OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

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Valuentum Securities Inc.
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The Dividend Growth Newsletter portfolio has advanced 75.2% since inception, January 2012.

Annualized Return	Annualized Goal	Outperformance
11.9%	Mid-High Single Digits	4.4pts

*Please see note below regarding performance measurement.

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To get started with your own copy of the Valuentum Dividend Growth Portfolio Retirement Model please visit: http://www.valuentum.com/store/products/43

"...the average return of our dividend growth picks has blown the return of the S&P 500 out of the water during the past two years, and in each of the past two years." – Brian Nelson, CFA

Evaluating Our 2016 Dividend Growth Picks

By Brian Nelson, CFA

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Dividend Growth Ideas: MO, AAPL, CBRL, COH, CSCO, XLE, GE, GM, HAS, INTC, JNJ, MDT, MSFT, O, PG, PPL, SDY, VNQ

***NOTE:** The Dividend Growth portfolio's goal is to generate a mid-to-high single digit annual return (about 7.5%) over rolling 3-5 year periods. As of today, January 1, 2017, the portfolio is significantly exceeding this goal.

What say us of our dividend growth stock-selection skills?

First, on a portfolio level, I am very proud to say that the Dividend Growth Newsletter portfolio has advanced in each of the past two years, while the SPDR S&P Dividend ETF (SDY) has been significantly more volatile, declining during 2015, and bouncing back during 2016. For supposedly steady-eddy dividend growth indices, they tend to be quite volatile relative to the Valuentum Dividend Growth Newsletter portfolio, one of the main reasons why I *don't* think income investors should be fully-exposed to one or a basket of these dividend growth ETFs. There are just too many moving parts to get one's head around.

The returns of the Valuentum Dividend Growth Newsletter portfolio aren't compared to a specific market index, as in the S&P 500 (SPY) or the SPDR S&P Dividend ETF, for example, so we generally don't judge our performance alongside benchmarks as we do with the Best Ideas Newsletter portfolio. If you're looking to beat the market, we try to do so in the Valuentum Best Ideas Newsletter portfolio, not necessarily in the Valuentum Dividend Growth Newsletter portfolio. In the Valuentum Dividend Growth Newsletter portfolio, we like the idea of witnessing a steadily-advancing portfolio value, and targets of a high-single-digit annual return with significantly less volatility and drawdown risk make a lot of sense to us. Said differently, we want strong risk-adjusted returns, not beta-driven volatility.

Valuentum DG Stock Selection Assessment	1/1/2015	1/1/2016	12/30/2016	Div's Rec'd (2015)	Div's Rec'd (2016)	2015 Avg Return %	2016 Avg Return %	2015-2016 Average Return %
Dividend Growth Holdings (Avg)	-	-	-	-	-	**5.2%**	**14.9%**	**10.1%**
S&P 500 Index (SPY)	206.38	200.49	223.53	4.21	4.54	-0.8%	13.8%	6.5%
ALPHA vs. S&P 500						**6.0%**	**1.2%**	**3.6%**
S&P Dividend ETF SPDR (SDY)	79.00	72.37	85.56	4.56	2.05	-2.6%	21.1%	9.2%
ALPHA vs. S&P Dividend ETF						**7.8%**	**-6.1%**	**0.8%**

Let's dig into how our dividend growth picks, or the holdings in the Valuentum Dividend Growth Newsletter portfolio, have performed more recently. First, the average return of our dividend growth picks has blown the return of the S&P 500 out of the water during the past two years, and in each of the past two years. Specifically, the respective alpha generated was 6 percentage points in 2015 and 1.2 percentage points in 2016, good for an average of about 3.6 percentage points during the past two years. That's really saying something because the market has

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rallied significantly following the Trump election victory--something we admit we weren't fully expecting. In many ways, the market has rallied against us these past two months.

As I mentioned previously, dividend growth ETFs continue to be highly volatile, with the SPDR S&P Dividend ETF falling during 2015 but advancing during 2016, settling on an average of a 9% return in 2015-2016. The average return of dividend growth holdings came in at about 10% during those two years, good for about one percentage point of outperformance. The SPDR S&P Dividend ETF has been very tough to beat on a stock-selection basis, but where I think the Valuentum Dividend Growth Newsletter portfolio comes out ahead is that it is significantly less volatile. What the portfolio has shown during the past few years is that it can advance steadily even in the face of a declining market. During 2015, for example, the Valuentum Dividend Growth Newsletter portfolio leapt while both the S&P 500 and SPDR S&P Dividend ETF fell. I like the resilience of the Valuentum Dividend Growth Newsletter portfolio in this respect.

A detailed breakdown of the Valuentum Dividend Growth Newsletter portfolio holdings and their respective performance is shown below. The green reflects stocks that outperformed the S&P 500 over the respective time period (either in 2015, 2016, or 2015-2016). In the study, during the two-year period ending December 30, 2016, 10 out of the 16 holdings outperformed the S&P 500 with Altria (MO), Cracker Barrel (CBRL), the Energy Select Sector SPDR (XLE), General Electric (GE), Hasbro (HAS), Microsoft (MSFT), and Realty Income (O) the most significant outperformers (average returns in bold). Apple (AAPL) hasn't done as well as we would have liked during the past two years, and Procter & Gamble's (PG) performance has also been somewhat disappointing. We hold PP&L (PPL) as our utility pick, but we haven't been expecting much in that area. Depending on whether you include it or not, our hit rate of outperformance relative to the S&P 500 when it comes to our dividend growth picks is about 60%-70%. That may not sound high, but when traders are fighting over a modest edge, the magnitude is vast.

Company (symbol)	1/1/2015	1/1/2016	12/30/2016	Div's Rec'd (2015)	Div's Rec'd (2016)	2015 Return %	2016 Return %	2015-2016 Average Return %	First Purchase
Altria (MO)	49.30	57.54	67.62	2.17	2.35	21.12%	21.60%	**21.36%**	12/30/2011
Apple (AAPL)	111.39	102.61	115.82	2.03	2.23	-6.06%	15.05%	4.49%	7/24/2013
Cisco (CSCO)	27.86	26.39	30.22	0.82	0.99	-2.33%	18.26%	7.97%	11/14/2014
Coach (COH)	37.70	32.35	35.02	1.35	1.35	-10.60%	12.43%	0.91%	9/19/2014
Cracker Barrel (CBRL) (1)	141.77	133.50	166.98	7.20	8.85	Not Held	31.71%	**31.71%**	2/1/2016
Energy Sector SPDR (XLE)	78.73	60.16	75.32	2.04	1.70	NMF (3)	28.03%	**28.03%**	4/1/2015
General Electric (GE)	25.34	30.55	31.60	0.92	0.93	24.19%	6.48%	**15.34%**	10/21/2013
General Motors (GM) (2)	35.27	33.45	34.81	1.38	1.46	Not Held	NMF (3)	NMF (3)	12/1/2016
Hasbro (HAS)	55.45	66.34	77.79	1.81	1.99	22.90%	20.26%	**21.58%**	12/30/2011
Intel (INTC)	36.67	33.88	36.30	0.96	1.04	-4.99%	10.21%	2.61%	12/30/2011
Johnson & Johnson (JNJ)	105.05	101.71	115.21	2.95	3.15	-0.37%	16.37%	8.00%	12/30/2011
Medtronic (MDT)	72.13	75.83	71.23	1.45	1.67	7.13%	-3.86%	1.63%	12/30/2011
Microsoft (MSFT)	46.66	54.32	62.17	1.29	1.47	19.18%	17.16%	**18.17%**	12/30/2011
Proctor & Gamble (PG)	90.84	78.36	84.08	2.63	2.67	-10.84%	10.71%	-0.06%	12/30/2011
PP&L (PPL)	36.48	33.90	34.05	1.50	1.52	-2.96%	4.93%	0.99%	12/30/2011
Realty Income (O)	47.98	51.14	57.48	2.28	2.41	11.34%	17.10%	**14.22%**	7/24/2013
S&P Div ETF SPDR (SDY) (2)	79.00	72.37	85.56	4.56	2.05	Not Held	NMF (3)	NMF (3)	4/20/2016
Vanguard REIT ETF (VNQ) (1)	81.70	77.07	82.53	3.12	3.98	Not Held	12.24%	**12.24%**	2/1/2016

(1) Returns calculated from first purchase in 2016 (2/1/2016). 2016 data point refers to price at portfolio addition on Feb 1, 2016.

(2) Added mid-year 2016. Data in 2015, 2016 reflects year-beginning prices (Jan 1), not the price at which the company was added to the newsletter portfolio. Calculations excluded from yearly average.

(3) Because the company was added mid-year, returns are not included in the calculation for that yearly comparison. Not meaningful.

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In light of Trump's Presidential victory and our team's predictions for the stock market in 2017, we plan to make a number of tactical tweaks to the Dividend Growth Newsletter portfolio in the coming weeks, putting some more cash to work. In the meantime, I highly encourage you to read two recent pieces that we wrote up and one that I think is timeless as we prepare for an exciting 2017, "5 Shocking Stock Market Predictions for 2017," "Valuentum's Dividend Growth Portfolio Retirement Tool," and "Nelson: The 13 Most Important Steps To Understand the Stock Market." I hope you enjoy this January 2017 edition of the Dividend Growth Newsletter. Happy New Year!

5 Shocking Stock Market Predictions for 2017:

http://www.valuentum.com/articles/5_Shocking_Stock_Market_Predictions_for_2017

Valuentum's Dividend Growth Portfolio Retirement Tool:

http://www.valuentum.com/articles/Valuentums_Dividend_Growth_Portfolio_Retirement_Model

Nelson: The 13 Most Important Steps To Understand the Stock Market:

http://www.valuentum.com/articles/20130225_2

Valuentum's Dividend Growth Portfolio Retirement Model

By Kris Rosemann

To get started with your own copy of the Valuentum Dividend Growth Portfolio Retirement Model please visit http://www.valuentum.com/store/products/43

Dividend growth investing is a popular strategy for investors planning for their future. The Valuentum Dividend Growth Portfolio Retirement Model allows investors and financial advisors to plan for their and their clients' retirement or other needs, and it sets out to do much more than what other simple dividend growth calculators do. By entering in just a few assumptions, a user can calculate a dividend growth portfolio's total market value and annual income generation at an expected retirement date. The model has considerable functionality, allowing the user to factor in not only a company's near and long-term expected dividend growth rate but also the quarterly reinvestment of growing dividends at a future expected stock price. The user can easily print the conclusions of their analysis, either for you and your clients. Let's dig into the model in this quick how-to walk-though.

