Sure Dividend

HIGH QUALITY DIVIDEND STOCKS, LONG-TERM PLAN

March 2015 Edition

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Opening Thoughts

The stock market was up about 5% in February. We are still in the midst of a bull market that started in the Spring of 2009. Several past Sure Dividend stocks performed well in February. Long time favorite McDonald's gained 12% on the month on news of a new CEO and positive comparable store sales in January (results were released in February). Other past Sure Dividend recommendations that gained 9% or more on the month were AFLAC (AFL), Helmerich & Payne (HP), Abbott Laboratories (ABT), EcoLab (ECL), and J.M. Smcuker (SJM).

On the downside, 3 past Sure Dividend stocks posted losses this month. They were Kellogg (K – down 4.3%), Wal-Mart (WMT – down 3.3%), and General Mills (GIS – down 0.5%). Kellogg & General Mills both fell due to weakness in cereal sales. Wal-Mart was down due to lower-than-expected growth projections due to the company's decision to significantly raise base-level employee pay. I do not believe the temporary weakness in any of these stocks will prevent long-term growth. All 3 are currently in the Top 10, and are analyzed in detail further along in the newsletter.

Thanks to the steep rise in McDonald's stock on the month, only 3 out of a total of 23 Sure Dividend past recommendations are down since first being suggested (for those interested, those 3 are XOM, PM, and K). Next month marks the 1 year anniversary of Sure Dividend. Followers of the newsletter since inception will have added several high quality businesses to their dividend growth portfolio.

The Sure Dividend newsletter is for long-term investors looking for buy and hold stocks. Through 11 months, no stocks have come up for sale in the Sure Dividend newsletter. This does not mean stocks will never be sold. As mentioned above, we are in a bull market. A rising tide tends to lift all boats… When the market declines, I expect high quality dividend growth stocks to decline as well, but somewhat less than the overall market.

Currently no past recommendations are ready to be sold based on The 8 Rules of Dividend Investing.

The Top 10 List

Ticker	Name	Yield	Payout	Growth	Volatility
XOM	ExxonMobil Corp.	3.12%	36.32%	6.15%	25.37%
WMT	Wal-Mart Stores Inc.	2.29%	37.87%	7.31%	18.98%
DE	Deere & Co.	2.65%	30.26%	10.73%	35.16%
PM	Philip Morris	4.82%	79.68%	8.58%	24.05%
HP	Helmerich & Payne Inc.	4.10%	40.92%	13.23%	45.25%
K	Kellogg	3.04%	51.44%	4.92%	17.37%
CB	Chubb Corp.	1.99%	26.11%	6.79%	26.93%
GIS	General Mills	3.05%	60.74%	6.37%	17.05%
ABT	Abbott Laboratories	2.03%	42.11%	10.00%	19.76%
PEP	PepsiCo Inc.	2.65%	56.59%	9.63%	17.26%

ExxonMobil is the top ranked stock this month, narrowly edging out long-time favorite Wal-Mart. Notably, Coca-Cola and McDonald's are no longer in the top 10, though both are still highly ranked (KO ranked at 11 and MCD ranked at 20).

The stocks that replaced Coca-Cola and McDonald's have been recommended in past Sure Dividend newsletters. Kellogg, Chubb, and General Mills all returned to the Top 10. J.M. Smucker (now ranked at 26) was also removed, in addition to Coca-Cola and McDonald's.

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

	Top 10	**S&P500**
Dividend Yield:	3.10%	1.93%
Payout Ratio:	46.20%	36.11%
Growth Rate:	8.37%	7.43%
Volatility:	17.04%	20.34%
PE Ratio:	15.82	19.90

- 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

Analysis of Top 10 Stocks

ExxonMobil (XOM)

Overview & Current Events
ExxonMobil is the largest oil corporation in the world. The price of crude oil began to fall in the second half of 2014 and is now trading for around $50 a barrel. Oil price declines caused earnings to fall from $8.4 billion in the fourth quarter of fiscal 2013 to $6.6 billion in the fourth quarter of fiscal 2014 (2/2/15).

The company's chemical segment partially offset losses in the upstream and downstream segments. The chemical segment generated $317 million more in profits due to lower input costs. The upstream and downstream divisions combined profits fell by $1,737 million versus the same quarter a year ago.

