

# Sure Dividend

HIGH QUALITY DIVIDEND STOCKS, LONG-TERM PLAN

February 2015  
Model Portfolio

By Ben Reynolds

## 20 Stock Model Portfolio

The 20 Stock Model Portfolio weights the Top 20 high quality dividend stocks based on the 8 Rules of Dividend Investing so that stocks with lower correlations and higher quality scores are more heavily weighted in the portfolio.

The portfolio is designed to spread risk across various factors so investors are not overly exposed to any one stock, industry, or risk factor. The 20 stock portfolio is well diversified, with no holding making up more than 10% of the total portfolio value.

**The 20 Stock Model Portfolio Target Weights are for investors looking to start their model portfolio.** If you are currently running the portfolio, refer to the **Rebalancing and Closed Positions** portion of this guide to see if rebalancing is needed or if positions need to be switched.

## Portfolio Construction Rules

The 20 Stock Model Portfolio is updated each month. Holdings will be sold if they have a P/E ratio over 40, or if a dividend payment is reduced or eliminated. Additionally, if a position falls out of the top 30% of rankings using the 8 Rules of Dividend Investing, it will be eliminated and replaced with a higher ranked stock.

Otherwise, positions will be rebalanced if they are 50% above or below the target weight. Performance will be tracked on both absolute and risk adjusted metrics and compared to the performance of the S&P500, as measured by the ticker SPY.

## Suitability

The 20 Stock Model Portfolio is suitable for investors who are no longer in the accumulation phase of investing; people who have a fixed amount of assets and are no longer saving money each month. Retirees are an excellent example of a group for whom this 20 stock model portfolio may be suitable.

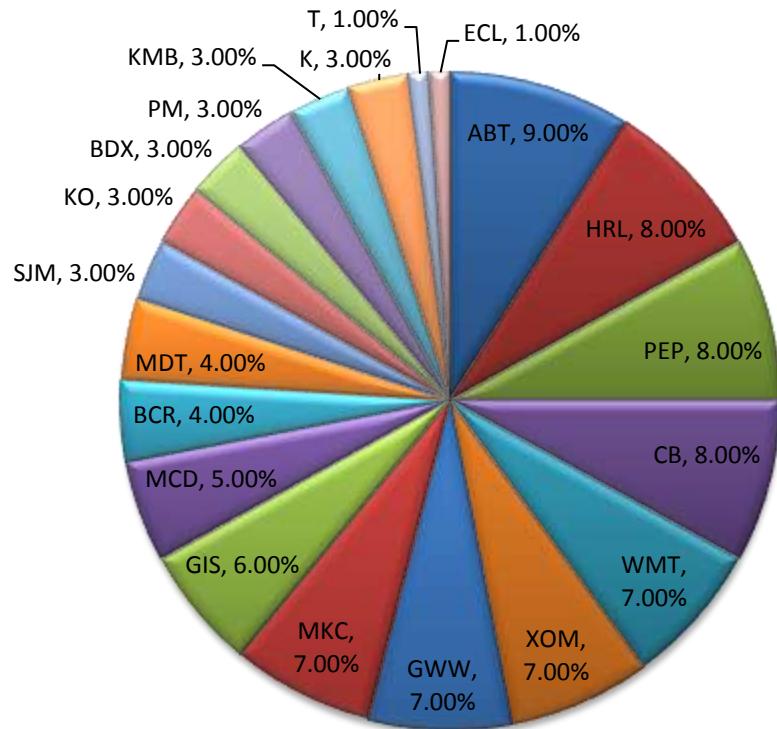
The goal of the model portfolio is to provide steady, growing dividend income from extremely stable businesses while minimizing overall volatility by maximizing gains from diversification. The overall portfolio statistics are below for this month's target weights:

## Metrics

**Growth Rate:** 7.47%  
**P/E Ratio:** 18.41

**Current Dividend Yield:** 2.48%  
**Standard Deviation:** 14.24%

## 20 Stock Model Portfolio Target Weights



Ticker	Company	Target Weight
ABT	Abbott Laboratories	9%
HRL	Hormel Foods	8%
PEP	PepsiCo	8%
CB	Chubb Corporation	8%
WMT	Wal-Mart Stores	7%
XOM	Exxon Mobil	7%
GWW	W.W. Grainger	7%
MKC	McCormick & Company	7%
GIS	General Mills	6%
MCD	McDonald's	5%
BCR	CR Bard	4%
MDT	Medtronic	4%
SJM	J.M. Smucker	3%
KO	The Coca-Cola Company	3%
BDX	Becton, Dickinson and Company	3%
PM	Philip Morris	3%
KMB	Kimberly-Clark	3%
K	Kellogg	3%
T	AT&T	1%
ECL	EcoLab	1%