Step I: Enter Name, Current Date and Expected Retirement Date in Yellow Cells

Summary	
Current Date	12/19/2016
Your or Client's Name	Joe Dividend
Current Portfolio Market Value	$120,307.74
Retirement Date	12/31/2036
Years to Retirement	20.0
Portfolio Market Value at Retirement	$428,720.70
Annualized Portfolio Return	6.5%

For the example that follows, we have input today's date (at the time of this writing), the portfolio owner's name (yes, we made this one up for illustrative purposes), and an expected retirement date (12/31/2036 in this case). Please be sure to set the inputs to specific information that reflect your or your client's unique situation. In the Valuentum Dividend Growth Portfolio Retirement Model, cells that allow input changes are highlighted in yellow, while the others are locked for editing (to preserve the integrity and structure of the model) and are usually in white. The white cells represent outputs to the analysis. In this example, we assume client 'Joe Dividend' has roughly 20 years until he expects to retire.

Step II: Enter Portfolio Information in Yellow Cells (up to 30 companies)

In this step, we input the company name, ticker symbol, number of shares and current share price for the holdings in the Dividend Growth Newsletter portfolio as of the December edition of the newsletter, which currently holds 18 companies and exchange traded funds (ETFs). For simplification purposes, we have excluded the cash balance of the Dividend Growth Newsletter portfolio, but you should include all holdings, including the cash portion, to generate as accurate of a future forecast for portfolio value as possible.

In the Valuentum Dividend Growth Portfolio Retirement Model (shown above), we include rows for up to 30 companies, ETFs, and other securities. Generally speaking, we think 30 securities is a sufficient number to pursue a dividend growth strategy, and especially within the context of a portfolio – any more may be adding incremental complexity with little to no diversification benefits. Just to reiterate, since the goal of this exercise is to display the functionality of the Valuentum Dividend Growth Portfolio Retirement Model, we have excluded the cash portion of the Dividend Growth Newsletter portfolio in this analysis.

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The Dividend Growth Portfolio

Annualized Return	Annualized Goal	Outperformance
11.9%	Mid-High Single Digits	4.4pts

The Dividend Growth Newsletter portfolio has advanced 75.2% since inception, January 2012.

DIVIDEND GROWTH PORTFOLIO -- as of December 30, 2016 — Dividend Growth Portfolio Inception Date: January 1, 2012

Company Name	First Purchase	Avg Cost ($)	# of Shares	Total Cost ($)	Last	Current Value ($)	% of Portfolio	Exp. Yrly Div's ($)
Altria (MO)	12/30/2011	29.65	101	3,001.65	67.62	6,829.62	3.9%	246.44
Apple (AAPL)	7/24/2013	63.17	51	3,228.45	115.82	5,906.82	3.4%	116.28
Cisco (CSCO)	11/14/2014	26.31	199	5,242.53	30.22	6,013.78	3.4%	206.96
Coach (COH)	9/19/2014	37.55	80	3,011.00	35.02	2,801.60	1.6%	108.00
Cracker Barrel (CBRL)	2/1/2016	133.50	18	2,410.00	166.98	3,005.64	1.7%	82.80
Energy Sector SPDR (XLE)	4/1/2015	72.63	121	8,795.76	75.32	9,113.72	5.2%	242.42
General Electric (GE)	10/21/2013	26.18	240	6,290.20	31.60	7,584.00	4.3%	230.40
General Motors (GM)	12/1/2016	36.43	119	4,342.17	34.84	4,145.96	2.4%	180.88
Hasbro (HAS)	12/30/2011	31.89	110	3,514.90	77.79	8,556.90	4.9%	224.40
Intel (INTC)	12/30/2011	24.25	289	7,015.25	36.30	10,490.70	6.0%	300.56
Johnson & Johnson (JNJ)	12/30/2011	65.58	107	7,024.06	115.21	12,327.47	7.0%	342.40
Medtronic (MDT)	12/30/2011	38.25	78	2,990.50	71.23	5,555.94	3.2%	134.16
Microsoft (MSFT)	12/30/2011	25.96	77	2,005.92	62.17	4,787.09	2.7%	120.12
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	84.08	8,828.40	5.0%	281.40
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	34.05	8,103.90	4.6%	361.76
Realty Income (O)	7/24/2013	44.35	60	2,668.00	57.48	3,448.80	2.0%	145.80
S&P Dividend ETF SPDR (SDY)	4/20/2016	81.33	105	8,546.65	85.56	8,983.80	5.1%	223.70
Vanguard REIT ETF (VNQ)	2/1/2016	77.07	32	2,473.24	82.53	2,640.96	1.5%	96.13
Latest Changes: Removed half of the position in MDT (12/1/16); Added GM (12/1/2016).								
Cash -- changes in cash balance reflects dividends received and trading gains/losses, where applicable				2,363.42		56,068.68	32.0%	3,644.61
Dividend Growth Portfolio				100,000.00		**175,193.78**	100.0%	**TBD**
DG Portfolio Annualized Return (from inception through current date)								**11.9%**
DG Portfolio Annualized Return Goal (Mid-to-High Single Digit Returns)								7.5%
DG Portfolio Annualized Return Outperformance								**4.4%**

UR = Under Review

This portfolio is not a real money portfolio. Data as of December 30, 2016. Cost basis includes commissions. Results include divdends, but no interest received on cash balance.

DIVIDEND GROWTH PORTFOLIO -- as of December 30, 2016 — Fundamental data as of December 30, 2016

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	Div Growth	Fair Value	VBI Score	Price/Fair Value
Altria (MO)	2.44	3.61%	mid-Mar 2017	mid Mar 2017 (quart)	1.1	GOOD	GOOD	$58.00	6	1.17
Apple (AAPL)	2.28	1.97%	early Feb 2017	Feb 2017 (quart)	4.7	EXCELLENT	EXCELLENT	$147.00	7	0.79
Cisco (CSCO)	1.04	3.44%	early Jan 2017	early Jan 2017 (quart)	2.8	EXCELLENT	EXCELLENT	$39.00	7	0.77
Coach (COH)	1.35	3.85%	early Mar 2017	early Mar 2017 (quart)	1.9	GOOD	GOOD	$41.00	6	0.85
Cracker Barrel (CBRL)	4.60	2.75%	mid Jan 2017	late Jan 2017 (quart)	1.7	GOOD	GOOD	$171.00	6	0.98
Energy Sector SPDR (XLE)	2.00	2.66%	late Mar 2017	early Mar 2017 (quart)	-	GOOD	NEUTRAL	-	UR	-
General Electric (GE)	0.96	3.04%	mid Mar 2017	Mar 2017 (quart)	3.1	EXCELLENT	GOOD	$32.00	6	0.99
General Motors (GM)	1.52	4.36%	early Mar 2017	Mar 2017 (quart)	2.0	GOOD	GOOD	$43.00	6	0.81
Hasbro (HAS)	2.04	2.62%	late Jan 2017	late Jan 2017 (quart)	1.8	GOOD	EXCELLENT	$76.00	6	1.02
Intel (INTC)	1.04	2.87%	early Feb 2017	Feb 2017 (quart)	2.7	GOOD	GOOD	$42.00	7	0.86
Johnson & Johnson (JNJ)	3.20	2.78%	mid Feb 2017	Feb 2017 (quart)	2.7	GOOD	EXCELLENT	$121.00	7	0.95
Medtronic (MDT)	1.72	2.41%	late Mar 2017	Mar 2017 (quart)	1.6	GOOD	EXCELLENT	$76.00	4	0.94
Microsoft (MSFT)	1.56	2.51%	mid Feb 2017	Feb 2017 (quart)	2.5	GOOD	EXCELLENT	$56.00	7	1.11
Proctor & Gamble (PG)	2.68	3.19%	late Jan 2017	early Feb 2017 (quart)	1.5	GOOD	EXCELLENT	$70.00	3	1.20
PP&L (PPL)	1.52	4.46%	late Mar 2017	late Mar 2017 (quart)	Held for diversification reasons.			$33.00	3	1.03
Realty Income (O)	2.43	4.23%	monthly	monthly	2.1	GOOD	GOOD	$59.00	3	0.97
S&P Dividend ETF SPDR (SDY)	2.13	2.49%	mid Mar 2017	late Mar 2017 (quart)	-	-	-	-	UR	-
Vanguard REIT ETF (VNQ)	3.00	3.64%	late Mar 2017	Mar 2017 (quart)	-	GOOD	NEUTRAL	-	UR	-

Standard Disclaimer: Our Dividend Growth portfolio is for information purposes only and should not be considered a solicitation to buy or sell any security. Valuentum is not responsible for any errors or omissions or for results obtained from the use of our Dividend Growth Newsletter and accepts no liability for how readers may choose to utilize the content.

*Valuentum's Dividend…*from page 4

Company Name	Ticker Symbol	Number of Shares	Current Share Price
Altria	MO	101	67.04
Apple	AAPL	51	115.97
Cisco	CSCO	199	30.59
Coach	COH	80	35.32
Cracker Barrel	CBRL	18	171.08
Energy Select SPDR	XLE	121	76.48
General Electric	GE	240	31.75
General Motors	GM	119	36.37
Hasbro	HAS	110	80.92
Intel	INTC	289	36.33
Johnson & Johnson	JNJ	107	115.88
Medtronic	MDT	78	73.46
Microsoft	MSFT	77	62.30
Procter & Gamble	PG	105	84.68
PP&L	PPL	238	34.63
Realty Income	O	60	55.47
S&P Dividend ETF	SDY	105	85.66
Vanguard REIT ETF	VNQ	32	82.66

Please note that prices in the 'Current Share Price' column are for illustrative purposes in this example. The last closing price for companies included in the Dividend Growth Newsletter portfolio, as of December 30, 2016, can be viewed on page 5, the previous page, in the Dividend Growth Newsletter portfolio.

Step III: Enter Portfolio Assumptions in Yellow Cells

Step III in the Valuentum Dividend Growth Portfolio Retirement Model is perhaps the most important and certainly the most rigorous. In this step, we input our expectations for future return performance of the holdings in the Dividend Growth Newsletter portfolio. Doing so can be a very challenging task, and one that involves more art than science, but using Valuentum's resources on its website can help along the way.