Next Dividend Record Date: Mid May, 2015 Next Earnings Release: Early May, 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. Despite low oil prices (average ~ $70) in the 4th quarter of 2014, ExxonMobil still made $6.6 billion in profits. The company's chemical segment partially offsets the impact of low oil prices.

ExxonMobil is trading near the bottom of its historical P/E 10 ratio range and has a P/E ratio of just 11.6. ExxonMobil shareholders will likely see solid gains when oil prices rise.

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

DRIP Available:	Yes
Dividend Yield:	3.12%
10 Year Dividend Growth Rate:	9.84% per year
Most Recent Dividend Increase:	9.52%
Dividend History:	32 consecutive years of dividend increases

Wal-Mart (WMT)

Overview & Current Events
Wal-Mart is the largest retailer in the world with over 1 billion square feet of retail space. The company generates more sales than Amazon, Costco, and Target combined.

Wal-Mart grew adjusted EPS just $0.01, from $1.60 to $1.61 in its most recent quarter (2/19/15). The company announced it will raise all employees wages to $10/hr or more in 2015. In addition, the company will continue to invest heavily in digital (online) sales. Wal-Mart is projecting only slight EPS growth in its fiscal 2016 (which ends Jan. 2016), without accounting for the wage hikes.

Next Dividend Record Date: March 3rd, 2015 Next Earnings Release: May 19th, 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.

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 growth has slowed considerably in the short-term as the company repositions itself in digital and smaller stores. Digital sales are growing at 20%+ a year. Wal-Mart already generates $12.2 billion per year in digital sales. The company's smaller Neighborhood Market stores are experiencing rapid growth as well. Neighborhood Market comparable store sales grew over 7% in the company's latest quarter. The company plans to open around 210 new Neighborhood Market and Express stores in the next year. Over the long-run, Wal-Mart's growth will likely pick up as smaller stores contribute to the bottom line and digital sales continue to grow. Additionally, the company's new push for higher employee wages could increase productivity, though only time will tell.

Wal-Mart is currently trading at a P/E ratio of 16.5. The company is the cheapest publicly traded discount retailer in the US, despite being the industry leader. It has a lower P/E ratio than competitors Target (P/E ratio of 32.1) and Costco (P/E ratio of 30.5). Wal-Mart's P/E ratio will likely rise when the company returns to growth.

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

DRIP Available:	Yes
Dividend Yield:	2.29%
10 Year Dividend Growth Rate:	14.00% per year
Most Recent Dividend Increase:	2.08%
Dividend History:	42 Consecutive years of dividend increases

Deere & Company (DE)

Overview & Current Events

Deere & Company has grown to become the largest manufacturer of farming machinery in the world since being founded in 1837. The company also manufactures construction equipment, forestry equipment, and operates a financing division to help sell its expensive equipment.

The company's most recent first quarter results (2/20/15) showed EPS declines due to lower grain prices, as expected. In total, the company had EPS of $1.12 in its most recent quarter versus $1.81 per share in the same quarter a year ago.

Next Dividend Record Date: March 31st, 2015   Next Earnings Release: Late May, 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 has given it a 60% market share of the farming equipment industry in the US and Canada.

Deere & Company is affected by recessions and falling grain prices. 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 prices and the farming industry. Farmers hold off on large capital investments when their cash flows are diminished from low grain prices.

Growth Prospects, Valuation, & Catalyst

Deere & Company is expected to be in a cyclical trough this year due to falling grain prices. As a result, analysts are expecting EPS of about $5.50 this 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 food, grains, and farming equipment globally. Over the last decade, Deere & Company has averaged EPS growth of over 12% a year. The company should continue to grow EPS at a double-digit rate over multi-year periods.

Deere & Company is currently trading at a P/E ratio of just 11.4. 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, which will likely take place after 2015.

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

DRIP Available:	Yes
Dividend Yield:	2.65%
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 with a market cap of nearly $130 billion. The company sells Marlboro, Parliament, Chesterfield, and other cigarette brands outside the United States only. Philip Morris' strong brands give it 40% or more market share in 45 different countries.

