Sunday, October 1, 2017

Dividend Growth Portfolio – 1 (DGP-1) Financial Plan, Performance Review, and Near Term Plans

Table of Contents

FINANCIAL PLAN

My financial plan for Dividend Growth Portfolio 1 (DGP-1).

MISSION STATEMENT

Generate an increasing stream of reliable and predictable dividends that grows faster than inflation, paid by high-quality, low-risk, recession-proven companies with a track record of ten or more years of dividend growth, all so I can supplement my pension without selling shares to generate cash.

Investment Goals

If a goal has the aspects of being **S**pecific, **M**easurable, **A**mbitious, **R**ealistic, and **T**imely[i], then the following are my SMART goals:

- **Create 10% Yield On Cost Within 10 Years Of Inception**
  (Generate a minimum of $22,313.89 in dividends[ii] in the fiscal year April 2020-March 2021). Achieving 10-in-10 means I am increasing my future retirement income by building an income stream that grows faster than inflation. Success means I'm on track to supplement my pension without selling shares to generate cash.

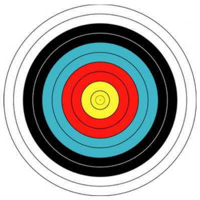
- **Grow Portfolio Value to $500,000 By 31 December 2023**

- **Limit the number of companies in the portfolio.**
  Beginning 1 May 2017, the portfolio shall contain not less than 25 companies nor more than 200.

- **Minimize my RMDs with early ROTH conversions**
  Starting in 2023 and for the following 10 years (or until the IRA portion of the portfolio is depleted), I intend to pay my **R**equired **M**inimum **D**istributions[iii] (or RMD) from accumulated dividends.

  In order to minimize RMDs while keeping my IRA taxes "reasonable" I plan to increase my annual ROTH conversions.

Investment Targets



These “goals” fail the SMART criteria, but they direct and guide my investment behavior:

- **<u>When I buy shares, I will limit my full basis to “$10K basis per company”.</u>**
  If I have not exceeded my basis-limit for a company, I may buy more shares.

  > **Rationale**: By using F.A.S.T.Graphs™ to help determine valuation, I may find it more profitable to add to an existing underfunded position (where underfunded is defined by the position's **basis**) than to start a new position.

- **<u>I won't add to sectors that dominate the portfolio.</u>**
  By not adding to sectors that dominate the portfolio's **basis** I believe I can increase the portfolio's stability and decrease my risk.

  GICS[iv] now has eleven <u>sectors</u>. After the market closed on 31 August 2016, equity REITs (eREIT) became sector “60”.

  I will not significantly exceed the sector limits (by basis) shown below. If a sector does exceed its basis limit, I will add to other sectors rather than sell shares from the overweight sector:

Sector	Code	My Max Weight	Sector SPDR
Energy	10	**12.50%**	XLE
Basic Materials	15	**2.50%**	XLB
Industrials	20	**12.50%**	XLI
Consumer Discretionary	25	**12.50%**	XLY
Consumer Staples	30	**30.00%**	XLP
Healthcare	35	**25.00%**	XLV
Financial	40	**5.00%**	XLFS
Technology	45	**12.50%**	XLK
Telecommunications	50	**12.50%**	
Utilities	55	**25.00%**	XLU
REIT	60	**25.00%**	XLRE

> **Rationale**: Even in worst case conditions, I think it likely consumers will continue to buy the basic necessities of life, which I believe includes staples, healthcare, and utilities (plus telecommunications). I also believe some REITs support those choices. I may adjust the maximums as time progresses.

⇨**<u>REVISIONS</u>**:

Year / Month	Changes
2016 / Oct	Increased the Consumer Discretionary sector allocation from 10% to 12.5%.
2017 / Apr	• increased Energy to 12.5% (from 10%) • decreased Basic Materials to 2.5% (from 5%) • increased Industrials to 12.5% (from 10%) • increased Consumer Staples to 30% (from 27.5%) • increased Healthcare to 25% (from 22.5%) • decreased Financials to 5% (from 7.5%) • increased Technology to 12.5% (from 10%) • increased Telecommunication to 12.5% (from 10%)

- **(DEPRECATED – Nov 2016) I won't buy shares of a company if it dominates the portfolio.**
  (Previously was "I won't buy shares of the top 5 companies if they dominate the portfolio.)

  I define portfolio domination by a company as a value that exceeds: `(1.50 x (1/n))` where:
  - `n` is the number of portfolio positions

  The following table lists by the number of portfolio positions where domination occurs.

No Of Co.s	1 Co. % of Total	1 Co. Dominates if Exceeds	Top 5 Companies	Top 5 Dominates if Exceeds
55	1.82%	**2.73%**	9.09%	**13.64%**
56	1.79%	**2.68%**	8.93%	**13.39%**
57	1.75%	**2.63%**	8.77%	**13.16%**
58	1.72%	**2.59%**	8.62%	**12.93%**
59	1.69%	**2.54%**	8.47%	**12.71%**

- **I will monitor my "Super Sector" allocation.**
  Morningstar defines a "Super Sector" as a group of sectors with similar characteristics.

  Defensive Super Sector[v]: The Defensive Super Sector is part of Morningstar's global equity classification structure and includes industries that are relatively immune to economic cycles. These industries provide services that consumers require in both good and bad times, such as health care and utilities. In general, the stocks in these industries have betas of less than 1.

  Defensive Super Sector includes the following sectors:
  - 30 Consumer Staples
  - 35 Healthcare
  - 55 Utilities

  Sensitive Super Sector[vi]: The Sensitive Super Sector is part of Morningstar's global equity classification structure and includes industries that ebb and flow with the overall economy, but not severely so. Sensitive industries fall between the defensive and cyclical industries as they are not immune to a poor economy, but they also may not be as severely impacted by a poor economy as industries in the Cyclical Super Sector. In general, the stocks in these industries have betas that are close to 1.

  Sensitive Super Sector includes the following sectors:
  - 10 Energy
  - 20 Industrials
  - 45 Technology
  - 50 Telecommunications

  Cyclical Super Sector[vii]: The Cyclical Super Sector is part of Morningstar's global equity classification structure and includes industries significantly impacted by economic shifts. When the economy is prosperous these industries tend to expand, and when the economy is in a downturn these industries tend to shrink. In general, the stocks in these industries have betas of greater than 1.

  Cyclical Super Sector includes the following sectors:
  - 15 Basic Materials
  - 25 Consumer Discretionary
  - 40 Financials
  - 60 Real Estate (includes REITs)

  Beginning May 2017 (and departing from Morningstar's definition), I include Telecommunications (50) in the Defensive super sector (instead of the cyclical) because I believe many (if not most) people now treat phone service as a critical necessity on par with other utilities.

Risks

R I S K S

In some sense, risks can be classified as shallow and deep[1]. Shallow risk is a loss of real capital that recovers relatively quickly (perhaps within a few months or a few years), while deep risk is a loss of capital that takes decades to recover, or is perhaps lost forever.

For my perspective, see Shallow vs Deep Risk in the addendum.

The risks that primarily concern me are:

- **Portfolio**:
  - Shallow Risks
    - Companies are consistently purchased at unattractive valuations.
    - My selection process consistently identifies companies that don't meet my income needs.
    - Income unexpectedly drops 15% or more.

  - Deep Risks
    - Permanent loss of capital.
    - My portfolio income growth rate is consistently and significantly less than my <u>actual</u> inflation growth rate.

- **Pension** (Deep Risk):
  - Is frozen, reduced or eliminated. In other words:
    - my COLA is reduced (or based on a methodology that significantly understates my actual inflation);
    - my COLA is eliminated, freezing my annual pension;
    - my pension is reduced by some fraction of the total; or
    - my pension is totally eliminated[2].

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1 A high level summary of William J. Bernstein's "**Deep Risk: How History Informs Portfolio Design**" with my twists on the subject. Other risk identification and management schemes exist. See also https://en.wikipedia.org/wiki/Risk_management

2 Historically, government pensions can and have been reduced. Usually those are municipal pensions, but states and the federal government also have pension funding and accounting problems. While the federal government could technically "inflate" away its pension problem, for the person receiving the pension, that is a distinction without a difference.

"Prichard is the future," Aguirre told the New York Times earlier this year. "We're all on the same conveyor belt. Prichard is just a little further down the road."
http://www.abajournal.com/magazine/article/the_next_chapter_municipalities_are_using_chapter_9_to_fend_off_creditors

References: Pritchard Alabama (pension eliminated):
http://www.nytimes.com/2010/12/23/business/23prichard.html?_r=1
https://en.wikipedia.org/wiki/Prichard,_Alabama#City_Pensions_Controversy

Detroit, Chicago and the state of Illinois:
http://www.huffingtonpost.com/terry-savage/detroit-and-the-tooth-fairy_b_4171075.html
http://globaleconomicanalysis.blogspot.com/2015/04/shockingly-bad-fiscal-health-of-chicago.html
http://globaleconomicanalysis.blogspot.com/2015/03/illinois-pension-plans-39-funded.html

Other:
https://get.com/economy/2011/01/18/austerity-in-america-22-signs-that-it-is-already-here-and-that-it-is-going-to-be-very-painful/
http://theeconomiccollapseblog.com/archives/municipal-bond-market-crash-2011-are-dozens-of-state-and-local-governments-about-to-default-on-their-debts

- **Government / Macro-Economics** (Deep Risk):
    - Savings or investments are reduced due to "bail-in" procedures[3] or deposit taxes.
    - Governments impose a "wealth" tax that substantially reduces my available retirement funds.
    - Governments impose an RMD on ROTH retirement accounts (currently true only for inherited ROTH accounts)
    - Governments impose taxes on post-retirement ROTH withdrawals.

I believe I can counter[4]:

- my portfolio risks by "living within my means" so my pension covers most if not all my expected annual expenses;
- my pension risks by investing in companies that (a) are unlikely to declare bankruptcy, (b) pay a sustainable (and preferably growing) dividend.
- my government / macro-economic risk by keeping a fraction of my assets off shore.

3 **Bail-In**: See Glossary: Bail-In.

4 Counter in the sense of preventing an unmitigated personal economic disaster.
I believe my bimodal pension / investment approach to retirement limits my potential downside (and thereby limits my economic risk). Bimodal or "bar-bell" methods of limiting risk are described by Nassim Nicholas Taleb in his book, "*Antifragile: Things That Gain From Disorder*". 2012.

STRATEGY

S T R A T E G Y

As I have four investment goals, I have four corresponding strategies:

A. <u>Strategy to "Create 10% Yield on Cost Within 10 Years Of Inception"</u>

> **Rationale**: Due to US Government debt and budget problems, there is a **<u>non-zero</u>** risk that my COLA (**C**ost **O**f **L**iving **A**djustment) supplemented pension, will be "adjusted down." For me, achieving 10-in-10 implies I'm on track to supplement my pension.

I've not found "yield chasing" to be an effective strategy as high yields often indicate substantial business problems and are sometimes a prelude to a dividend cut or elimination. Thus I want to focus on the safety of the dividend and its growth, and then to focus on the portfolio's total return.

> **Rationale**: I want not only return **<u>on</u>** investment, but also return **<u>of</u>** investment. I believe a focus on quality will help me achieve the returns I seek while protecting my investment from loss.

The formula[5] I use to put this strategy into effect is:

High Quality + **High Current <u>Yield</u>**[viii] + **High Growth of Yield** + **Attractive Valuation** = **<u>High Total Return</u>**[ix]

For me:

- "**High Quality**" implies:
    - Portfolio safety. High quality companies that have a substantial history of dividend payment typically have a lower "beta" (a measurement of price fluctuation). The high quality companies I'm looking for will have a <u>Value Line Financial Strength</u>[x] rank of B+ or better and a <u>Value Line safety</u>[xi] rating of 1 or 2.
    - If the company is a REIT (many of which are not rated by Value Line) it will have an S&P credit rating of BBB- or better, a debt/capitalization ratio of 60% or less, and a FFO (Funds From Operations) Growth Rate of 2% or more.
    - Regular dividends that have increased for 10 of the last 10 years (available from <u>CCC</u>[xii], F.A.S.T.Graphs™, and Value Line).
    - Using data available from Value Line, I'll give the company a higher rank if for at least 7 of the last 10 years:
        - Earnings Per Share have increased
        - Revenue Per Share has increased
        - Cash Flow Per Share has increased
- "**High Current Yield**" implies a minimum dividend yield of 3%.
- "**High Growth of Yield**" implies an appropriate <u>Chowder Rule</u>[xiii] target.
- "**Attractive Valuation**". Chuck Carnevale added this term to the equation in a SeekingAlpha article[xiv], "***it's important to ... add fair or attractive valuation as an additional metric to Mr. Miller's formula.*** *Although I agree that the above three qualities that Mr. Miller offers are important and very likely to lead to high total returns, I contend that those returns will be greater and the risk lower when fair or attractive valuation is added to the equation.*"

While I could sell shares to provide necessary income, doing so incurs the following problems:
(a) if the market is down when I need cash, I have to sell a larger fraction of the portfolio;
(b) if I sell shares, those assets cannot produce dividends in the years that follow.

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5 Plagiarized from various sources including the book "***The Single Best Investment***" Chapter 4: "**The Single Best Investment Strategy Applied**" (pg 47) and modified by Chuck Carnavale of FASTGraphs and Seeking Alpha fame.

B. Strategy to “Grow Portfolio Value To $500,000 By 31 December 2023”

In order to grow the portfolio, I plan to do the following:

Invest accumulated dividends to:

- Add shares to companies I already own
  - If **the basis of** the company is less than my targeted amount (full, ½, or ¼ basis), **and**
  - F.A.S.T.Graphs™ indicates shares are reasonably valued, **and**
  - ⇨**[REVISED]** SimplySafeDividend™'s dividend safety score for the company is above 50, **and**
  - my other requirements are satisfied.

- Add an additional company to the portfolio if:
  - F.A.S.T.Graphs™ indicates shares are reasonably valued, **and**
  - ⇨**[REVISED]** SimplySafeDividend™'s dividend safety score for the company is above 60, **and**
  - my other requirements are satisfied.

Periodically evaluate the portfolio and monitor progress.

C. Strategy to “Limit The Number Of Companies In The Portfolio”

I'm uncomfortable owning less than 25 companies. I'm also uncomfortable owning more than 200.

For the foreseeable future I expect the portfolio to remain between 45-75 companies with a variety of values and dividend yields.

Rationale: With a portfolio of dividend paying companies (where each company pays substantially the same number of dividend dollars), if any one company eliminated its dividend, the maximum expected damage to my anticipated annual dividend income would be limited to about:

- 4% for a portfolio of 25 companies,
- 2% for a portfolio of 50 companies,
- 1% for a portfolio of 100 companies, and
- 0.5% for a portfolio of 200 companies.

If a company froze or reduced its annual dividend, the expected damage to my anticipated annual income would be less.

I currently own a “reasonable” mix of “high” yield / slower dividend-growth companies and lower-yield / higher dividend-growth companies in the portfolio. For the next while I plan to focus on growing the size (number of shares) of what I own. In order to not greatly inflate the number of companies while also maintaining targeted basis limits, I plan to do the following:

(a) Keep a core of high quality, full basis position companies.
(b) Buy shares of **underfunded** companies.
  - For any company with less than a quarter basis position; periodically (as dividends are available) purchase additional shares of each such company until it reaches a quarter basis.
  - For companies targeted as either full or half basis positions (with less than a half basis); periodically (as dividends are available) purchase additional shares of each such company until it reaches a half basis.
  - For companies targeted as a full basis position (with less than a full basis); periodically (as dividends are available) purchase additional shares of each such company until it reaches a full basis.

(c) Consider re-targeting quarter basis companies as half basis companies; if I do, go to (b)
(d) Consider re-targeting half basis companies as full basis companies; if I do, go to (b)
(e) Consider increasing the definition of a full basis position by $2,000; if I do, go to (b)
(f) Consider adding another company to the portfolio; if I do, go to (b)

D. **<u>Strategy to “Minimize My RMDs With Early ROTH Conversions”</u>**

I want a non-depleting, tax-free source of potential supplemental income. Transferring dividend paying shares to the ROTH portion of the portfolio and paying the conversion taxes from external funds (and later from RMD cash) helps me achieve that goal.

In order to minimize my annual IRA RMD, I plan to do the following:

- Each year, I will use an in-kind transfer to move an increasing portion of my DGP-1 IRA assets to my ROTH (and thus reduce the dollar amount subject to future RMDs).
  Total conversions before I take my first RMD should total over $180K and I may be able to deplete the IRA before I turn 81.

- I will pay the required taxes (for the annual conversion) with external funds and / or RMD cash.
  Using RMD cash to help pay the conversion taxes minimizes my “out-of-pocket” conversion tax cost.

- After I turn 70, I plan to continue in-kind transfers while satisfying that year's RMD.
  On or before 31 December 2022 (a few months before I turn 70), I will accumulate dividends as cash. If I’ve not accumulated sufficient dividends in the IRA to satisfy the RMD I may: (a) sell shares and withdraw the cash, or (b) complete an in-kind transfer to a taxable account.

- At the end of 2022 (and at the end of each year thereafter) I will record my IRA balance.
  Near the end of the first, second & third quarters (of the following year) I will extract roughly 26% of that year's RMD and pay the required estimated taxes. In the fourth quarter I will extract enough additional assets to ensure I fully comply with the RMD. I’ll accumulate residual RMD cash to pay that year’s ROTH conversion taxes.

- Assuming my portfolio dividend yield continues in the range of 3.5%-4.5% and my organic dividend growth rate exceeds 5%, each year I may accumulate sufficient cash to pay the RMD through at least the first 10 years.
  According to my projections, by increasing the amount I convert each year, I can substantially minimize my total IRA taxes (growth is transferred to my ROTH where it can grow without future taxes) and deplete the IRA account with annual ROTH conversions … while keeping my annual IRA taxes “reasonable”. My projected annual out of pocket tax bill is less than $7K (until the 2033 and 2034 where it is $8.5K and $11K).

  Without annual conversion, growth continues in the IRA and as I grow older an increasingly larger portion of the portfolio must be withdrawn each year. Those increasing withdrawals are projected to push me into ever higher marginal tax brackets. However, with a reasonable growth scenario I can save $450,000 in (total life-time) taxes with continuous annual conversions.

  A subset of the IRS RMD table[6] is shown below:

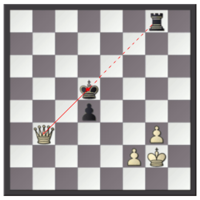
Year	Age	Distribution	%Distribution	RMD Growth %
2023	70	27.4	3.650%	
2024	71	26.5	3.774%	3.396%
2025	72	25.6	3.906%	3.516%
2026	73	24.7	4.049%	3.644%
2027	74	23.8	4.202%	3.782%
2028	75	22.9	4.367%	3.930%
2029	76	22.0	4.545%	4.091%
2030	77	21.2	4.717%	3.774%
2031	78	20.3	4.926%	4.433%
2032	79	19.5	5.128%	4.103%
2033	80	18.7	5.348%	4.278%

Where:

- %Distribution is 1/Distribution, and
- RMD Growth% is (thisYear_%distribution – lastYear_%distribution) / lastYear_%distribution

6 Ref: https://www.irs.gov/pub/irs-tege/uniform_rmd_wksht.pdf

TACTICS



How I plan to implement my strategies.

Rules of Acquisition

(With all appropriate apologies to the Ferengi)

1. **<u>I will not add new (outside) cash to the portfolio</u>**.
   I will expand this tax-advantaged portfolio by investing accumulated dividends.

   Rationale: I'm retired and no longer employed. Thus I have no earned income to contribute.

2. **<u>I will limit myself to roughly $10,000 per "full basis position"</u>**.
   Once I've spent the allocated amount on a company (direct purchases, dividend re-investments, or any combination) I will move on to the next company. If shares of a company become too "pricey" (when viewed from a valuation perspective), I **<u>may</u>** shift to buying shares of another company that can be purchased at a better value.

   After each of the companies in the portfolio reaches its targeted basis I will increase the value of a full basis position by $2,000 (with corresponding increases to fractional basis positions). I will **<u>preferentially</u>** buy shares in the best valued company until each company in the portfolio reaches its targeted basis.

   Rationale: I believe limiting my **basis** (until I have a "fair" number of companies in the portfolio) limits my risk. I believe my funds are best spent buying fairly valued (or better) shares.

3. **<u>I require a positive yield at purchase</u>**.
   My competing sub-rules are:

   A. ***Original Acquisition Process*** focuses on initial yield.
   I prefer a yield at purchase of 3% though I may, grudgingly, accept an initial yield as low as 2.5%.

   A very high yield often signals a crashing share price, which often means the company has severe problems. In order to survive, the company may cut or eliminate its dividend. Based on experience a dividend yield above 8% (for a normal -non REIT- company) often signals such problems and thus the company should be examined closely.

   B. ***High Dividend Growth Process*** focuses on dividend growth.
   Requires a 1-year, 5-year, and 10-year dividend growth rates greater than 10% for each period.

   Rationale: My original rules created a portfolio focused on dividends. Because dividend income now substantially exceeds (on average) $1,000 per month, my intent is to invest dividends to grow both the number of shares I own (of each company in the portfolio) and the number of companies I own.

   To be reasonably priced, the company should also show as fairly valued (or better) using a <u>F.A.S.T.Graphs™</u>[xv] <u>Type 1 or Type 2 ranking</u>[xvi].

4. **<u>I will reinvest dividends inexpensively</u>**.
   I will minimize my reinvestment costs with free (no commission) trades. Schwab granted me 15 years of zero commissions in exchange for moving my accounts.

   When I purchase new companies for the portfolio, I will examine my monthly watch list and select from it the best candidate that also meets my other requirements.

   > **Rationale**: While having a list of pre-selected quality companies may limit my reach, I also believe it will help bound my company selection risk.

Acquisition Process

Data Sources:

- [CCC] The Dividend Champions, Contenders, & Challengers Spreadsheet.
- [FG] F.A.S.T.Graphs™.
- [SSD[xvii]] SimplySafeDividends.com.
- [VL] ValueLine.com.

I've added a "High Dividend Growth Process" in addition to the original acquisition process. The initial steps for both are identical.

Core Steps Acquisition Process:

- Start with my list of interesting companies[7].
- Remove all entries with less than 10 years of dividend growth.
- Remove all entries that have ***red-lined***[xviii] dividend dates.
- [SSD] **Remove all entries with a Dividend Safety Score less than 61**[xix].
- Sort by EPS Payout ratio. Remove all utility companies with a payout greater than 90%; and remove all other (non-REIT) entries with a payout greater than 80%.
- [FG] Remove all REITs that: (a) are not S&P "investment grade" (BBB- or better credit rating); (b) have a debt/capitalization ratio greater 60%, (c) have a FFO (Funds From Operations) Growth Rate of less than 2%.
- Sort by 1-yr, 5-yr & 10-yr DGR and remove all entries with less than 4% growth for any period.

Original Acquisition Process:

- → Start with the Core Steps Acquisition Process.
- Remove all entries that do not pay dividends at least quarterly.
- [VL] Remove all (non-REIT) entries from the CCC that do not have a Value Line Safety rank of 1 or 2 and a VL Financial Strength of B+ or better.
- Sort by dividend yield from highest to lowest; remove all entries with a dividend yield less than 2.5%.
- Limit any **initial** purchase to a quarter basis position.

High Dividend Growth Acquisition Process:

- → Start with the Core Steps Acquisition Process.
- [VL] Remove all (non-REIT) entries from the CCC with a Safety rank of 4 or less or a Financial Strength less than B+.
- Sort by 1-yr, 5-yr & 10-yr DGR and remove all entries with less than 10% growth for any period.
- Sort by dividend yield from highest to lowest.
- Limit any **initial** purchase to a quarter basis position.

NOTES: For historical reasons I may continue to hold (or grandfather) a company that does not meet the above rules. When that occurs, I may sell shares to reduce its basis and mark it accordingly.

I will promote fractional basis positions when the company meets my requirements.

If a company's basis exceeds its target, but its basis is less than the next fractional position (for example, the basis is greater than ½ but less than full), and the company's transition date (to a larger basis) is "near", I may keep the extra shares.

7 The list is based on the CCC, but includes what I already own -even if no longer on the CCC- and excludes mortgage REITs, MLPs, & BDCs 'cause those lie outside my comfort zone. I also don't want the confounding tax requirements for MLPs in my tax advantaged accounts.

Rules of Abalienation

See the end note for the definition of Abalienation[xx]

Though I prefer to "not sell", I let the following guide my actions.

1. **I will sell a company that completely eliminates its dividend.**
   A company without a dividend no longer meets my needs.

2. **I may sell a company that is being acquired.**
   In my experience:
   a) An acquisition takes 6-12 months.
   b) The price of the acquired company normally jumps to near the offer buy-out price and the yield drops proportionally.
   c) If the acquisition fails, the acquired company's share price will fall and may undershoot the pre-buy-out price.
   d) My actions:
      - If the acquisition is **all cash**, I will **sell all shares** (at or near the offer price).
      - If the acquisition is for **cash & stock** or **all stock**:
        - If the acquiring company is one I **want to own**, or **want to own more of**, I'll do nothing (and add the new shares to the portfolio).
        - If the acquiring company is one I **do not want to own**, or **do not want to own more of**, I **will sell** the company being acquired.
        - Otherwise, I **may** reduce my basis by selling shares.

3. **I may sell if the yield increases because the share price plummets**,
   - I will examine the company and **may** reduce the basis if I believe the problem is temporary (such as the 2015 oil glut) or sell all shares if I believe the company is in serious trouble (for example, the government decides to bankrupt the coal industry).
   - If I consider the company "top quality" (such as JNJ or MSFT both of which are VL 1/A++ and have an S&P credit rating of AAA) and it appears the company will maintain its dividend (as indicated by SSD), I may do nothing.
   - If the company's share price plummets because of a general market crash, I will do nothing.

4. **I may trim what I own if the share price increases dramatically**,
   - If the share price more than doubles, I **may** reduce my basis.

     For example, if I buy 1,000 shares of company ZZZ at $10 each with an annual $0.30 dividend per share ($10,000 total purchase, 3% dividend), and the share price increases to $20 the yield drops to 1.5% (assuming no commensurate increase in annual dividend). I may reduce my basis and use the dollars from the trim to buy another company with a better yield.

   - If I consider the company "top quality" (such as JNJ or MSFT both of which are VL 1/A++ and have an S&P credit rating of AAA) I may do nothing.

5. **I may sell if the company has "Accounting Issues", or is under "SEC (or other regulatory) Investigation"**
   I'm not fond of those who commit (or attempt to commit) fraud. On the other hand, given the current political climate it is not inconceivable a regulatory agency may announce an investigation for political reasons (a different type of fraud), so a sell decision requires some thought.

6. **⇨[REVISED] If a company's "Simply Safe Dividend" Dividend Safety Score drops:**
   - below 50 I may either reduce my basis to a half position or sell all shares (was below 46).
   - below 40 I may either reduce my basis to a quarter position or sell all shares (was below 31).

In each case, my final decision will be based on other factors which will include Value Line's assessment of the company's safety and financial strength.

- **(DEPRECATED - 2016) If a company definitely dominates my portfolio**,
  I will sell enough shares to bring it back to a more normal fraction of the portfolio.

  Rationale: ***Lesson learned from KMI's dividend cut***. If a "Full" position seriously exceeds 8% of the portfolio, I will sell enough shares to bring the position back to roughly 8% of the portfolio. If a "half" position seriously exceeds 4%, I will sell enough shares to bring the position back to roughly 4% of the portfolio. 8% of the portfolio is a 2x position.

  NOTE: Previously I concerned myself with the market value of a position and attempted to control my portfolio risk by limiting position size (based on market value), as demonstrated by my rule changes after the COP, KMI, and POT dividend cuts.

  In retrospect, I believe:
  - My emphasis on trying to limit risk by concentrating on market value was wrong (except for improbable "Schuyler" events).
  - My excessive basis (COP, HCP, KMI, MAT, POT) increased my portfolio risk, and when the dividend was reduced (COP, KMI, POT), the damage was greater than it should have been. I over bought (or held grandfathered overweight) positions so I would increase (or not decrease) my dividend income. I should have limited my risk by limiting my basis ... and I should have examined how I grandfathered existing positions. I was foolish to overbuy. I was foolish to not critically examine grandfathered positions.
  - Had I maintained a normal instead of outsized basis (COP, KMI, POT), I still would have experienced pain (decreased market value, dividend cuts), but the damage would have been limited. If I had applied rule 3, I might have further reduced the resulting damage.

From a more distant perspective[8] I now believe my problems with the companies that trimmed their annual dividend[9] was the quality was too low for the size of position I held. I originally bought those companies to maximize income but didn't consider how the business and the environment each operated in changed after purchase.

I still believe I (generally) made the right decision to trim and not immediately sell all[10] shares as I believed COP, HCP, KMI, and POT will recover and prove profitable long term … of course an essential question remains … will recovery occur in a reasonable amount of time? While I have the advantage of time as I don't immediately need income from the portfolio to fund my retirement, that is balanced with my goals and desires to grow the portfolio's value and income.

8 More than a year after the fact.
9 For which the now deprecated "domination" rule was designed to correct.
10 MAT being the exception. I bought 35 shares of MAT on 9 Jan '15 for $1,037.40 and later in '15 VL dropped the rating from 2 to 3 and the company froze its dividend. I believe selling all MAT shares was the right decision 'cause I always found "other opportunities" to add shares elsewhere; after subscribing to SSD, I found MAT's div safety score too low to justify adding shares.

Doghouse Rules

A company will be sent to the doghouse if:

1. **<u>Value Line decreases its Safety Rating.</u>**
   To “3” or lower for the original acquisition process. To “4” or lower for the “High Dividend Growth” Acquisition Process.