Please see *Valuentum's Dividend…*on next page

*Valuentum's Dividend…*from previous page

Company Name	Ticker Symbol	Number of Shares	Share Price	Current Market Value	Long-term Expected Annual Share Price Increase	Annual Dividends Per Share, Year 0-1	Dividend Growth Rate, Year 1-2	Dividend Growth Rate, Year 2-3	Long-term Annual Dividend Growth Rate	Quarterly Dividend Reinvestment Rate
Altria	MO	101	67.04	$6,771.04	3%	2.44	5%	3%	3%	100%
Apple	AAPL	51	115.97	$5,914.47	5%	2.28	20%	15%	5%	100%
Cisco	CSCO	199	30.59	$6,087.41	5%	1.04	20%	15%	5%	100%
Coach	COH	80	35.32	$2,825.60	3%	1.35	5%	5%	3%	100%
Cracker Barrel	CBRL	18	171.08	$3,079.44	3%	4.60	12%	8%	3%	100%
Energy Select SPDR	XLE	121	76.48	$9,254.08	2%	1.84	3%	3%	2%	100%
General Electric	GE	240	31.75	$7,620.00	3%	0.96	8%	8%	3%	100%
General Motors	GM	119	36.37	$4,328.03	3%	1.52	12%	8%	3%	100%
Hasbro	HAS	110	80.92	$8,901.20	3%	2.04	12%	8%	3%	100%
Intel	INTC	289	36.33	$10,499.37	5%	1.04	8%	8%	5%	100%
Johnson & Johnson	JNJ	107	115.88	$12,399.16	3%	3.20	8%	8%	3%	100%
Medtronic	MDT	78	73.46	$5,729.88	3%	1.72	12%	8%	3%	100%
Microsoft	MSFT	77	62.30	$4,797.10	3%	1.56	15%	12%	3%	100%
Procter & Gamble	PG	105	84.68	$8,891.40	3%	2.68	5%	5%	3%	100%
PP&L	PPL	238	34.63	$8,241.94	2%	1.52	2%	2%	2%	100%
Realty Income	O	60	55.47	$3,328.20	2%	2.43	5%	5%	2%	100%
S&P Dividend ETF	SDY	105	85.66	$8,994.30	2%	1.99	3%	3%	2%	100%
Vanguard REIT ETF	VNQ	32	82.66	$2,645.12	2%	3.12	3%	3%	2%	100%
NMF	NMF	NMF	NMF	**$120,307.74**	NMF	NMF	NMF	NMF	NM	

Please note that numbers in the 'Share Price' and 'Current Market Value' columns are for illustrative purposes in this example. The last closing price for companies included in the Dividend Growth Newsletter portfolio, as of December 30, 2016, can be viewed on page 5 in the Dividend Growth Newsletter portfolio.

The first input is titled 'Long-term Expected Annual Share Price Increase,' the first column of yellow cells. The inputs that you enter into these cells for each company should represent the percentage you think the stock price will increase each year over the long haul (not its total return, which includes dividends, but the change in the price of the stock). This can't be predicted with certainty but it should still reflect your long-term expectation, which helps to build the model (setting capital appreciation trajectory, price at which dividends are reinvested). To reiterate, the measure to input in these cells is not a total return measure and should only represent your expectations of the long-term annual capital gain of the equity, excluding any dividend-related considerations (at this point in the model build). We'll get to dividends later.

For most companies, we think a range of 0%-5% may be appropriate, and generally speaking, the higher the dividend yield, the lower the capital-gain portion of total return, all else equal. Remember – dividends are a portion of total return that reduces the capital gain component that otherwise would have been achieved. In the examples that comprise the Dividend Growth Newsletter portfolio, we generally assume a long-term annual share price increase rate of 2%-3%, a modest assumption but realistic assumption for most companies, but there are instances where 5% is applied. Said differently, the majority of the companies we include in the Dividend Growth Newsletter portfolio are of the large cap variety, and we expect their maturity to translate into relatively steady performance during the 20-year forecast horizon. However, we've made higher share-price-return growth assumptions for Apple (AAPL), Cisco (CSCO), and Intel (INTC) in light of the valuation opportunity presented by shares.

Good practice in setting these assumptions includes evaluating each firm's 16-page report and any recent commentary from Valuentum on each stock's landing page on the website (be sure to use the 'Symbol' search box). A consideration of its current valuation, expected earnings growth rates, and competitive advantages are just a few criteria to consider when setting this assumption. There is a great deal of helpful information in the individual 16-page reports, and sections such as 'Growth Analysis' on page 3 and 'Margin of Safety Analysis' on page 6 of the 16-page reports may be of interest for users making projections in the Valuentum Dividend Growth Portfolio Retirement Model. As these projects reflect more art than science, it is important to be mindful of the time horizon that you set when

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considering what values to input. Compounding returns over time usually end in unrealistic long-term outcomes, so be sure to think through whether the long-term rate you input is realistic over the time horizon you set for your retirement date.

Let's take a moment to quickly discuss some of the considerations behind the assumptions for the 'Long-term Expected Annual Share Price Increase' column in our example model. For Altria (MO), we include a conservative 3% capital gain return for its long-term expected annual share price increase (again, this estimate excludes any dividend-related considerations for now). Sustainable earnings growth at the company is expected to come from product pricing power, even as global cigarette volumes remain under pressure. An increasingly health-conscious global society remains a key long-term risk, but its impressive share in both the cigarette and smokeless tobacco markets is hard to overlook, and we don't think smoking will go away completely. A 10%+ equity interest in global beer giant AB InBev (BUD) provides additional financial flexibility to the company. Shares are fairly valued, so a GDP-like, inflation-like 3% estimate seems to make sense in this context.

In the case of Apple, we are comfortable assigning it a relatively higher expected annual share-price-increase rate due to our opinion of the competitive advantages of its impressive ecosystem and brand strength. The iPhone may not be the revolutionary technology it once was, but future iterations of the device should continue to propel Apple's fundamentals higher as it explores higher growth avenues such as wearable technology, all while having a reassuring balance sheet with a net cash position larger than the market capitalizations of most other companies included in the S&P 500. Shares look cheap at the moment, offering the potential for outsize share price gains in the near term. In this case, we use the valuation opportunity as support for estimating a higher long-term capital return, excluding dividend-related considerations.

Cisco is another that receives a relatively high share price growth assumption. As with Apple, shares of Cisco look relatively cheap at the moment, offering some additional potential in the near term. So, not only do we think the near term will be bright, but the long-term growth story for Cisco remains its connection to the ongoing digital transformation in business and society. The applications of its cloud platform are vast, and while competition will remain stiff (as it always has been), the company is working to optimize its business as a software and subscription based model and is experiencing positive momentum, which we expect to carry over into meaningful long-term growth. As a result of these considerations, we give our estimate of Cisco a boost.

Coach (COH) receives what we would describe to be a 'standard' 3% long-term expected annual share price increase assumption, though this may be a bit generous in light of the fickle nature of demand for aspirational and luxury goods. Coach's products are discretionary in nature, and as such, demand tends to be tied to the health of the overall economy/stock market (given the wealth effect), the disposable income levels of wealthy consumers, and the tourism markets. Changing fashion trends are a risk, as wearable technology has already started to hurt the brand strength of some of the most established companies. Although we've been generous with a 3% growth rate for this input for Coach, we believe a 1%-2% target may also be reasonable in light of the uncertainty a long-term horizon brings. As time passes, we'll continue to monitor this and other assumptions, an exercise that is part of the update process.

Cracker Barrel (CBRL) is another example of a company that benefits most when disposable income levels are high. We love that the unique feel of the company's restaurants sets it apart from competitors, and a reputation for fairly-priced, home-style meals sits well with consumers. Still, we have a difficult time assigning any restaurant stock a long-term expected annual share price growth rate above 3% in light of the competitive dynamics of the space. Further, the discretionary nature of eating away from home and the fickleness of the average American consumer are factors we tab as restricting a higher-growth assumption, even as we say that Cracker Barrel is one of our favorites across the restaurant industry.

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We assign each of the three ETFs--Energy Select SPDR (XLE), S&P Dividend ETF (SDY), Vanguard REIT ETF (VNQ)--included in the Dividend Growth Newsletter portfolio a long-term expected annual share price increase of 2%, below what we would describe as the 3% standard, default setting. The lower assumption relative to baseline is largely a result of the ETFs' inclusion of a high number of stocks, making long-term outperformance less likely than that of an individual equity. Said differently, a negative side effect of the ETFs that protect against downside risk is that upside potential is hindered. It is also no surprise that these securities include entities that generally have a high dividends yield, which itself is a one-for-one adjustment to the total return component of the stock (the share price is adjusted downward when a stock pays a dividend). Thinking about the size of the dividend yield for the security in the context of setting the input for the 'Long-term Expected Annual Share Price Increase' is an important one. Generally speaking, the higher the dividend yield, the lower the estimate should be in this column, all else equal.

General Electric (GE) is an interesting consideration in terms of our expectations for its long-term annual share price increase. The firm looks to be well positioned to be a top player in the growing Industrial Internet of Things, and its scale should help it outperform some smaller competitors in this area. However, it still has a massive industrial portfolio that is tied to a variety of end markets, many of which are cyclical in nature (oil and gas, for example). As a result, we're assuming the firm's share price will grow by roughly 3% annually over the next 20 years in our model example. It will have its ups and downs, but it will be difficult to make the case that GE will expand at a greater pace than global GDP for a long period of time.

The assumptions behind General Motors' (GM) annual share price growth assumption require careful consideration of the regions it serves. While we expect somewhat stable performance in North America due to the mature nature of the auto market in the US, other regions of the world offer higher growth opportunities for the firm. Developing markets and the blossoming global middle class will soon require more new and improved vehicles, and a manufacturer with the scale and resources of GM can be expected to work to fill such demand. Further, GM is confident in its positioning for the next round of technology in mature markets, and it is already a major part of the competition in self-driving and electronic cars. We think a 3% long-term annual share price increase assumption is reasonable, despite the company's troubled past.

Hasbro (HAS) is an interesting case in that its transformation to a licensing business model from a physical toy maker is what leads us to assume a 3% long-term annual share price increase. The company's new capital-light business model is a clear positive from the transition, but it has also now brought its licensing agreements to the forefront. For example, recent performance had been driven in part by strength in products that were a result of an agreement with Disney's (DIS) Frozen franchise. Should such relationships not be adequately maintained, performance could suffer. As a result, a more moderate long-term annual share price growth assumption is appropriate, in our view.