Philip Morris International recently (2/5/15) reported full year 2014 results. Adjusted EPS grew 7.8% on the year, excluding currency effects. The strong dollar is negatively impacting Philip Morris' reported results. The company saw adjusted EPS fall 7% on the year the due primarily to the strong dollar. The economic reality of the company is that much of its earnings are not repatriated to the U.S.; currency adjusted numbers show real business growth.

Next Dividend Record Date: Late March, 2015 Next Earnings Release: Early May, 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 4.8% dividend yield, share repurchases, and organic growth. Philip Morris is expecting constant currency EPS growth of 8% to 10% in 2015 for a total return of around 13% to 15% for investors from dividends (~5%) and EPS growth (8% to 10%). In addition, Philip Morris has exciting long-term growth prospects with 'less harmful' heated tobacco and e-cigarette nicotine delivery methods.

Philip Morris has a P/E ratio of about 16.5. The company is trading around its historical average P/E ratio, making Philip Morris a high quality business trading at a fair price.

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

DRIP Available:	Yes
Dividend Yield:	4.82%
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)

Helmerich & Payne (HP)

Overview & Current Events
Helmerich & Payne provides contract drilling services 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. 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: Mid May, 2015 Next Earnings Release: Late April, 2015

Competitive Advantage & Recession Performance
Helmerich & Payne's competitive advantage stems from its best-in-class AC Flex Rigs. These rigs have higher utilization rates, better safety records, and higher margins per day than competitor rigs.

Helmerich & Payne is partially insulated from recessions and low oil prices thanks to well-managed contracts with its customers. The company generally uses 3 year contracts with early termination payment clauses – this helps insulate the company from low oil prices in any one year. 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 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 only ~$80 million in long-term debt. Analysts expect the company to have at least $235 million in earnings this 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. Investors should not expect any dividend cuts in 2015 due to low oil prices.

Growth Prospects, Valuation, & Catalyst
Helmerich & Payne grew EPS at 22% a year over the last decade. The company will see continued growth from the renaissance in North American oil when oil prices recover. Helmerich & Payne currently trades at an absurdly low P/E ratio of 10 for such a fast growing company. When oil prices rise, Helmerich & Payne investors will likely see very strong gains.

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

DRIP Available:	Yes
Dividend Yield:	4.10%
10 Year Dividend Growth Rate:	34.45% per year
Most Recent Dividend Increase:	10.08%
Dividend History:	No dividend reductions since 1987

Kellogg (K)

Overview & Current Events
Kellogg is the global leader in cereal and the 2nd largest publicly traded packaged foods corporation in the U.S. (behind only General Mills). The company generates 35% of its sales outside of North America. Kellogg owns a variety of well-known brands including: Pringles, Cheez-It, Kashi, Bear Naked, Mini Wheats, and Frosted Flakes.

Kellogg's most recent earnings release (2/12/15) showed constant-currency EPS fall 1% for full fiscal 2014 versus 2013. Simply put, Kellogg is struggling in the U.S. The company's cereal brands in particular are suffering as consumers switch to healthier alternatives. Kellogg has experienced headwinds in cereal before. The company did not eclipse 1995 cereal revenue highs until 2005. Kellogg's history shows it can recover from cereal declines.

Next Dividend Record Date: March 6th, 2015 Next Earnings Release: Mid May, 2015

Competitive Advantage & Recession Performance
Kellogg's competitive advantage comes from its strong brands. Kellogg has seen its competitive position weaken somewhat as management has failed to keep pace with growing health trends in food. The company appears to be on the right track now, with a focused effort on the health benefits of its products.

Kellogg increased its EPS each year through the Great Recession of 2007 to 2009. The company's low priced consumer food products are minimally impacted by recessions. Consumers will buy chips and cereal regardless of the overall economic climate.

Growth Prospects, Valuation, & Catalyst
Over the long-term, Kellogg's domestic growth will come from better marketing of its brands' health benefits. Kellogg's also has solid growth prospects internationally. Kellogg's is experiencing strong growth in its Kashi and Bear Naked health brands domestically. On the whole the company should see flat growth in 2015 and then return to growth in 2016. Management expects 7% to 9% EPS growth over the long-run.

Kellogg is currently trading at a P/E ratio of 16.9. The company has historically traded in line with the S&P 500's P/E ratio which is currently at 19.9. Kellogg appears to be undervalued relative to the market at current prices. Kellogg will likely see its P/E ratio revise upward when its US cereal division returns to growth.