2. **<u>A company freezes or reduces its dividend.</u>**

3. **<u>It is the result of a corporate spin off.</u>**

If I believe the company is fundamentally sound, I may:

a) sell enough shares to reduce the holding to a half position (if originally a full position) or a quarter position (if originally a half position), mark it as such, and remove it from the “doghouse”.
b) keep it in the “doghouse” and re-evaluate it after 6 months.
c) sell the entire position (*I'm debating the wisdom of this rule*).

If I believe the company is distressed and unlikely to recover (either “ever” or within a reasonable amount of time), I will sell.

Special Circumstances and Waivers

Special circumstances that modify (or waive) the above Rules.

- I will examine the tax implications of foreign registered companies, to determine if the after-tax dividend yield still satisfies my requirements. For example, neither Canada nor the UK withhold tax on dividends paid to an IRA/ROTH.
- **CANADIAN COMPANIES**. For companies that pay dividends in Canadian dollars, only an actual dividend cut in Canadian dollars (not a dividend freeze, nor an apparent dividend freeze or dividend cut due to the currency exchange rate) will trigger Doghouse Rule Number 2.
- **UK COMPANIES**. For UK companies that pay dividends in British pounds, only an actual dividend cut in British pounds (not a dividend freeze, nor an apparent dividend freeze or dividend cut due to the currency exchange rate) will trigger Doghouse Rule Number 2. Also as some British companies pay unequal semi-annual dividends, I will use total annual dividends to determine if a UK listed company cut its dividend.

Preferences

Conditions I prefer (though not actual requirements).

- Excluding REITs and Utilities (where different rules apply), companies with no “net debt” are preferred (in other words, “Total_Cash – Total_Debt” is greater than zero). If “net debt” exists, the “net debt per share” should be relatively low compared to others in its industry.
- I prefer a current <u>P/E ratio</u>[xxi] at or below the 10 year historic (or normal) P/E ratio and ideally a P/E less than 15.

PERFORMANCE REVIEW

R E V I E W

Summarized portfolio performance for the previous month.

PORTFOLIO STATUS

Accumulated dividends will generally **NOT** be invested in the sectors that dominate the portfolio[11].

Dominant Companies

I track companies that dominate the portfolio in terms of income or value. Beginning 31 July '17 I also track the dominant contributions to portfolio income risk[12].

With a portfolio of 51 companies, the domination threshold is 2.94%. In the table, gray colored entries are below the threshold.

Top Companies

Symbol	% Income	Symbol	% Value	Symbol	% of I Risk
MO	5.04%	JNJ	4.76%	VGR	9.99%
O	4.41%	MO	4.35%	WPC	9.25%
WPC	3.98%	DLR	4.33%	HCP	6.58%
T	3.79%	MCD	4.03%	QCOM	5.29%
DLR	3.79%	CLX	3.84%	VTR	5.08%
HCN	3.59%	WEC	3.70%	T	4.51%
SO	3.53%	O	3.56%	PM	4.02%
JNJ	3.42%	ED	3.40%	HP	3.82%
WEC	3.41%	PM	3.15%	O	3.75%
PM	3.38%	TROW	2.90%	SO	3.59%
VTR	3.32%	PG	2.89%	EMR	3.58%
NNN	3.30%	T	2.72%	HCN	3.45%
ED	3.23%	SO	2.68%	NNN	3.36%
VZ	3.19%	HCN	2.60%	DLR	3.00%
QCOM	3.11%	NNN	2.60%	VZ	2.89%
HCP	2.90%	QCOM	2.54%	TGT	2.79%
MCD	2.89%	GIS	2.53%	TRP	2.73%
CLX	2.72%	VTR	2.51%	OXY	2.21%
GIS	2.66%	ES	2.49%	ED	1.83%
TGT	2.59%	VZ	2.41%	MCD	1.80%
TOTAL	**68.28%**	**TOTAL**	**64.00%**	**TOTAL**	**83.52%**

Dominant companies (by % income or % value) are the following:
CLX, DLR, ED, HCN, JNJ, MCD, MO, NNN, O, PM, QCOM, SO, T, VTR, VZ, WEC, WPC

15 companies provide 54.50% of portfolio income.

9 companies provide 35.12% of portfolio value.

14 companies provide 69.27% of relative income risk (income risk indicated by each company's PIRN)

11 I may on occasion violate this policy. For example, if I need a few more shares so I can bring a company up to its targeted basis, I may buy those shares even though doing so increases the sector weighting beyond what I've specified.

12 For details on how I compute ***% of I Risk***, see **Portfolio Income Risk Number** in the addendum.

Portfolio by Sectors

Sector	Code	No Of Cos	Company Symbol	% Income	% Value	% Basis	Sector Limits
Energy	10	4	HP, KMI, OXY, TRP	3.04%	2.62%	**4.41%**	***12.5%***
Basic Materials	15	0	-n/a-	0.00%	0.00%	**0.00%**	***2.5%***
Industrials	20	5	EMR, FAST, GWW, LMT, UNP	4.80%	6.38%	**5.54%**	***12.5%***
Consumer Discretionary	25	7	CBRL, EAT, HAS, LOW, MCD, TGT, VFC	9.73%	11.70%	**11.22%**	***12.5%***
Consumer Staples	30	11	BTI, CLX, CVS, FLO, GIS, HRL, MO, PEP, PG, PM, VGR	23.71%	24.32%	**23.99%**	***30.0%***
Healthcare	35	5	ABC, BDX, CAH, JNJ, MDT	4.89%	7.31%	**5.89%**	***25.0%***
Financial	40	3	AMP, BEN, TROW	3.00%	4.59%	**4.43%**	***5.0%***
Technology	45	2	IBM, QCOM	5.69%	4.78%	**5.90%**	***12.5%***
Telecommunications	50	2	T, VZ	6.99%	5.13%	**5.90%**	***12.5%***
Utilities	55	5	ED, ES, SO, WEC, WTR	12.88%	13.05%	**12.65%**	***25.0%***
REIT	60	7	DLR, HCN, HCP, NNN, O, VTR, WPC	25.29%	19.96%	**19.88%**	***25.0%***
Cash				0.00%	0.16%	**0.19%**	
TOTAL		**51**		**100.00%**	**100.00%**	**100.00%**	

I do not plan to buy companies in sectors where the "**% Basis**" exceeds the "**Sector Limits**". Thus I will not purchase additional companies in the following sectors:

-none-

Sector Review

If a company's basis value is green, I've reached my preset basis limit (full or fractional) for the company, if dark green, I've exceeded my preset basis limit for the company.

If the sector basis value is red, I have exceeded my targeted sector limit.

Energy

Energy	%P-Income	%P-Value	%S-Income	%S-Value	Basis
HP	1.16%	0.78%	38.27%	29.67%	**$5,007.74**
TRP	0.79%	0.74%	26.04%	28.15%	**$2,486.31**
OXY	0.62%	0.46%	20.37%	17.69%	**$2,465.10**
KMI	0.47%	0.64%	15.32%	24.49%	**$5,002.26**
4	**3.04%**	**2.62%**	**100.00%**	**100.00%**	**$14,961.41**

Basic Materials

Basic Materials	%P-Income	%P-Value	%S-Income	%S-Value	Basis
0	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**$0.00**

Industrials

Industrials	%P-Income	%P-Value	%S-Income	%S-Value	Basis
EMR	1.71%	2.01%	35.62%	31.52%	**$7,061.06**
LMT	1.55%	2.17%	32.36%	33.94%	**$2,550.40**
FAST	0.61%	0.78%	12.68%	12.21%	**$3,116.46**
UNP	0.55%	0.95%	11.48%	14.87%	**$3,516.53**
GWW	0.38%	0.48%	7.86%	7.46%	**$2,537.00**
5	**4.80%**	**6.38%**	**100.00%**	**100.00%**	**$18,781.45**

Consumer Discretionary

Consumer Discretion	%P-Income	%P-Value	%S-Income	%S-Value	Basis
MCD	2.89%	4.03%	29.76%	34.47%	**$9,997.59**
TGT	2.59%	2.22%	26.64%	18.93%	**$9,978.61**
CBRL	1.12%	1.28%	11.57%	10.91%	**$5,033.68**
VFC	1.06%	1.44%	10.87%	12.29%	**$4,980.00**
HAS	1.02%	1.57%	10.52%	13.46%	**$2,445.46**
EAT	0.65%	0.49%	6.70%	4.19%	**$3,093.03**
LOW	0.38%	0.67%	3.95%	5.75%	**$2,522.80**
7	**9.73%**	**11.70%**	**100.00%**	**100.00%**	**$38,051.17**

Consumer Staples

Consumer Staples	%P-Income	%P-Value	%S-Income	%S-Value	Basis
MO	5.04%	4.35%	21.25%	17.88%	**$9,982.00**
PM	3.38%	3.15%	14.27%	12.96%	**$9,963.84**
CLX	2.72%	3.84%	11.48%	15.79%	**$9,967.65**
GIS	2.66%	2.53%	11.24%	10.40%	**$10,024.44**
VGR	2.52%	1.22%	10.63%	5.00%	**$5,009.43**
PG	2.44%	2.89%	10.28%	11.88%	**$10,007.85**
PEP	1.68%	2.09%	7.09%	8.60%	**$8,906.25**
FLO	1.38%	1.37%	5.82%	5.64%	**$5,023.79**
CVS	0.84%	1.23%	3.56%	5.07%	**$4,956.50**
BTI	0.71%	1.10%	3.00%	4.51%	**$5,034.40**
HRL	0.32%	0.55%	1.36%	2.26%	**$2,489.61**
11	**23.71%**	**24.32%**	**100.00%**	**100.00%**	**$81,365.76**

Healthcare

Healthcare	%P-Income	%P-Value	%S-Income	%S-Value	Basis
JNJ	3.42%	4.76%	69.92%	65.02%	**$10,038.40**
CAH	0.46%	0.60%	9.37%	8.15%	**$2,466.72**
MDT	0.41%	0.62%	8.31%	8.44%	**$2,499.82**
ABC	0.31%	0.64%	6.40%	8.71%	**$2,503.00**
BDX	0.29%	0.71%	6.00%	9.67%	**$2,464.15**
5	**4.89%**	**7.31%**	**100.00%**	**100.00%**	**$19,972.09**

Financial

Financial	%P-Income	%P-Value	%S-Income	%S-Value	Basis
TROW	2.03%	2.90%	67.78%	63.24%	**$9,964.61**
AMP	0.62%	1.00%	20.78%	21.81%	**$2,526.55**
BEN	0.34%	0.69%	11.44%	14.94%	**$2,538.00**
3	**3.00%**	**4.59%**	**100.00%**	**100.00%**	**$15,029.16**

Technology

Tech-nology	%P-Income	%P-Value	%S-Income	%S-Value	Basis
QCOM	3.11%	2.54%	54.78%	53.25%	**$10,028.30**
IBM	2.57%	2.23%	45.22%	46.75%	**$9,976.26**
2	**5.69%**	**4.78%**	**100.00%**	**100.00%**	**$20,004.56**

Telecommunications

Telecomm	%P-Income	%P-Value	%S-Income	%S-Value	Basis
T	3.79%	2.72%	54.30%	53.10%	**$10,001.69**
VZ	3.19%	2.41%	45.70%	46.90%	**$10,017.24**
2	**6.99%**	**5.13%**	**100.00%**	**100.00%**	**$20,018.93**

Utilities

Utilities	%P-Income	%P-Value	%S-Income	%S-Value	Basis
SO	3.53%	2.68%	27.38%	20.58%	**$10,004.74**
WEC	3.41%	3.70%	26.49%	28.37%	**$9,990.75**
ED	3.23%	3.40%	25.11%	26.05%	**$9,973.69**
ES	2.18%	2.49%	16.89%	19.07%	**$10,029.14**
WTR	0.53%	0.77%	4.13%	5.94%	**$2,923.89**
5	**12.88%**	**13.05%**	**100.00%**	**100.00%**	**$42,922.21**

REITs

REIT	%P-Income	%P-Value	%S-Income	%S-Value	Basis
O	4.41%	3.56%	17.45%	17.85%	**$10,022.76**
WPC	3.98%	2.40%	15.75%	12.02%	**$9,984.47**
DLR	3.79%	4.33%	14.97%	21.68%	**$10,015.27**
HCN	3.59%	2.60%	14.19%	13.05%	**$9,979.00**
VTR	3.32%	2.51%	13.13%	12.56%	**$7,384.04**
NNN	3.30%	2.60%	13.03%	13.01%	**$10,034.26**
HCP	2.90%	1.96%	11.48%	9.83%	**$10,002.86**
7	**25.29%**	**19.96%**	**100.00%**	**100.00%**	**$67,422.65**

Super Sector Allocation

My current "redefined" Super Sector allocation is as follows:

Super Sector	Components	% Income	% Value	% Basis	Max Allowed
Defensive	30, 35, 50, 55	48.46%	49.81%	48.43%	92.50%
Sensitive	10, 20, 45	13.52%	13.78%	15.85%	37.50%
Cyclical	15, 25, 40, 60	38.01%	36.25%	35.53%	45.00%
Cash		0.00%	0.16%	0.19%	
TOTAL		**100.00%**	**100.00%**	**100.00%**	

Where (redefined so Telecommunications is Defensive, not Sensitive):

- "Defensive" is: Consumer Staples + Healthcare + Utilities + Telecommunications;
- "Sensitive" is: Energy + Industrials + Technologies; and
- "Cyclical" is: Basic Materials + Consumer Discretionary + Financials + REITs.

While my current Morningstar Super Sector allocation is:

Super Sector	Components	% Income	% Value	% Basis	Max Allowed
Defensive	30, 35, 55	41.48%	44.68%	42.53%	80.00%
Sensitive	10, 20, 45, 50	20.51%	18.91%	21.75%	50.00%
Cyclical	15, 25, 40, 60	38.01%	36.25%	35.53%	45.00%
Cash		0.00%	0.16%	0.19%	
TOTAL		**100.00%**	**100.00%**	**100.00%**	

Change in Portfolio Value

SPY is the S&P500 Index ETF, but unlike my portfolio, it does not include reinvested dividends. Thus a better comparison would be between my portfolio and the ^SP500TR (the Yahoo Finance S&P500 Total Return index, which includes reinvested dividends).

Date	Value	Incr / Decr from $223,138.87	% of original $223,138.87	Value CAGR	Inflation from 1 Apr 2011 (CPI-U)	Inflation from Previous Period	Inflation Adjusted % of Invested Value	CPI-U	SPY	% change from $132.59	^SP500TR	% change from $2,239.44
31. Mar. 2011	$223,138.87	$0.00	100.00%	-*-	-*-	-*-	-*-	223.467	$132.59	100.00%	$2,239.44	100.00%
31. Mar. 2012	$222,554.88	-$583.99	99.74%	-0.26%	2.65%	2.65%	97.09%	229.392	$140.81	106.20%	$2,430.67	108.54%
31. Mar. 2013	$233,847.34	$10,708.47	104.80%	2.37%	4.16%	1.47%	100.63%	232.773	$156.67	118.16%	$2,770.05	123.69%
31. Mar. 2014	$284,921.30	$61,782.43	127.69%	8.49%	5.72%	1.49%	121.97%	236.239	$187.01	141.04%	$3,347.38	149.47%
31. Mar. 2015	$316,477.60	$93,338.73	141.83%	9.13%	5.66%	-0.05%	136.17%	236.119	$206.43	155.69%	$3,805.27	169.92%
31. Mar. 2016	$360,824.12	$137,685.25	161.70%	10.09%	6.56%	0.85%	155.14%	238.132	$205.52	155.00%	$3,873.11	172.95%
31. Mar. 2017	$407,385.50	$184,246.63	182.57%	10.55%	9.10%	2.38%	173.47%	243.801	$235.74	177.80%	$4,538.21	202.65%
30. Apr. 2017	$406,449.90	$183,311.03	182.15%	10.36%	9.42%	0.30%	172.73%	244.524	$238.08	179.56%	$4,584.82	204.73%
31. May. 2017	$412,057.17	$188,918.30	184.66%	10.46%	9.52%	0.09%	175.15%	244.733	$241.44	182.10%	$4,649.34	207.61%
30. Jun. 2017	$412,466.74	$189,327.87	184.85%	10.33%	9.62%	0.09%	175.23%	244.955	$241.80	182.37%	$4,678.36	208.91%
31. Jul. 2017	$414,465.78	$191,326.91	185.74%	10.27%	9.54%	-0.07%	176.20%	244.786	$246.77	186.12%	$4,774.56	213.20%
31. Aug. 2017	$414,227.31	$191,088.44	185.64%	10.12%	9.87%	0.30%	175.77%	245.519	$247.49	186.66%	$4,789.18	213.86%
30. Sep. 2017	$415,557.80	$192,418.93	186.23%	10.04%					$251.23	189.48%	$4,887.97	218.27%

The two following tables show portfolio performance compared to the SPY, ^SP500TR, and DJI indexes. The first table begins with 31 March 2011 (the date I created the portfolio). The second table begins 31 March 2013 (the date the portfolio transitioned to fully invested). A negative performance number means the portfolio out-performed the corresponding index.

Index Outperformance March 2011 to Present

Date	Value	SPY Value	SPY Out performance	^SP500TR Value	^SP500TR Out performance	^DJI Value	^DJI Out performance
31. Mar. 2011	$223,138.87	$223,138.87	0.00%	$223,138.87	0.00%	$223,138.87	0.00%
31. Mar. 2012	$222,554.88	$236,972.50	6.08%	$242,193.12	8.11%	$239,300.67	7.00%
31. Mar. 2013	$233,847.34	$263,663.68	11.31%	$276,009.10	15.28%	$264,051.16	11.44%
31. Mar. 2014	$284,921.30	$314,723.58	9.47%	$333,534.54	14.58%	$298,086.37	4.42%
31. Mar. 2015	$316,477.60	$347,405.97	8.90%	$379,158.92	16.53%	$321,966.74	1.70%
31. Mar. 2016	$360,824.12	$345,874.50	-4.32%	$385,918.53	6.50%	$320,317.98	-12.65%
31. Mar. 2017	$407,385.50	$396,732.46	-2.69%	$452,189.41	9.91%	$374,258.82	-8.85%
30. Apr. 2017	$406,449.90	$400,670.50	-1.44%	$456,833.65	11.03%	$379,281.18	-7.16%
31. May. 2017	$412,057.17	$406,325.13	-1.41%	$463,262.46	11.05%	$380,515.35	-8.29%
30. Jun. 2017	$412,466.74	$406,930.98	-1.36%	$466,154.02	11.52%	$386,691.29	-6.67%
31. Jul. 2017	$414,465.78	$415,295.11	0.20%	$475,739.44	12.88%	$396,498.93	-4.53%
31. Aug. 2017	$414,227.31	$416,506.82	0.55%	$477,196.18	13.20%	$397,530.97	-4.20%
30. Sep. 2017	$415,557.80	$422,800.95	1.71%	$487,039.66	14.68%	$405,808.12	-2.40%

Index Outperformance March 2013 to Present

Date	Value	SPY Value	SPY Out performance	^SP500TR Value	^SP500TR Out performance	^DJI Value	^DJI Out performance
31. Mar. 2013	$233,847.34	$233,847.34	0.00%	$233,847.34	0.00%	$233,847.34	0.00%
31. Mar. 2014	$284,921.30	$279,133.15	-2.07%	$282,585.48	-0.83%	$263,989.40	-7.93%
31. Mar. 2015	$316,477.60	$308,119.66	-2.71%	$321,240.51	1.48%	$285,138.18	-10.99%
31. Mar. 2016	$360,824.12	$306,761.38	-17.62%	$326,967.55	-10.35%	$283,678.01	-27.19%
31. Mar. 2017	$407,385.50	$351,868.08	-15.78%	$383,115.23	-6.33%	$331,448.76	-22.91%
30. Apr. 2017	$406,449.90	$355,360.79	-14.38%	$387,050.04	-5.01%	$335,896.64	-21.00%
31. May. 2017	$412,057.17	$360,375.96	-14.34%	$392,496.81	-4.98%	$336,989.64	-22.28%
30. Jun. 2017	$412,466.74	$360,913.30	-14.28%	$394,946.68	-4.44%	$342,459.13	-20.44%
31. Jul. 2017	$414,465.78	$368,331.58	-12.53%	$403,067.87	-2.83%	$351,144.91	-18.03%
31. Aug. 2017	$414,227.31	$369,406.26	-12.13%	$404,302.09	-2.45%	$352,058.90	-17.66%
30. Sep. 2017	$415,557.80	$374,988.62	-10.82%	$412,641.93	-0.71%	$359,389.26	-15.63%

Notes:

- During the “ramp up” period from initiation to fully invested (31 Mar '11 to 31 Mar '13) portfolio value increased $10,708.47.
- A negative value means the portfolio outperformed the associated index.
- ^DJI is the closing price of the Dow Jones Industrial Average and is provided as a reference.
- SPY is the closing price of the S&P 500 Index ETF and is provided as a reference.
- ^SP500TR is the closing price of the total return S&P 500 index and is provided as a reference.
- CPI-U is the “Consumer Price Index – Urban” and is used to compute inflation for various time periods. See:

http://www.usinflationcalculator.com/inflation/inflation-vs-consumer-price-index-cpi-how-they-are-different/ and
http://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/

- As used above, “inflation” is over the entire time period while CAGR is an annual number so “inflation” cannot be subtracted from CAGR.
- CAGR (See: http://www.investopedia.com/terms/c/cagr.asp) is the “Compound Annual Growth Rate” and is an imaginary number that describes the rate at which an investment would have grown if it had grown at a steady rate and is defined as:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\#\text{ of years}}\right)} - 1$$

Change in Portfolio Value:

From	Direction	$ Change	% Change
Last Month	UP	$1,330.49	0.32%
Dec '16	UP	$24,110.70	5.82%
Dec '15	UP	$84,603.33	25.56%
Dec '14	UP	$99,063.39	31.30%
Dec '13	UP	$136,151.89	48.73%

Portfolio Performance

From Inception (3/21/2011)

Item	This Month	% of $223,138.87	Comment	Previous Month	% of $223,138.87	% Change from Previous Month
Current shares gain/loss (price only)	$76,368.90	34.22%	∑(current value - original cost)	$76,957.23	34.49%	-0.76%
Gross dividends to date	$70,385.59	31.54%	∑(all dividends)	$68,483.19	30.69%	2.78%
Gross dividends to date		16.94%	As % of value		16.53%	
Gross dividends current shares	$41,440.39	18.57%	∑(current share dividends)	$39,537.99	17.72%	4.81%
Dividends from sold shares	$28,945.20	12.97%	Σ(all divi's) - Σ(current divi's)	$28,945.20	12.97%	0.00%
Dividends this month	$1,902.02	0.85%		$1,182.65	0.53%	60.83%
Gross foreign dividend taxes to date	$597.07	0.27%		$597.07	0.27%	0.00%
Gross fees to date	$1,663.51	0.75%		$1,663.45	0.75%	0.00%
Total interest to date	$131.85	0.06%		$131.75	0.06%	0.08%
Portfolio Value	$415,557.80	186.23%		$414,227.31	185.64%	0.32%
Change in Portfolio Value	$192,418.93	86.23%		$191,088.44	85.64%	0.70%

My “Gross fees to date” should increase slowly.

I no longer own foreign shares that require foreign tax payments, so “Gross foreign dividend taxes to date” should remain constant.

I don't expect much (if any) growth of interest income.

Portfolio Beta

I compute my 5-year portfolio “beta”[xxii] as:

$$B = \sum_{\text{for all } i} (v_i / V)\beta_i$$

Where:

v_i is the \$ value for company “i” (where \$ value is defined as: shares x market_price)
β_i is the 5-year beta for company “i”
V is the total portfolio value
B is the 5-year portfolio beta.

And

$V = \sum v_i$

portfolio beta B	0.624

The largest “$(v_i / V)\beta_i$” contributors to B are:

Company	$(v_i / V)\beta_i$
JNJ	0.0371
TROW	0.0363
QCOM	0.0328
PM	0.0306
MO	0.0287

Due to its low beta, my portfolio -as a whole- should be much less (price) volatile than the market at large.

Progress Towards Investment Goals

G O A L S

My measurable goals include:

- ***(GOAL-1) Create 10% Yield On Cost Within 10 Years Of Inception***
  (Generate a minimum of $22,313.89 in dividends in fiscal year April 2020-March 2021).

  The annual dividend for the current fiscal year is projected.

Year #	Year	Original Amount	Annual Dividend	Yield on Cost	YOY Dividend Growth Rate	YOY $ Increase	Dividend CAGR
1	2011	$223,138.87	$5,517.27	2.47%	[redacted]		
2	2012	[redacted]	$7,768.84	3.48%	40.81%	$2,251.57	40.81%
3	2013	[redacted]	$10,232.14	4.59%	31.71%	$2,463.30	36.18%
4	2014	[redacted]	$11,493.94	5.15%	12.33%	$1,261.80	27.72%
5	2015	[redacted]	$13,348.10	5.98%	16.13%	$1,854.16	24.72%
6	2016	[redacted]	$14,250.52	6.39%	6.76%	$902.42	20.90%
7	2017	[redacted]	$15,065.82	6.75%	5.72%	$815.30	18.23%
8	2018	[redacted]					
9	2019	[redacted]					
10	2020	[redacted]					

- **Fiscal 2016** (Apr'16-Mar'17): Grew the portfolio and added new higher dividend growth companies. That plus the dividend cuts significantly reduced the portfolio's annual dividend growth.
- **Fiscal 2017** (Apr'17-Mar'18): To achieve the goal, the YOY dividend growth rate needs to increase to about 12% with an annual dividend near $16,000 by Mar'18.

CONCLUSION: Goal success is unlikely (but possible).

- ***(GOAL-2) Grow Portfolio Value To $500,000 By 31 December 2023***
  (*Increase the market value of the portfolio to $500K).*

Assuming static conditions and current dividend reinvestment rates (FPE = $10K).

Year	FPE (value) 50.68	Description
2017	30.50	25 Full position assets: CLX, CVS, DLR, ED, EMR, ES, GIS, HCN, IBM, JNJ, MCD, MO, NNN, O, PEP, PG, QCOM, SO, T, TGT, TROW, UNP, VZ, WEC, & WPC.
2017	9.99	23 Half position assets: ABC, AMP, BDX, BEN, BTI, CAH, CBRL, EAT, FAST, FLO, GWW, HAS, HCP, HP, HRL, KMI, LMT, LOW, MDT, PM, VFC, VGR, VTR, & WTR.
2017	1.00	3 Quarter Position assets: OXY, TRP, & VGR.
2017	0.00	No Doghouse assets.
2017	0.37	FPE from dividends. ($14,747 / $10,000) x (3/12)
2018	1.47	FPE from dividends. ($14,747 / $10,000)
2019	1.47	FPE from dividends. ($14,747 / $10,000)
2020	1.47	FPE from dividends. ($14,747 / $10,000)
2021	1.47	FPE from dividends. ($14,747 / $10,000)
2022	1.47	FPE from dividends. ($14,747 / $10,000)
2023	1.47	FPE from dividends. ($14,747 / $10,000)

Viewed from a different perspective:

Start with	08/31/17	**$415,557.80**
End with	12/31/23	**$500,000.00**
Required Increase		**$84,442.20**
Required CAGR		**2.96%**

Start with	03/31/11	**$223,138.87**
End with	08/31/17	**$415,557.80**
Actual Increase		**$192,418.93**
Historical CAGR		**10.18%**

Start with	08/31/17	**$415,557.80**
Historical CAGR		**10.18%**
End with	12/31/23	**$767,680.35**

Satisfying the goal only requires a value growth CAGR of about 3% (see above). The portfolio's historic CAGR is over 10% (see above). If value growth continues at the historic CAGR, the portfolio value at the end of 2023 would be over $750,000.

CONCLUSION: I should achieve a portfolio market value of $500,000 (50 FPE value) by 31 December 2023.

- ***(GOAL-3) Limit The Number Of Companies In The Portfolio***

Item	No	60	51
No Of Companies	51	85.0%	100.0%
Full (all)	***25***	41.7%	49.0%
Full (fully funded)	21		
Full (1.5 or more)	0		
Half (all)	***23***	38.3%	45.1%
Half (fully funded)	8		
Half (1.5 or more)	2		
Quarter (all)	***3***	5.0%	5.9%
Quarter (fully funded)	3		
Quarter (1.5 or more)	1		
"Doghouse"	***0***	0.0%	0.0%

Notes:

- **Redefined in April '16 and different from previous months.**
- A fully funded “FULL” position has a **purchase cost** (or basis) of $10K ($9,500 & up)
- A 1.5x funded “FULL” position has a **purchase cost** (or basis) of $15K ($14,250 & up)
- A fully funded “HALF” position has a **purchase cost** (or basis) of $5K ($4,750 & up)
- A 1.5x funded “HALF” position has a **purchase cost** (or basis) of $7.5K ($7,125 & up)
- A fully funded “QUARTER” position has a purchase cost (or basis) of $2.5K ($2.375 & up)
- A 1.5x funded “QUARTER” position has a purchase cost (or basis) of $3.75K ($3,562.50 & up)

CONCLUSION: The number of companies in the portfolio (51) is within the wide limit of 25 to 200; it is also within the narrow limit of 45 to 75 companies.

- ***(GOAL-4) Minimize My RMDs With Early ROTH Conversions***

The following table is from the “IRA” portion of DGP-1.

