less time to monitor for the individual investor. You can be fairly certain that Wal-Mart's operations will be about the same six months from now as they are today. Less time analyzing investments means more time doing things that you enjoy more than researching which companies make the soundest investments.

I believe a systematic approach to dividend growth investing is one of the few opportunities in efficient capital markets to increase return while reducing both real business risk and price volatility.

You can reach me at ben@suredividend.com with any comments, suggestions, feedback, or reviews.

Thanks,

Ben Reynolds