Maximum Drawdown (starting in year 2000): -36.49% in March of 2009

DRIP Available:	Yes
Dividend Yield:	3.04%
10 Year Dividend Growth Rate:	6.70%
Most Recent Dividend Increase:	6.52%
Dividend History:	55 consecutive years without a reduction

Chubb Corporation (CB)

Overview & Current Events
Chubb Corporation sells home, car, business, & supplemental health insurance. The company sells insurance through independent agents and brokers throughout North & South America, Australia, Europe, & Asia. About 75% of the company's premium revenue comes from the U.S.

Chubb's most recent earnings release (1/29/15) showed 11% operating income growth from 2013 to 2014. Management's guidance for 2015 shows Chubb is planning to repurchase approximately 6% of its shares outstanding on the year. The company expects operating income to be flat or decline slightly due to potential declines in investment income. I believe management's numbers are overly pessimistic, and that the company will see operating income per share growth in fiscal 2015.

Next Dividend Record Date: March 13th, 2015 Next Earnings Release: End of April, 2015

Competitive Advantage & Recession Performance
Chubb Corporation approaches insurance very conservatively. Their combined expenses and claims have been less than premium revenue every year since 2002; all investment income has gone straight to the bottom line for Chubb over the last 12 years. The company's conservative nature and focus on niche insurance markets give Chubb its competitive advantage.

Chubb Corporation was not significantly affected by the 2007 to 2009 recession. Book value per share dipped only slightly from $38.56 in 2007 to $38.13 in 2008. By 2009, book value per share had rebounded to $47.09. The company saw EPS fall by just 13% through the worst of the recession. Customers tend to pay for their insurance policies regardless of the overall economic climate.

Growth Prospects, Valuation, & Catalyst
Chubb Corporation has grown book value per share by 10% over the last decade and dividends per share by 9.5% over the same time period. The company will likely see growth slow somewhat over the next several years due to a competitive insurance market. Still, the company should give shareholders 10%+ annual total returns from share repurchases (5%), dividends (2%), and organic growth (3%).

Chubb is currently trading at a low price-to-operating earnings ratio of just 13. Wwhen considering its solid total return potential and relatively low risk industry, Chubb appears undervalued relative to the overall market.

Maximum Drawdown (starting in year 2000): -50.4% in March of 2003

DRIP Available:	Yes
Dividend Yield:	1.99%
10 Year Dividend Growth Rate:	9.46%
Most Recent Dividend Increase:	13.64%
Dividend History:	32 consecutive years of dividend increases

General Mills (GIS)

Overview & Current Events
General Mills is the leading packaged foods company in the US with a market cap of $32 billion. The company's brands include: Annie's, Yoplait, Nature Valley, Betty Crocker, Cheerios, Lucky Charms, and Pillsbury (among others). Over 70% of the company's operating profits come from US retail.

General Mills CAGNY 2015 Conference Presentation (released 2/17/15) shows managements long-term plan of double digit total shareholder returns. The company is expecting to reduce its share count by 3% a year and currently pays a 3% dividend. Additionally, operating income is expected to grow in mid-single digits for 10%+ total returns.

Next Dividend Record Date: Mid April, 2015 Next Earnings Release: March 18th, 2015

Competitive Advantage & Recession Performance
General Mills is able to sell its grocery products at premium prices because of its well established brands. The company is especially dominant in cereal, where it owns the Cheerios, Lucky Charms, Chex, Trix, and Wheaties brands.

General Mills sells staple food products. Food is one of the few items people don'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 growth will come from international expansion, a revitalization of its cereal brands in the U.S., and continued growth from its health brands. Since 2005, General Mills has grown international sales at over 10% a year. Strong international growth will likely continue as the company acquires more strong international brands and better navigates developing markets.

General Mills is planning to reintroduce Cheerios as a gluten free product in 2016. The 'gluten free' strategy has worked well for General Mills' Chex brand, which has seen a 10%+ sales CAGR since highlighting that it's gluten free. Finally, the company owns several strong health brands, including: Cascadian Farms, Nature Valley, LARA Bars, Annie's, and Immaculate which will help drive domestic growth.