Year	End of Year Value	Annual Dividend	Annual Yield	$ Amount Converted to ROTH	RMD $ Amount	YOY Dividend Growth	YOY Dividend Growth Rate	Dividend CAGR	YOY Value Growth	YOY Value Growth Rate	Value CAGR
		TOTAL $ →		**$64,967.80**	**$0.00**						
2014	**$282,135.60**	**$10,920.97**	3.87%	**$33,658.08**	**$0.00**						
2015	**$291,996.92**	**$11,059.93**	3.79%	**$5,171.46**	**$0.00**	$138.96	1.27%	1.27%	**$9,861.32**	3.50%	3.50%
2016	**$338,424.33**	**$12,011.07**	3.55%	**$6,402.48**	**$0.00**	$951.14	8.60%	17.94%	**$46,427.41**	15.90%	34.33%
2017	**$341,887.40**	**$11,696.03**	3.42%	**$19,735.78**	**$0.00**	-$315.04	-2.62%	-7.66%	**$3,463.07**	1.02%	3.10%

Notes:

- Annual Dividend is the actual non-ROTH value for prior years and the projected non-ROTH value for the current year.
- End of Year Balance is the non-ROTH 31 December balance for prior years and the projected non-ROTH balance for the current year.
- Annual Dividend for 2014 is the entire dividend for Jan-Jun and the IRA only portion for Jul-Dec (ROTH was opened and funded on 6/27/2014)

While the current annual yield of the TIRA (Traditional IRA) portion of the portfolio falls below the initial expected RMD distribution rate (3.650% at age 70), I am satisfying my goal of converting assets to the ROTH portion of the portfolio. I will monitor the annual results and will make adjustments as needed.

CONCLUSION: I’m likely to achieve my goal of ROTH conversion (and IRA depletion) by my early 80s. I’m unlikely to achieve the goal of paying RMD amounts from dividend cash.

Portfolio Basis & Growth Analysis

In this section, I identify:

- "overfunded" companies (those that exceed their target basis) and
- "underfunded" companies (those that need an increase in basis to match their target basis).

I also guesstimate the time needed to grow underfunded companies to their target basis.

- Overfunded companies.

Quarter Basis Companies:

One ¼ basis company has a **basis** greater than $2.5K.

Symbol	Basis Shares	Actual Shares	Shares to Sell	Current Price	Released Value	Position
VGR	123	247	124	$20.47	$2,538.28	QRTR
TOTAL					**$2,538.28**	

- **VGR**. The sale was canceled due to account transfer. I plan to reschedule the sale.

Half Basis Companies:

Two ½ basis companies have a **basis** greater than $5K:

Symbol	Basis Shares	Actual Shares	Shares to Sell	Current Price	Released Value	Position
HCP	146	293	147	$27.83	$4,091.01	HALF
VTR	108	160	52	$65.13	$3,386.76	HALF
TOTAL					**$7,477.77**	

- **HCP**. The sale was canceled due to account transfer. I plan to reschedule the sale.
- **VTR**. Expected to graduate to a FP in late 2019. No plan to sell shares.

Full Basis Companies:

No targeted full basis company has a **basis** above $10K.

- Underfunded companies.

Quarter Basis Companies:

No ¼ basis companies are underfunded:

To raise the basis of all the above to a quarter basis each would require:

(	0	- (	0.000	x	4	))x	$2,500	=	$0.00

Half Basis Companies:

The following companies are underfunded (currently less than half a basis):

#	Symbol	Funded Fraction	Add Basis Of	Target
1	ABC	0.250	$2,500.00	Half
2	AMP	0.253	$2,470.00	Half
3	BDX	0.246	$2,540.00	Half
4	BEN	0.254	$2,460.00	Half
5	CAH	0.247	$2,530.00	Half
6	EAT	0.309	$1,910.00	Half
7	FAST	0.312	$1,880.00	Half
8	GWW	0.254	$2,460.00	Half
9	HAS	0.245	$2,550.00	Half
10	HRL	0.249	$2,510.00	Half
11	LMT	0.255	$2,450.00	Half
12	LOW	0.252	$2,480.00	Half
13	MDT	0.250	$2,500.00	Half
14	WTR	0.292	$2,080.00	Half
	TOTAL	**3.668**	**$33,320.00**	

To raise the basis of all the above to a half basis each would require:

(	14	- (	3.668	x	2	))x	$5,000	=	$33,320.00

Full Basis Companies:

The following companies are underfunded (currently less than a full basis):

#	Symbol	Funded Fraction	Add Basis Of	Target
1	EMR	0.706	$2,940.00	Full
2	PEP	0.891	$1,090.00	Full
3	UNP	0.352	$6,480.00	Full
	TOTAL	**1.949**	**$10,510.00**	

To raise the basis of all the above to a full basis each would require:

(	3	- (	1.949	x	1	))x	$10,000	=	$10,510.00

Time To Complete:

(	$0	+	$33,320	+	$10,510	)/	$14,747	=	2.972	years

Note:
The cost equation is: (No_of_underfunded_companies – Funded_fraction) x Cost_of_Basis
The time equation is: (Cost / AnnualDividend)

DIVIDENDS

D I V I D E N D S

THE CHOWDER INDEX:

The Chowder Index is what I use to determine if the portfolio is accomplishing its goals or not. Since the priority is income replacement, and I want that income to grow, I want to see the income for each quarter higher than for the corresponding quarter of a year ago. I also want to see year over year income growth.
– Project $3 Million

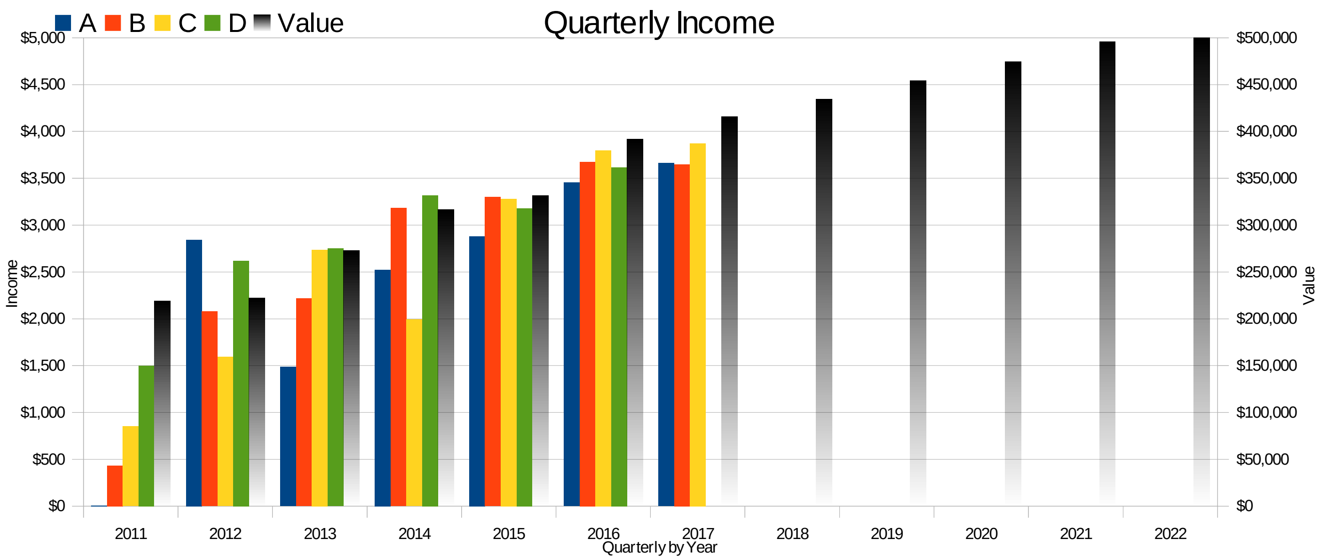
This portfolio exists to generate dividends. Until the dividends are needed, dividends are re-invested to generate more dividends.

Historical & Projected Dividends

Year	1st Qrtr Divi's	2nd Qrtr Divi's	3rd Qrtr Divi's	4th Qrtr Divi's	This Month	Annual Divi's	Portfolio Value	Total Dividends	Divi Growth	Value Growth	Portfolio Yield	YOOIC
2011	**$0.00**	**$352.81**	**$832.50**	**$1,492.12**	**$657.44**	$2,677.43	$218,129.35	$2,677.43			1.23%	1.20%
2012	**$2,839.84**	**$2,073.95**	**$1,589.91**	**$2,618.10**	**$756.82**	$9,121.80	$222,054.28	$11,799.23	240.69%	1.80%	4.11%	4.09%
2013	**$1,486.88**	**$2,218.32**	**$2,738.11**	**$2,749.80**	**$964.01**	$9,193.11	$279,405.91	$20,992.34	0.78%	25.83%	3.29%	4.12%
2014	**$2,525.91**	**$2,843.86**	**$2,620.77**	**$3,100.07**	**$985.28**	$11,090.61	$316,494.41	$32,082.95	20.64%	13.27%	3.50%	4.97%
2015	**$2,929.25**	**$3,211.63**	**$3,281.54**	**$3,323.40**	**$1,518.53**	$12,745.82	$330,954.47	$44,828.77	14.92%	4.57%	3.85%	5.71%
2016	**$3,531.54**	**$3,461.85**	**$3,523.75**	**$3,603.32**	**$1,684.25**	$14,120.45	$391,447.10	$58,949.22	10.78%	18.28%	3.61%	6.33%
2017	**$3,661.61**	**$3,685.46**	**$3,838.11**	$3,561.80	**$1,902.02**	$14,746.98	$415,557.80	$73,696.20	4.44%	6.16%	3.55%	6.61%

Notes:
- Annual Dividend is actual value for prior years and projected value for the current year.
- Portfolio Value is of 31 December for prior years and projected value for the current year.
- Growth numbers are computed as change from prior year.
- Total Dividends sums the annual dividends for the listed years.
- Dividends that would have been received in 1Q'13 were accelerated to 4Q'12 due to changes in federal tax laws that went into effect on 1 January 2013.
- Discovered small errors in Jan & Feb'17 (table shows adjusted numbers).

In the following chart, A = Jan, Feb, Mar; B = Apr, May, Jun; C = Jul, Aug, Sep; D = Oct, Nov, Dec



Dividend Payment History

Year	Jul	Companies	Aug	Companies	Sep	Companies	Total
2011	$88.20	JCS	$86.86	RTN	$657.44	AZN, CVX, JNJ, MCY, NOC, STRA	$832.50
2012	$681.33	DCM, JCS	$151.76	HAS, RTN	$756.82	AZN, CVX, JNJ, NOC, STRA	$1,589.91
2013	$1,286.26	CHL, DCM, JCS, SJR, SWY	$487.84	DRI, HAS, RTN, SJR, TGH	$964.01	AZN, COP, CVX, ED, JNJ, LMT, LO, NOC, SJR, SO	$2,738.11
2014	$880.99	CHL, JCS, MO, O, PM, RAI, RCI, SJR	$754.50	CLX, DRI, GIS, HAS, KMI, O, PG, SJR, TGH	$985.28	COP, ED, JNJ, LMT, MCD, O, SJR, SO, VTR, WEC	$2,620.77
2015	$722.37	MO, O, OXY, PM, RAI, WEC, WPC	$1,040.64	CLX, GIS, HAS, HCN, HCP, KMI, NNN, O, PG, T, TRP, VZ	$1,518.53	CCP, CNP, COP, CVX, DLR, ED, HP, JNJ, LMT, MAT, MCD, O, SO, VGR, VTR, WEC	$3,281.54
2016	$799.05	MO, O, OXY, PM, SJI, RAI, WPC	$1,040.44	CLX, FAST, GIS, HAS, HCN, HCP, KMI, NNN, O, PG, T, TRP, VZ	$1,684.25	CCP, CNP, COP, CVX, DLR, ED, EMR, HP, IBM, JNJ, LMT, MAT, MCD, O, QCOM, SO, TGT, TROW, UNP, VGR, VTR, WEC	$3,523.75
2017	$753.42	BEN, CAH, CBRL, MDT, MO, O, OXY, PM, RAI, SJI, WPC	$1,182.67	AMP, CBRL, CLX, CVS, FAST, GIS, HAS, HCN, HCP, HRL, KMI, LOW, NNN, O, PG, T, TRP, VZ	$1,902.02	ABC, BDX, DLR, EAT, ED, EMR, ES, FLO, GWW, HP, IBM, JNJ, LMT, MCD, O, PEP, QCOM, SO, TGT, TROW, UNP, VFC, VGR, VTR, WEC, WTR	$3,838.11

Dividend Yield

End of month dividend yield:

Annual Dividends	Portfolio Value	Uninvested Cash	Effective Yield	Investment Yield
$14,933.85	$415,557.80	$659.52	3.59%	3.60%
$14,746.98	$415,557.80	$659.52	3.55%	3.55%

Notes:
- Effective yield is: (**Annual_Dividends** / **Portfolio_Value**)
- Investment yield [subtracts the effect of uninvested cash] is: (**Annual_Dividends** / (**Portfolio_Value** – **Uninvested_Cash**))
- The first row uses a "static" total annual dividend (assumes all current shares were purchased on 1 Jan)
- The second row uses the current projected annual dividend.

Dividend Changes

Per share dividend changes this month compared to the same month last year.

Symbol	This Year	Last Year	% Increase
DLR	$0.930000	$0.880000	5.68%
ED	$0.690000	$0.670000	2.99%
EMR	$0.480000	$0.475000	1.05%
IBM	$1.500000	$1.400000	7.14%
JNJ	$0.840000	$0.800000	5.00%
LMT	$1.820000	$1.650000	10.30%
MCD	$0.940000	$0.890000	5.62%
O	$0.211500	$0.201500	4.96%
QCOM	$0.570000	$0.530000	7.55%
SO	$0.580000	$0.560000	3.57%
TGT	$0.620000	$0.600000	3.33%
TROW	$0.570000	$0.540000	5.56%
UNP	$0.605000	$0.550000	10.00%
VTR	$0.775000	$0.730000	6.16%
WEC	$0.520000	$0.495000	5.05%

Cost per $1 Dividend

Another perspective on dividend and dividend yield. My cost per dividend dollar is:

Original basis	$25.69	for a yield of	3.89%	Current cost	$29.59	for a yield of	3.38%

The lowest cost contributors to cost per dividend dollar are:

Company	Original Basis	Company	Current Cost
LMT	$10.993	VGR	$13.432
MO	$13.267	WPC	$16.764
VGR	$13.308	HP	$18.611
VTR	$14.887	HCP	$18.804
O	$15.211	T	$19.985

Dividends Received

No	Company	Symbol	Participating shares	Effective $ / share	Dividend	Foreign Tax	Exchange Rate
1	Amerisource Bergen Corp.	**ABC**	32	$0.3650	$11.68	$0.00	1.000000
2	Becton, Dickinson and Co.	**BDX**	15	$0.7300	$10.95	$0.00	1.000000
3	Digital Realty Trust, Inc.	**DLR**	152	$0.9300	$141.36	$0.00	1.000000
4	Brinker International, Inc.	**EAT**	59	$0.3800	$22.42	$0.00	1.000000
5	Consolidated Edison, Inc.	**ED**	175	$0.6900	$120.75	$0.00	1.000000
6	Emerson Electric Co.	**EMR**	133	$0.4800	$63.84	$0.00	1.000000
7	Eversource Energy	**ES**	171	$0.4750	$81.23	$0.00	1.000000
8	Flowers Foods, Inc.	**FLO**	303	$0.1700	$51.51	$0.00	1.000000
9	W. W. Granger, Inc.	**GWW**	11	$1.2800	$14.08	$0.00	1.000000
10	Helmerich & Payne, Inc.	**HP**	62	$0.7000	$43.40	$0.00	1.000000
11	IBM Corp.	**IBM**	64	$1.5000	$96.00	$0.00	1.000000
12	Johnson & Johnson	**JNJ**	152	$0.8400	$127.68	$0.00	1.000000
13	Lockheed Martin Corp.	**LMT**	29	$1.8200	$52.78	$0.00	1.000000
14	McDonald Corp.	**MCD**	107	$0.9400	$100.58	$0.00	1.000000
15	Realty Income Corp.	**O**	259	$0.2115	$54.78	$0.00	1.000000
16	Pepisco, Inc.	**PEP**	78	$0.8050	$62.79	$0.00	1.000000
17	QUALCOMM Inc.	**QCOM**	204	$0.5700	$116.28	$0.00	1.000000
18	The Southern Co.	**SO**	227	$0.5800	$131.66	$0.00	1.000000
19	Target Corp.	**TGT**	156	$0.6200	$96.72	$0.00	1.000000
20	T. Rowe Price Group, Inc.	**TROW**	133	$0.5700	$75.81	$0.00	1.000000
21	Union Pacific Corp.	**UNP**	34	$0.6050	$20.57	$0.00	1.000000
22	VFC Corp.	**VFC**	94	$0.4200	$39.48	$0.00	1.000000
23	Vector Group LTD	**VGR**	236	$0.4000	$94.40	$0.00	1.000000
24	Ventas, Inc.	**VTR**	160	$0.7750	$124.00	$0.00	1.000000
25	WEC Energy Group, Inc.	**WEC**	245	$0.5200	$127.40	$0.00	1.000000
26	Aqua America, Inc.	**WTR**	97	$0.2047	$19.86	$0.00	1.000000
27					$0.00	$0.00	1.000000
28					$0.00	$0.00	1.000000
29					$0.00	$0.00	1.000000
30					$0.00	$0.00	1.000000
31					$0.00	$0.00	1.000000
	Total				**$1,902.00**	**$0.00**	

Group	Months	Expected Average Total Dividend	Contributing companies
A	**Jan**, Apr, Jul, Oct	$790.36	10
B	Feb, May, Aug, **Nov**	$1,204.69	18
C	Mar, Jun, Sep, **Dec**	$1,717.00	24
Total for Quarter		**$3,712.05**	**52**

Companies total to 52 because “O” pays monthly (adds 2 to the total) and BTI is transitioning from semiannual to quarterly dividend payments (which due to scheduling effectively subtracts 1 from the total).

I expect BTI to pay its semi-annual dividend in October (due to exchange rates the amount in $US is uncertain). In 2018 BTI will initiate quarterly dividend payments[13] with payment dates on or about 8 Feb, 9 May, 9 Aug, & 15 Nov.

13 BAT quarterly div announcement: http://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOALSC3V

Dividend Cuts

The annual effect of dividend cuts on income:

Symbol	Date Announced	Pay Date	Participating Shares	Original Rate	New Rate	% Change	Original Amount	New Amount	Change	Annual Periods	Annual Amount
KMI	12/08/15	B15	276	$0.5100	$0.1250	-75.49%	$140.76	$34.50	-$106.26	4	-$425.04
HCP	11/01/16	B23	281	$0.5750	$0.3700	-35.65%	$161.58	$103.97	-$57.61	4	-$230.42
TOTAL											-$655.46

The HCP, and KMI dividend cuts dropped my projected 2017 income by $655.46.

- HCP spun off QCP, and trimmed its dividend.
- Dividends for HP, KMI, OXY, & TRP are at risk if low crude oil prices persist or if crude prices fall further.

2017 Dividend Projection

Total dividends for 2015 exceeded the 2014 total by about 15%.

Total dividends for 2016 exceeded the 2015 total by 10 ¾%.

Year	Income	Avg $ / month	YOY Increase	Extra $ / month	% Increase	Div CAGR
2011	**$2,677.43**	$223.12				
2012	**$9,121.80**	$760.15	$6,444.37	$537.03	240.69%	
2013	**$9,193.11**	$766.09	$71.31	$5.94	0.78%	0.78%
2014	**$11,090.61**	$924.22	$1,897.50	$158.12	20.64%	10.26%
2015	**$12,745.82**	$1,062.15	$1,655.22	$137.93	14.92%	11.80%
2016	**$14,120.45**	$1,176.70	$1,374.63	$114.55	10.78%	11.54%
2017	**$14,746.98**	$1,228.92	$626.53	$52.21	4.44%	10.08%

Organic Dividend Growth Rate

I compute my portfolio's "organic" dividend growth rate[xxiii] as:

$$\Delta = \sum_{\text{for all } i}(\omega_i / \Omega)\delta_i$$

Where:

ω_i is the annual projected dividends for company "i"
δ_i is the 1 year dividend growth rate for company "i"
Ω is the total annual projected portfolio dividends.
Δ is the portfolio organic dividend growth rate.

And:

$\omega_i = d_i \times s_i$
$\Omega = \sum \omega_i$

Where:

d_i is the annual dividend per share in dollars for company "i"
s_i is the number of shares of company "i" in the portfolio

Organic Portfolio Dividend Growth Rate Δ	5.15%

The largest "$(\omega_i / \Omega)\delta_i$" contributors to Δ are:

Company	$(\omega_i / \Omega)\delta_i$
WEC	0.464%
MO	0.428%
QCOM	0.352%
IBM	0.257%
O	0.234%

My Organic Portfolio Dividend Growth Rate (the rate of annual dividend increase if I did not reinvest dividends) exceeds my high end expected inflation rate of 4.5%.

The following table shows the historic "Organic Dividend Growth" rate for the portfolio since 31 October 2015.

Date	Month	Organic DGR	Portfolio Value	Monthly Dividend	Effective Yield	Dividend Positions	SSD DSS
10/31/15	A	8.98%	$333,050.18	$754.91	3.86%	36	
11/30/15	B	9.05%	$328,701.79	$1,037.48	3.92%	36	
12/31/15	C	5.33%	$330,954.47	$1,531.02	3.85%	36	
01/31/16	A	5.34%	$337,472.56	$953.13	4.17%	36	
02/29/16	B	5.08%	$338,868.06	$1,039.02	3.98%	35	
03/31/16	C	5.13%	$360,824.12	$1,627.64	3.80%	35	
04/30/16	A	5.53%	$363,251.56	$773.73	3.82%	36	
05/31/16	B	5.54%	$368,279.53	$1,039.27	3.80%	36	
06/30/16	C	5.64%	$395,312.22	$1,648.85	3.55%	40	
07/31/16	A	5.65%	$397,462.01	$799.05	3.56%	40	
08/31/16	B	5.67%	$386,219.75	$1,040.44	3.69%	40	
09/30/16	C	5.97%	$384,040.49	$1,684.25	3.75%	40	
10/31/16	A	6.62%	$378,627.71	$833.42	3.77%	46	
11/30/16	B	6.87%	$379,300.51	$989.00	3.74%	48	
12/31/16	C	4.47%	$391,447.10	$1,780.90	3.60%	52	
01/31/17	A	4.50%	$393,121.33	$799.11	3.66%	55	
02/28/17	B	4.60%	$408,800.02	$958.13	3.57%	56	82.97
03/31/17	C	4.79%	$407,384.54	$1,882.52	3.56%	57	83.01
04/30/17	A	5.60%	$406,449.90	$741.26	3.58%	56	85.41
05/31/17	B	5.60%	$412,057.17	$1,093.03	3.55%	56	83.96
06/30/17	C	5.64%	$412,466.74	$1,851.17	3.57%	56	84.12
07/31/17	A	5.12%	$414,465.78	$753.42	3.54%	51	85.58
08/31/17	B	5.15%	$414,227.31	$1,182.67	3.58%	51	85.07
09/30/17	C	5.15%	$415,557.80	$1,902.02	3.60%	51	84.92

PORTFOLIO DETAILS

A summary of what I own, its basis, value, and dividends produced.

Holdings

The companies I currently own.

Notes:

- Positions marked as “dog” are in the doghouse.
- Positions colored green are at the basis limit (dark green, basis exceeds target limit).
- Yields less than 3% are pink; less than 2% are red. Div safety scores less than 50 are red. Less than 10 years of div increases are red.

Number	Company	Symbol	Shares	Cost (Basis)	Mkt Value	Share Price Gain/Loss	Total Dividends Received	Projected Annual Dividends	Position	% of Purchase	% of Value	Over wt	SSD Safety	Projected Yield on Cost	Projected Yield on Value	Age
1	AmerisourceBergen Corp.	ABC	32	$2,503.00	$2,648.00	$145.00	$35.04	$46.72	half	0.74%	0.64%		97	1.87%	1.76%	12
2	Ameriprise Financial Inc.	AMP	28	$2,526.55	$4,158.28	$1,631.73	$88.48	$92.96	half	0.74%	1.00%		94	3.68%	2.24%	13
3	Becton, Dickenson & Co.	BDX	15	$2,464.15	$2,939.25	$475.10	$32.85	$43.80	half	0.73%	0.71%		88	1.78%	1.49%	45
4	Franklin Resources, Inc.	BEN	64	$2,538.00	$2,848.64	$310.64	$38.40	$51.20	half	0.75%	0.69%		95	2.02%	1.80%	37
5	British American Tobacco PLC	BTI	73	$5,034.40	$4,558.85	-$475.55	$0.00	$106.35	half	1.48%	1.10%		68	2.11%	2.33%	0
6	Cardinal Health, Inc.	CAH	37	$2,466.72	$2,476.04	$9.32	$50.33	$68.44	half	0.73%	0.60%		86	2.77%	2.76%	21
7	Cracker Barrel Old Country Store,	CBRL	35	$5,033.68	$5,306.70	$273.02	$126.00	$168.00	half	1.48%	1.28%		94	3.34%	3.17%	15
8	Clorox Company	CLX	121	$9,967.65	$15,961.11	$5,993.46	$1,467.64	$406.56	Full	2.94%	3.84%	↑	97	4.08%	2.55%	40
9	CVS Health Corp.	CVS	63	$4,956.50	$5,123.16	$166.66	$64.50	$126.00	half	1.46%	1.23%		99	2.54%	2.46%	14
10	Digital Realty Trust, Inc.	DLR	152	$10,015.27	$17,986.16	$7,970.89	$1,469.18	$565.44	Full	2.95%	4.33%	↑	86	5.65%	3.14%	13
11	Brinker International	EAT	64	$3,093.03	$2,039.04	-$1,053.99	$70.74	$97.28	half	0.91%	0.49%		65	3.15%	4.77%	13
12	Consolidated Edison	ED	175	$9,973.69	$14,119.00	$4,145.31	$1,872.69	$483.00	Full	2.94%	3.40%	↑	90	4.84%	3.42%	43
13	Emerson Electric Co.	EMR	133	$7,061.06	$8,357.72	$1,296.66	$350.85	$255.36	Full	2.08%	2.01%		63	3.62%	3.06%	60
14	Eversource Energy (was Northea	ES	171	$10,029.14	$10,335.24	$306.10	$165.83	$324.90	Full	2.96%	2.49%		96	3.24%	3.14%	19
15	Fastenal Co.	FAST	71	$3,116.46	$3,236.18	$119.72	$96.90	$90.88	half	0.92%	0.78%		70	2.92%	2.81%	18
16	Flowers Foods, Inc.	FLO	303	$5,023.79	$5,699.43	$675.64	$133.27	$206.04	half	1.48%	1.37%		83	4.10%	3.62%	16
17	General Mills Inc.	GIS	203	$10,024.44	$10,507.28	$482.84	$1,410.35	$397.88	Full	2.96%	2.53%		92	3.97%	3.79%	14
18	W.W. Granger, Inc.	GWW	11	$2,537.00	$1,977.25	-$559.75	$41.58	$56.32	half	0.75%	0.48%		90	2.22%	2.85%	46
19	Hasbro Inc.	HAS	67	$2,445.46	$6,543.89	$4,098.43	$476.44	$152.76	half	0.72%	1.57%	↑	96	6.25%	2.33%	14
20	Welltower, Inc.	HCN	154	$9,979.00	$10,823.12	$844.12	$1,037.58	$535.92	Full	2.94%	2.60%		83	5.37%	4.95%	14
21	HCP Inc.	HCP	293	$10,002.86	$8,154.19	-$1,848.67	$1,300.88	$433.64	half	2.95%	1.96%	↑	60	4.34%	5.32%	0
22	Helmerich & Payne, Inc.	HP	62	$5,007.74	$3,230.82	-$1,776.92	$751.45	$173.60	half	1.48%	0.78%		42	3.47%	5.37%	44
23	Hormel Foods Corp.	HRL	71	$2,489.61	$2,281.94	-$207.67	$24.14	$48.28	half	0.73%	0.55%		100	1.94%	2.12%	51
24	International Business Machine	IBM	64	$9,976.26	$9,285.12	-$691.14	$263.50	$384.00	Full	2.94%	2.23%		92	3.85%	4.14%	22
25	Johnson & Johnson	JNJ	152	$10,038.40	$19,761.52	$9,723.12	$2,612.12	$510.72	Full	2.96%	4.76%	↑	96	5.09%	2.58%	55
26	Kinder Morgan, Inc.	KMI	139	$5,002.26	$2,666.02	-$2,336.24	$1,140.66	$69.50	half	1.47%	0.64%		49	1.39%	2.61%	0
27	Lockheed Martin Corporation	LMT	29	$2,550.40	$8,998.41	$6,448.01	$2,541.00	$232.00	half	0.75%	2.17%	↑	96	9.10%	2.58%	15
28	Lowe's Co.	LOW	35	$2,522.80	$2,797.90	$275.10	$38.85	$57.40	half	0.74%	0.67%		86	2.28%	2.05%	55
29	McDonald's Corp.	MCD	107	$9,997.59	$16,764.76	$6,767.17	$1,854.80	$432.28	Full	2.95%	4.03%	↑	89	4.32%	2.58%	42
30	Medtronic, Inc.	MDT	33	$2,499.82	$2,566.41	$66.59	$0.00	$60.72	half	0.74%	0.62%		88	2.43%	2.37%	40
31	Altria	MO	285	$9,982.00	$18,074.70	$8,092.70	$2,479.52	$752.40	Full	2.94%	4.35%	↑	98	7.54%	4.16%	48
32	National Retail Properties, Inc.	NNN	259	$10,034.26	$10,789.94	$755.68	$540.46	$492.10	Full	2.96%	2.60%		82	4.90%	4.56%	28
33	Realty Income Corp.	O	259	$10,022.76	$14,812.21	$4,789.45	$2,198.44	$658.90	Full	2.95%	3.56%	↑	85	6.57%	4.45%	24
34	Occidental Petroleum Corporatio	OXY	30	$2,465.10	$1,926.30	-$538.80	$769.80	$92.40	qrtr	0.73%	0.46%		37	3.75%	4.80%	14
35	Pepisco, Inc.	PEP	78	$8,906.25	$8,691.54	-$214.71	$98.22	$251.16	Full	2.63%	2.09%		97	2.82%	2.89%	45
36	Procter & Gamble Co.	PG	132	$10,007.85	$12,009.36	$2,001.51	$1,369.99	$364.11	Full	2.95%	2.89%		100	3.64%	3.03%	61
37	Philip Morris International Inc.	PM	118	$9,963.84	$13,099.18	$3,135.34	$1,666.16	$505.04	Full	2.94%	3.15%	↑	79	5.07%	3.86%	10
38	Qualcomm Inc.	QCOM	204	$10,028.30	$10,575.36	$547.06	$754.80	$465.12	Full	2.96%	2.54%		70	4.64%	4.40%	15
39	Southern Company	SO	227	$10,004.74	$11,154.78	$1,150.04	$2,069.63	$526.64	Full	2.95%	2.68%		82	5.26%	4.72%	17
40	AT&T Inc.	T	289	$10,001.69	$11,320.13	$1,318.44	$1,483.77	$566.44	Full	2.95%	2.72%		79	5.66%	5.00%	33
41	Target Corp.	TGT	156	$9,978.61	$9,205.56	-$773.05	$309.72	$386.88	Full	2.94%	2.22%		81	3.88%	4.20%	50
42	T Rowe Price Group, Inc.	TROW	133	$9,964.61	$12,056.45	$2,091.84	$442.89	$303.24	Full	2.94%	2.90%		95	3.04%	2.52%	31
43	Transcanada Corp.	TRP	62	$2,486.31	$3,064.66	$578.35	$331.90	$118.15	qrtr	0.73%	0.74%		39	4.75%	3.86%	13
44	Union Pacific Corp.	UNP	34	$3,516.53	$3,942.98	$426.45	$53.31	$82.28	Full	1.04%	0.95%		95	2.34%	2.09%	10
45	VF Corp.	VFC	94	$4,980.00	$5,975.58	$995.58	$115.92	$157.92	half	1.47%	1.44%		88	3.17%	2.64%	44
46	Vector Group Ltd	VGR	247	$5,009.43	$5,056.09	$46.66	$827.60	$395.20	qrtr	1.48%	1.22%		30	7.89%	7.82%	19
47	Ventas, Inc.	VTR	160	$7,384.04	$10,420.80	$3,036.77	$1,807.20	$496.00	half	2.18%	2.51%	↑	73	6.72%	4.76%	7
48	Verizon Communications	VZ	202	$10,017.24	$9,996.98	-$20.26	$1,272.40	$476.72	Full	2.95%	2.41%		84	4.76%	4.77%	13
49	Wisconsin Energy Corp.	WEC	245	$9,990.75	$15,381.10	$5,390.35	$1,770.23	$509.60	Full	2.95%	3.70%	↑	95	5.10%	3.31%	14
50	W.P. Carey, Inc.	WPC	148	$9,984.47	$9,973.72	-$10.75	$1,470.20	$594.96	Full	2.94%	2.40%		59	5.96%	5.97%	20
51	Aqua America Inc.	WTR	97	$2,923.89	$3,219.43	$295.54	$52.18	$79.42	half	0.86%	0.77%		97	2.72%	2.47%	25
52																
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-cash IRA-				$519.99	$519.99					0.15%	0.13%		82	Average		26.1
-cash ROTH-				$139.53	$139.53					0.04%	0.03%		100	High		61.0
Total				$339,188.90	$415,557.80	$76,368.90	$41,440.39	$14,952.62		100%	100%	13		4.41%	3.60%	