We assign Intel a 5% long-term annual share price increase, as we expect it to benefit from the digital transformation of society and industry, though in a different way than Cisco and GE. Intel's prowess as a chip manufacturer, along with its enhanced scale as a result of the Altera acquisition, should help it take advantage of the massive demand expected to develop for a wide range of Internet-connected devices. We like the potential growth profile at Intel, and long-term growth in mobile looks very promising, even as Qualcomm (QCOM) remains part of the picture.

Johnson & Johnson (JNJ) is an example of a steady-eddy entity whose diverse portfolio ranges from consumer products to pharmaceutical products. Though a 3% long-term annual share price increase assumption may be a bit conservative for the firm when considering the potential embedded in its pharmaceutical pipeline, the risks that come with depending upon unapproved drugs for future growth are still rather high for us to assume a higher assumption (at this time). Still, J&J represents a case where we might ratchet up this 3% long-term forecast as we continue to receive more information about how all phases of its pipeline are developing in the future. Tweaking estimates as time progresses and as new information becomes available is part of the process.

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Stocks with High Valuentum Buying Index Ratings and Strong Dividend Growth Prospects

By Valuentum Analysts

The table below showcases firms in our coverage universe that have high Valuentum Buying Index™ ratings and strong dividend growth prospects. The table represents a list of interesting dividend-paying stocks that are *among* the most timely dividend growth ideas based on our stock-selection methodology. You'll see that many of them are already holdings in our Dividend Growth portfolio (see page 5).

Though our dividend-growth portfolio may be fully-invested at times, we may swap in firms on this list or firms on our dividend-growth watch list (see the next page) at the right price or if our analyst team determines that a new add has more potential total return opportunity than a current holding. At any time, however, our favorite dividend growth ideas are included in the Dividend Growth portfolio.

Company Name	Symbol	Sector	Est. Div Yield	VBI	Div Growth	Div Cushion
Darden Restaurants	DRI	Consumer Discretionary	3.6%	7	GOOD	1.3
Cisco	CSCO	Information Technology	3.4%	7	EXCELLENT	2.8
Xerox	XRX	Industrials	3.0%	9	EXCELLENT	1.6
Intel	INTC	Information Technology	2.9%	7	GOOD	2.7
Nucor	NUE	Materials	2.8%	7	GOOD	1.6
Williams-Sonoma	WSM	Consumer Discretionary	2.7%	7	EXCELLENT	2.6
Johnson & Johnson	JNJ	Consumer Staples	2.7%	7	EXCELLENT	2.7
Microsoft	MSFT	Information Technology	2.5%	7	EXCELLENT	2.5
United Technologies	UTX	Industrials	2.4%	7	EXCELLENT	1.4
CVS Caremark	CVS	Consumer Staples	2.2%	8	GOOD	0.9
Raytheon	RTN	Industrials	2.1%	7	EXCELLENT	2.2
Apple	AAPL	Information Technology	2.0%	7	EXCELLENT	4.7
Foot Locker	FL	Consumer Discretionary	1.9%	7	EXCELLENT	4.4
Finish Line	FINL	Consumer Discretionary	1.9%	7	GOOD	4.7
Ralph Lauren	RL	Consumer Discretionary	1.8%	7	EXCELLENT	3.5
NASDAQ	NDAQ	Financials	1.8%	7	EXCELLENT	2.1
Deluxe	DLX	Information Technology	1.8%	7	GOOD	4.5
Oracle	ORCL	Information Technology	1.5%	7	EXCELLENT	4.8
Jabil Circuit	JBL	Information Technology	1.5%	9	GOOD	3.3
Ashland	ASH	Materials	1.3%	7	GOOD	2.9
Goodyear Tire	GT	Consumer Discretionary	1.2%	7	EXCELLENT	1.4
Plantronics Inc	PLT	Information Technology	1.2%	7	EXCELLENT	4.1
H.B. Fuller	FUL	Materials	1.2%	7	EXCELLENT	2.3
Forward Air	FWRD	Industrials	1.1%	7	EXCELLENT	4.5
Ebix Inc	EBIX	Information Technology	0.5%	7	GOOD	7.3
Dillard's	DDS	Consumer Discretionary	0.4%	7	GOOD	12.3
Thermo Fisher Scientific	TMO	Health Care	0.4%	7	GOOD	7.0
PVH Corp	PVH	Consumer Discretionary	0.1%	7	GOOD	14.7

At any time, our favorite dividend growth ideas are included in the Dividend Growth portfolio, page 5.

The Financially-Healthiest Dividend Payers Yielding Over 2%

By Valuentum Analysts

There are a number of ways to evaluate the health of a company's dividend. We think a minimum threshold for a company's yield is par for the course in any income-oriented screen, and we peg the dividend yield hurdle rate for this screen at 2%. For firms that make this cut, we want to find those that generate free cash flow at a pace that is far larger than the cash paid out as dividends and have a strong balance sheet to boot, or companies that have high Dividend Cushion ratios.

Enter stocks that have the highest multiplicative combination of their dividend yield and Dividend Cushion ratio. We exclude the business models of master limited partnerships and real estate investment trusts in this screen and focus exclusively on corporates. Income investors have a lot to choose from, and this screen is one of our favorites -- it focuses on identifying the financially-healthiest dividend-payers with yields over 2%. We've overlayed the screen with an Economic Castle assessment to consider business-model risk, too!

Company Name	Symbol	Est. Div Yield	Div Cushion	Economic Castle	Multiplier
Automatic Data Processing	ADP	2.4%	6.2	Very Attractive	14.59
DeVry	DV	1.6%	9.0	Attractive	14.53
GameStop	GME	5.7%	2.4	Very Attractive	13.85
Cooper Tire & Rubber	CTB	1.1%	11.7	Neutral	12.59
Graham Holdings Co	GHC	0.9%	11.4	Attractive	11.10
Computer Prog and Syst	CPSI	5.5%	2.0	Very Attractive	10.99
AVX Corp	AVX	3.0%	3.6	Attractive	10.86
Guess	GES	6.1%	1.8	Attractive	10.81
Abercrombie & Fitch	ANF	3.9%	2.7	Attractive	10.45
Resources Connection	RECN	3.1%	3.3	Very Attractive	10.08
QUALCOMM	QCOM	3.2%	3.1	Very Attractive	10.01
Scholastic Corp	SCHL	1.5%	6.6	Attractive	9.72
Fluor	FLR	1.7%	5.7	Attractive	9.63
Cisco	CSCO	3.4%	2.8	Very Attractive	9.56
CA Tech	CA	3.2%	2.9	Highest Rated	9.29
Apple	AAPL	2.0%	4.7	Highest Rated	9.14
General Electric	GE	2.9%	3.1	Attractive	9.01
Finish Line	FINL	1.9%	4.7	Attractive	8.76
MKS Instruments	MKSI	1.5%	5.9	Attractive	8.68
Chico's FAS	CHS	2.8%	3.1	Attractive	8.61
Insperity	NSP	1.5%	5.9	Neutral	8.56
Foot Locker	FL	1.9%	4.4	Attractive	8.41
Best Buy	BBY	2.4%	3.5	Attractive	8.37
Meridian	VIVO	5.0%	1.7	Attractive	8.26
American Eagle	AEO	2.8%	2.9	Attractive	8.20
Taiwan Semiconductor	TSM	3.5%	2.3	Attractive	8.03
Paychex	PAYX	3.1%	2.6	Highest Rated	8.01
CTS Corp	CTS	0.9%	9.1	Attractive	7.93
Garmin	GRMN	4.3%	1.8	Attractive	7.91
Robert Half	RHI	2.4%	3.3	Very Attractive	7.85
Deluxe	DLX	1.8%	4.5	Very Attractive	7.83
Intel	INTC	2.9%	2.7	Attractive	7.80
Western Union	WU	3.2%	2.4	Neutral	7.74
Cardinal Health	CAH	2.8%	2.8	Very Attractive	7.71
Manpower	MAN	2.5%	3.1	Attractive	7.68
Pfizer	PFE	3.5%	2.2	Attractive	7.63
Applied Materials	AMAT	1.4%	5.5	Very Attractive	7.60
Gap	GPS	3.6%	2.1	Attractive	7.39
Hewlett-Packard	HPQ	3.5%	2.1	Attractive	7.34
Intersil	ISIL	2.2%	3.4	Highest Rated	7.33
Superior	SUP	2.6%	2.8	Attractive	7.25
Johnson & Johnson	JNJ	2.7%	2.7	Attractive	7.22
World Wrestling	WWE	2.6%	2.7	Very Attractive	7.22
Williams-Sonoma	WSM	2.7%	2.6	Attractive	7.16
Granite Construction	GVA	1.1%	6.5	Attractive	7.16
Cypress Semi	CY	4.0%	1.8	Attractive	7.15
Oracle	ORCL	1.5%	4.8	Very Attractive	7.07
Archer-Daniels-Midland	ADM	2.9%	2.5	Attractive	7.06
Xilinx	XLNX	2.4%	3.0	Very Attractive	7.06
McKesson	MCK	0.9%	8.2	Attractive	7.01

Yields to Avoid

By Valuentum Analysts

As many investors know, firms can often become cheap for good reasons. That is, they are not trading cheaply because of Mr. Market's irrational behavior, but instead are trading at depressed levels due to deteriorating underlying fundamental characteristics that actually justify its current share price, even if traditional valuation techniques suggest the firm's shares are inexpensive. On a similar note, firms that boast high dividend yields may do so because the market has little confidence in the sustainability of its dividend and believes a cut may be just around the corner.