General Mills has a P/E ratio of 19.9. The company appears to be fairly valued at this time. Growth will come from share repurchases, dividends, and operating income growth, not from gains in the company's valuation multiple.

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

DRIP Available:	Yes
Dividend Yield:	3.05%
10 Year Dividend Growth Rate:	9.53% per year
Most Recent Dividend Increase:	7.89%
Dividend History:	116 consecutive years without a reduction

Abbott Laboratories (ABT)

Overview & Current Events
Abbott Laboratories designs and produces nutritional products, medical devices, pharmaceuticals, and diagnostic equipment. Abbott Laboratories generates just 30% of its sales in the U.S. A full 50% of sales come from emerging markets.

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 international health care distribution and connections. 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 20.8 (using its more accurate operating EPS, not GAAP EPS). The company appears to be trading around fair value 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:	2.03%
10 Year Dividend Growth Rate:	5.84% (Pre 2012 ABBV spin-off growth rate)
Most Recent Dividend Increase:	9.09%
Dividend History:	43 consecutive years of dividend increases

PepsiCo (PEP)

Overview & Current Events
PepsiCo is the 2nd largest non-alcoholic beverage company in the world (behind only Coca-Cola). Despite being known as a soda company, PepsiCo 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 most recent earnings release (2/11/15) showed 9% constant currency core EPS growth for fiscal 2014. The company's solid growth was driven by 9% constant currency revenue growth in emerging markets and positive volume growth on the year in both drinks and snacks.

Next Dividend Record Date: March 6th, 2015 Next Earnings Release: May11th, 2015

Competitive Advantage & Recession Performance
PepsiCo's competitive advantage comes from its powerful brands. It reinforces brand awareness through large advertising spending. PepsiCo spends around $4 billion a year on advertising to support its brands. In total, the company has 22 brands that generate more than $1 billion a year in sales.

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 growth will come primarily from faster growing emerging markets. The company grew constant currency emerging market revenue 9% in fiscal 2014. PepsiCo is targeting 7% constant-currency EPS growth in 2015. The stock has a dividend yield of 2.65% for a total returns near 10%. Over the long-run, I expect PepsiCo to grow EPS between 6% and 9% a year.

PepsiCo's current P/E ratio of 21.4 is around 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:	2.65%
10 Year Dividend Growth Rate:	9.89 % per year
Most Recent Dividend Increase:	7.3%
Dividend History:	43 Consecutive years of dividend increases

List of Stocks by Sector

Each of the 153 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. ConocoPhillips (COP)
4. BHP Billiton (BHP)
5. Chevron (CVX)
6. Valspar (VAL)
7. Phillips 66 (PSX)
8. Imperial Oil (IMO)
9. Enbridge (ENB)
10. Murphy Oil (MUR)
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. NACCO Industries (NC)
19. Air Products & Chem. (APD)
20. Nucor (NUE)
21. Energen (EGN)

Consumer Goods

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

Financial

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

Utilities

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

Industrial Goods

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

Services

1. Wal-Mart (WMT)
2. W.W. Grainger (GWW)
3. McDonald’s (MCD)
4. Genuine Parts Company (GPC)
5. Cintas Corporation (CTAS)
6. Empire Company (EMP-A.TO)
7. Sysco Corporation (SYY)
8. United Parcel Service (UPS)
9. Walgreens Alliance (WBA)
10. Disney (DIS)
11. Lowe’s Companies (LOW)
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. Medtronic (MDT)
4. Johnson & Johnson (JNJ)
5. Becton, Dickinson & Co. (BDX)
6. CR Bard (BCR)
7. United Health Group (UNH)
8. Merck & Co. (MRK)
9. Eli Lilly & Co. (LLY)