Summary (average across all companies)

Avg Number of Shares	126	**Per Share**	**YOC**	**YOV**
Avg Purchase Cost	$6,637.83	$52.76	[redacted]	[redacted]
Avg Value	$8,135.26	$64.67	[redacted]	[redacted]
Avg Gain / Loss	$1,497.43	$11.90	[redacted]	[redacted]
Avg Total Dividends Received	$812.56	$6.46	12.24%	9.99%
Avg Projected Annual Dividends	$293.19	$2.33	4.42%	3.60%

Notes:
- YOC is Yield On Cost (dividend / cost)
- YOV is Yield On Value (dividend / value)

Market Capitalization

Size	% of Portfolio
Mega	30.40%
Large	58.68%
Mid	10.43%
Small	0.49%
Micro	0.00%
TOTAL	**100.00%**

Average Market Capitalization

Average Market Capitalization of this portfolio:

Avg Mkt Cap	Avg Div Years
$62,484M	26.12

Weighted Average Market Capitalization of this portfolio:

$1,549M

High Dividend Growth

Companies in the portfolio that are (or were) on the "High Dividend Growth" list as a fraction of portfolio:

Description	#	Basis	% of Current Basis	% of Original Basis	Value	% of Current Value
Is or was on HDG list	20	$91,133.39	26.87%	40.84%	$106,632.28	25.66%
Bought for HDG	16	$58,587.68	17.27%	26.26%	$62,392.29	15.01%
Still on HDG list	10	$30,576.03	9.01%	13.70%	$32,914.99	7.92%
Currently on HDG list	13	$53,093.44	15.65%	23.79%	$66,579.62	16.02%

Status

No	Symbol	Value Line Rating	Years of Dividend Growth	Kind	Market Cap	Earnings	Revenues	Cash Flow	Rationale
						7 of 10			
1	ABC	2/A	12		$17.982B (Large)	Y	Y	Y	Bought from the High Div Growth List
2	AMP	3/A	13		$23.034B (Large)	Y	Y	N	Bought from the High Div Growth List
3	BDX	1/A++	45		$44.246B (Large)	Y	Y	Y	Bought from the High Div Growth List
4	BEN	2/A++	37		$24.644B (Large)	N	Y	N	Bought from the High Div Growth List
5	BTI	2/B++	0		$142.66B (Mega)	Y	Y	Y	Acquired RAI
6	CAH	1/A	21		$21.212B (Large)	Y	Y	Y	Bought from the High Div Growth List
7	CBRL	2/A	15		$3.628B (Mid)	Y	Y	Y	Bought from the High Div Growth List
8	CLX	2/B++	40		$17.222B (Large)	Y	Y	Y	
9	CVS	1/A++	14		$82.594B (Large)	Y	Y	Y	Brought from High Div Growth List.
10	DLR	3/B+	13	REIT	$25.39B (Large)	Y	--	--	Debt/Capital 56.0%. Credit Rating BBB. FFO Growth Rate 18.60%
11	EAT	3/B++	13		$1.553B (Small)	Y	Y	Y	Bought from the High Div Growth List
12	ED	1/A+	43	UTILITY	$25.254B (Large)	N	N	Y	
13	EMR	1/A++	60		$40.219B (Large)	N	Y	N	
14	ES	1/A	19	UTILITY	$19.383B (Large)	Y	N	N	Bought from High Div Growth List.
15	FAST	2/A+	18		$13.197B (Large)	Y	Y	Y	
16	FLO	3/B++	16		$3.944B (Mid)	Y	Y	Y	Bought from the High Div Growth List
17	GIS	1/A+	14		$29.681B (Large)	Y	Y	Y	
18	GWW	1/A++	46		$10.31B (Large)	Y	Y	Y	Bought from the High Div Growth List
19	HAS	3/A	14		$12.052B (Large)	Y	Y	Y	Half because VL safety rank is 3 and not a REIT. VL downgraded from 2 to 3 in Aug 2015.
20	HCN	3/B+	14	REIT	$26.377B (Large)	N	--	--	Debt/Capital 41.0%. Credit Rating BBB+. FFO Growth Rate 3.40%
21	HCP	3/B++	0	REIT	$13.38B (Large)	Y	--	--	Debt/Capital 54.0%. Credit Rating BBB. FFO Growth Rate 1.30%
22	HP	3/B++	44		$5.594B (Mid)	N	N	N	Half because VL is "3" (and not a REIT)
23	HRL	1/A	51		$16.921B (Large)	Y	Y	Y	Bought from the High Div Growth List
24	IBM	1/A++	22		$135.326B (Mega)	Y	N	Y	
25	JNJ	1/A++	55		$349.902B (Mega)	Y	Y	Y	
26	KMI	3/B	0		$42.94B (Large)	--	--	--	Half because VL safety rank is 3 and not a REIT. Dividend reduced 8 Dec '15.
27	LMT	1/A++	15		$89.519B (Large)	Y	Y	Y	
28	LOW	2/A+	55		$67.23B (Large)	Y	Y	Y	Bought from the High Div Growth List
29	MCD	1/A++	42		$127.006B (Mega)	Y	Y	Y	
30	MDT	1/A++	40		$105.915B (Mega)	Y	Y	Y	Bought from the High Div Growth List
31	MO	2/B+	48		$122.274B (Mega)	Y	Y	Y	
32	NNN	--/--	28	REIT	$6.236B (Mid)	--	--	--	Debt/Capital 40.0%. Credit Rating BBB+. FFO Growth Rate -5.10%
33	O	2/A	24	REIT	$15.767B (Large)	N	--	--	Debt/Capital 45.0%. Credit Rating BBB+. FFO Growth Rate 1.50%
34	OXY	3/A	14		$48.945B (Large)	N	N	N	VL is "3" (and not a REIT). VL downgraded from 2 to 3 in Jun 2016. Qrtr because SSD Div Safety Score is at or below 40.
35	PEP	1/A++	45		$160.194B (Mega)	Y	N	Y	
36	PG	1/A++	61		$233.006B (Mega)	N	N	N	
37	PM	2/B++	10		$173.048B (Mega)	N	Y	N	
38	QCOM	2/A++	15		$76.431B (Large)	Y	Y	Y	
39	SO	2/A	17	UTILITY	$49.567B (Large)	Y	N	Y	
40	T	1/A++	33		$241.483B (Mega)	Y	Y	Y	
41	TGT	2/A	50		$32.414B (Large)	Y	Y	Y	
42	TROW	1/A+	31		$21.607B (Large)	Y	Y	Y	
43	TRP	3/B++	13		$43.5B (Large)	N	Y	N	Qrtr because SSD Div Safety Score is at or below 40.
44	UNP	1/A++	10		$92.901B (Large)	Y	Y	Y	
45	VFC	2/A	44		$24.882B (Large)	Y	Y	Y	Bought from the High Div Growth List
46	VGR	2/B++	19		$2.763B (Mid)	--	--	--	Qrtr because SSD Div Safety Score is at or below 40.
47	VTR	3/B+	7	REIT	$23.716B (Large)	N	--	--	Half because dividend history is too short. Debt/Capital 52.0%. Credit Rating BBB+. FFO Growth Rate 4.50%
48	VZ	1/A++	13		$202.018B (Mega)	N	Y	N	
49	WEC	1/A+	14	UTILITY	$20.017B (Large)	Y	Y	Y	
50	WPC	3/B+	20	REIT	$7.198B (Mid)	--	--	--	Debt/Capital 50.0%. Credit Rating BBB. FFO Growth Rate 1.00%
51	WTR	2/A	25	UTILITY	$5.895B (Mid)	Y	Y	Y	Bought from the High Div Growth List

In the above table, Micro < $100M; Small < $2B; Mid < $10B; Large < $100B; and Mega > $100B.

Doghouse

Current residents of the “doghouse”.

Symbol	Entry	Review	Description
-none-			

Former "doghouse" residents

Symbol	Entry	Review	Description
CCP	18. Aug. 15	14. Feb. 17	CCP was spun off from VTR on 18 August and I received 40 shares (1 share of CCP for each 4 shares of VTR). CCP is in the doghouse because its dividend history is too short. I've assigned a "basis" (of $2,461.35) to CCP equal to ¼ of my original VTR basis … and subtracted the same from my VTR basis. Promoted to a quarter position Dec '16. ⇒ Bought 2 shares on 12/30/16. Increased to (42 shares) ¼ basis of $2,511.39. ⇒ Sold 42 shares @ $24.25 on 7/31/17.
CNP	31. Dec. 15	18. Apr. 16	ValueLine cut CNP's Safety Rank to 3 from 2. → Changed status to half position. → Changed status to quarter position because SSD Dividend Safety Score was 22 on 9 Sep '16. ⇒ Sold 76 shares @ $23 on 09/12/16. Reduced to (138 shares) ¼ basis of $2,500.66. ⇒ Sold 138 shares @ $27.70 on 07/03/17.
COP	4. Feb. 16	18. Apr. 16	COP cut its quarterly dividend from $0.74 to $0.25 (roughly 66%). → On 18 April '16 sold 87 shares @ $43.75 to reduce basis to $10K and changed to 2X overweight half position. → Changed status to quarter position because SSD Dividend Safety Score was 20 on 9 Sep '16. ⇒ Sold 123 shares @ $48.15 on 04/28/17. Reduced to (40 shares) ¼ basis of $2,476.20. ⇒ Sold 40 shares @ $45.58 on 07/03/17.
CVX	9. Sep. 16	9. Mar. 17	→ Changed status to quarter position because SSD Dividend Safety Score was 24 on 9 Sep '16. ⇒ Sold 42 shares @ $107 on 11/08/16 & 42 shares @ $110 on 11/17/16. Reduced to (23 shares) ¼ basis of $2,521.31. ⇒ Sold 23 shares @ $106.20 on 07/03/17.
HCP	30. Nov. 16	31. Mar. 17	HCP dropped from CCC (dividend cut after QCP spin-off with no announced QCP dividend policy) HCP spun-off QCP on 31 October '16 and I received 1 share of QCP for every 5 shares of HCP for a total of 55 shares (46 in the IRA account & 9 in the ROTH account). QCP is in the doghouse because its dividend history is too short. I assigned a "basis" of $2,286.14 (or $41.57 per share) to QCP equal to 1/5 of my original HCP basis … and subtracted the same from my HCP basis. HCP/QCP has since announced a "true" basis for QCP of $30.85 (or $1,696.75 for the 55 shares I received). I've re-adjusted my basis for HCP & QCP. See: http://www.qcpcorp.com/2016-12-21-Quality-Care-Properties-Inc-Announces-2016-Tax-and-Dividend-Information HCP quarterly dividend was reduced from $0.575 to $0.37 / share (a 35.65% reduction). ⇒ Sold 15 shares @ $32.00 on 04/13/17. Reduced to full (293 shares) basis of $10,002.86.
KMI	8. Dec. 15	18. Apr. 16	KMI decreased the quarterly dividend from $0.51 to $0.125 (roughly 75%). ⇒ Sold 137 shares @ $18.20 on 04/18/16. Reduced to (139 shares) ½ basis of $5,002.26.
MAT	9. Sep. 16	9. Sep. 16	In October 2015, MAT failed to increase its dividend, thus the annual dividend ($1.52) is unchanged from 2014. → Changed status to half position on 31 Oct '15. → Changed status to quarter position because SSD Dividend Safety Score was 18 on 9 Sep '16. ⇒ Sold all (35) shares @ $25.08 on 04/17/17.
OXY	9. Sep. 16	9. Sep. 16	ValueLine cut OXY's Safety Rank to 3 from 2. → Changed status to half position on 31 Aug '16. → Changed status to quarter position because SSD Dividend Safety Score was 21 on 9 Sep '16. ⇒ Sold 70 shares @ $61.95 on 04/28/17. Reduced to (30 shares) ¼ basis of $2,465.10.
QCP	31. Oct. 16	14. Mar. 17	HCP spun-off QCP on 31 October '16 and I received 1 share of QCP for every 5 shares of HCP for a total of 55 shares (46 in the IRA account & 9 in the ROTH account). ⇒ Sold all (55) shares @ $18.08 on 03/14/17 (outdated financials, no announced dividend policy)
TRP	9. Sep. 16	9. Sep. 16	→ Changed status to quarter position because SSD Dividend Safety Score was 27 on 9 Sep '16. ⇒ Sold 53 shares @ $46.50 on 09/12/16. Reduced to (62 shares) ¼ basis of $2,486.31.

Transactions for the Month

TRANSACTIONS

Portfolio transactions for the month just ended.

- IRA

Date	Type	Symbol	Shares	$/Share	Com-mission	Transactions	Conversion
						$1,187.13	$0.00
09/01/2017	FRIP	CBRL	1	$148.98	$0.00	$148.98	
09/06/2017	FRIP	CBRL	1	$144.89	$0.00	$144.89	
09/11/2017	FRIP	CBRL	1	$145.16	$0.00	$145.16	
09/12/2017	FRIP	CBRL	1	$148.40	$0.00	$148.40	
09/15/2017	FRIP	CBRL	1	$153.60	$0.00	$153.60	
09/18/2017	FRIP	CBRL	1	$148.91	$0.00	$148.91	
09/20/2017	FRIP	CBRL	1	$148.25	$0.00	$148.25	
09/28/2017	FRIP	CBRL	1	$149.96	$0.00	$149.96	
09/28/2017	CILOS	VGR	-0.05	$20.48	$0.00	-$1.02	

- ROTH

Date	Type	Symbol	Shares	$/Share	Com-mission	Transactions	Conversion
						$140.12	$0.00
09/01/2017	FRIP	EAT	1	$31.17	$0.00	$31.17	
09/11/2017	FRIP	EAT	4	$31.08	$0.00	$124.31	
09/28/2017	CILOS	VGR	-0.75	$20.48	$0.00	-$15.36	

Notes:

- 2017 was my fourth year of DGP-1 IRA-to-ROTH conversion.
- CILOS ::= Cash In Lieu of Shares

Net Changes:

As a consequence of this month's activities, I've:

- Added to half basis positions: CBRL (50%), EAT (31%)
- Increased anticipated annual income by $63.60.
- Have $659.52 cash available.

Symbol	± Delta	AUG Shares		Total	AUG Value			AUG Basis			SEP Basis	SEP Price	SEP Value	AUG Income	SEP Income	Div Pay Date
		IRA	ROTH		IRA	ROTH	$10,953.40	IRA	ROTH	$11,835.70	$13,136.14		$12,401.83	$596.88	$660.48	
CBRL	8	27	0	35	$4,013.82	$0.00	$4,013.82	$3,856.53	$0.00	$3,856.53	$5,033.68	**$151.62**	$5,306.70	*$129.60*	*$168.00*	B04
EAT	5	0	59	64	$0.00	$1,841.98	$1,841.98	$0.00	$2,937.55	$2,937.55	$3,093.03	**$31.86**	$2,039.04	*$89.68*	*$97.28*	C28
VGR	11	181	55	247	$3,909.60	$1,188.00	$5,097.60	$3,853.82	$1,187.80	$5,041.62	$5,009.43	**$20.47**	$5,056.09	*$377.60*	*$395.20*	C29

Residual Cash

Account	Available Cash
IRA	$519.99
ROTH	$139.53
Total	$659.52

Status Downgrades:

- CVS changed back to a half basis position (the promotion to full basis in March was premature).
- HCP downgraded to half basis position. Will sell excess shares after transfer to Schwab.
- VGR downgraded to quarter basis position. Will sell excess shares after transfer to Schwab.

Status Upgrades:

- PM upgraded to full basis position (achieved 10 years of dividend growth).

Historical Transactions

September 2016:
- Demoted COP and OXY to quarter positions as the DSS for each was less than 30.

November 2016:
- HCP spun off QCP. HCP reduced its dividend more than expected. I put it in the doghouse.
- QCP never announced a dividend. I placed it in the doghouse.

March 2017:
- Sold all shares of QCP (no dividend announced)
- promoted CBRL, ES, and VFC to full positions (they appeared on the February "Original Acquisition Process" [OAP] watch list)
- Promoted CVS to a full position (it appeared on the March "OAP" list)
- pulled HCP from the doghouse, re-established it as a full position & scheduled a sale of excess basis.

April 2017:
- Sold all shares of MAT due a low SSD div safety score
- Sold shares and reduced COP & OXY to a quarter basis position each.
- Changed ABC, AMP, BDX, BEN, CAH, CBRL, EAT, FAST, FLO, GWW, HAS, HRL, LMT, LOW, MDT, VFC, & WTR to half basis positions (changed CBRL & FAST to ½ from full).

July 2017:
- Sold all shares of CNP, COP, CVX, and SJI due to low SSD div safety scores. Bought shares of ES, IBM, NNN, PEP.
- Sold all shares of CCP. SBRA (which plans to acquire CCP in a share-only transaction) has a div safety score of 43 with a BB- S&P rating. CCP (previously spun off from VTR) has significant (15% of net income) exposure to Signature Healthcare (which is experiencing problems with the DOJ and may need to file for bankruptcy protection[14]).
- BTI finalized its purchase of RAI (for each share of RAI I received 0.5260 shares of BTI plus cash of $29.44). Bought shares of CBRL, NNN, PEP, & UNP.
- Downgraded HCP to a half basis position (negative div growth). LSO scheduled for excess shares.
- Downgraded VGR to a quarter basis position (div safety below 31).

September 2017:
- Upgraded PM to full position (10 years of dividend growth)
- Changed CVS back to a half position (the promotion to full basis in March was premature)

14 See SA article: https://seekingalpha.com/article/4091051-another-value-trap-conundrum

PLANNED TRANSACTIONS

Additonal Purchase List

The following are on the “NO” purchase list:

- Dominant Sectors -none-
- Companies @ or above basis limit BTI, CBRL, CLX, CVS, DLR, ED, ES, FLO, GIS, HCN, HCP, HP, IBM, JNJ, KMI, MCD, MO, NNN, O, OXY, PG, PM, QCOM, SO, T, TGT, TROW, TRP, VFC, VGR, VTR, VZ, WEC, WPC
- Doghouse Companies -none-

In the following table, companies I already own are colored cyan. The table shows the total number of shares needed (for either a “full” or “half” position), the number of shares I currently own, the additional shares needed, all listed in order of decreasing yield. The yellow bars represent prices within 10% of my “target” price (as shown on the watch list) and the color coding in the comment section represents my interpretation of the F.A.S.T.Graphs™ valuation (as also shown on the watch list; where a more intense green represents a better valuation).

Additional purchases planned for EAT (ROTH portion), and one (or more) of CAH, FAST, GWW (tIRA portion).

If funds are available and valuation looks good, I may acquire shares of other companies on the list.

Symbol	Want	Own	Shares To Add	Price	Current Value	Need to Purchase	Yield	Dividend	Tot Div $523.67	Comment	SSD DSS	Buy Type	Basis / share	GICS Code
EAT	124	64	60	$31.86	$2,039.04	$1,911.60	4.77%	$1.52	$91.20	HP VL:3/B++	65	Buy	$48.33	25
EMR	180	133	47	$62.84	$8,357.72	$2,953.48	3.06%	$1.92	$90.24	FP VL:1/A++	63	*	$53.09	20
PEP	88	78	10	$111.43	$8,691.54	$1,114.30	2.89%	$3.22	$32.20	FP VL:1/A++	97	*	$114.18	30
GWW	25	11	14	$179.75	$1,977.25	$2,516.50	2.85%	$5.12	$71.68	HP VL:1/A++	90	Buy	$230.64	20
FAST	112	71	41	$45.58	$3,236.18	$1,868.78	2.81%	$1.28	$52.48	HP VL:2/A+	70	Buy	$43.89	20
CAH	75	37	38	$66.92	$2,476.04	$2,542.96	2.76%	$1.85	$70.28	HP VL:1/A	86	Buy	$66.67	35
LMT	37	29	8	$310.29	$8,998.41	$2,482.32	2.58%	$8.00	$64.00	HP VL:1/A++	96	*	$87.94	20
WTR	160	97	63	$33.19	$3,219.43	$2,090.97	2.47%	$0.82	$51.58	HP UTIL VL:2/A	97	*	$30.14	55
MDT	65	33	32	$77.77	$2,566.41	$2,488.64	2.37%	$1.84	$58.88	HP VL:1/A++	88	*	$75.75	35
HAS	93	67	26	$97.67	$6,543.89	$2,539.42	2.33%	$2.28	$59.28	HP VL:3/A	96	*	$36.50	25
AMP	45	28	17	$148.51	$4,158.28	$2,524.67	2.24%	$3.32	$56.44	HP VL:3/A	94	*	$90.23	40
HRL	149	71	78	$32.14	$2,281.94	$2,506.92	2.12%	$0.68	$53.04	HP VL:1/A	100	*	$35.06	30
UNP	90	34	56	$115.97	$3,942.98	$6,494.32	2.09%	$2.42	$135.52	FP VL:1/A++	95	*	$103.43	20
LOW	66	35	31	$79.94	$2,797.90	$2,478.14	2.05%	$1.64	$50.84	HP VL:2/A+	86	*	$72.08	25
BEN	119	64	55	$44.51	$2,848.64	$2,448.05	1.80%	$0.80	$44.00	HP VL:2/A++	95	*	$39.66	40
ABC	62	32	30	$82.75	$2,648.00	$2,482.50	1.76%	$1.46	$43.80	HP VL:2/A	97	*	$78.22	35
BDX	28	15	13	$195.95	$2,939.25	$2,547.35	1.49%	$2.92	$37.96	HP VL:1/A++	88	*	$164.28	35

Notes:

- BUY – purchase anticipated with Schwab's zero commission program
- “*” Buys will be placed as funds are available.
- “--” Buy postponed due to low DSS or exceeds sector limits.
- VL – Value Line rating.
- FP/HP – Full Position / Half Positions. A full position is about $2,600.
- REIT – company is a Real Estate Investment Trust
- UTIL – company is a utility.

Color Codes:

- cheap P/E more than -7.5 below 10 yr normal.
- Excellent P/E -7.5 to -4.5 below 10 yr normal P/E
- Good P/E -4.5 to -1.5 below 10 yr normal P/E
- Fair P/E -1.5 below to 1.5 above 10 yr normal P/E
- Poor P/E 1.5 to 4.5 above 10 yr normal P/E
- Bubble P/E 4.5 to 7.5 above 10 yr normal P/E
- CLOUD P/E more than 7.5 above 10 yr normal P/E

Cyan I own shares of this company in the portfolio.
Yellow The current price is within 10% of the target price.

Orders & Limit Orders

SELL Orders

Scheduled Sell Orders to reduce overfunded basis positions. All previous buy / sell orders were auto-canceled due to the transfer to Schwab.

- HCP: Plan to sell 147 shares (will reduce to half basis position).
- VGR: Plan to sell 124 shares (will reduce to quarter basis position).

BUY Orders

Scheduled Buy Orders for companies not on the Additional Purchase List.

(none)

Other Actions

I might sell some (or all) the following companies due to low dividend safety scores:

Symbol	SSD Safety	VL	Value	Sector	Concern
HP	42	3/B++	$3,230.82	10: Energy	I think the dividend is somewhat risky. EPS % Payout is n/a.
KMI	49	3/B	$2,666.02	10: Energy	I think the dividend is somewhat risky. EPS % Payout is 161%.
OXY	37	3/A	$1,926.30	10: Energy	I think the dividend is risky. EPS % Payout is 2,053%.
TRP	39	3/B++	$3,064.66	10: Energy	I think the dividend is very risky. EPS % Payout is 269%
VGR	30	2/B++	$5,056.09	30: Consumer Staple	I think the dividend is very risky. EPS % Payout is 435%.

Risk Scorecard (based on my assessment of the div safety score):

High Score	Low Score	Rating
100	81	Very Safe
80	61	Safe
60	51	Somewhat Safe
50	41	Somewhat Risky
40	31	Risky
30	21	Very Risky
20	0	Extremely Risky

Starter Portfolio Suggestions

If I were starting a new portfolio, using the acquisition rules for this portfolio and if I had limited but regular cash to invest, I would research the following companies for possible purchase. The companies are from my current watch list and represent my interpretation of “GOOD” or better value using F.A.S.T.Graphs™.

Knowing what I know now, and assuming I had roughly $1,000 (per month, quarter or other time period), I would buy company A. The next time I had accumulated roughly $1,000, I would buy company B, and so forth. If my portfolio were at Scottrade, I would use accumulated dividends to target just one company (for example company “E”). If my account were at a different broker, I would “drip” dividends back into the company that paid the dividend.

Once I had acquired N (either 12 or 24) companies, my additional purchases would merely add to existing shares, a $1,000 at a time. Once I had roughly $5,000 into each company, I would add another company to my portfolio in $1,000 increments.

Which companies would I buy first? A handful of good quality utilities each purchased at a “good” price. Utilities tend to be less volatile than other companies (less price fluctuation) and thus they tend to be less worrisome.

Why $1,000 increments? I prefer to keep my transaction costs “tiny”. So if my broker charges $9.95 to buy shares, I want my total transaction at roughly $1,000 to keep the commission at (or less than) roughly 1%.

What else would I do? I'd read Miller's “***The Single Best Investment***”. I could have avoided many problems if I had read TSBI years ago. (See the TSBI entry in the glossary for more information)

“Original Process” Starter Suggestions

Symbol	Start	Price	Purchase	Dividend	Yield	Comment
OHI	31	$31.91	$989.21	$2.56	8.02%	REIT VL:--/-- FULL
TGT	16	$59.01	$944.16	$2.48	4.20%	VL:2/A FULL
FRT	8	$124.21	$993.68	$4.00	3.22%	REIT VL:2/B++ FULL
SJM	9	$104.93	$944.37	$3.12	2.97%	VL:1/A++ FULL
GWW	5	$179.75	$898.75	$5.12	2.85%	VL:1/A++ FULL
FAST	21	$45.58	$957.18	$1.28	2.81%	VL:2/A+ FULL
CAH	14	$66.92	$936.88	$1.85	2.76%	VL:1/A FULL

“High Dividend Growth Process” Starter Suggestions

Symbol	Start	Price	Purchase	Dividend	Yield	Comment
EAT	31	$31.86	$987.66	$1.52	4.77%	VL:3/B++ QRTR
CAH	14	$66.92	$936.88	$1.85	2.76%	VL:1/A QRTR
CVS	12	$81.32	$975.84	$2.00	2.46%	VL:1/A++ QRTR
ABC	12	$82.75	$993.00	$1.46	1.76%	VL:2/A QRTR

Notes:
- VL – Value Line rating.
- REIT – company is a Real Estate Investment Trust
- UTIL – company is a utility.