Though we fall short of saying the following list of firms will slash their respective dividends anytime soon, our dividend-cut predictive indicator—the Valuentum Dividend Cushion™--indicates that the firms below are at significant risk for a dividend cut in coming years. We think the dividend-growth investor should steer clear of the following firms' shares:

Company Name	Symbol	Industry	Est. Div Yield	Div Safety	Div Cushion
Textainer	TGH	Rental and Leasing	1.2%	VERY POOR	-80.8
CONSOL Energy	CNX	Industrial Minerals	0.2%	VERY POOR	-65.1
KB Home	KBH	Homebuilders	0.7%	VERY POOR	-38.9
Windstream	WIN	Telecom Services - diversified	6.7%	VERY POOR	-36.1
Alcoa	AA	Aluminum	0.4%	VERY POOR	-33.6
Lennar	LEN	Homebuilders	0.3%	VERY POOR	-25.6
Devon Energy	DVN	Independent Oil & Gas	0.5%	VERY POOR	-18.5
Anadarko	APC	Independent Oil & Gas	0.3%	VERY POOR	-13.5
Ryder System	R	Rental and Leasing	2.3%	VERY POOR	-8.0
Tailored Brands	TLRD	Retail - Men's, Women's, Kids' Apparel	5.0%	VERY POOR	-7.1
Allegheny Technologies	ATI	Aluminum	1.8%	VERY POOR	-5.4
D. R. Horton	DHI	Homebuilders	1.0%	VERY POOR	-5.3
ConocoPhillips	COP	Major Oil & Gas	2.4%	VERY POOR	-4.9
Barrick Gold	ABX	Metals & Mining - gold	0.5%	VERY POOR	-4.8
Koppers	KOP	Building Materials	3.1%	VERY POOR	-4.5
MDC	MDC	Homebuilders	4.0%	VERY POOR	-4.4
Teekay	TGP	Shipping	4.9%	VERY POOR	-4.4
Yamana Gold	AUY	Metals & Mining - gold	0.7%	VERY POOR	-4.3
Hill-Rom	HRC	Medical Instruments	1.3%	VERY POOR	-4.2
Hess	HES	Refiners	1.8%	VERY POOR	-3.8
Murphy Oil	MUR	Refiners	4.4%	VERY POOR	-3.7
Ball Corp	BLL	Containers & Packaging	0.7%	VERY POOR	-3.7
Rent-A-Center	RCII	Rental and Leasing	2.7%	VERY POOR	-3.4
Olin Corp	OLN	Chemicals - mid/small	3.9%	VERY POOR	-2.7
Wendy's Co	WEN	Restaurants - Fast Food & Coffee	2.2%	VERY POOR	-2.4
Deltic Timber	DEL	Building Materials	0.6%	VERY POOR	-2.3
Noble Energy	NBL	Independent Oil & Gas	1.0%	VERY POOR	-2.2
Quad/Graphics Inc	QUAD	Book Publishing	4.8%	VERY POOR	-2.1
Huntsman	HUN	Chemicals - broad	2.8%	VERY POOR	-2.0
Service Corp Intl	SCI	Personal Services	2.0%	VERY POOR	-1.9
Apache	APA	Independent Oil & Gas	1.5%	VERY POOR	-1.7
Centurylink	CTL	Telecom Services - diversified	7.8%	VERY POOR	-1.7

The Dividend Cushion Beats the Dividend Aristocrats:
http://www.valuentum.com/articles/20150506

The Valuentum Dividend Cushion™ has an excellent track record of predicting dividend cuts. For more information, please select the following link (login required):

http://www.valuentum.com/articles/20130528

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Our assumptions for Medtronic (MDT) follow a similar line of thinking as that of Johnson & Johnson. The medical device giant has appealing scale and market share in an attractive industry, and we think this earns it a baseline 3% expectation for long-term annual share price increases alone. However, the company's shares are fairly valued today, and in light of the challenges in forecasting medical-device breakthroughs in an ultra-competitive environment, we don't give it a higher growth rate that it still might yet deserve. What we're saying is that the expected annual share-price increase assumption for Medtronic may increase upon a future update, if both the company's valuation opportunity and visibility into its long-term picture improve. As you can see, forecasting is as much art as it is science at times, and expectations should change. Nothing is static.

Microsoft (MSFT) is a unique consideration in the context of this example model. The company's growing cloud business is experiencing strong momentum and looks to be a key player in the next generation of Internet capable and connected devices. However, while the growth potential we see in this area may be augmented by the acquisition of social media network LinkedIn, we feel the deal was an imprudent use of more than $26 billion in cash. If management continues to pursue deals with lofty purchase prices and meager free cash flow, value destruction may ensue. Microsoft's current fair valuation and our concerns about expectations that it may misuse its huge cash balance, a large component of its existing value, is a key factor influencing our assumption of Microsoft's long-term annual share price increase, which we have set at 3%. If management shows greater restraint in its acquisition program, we may raise this estimate, however.

The brand strength of consumer staples giant Procter & Gamble's (PG) portfolio is second to none, and it is the core driver behind our 3% assumption for its long-term annual share price growth rate. The company's products are not going away anytime soon, and their non-discretionary nature helps shield its business from economic weakness that can impact other business models. Though its valuation is not as attractive as it once was, we're comfortable with a 3% assumption for P&G. As for our utility holding, the regulated nature of PP&L's (PPL) utility business protects it from downside risk, though it also keeps it from substantial outperformance as rate base agreements with regulators set a cap on the rate of return utility companies are able to realize on their given rate bases. As a result, we assume 2% growth in its long-term annual share price. For most utilities, we think a 2% input for this assumption makes sense, as again, this figure does not consider dividend-related items.

We assume the same 2% long-term estimate for Realty Income's (O) long-term annual share price increase. The real estate investment trust (REIT) business model provides some stability with respect to financial performance and dividend payments, but there are plenty of inherent risks that come with investing in REITs. For one, we do not expect REITs to outperform in a rising interest rate environment, as they are often held for income purposes. As US Treasury yields climb, the above-average dividend yields of REITs become less attractive from a risk/reward standpoint, and this may pressure capital returns as asset moves to riskless assets for yield. The larger dividend yield also detracts from pure share-price increases.

Now that we've explained our general thought processes in assigning annual share price growth expectations for each, excluding dividend considerations, it is important to note that the estimate for each company over varying retirement time horizons could also be different. For example, the annual share-price increase estimate for Apple on a one-year look-forward period may be substantially different than over a 30-year look-forward period, even though it is the same company. Clearly, there are a large number of factors to consider when setting assumptions, and many factors go well beyond our very short paragraphs.

The next input in Step III 'Annual Dividends Per Share, Year 0-1,' is much more straightforward. This column represents the current annual dividends paid by the company or ETF or those expected to be paid during the next full year. No forward-looking assumptions are necessary in this input, but we suggest using the most recent payout on an annualized basis for this input.

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The next three input columns are very similar but also are different as they hone in on different time periods: 'Dividend Growth Rate, Year 1-2,' 'Dividend Growth Rate, Year 2-3' and 'Long-term Annual Dividend Growth Rate.' Valuentum's dividend reports can be extremely helpful in setting these assumptions in the model. In the case of this example, we use the dividend growth projections found at the bottom of the 'Dividend Track Record' chart in the bottom right-hand corner of page 1 of each individual company's dividend report (see image below) to approximate the assumptions for the first two explicit forecast periods in the Valuentum Dividend Growth Portfolio Retirement Model.

For the 'Long-term Annual Dividend Growth Rate' column, we think more normalized growth levels, similar to those in the 'Long-term Expected Annual Share Price Increase,' are more appropriate. Generally speaking, dividends like earnings, cannot grow faster than global GDP over the long haul, or else the company will eventually be bigger than GDP, itself. Thinking critically about what long-term estimates imply is simply par for the course for effective use of this model.

Dividend Track Record				HEALTHY
Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Sep-01	0.00	0.0	-0.06	0.0%
Sep-02	0.00	0.0	0.09	0.0%
Sep-03	0.00	0.0	0.10	0.0%
Sep-04	0.00	0.0	0.36	0.0%
Sep-05	0.00	0.0	1.56	0.0%
Sep-06	0.00	0.0	2.27	0.0%
Sep-07	0.00	0.0	3.93	0.0%
Sep-08	0.00	0.0	5.36	0.0%
Sep-09	0.00	0.0	9.08	0.0%
Sep-10	0.00	0.0	15.15	0.0%
Sep-11	0.00	0.0	27.68	0.0%
Sep-12	0.38	0.0	6.31	6.0%
Sep-13	1.63	328.9	5.68	28.7%
Sep-14	1.81	11.0	6.45	28.1%
Sep-15	1.98	9.4	9.22	21.5%
Sep-16	***2.28***	***15.2***	***8.34***	***27.3%***
Sep-17	*2.74*	*20.0*	*9.00*	*30.4%*
Sep-18	*3.23*	*18.0*	*9.57*	*33.7%*
Sep-19	*3.71*	*15.0*	*10.14*	*36.6%*
Sep-20	*4.16*	*12.0*	*10.71*	*38.8%*

The final column in the table used in Step III is an important one to understand, though no input is required. The Valuentum Dividend Growth Portfolio Retirement Model assumes that 100% of dividends received up until the expected retirement date are reinvested.

Step IV: View Projections

Now the exciting part.

The Valuentum Dividend Growth Portfolio Retirement Model uses the assumptions we input in Step III to derive a summary table of what your portfolio might look like at the retirement date that was set in Step I. 'Projected Share Price at Retirement,' 'Projected Number of Shares at Retirement,' and 'Last Quarter Annualized Dividend Per Share at Retirement' are rather straightforward calculations made using the inputs and assumptions in previous steps, and 'Last Quarter Annualized Dividend Yield at Cost at Retirement' is useful in measuring expected income levels at retirement relative to the initial cost of the investment.

'Estimated Annual Portfolio Income at Retirement' forecasts the cumulative annual dividends of each

Please see *Valuentum's Dividend…*on next page

*Valuentum's Dividend...*from previous page

holding in the portfolio, or the amount of income a retiree can expect on an annual basis from a given holding, should the assumptions in the model prove to be reasonably accurate. 'Estimated Market Value at Retirement' shows the expected market value of the portfolio at the set retirement date. Again, it is important to remember when examining the projections table that all dividends prior to retirement are assumed to be reinvested. The easy-to-digest summary page that can be printed from the model can be seen below.