List of Stocks by Rank

Each of the 153 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. ExxonMobil (XOM)
2. Wal-Mart Stores (WMT)
3. Deere & Company (DE)
4. Philip Morris (PM)
5. Helmerich & Payne (HP)
6. Kellogg (K)
7. Chubb (CB)
8. General Mills (GIS)
9. Abbott Laboratories (ABT)
10. PepsiCo (PEP)
11. Coca-Cola Company (KO)
12. Kimberly-Clark (KMB)
13. ConocoPhillips (COP)
14. AbbVie (ABBV)
15. Medtronic (MDT)
16. AFLAC (AFL)
17. BHP Billiton (BHP)
18. W.W. Grainger (GWW)
19. Chevron (CVX)
20. McDonald's (MCD)
21. Archer-Daniels-Mid. (ADM)
22. UGI Corporation (UGI)
23. Commerce Banc. (CBSH)
24. AT&T (T)
25. BCE, Inc. (BCE)
26. Johnson & Johnson (JNJ)
27. The J.M. Smucker Co. (SJM)
28. Caterpillar (CAT)
29. Pentair (PNR)
30. Bect. Dickinson, & Co. (BDX)
31. C.R. Bard (BCR)
32. Valspar (VAL)
33. Phillips 66 (PSX)
34. Ecolab (ECL)
35. United Health Group (UNH)
36. Dover (DOV)
37. Imperial Oil (IMO)
38. Altria Group (MO)
39. Parker-Hannifin (PH)
40. Enbridge (ENB)
41. McCormick & Co. (MKC)
42. Murphy Oil (MUR)
43. Genuine Parts Co. (GPC)
44. Cintas (CTAS)
45. Hormel Foods (HRL)
46. Emerson Electric (EMR)
47. Procter & Gamble (PG)
48. Tompkins Financial (TMP)
49. Empire Co. (EMP-A.TO)
50. American Express (AXP)
51. Franklin Resources (BEN)
52. 3M Company (MMM)
53. T. Rowe Price Group (TROW)
54. Verizon Wireless (VZ)
55. Nike (NKE)
56. Integrys Energy Group (TEG)
57. Hershey (HSY)
58. Consolidated Edison (ED)
59. United Technologies (UTX)
60. Colgate-Palmolive (CL)
61. Flowers Foods (FLO)
62. First Fin. Bankshares (FFIN)
63. Sysco (SYY)
64. Nordson (NDSN)
65. Sherwin-Williams (SHW)
66. Stanley B&D (SWK)
67. VF Corporation (VFC)
68. United Parcel Service (UPS)
69. Walgreens Alliance (WBA)
70. Fortis (FTS.TO)
71. Disney (DIS)
72. Comm. Trust Banc. (CTBI)

73. Eagle Financial Svcs. (EFSI)
74. Automatic Data Proc. (ADP)
75. Clorox (CLX)
76. Church & Dwight (CHD)
77. Sigma-Aldrich (SIAL)
78. Canadian Utilities (CU.TO)
79. Sonoco Products (SON)
80. Bemis Company (BMS)
81. Illinois Tool Works (ITW)
82. Questar Corporation (STR)
83. Eaton Vance (EV)
84. Atmos Energy (ATO)
85. Merck & Co. (MRK)
86. SJW Corporation (SJW)
87. RLI Corporation (RLI)
88. Kraft Company (KRFT)
89. Black Hills Corp. (BKH)
90. Northwest Natural Gas (NWN)
91. Lowe's Companies (LOW)
92. Computer Services (CSVI)
93. WGL Holdings (WGL)
94. Donaldson Company (DCI)
95. Weyco Group (WEYS)
96. Vectren (VVC)
97. Target (TGT)
98. Realty Income (O)
99. Universal Corporation (UVV)
100. Family Dollar Stores (FDO)
101. Harleysville Savings (HARL)
102. H.B. Fuller Company (FUL)
103. PPG Industries (PPG)
104. 1st Source Corp. (SRCE)
105. Mondelez (MDLZ)
106. Stepan Company (SCL)
107. HCP Inc. (HCP)
108. MGE Energy Inc. (MGEE)
109. Brown-Forman (BF-B)
110. R.R. Donnelley (RRD)
111. Univ. Health Realty (UHT)
112. First Financial Corp. (THFF)
113. M&T Bank Corp. (MTB)
114. ABM Industries (ABM)
115. Raven Industries (RAVN)
116. Eli Lilly & Co. (LLY)
117. Lancaster Colony (LANC)
118. Conn. Water Service (CTWS)
119. Clarcor (CLC)
120. Gorman-Rupp Co. (GRC)
121. Piedmont Natural Gas (PNY)
122. American States Water (AWR)
123. Tootsie Roll Industries (TR)
124. Northern Trust (NTRS)
125. Cincinnati Financial (CINF)
126. Arthur J Gallagher (AJG)
127. National Fuel Gas (NFG)
128. Carlisle Companies (CSL)
129. Middlesex Water (MSEX)
130. Phillips 66 Partners (PSXP)
131. Cardinal Health (CAH)
132. Nestle (NESN)
133. Old Republic Int’l (ORI)
134. California Water Serv. (CWT)
135. McGraw Hill Fin. (MHFI)
136. Brady Corporation (BRC)
137. Mine Safety App. (MSA)
138. Mercury General (MCY)
139. Otter Tail (OTTR)
140. RPM International (RPM)
141. NACCO Industries (NC)
142. United Bankshares (UBSI)
143. Diebold Inc. (DBD)
144. Tennant Company (TNC)
145. Air Products & Chem. (APD)
146. Nucor Corporation (NUE)
147. Energen (EGN)
148. Bowl America (BWL.A)
149. Federal Realty Trust (FRT)
150. Leggett & Platt (LEG)
151. Johnson Controls (JCI)
152. Telephone & Data Sys. (TDS)
153. 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**
XOM	ExxonMobil Corp.	$ 1,002
WMT	Wal-Mart Stores Inc.	$ -
DE	Deere & Co.	$ -
PM	Philip Morris	$ -
HP	Helmerich & Payne Inc.	$ -
K	Kellogg	$ -
CB	Chubb Corp.	$ -
GIS	General Mills	$ -
ABT	Abbott Laboratories	$ -
PEP	PepsiCo Inc.	$ -