Color Codes:
- cheap P/E more than -7.5 below 10 yr normal.
- Excellent P/E -7.5 to -4.5 below 10 yr normal P/E
- Good P/E -4.5 to -1.5 below 10 yr normal P/E
- Yellow The current price is within 10% of the target price.

Watch Lists

The universe of companies I track.

Sector vs VL Safety Rating

The following table shows where the companies I track fall in the spectrum of ValueLine Safety Ratings.

Sector	Code	SPDR	No of Cos	Company Symbol			
				VL-1	VL-2	VL-3	Unrated
Energy	10	XLE	8	CVX, XOM		COP, ENB, HP, KMI, OXY, TRP	
Basic Materials	15	XLB	9	APD, BMS, PPG, PX	SON, SWK	FUL, RPM	CEF
Industrials	20	XLI	28	BA, EMR, GD, GWW, LMT, MMM, NOC, RTN, UNP, UPS, UTX, WM	CMI, CNI, CSL, DOV, FAST, HUBB, MSM, PH, ROL, RSG, SHW	AOS, BMI, JCI, NDSN, PNR	
Consumer Discretionary	25	XLY	21	DIS, GPC, HD, MCD, TJX, TR, WMT	CBRL, LEG, LOW, OMC, ROST, SJR, TGT, VFC	EAT, FL, HAS, MDP, TSCO, TSN	
Consumer Staples	30	XLP	29	CHD, CL, COST, CVS, GIS, HRL, K, KMB, KO, LANC, MKC, PEP, PG, SJM, SYY	ADM, BTI, CLX, DPS, HSY, KHC, MO, PM, TAP, VGR, WBA	BGS, FLO	AMNF
Healthcare	35	XLV	13	AMGN, BDX, CAH, JNJ, MDT, PFE, SYK, UNH	ABC, ANTM, MCK, OMI	AZN	
Financials	38	XLFS	16	AJG, BNS, MA, RY, TROW, V	AFL, AXS, BEN, BMO, CBOE, CINF, ERIE, SPGI	AMP, EV	
Technology	45	XLK	14	ADP, CSCO, IBM, INTC, JKHY, MSFT, ORCL, PAYX, QCOM, TXN	AAPL, HRS	GLW, MXIM	
Telecommunication Services	50		5	T, VZ	TU	BCE	CHL
Utilities	55	XLU	36	AEP, ATO, ED, ES, MGEE, NJR, NWN, PEG, WEC, XEL	ALE, AWR, BKH, CMS, D, DTE, DUK, EIX, LNT, MDU, MSEX, NEE, OGE, POR, PPL, SCG, SO, SR, SRE, UGI, VVC, WTR	AWK, NWE, SJW, SWX	
REIT (see REIT chart)	60	XLRE	13		AMT, FRT, O	DLR, ESS, HCN, HCP, VTR, WPC	NHI, NNN, OHI, SKT

REIT Yield vs S&P Credit Rating

In the following table, investment grade credit ratings are those in green.

Yield	AAA	AA	A	BBB	BB	B	Unrated
9%+							
8%+				OHI			
7%+							
6%+							
5%+				HCP, SKT, WPC			
4%+				HCN, NNN, O, VTR			NHI
3%+			FRT	DLR			
2%+				ESS			

The following tables compare the yield and SimplySafeDividend's dividend safety score for the companies in my list of interesting companies for the Utility, Consumer Staples, Healthcare, and Consumer Discretionary sectors.

Sectors vs SSD Dividend Safety Score

The following charts compare sector yield vs dividend safety scores, where I consider a dividend safety score range of 81 to 100 to be "very safe", a range of 61 to 80 to be "safe", a range of 51 to 60 to be "mostly safe" and anything else (a range of 0 to 50 … and unrated companies) to be "risky".

Sector 10: Energy Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
5%+				HP, TRP
4%+				OXY
3%+		ENB, XOM		CVX
2%+				COP, KMI

Sector 15: Basic Material Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
3%+	SON			
2%+	BMS, PX, RPM	APD		
1%+	FUL, PPG, SWK			
0%+				CEF

Sector 20: Industrial Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
3%+		EMR		
2%+	CMI, DOV, GWW, JCI, LMT, MMM, MSM, PNR, RSG, UNP, UTX, WM	BA, FAST, HUBB, UPS		
1%+	BMI, CNI, CSL, GD, NDSN, NOC, PH, RTN			
0%+	AOS, ROL, SHW			

Sector 25: Con. Discretionary Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
5%+				SJR
4%+	TGT	EAT		
3%+	CBRL, FL, MDP	LEG		
2%+	GPC, HAS, HD, LOW, MCD, OMC, VFC, WMT			
1%+	DIS, TJX, TSCO, TSN			
0%+	ROST, TR			

Sector 30: Con. Staples Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
7%+				VGR
5%+		BGS		
4%+	MO			
3%+	ADM, FLO, GIS, K, KHC, KMB, KO, PG	PM		AMNF
2%+	CL, CLX, CVS, DPS, HRL, HSY, PEP, SJM, SYY, TAP, WBA	BTI		
1%+	CHD, COST, LANC, MKC			

Sector 35: Healthcare Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
3%+		OMI, PFE		
2%+	AMGN, CAH, JNJ, MDT			AZN
1%+	ABC, ANTM, BDX, SYK, UNH			
0%+	MCK			

Sector 40: Financial Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
5%+				
4%+		BMO, RY	BNS	
2%+	AFL, AMP, AXS, CINF, ERIE, EV, TROW	AJG		
1%+	BEN, SPGI	CBOE		
0%+	MA, V			

Sector 45: Technology Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
4%+	IBM	QCOM		
3%+	CSCO, MXIM, PAYX			
2%+	ADP, GLW, INTC, MSFT, TXN			
1%+	AAPL, HRS, JKHY, ORCL			

Sector 50: Telecommunication Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
6%+				BCE
5%+	TU	T		
4%+	VZ			
3%+		CHL		

Sector 55: Utility Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
5%+		SCG		
4%+	DUK, PPL, SO			
3%+	D, ED, ES, WEC	AEP, DTE, LNT, NWE, OGE	PEG, XEL	
2%+	ALE, ATO, BKH, CMS, NEE, POR, SR, UGI, WTR	AWK, AWR, EIX, MDU, MSEX, NJR, SRE, SWX, VVC	NWN	
1%+	MGEE	SJW		

Sector 60: REIT Yield vs SSD Div Safety Score

Yield	81-100 Very Safe	61-80 Safe	51-60 Mostly Safe	0-50 Risky
8%+		OHI		
5%+		SKT	HCP, WPC	
4%+	HCN, NNN, O	NHI, VTR		
3%+	DLR, FRT			
2%+	ESS			
1%+	AMT			

Original Acquisition Process (OAP) - Watch List

The following watch list was constructed using the "Original Acquisition Process" on my list of interesting companies.

Symbol	VL Safety	VL Fin Strength	Sector	Price	Annual Dividend	5-yr DGR	Yield	Chowder Yield	Target Yield	Target Price	Price Discount	Years	F.A.S.T. Graph Rank	Rank	SSD Div Safety
OHI	--	--	REIT	$31.91	$2.56	8.80%	8.02%	-0.80%	8.27%	$30.95	3.02%	15	Good +	L	67
O	2	A	REIT	$57.19	$2.54	6.60%	4.45%	1.40%	4.70%	$54.15	5.32%	24	Poor -	M	85
TGT	2	A	Consumer Discretiona	$59.01	$2.48	16.10%	4.20%	-4.10%	4.45%	$55.70	5.61%	50	Good +	M	81
MO	2	B+	Consumer Staples	$63.42	$2.64	8.30%	4.16%	3.70%	4.41%	$59.83	5.67%	48	Poor +	M	98
IBM	1	A++	Technology	$145.08	$6.00	13.70%	4.14%	-1.70%	4.39%	$136.81	5.70%	22	Fair -	M	92
D	2	B++	Utilities	$76.93	$3.02	7.30%	3.93%	0.70%	4.18%	$72.32	5.99%	14	Poor +	L	89
GIS	1	A+	Consumer Staples	$51.76	$1.96	9.70%	3.79%	2.30%	4.04%	$48.55	6.19%	14	Fair -	L	92
OGE	2	A	Utilities	$36.03	$1.33	8.50%	3.69%	-0.50%	3.94%	$33.74	6.34%	11	Poor +	L	62
WEC	1	A+	Utilities	$62.78	$2.08	13.70%	3.31%	-5.70%	3.56%	$58.38	7.02%	14	Poor +	L	95
KMB	1	A++	Consumer Staples	$117.68	$3.88	6.30%	3.30%	5.70%	5.70%	$68.07	42.16%	45	Poor -	M	97
FRT	2	B++	REIT	$124.21	$4.00	7.10%	3.22%	0.90%	3.47%	$115.26	7.20%	50	Good +	M	82
CBRL	2	A	Consumer Discretiona	$151.62	$4.80	37.70%	3.17%	-25.70%	3.42%	$140.52	7.32%	15	Poor -	L	94
ES	1	A	Utilities	$60.44	$1.90	10.10%	3.14%	-2.10%	3.39%	$55.99	7.37%	19	Poor -	L	96
SON	2	A	Basic Materials	$50.45	$1.56	4.90%	3.09%	7.10%	7.10%	$21.97	56.45%	35	Poor -	M	84
LNT	2	A	Utilities	$41.57	$1.26	6.70%	3.03%	1.30%	3.28%	$38.40	7.62%	14	Bubble -	L	75
ADM	2	A+	Consumer Staples	$42.51	$1.28	12.90%	3.01%	-0.90%	3.26%	$39.25	7.67%	42	Poor +	M	87
SJM	1	A++	Consumer Staples	$104.93	$3.12	9.10%	2.97%	2.90%	3.22%	$96.79	7.76%	20	Good -	M	86
PEP	1	A++	Consumer Staples	$111.43	$3.22	7.90%	2.89%	4.10%	4.10%	$78.54	29.52%	45	Poor +	M	97
SRE	2	A	Utilities	$114.13	$3.29	10.10%	2.88%	-2.10%	3.13%	$105.02	7.98%	14	Bubble -	L	68
GWW	1	A++	Industrials	$179.75	$5.12	13.90%	2.85%	-1.90%	3.10%	$165.25	8.07%	46	Good +	M	90
GPC	1	A+	Consumer Discretiona	$95.65	$2.70	7.50%	2.82%	4.50%	4.50%	$60.00	37.27%	61	Poor +	M	94
EIX	2	A	Utilities	$77.17	$2.17	8.40%	2.81%	-0.40%	3.06%	$70.87	8.16%	14	Bubble -	L	71
FAST	2	A+	Industrials	$45.58	$1.28	18.00%	2.81%	-6.00%	3.06%	$41.85	8.17%	18	Excellent +	L	70
TXN	1	A++	Technology	$89.64	$2.48	24.00%	2.77%	-12.00%	3.02%	$82.21	8.29%	14	Bubble -	L	84
CAH	1	A	Healthcare	$66.92	$1.85	15.30%	2.76%	-3.30%	3.01%	$61.37	8.29%	21	Good +	M	86
ESS	3	B+	REIT	$254.03	$7.00	8.50%	2.76%	-0.50%	3.01%	$232.90	8.32%	23	Fair +	M	95
NEE	2	A	Utilities	$146.55	$3.93	9.60%	2.68%	-1.60%	3.00%	$131.00	10.61%	23	Bubble +	M	97
AXS	2	B++	Financial	$57.31	$1.52	8.80%	2.65%	3.20%	3.20%	$47.50	17.12%	15	Poor +	L	86
VFC	2	A	Consumer Discretiona	$63.57	$1.68	18.60%	2.64%	-6.60%	3.00%	$56.00	11.91%	44	Bubble -	M	88
ERIE	2	B++	Financial	$120.57	$3.13	7.20%	2.60%	4.80%	4.80%	$65.21	45.92%	27	Bubble +	M	94
NJR	1	A+	Utilities	$42.15	$1.09	6.30%	2.59%	1.70%	3.00%	$36.33	13.80%	22	CLOUD	M	73
JNJ	1	A++	Healthcare	$130.01	$3.36	7.00%	2.58%	5.00%	5.00%	$67.20	48.31%	55	Poor +	M	96
MCD	1	A++	Consumer Discretiona	$156.68	$4.04	7.40%	2.58%	4.60%	4.60%	$87.83	43.95%	42	Bubble +	M	89
LMT	1	A++	Industrials	$310.29	$8.00	15.80%	2.58%	-3.80%	3.00%	$266.67	14.06%	15	CLOUD	L	96
CMI	2	A+	Industrials	$168.03	$4.32	24.70%	2.57%	-12.70%	3.00%	$144.00	14.30%	12	Poor -	L	92
CLX	2	B++	Consumer Staples	$131.91	$3.36	6.40%	2.55%	5.60%	5.60%	$60.00	54.51%	40	Bubble -	M	97
APD	1	A++	Basic Materials	$151.22	$3.80	8.70%	2.51%	3.30%	3.30%	$115.15	23.85%	35	Bubble +	M	72

Notes:

- ***Safety*** is the **ValueLine Financial Safety**
- ***Fin Str*** is the **ValueLine Financial Strength**
- ***5-yr DGR*** is the 5 year dividend growth rates from **CCC.**
- ***Yield*** is the dividend yield from **CCC.**
- ***Chowder Rule*** is the sum of the 5-yr DGR and the Dividend Yield from. The value should be 12 or above (Utilities and REITs should be 8 or above).
- ***Price*** is the closing price on the last trading day of the month.
- ***Target Price***: If the Chowder Rule is less than 8% (for REITs & Utilities) or less than 12% (all others), the Target Price is the price at which the Chowder Rule is satisfied. If the Chowder Rule is greater than 8 or 12 percent, the Target Price is the price which adds 0.25% to the current yield.
- ***Rank*** is my grading system which is **M**ust-Have, **L**ike-to-Have, **C**ould-Have.

Color Codes:

- cheap — P/E more than -7.5 below 10 yr normal.
- Excellent — P/E -7.5 to -4.5 below 10 yr normal P/E
- Good — P/E -4.5 to -1.5 below 10 yr normal P/E
- Fair — P/E -1.5 below to 1.5 above 10 yr normal P/E
- Poor — P/E 1.5 to 4.5 above 10 yr normal P/E
- Bubble — P/E 4.5 to 7.5 above 10 yr normal P/E
- CLOUD — P/E more than 7.5 above 10 yr normal P/E

Cyan — I own shares of this company in the portfolio.
Green — I'm at my basis limit for this company.
Yellow — The current price is within 10% of the target price.

High Dividend Growth (HDG) - Watch List

The following watch list was constructed using the “High Dividend Growth Acquisition Process” on my list of interesting companies.

Symbol	VL Safety	VL Fin Strength	Sector	Price	Annual Dividend	5-yr DGR	Yield	Chowder Yield	Target Yield	Target Price	Price Discount	Years	F.A.S.T. Graph Rank	Rank	SSD Div Safety
EAT	3	B++	Consumer Discretiona	$31.86	$1.52	17.10%	4.77%	-5.10%	5.02%	$30.27	4.98%	13	Excellent +	?	65
IBM	1	A++	Technology	$145.08	$6.00	13.70%	4.14%	-1.70%	4.39%	$136.81	5.70%	22	Fair -	M	92
WEC	1	A+	Utilities	$62.78	$2.08	13.70%	3.31%	-5.70%	3.56%	$58.38	7.02%	14	Poor +	L	95
TXN	1	A++	Technology	$89.64	$2.48	24.00%	2.77%	-12.00%	3.02%	$82.21	8.29%	14	Bubble -	L	84
CAH	1	A	Healthcare	$66.92	$1.85	15.30%	2.76%	-3.30%	3.01%	$61.37	8.29%	21	Good +	M	86
VFC	2	A	Consumer Discretiona	$63.57	$1.68	18.60%	2.64%	-6.60%	3.00%	$56.00	11.91%	44	Bubble -	M	88
LMT	1	A++	Industrials	$310.29	$8.00	15.80%	2.58%	-3.80%	3.00%	$266.67	14.06%	15	CLOUD	L	96
CMI	2	A+	Industrials	$168.03	$4.32	24.70%	2.57%	-12.70%	3.00%	$144.00	14.30%	12	Poor -	L	92
CVS	1	A++	Consumer Staples	$81.32	$2.00	27.70%	2.46%	-15.70%	3.00%	$66.67	18.02%	14	Good +	L	99
MDT	1	A++	Healthcare	$77.77	$1.84	11.60%	2.37%	0.40%	3.00%	$61.33	21.13%	40	Poor -	M	88
MSFT	1	A++	Technology	$74.49	$1.68	16.70%	2.26%	-4.70%	3.00%	$56.00	24.82%	16	CLOUD	L	99
AMP	3	A	Financial	$148.51	$3.32	27.40%	2.24%	-15.40%	3.00%	$110.67	25.48%	13	Poor -	?	94
HRL	1	A	Consumer Staples	$32.14	$0.68	17.90%	2.12%	-5.90%	3.00%	$22.67	29.48%	51	Poor -	M	100
ITW	1	A++	Industrials	$147.96	$3.12	10.80%	2.11%	1.20%	3.00%	$104.00	29.71%	43	Bubble -	M	96
LOW	2	A+	Consumer Discretiona	$79.94	$1.64	20.30%	2.05%	-8.30%	3.00%	$54.67	31.62%	55	Fair +	M	86
BEN	2	A++	Financial	$44.51	$0.80	16.70%	1.80%	-4.70%	3.00%	$26.67	40.09%	37	Fair +	M	95
ABC	2	A	Healthcare	$82.75	$1.46	24.70%	1.76%	-12.70%	3.00%	$48.67	41.19%	12	Good +	L	97
TJX	1	A++	Consumer Discretiona	$73.73	$1.25	22.40%	1.70%	-10.40%	3.00%	$41.67	43.49%	21	Poor -	M	99
GD	1	A++	Industrials	$205.58	$3.36	10.20%	1.63%	1.80%	3.00%	$112.00	45.52%	26	CLOUD	M	99
NOC	1	A++	Industrials	$287.72	$4.00	12.70%	1.39%	-0.70%	3.00%	$133.33	53.66%	14	CLOUD	L	97
COST	1	A+	Consumer Staples	$164.29	$2.00	13.60%	1.22%	-1.60%	3.00%	$66.67	59.42%	14	Poor +	L	94
JKHY	1	A+	Technology	$102.79	$1.24	21.70%	1.21%	-9.70%	3.00%	$41.33	59.79%	27	CLOUD	M	99
SYK	1	A++	Healthcare	$142.02	$1.70	16.10%	1.20%	-4.10%	3.00%	$56.67	60.10%	24	Bubble -	M	99
CNI	2	A	Industrials	$82.85	$0.87	11.60%	1.05%	0.40%	3.00%	$28.88	65.14%	20	Poor +	M	99
NDSN	3	B++	Industrials	$118.50	$1.20	18.30%	1.01%	-6.30%	3.00%	$40.00	66.24%	54	Poor +	?	93
ROL	2	A	Industrials	$46.14	$0.46	16.50%	1.00%	-4.50%	3.00%	$15.33	66.77%	15	CLOUD	L	98
ROST	2	A	Consumer Discretiona	$64.57	$0.64	19.70%	0.99%	-7.70%	3.00%	$21.33	66.96%	23	Poor +	M	100
SHW	2	A+	Industrials	$358.04	$3.40	18.10%	0.95%	-6.10%	3.00%	$113.33	68.35%	39	Bubble -	M	91
AOS	3	B++	Industrials	$59.43	$0.56	26.20%	0.94%	-14.20%	3.00%	$18.67	68.59%	24	Bubble +	?	97

ADDENDUM

SHALLOW vs DEEP RISK

SHALLOW RISK is inevitable. I can't invest in anything other than cash without being hit by a sharp fall in price at some point. **Shallow** doesn't mean that a loss isn't painful or long lasting, only that it isn't permanent. I may show a temporary decline in value, but as long as I chose fundamentally sound, high quality companies, the loss I see is only temporary. It doesn't become a deep loss, meaning a permanent loss, unless I choose to make it so.

To manage shallow risk I manage my emotions. I manage my emotions by using preset guidelines to direct my behavior.

DEEP RISK is a permanent (or near permanent) loss of capital.

Four causes of deep risk include **devastation**, **confiscation**, **deflation**, and **inflation**.

These historic forces make assets lose most (or all) of their value.

If I hold a company that files for bankruptcy, I (as a common stock owner) experience a permanent loss (the company's assets, if any, are split among the debt owners, common share owners typically receive nothing). If I own a company that files for bankruptcy (or suffers other deep permanent losses) it's likely the quality ratings for that company wasn't (S&P) BBB+ or better.

The lower the quality rating, the higher the risk; but not all high risk assets produce high returns, some high risk assets are merely disasters.

DEVASTATION includes war, anarchy, and geophysical events (such as earth quakes, meteor impacts, and tsunami). There's not much I can do about those things except (hopefully) not be where the hammer falls. With regard to investing there's also not much I can do other avoid investing in countries that (I know have) unsteady regimes or no law and order.

CONFISCATION can be attributed to a surge in taxation, or government seizures. Somewhat recent events include bank deposit bail-ins in Cyprus[15], gold "hoarding" Executive Orders (and laws) in the US[16], and India's 2016 banknote demonetisation[17] scheme.

I must be aware that trends and changes in tax policy involve deep risk. That means I must either monitor changes to tax laws regarding REITs, MLPs, and royalty trusts[18] (changes that might remove or significantly change their tax advantage) or I must reduce my dependence on that type of investment.

DEFLATION is the persistent drop in the value of assets and is somewhat rare[19] in modern history. Examples of deflation include Japan's "Lost Decade"[20], and the Great Depression in the US[21].

To protect against deflation I want assets that deflate slower than my costs (if my costs deflate faster than my income, though I'm poorer -have fewer dollars- in nominal terms, I'm effectively richer in terms of purchasing power).

Because the value of debt is typically fixed (it does not normally deflate), when subject to deflation I don't want to be a debtor. I might also want to avoid being a creditor because in a deflationary environment the entity to whom I lent money might default.

Though I might store my money in long-term government bonds, historically governments have never been

15 https://en.wikipedia.org/wiki/2012%E2%80%9313_Cypriot_financial_crisis
16 EO 6012 criminalized the "hoarding" of gold. Gold was purchased at $20.67 per ounce then repriced for international transactions at $35 per ounce, effectively confiscating 69% of gold's (new) value from those in the US. https://en.wikipedia.org/wiki/Executive_Order_6102
17 https://en.wikipedia.org/wiki/2016_Indian_banknote_demonetisation
18 The CanRoy "Halloween Massacre" was an example of a sudden change in tax policy adversely impacting my investments. http://www.investopedia.com/terms/h/halloween_massacre.asp
19 Perhaps due to central banks which print money to drive up prices.
20 https://en.wikipedia.org/wiki/Lost_Decade_(Japan)
21 https://en.wikipedia.org/wiki/Causes_of_the_Great_Depression and https://en.wikipedia.org/wiki/Great_Depression

default free. I might also buy foreign equities since deflation isn't likely to hit all nations to the same degree at the same time.

However, because bonds protect me from (moderate) deflation, they also expose me to inflation which is I believe is a likelier source of deep risk.

INFLATION destroys purchasing power. Even moderate inflation over decades destroys a store of wealth. For example, over 40 years 2% inflation reduces the purchasing power of a dollar to $0.45 … meaning I need to grow that dollar by 121% over 40 years (without taxes) just to break even; with 3.5% inflation today's dollar will only purchase $0.25 in 40 years and I need to grow my dollar by 296% to break even; and at 4.5% inflation, today's dollar will buy the equivalent of only $0.17 in 40 years and thus I need to grow that dollar 482% to break even.

I believe dividend growth is my best hedge against inflation.

Dividend growth requires I purchase and hold equities; those assets expose me to shallow risk; shallow risk is something I must embrace to avoid the deep risk of inflation.

PORTFOLIO INCOME RISK NUMBER

One of the tools in an engineer's **F**ailure **M**ode and **E**ffects **A**nalysis (aka **FMEA**)[22] toolbox is the **R**isk **P**riority **N**umber or **RPN**[23]. A Seeking Alpha author who goes by the nom de plume of ***The Mathematical Investor*** wrote a blog post I found interesting and thought provoking. This essay on Portfolio Income Risk is largely based on the FMEA-FMECA website and ***The Mathematical Investor***'s blog article.

The concept behind RPN is straightforward. It attempts to identify potential failure modes by combining three different assessments[24]:

- A numerical subjective estimate of how severe the customer will perceive the **EFFECT** of a failure.
- A numerical subjective estimate of the **LIKELIHOOD** that the cause of a failure mode will occur during the design life.
- A numerical subjective estimate of the effectiveness to prevent or **DETECT** the cause or failure mode before the failure reaches the customer.

FMEA-FECA states:

> *Risk Priority Number (RPN) is a measure used when assessing risk to help identify critical failure modes associated with your design or process. The RPN values range from 1 (absolute best) to 1000 (absolute worst).*

And

> *RPNs have no value or meaning in themselves. Although it is true that larger RPN values normally indicate more critical failure modes, this is not always the case.*

A RPN is defined as:

$$RPN = SR \times OR \times DR$$

Where:

- SR or **S**everity **R**ank is a measure of how painful an event is (or would be)
- OR or **O**ccurrence **R**ank is a measure of how likely the event is (or would be)
- DR or **D**etection **R**ank is a measure of how likely an event will be detected before it causes a problem.

Each ranking is a number from 1 to 10, where 10 is the worst case situation and 1 is the best. And as stated above, a RPN might range from 1 (very low risk) to 1,000 (10 x 10 x 10, very high risk).

Portfolio Income Risk Number

With that abbreviated background, I used the basic RPN concept outlined by ***The Mathematical Investor*** and FMEA-FMECA and ***tweaked*** it to better fit my needs. As a result, I've made the following changes:

> I defined a **P**ortfolio **I**ncome **R**isk **N**umber (or **PIRN**) as a RPN-like scheme to detect potential portfolio income risks by combining the following two assessments:
>
> - A numerical estimate of my perception of the severity of a dividend elimination for a specific company ***as a member of a specific portfolio***.
> - A numerical estimate of my perception of the likelihood of a dividend reduction for a specific company.

I've eliminated the 3rd factor. Effectively, I'm setting DR to 1 for all companies in the portfolio (which is an explicit assumption that I can detect dividend eliminations before they occur). In FMEA terms, I'm only looking at criticality.

22 Wiki reference on FMEA: https://en.wikipedia.org/wiki/Failure_mode_and_effects_analysis
23 A SeekingAlpha blog post by ***The Mathematical Investor*** (TMI), a retired electrical engineer who formerly worked in the aerospace industry. In the blog TMI used RPN to get a sense of portfolio income risk: https://seekingalpha.com/instablog/47780294-the-mathematical-investor/5008695-dividend-growth-portfolio-safe
24 Definitions heavily borrowed from FMEA-FMECA. See: http://www.fmea-fmeca.com/fmea-rpn.html

My Perception of Severity

My perception of the harm caused by a dividend elimination is linear[25] and scales directly with the fraction of portfolio income provided by a specific company.

If company **X** provides 100% of portfolio income … and **X** eliminates its dividend, I'd consider such an event catastrophic. On the other hand, if company **Z** provides 0.5% of portfolio income and **Z** eliminated its dividend, I might not immediately notice.

> *For example, if a portfolio generates $100,000 in annual dividends, a 0.5% reduction means my annual income is reduced to $99,500.*

Thus I define:

> **PIR** or **P**ortfolio **I**ncome **R**isk as the fraction of portfolio income provided by a company. My income risk could range from 100% (the company provides all my portfolio income) to zero (the company doesn't provide any portfolio income).
>
> *For example, if the company Johnson and Johnson (**JNJ**) provides 3.4576% of my portfolio's income, its **PIR** value is 0.034576.*

My Perception of Likelihood

The company ***SimplySafeDividends***[26] provides its clients a numerical dividend safety score for more than 4,000 companies. The score is based on a company's fundamentals and ranges from 0 to 100 where a score of 50 is average, 75 or higher is excellent, and 25 or lower is weak.

SSD states[27]:

> *A stock's Dividend Safety Score represents its safety rank relative to all of the other dividend-paying stocks in the market.*
>
> *For example, a Dividend Safety Score of 100 means the stock scored in the top 1% of all dividend stocks for safety and has an extremely reliable dividend.*
>
> *Alternatively, a score of 1 indicates that the company scored lower than 99% of all other dividend stocks for safety and is one of the most likely companies to cut its dividend in the future.*
>
> *Since their launch in mid-2015, Dividend Safety Scores have flagged a number of major companies as high risk stocks before they cut their dividends.*
>
> *... Kinder Morgan, ConocoPhillips, BHP Billiton, National Oilwell Varco, Noble Energy, Devon Energy, CONSOL Energy, and Anadarko Petroleum all scored in the bottom 10-20% for Dividend Safety and had an average score of 5 at the time of their dividend cut announcements.*

Thus if company X has a dividend safety score of 100 it is very unlikely it will reduce or eliminate its dividend in the near future. On the other hand, if company Z has a dividend safety score of 5 it is likely (though not guaranteed) it will reduce or eliminate its dividend in the near future.

---

25 The effect might be nonlinear, but for simplicity I'll assume a linear relationship … in other words, **I'll assume** my perceived pain is a directly proportional to my income reduction.

However, a non-linear perception of severity implies a 50% dividend cut is more painful than 2x a 25% dividend cut (or more than 5x more painful than a 10% cut); a 75% dividend cut is more painful than 3x a 25% dividend cut and more painful than 1.5x a 50% dividend cut … all of which I suspect is likely 'cause much of life (and in life) is complicated and non-linear.