Portfolio Projections at Retirement

Prepared for Joe Dividend on 12/19/2016
Expected Retirement Date 12/31/2036

Summary	
Current Date	12/19/2016
Retirement Date	12/31/2036
Years to Retirement	20.0
Portfolio Market Value at Retirement	$428,720.70
Annualized Portfolio Return	6.5%

	RETIREMENT PROJECTIONS					
Security Name (symbol)	Projected Share Price at Retirement	Projected Number of Shares at Retirement	Last Quarter Annualized Dividends/Share at Retirement	Last Quarter Annualized Dividend Yield at Cost at Retirement	Est Annual Portfolio Income at Retirement	Est Market Value at Retirement
Altria (MO)	121.08	208	4.36	6.51%	$909.12	$25,237.87
Apple (AAPL)	307.70	82	7.21	6.22%	$587.98	$25,087.88
Cisco (CSCO)	81.16	447	3.29	10.75%	$1,470.93	$36,293.44
Coach (COH)	63.79	173	2.46	6.97%	$426.73	$11,065.43
Cracker Barrel (CBRL)	308.99	33	9.20	5.38%	$300.02	$10,079.92
Energy Select SPDR (XLE)	113.65	196	2.73	3.57%	$535.81	$22,277.57
General Electric (GE)	57.34	458	1.85	5.83%	$847.15	$26,247.97
General Motors (GM)	65.69	299	3.04	8.36%	$909.56	$19,660.82
Hasbro (HAS)	146.15	192	4.08	5.04%	$783.57	$28,078.55
Intel (INTC)	96.39	518	2.78	7.65%	$1,439.46	$49,905.86
Johnson & Johnson (JNJ)	209.29	193	6.17	5.32%	$1,190.67	$40,393.59
Medtronic (MDT)	132.68	131	3.44	4.68%	$450.28	$17,372.98
Microsoft (MSFT)	112.52	139	3.32	5.33%	$459.97	$15,584.25
Procter & Gamble (PG)	152.94	199	4.88	5.77%	$973.81	$30,496.80
PP&L (PPL)	51.46	564	2.21	6.39%	$1,248.42	$29,011.43
Realty Income (O)	82.43	149	3.75	6.76%	$558.04	$12,261.42
S&P Dividend ETF (SDY)	127.29	167	2.96	3.45%	$494.62	$21,297.01
Vanguard REIT ETF (VNQ)	122.83	68	4.63	5.61%	$315.75	$8,367.90
NMF	NMF	NMF	NMF	NMF	$13,901.89	$428,720.70

Please note that this rather "fuzzy" image is for educational purposes only. To populate your own Dividend Growth Portfolio model tool, please consider ordering a model template today!

Visit: http://www.valuentum.com/store/products/43

To get started with your own copy of the Valuentum Dividend Growth Portfolio Retirement Model please visit http://www.valuentum.com/store/products/43

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More Consolidation in Industrial Gas Industry: Praxair and Linde

By Kris Rosemann

	Broad Chemical Dividends			
data as of 12/20/16	Fair Value Estimate	Dividend Cushion ratio	Dividend Growth Potential	Dividend Yield
Air Products & Chemicals (APD)	$133	1.3	Excellent	2.3%
Ashland (ASH)	$121	2.9	Good	1.4%
Celenese (CE)	$72	2.8	Excellent	1.8%
DuPont (DD)	$62	2.4	Good	2.0%
Dow Chemical (DOW)	$48	1.2	Very Poor	3.2%
Ecolab (ECL)	$89	2.1	Excellent	1.2%
Eastman Chemical (EMN)	$85	-0.5	Very Poor	2.7%
H.B. Fuller (FUL)	$43	2.3	Excellent	1.2%
Huntsman (HUN)	$21	-2.0	Very Poor	2.5%
LyondelBasell (LYB)	$99	1.6	Excellent	3.8%
PPG Industries (PPG)	$100	3.3	Excellent	1.7%
Praxair (PX)	$100	0.2	Very Poor	2.5%

Praxair (PX) and Linde (LNEGY) have finally agreed to tie the knot.

After two years of on-and-off negotiations, and a good deal of demand headwinds, the second and third largest industrial gas companies in terms of annual sales have signed a nonbinding agreement to a merger of equals. This isn't the first we've seen of consolidation near the top of the industrial gas space, however, after the completion of Air Liquide's (AIQUY) purchase of Airgas for ~$13 billion in May 2016 pushed it past Linde as the big kahuna in the industry in terms of annual sales. Despite a return to the top spot in the industry, the deal might be too late in helping the firms battle this round of end market cyclicality, and regulatory pressures could prove to be too much in making the deal worthwhile. Let's dig in.

The industry consolidation we've seen in the industrial gas space is not an unusual byproduct of prolonged weakness in its end markets served. Suppressed energy prices and a slowdown in industrial production in recent quarters have pressured demand for Praxair's and Linde's industrial gas products, which include helium and oxygen for consumer-based applications from food and beverage production to industrial-based applications such as oil drilling and refining and various industrial manufacturing processes. Praxair recently cut its guidance for 2016 earnings per share, citing weakness in upstream energy and manufacturing and metals volumes in North America as reasons for its recent struggles.

Both Linde and Praxair management teams have highlighted the benefits of a combination of "Linde's long-held leadership in technology with Praxair's efficient operating model," and we don't doubt that the combined entity would be a more powerful force in the industrial gas space as a result of increased scale and the operational synergies that might come with such an increase. Scale is precisely what Praxair needs to drive higher profitability and ROIC as production and distribution density are keys to the ongoing enhancement of its business.

The to-be-formed company, which will retain the Linde name, will have roughly $30 billion in annual sales prior to divestitures, and a market cap near $67 billion. In the terms of the deal, Linde shareholders will receive 1.54 shares of the new company for each share of Linde owned, while Praxair shareholders will participate in a 1-for-1 share transaction, resulting in 50/50 ownership for each shareholder base. The combined entity expects to generate ~$1 billion in annual synergies via scale benefits, cost savings, and efficiency improvements.

The realization of targeted synergies would clearly be a positive for the combined company's financial leverage, as a large debt load could become a concern for the firm. As of the end of the third quarter of

Please see *More Consolidation...*on next page

*More Consolidation...*from previous page

2016, Praxair's net debt balance was ~$9.2 billion, while Linde's sat at ~€7.2 billion, good for nearly $16.7 billion in net debt on a combined basis. Realizing annual synergy targets will help the firm service its debt load as it aims to continue investing in the future of the business, and the standalone companies' net debt-to-annualized EBTIDA are at reasonable levels of ~2.8x for Praxair and ~1.8x for Linde as of the third quarter of 2016.

Though we expect the proposed company to be a fantastic free cash-flow generator, leverage will be worth watching closely in the context of dividend health. For example, Praxair's Dividend Cushion ratio, a proprietary Valuentum measure, currently sits at 0.2, as the size of Praxair's debt load weighs heavily on the coverage ratio. Shares of the company currently yield ~2.5%. Linde's dividend coverage with free cash flow looks to be more robust than Praxair's, based on recent results, and its financial leverage is slightly less concerning. However, a back-of-the-envelope calculation of its Dividend Cushion ratio does not paint a much brighter picture with a rough estimate coming in the ~0.3 range.

Linde's ADRs currently yield ~2.4%, but it is important to note the impact currency translations can have on dividend payments of foreign entities. Hitting pro forma annual synergy targets would be necessary for us to have a positive opinion of the to-be-combined company's dividend, but we are awaiting greater clarity into the terms of the deal and potential divestitures before forming a conclusion on its dividend profile. Industrial gas entities have fantastic business models, nonetheless.

Prior merger talks stalled two years ago after Linde issued profit warnings amid negotiations, and the German firm stopped discussions in September of this year over concerns of the deal structure, including the proposed headquarters and the state of German jobs. The companies have now agreed to be domiciled in a neutral member state of the European Economic Area, though Praxair CEO Steve Angel will fill his role as CEO of the new company from a separate corporate headquarters in Connecticut, and shares will be dual listed on the New York Stock Exchange and the Frankfurt Stock Exchange. Praxair has also agreed to terms that include protection from forced layoffs in Linde's German workforce until 2022.

Since the current agreement is nonbinding, the two parties have yet to complete their internal approvals, and there is no assurance a definitive arrangement will be reached. The deal remains subject to customary shareholder and regulatory approvals, the latter of which may be easier said than done. Though the deal's chances of getting approved in a Trump administration will be better than in an Obama administration, the regulatory fight will be a global one in this instance, and the EU has had its fair share of shine in terms of regulatory scrutiny. For example, EU regulators have halted their review of the Dow Chemical (DOW) and DuPont (DD) merger multiple times and are expected to send formal objections to the proposed creation of the world's largest chemicals company to both parties sometime this month.

Though some are expecting strategic deal terms such as the dual listing and dual headquarters in the US and Europe to ease some regulatory pressures, the competitive landscape in the industrial gas industry may be already too concentrated near the top for the deal to get through. There are currently only four major players in the industrial gas space--Air Liquide, Linde, Praxair, and Air Products and Chemicals (APD)--so regulators should not have to look far to find cause for concern with respect to antitrust matters. Praxair generates only ~13% of total revenue in Europe, but concerns over its presence in Germany could prove to be an obstacle.

Synergy targets may also come under pressure as a result of regulatory scrutiny. Some early estimates have tabbed potential regulatory-appeasing divestitures of up to $5 billion in annual sales, and reports have already surfaced that Linde plans to separate its Engineering business--the segment accounted for nearly €2.6 billion (~$2.7 billion) in sales in 2015--into a separate legal entity. A $1 billion annual synergy target could prove to be too optimistic if early divestiture estimates are accurate, which would significantly deteriorate the appeal of the deal. Praxair has been adamant that cost cuts are core to its acquisition strategy. CFO Matthew White is on record saying, "We buy on synergies; we're not going to buy on assumptions of growth."

Please see *More Consolidation...*on next page

***More Consolidation…*from previous page**

In any case, it appears as though the market is sharing our concerns over the likelihood of an effective deal getting done. Shares of Praxair were down more than 4% on the news of the agreement in intraday trading December 20, and shares of Linde were down more than 3% in trading in Frankfurt as of this writing. We're not ruling out the possibility of the nonbinding agreement eventually resulting in a merger by any means, but investors must be aware of the regulatory risk surrounding the deal, and what a failed deal could mean for both firms as company resources are absorbed while working toward completion.

Side By Side: Hasbro and Mattel

By Valuentum Analysts

To dig into our work on Hasbro (HAS) and Mattel (MAT), please be sure to access the full 16-page report, dividend report, and recent commentary on Hasbro and Mattel on the Valuentum website.