## 20 Stock Model Portfolio Fundamentals

Ticker	Name	P/E Ratio	Dividend Yield	Payout Ratio	Growth Rate	Volatility	Correlation
ABT	Abbott Laboratories	19.63	2.14%	42.11%	10.00%	19.76%	0.4142
HRL	Hormel Foods Corp.	22.97	1.95%	44.84%	6.92%	19.62%	0.3716
PEP	PepsiCo Inc.	20.57	2.79%	57.47%	9.63%	17.26%	0.4626
CB	Chubb Corp.	12.78	2.04%	26.11%	6.79%	26.93%	0.4563
WMT	Wal-Mart Stores Inc.	16.79	2.26%	37.94%	7.31%	18.98%	0.4150
XOM	ExxonMobil Corp.	11.00	3.16%	34.72%	6.15%	25.37%	0.4765
GWW	W.W. Grainger Inc.	19.24	1.83%	35.24%	9.71%	25.84%	0.4289
MKC	McCormick & Co.	21.25	2.24%	47.62%	6.01%	19.12%	0.4444
GIS	General Mills	19.44	3.12%	60.74%	6.37%	17.05%	0.4313
MCD	McDonald's Corp.	19.14	3.68%	70.39%	6.91%	19.73%	0.4117
BCR	C.R. Bard Inc.	20.34	0.51%	10.46%	6.48%	20.73%	0.3796
MDT	Medtronic Inc.	18.21	1.71%	31.12%	6.38%	24.05%	0.4130
SJM	The J.M. Smucker Co.	17.97	2.48%	44.60%	6.72%	21.18%	0.3913
KO	Coca-Cola Company	19.89	2.96%	58.84%	8.76%	18.47%	0.4746
BDX	Becton Dickinson & Co.	21.88	1.74%	38.03%	8.02%	19.93%	0.4125
PM	Philip Morris	14.97	4.99%	74.63%	8.58%	24.05%	0.4762
KMB	Kimberly-Clark Corp.	18.21	3.11%	56.61%	5.35%	17.18%	0.4666
K	Kellogg	17.26	2.99%	51.58%	4.92%	17.37%	0.4607
T	AT&T Inc.	13.12	5.59%	73.31%	4.02%	22.17%	0.4610
ECL	Ecolab, Inc.	25.81	1.27%	32.84%	10.46%	23.73%	0.4721

- P/E is calculated as the current price divided by trailing twelve months EPS; lower is better
- 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 TTM EPS; 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
- Correlation is the average correlation coefficient of a stock to the 20 stocks that make up this portfolio; lower is better

## 20 Stock Model Portfolio Performance

<b>Ticker</b>	<b>Company</b>	<b>Start Date</b>	<b>Closed Date</b>	<b>Total Return</b>	<b>Return Vs SPY</b>
ABT	Abbott Laboratories	7/6/14	Open	9.47%	7.43%
WMT	Wal-Mart	7/6/14	Open	12.97%	10.94%
GIS	General Mills	7/6/14	Open	0.54%	-1.49%
HRL	Hormel	7/6/14	Open	5.71%	3.67%
MCD	McDonald's	7/6/14	Open	-6.06%	-8.09%
PEP	PepsiCo	7/6/14	Open	5.82%	3.79%
BCR	CR Bard	7/6/14	Open	17.01%	14.98%
SJM	J.M. Smucker	7/6/14	Open	-2.72%	-4.75%
KO	Coca-Cola	7/6/14	Open	-0.85%	-2.89%
BDX	Becton, Dickinson	7/6/14	Open	15.82%	13.78%
XOM	ExxonMobil	7/6/14	Open	-13.49%	-15.53%
PM	Philip Morris	7/6/14	Open	-4.46%	-6.50%
KMB	Kimberly-Clark	7/6/14	Open	-2.26%	-4.30%
CB	Chubb Group	7/6/14	Open	5.85%	3.82%
GWW	W.W. Grainger, Inc.	7/6/14	Open	-5.00%	-7.04%
MKC	McCormick & Co.	7/6/14	Open	1.42%	-0.62%
T	AT&T	7/6/14	Open	-4.75%	-6.78%
ECL	EcoLab	7/6/14	Open	-5.35%	-7.39%
MDT	Medtronic	10/6/14	Open	10.96%	8.77%
K	Kellogg	12/8/14	Open	0.73%	3.64%
CLX	Clorox	7/6/14	10/6/14	5.43%	5.57%
MMM	3M	7/6/14	12/8/14	12.24%	6.45%

**Average Position Total Return:** 2.68%

**Average Position Total Return Vs. SPY:** 0.79%

\*Comparisons are virtually worthless over short timeframes (like the 7 months above). 3 years and longer is a fair timeframe to judge performance.

## Performance Overview

There are no changes to the portfolio this month. No stocks reached any of the sell criteria outlined in the portfolio construction rules section of this document.

The 20 stock model portfolio has outperformed the S&P 500 since inception. This is likely more luck than skill. The portfolio *should slightly underperform* during bull markets and outperform during bear markets. A fair timeframe to judge performance is 3 years or longer.

Only one stock in the portfolio is down over 10%: ExxonMobil. ExxonMobil's stock price fell 6% this month alone, and 7% total over the last quarter. The company has been negatively affected by low oil prices. As the most dominant oil corporation in the world, ExxonMobil has seen smaller stock price losses than many of its peers, including:

- Chevron (CVX): Down 11% over last quarter
- Royal Dutch Shell (RDS-B): Down 13% over last quarter
- PetroChina (PTR): Down 13% over last quarter
- British Petroleum (BP) Down 8% over last quarter

ExxonMobil has seen lower price declines than most other large cap oil and gas multinational corporations. Oil prices are highly volatile. Eventually, they will rise. When they do, I believe ExxonMobil will make up significant ground on the overall market.

## Rebalancing & Closed Positions

No changes this month.

Thanks for reading the February 2015 edition of the Sure Dividend 20 stock model portfolio. Please see the Sure Dividend newsletter for additional commentary and insight.

Thanks again,

Ben Reynolds