But sometimes a short segment of a phenomena can be approximated (for simplicity) with a straight-line. Within that short segment, the errors (differences between the actual phenomena and the straight line approximation) can be acceptably small. Outside that segment, errors mount and conclusions are wildly wrong (usually 'cause a linear approximation substantially minimizes the actual effects).

26 https://www.simplysafedividends.com

27 https://www.simplysafedividends.com/dividend-safety-scores/

Thus I define:

DSR or **D**ividend **S**afety **R**isk as 1 minus (**SimplySafeDividends**' dividend safety score / 100).

When SimplySafeDividends does not provide a dividend safety score for a company, I assume the worst and assign the company a DSR of 1 (effectively implying a dividend safety score of zero).

*For example, at the time I wrote this, **CCP** (a new REIT) was unranked. As a result, I take a conservative[28] view of its likelihood of a dividend cut by assuming its dividend safety score is effectively 0 (very likely to experience a dividend reduction or elimination), thus its **SR** would be 1 – (0 / 100) or 1.00. By comparison **JNJ**'s dividend safety score was 98, thus its **S**afety **R**isk or **SR** would be 1 – (98 / 100) or 0.02 (very unlikely to experience a dividend reduction or elimination).*

Defining PIRN

A "raw" PIRN is defined as **P**ortfolio **I**ncome **R**isk times **D**ividend **S**afety **R**isk, or:

$PIRN_{raw} = PIR \times DSR$

As a result, the raw PIRN for **JNJ** in this portfolio would be:

$PIRN_{raw(JNJ)} = 0.034576 \times 0.02$ or 0.00069152

Which doesn't tell me much … as it is a number without context.

However, if I compute the "raw" PIRN for each of the 52 companies in my portfolio, I get a variety of numbers, some quite small, some comparatively large, with lots of numbers scattered in between … which is a scaling problem.

Ideally, I'd like the **PIRN** for each company in the portfolio to sum to 100 so I can get a better perspective of how the **PIRN** for one company compares to the **PIRN** of another ***in this portfolio***.

To solve that, I summed the 52 individual "raw" PIRN values (one for each of the companies in the portfolio).

0.00006326 + 0.00037761 + 0.00023722 + 0.00013865 + 0.00023165 + 0.00035096 + 0.00648299 + 0.00082573 + 0.00008530 + 0.00574208 + 0.00051929 + 0.00163497 + 0.00363048 + 0.00087469 + 0.00184578 + 0.00219915 + 0.00296303 + 0.00011439 + 0.00082735 + 0.00580512 + 0.01027516 + 0.00740426 + 0.00000000 + 0.00181979 + 0.00069152 + 0.00216438 + 0.00057172 + 0.00058290 + 0.00299610 + 0.00073994 + 0.00094158 + 0.00592540 + 0.00712037 + 0.00432200 + 0.00039239 + 0.00024650 + 0.00731121 + 0.00503821 + 0.00154682 + 0.00392191 + 0.00575223 + 0.00497647 + 0.00143706 + 0.00623895 + 0.00028671 + 0.00160369 + 0.01763894 + 0.00906644 + 0.00505446 + 0.00207001 + 0.01643225 + 0.00013210

The above numbers total to 0.1697; if I divide each of those numbers by the sum (of 0.1697) and multiply by 100, my list of 52 numbers are rescaled so the largest value is now 10.40 and the total of all such numbers sum to 100 as shown below:

28 Conservative in the sense that if I'm wrong (and CCP's dividend safety score is greater than zero), the results will be better, not worse. I'm also conservative in that I'm assuming dividend elimination. If the dividend is reduced, the result on portfolio income will be better, not worse.

No.	Symbol	Div safety Score	Income Risk	Safety Risk	Raw PIRN	PIRN
1	ABC	98	0.3160%	0.02	0.00006326	0.04
2	AMP	94	0.6290%	0.06	0.00037761	0.22
...	…	…	…	…	…	…
7	CCP	n/a	0.6483%	1.00	0.00648299	3.82
...	…	...	…	…	…	…
33	O	84	4.4502%	0.16	0.00712037	4.20
...	…	...	…	…	…	…
47	VGR	31	2.5560%	0.69	0.01763894	10.40
...	…	…	…	…	…	…
51	WPC	59	4.0080%	0.41	0.01643225	9.69
52	WTR	97	0.4400%	0.03	0.00013210	0.08
TOTAL					**0.16965118**	**100.00**

If I look at the companies in this portfolio with the highest **PIRN**, I find:

- VGR had the largest **PIRN** (10.40) and a very low dividend safety score of 31.
- WPC had the 2nd largest **PIRN** (9.69) and a dividend safety score of 59.
- HCP had the 3rd largest **PIRN** (6.06) and a dividend safety score of 65.
- VTR had the 4th largest **PIRN** (5.34) and a dividend safety score of 73.

On the other hand, if I look at the companies in the portfolio with the lowest dividend safety scores:

- TRP with the lowest dividend safety score (22) had the 9th largest **PIRN** of 3.68.
- OXY with the 2nd lowest dividend safety score (30) had the 17th largest **PIRN** of 2.55.
- VGR with the 3rd lowest dividend safety score (31) had the largest **PIRN** of 10.40.
- HP with the 4th lowest dividend safety score (37) had the 5th largest **PIRN** of 4.36.

While:

- O had the 7th largest **PIRN** (4.20) and a dividend safety score of 84.
- CCP had the 8th largest **PIRN** (3.82) and was unrated by SSD (thus I assigned it a DSR of 1 … equivalent to dividend safety score of 0).

Why the wild difference between **PIRN** and SSD's dividend safety score?

Position Size. Also known as ***P****ortfolio* ***I****ncome* ***R****isk*.

Summation

The numbers demonstrate a very small position of a "risky" stock has less effect ***on portfolio income*** than a very large position in a moderately safe stock … for example the difference between **WPC**, with a moderately safe dividend safety score of 59, and **CCP** which I've assumed has NO dividend safety.

So, should I ignore the dividend safety score and concentrate only on PIRN?

No.

Assume I have two companies with the same PIRN values as shown below:

No.	Symbol	SSD Dividend Safety Score	Portfolio Income Risk	Dividend Safety Risk	Raw PIRN	PIRN
...	…	…	…	…	…	…
41	WXY	88	15.0000%	0.12	0.01800000	5.00
42	XYZ	8	1.9562%	0.92	0.01800000	5.00
...	…	…	…	…	…	…

Though both fictitious companies have the same **PIRN** and thus the same potential effect on portfolio income, they are **NOT** equally likely to occur. The second company, with its dividend safety score of 8, is more likely to cut or eliminate its dividend than is the first company with its dividend safety score of 88.

Which raises another issue … should I have a flock of highly risky, but very small positions in my portfolio along with a much larger herd of extremely safe positions?

That is a very interesting question[29].

Conclusion

The PIRN indicates the relative effect on portfolio income of one company eliminating its dividend versus another another company ***in the same portfolio***.

The dividend safety score indicates the likelihood of a dividend reduction **of a specific company**.

Similar to a failure modes and effects analysis, both values (**I**ncome **R**isk & **S**afety **R**isk) are important and tell me things I wouldn't otherwise know.

29 Not only is it an interesting question, it also depends on factors other than PIRN.

If interested, you might read Nassim Nicholas Taleb's ***Incerto*** which includes the books: ***The Black Swan***, **Fooled by Randomness**, **The Bed of Procrustes**, and **Antifragile** regarding risk management, risk asymmetry, conflation, limiting downside risk, and other related topics.

CURRENT HOLDINGS

A brief description of each company I currently own.

ABC

HEALTHCARE

AmerisourceBergen Corporation sources and distributes pharmaceutical products in the United States and internationally.

Its Pharmaceutical Distribution segment distributes brand-name and generic pharmaceuticals, over-the-counter healthcare products, home healthcare supplies and equipment, outsourced compounded sterile preparations, and related services to various healthcare providers, including acute care hospitals and health systems, independent and chain retail pharmacies, mail order pharmacies, medical clinics, long-term care and other alternate site pharmacies, and other customers. It also provides pharmacy management, staffing, and other consulting services; supply management software to retail and institutional healthcare providers; and packaging solutions to various institutional and retail healthcare providers. In addition, this segment provides pharmaceutical distribution and other services primarily to physicians who specialize in various disease states, primarily oncology, as well as to other healthcare providers, including hospitals and dialysis clinics; distributes plasma and other blood products, injectable pharmaceuticals, vaccines, and other specialty products; and offers third party logistics and outcomes research, and other services for biotechnology and other pharmaceutical manufacturers.

The company's Other segment provides commercialization support services, including reimbursement support programs, outcomes research, contract field staffing, patient assistance and co-pay assistance programs, adherence programs, risk mitigation services, and other market access programs to pharmaceutical and biotechnology manufacturers; specialty transportation and logistics services for the biopharmaceutical industry; and animal health care products.

It markets its products and services through independent sales forces and marketing organizations.

AmerisourceBergen Corporation was founded in 1985 and is headquartered in Chesterbrook, Pennsylvania.

AMP

FINANCIAL

Ameriprise Financial, Inc., through its subsidiaries, provides various financial products and services to individual and institutional clients in the United States and internationally.

The company's Advice & Wealth Management segment provides financial planning and advice, as well as full-service brokerage services primarily to retail clients through its advisors.

Its Asset Management segment offers investment management and advice, and investment products to retail, high net worth, and institutional clients through unaffiliated third party financial institutions and institutional sales force. This segment's products include U.S. mutual funds and their non-U.S. equivalents, exchange-traded funds, variable product funds underlying insurance, and annuity separate accounts; and institutional asset management products, such as traditional asset classes, separately managed accounts, individually managed accounts, collateralized loan obligations, hedge funds, collective funds, and property funds.

The company's Annuities segment provides variable and fixed annuity products to individual clients through affiliated and unaffiliated advisors, and financial institutions.

Its Protection segment offers various products to address the protection and risk management needs of retail clients, including life, disability income, and property casualty insurance through advisors and affinity relationships.

The company was formerly known as American Express Financial Corporation and changed its name to Ameriprise Financial, Inc. in September 2005. **Ameriprise Financial, Inc. was founded in 1894 and is headquartered in Minneapolis, Minnesota**.

BDX

HEALTHCARE

Becton, Dickinson and Company develops, manufactures, and sells medical supplies, devices, laboratory equipment, and diagnostic products worldwide. It operates in two segments, BD Medical and BD Life Sciences.

The BD Medical segment offers syringes, pen needles, and IV sets for diabetes; needles, syringes, and intravenous catheters for medication delivery; prefilled IV flush syringes; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; skin antiseptic products; surgical and laproscopic instrumentations; intravenous medication safety and infusion therapy delivery, and automated medication dispensing and supply management systems; and prefillable drug delivery systems.

The BD Life Sciences segment provides integrated systems for specimen collection; safety-engineered blood collection, automated blood culturing and tuberculosis culturing, and microorganism identification and drug susceptibility systems; molecular testing systems for infectious diseases and women?s health; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation, and plated media products; fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological, and transplantation diagnostic/monitoring reagents and analyzers; and cell culture media supplements for biopharmaceutical manufacturing.

The company markets its products through independent distribution channels and sales representatives to healthcare institutions, life science researchers, clinical laboratories, pharmaceutical industry, and general public.

Becton, Dickinson and Company was founded in 1897 and is headquartered in Franklin Lakes, New Jersey.

BEN

FINANCIAL

Franklin Resources, Inc. is a publicly owned asset management holding company. Through its subsidiaries, the firm provides its services to individuals, institutions, pension plans, trusts, and partnerships. It launches equity, fixed income, balanced, and multi-asset mutual funds through its subsidiaries. The firm invests in the public equity, fixed income, and alternative markets.

Franklin Resources, Inc. was founded in 1947 and is based in San Mateo, California with an additional office in Hyderabad, India.

BTI

CONSUMER STAPLES

British American Tobacco p.l.c. engages in the production and sale of tobacco products. It provides cigarettes and cigars; snus, a low-toxicant smokeless tobacco product; and e-cigarettes and other products, such as vapor and tobacco heating products, as well as nicotine inhalers.

The company offers its products under the Dunhill, Kent, Lucky Strike, Pall Mall, Rothmans, Vogue, Viceroy, Kool, Peter Stuyvesant, Craven A, Benson & Hedges, John Player Gold Leaf, State Express 555, and Shuang Xi brands. It also operates a retail store under Vype brand name in Milan.

The company sells its products in the Americas, Eastern and Western Europe, the Middle East, Africa, and the Asia-Pacific.

British American Tobacco p.l.c. was founded in 1902 and is headquartered in London, the United Kingdom.

CAH

HEALTHCARE

Cardinal Health, Inc. operates as a healthcare services and products company worldwide.

The company's Pharmaceutical segment distributes branded and generic pharmaceutical, over-the-counter healthcare, specialty pharmaceutical, and consumer products to retailers, hospitals, and other healthcare providers. It offers distribution, inventory management, data reporting, new product launch support, and contract pricing and chargeback administration services to pharmaceutical manufacturers; pharmacy and medication therapy management, and patient outcomes services to hospitals, other healthcare providers, and payers; consulting, patient support, and other services to pharmaceutical manufacturers and healthcare providers. This segment also operates nuclear pharmacies and cyclotron facilities that manufacture, prepare, and deliver radiopharmaceuticals, as well as operates direct-to-patient specialty pharmacies; offers logistics, marketing, and other services; and repackages generic pharmaceuticals and over-the-counter healthcare products.

The company's Medical segment distributes a range of medical, surgical, and laboratory products and services to hospitals, ambulatory surgery centers, clinical laboratories, and other healthcare providers, as well as to patients in the home. This segment also develops, manufactures, and sources medical and surgical products comprising surgical drapes, and gowns and apparel; exam and surgical gloves; fluid suction and collection systems; cardiovascular and endovascular products; and wound care and orthopedic products, as well as assembles and offers sterile and non-sterile procedure kits. In addition, it offers supply chain services, including spend, distribution, and inventory management services to healthcare providers; and post-acute care management, and transition services and software to hospitals, other healthcare providers, and payers.

The company was founded in 1979 and is headquartered in Dublin, Ohio.

CBRL

CONSUMER DISCRETIONARY

Cracker Barrel Old Country Store, Inc. develops and operates the Cracker Barrel Old Country Store concept in the United States.

The company's Cracker Barrel stores consist of a restaurant with a gift shop. Its restaurants serve breakfast, lunch, and dinner.

The company's gift shops offer various decorative and functional items, such as rocking chairs, holiday and seasonal gifts, toys, apparels, music CDs, cookware, a book-on-audio sale-and-exchange program, and various other gift items, as well as candies, preserves, pies, cornbread mixes, coffee, syrups, pancake mixes, and other food items.

As of September 19, 2016, it operated 640 Cracker Barrel stores in 43 states.

Cracker Barrel Old Country Store, Inc. was founded in 1969 and is headquartered in Lebanon, Tennessee.

CLX

CONSUMER STAPLES

The Clorox Company manufactures and markets consumer and professional products worldwide. The company operates in four segments: Cleaning, Household, Lifestyle, and International. It offers laundry products, including bleach products, and stain fighter and color booster products; home-care products; naturally derived home care products; and cleaning and disinfecting products. The company also offers plastic bags, wraps, and containers; cat litter products; and charcoal products. In addition, the company provides dressings and sauces; water-filtration systems and filters; and natural personal care products.

The company sells its products primarily through mass retail outlets, e-commerce channels, distributors, and medical supply providers.

The Clorox Company was founded in 1913 and is headquartered in Oakland, California.

CVS

CONSUMER STAPLES

CVS Health Corporation, together with its subsidiaries, provides integrated pharmacy health care services. It operates through Pharmacy Services and Retail/LTC segments.

The Pharmacy Services segment offers pharmacy benefit management solutions, such as plan design and administration, formulary management, Medicare Part D services, mail order and specialty pharmacy services, retail pharmacy network management services, prescription management systems, clinical services, disease management programs, and medical pharmacy management services. This segment serves employers, insurance companies, unions, government employee groups, health plans, managed Medicaid plans and plans offered on public and private exchanges, other sponsors of health benefit plans, and individuals under the CVS Caremark Pharmacy Services, Caremark, CVS Caremark, CarePlus CVS Pharmacy, CVS Specialty, Accordant, SilverScript, NovoLogix, Coram, Navarro Health Services, and Advanced Care Scripts names.

As of December 31, 2015, it operated 24 retail specialty pharmacy stores, 11 specialty mail order pharmacies and 5 mail order dispensing pharmacies, and 83 branches for infusion and enteral services. The Retail/LTC segment sells prescription drugs, over-the-counter drugs, beauty products and cosmetics, personal care products, convenience foods, seasonal merchandise, and greeting cards, as well as provides photo finishing services. It operates 9,655 retail stores in 49 states, the District of Columbia, Puerto Rico, and Brazil primarily under the CVS Pharmacy, CVS, Longs Drugs, Navarro Discount Pharmacy, and Drogaria Onofre names; online retail pharmacy Websites; and 32 onsite pharmacy stores, long-term care pharmacy operations, and retail health care clinics.

The company was formerly known as CVS Caremark Corporation and changed its name to CVS Health Corporation in September 2014. **CVS Health Corporation was founded in 1892 and is headquartered in Woonsocket, Rhode Island**.

DLR

REIT

Digital Realty Trust, Inc., a real estate investment trust (REIT), through its controlling interest in Digital Realty Trust, L.P., engages in the ownership, acquisition, development, redevelopment, and management of technology-related real estate. It focuses on strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate enterprise datacenter users, including the information technology departments of Fortune 1000 companies, and financial services companies. The company's property portfolio consists of Internet gateway properties, corporate datacenter properties, technology manufacturing properties, and regional or national offices of technology companies. As of December 31, 2008, Digital Realty's portfolio consisted of 75 properties, including 62 located in North America and 13 located in Europe. Digital Realty Trust has elected to be treated as a REIT for federal income tax purposes and would not be subject to income tax, if it distributes at least 90% of its REIT taxable income to its stockholders.

The company was founded in 2004 and is headquartered in San Francisco, California with additional offices in Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia, and Phoenix, as well as in Dublin, London, and Paris.

EAT

CONSUMER DISCRETIONARY

Brinker International, Inc., together with its subsidiaries, owns, develops, operates, and franchises casual dining restaurants worldwide. As of June 29, 2016, it had 1,660 company-owned and franchised restaurants comprising 1,609 restaurants under the Chili's Grill & Bar brand name; and 51 restaurants under the Maggiano's Little Italy brand name.

The company was founded in 1975 and is based in Dallas, Texas.

ED

UTILITY

Consolidated Edison, Inc., through its subsidiaries, engages in regulated electric, gas, and steam delivery businesses in the United States. It offers electric services to approximately 3.4 million customers in New York City and Westchester County; gas to approximately 1.1 million customers in Manhattan, the Bronx, and parts of Queens and Westchester County; and steam to approximately 1,700 customers in parts of Manhattan.

The company owns 62 area distribution substations and various distribution facilities; 39 transmission substations and 62 area stations; electric generation facilities with an aggregate capacity of 705 megawatts that run with gas and fuel oil; 4,330 miles of mains and 369,339 service lines for natural gas distribution; and 1 steam-electric generating station and 5 steam-only generating stations. It also supplies electricity to approximately 0.3 million customers in southeastern New York, and in adjacent areas of northern New Jersey and northeastern Pennsylvania; and gas to approximately 0.1 million customers in southeastern New York and adjacent areas of northeastern Pennsylvania. The company operates 572 circuit miles of transmission lines; 14 transmission substations; 62 distribution substations; 86,379 in-service line transformers; 3,991 pole miles of overhead distribution lines; and 1,869 miles of underground distribution lines, as well as 1,867 miles of mains and 105,077 service lines for natural gas distribution.

In addition, it is involved in the sale and related hedging of electricity to retail customers; and provision of energy-related products and services to wholesale and retail customers.

Further, the company develops, owns, and operates renewable and energy infrastructure projects, as well as invests in transmission companies. It primarily sells electricity to industrial, commercial, residential, and governmental customers.

The company was founded in 1884 and is based in New York, New York.

EMR

INDUSTRIALS

Emerson Electric Co. provides technology and engineering solutions to industrial, commercial, and consumer markets worldwide. It operates through five segments: Process Management, Industrial Automation, Network Power, Climate Technologies, and Commercial & Residential Solutions.

The Process Management segment offers products and technology, and engineering, project management, and consulting services for precision measurement, control, monitoring, asset optimization, and safety and reliability of oil and gas reservoirs and plants. This segment serves end markets in oil and gas, refining, chemicals, power generation, pharmaceuticals, food and beverages, pulp and paper, metals and mining, and municipal water supplies.

The Industrial Automation segment offers integrated manufacturing solutions for products, including motors, drives, power generating alternators, fluid controls, electrical distribution devices, and materials joining equipment.

The Network Power segment designs, manufactures, installs, and maintains products that offer electric power conditioning, power reliability, and environmental control for telecommunications networks, data centers, and other critical applications, as well as offers comprehensive data center infrastructure management solutions.

The Climate Technologies segment provides products and services for various areas of the climate control industry, including residential heating and cooling, commercial air conditioning, and commercial and industrial refrigeration.

The Commercial & Residential Solutions segment offers a range of professional and do-it-yourself tools; residential, commercial, healthcare, and food service storage solutions; and appliance solutions.

The company was formerly known as The Emerson Electric Manufacturing Company and changed its name to Emerson Electric Co. in 2000.

Emerson Electric Co. was founded in 1890 and is headquartered in St. Louis, Missouri.

ES

UTILITY

Eversource Energy is a public utility holding company.

Eversource Energy, a public utility holding company, engages in the energy delivery business. The company operates in three segments: Electric Distribution, Electric Transmission, and Natural Gas Distribution.

It is involved in the generation, transmission, and distribution of electricity; and distribution of natural gas. The company serves residential, commercial, and industrial customers in Connecticut, Massachusetts, and New Hampshire, the United States. It provides energy delivery services to approximately 3.6 million electric and natural gas customers.

The company was formerly known as Northeast Utilities and changed its name to Eversource Energy in April 2015. **Eversource Energy was founded in 1927 and is based in Springfield, Massachusetts**.

FAST

INDUSTRIAL

Fastenal Company, together with its subsidiaries, engages in the wholesale distribution of industrial and construction supplies in the United States, Canada, and internationally. It offers fasteners, and other industrial and construction supplies primarily under the Fastenal name.

The company's fastener products include threaded fasteners, such as bolts, nuts, screws, studs, and related washers, which are used in manufactured products and building projects, as well as in the maintenance and repair of machines and structures. It also offers miscellaneous supplies and hardware, including various pins and machinery keys, concrete anchors, metal framing systems, wire ropes, strut products, rivets, and related accessories.

The company serves the manufacturing market comprising original equipment manufacturers, maintenance, repair, and operations; and non-residential construction market, which include general, electrical, plumbing, sheet metal, and road contractors.

It also serves farmers, truckers, railroads, mining companies, schools, and retail trades; and oil exploration, production, and refinement companies, as well as federal, state, and local governmental entities.

The company distributes its products through a network of approximately 2,600 company owned stores.

Fastenal Company was founded in 1967 and is headquartered in Winona, Minnesota.

FLO

CONSUMER STAPLES

Flowers Foods, Inc. produces and markets bakery products in the United States. It operates through two segments, Direct-Store-Delivery (DSD) and Warehouse Delivery.

The DSD segment produces and markets fresh bakery foods, including fresh breads, buns, rolls, tortillas, and snack cakes. This segment offers its products under the Nature's Own, Wonder, Whitewheat, Cobblestone Bread Company, Tastykake, Home Pride, Merita, Dave's Killer Bread, Country Kitchen, and Roman Meal brand names, as well as markets franchised and licensed brands, such as Sunbeam, Bunny, and Holsum. It operates 39 bakeries, as well as sells its products through DSD route delivery model to retail and food service customers.

The Warehouse Delivery segment produces snack cakes, breads, and rolls for national retail, food service, vending, and co-pack customers. It operates 10 bakeries. This segment markets its products under the Mrs. Freshley's, European Bakers, Broad Street Bakery, and Alpine Valley Bread Company brand names.

The company was formerly known as Flowers Industries and changed its name to Flowers Foods, Inc. in 2001.

Flowers Foods, Inc. was founded in 1919 and is headquartered in Thomasville, Georgia.

GIS

CONSUMER STAPLES

General Mills, Inc. manufactures and markets branded consumer foods in the United States and internationally. It also supplies branded and unbranded food products to the foodservice and commercial baking industries. The company operates in three segments: U.S. Retail, International, and Convenience Stores and Foodservice. Its products include ready-to-eat cereals; convenient meals, including meal kits, ethnic meals, pizza, frozen breakfast, and frozen entrees; snacks comprising grain, fruit, and savory snacks, as well as nutrition bars and frozen hot snacks; refrigerated yogurt products; ice creams; baking mixes and ingredients; refrigerated and frozen dough products; and frozen and shelf-stable vegetable products. In addition, the company's products comprise organic products, such as granola bars, cereals, and soups. It sells its products directly, as well as through broker and distribution arrangements to grocery stores, mass merchandisers, membership stores, natural food chains, commercial and noncommercial foodservice distributors and operators, restaurants, and convenience stores, as well as to drug, dollar, and discount chains. Further, it owns retail shops that offer ice creams and frozen desserts.

General Mills, Inc. also exports its products primarily to Caribbean and Latin American markets.

The company was founded in 1928 and is based in Minneapolis, Minnesota.

GWW

INDUSTRIALS

W.W. Grainger, Inc. distributes maintenance, repair, and operating (MRO) supplies; and other related products and services that are used by businesses and institutions.

The company offers material handling equipment, safety and security supplies, lighting and electrical products, power and hand tools, pumps and plumbing supplies, cleaning and maintenance supplies, building and home inspection supplies, vehicle and fleet components, and various other products. It also offers inventory management solutions; and distributes tools, fasteners, safety supplies, welding and shop equipment, and other products.

The company offers its products through various branches, sales and service representatives, distribution centers, and catalogs, as well as through Websites. It serves small and medium-sized businesses, large corporations, government entities, and other institutions. The company also operates in the United States, Canada, Europe, Asia, and Latin America.

W.W. Grainger, Inc. was founded in 1927 and is based in Lake Forest, Illinois.

HAS

CONSUMER DISCRETIONARY

Hasbro, Inc., together with its subsidiaries, provides children's and family leisure time products and services worldwide. The company's product offerings include various toys comprising boys' action figures, vehicles and playsets, girls' toys, electronic toys and games, plush products, preschool toys and infant products, electronic interactive products, creative play, and toy-related specialty products. It also offers games comprising board, off-the-board, digital, card, electronic, trading card, and role-playing games. The company produces television programming primarily based on its brands, as well as distributes such programming. Further, it distributes television programming to broadcasters and cable networks, as well as on various digital platforms, such as Netflix and iTunes. Additionally, the company develops games for tablets and mobile devices; and is involved in the lifestyle licensing activities, digital gaming, and movie entertainment operations.

Hasbro, Inc. sells its products to wholesalers, distributors, chain stores, discount stores, drug stores, mail order houses, catalog stores, department stores, and other traditional retailers, as well as Internet-based e-tailers.

The company was founded in 1923 and is headquartered in Pawtucket, Rhode Island.

HCN

REIT

Health Care REIT, Inc. is an independent equity real estate investment trust. The firm engages in acquiring, planning, developing, managing, repositioning and monetizing of real estate assets.

It primarily invests in the real estate markets of the United States. The firm primarily invests in senior living and health care properties. It invests across the full spectrum of health care real estate, including senior living communities, medical office buildings, inpatient and outpatient medical centers and life science facilities.

The firm conducts in-house research to make its investments.

Health Care REIT, Inc. was founded in 1970 and is based in Toledo, Ohio with additional offices in Brentwood, Tennessee and Dallas, Texas.

HCP

REIT

HCP, Inc. is an independent hybrid real estate investment trust. The fund invests in real estate markets of the United States. It primarily invests in properties serving the healthcare industry including sectors of healthcare such as senior housing, life science, medical office, hospital and skilled nursing. The fund also invests in mezzanine loans and other debt instruments. It engages in acquisition, development, leasing, selling and managing of healthcare real estate and provides mortgage and other financing to healthcare providers.

The fund benchmarks the performance of its portfolio against the S&P 500 Index, Berkshire Hathaway Index, and MSCI REIT Index.

HCP, Inc. was formed in 1985 and is based in Irvine, California with additional office in Nashville and San Francisco.

HP

ENERGY

Helmerich & Payne, Inc. primarily operates as a contract drilling company in South America, the Middle East, and Africa. It provides drilling rigs, equipment, personnel, and camps on a contract basis to explore for and develop oil and gas from onshore areas and fixed platforms, tension-leg platforms, and spars in offshore areas.

As of November 13, 2014, the company's fleet included 333 land rigs in the U.S., 37 international land rigs, and 9 offshore platform rigs. Its contract drilling business operates through three reportable segments: U.S. Land, Offshore, and International Land.

The U.S. Land segment operates primarily in Oklahoma, California, Texas, Wyoming, Colorado, Louisiana, Mississippi, Pennsylvania, Ohio, Utah, New Mexico, Montana, North Dakota, West Virginia, and Nevada.

The Offshore segment conducts operations in the Gulf of Mexico and Equatorial Guinea.

The International Land segment has operates in Ecuador, Colombia, Argentina, Tunisia, Bahrain, the United Arab Emirates, and Mozambique.

The company, through its subsidiaries, is also involved in the ownership, development, and operation of commercial real estate; and the research and development of rotary steerable technology. Its real estate investments include a shopping center containing approximately 441,000 leasable square feet, multi-tenant industrial warehouse properties containing approximately one million leasable square feet, and approximately 210 acres of undeveloped real estate located within Tulsa, Oklahoma.

Helmerich & Payne, Inc. was founded in 1920 and is headquartered in Tulsa, Oklahoma.