Hasbro landing page: http://www.valuentum.com/search2?searchtext=has&searchtype=symbol

Mattel landing page: http://www.valuentum.com/search2?searchtext=mat&searchtype=symbol

Valuentum's Stock Dividend Research — Visit us at www.valuentum.com — Ratings as of 9-Dec-2016 — Data as of 28-Nov-2016

Hasbro HAS FAIRLY VALUED

Buying Index™ 6 — Value Rating

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Attractive	$61.00 - $91.00	HEALTHY	GOOD / 1.8	EXCELLENT	2.43%

Assessment of Company Dividend Strategy

Key Strengths

Hasbro's dividend history is a strong one, having paid a dividend since 1977 and increasing its quarterly payout in 12 of the last 13 years. The firm expects to continue to benefit from global expansion, which includes industry growth in markets in which it is already established around the world. We like the recent performance of its franchise brands, where operating profit margins are greater than the company average, and the ongoing focus on its high margin 'Entertainment & Licensing' segment should continue to push overall margins higher. Continual investment (~5% of total revenue) in product development is expected to continue to drive demand for innovative products. We like Hasbro's dividend growth prospects.

Potential Weaknesses

While we are high on Hasbro's dividend potential, its payout, and operations in general, are not without risks. It operates in a competitive industry, and 'the next big thing' is constantly being hunted by developers across the group. We like what the firm's strategic merchandizing relationship with Disney does for the stability of its product offerings in the coming years, but the promise of such a relationship is tied to big-name movie releases, which has the potential to result in inconsistent results. We're not too concerned with the company's ~$1.7 billion total debt position as of the third quarter of 2016, as cash and cash equivalents of more than $830 million and strong free cash flow generation should be more than able to handle the load.

Graphical Relationship, Earnings and Dividends (per share)

Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. Hasbro's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is greater than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

Dividend Cushion Cash Flow Bridge

Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

The Dividend Cushion Ratio Deconstruction, shown in the image to the right, reveals the numerator and denominator of the Dividend Cushion ratio. At the core, the larger the numerator, or the healthier a company's balance sheet and future free cash flow generation, relative to the denominator, or a company's cash dividend obligations, the more durable the dividend. In the context of the Dividend Cushion ratio, Hasbro's numerator is larger than its denominator suggesting strong dividend coverage in the future. The Dividend Cushion Ratio Deconstruction image puts sources of free cash in the context of financial obligations next to expected cash dividend payments over the next 5 years on a side-by-side comparison. Because the Dividend Cushion ratio and many of its components are forward-looking, our dividend evaluation may change upon subsequent updates as future forecasts are altered to reflect new information.

Dividend Cushion Ratio Deconstruction

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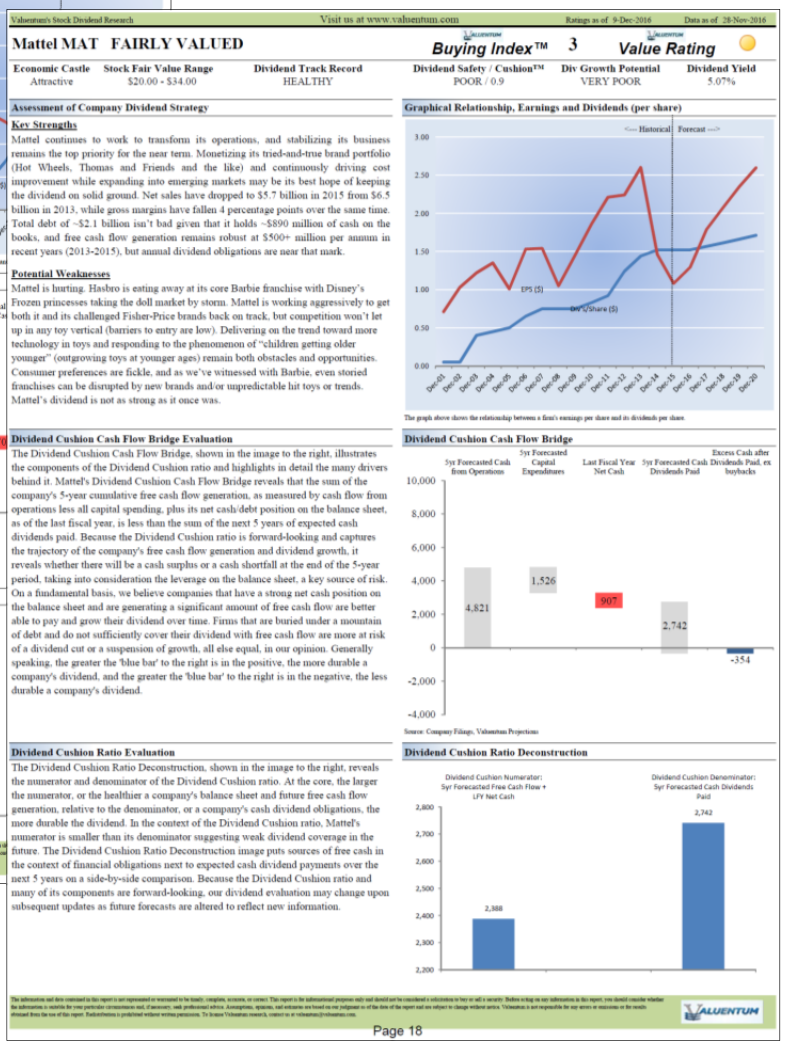
Take advantage of Valuentum's new page 2 of its Dividend Reports! Read Hasbro's and Mattel's there, and visit the website frequently for updates.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Mattel MAT FAIRLY VALUED

Buying Index™ 3 — Value Rating

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Attractive	$20.00 - $34.00	HEALTHY	POOR / 0.9	VERY POOR	5.07%

Assessment of Company Dividend Strategy

Key Strengths

Mattel continues to work to transform its operations, and stabilizing its business remains the top priority for the near term. Monetizing its tried-and-true brand portfolio (Hot Wheels, Thomas and Friends and the like) and continuously driving cost improvement while expanding into emerging markets may be its best hope of keeping the dividend on solid ground. Net sales have dropped to $5.7 billion in 2015 from $6.5 billion in 2013, while gross margins have fallen 4 percentage points over the same time. Total debt of ~$2.1 billion isn't bad given that it holds ~$890 million of cash on the books, and free cash flow generation remains robust at $500+ million per annum in recent years (2013-2015), but annual dividend obligations are near that mark.

Potential Weaknesses

Mattel is hurting. Hasbro is eating away at its core Barbie franchise with Disney's Frozen princesses taking the doll market by storm. Mattel is working aggressively to get both it and its challenged Fisher-Price brands back on track, but competition won't let up in any toy vertical (barriers to entry are low). Delivering on the trend toward more technology in toys and responding to the phenomenon of "children getting older younger" (outgrowing toys at younger ages) remain both obstacles and opportunities. Consumer preferences are fickle, and as we've witnessed with Barbie, even storied franchises can be disrupted by new brands and/or unpredictable hit toys or trends. Mattel's dividend is not as strong as it once was.

Graphical Relationship, Earnings and Dividends (per share)

Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. Mattel's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is less than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

Dividend Cushion Cash Flow Bridge

Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

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Dividend Cushion Ratio Deconstruction

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Illustration: Apple's Dividend Health

By Valuentum Analysts

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 26-Oct-2016 | Data as of 17-Oct-2016

Apple AAPL UNDERVALUED 3.8%

Buying Index™ 7 **Value Rating** ✓

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Highest Rated	$121.00 - $173.00	HEALTHY	EXCELLENT / 4.7	EXCELLENT	1.96%

Assessment of Company Dividend Strategy

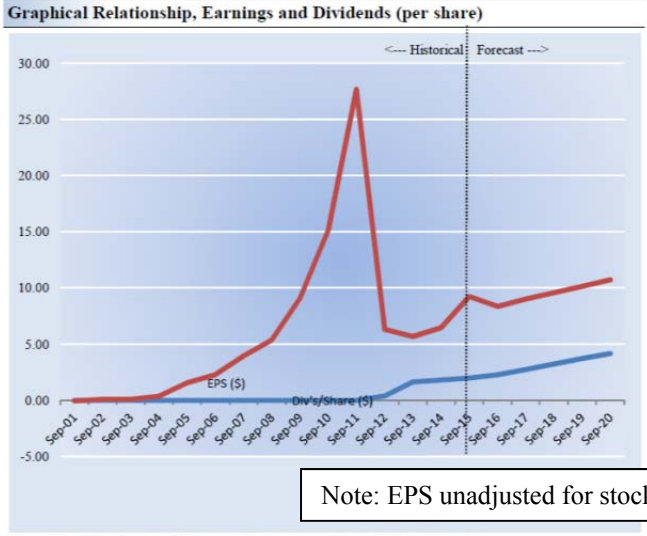
Key Strengths

Along with being one of the most innovative companies, Apple boasts unparalleled brand strength, giving it a material competitive advantage. We love what it has built through its ecosystem of apps and the presence it has in the everyday lives of consumers. A core tenet of Apple's investment thesis, and its dividend strength, is its massive net cash position, which stood at nearly $147 billion at the third quarter of fiscal 2016. The company's tremendous free cash flow generation allows such a position to proliferate while continuing to pay a growing dividend. It averaged more than $55.2 billion in free cash flow from fiscal 2013-2015, well in excess of annual run-rate cash dividend obligations of ~$11.6 billion.

Potential Weaknesses

With a Dividend Cushion ratio well above 4, we have a difficult time finding large drawbacks in Apple's dividend growth profile. Sales have experienced some pressure in recent quarters, but any transient weakness in the firm's operational performance should not impact dividend health in the near term thanks to its tremendous cash hoard. Competing capital allocation options have the potential to impact the pace of dividend expansion moving forward, specifically through strategic acquisitions of differentiated technology and share repurchases. Buybacks averaged more than $34 billion from fiscal 2013-2015. We're not particularly fond of Apple's growing debt position, but it is far from a concern at this point in time thanks to its cash balance.

Graphical Relationship, Earnings and Dividends (per share)



Note: EPS unadjusted for stock split.

The graph above shows the relationship between a firm's earnings per share and its dividends per share.