Portfolio 2		
Ticker	**Name**	**Amount**
XOM	ExxonMobil Corp.	$ 4,374
WMT	Wal-Mart Stores Inc.	$ 4,878
DE	Deere & Co.	$ 4,353
PM	Philip Morris	$ 2,952
HP	Helmerich & Payne Inc.	$ 3,309
K	Kellogg	$ 4,864
CB	Chubb Corp.	$ 6,660
GIS	General Mills	$ 2,367
ABT	Abbott Laboratories	$ 2,818
PEP	PepsiCo Inc.	$ 6,243

- If you had portfolio 1, you would buy Wal-Mart, the top ranked stock you own least.
- If you had portfolio 2, you would buy General Mills, 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
McDonald's	MCD	20	Hold	April 2014
Coca-Cola	KO	11	Hold	April 2014
Clorox	CLX	75	Hold	April 2014
Target	TGT	97	Hold	April 2014
AFLAC	AFL	16	Hold	April 2014
Kimberly-Clark	KMB	12	Hold	April 2014
Genuine Parts Co.	GPC	43	Hold	May 2014
3M	MMM	52	Hold	May 2014
AT&T	T	24	Hold	June 2014
Becton, Dickinson	BDX	30	Hold	June 2014
EcoLab	ECL	34	Hold	October 2014
ConocoPhillips	COP	13	Hold	December 2014
J.M. Smucker	SJM	27	Hold	August 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

This is the 11th Sure Dividend newsletter. As we close in on our first year of business, I want to say thank you to everyone who makes Sure Dividend possible. I appreciate all the feedback and insight I've received from readers over the last 11 months.

The dividend investing industry in particular appears to attract a certain type of investor. I believe readers of this newsletter (and dividend investors in general) possess an independent spirit that sets them on a path to invest on their own; to find great businesses that will pay them higher dividends year after year. It takes someone who is focused on financial independence to place emphasis on the growth and stability of their investment income stream.

As the primary investor for Sure Dividend, I feel a sense of responsibility to systematically identify and recommend high quality dividend growth stocks for my readers. They won't all be winners, but I firmly believe we will see continued success. To date, only 3 out of a total of 23 stocks do not have positive total returns since being recommended. More importantly, no recommended stocks have come up for sale in the newsletter. This reflects the long-term investing nature of the Sure Dividend system.

As always, I believe investors who focus on purchasing outstanding businesses at fair or better prices will do well over time. Thanks to everyone who makes Sure Dividend possible. I look forward to years of future newsletters as we navigate the ups and downs of the market.

In closing, I'd like to end this newsletter with one of my favorite investing quotes:

"The single greatest edge an investor can have is a long-term orientation"

- Seth Klarman, Founder of Baupost Group

Thanks,

Ben Reynolds
Sure Dividend