HRL

CONSUMER STAPLES

Hormel Foods Corporation produces and markets various meat and food products worldwide. The company operates in five segments: Grocery Products, Refrigerated Foods, Jennie-O Turkey Store, Specialty Foods, and International & Other.

It provides various perishable meat products, including fresh meats, frozen items, refrigerated meal solutions, sausages, hams, guacamole, and bacon; and shelf-stable products comprising canned luncheon meats, shelf-stable microwaveable meals, stews, chilies, hash, flour and corn tortillas, salsas, tortilla chips, peanut butter, and other products.

The company also offers poultry products, such as turkey products; and nutritional food products and supplements, sugar and sugar substitutes, dessert and drink mixes, and industrial gelatin products.

It sells its products through sales personnel, as well as through independent brokers and distributors.

The company was formerly known as Geo. A. Hormel & Company and changed its name to Hormel Foods Corporation in January 1995. **Hormel Foods Corporation was founded in 1891 and is headquartered in Austin, Minnesota**.

IBM

TECHNOLOGY

International Business Machines Corporation provides information technology (IT) products and services worldwide.

The company's Global Technology Services segment provides IT infrastructure services, such as IT outsourcing, integrated technology, cloud, and technology support services.

Its Global Business Services segment offers consulting and systems integration services for strategy and transformation, application innovation services, enterprise applications, and analytics; application management, maintenance, and support services; and processing platforms and business process outsourcing services.

The company's Software segment provides middleware and operating systems software, including WebSphere software to integrate and manage business processes; information management software that enables clients to integrate, manage, and analyze data from various sources; Tivoli software that manages business infrastructure in real time; Workforce Solutions, which enables businesses to connect people and processes; and Rational software that supports software development. This segment also provides Watson software to interact in natural language, process big data, and learn from interactions with people and computers; Watson Health that offers data analytics and insights of individual health; and Watson Internet of Things that allows direct sensing and communication of data.

Its Systems Hardware segment offers infrastructure technologies, such as servers for businesses, organizations, and technical computing applications; and data storage products and solutions.

The company's Global Financing segment provides lease and loan financing; commercial financing to suppliers, distributors, and remarketers; and remanufacturing and remarketing services.

The company was formerly known as Computing-Tabulating-Recording Co. and changed its name to International Business Machines Corporation in 1924.

The company was founded in 1910 and is headquartered in Armonk, New York.

JNJ

HEALTHCARE

Johnson & Johnson, together with its subsidiaries, researches and develops, manufactures, and sells various products in the health care field worldwide. It operates in three segments: Consumer, Pharmaceutical, and Medical Devices.

The Consumer segment offers baby care products; oral care products; skin care products; women's health products, such as sanitary pads; wound care products, including adhesive bandages and first aid products; and nutritional products comprising no calorie sweetener. This segment also offers over-the-counter medicines, including acetaminophen products; cold, flu, and allergy products; allergy products; ibuprofen products; and heartburn products.

The Pharmaceutical segment provides various products in the areas of immunology, infectious diseases, neuroscience, oncology, and cardiovascular and metabolic diseases.

The Medical Devices segment offers orthopaedic, and trauma and neurological products; general surgery, and biosurgical and energy products; products to treat cardiovascular disease; infection prevention products; diagnostics products; blood glucose monitoring and insulin delivery products; and disposable contact lenses.

The company distributes its products to general public, retail outlets and distributors, wholesalers, hospitals, and health care professionals for prescription use in the professional fields by physicians, nurses, hospitals, and clinics.

Johnson & Johnson was founded in 1885 and is based in New Brunswick, New Jersey.

KMI

ENERGY

Kinder Morgan, Inc. operates as an energy infrastructure and energy company in North America. The company operates through Natural Gas Pipelines, CO2, Terminals, Products Pipelines, Kinder Morgan Canada, and Other segments.

The Natural Gas Pipelines segment owns and operates interstate and intrastate natural gas pipeline and storage systems; natural gas and crude oil gathering systems, and natural gas processing and treating facilities; and natural gas liquids fractionation facilities and transportation systems.

The CO2 segment produces, transports, and markets CO2 for use in enhanced oil recovery projects; and owns interest in oil-producing fields, gas processing plants, and crude oil pipelines located in the Permian Basin region of West Texas.

The Terminals segment owns and operates liquids and bulk terminals, and rail transloading and materials handling facilities that transload and store refined petroleum products; crude oil; condensate; and bulk products, including coal, petroleum coke, cement, alumina, salt, and other bulk chemicals, as well as owns and operates tankers.

The Products Pipelines segment owns and operates refined petroleum products, and crude oil and condensate pipelines; and associated product terminals and petroleum pipeline transmix facilities.

The Kinder Morgan Canada segment owns and operates Trans Mountain pipeline system that transports crude oil and refined petroleum products from Edmonton, Alberta, and Canada to marketing terminals and refineries in British Columbia, Canada, and Washington State; and aviation turbine fuel pipeline.

The Other segment includes various physical natural gas contracts with power plants.

Kinder Morgan, Inc. owns an interest in or operates approximately 80,000 miles of pipelines and 180 terminals.

The company was formerly known as Kinder Morgan Holdco LLC and changed its name to Kinder Morgan, Inc. in February 2011.

Kinder Morgan, Inc. is headquartered in Houston, Texas.

LMT

INDUSTRIAL

Lockheed Martin Corporation, a security and aerospace company, engages in the research, design, development, manufacture, integration, and sustainment of technology systems, products, and services. It also provides management, engineering, technical, scientific, logistics, and information services.

Its Aeronautics segment offers combat and air mobility aircraft, unmanned air vehicles, and related technologies.

The company's Information Systems & Global Solutions segment provides technology systems and expertise, integrated information technology solutions, and management services; and supports customers in data analytics, cyber security, air traffic management, and energy demand management. This segment also provides network-enabled situational awareness; delivers communications, and command and control capabilities; integrates complex global systems that help customers to gather, analyze, and distribute critical intelligence data; and offers classified systems and services in the support of national security systems.

Its Missiles and Fire Control segment provides air and missile defense systems; tactical missiles and air-to-ground precision strike weapon systems; logistics and other technical services; fire control systems; mission operations and engineering support, readiness, and integration services; and manned and unmanned ground vehicles.

The company's Mission Systems and Training segment offers ship and submarine mission and combat systems; mission systems and sensors for aircraft; sea and land-based missile defense systems; radar systems; littoral combat ships; simulation and training services; and unmanned systems and technologies.

Its Space Systems provides satellites, strategic and defensive missile systems, and space transportation systems.

The company serves civil, defense, intelligence, and other government customers in the United States and internationally.

Lockheed Martin Corporation was founded in 1909 and is headquartered in Bethesda, Maryland.

LOW

CONSUMER DISCRETIONARY

Lowe's Companies, Inc. operates as a home improvement retailer. It offers products for home maintenance, repair, remodeling, and decorating. The company provides home improvement products in various categories, such as lumber and building materials, tools and hardware, appliances, fashion fixtures, rough plumbing and electrical, lawn and garden, seasonal living, paint, flooring, millwork, kitchens, outdoor power equipment, and home fashions. It also offers installation services through independent contractors in various product categories; extended protection plans; and in-warranty and out-of-warranty repair services.

The company sells its national brand-name merchandise and private branded products to homeowners, renters, and professional customers; and retail customers comprising individual homeowners and renters.

As of January 29, 2016, it operated 1,857 home improvement and hardware stores in the United States, Canada, and Mexico.

The company also sells its products through online sites comprising Lowes.com, Lowes.ca, and ATGstores.com, as well as through mobile applications.

Lowe's Companies, Inc. was founded in 1946 and is based in Mooresville, North Carolina.

MCD

CONSUMER DISCRETIONARY

McDonald's Corporation operates and franchises McDonald's restaurants in the United States, Europe, the Asia/Pacific, the Middle East, Africa, Canada, and Latin America. The company's restaurants offer various food products, soft drinks, coffee, and other beverages.

As of December 31, 2014, it operated 36,258 restaurants, including 29,544 franchised restaurants comprising 20,774 franchised to conventional franchisees, 5,228 licensed to developmental licensees, and 3,542 licensed to foreign affiliates; and 6,714 company-operated restaurants.

The company was founded in 1940 and is based in Oak Brook, Illinois.

MDT

HEALTHCARE

Medtronic plc manufactures and sells device-based medical therapies worldwide.

The company's Cardiac and Vascular Group segment offers pacemakers, implantable cardioverter defibrillators and cardiac resynchronization therapy devices, AF products, diagnostics and monitoring devices, and remote monitoring and patient-centered software; and heart valves, percutaneous coronary intervention stent products, surgical valve replacement and repair products, endovascular stent grafts, peripheral vascular intervention products, and products to treat superficial and deep venous diseases.

Its Minimally Invasive Therapies Group segment provides gastrointestinal diagnostics, ablation, and interventional lung solutions; stapling, vessel sealing, and other surgical instruments; sutures; electrosurgery products; hernia mechanical devices; mesh implants; products for patient monitoring and recovery; sensors; monitors; compression and dialysis, enteral feeding, and wound care products; and operating room supplies, electrodes, needles, syringes, and sharps disposals.

The company's Restorative Therapies Group segment offers products for various areas of the spine; bone graft substitutes; biologic products; trauma, implantable neurostimulation therapies, and drug delivery systems for the treatment of chronic pain, movement disorders, obsessive-compulsive disorder, overactive bladder, urinary retention, fecal incontinence, and gastroparesis; products to treat conditions of the ear, nose, throat, and neurological disorders; systems that incorporate advanced energy surgical instruments; products for haemostatic sealing of soft tissue and bone; and image-guided surgery and intra-operative imaging systems.

Its Diabetes Group segment provides insulin pumps and consumables; continuous glucose monitoring systems; and Web-based therapy management software solutions.

It serves hospitals, physicians, clinicians, and patients.

Medtronic plc was founded in 1949 and is headquartered in Dublin, Ireland.

MO

CONSUMER STAPLES

Altria Group, Inc., through its subsidiaries, manufactures and sells cigarettes, smokeless products, and wine in the United States and internationally. It offers cigarettes primarily under the Marlboro brand; cigars principally under the Black & Mild brand; and moist smokeless tobacco products under the Copenhagen, Skoal, Red Seal, Husky, and Marlboro Snus brand names.

The company also produces and sells blended table wines under the Chateau Ste. Michelle, Columbia Crest, and 14 Hands names; and imports and markets Antinori and Villa Maria Estate wines, as well as Champagne Nicolas Feuillatte in the United States.

In addition, it provides finance leasing services primarily in aircraft, rail and surface transport, electric power, real estate, and manufacturing industries.

The company sells its tobacco products primarily to wholesalers, including distributors; large retail organizations, such as chain stores; and the armed services.

Altria Group, Inc. was founded in 1919 and is headquartered in Richmond, Virginia.

NNN

REIT

National Retail Properties, Inc. is a publicly owned equity real estate investment trust. The firm acquires, owns, manages, and develops retail properties in the United States. It provides complete turn-key and built-to-suit development services including market analysis, site selection and acquisition, entitlements, permitting, and construction management.

The firm also focuses on purchasing and financing net-leased retail properties.

It was formerly known as Commercial Net Lease Realty, Inc. National Retail Properties was founded in August 1984 and is based in Orlando, Florida.

O

REIT

Realty Income Corporation is a publicly traded real estate investment trust. It invests in the real estate markets of the United States. The firm makes investments in commercial real estate.

Realty Income Corporation was founded in 1969 and is based in Escondido, California.

OXY

ENERGY

Occidental Petroleum Corporation engages in the acquisition, exploration, and development of oil and gas properties in the United States and internationally. The company operates in three segments: Oil and Gas; Chemical; and Midstream, Marketing and Other.

The Oil and Gas segment explores for, develops, and produces oil and condensate, natural gas liquids (NGLs), and natural gas. Its domestic oil and gas operations are located in Colorado, New Mexico, North Dakota, and Texas; and international oil and gas operations are located in Bahrain, Bolivia, Colombia, Iraq, Libya, Oman, Qatar, the United Arab Emirates, and Yemen.

The Chemical segment manufactures and markets basic chemicals, including chlorine, caustic soda, chlorinated organics, potassium chemicals, ethylene dichloride, chlorinated isocyanurates, sodium silicates, and calcium chloride; vinyls comprising vinyl chloride monomer and polyvinyl chloride; and other chemicals, such as resorcinol.

The Midstream, Marketing and Other segment gathers, processes, transports, stores, purchases, and markets oil, condensate, NGLs, natural gas, carbon dioxide, and power. This segment also trades around its assets consisting of transportation and storage capacity, as well as oil, NGLs, gas, and other commodities.

The company was founded in 1920 and is headquartered in Houston, Texas.

PEP

CONSUMER STAPLES

PepsiCo, Inc. operates as a food and beverage company worldwide.

Its Frito-Lay North America segment offers Lay's and Ruffles potato chips; Doritos, Tostitos, and Santitas tortilla chips; and Cheetos cheese-flavored snacks, branded dips, and Fritos corn chips.

The company's Quaker Foods North America segment provides Quaker oatmeal, grits, rice cakes, granola, and oat squares; and Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Cap'n Crunch cereal, Life cereal, and Rice-A-Roni side dishes.

Its North America Beverages segment offers beverage concentrates, fountain syrups, and finished goods under the Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, Diet Mountain Dew, Tropicana Pure Premium, Mist Twst, and Mug brands; and ready-to-drink tea and coffee, and juices.

The company's Latin America segment provides snack foods under the Doritos, Cheetos, Marias Gamesa, Ruffles, Emperador, Saladitas, Sabritas, Lay's, Rosquinhas Mabel, and Tostitos brands; cereals and snacks under the Quaker brand; and beverage concentrates, fountain syrups, and finished goods under the Pepsi, 7UP, Gatorade, Toddy, Mirinda, Manzanita Sol, H2oh!, and Diet Pepsi brands.

Its Europe Sub-Saharan Africa segment offers snack foods under the Lay's, Walkers, Doritos, Cheetos, and Ruffles brands; cereals and snacks under the Quaker brand; beverage concentrates, fountain syrups, and finished goods under the Pepsi, 7UP, Pepsi Max, Mirinda, Diet Pepsi, and Tropicana brands; ready-to-drink tea products; and dairy products under the Chudo, Agusha, and Domik v Derevne brands.

The company's Asia, Middle East and North Africa segment provides snack foods under the Lay's, Kurkure, Chipsy, Doritos, Cheetos, and Crunchy brands; cereals and snacks under the Quaker brand; beverage concentrates, fountain syrups, and finished goods under the Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina, and Tropicana brands; and tea products.

The company was founded in 1898 and is headquartered in Purchase, New York.

PG

CONSUMER STAPLES

The Procter & Gamble Company, together with its subsidiaries, manufactures and sells branded consumer packaged goods. The company operates through five segments: Beauty; Grooming; Health Care; Fabric Care and Home Care; and Baby, Feminine and Family Care.

The Beauty segment offers antiperspirants and deodorants, cosmetics, personal cleansing, skin care, hair care and color, prestige, and professional salon products.

The Grooming segment provides blades and razors, epilators, pre- and post-shave products, and electronic hair removal devices.

The Health Care segment offers toothbrush, toothpaste, and other oral care products; and gastrointestinal, rapid diagnostics, respiratory, vitamins/minerals/supplements, and other personal health care products.

The Fabric Care and Home Care segment provides laundry additives, fabric enhancers, and laundry detergents; air care, dish care, and surface care products; batteries; and professional products.

The Baby, Feminine and Family Care segment offers feminine care and adult incontinence products; baby wipes, diapers, and pants; paper towels, tissues, and toilet papers.

The company markets its products through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, salons, high-frequency stores, and e-commerce in approximately 180 countries worldwide.

The Procter & Gamble Company was founded in 1837 and is headquartered in Cincinnati, Ohio.

PM

CONSUMER STAPLES

Philip Morris International Inc., through its subsidiaries, manufactures and sells cigarettes, other tobacco products, and other nicotine-containing products. It sells its products in approximately 180 countries in the European Union, Eastern Europe, the Middle East, Africa, Asia, Latin America, and Canada.

The company was incorporated in 1987 and is headquartered in New York, New York.

QCOM

TECHNOLOGY

QUALCOMM Incorporated designs, develops, manufactures, and markets digital communications products and services in China, South Korea, Taiwan, and the United States. The company operates through three segments: Qualcomm CDMA Technologies (QCT), Qualcomm Technology Licensing (QTL), and Qualcomm Strategic Initiatives (QSI).

The QCT segment develops and supplies integrated circuits and system software based on code division multiple access (CDMA), orthogonal frequency division multiple access (OFDMA), and other technologies for use in voice and data communications, networking, application processing, multimedia, and global positioning system products.

The QTL segment grants licenses or rights to use portions of its intellectual property portfolio, which includes patent rights useful in the manufacture and sale of various wireless products, such as products implementing CDMA2000, WCDMA, CDMA TDD, GSM/GPRS/EDGE, and/or OFDMA standards, as well as their derivatives.

The QSI segment invests in early-stage companies that support the design and introduction of new products and services, as well as holds a wireless spectrum license.

The company also plans to license its next generation IMOD display technology and to focus on wearable devices; and develops and licenses display technologies based on micro-electro-mechanical-systems structure for portable multimedia devices, as well as develops and supplies 3G/LTE and Wi-Fi products designed for implementation of small mobile base stations. In addition, it provides software, content, and push-to-talk enablement services to wireless operators; development, and other services and related products to government agencies and their contractors; device-to-device communication, including software for the connected home; data center products; medical device connectivity and related data management services; and augmented reality system.

QUALCOMM Incorporated was founded in 1985 and is headquartered in San Diego, California.

SO

UTILITY

The Southern Company, together with its subsidiaries, operates as a public electric utility company. It is involved in the generation, transmission, and distribution of electricity through coal, nuclear, oil and gas, and hydro resources in the states of Alabama, Georgia, Florida, and Mississippi. The company also constructs, acquires, owns, and manages generation assets, including renewable energy projects.

As of December 31, 2014, it operated 33 hydroelectric generating stations, 33 fossil fuel generating stations, 3 nuclear generating stations, 13 combined cycle/cogeneration stations, 9 solar facilities, 1 biomass facility, and 1 landfill gas facility.

The company also provides digital wireless communications services with various communication options, including push to talk, cellular service, text messaging, wireless Internet access, and wireless data; and wholesale fiber optic solutions to telecommunication providers in the Southeast.

The Southern Company was founded in 1945 and is headquartered in Atlanta, Georgia.

T

TELECOM

AT&T Inc. provides telecommunications services in the United States and internationally. The company operates through two segments, Wireless and Wireline.

The Wireless segment offers data and voice services, including local, long-distance, and network access services, as well as roaming services to youth, family, professionals, small businesses, government, and business customers. This segment also sells various handsets, wirelessly enabled computers, and personal computer wireless data cards through its owned stores, agents, or third-party retail stores; and accessories, such as carrying cases, hands-free devices, batteries, battery chargers, and other items to consumers, as well as to agents and third-party distributors. As of December 31, 2014, it served approximately 120 million wireless subscribers.

The Wireline segment provides switched and dedicated transport, DSL Internet access, network integration, managed Web-hosting, packet, and enterprise networking services, as well as intrastate, interstate, and international wholesale networking capacity to other service providers. It also offers voice services consisting of local and long-distance services; and wholesale switched access services to other service providers, as well as sells customer premises equipment and other equipment comprising basic telephones and private digital switching systems. This segment served 9 million retail consumer access lines, 9 million retail business access lines, and 2 million wholesale access lines.

The company was formerly known as SBC Communications Inc. and changed its name to AT&T Inc. in November 2005. AT&T Inc. was founded in 1983 and is based in Dallas, Texas.

TGT

CONSUMER DISCRETIONARY

Target Corporation operates as a general merchandise retailer. It offers household essentials, including pharmacy, beauty, personal care, baby care, cleaning, and paper products; music, movies, books, computer software, sporting goods, and toys, as well as electronics, such as video game hardware and software; and apparel for women, men, boys, girls, toddlers, infants, and newborns, as well as intimate apparel, jewelry, accessories, and shoes.

The company also provides food and pet supplies comprising dry grocery, dairy, frozen food, beverages, candy, snacks, deli, bakery, meat, produce, and pet supplies; and home furnishings and décor, including furniture, lighting, kitchenware, small appliances, home décor, bed and bath, home improvement, and automotive products, as well as seasonal merchandise, such as patio furniture and holiday décor.

In addition, it offers in-store amenities, including Target Café, Target Photo, Target Optical, Portrait Studio, Starbucks, and other food service offerings.

Target Corporation sells products through its stores; and digital channels, including Target.com. As of January 30, 2016, the company operated 1,792 stores in the United States.

Target Corporation was founded in 1902 and is headquartered in Minneapolis, Minnesota.

TROW

FINANCIAL

T. Rowe Price Group, Inc. is a publicly owned asset management holding company.

The firm provides its services to individuals, institutional investors, retirement plans, financial intermediaries, and institutions. Through its subsidiaries, it launches and manages equity and fixed income mutual funds. The firm also launches balanced mutual funds and private equity funds. It invests in the public equity and fixed income markets across the globe.

The firm also invests in alternative markets, including currency markets. It employs fundamental and quantitative analysis with a bottom-up approach.

The firm utilizes in-house and external research to make its investments. It employs socially responsible investing with a focus on environmental, social, and governance issues.

The firm was previously known as T. Rowe Group, Inc. and T. Rowe Price Associates, Inc.

T. Rowe Price Group, Inc. was founded in 1937 and is based in Baltimore, Maryland, with additional offices in Colorado Springs, Colorado; Owings Mills, Maryland; San Francisco, California; Los Angeles, California; Tampa, Florida; Toronto, Ontario; Hellerup, Denmark; Amsterdam, The Netherlands; Luxembourg, Grand Duchy of Luxembourg; Zurich, Switzerland; Dubai, United Arab Emirates; London, United Kingdom; Sydney, New South Wales; Hong Kong; Tokyo, Japan; and Singapore.

TRP

ENERGY

TransCanada Corporation operates as an energy infrastructure company in North America. The company operates in three segments: Natural Gas Pipelines, Liquids Pipelines, and Energy.

The Natural Gas Pipelines segment owns and operates natural gas pipelines and regulated natural gas storage facilities. This segment transports natural gas to local distribution companies, power generation facilities, and other businesses.

The Liquids Pipelines segment owns and operates Keystone pipeline system comprising 4,247 kilometers transporting crude oil from Hardisty, Alberta to Wood River and Patoka in Illinois; Cushing, Oklahoma; and Port Arthur, Texas. This segment also operates Cushing Marketlink that transports crude oil from the market hub at Cushing, Oklahoma to the U.S. Gulf Coast refining market.

The Energy segment owns and operates 19 electrical power generation plants; and 2 non-regulated natural gas storage facilities in Alberta, Ontario, Québec, New Brunswick, New York, New England, and Arizona. This segment is involved in owning, controlling, or developing generation capacity powered by natural gas, nuclear, coal, hydro, wind, and solar assets.

As of June 1, 2015, it operated a network of natural gas pipelines that covers approximately 68,000 kilometers; had approximately 368 billion cubic feet of storage capacity; and owned or had interests in approximately 10,900 megawatts of power generation.

TransCanada Corporation was founded in 1951 and is headquartered in Calgary, Canada.

UNP

INDUSTRIAL

Union Pacific Corporation, through its subsidiary, Union Pacific Railroad Company, operates railroads in the United States.

It offers freight transportation services for agricultural products, including grains, commodities produced from grains, and food and beverage products; automotive products, such as finished vehicles and automotive parts; and chemicals comprising industrial chemicals, plastics, fertilizers, petroleum and liquid petroleum gases, crude oil, and soda ash.

The company also provides transportation services for coal and petroleum coke; industrial products consisting of construction products, minerals, consumer goods, metals, lumber, paper, and other miscellaneous products; and intermodal import and export containers and trailers. Union Pacific Corporation's rail network includes 32,084 route miles linking the Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways.

The company was founded in 1862 and is headquartered in Omaha, Nebraska.

VFC

CONSUMER DISCRETIONARY

V.F. Corporation engages in the design, production, procurement, marketing, and distribution of branded lifestyle apparel, footwear, and related products in the United States and Europe.

The company primarily offers outdoor apparel, footwear and equipment, youth culture/action sports-inspired footwear, handbags, luggage, backpacks, totes, accessories, surfing-inspired footwear, merino wool socks, women?s activewear, and travel accessories under the The North Face, Vans, Timberland, Kipling, Napapijri, Jansport, Reef, Smartwool, Eastpak, lucy, and Eagle Creek brands. It also provides denim, casual apparel, footwear, and accessories under the Wrangler, Lee, Lee Casuals, Riders by Lee, Rustler, Timber Creek by Wrangler, and Rock & Republic brands. In addition, the company offers occupational, protective occupational, athletic, licensed athletic, and licensed apparel products under the Red Kap, Bulwark, Horace Small, Majestic, MLB, NFL, and Harley-Davidson brands; sportswear apparel, luggage, and accessories under the Nautica brand; and handbags, luggage, backpacks, totes, and accessories under the Kipling brand. Further, it provides premium denim apparel, footwear, and accessories under the 7 For All Mankind, Splendid, and Ella Moss brands.

The company sells its products primarily to specialty stores, department stores, national chains, and mass merchants, as well as sells through company operated stores, concession retail stores, and e-commerce sites.

V.F. Corporation was founded in 1899 and is headquartered in Greensboro, North Carolina.

VGR

CONSUMER STAPLES

Vector Group Ltd., through its subsidiaries, primarily manufactures and sells cigarettes in the United States. The company operates through Tobacco, E-Cigarettes, and Real Estate segments.

It produces cigarettes in 117 combinations under the EAGLE 20's, PYRAMID, GRAND PRIX, LIGGETT SELECT, and EVE brand names, as well as USA and various partner brands, and private label brands. The company offers its products primarily to the military, large grocery, and drug and convenience store chains, as well as to candy and tobacco distributors.

The company also engages in the sale of electronic cigarettes.

In addition, it provides residential brokerage services; owns and focuses on the acquisition of real estate properties; and engages in land development activities.

The company was formerly known as Brooke Group Ltd. Vector Group Ltd. was founded in 1911 and is based in Miami, Florida.

VTR

REIT

Ventas, Inc. is a publicly owned real estate investment trust. The firm engages in investment, management, financing, and leasing of properties in the healthcare industry. It invests in the real estate markets of the United States and Canada. The firm primarily invests in healthcare-related facilities including hospitals, skilled nursing facilities, senior housing facilities, medical office buildings, and other healthcare related facilities.

Ventas, Inc. was founded in 1983 and is based in Chicago, Illinois with additional offices in Irvine, California; Louisville, Kentucky; Charlotte, North Carolina; and Dallas, Texas.

VZ

TELECOM

Verizon Communications Inc., through its subsidiaries, provides communications, information, and entertainment products and services to consumers, businesses, and governmental agencies worldwide.

The company's Wireless segment offers wireless voice and data services; messaging services; service that enables its customers to access the Internet on smartphones, basic phones, notebook computers, and tablets; customers and business-focused multimedia offerings; location-based services; global data services; LTE Internet, a high-speed Internet service; and network access and value added services to support telemetry-type applications. It also offers machine-to-machine services that support devices used in health monitoring, education, manufacturing, utilities, distribution, and consumer products markets, as well as offers smartphones and basic phones, tablets, and other Internet access devices. As of December 31, 2014, it had 108.2 million retail connections.

Its Wireline segment provides high-speed Internet, FiOS Internet, and FiOS Video services; voice services, such as local exchange, regional and long distance calling, and voice messaging services, as well as VOIP services; private Internet protocol and Ethernet access and optical services; and Internet protocol, infrastructure and cloud services, machine-to-machine services, security, and other communications services. It also offers voice and data services, such as conferencing and contact center solutions, and private line and data access networks, as well as customer premise equipment, installation, maintenance, and site services; and data, voice, local dial tone, and broadband services primarily to local, long distance, and other carriers.

The company was formerly known as Bell Atlantic Corporation and changed its name to Verizon Communications Inc. in June 2000. Verizon Communications Inc. was founded in 1983 and is based in New York, New York.

WEC

UTILITY

Wisconsin Energy Corporation, through its subsidiaries, generates and distributes electric energy. The company operates in two segments, Utility Energy and Non-Utility Energy.

It generates electricity from coal, natural gas, oil, hydroelectric, wind, and biomass. The company provides electric utility services to customers in the paper, foundry, food products, and machinery production industries, as well as to the retail chains. It also provides retail gas distribution services in the state of Wisconsin, as well as transports customer-owned gas to paper, food products, and fabricated metal products industries; and generates, distributes, and sells steam. As of December 31, 2014, the company serves approximately 1,133,600 electric customers in Wisconsin and the Upper Peninsula of Michigan; and approximately 1,089,000 gas customers in Wisconsin, as well as 440 steam customers in metropolitan Milwaukee, Wisconsin.

In addition, it invests in and develops real estate, including business parks and other commercial real estate projects primarily in southeastern Wisconsin.

The company was founded in 1981 and is headquartered in Milwaukee, Wisconsin.

WPC

REIT

W. P. Carey Inc. is an independent equity real estate investment trust. The firm also provides long-term sale-leaseback and build-to-suit financing for companies. It invests in the real estate markets across the globe. The firm primarily invests in commercial properties that are generally triple-net leased to single corporate tenants including office, warehouse, industrial, logistics, retail, hotel, R&D, and self-storage properties.

W. P. Carey Inc. was founded in 1973 and is based in New York City with an additional office in Dallas, Texas.

WTR

UTILITY

Aqua America, Inc., through its subsidiaries, operates regulated utilities that provide water or wastewater services in the United States. It offers water and wastewater services through operating and maintenance contracts with municipal authorities and other parties. The company also provides water and wastewater line repair services, and protection solutions to households; inspects, cleans, and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; and designs and builds water and wastewater systems. In addition, it offers non-utility raw water supply services for firms in the natural gas drilling industry.

The company serves three million residential water, commercial water, fire protection, industrial water, wastewater, and other water and utility customers.

It has operations in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia.

The company was formerly known as Philadelphia Suburban Corporation and changed its name to Aqua America, Inc. in 2004. Aqua America, Inc. was founded in 1968 and is based in Bryn Mawr, Pennsylvania.

WEB LINKS

I find the following web sites useful and reference them frequently:

Name	Description	Cost	URL
DividendInvestor	Dividend information (similar to the CCC spreadsheet, but also provides data about companies that do not increase dividends annually)	Free (subscription provides additional data)	www.dividendinvestor.com
F.A.S.T.Graphs™	Specialized investment calculator and evaluation tool	Paid	http://www.fastgraphs.net/
FinViz	Charts and financial data for most US companies	Free	http://finviz.com/
Investopedia	Dictionary & encyclopedia of investment terms	Free	http://www.investopedia.com/dictionary/
MorningStar	Company analysis	Basic: Free (advanced available from many libraries)	http://www.morningstar.com/
SeekingAlpha	Crowd sourced content service for financial markets. I find the following authors worth reading: • Bob Wells • Brian Bollinger (Simply Safe Dividends) • Chowder • Chuck Carnevale • David Crosetti • David Fish • David Van Knapp • Mike Nadel • Miz Magic DiviDogs • Robert Allan Schwartz	Free	http://seekingalpha.com/
SigFig	Portfolio tracking	Free (subscription provides additional benefits)	https://www.sigfig.com/site/#/home
Simply Safe Dividends	Measures a company's ability to continue paying its current dividend and helps investors find the safest sources of income for their portfolios.	Paid	http://www.simplysafedividends.com
The DRiP Investing Resource Center	Location of current CCC spreadsheet and the similar Canadian All-star List	Free	http://dripinvesting.org/tools/tools.asp
Lowell Miller	PDF of "The Single Best Investment"	Free	http://www.mhinvest.com/files/pdf/SBI_Single_Best_Investment_Miller.pdf
Value Line	Company analysis	Available (paper or online) from many libraries	https://research.valueline.com/
Vuru	Company analysis including Dividend & Buyback charts	Free (requires registration)	http://www.vuru.co
Yahoo! Finance	Provides financial data on many US traded companies	Free	http://finance.yahoo.com/q?s= https://ca.finance.yahoo.com/q?s=

GLOSSARY

Bail-In: The forced conversion of depositor cash to company equity (usually as an effort to recapitalize a failing financial institution such as a bank). For example in April of 2013 (from the UK Telegraph):

Bank of Cyprus said it had converted 37.5pc of deposits exceeding €100,000 into "class A" shares, with an additional 22.5pc held as a buffer for possible conversion in the future.

Another 30pc would be temporarily frozen and held as deposits, the bank said.

See: http://www.telegraph.co.uk/finance/financialcrisis/10024209/Bank-of-Cyprus-executes-depositor-bail-in.html .

In general, a legal system to forcibly convert deposits to company equity.
See also: https://en.wikipedia.org/wiki/Bailout , https://www.creditwritedowns.com/2013/03/the-cyprus-bank-deposit-bail-in.html , http://lexicon.ft.com/term?term=bail_in and http://www.wsj.com/articles/SB10001424127887324577904578555373710142166 .

In the US,

it's not just creditors who will be on the hook but depositors as well. Jim Sinclair pointed out that banks legally own depositors' funds as soon as the depositors hand those funds over to the banks. The money becomes the banks and the "depositors" actually become unsecured creditors holding promises to pay. Previously the banks were obligated to pay back this loan on demand with cash. Under the new Federal Deposit Insurance Company – Bank of England (FDIC-BOE) plan revealed this year, however, these promises to pay become equity in the bank, which won't be able to be used as payments for bills, which is why most people have money in the bank in the first place.

The point is that your money is not yours while it is "deposited" with a bank. And bail-ins are coming to shatter any illusion that they are for US depositors.

See: http://dailyreckoning.com/are-you-prepared-for-a-us-bank-bail-in/ and https://www.fdic.gov/news/news/press/2011/pr11007.html .

Beta: Investopedia defines beta as:

a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns.

Also known as "beta coefficient."

Beta is calculated using regression analysis, and you can think of beta as the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.

Many utilities stocks have a beta of less than 1. Conversely, most high-tech, Nasdaq-based stocks have a beta of greater than 1, offering the possibility of a higher rate of return, but also posing more risk.

From observation, published Beta tends to come in two "flavors" 5-year and 3-year beta. I use 5-year beta.
See: http://www.investopedia.com/terms/b/beta.asp

CCC: See: The Dividend Champions, Contender and Challengers Spreadsheet.

CCC Screens: To discover possible new candidates to my "must-have", "like-to-have", or "could-have" lists I use the following steps or screens:

- Start with the CCC spreadsheet.
- Delete all but the "All CCC" tab.
- Sort by "Industry" and delete all MLPs (Master Limited Partnerships) of any kind.
- Sort by the Number of Years of annual dividend increases and delete any entry with less than 10 years.
- Delete all entries with red dividend dates.
- Delete any entry that pays semi-annually or annually.
- Delete foreign companies that do not pay in US $.
- Delete foreign companies that are domiciled in a country that taxes dividends paid to US IRA accounts.
- Sort by Chowder Rule and delete any entry with a Chowder Rule less than 8, then delete any entry with a Chowder Rule less than 12 unless the Industry is a REIT or Utility.
- Sort the remaining companies by symbol.
- Look up the Value Line Safety and Financial Strength for each company.

- Compute the "net-debt-per-share".
- Review the company on F.A.S.T.Graphs™. Determine if it is fairly priced.

If multiple companies satisfy all criteria, I typically give preference to those that pay dividends monthly and those with the least "net-debt-per-share".

Chowder Rule: The sum of the current yield and the 5-year dividend growth rate. For REITs, MLPs, and Utilities the Chowder Rule sum can be as low as 8%. For all other companies the Chowder Rule sum should be at least 12%. Named for the SeekingAlpha contributor “Chowder”.

“**could-have**” companies: Non REIT companies with a VL Safety rating of 1 or 2, a VL Financial Strength rating of B+ or better, and an annual dividend growth history of 5 to 9 years. I do not classify any REIT as a “could-have” as I require a minimum of ten years of dividend growth for a REIT. See also: “like-to-have” and “must-have” companies.

Current (Sep 2015) members of this group include the following companies:

AEP,	AJG,	ALE,	BMY,	BNS,	CMS,	DTE,	ETN,	HSY,	MAT,
OGE,	OMC,	PAYX,	PFE,	PM,	RY,	SAFT,	TSCO,	UPS	

Dividend: A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. The dividend is most often quoted in terms of the dollar amount each share receives (dividends per share).

Doghouse: A metaphorical penalty box for companies. If a company cuts or freezes it annual dividend, or if VL reduces the Safety Rank from 1 or 2 to 3 or less, I'll put the company in the doghouse until I decide what to do with it.

DSS: Dividend Safety Score is “a metric that rates the safety of a company’s dividend payment by scrubbing through its most important financial metrics”. DSS are provided by SimplySafeDividends.com (see **SSD**). I set my decision points by creating a cumulative distribution chart from the list of companies that trimmed (or eliminated) their dividends and the DSS at which that occurred. At the time I constructed the chart there were 59 such events.

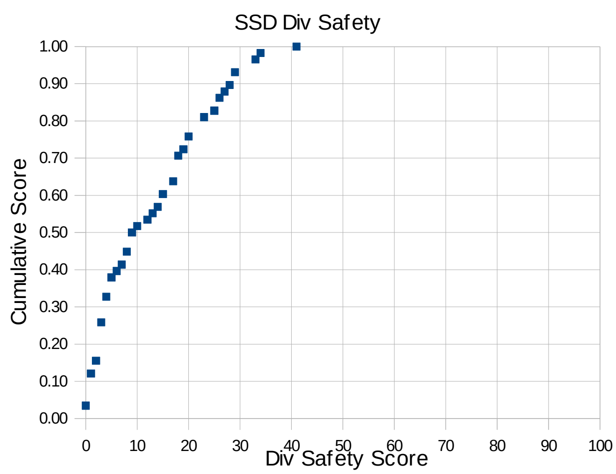
The one "outlier" in the data is EEI which trimmed it's div (with a DSS of 82) 'cause the company decided to invest more for growth. Per Brian's comment, the company is healthy.

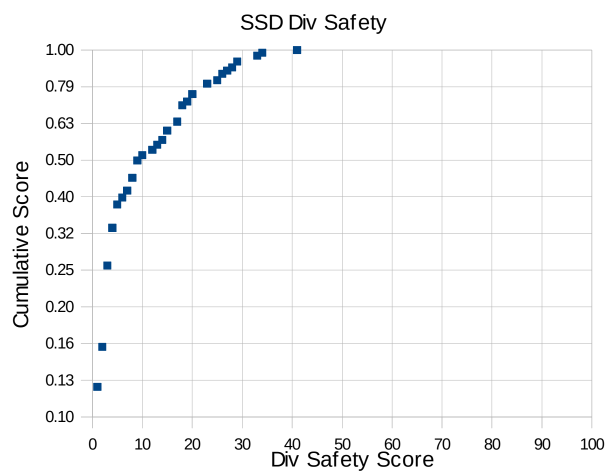
I discarded EEI.

The 58 remaining cases are companies that trimmed their div for company health reasons (too much debt, too much leverage, weak market, etc).

When I graph the cumulative distribution for those 58 the 95% mark is roughly a DSS of 30, with 4 failure cases (2@33, 1@34, 1@41) above the 95% mark. The right hand chart is the same data with a logarithmic Y axis.

I believe a dividend safety score of 61 is safely above the critical region where dividend cuts are likely to occur (below 46).





F.A.S.T.Graphs: F.A.S.T. Graphs™ is a **F**undamentals **A**nalyzer **S**oftware **T**ool that empowers subscribers to research stocks deeper and faster. Developed to provide "essential fundamentals at a glance," they are offered as a fast and efficient "tool to think with." Basic subscription is $9.95 per month. See: http://www.fastgraphs.com/

GICS: The **G**lobal **I**ndustry **C**lassification **S**tandard (GICS) is an industry taxonomy developed in 1999 by MSCI and Standard & Poor's (S&P) for use by the global financial community. The GICS structure consists of 10 sectors, 24 industry groups, 67 industries and 156 sub-industries into which S&P has categorized all major public companies. The system is similar to ICB (Industry Classification Benchmark), a classification structure maintained by FTSE Group. A new sector for real estate will be effective on August 31, 2016. See: https://en.wikipedia.org/wiki/Global_Industry_Classification_Standard

"**High Total Return**" **formula**: I first discovered the formula from a post provided by SeekingAlpha contributor "Chowder"

http://seekingalpha.com/instablog/728729-chowder/1468521-dividend-growth-the-stock-selection

However, Chowder borrowed the formula from (and frequently references) the book **The Single Best Investment**. See: The Single Best Investment.

IRA: **I**ndividual **R**etirement **A**ccount. An investing tool used by individuals to earn and earmark funds for retirement savings. There are several types of IRAs: Traditional IRAs, Roth IRAs, SIMPLE IRAs and SEP IRAs.
Traditional and Roth IRAs are established by individual taxpayers, who are allowed to contribute 100% of compensation (self-employment income for sole proprietors and partners) up to a set maximum dollar amount. Contributions to the Traditional IRA may be tax deductible depending on the taxpayer's income, tax filing status and coverage by an employer-sponsored retirement plan. Roth IRA contributions are not tax-deductible.

At age 70-1/2, the account holder must begin making withdrawals (called RMD or Required Minimum Distributions) from traditional IRAs and paying the resulting tax. Converting funds from a IRA to a ROTH is a taxable event.

"like-to-have" companies: Non REIT companies with a VL Safety rating of 1 or 2, a VL Financial Strength rating of B+ or better, and 10 to 19 years of dividend growth. A REIT must have a S&P investment credit rating and 10 to 19 years of dividend growth.

Current (Sep 2015) members of this group include the following companies:

ADI,	AVA,	BOKF,	CBRL,	CNP,	COP,	D,	DE,	DLR,	DUK,
EIX,	ENB,	ES,	FAST,	GIS,	HCN,	HRS,	K,	LG,	LMT,
LNT,	MCHP,	MSFT,	NSC,	OHI,	OMI,	OXY,	POR,	QCOM,	RAI,
RSG,	RTN,	SCG,	SJI,	SJM,	SO,	SRE,	TRP,	TXN,	VGR,
VZ,	WEC,	WM,	WPC,	WR,	XEL				

MLP: **M**aster **L**imited **P**artnership. A type of limited partnership that is publicly traded. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture.

"**must-have**" companies: Non REIT companies with a VL Safety rating of 1 or 2, a VL Financial Strength rating of B+ or better, and 20 or more years of dividend growth. A REIT must have a S&P investment credit and 20 or more years of dividend growth.

Current (Sep 2015) members of this group include the following companies:

ADP,	APD,	AROW,	ATO,	BKH,	CAT,	CBU,	CFR,	CINF,	CL,
CLX,	CTBI,	CVX,	ED,	EMR,	ERIE,	ESS,	FRT,	GPC,	HCP,
IBM,	JNJ,	KMB,	KO,	LEG,	LLTC,	MCD,	MCY,	MDU,	MGEE,
MKC,	MMM,	MO,	MSEX,	NEE,	NJR,	NNN,	NWN,	O,	PEP,
PG,	PNY,	SON,	STR,	SYY,	T,	TGT,	TMP,	TRI,	TROW,
UTX,	VVC,	WABC,	WBA,	WGL,	WMT,	XOM			

net-debt-per-share: I define net-debt-per-share as (Total_Cash – Total_Debt)/Shares_Outstanding.
I prefer zero net-debt-per-share, and I've found that up to 20% (which is an arbitrary percent) of current price as net-debt-per-share is acceptable.

P/E: Price Earnings Ratio. A valuation ratio of a company's current share price compared to its per-share earnings. Calculated as:

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Market Value per Share / Earnings per Share (EPS)
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For example, if a company is currently trading at $43 a share and earnings over the last 12 months were $1.95 per share, the P/E ratio for the stock would be 22.05 ($43/$1.95).

While traditionally, a reasonable P/E is about 15, as used here, a reasonable P/E is near a company's historically normal P/E. Thus if a company historically has an average P/E of 10, a P/E of 16 would be 4 (1.5 increment) steps above normal and thus be at or near “bubble” territory for the company.

Portfolio Organic Growth Rate: The portfolio organic dividend growth rate is the dividend growth rate the portfolio can achieve as a weighted***** sum of its component company annual growth rates. Dividend reinvestment does not count towards the portfolio's organic dividend growth rate as reinvestment growth is not growth of a component company's dividend.

***** *The weight of component company "A" is A's annual dividend times the number of A shares held in the portfolio divided by the total annual dividend for the portfolio.*

Price Earnings Ratio: See P/E.

REIT: **R**eal **E**state **I**nvestment **T**rust. A security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.

Equity REITs or eREIT: Equity REITs invest in and own properties (thus responsible for the equity or value of their real estate assets). Their revenues come principally from their properties' rents.

Mortgage REITs or mREIT: Mortgage REITs deal in investment and ownership of property mortgages. These REITs loan money for mortgages to owners of real estate, or purchase existing mortgages or mortgage-backed securities. Their revenues are generated primarily by the interest that they earn on the mortgage loans.

Hybrid REITs: Hybrid REITs combine the investment strategies of equity REITs and mortgage REITs by investing in both properties and mortgages.

“mREITs hold paper, not real estate. They collect interest from owners - not rent from tenants. Different beasts... most mREITs are also highly levered - their game is borrowing at 0.5% and lending at 3%. But if their borrowing costs rise to 2.5%, and they aren't able to rapidly roll over mortgages to higher rates in a rising rate environment... earnings could easily compress by 80%. It's simple math, and it's dangerous with rates at all time lows. When the 10yr shot up to just over 3% in 2013, that was a warning shot across the bow.

An eREIT's stock would suffer from pressure as rates rise, but most lock in their debt for long time periods (5-15 years), so after the initial scare, they would have several years in an improving economy to allow them to bump up their rent cheques. The more debt heavy ones would likely have to slow down a bit on acquisitions/construct... but the less levered ones would be well positioned to take advantage of the improving economy.”
http://seekingalpha.com/article/2680875-reits-are-prime-time-players-baby

comment from Stock Market Mike
http://seekingalpha.com/author/stock-market-mike

Required **M**inimum **D**istribution or **RMD**: If I have an IRA, I am required to begin lifetime withdrawals (or RMDs) from my IRAs no later than April 1 of the year following the year in which I reach age 70½. I can always withdraw more than the minimum amount from my IRA in any year, but if I withdraw less than the required minimum, I will be subject to a federal penalty. The IRS penalty is an excise tax equal to 50% of the amount I should have withdrawn. This penalty is in addition to ordinary income at my marginal rate and any state income taxes.
https://en.wikipedia.org/wiki/IRA_Required_Minimum_Distributions

http://www.irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-Required-Minimum-Distributions

ROTH IRA: An individual retirement plan that bears many similarities to the traditional IRA, but contributions are not tax deductible and qualified distributions are tax free. Similar to other retirement plan accounts, non-qualified distributions from a Roth IRA may be subject to a penalty upon withdrawal.

Schuyler Event: Reference to Schuyler Davis in the movie, “The Three Stooges Meet Hercules”. In the galley scene, Schuyler (a geek from the future) becomes so physically powerful he is the only rower on his side, while all the other galley slaves are on the other ... and yet Schuyler overpowers them all, forcing the galley to turn in tight circles. So a Schuyler Event can be defined as a portfolio completely dominated by one company that: (a) has the same basis as other companies in the portfolio, (b) the portfolio contains 20 or more companies, and (c) the “Schuyler” company grows to more than 50% of the total portfolio value.

SMART Goals: A mnemonic acronym for setting objectives. In this context the letters stand for **S**pecific, **M**easurable, **A**mbitious, **R**ealistic, and **T**imely. See details at: http://topachievement.com/smart.html and https://en.wikipedia.org/wiki/SMART_criteria.

SSD: Simply Safe Dividends. An online service that measures a company’s ability to continue paying its current dividend and helps investors find the safest sources of income for their portfolios. Available at http://www.SimplySafeDividends.com.

Taleb, Nassim Nicholas: a Lebanese-American essayist, scholar, statistician, former trader, and risk analyst, whose work focuses on problems of randomness, probability, and uncertainty. Author of ***Incerto*** which includes the books: ***Fooled by Randomness*** (2001), ***The Black Swan*** (2007–2010), ***The Bed of Procrustes*** (2010), and ***Antifragile*** (2012).

His preferred strategy is to be both hyper-conservative and hyper-aggressive at the same time, aka a 'barbell' strategy which is based on avoiding the middle in favor of linear combination of extremes, across all domains from politics to economics to one's personal life. See: https://en.wikipedia.org/wiki/Nassim_Nicholas_Taleb

The Dividend Champions, Contenders and Challengers Spreadsheet: an excel spreadsheet provided by David Fish and updated monthly at: http://www.dripinvesting.org/tools/tools.asp which contains details of companies that have paid annually increasing dividends for 25 or more years (Champions), 10 to 24 years (Contenders), and 5 to 9 years (Challengers). Also abbreviated as the CCC spreadsheet or list.

The Future for Investors:

“***The Future for Investors, Why the Tried and the True Triumph Over the Bold and the New***”
Copyright 2005 by Jeremy J. Siegel, ISBN-10: 1-4000-8198-X

The Single Best Investment: An excellent book for those interested in “Dividend Growth Investing”.Though the book is available from Amazon, it is also available for free on-line as a pdf (**P**ortable **D**ocument **F**ormat) file from the author's website.

“***The Single Best Investment, 2nd Edition, CREATING WEALTH with DIVIDEND GROWTH***”
Copyright 2006 by Lowell Miller, ISBN-10: 0-9651750-8-1 or ISBN-13: 978-0-9651750-8-1
available at: http://www.mhinvest.com/files/pdf/SBI_Single_Best_Investment_Miller.pdf

TSP: **T**hrift **S**avings **P**lan. A retirement savings plan created by the Federal Employee's Retirement System Act of 1986 for current or retired employees of the federal civil service. The thrift savings plan is a defined-contribution plan designed to give federal employees the same retirement savings related benefits that
workers in the private sector enjoy with 401(k) plans. Contributions to the plan are automatically deducted from each paycheck.
The thrift savings plan offers six different funds (government security fund, fixed-income fund, common stock fund, small cap stock fund, international stock fund and a life cycle fund) in which employees can invest.

Type 1 or Type 2 Ranking: The F.A.S.T.Graphs™ Type 1 ranking is as follows (in 1.5 increments for P/E or P/FFO):

- over 22.5 : CLOUD (super bubble)
- 21.0 to 22.5 : Bubble +
- 19.5 to 21.0 : Bubble -
- 18.0 to 19.5 : Poor +
- 16.5 to 18.0 : Poor -
- 15.0 to 16.5 : Fairly priced +
- 13.5 to 15.0 : Fairly priced -
- 12.0 to 13.5 : Good +
- 10.5 to 12.0 : Good -
- 9.0 to 10.5 : Excellent +
- 7.5 to 9.0 : Excellent -
- less than 7.5 : cheap

The “+” does not mean a better ranking than “-”, it means the valuation is in the upper P/E (or P/FFO) range. For example, a company with a Fair+ rank has a higher P/E (or P/FFO) ratio than one with a Fair- rank.

Based on history, some companies almost always sell for a premium (indicated by a normal historical P/E ratio higher than the nominal P/E of 15). If the normal historical P/E ratio for a company is less than the nominal P/E of 15, then the company almost always sells at a "discount".

The F.A.S.T.Graphs™ Type 2 ranking for a company is based on its historical P/E (or P/FFO) and similar to the Type 1 ranking in 1.5 increments:

- historical + over 7.5 : CLOUD (super bubble)
- historical + 6.0 to historical + 7.5 : Bubble +
- historical + 4.5 to historical + 6.0 : Bubble -
- historical + 3.0 to historical + 4.5 : Poor +
- historical + 1.5 to historical + 3.0 : Poor -
- historical to historical + 1.5 : Fairly priced +
- historical - 1.5 to historical : Fairly priced -
- historical - 3.0 to historical - 1.5 : Good +
- historical - 4.5 to historical - 3.0 : Good -
- historical - 6.0 to historical - 4.5 : Excellent +
- historical - 7.5 to historical - 6.0 : Excellent -
- historical - more than 7.5 : cheap

Value Line Financial Strength:
(from http://www.valueline.com/Tools/Educational_Articles/Stocks/Financial_Strength.aspx)

When times are good, a company's financial situation tends to slip into the background. Cash flow is healthy; bank loans are available; and, if necessary, stock and debt offerings can be made to bring in funds for expansion. However, the picture turns quite a bit darker when the economy starts contracting. During a recession, cash flow falls, banks aren't eager to lend, and pricing conditions are tougher when trying to sell shares or corporate debt. It's during the hard times that a company's financial strength shines through. The recent financial crisis brought that home with a vengeance.

The importance to investors of a company's financial strength matters in several ways. When income is the primary consideration, a strong balance sheet provides greater assurance that a dividend can be maintained. Adequate financing is also important for stockholders to ensure that operations can be expanded without an undue portion of the benefit going to the bank or to bondholders. Shares of deep-pocketed companies are generally more stable, as well.

Value Line classifies 1,700 companies' Financial Strength ratings (located at the bottom right of every Ratings & Reports page) from A++ to C, in nine steps. Those receiving the top grade include household names, such as Coca-Cola (KO), Exxon Mobil (XOM), Intel (INTC), IBM (IBM), Johnson & Johnson (JNJ), McDonald's (MCD), and Wal-Mart Stores (WMT), among others. The lowest grade is reserved for companies experiencing serious financial difficulty – even insolvency.

Quite a few ingredients go into Value Line's Financial Strength ratings. Balance sheet leverage, business risk, the level and direction of profits, cash flow, earned returns, cash, corporate size, and stock price, all contribute to a company's relative position on the scale. The amount of cash on hand, net of debt, is an important consideration. Take Microsoft (MSFT), another A++ rated company, for example. With over $57 billion in cash available, the software giant can easily finance its operations, capital spending, dividend obligations, and a share repurchase program. At the other end of the spectrum, struggling retailer Zale Corp. (ZLC), rated C+ for Financial Strength, is less well financed.

Muddying the waters is the fact that not all industries are structured the same way financially. The Utilities and Financial sectors are prominent examples in that regard. Electric, natural gas, and water utilities are much more highly leveraged than industrial companies, with debt often topping 50% of total capitalization. Utilities are required to use more debt, because it is cheaper than equity. The increased financial risk is offset by reduced business risk, since utilities are a regulated monopoly. Relatively more equity and better fixed-charge coverage ratios support utilities' Financial Strength ratings. Con Edison (ED) is an example of an electric utility with above-average finances.

For financial services providers, such as banks, thrifts, and insurance companies, the amount of capital, as measured by the equity to assets ratio, is a key consideration. More capital is better from a regulatory standpoint, but too much cuts down on profitability. Loss reserves are important, as well, as are funding sources. For lenders, deposits insured by the U.S. government represent a firmer source of liquidity than borrowings. It's when liquidity dries up that disruption occurs in the credit markets.

It's important to note that financial strength doesn't always translate into stock market outperformance. Shares of smaller companies and companies that are more leveraged often do significantly better when the economy is coming out of a recession. Since those groups are more sensitive to broader business conditions, their profits stand to rise more on a percentage basis in the early stages of a recovery. But, for investors looking for dividend-paying stocks and stocks to hold on to for a long period of time, it pays to be aware of a company's financial standing.

Value Line Safety Rank: (excerpted from http://jump.valueline.com/About/Ranking_System.aspx)

The rank for Safety is assigned by Value Line to each of the approximately 1,700 stocks. This rank measures the total risk of a stock relative to the approximately 1,700 other stocks. It is derived from a stock's Price Stability index and the Financial Strength rating of a company. Safety ranks are also given on a scale from 1 (Highest) to 5 (Lowest).

Stocks with high Safety ranks are often associated with large, financially sound companies; these same companies also often have somewhat less-than-average growth prospects because their primary markets tend to be growing slowly or not at all. Stocks with low Safety ranks are often associated with companies that are smaller and/or have weaker-than-average finances; on the other hand, these smaller companies sometimes have above-average growth prospects because they start with a lower revenue and earnings base.

Safety becomes particularly important in periods of stock market downswings, when many investors want to try to limit their losses. When you study the data, you will find that stocks with high Safety ranks generally fall less than the market as a whole when stock prices drop.

If you think the market is headed lower, but prefer to maintain a fully invested position in stocks, concentrate on stocks ranked 1 or 2 for Safety.

Yield: The income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

As used here, yield is the annual dividend per share divided by current share price.

END NOTES

i **SMART**: See SMART Goals.

ii **Dividend**: See Glossary: Dividend

iii **R**equired **M**inimum **D**istribution or **RMD**: See Glossary: Required Minimum Distribution.

iv **GICS**: **G**lobal **I**ndustry **C**lassification **S**tandard: See Glossary: GICS.

v http://www.morningstar.com/invglossary/defensive_super_sector.aspx

vi http://www.morningstar.com/invglossary/sensitive_super_sector.aspx

vii http://www.morningstar.com/invglossary/cyclical_super_sector.aspx

viii **Yield**: See Glossary: Yield

ix **"High Total Return" formula**: See Glossary: "High Total Return" formula.

x **Value Line Financial Strength**: See Glossary: Value Line Financial Strength

xi **Value Line Safety Rank**: See Glossary: Value Line Safety Rank

xii **CCC**: See Glosaary: The Dividend Champions, Contenders and Challengers Spreadsheet.

xiii **Chowder Rule**: See Glossary: Chowder Rule.

xiv See the **SeekingAlpha.com** article: http://seekingalpha.com/article/3599876-retirees-i-did-not-buy-ibm-to-sell-its-about-the-dividend-income-stupid

xv **F.A.S.T.Graphs**: See Glossary: F.A.S.T.Graphs.

xvi **Type 1 or Type 2 Ranking**: See Glossary: Type 1 or Type 2 Ranking.

xvii **SSD**: See Glossary: SSD

xviii On David Fish's CCC (Champions, Contenders, Challengers) spreadsheet, companies that have gone more than a year without a dividend increase have their dividend dates red-flagged (the actual dates are red instead of black). Some companies will increase their dividend payout in the middle of alternating years. The annual total is higher each year, but the dividend is increased only once every two years. Other companies will delay a dividend increase prior to freezing or cutting the dividend.

An example of a dividend increase in the middle of alternating years would be the following:

	Q1 Div	Q2 Div	Q3 Div	Q4 Div	Total
Year 1	$0.10	$0.10	$0.10	$0.10	$0.40
Year 2	$0.10	$0.10	$0.11	$0.11	$0.42
Year 3	$0.11	$0.11	$0.11	$0.11	$0.44
Year 4	$0.11	$0.11	$0.12	$0.12	$0.46
Year 5	$0.12	$0.12	$0.12	$0.12	$0.48

xix **Dividend Safety Score**. See DSS.

xx **Abalienation** (n) from *abalienate* (v) 1150s, from the Latin *abalienatus*, past participle of *abalienare* "***to remove***," literally "***to make alien***," from *ab-* (a formal element occurring in loanwords from Latin, where it meant "***away from***") + *alienare* (to transfer or convey, as title, property, or other right, to another). See reference at: http://dictionary.reference.com/browse/abalienate

END NOTES

xxi **P/E**: See Glossary: P/E.

xxii **Beta**. See Glossary: Beta.

xxiii **Portfolio Organic Growth Rate**. See Glossary: Portfolio Organic Growth Rate.