Dividend Cushion Cash Flow Bridge Evaluation

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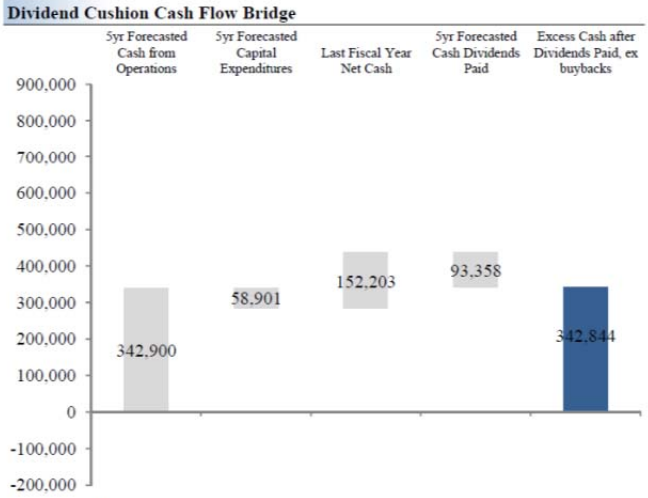
Dividend Cushion Cash Flow Bridge



Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

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Dividend Cushion Ratio Deconstruction

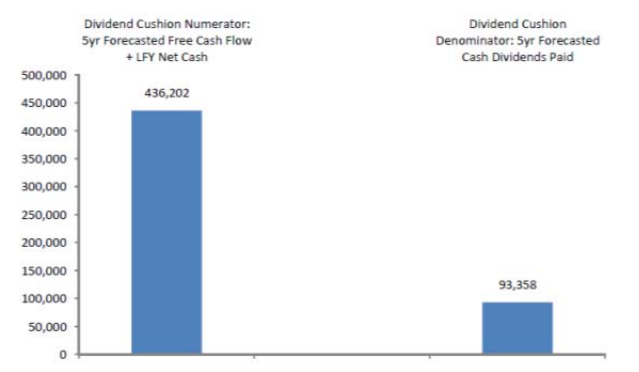

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Illustration: Microsoft's Dividend Health

By Valuentum Analysts

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 19-Dec-2016 | Data as of 5-Dec-2016

Microsoft MSFT FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Very Attractive	$45.00 - $67.00	HEALTHY	GOOD / 2.5	EXCELLENT	2.52%

Assessment of Company Dividend Strategy

Key Strengths

Microsoft has had one of the most attractive dividend growth profiles across our coverage universe. It boasts an impressive balance sheet with a net cash position of ~$60 billion as of the end of fiscal 2016, not inclusive of $11+ billion in long-term investments. The firm has been painting its recent agreement to acquire LinkedIn for $26.2 billion in a positive light, highlighting the expansion of its addressable market and the potential to drive engagement across LinkedIn and Office 365 as a result of the deal, but we aren't fond of what it could do for Microsoft's future dividend potential. However, the firm's Dividend Cushion ratio remains strong thanks to its balance sheet and strong free cash flow generating ability.

Potential Weaknesses

We think Microsoft has thrown away more than $26 billion in cash in the form of shareholder capital that could have potentially gone toward one of the best future dividend growth streaks in history at a large, Internet-based acquisition such as LinkedIn. Synergies of the deal may be limited, and we are not fond of the firm financing the transaction primarily through the issuance of new debt as it seeks to complete its $40 billion share buyback program by the end of 2016 before getting started on another $40 billion in authorized share repurchases. While dividend increases may very well continue, we think Microsoft's long-term dividend growth potential took a hit with the LinkedIn acquisition.

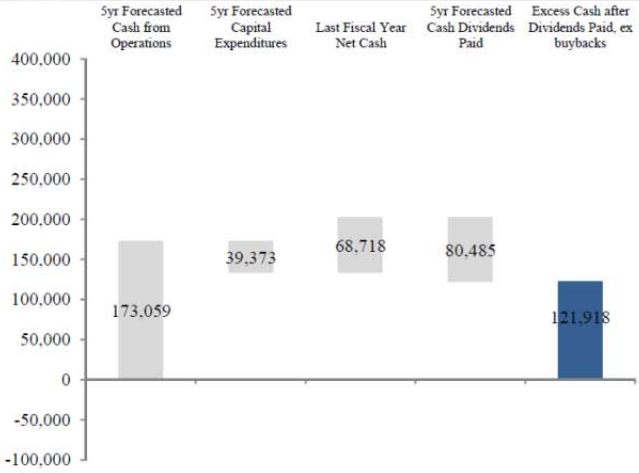
Graphical Relationship, Earnings and Dividends (per share)

The graph above shows the relationship between a firm's earnings per share and its dividends per share.

Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. Microsoft's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is greater than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

Dividend Cushion Cash Flow Bridge



Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

The Dividend Cushion Ratio Deconstruction, shown in the image to the right, reveals the numerator and denominator of the Dividend Cushion ratio. At the core, the larger the numerator, or the healthier a company's balance sheet and future free cash flow generation, relative to the denominator, or a company's cash dividend obligations, the more durable the dividend. In the context of the Dividend Cushion ratio, Microsoft's numerator is larger than its denominator suggesting strong dividend coverage in the future. The Dividend Cushion Ratio Deconstruction image puts sources of free cash in the context of financial obligations next to expected cash dividend payments over the next 5 years on a side-by-side comparison. Because the Dividend Cushion ratio and many of its components are forward-looking, our dividend evaluation may change upon subsequent updates as future forecasts are altered to reflect new information.

Dividend Cushion Ratio Deconstruction

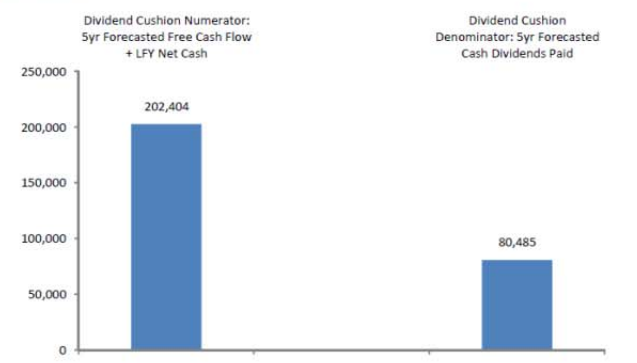


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Illustration: J&J's Dividend Health

By Valuentum Analysts

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 16-Nov-2016 | Data as of 7-Nov-2016

Johnson & Johnson JNJ FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Attractive	$97.00 - $145.00	HEALTHY	GOOD / 2.7	EXCELLENT	2.70%

Assessment of Company Dividend Strategy

Key Strengths

Dividend Aristocrat Johnson & Johnson is in a class by itself. Founded in 1886, everybody seemingly has come into contact with its brands in one way or another; 70% of sales are generated from #1 or #2 global leadership positions across its markets. J&J has driven 30+ years of adjusted earnings increases and more than 50+ years of annual consecutive dividend increases! We like its diversified presence, and generally view its consumer portfolio as the core foundation and its pharmaceutical pipeline the icing on the cake; the US MedTech market is also growing nicely. Free cash flow has averaged ~$14.7 billion during the past three years (2013-2015), well in excess of its yearly run-rate cash dividend obligations (~$8.2 billion).

Potential Weaknesses

There's a lot embedded in J&J expectations. Management expects to file 10 new drugs through 2019 that have potentially as much as $1 billion in annual sales, individually. Its top-notch positions across the consumer spectrum act as a solid foundation for payout sustainability, but any large disappointments from its pharma pipeline could influence the pace of long-term dividend expansion. R&D will eat up some profits as J&J continues to invest in its business and the company remains acquisitive, but we have no qualms with either. Share repurchases will be ongoing, but a net-cash rich balance sheet offers considerable incremental flexibility to grow the payout, in our view.

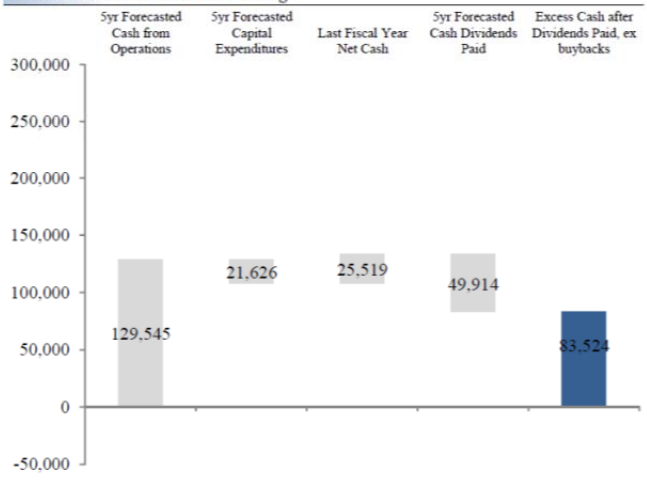
Graphical Relationship, Earnings and Dividends (per share)

The graph above shows the relationship between a firm's earnings per share and its dividends per share.

Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. Johnson & Johnson's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is greater than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

Dividend Cushion Cash Flow Bridge



Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

The Dividend Cushion Ratio Deconstruction, shown in the image to the right, reveals the numerator and denominator of the Dividend Cushion ratio. At the core, the larger the numerator, or the healthier a company's balance sheet and future free cash flow generation, relative to the denominator, or a company's cash dividend obligations, the more durable the dividend. In the context of the Dividend Cushion ratio, Johnson & Johnson's numerator is larger than its denominator suggesting strong dividend coverage in the future. The Dividend Cushion Ratio Deconstruction image puts sources of free cash in the context of financial obligations next to expected cash dividend payments over the next 5 years on a side-by-side comparison. Because the Dividend Cushion ratio and many of its components are forward-looking, our dividend evaluation may change upon subsequent updates as future forecasts are altered to reflect new information.

Dividend Cushion Ratio Deconstruction

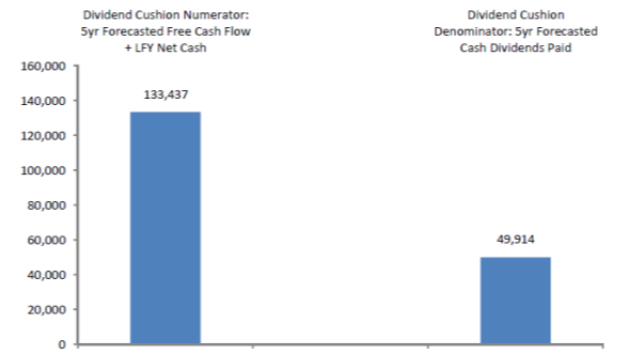


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Illustration: Occidental Petroleum's Dividend Health

By Valuentum Analysts

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 16-Dec-2016 | Data as of 28-Nov-2016

Occidental Petroleum OXY FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
Neutral	$56.00 - $104.00	HEALTHY	GOOD / 1.1	GOOD	4.29%

Assessment of Company Dividend Strategy

Key Strengths

When it comes to top-tier dividend plays in the E&P space, Occidental Petroleum ("Oxy") is near the top of the list. In many ways, Oxy has a lot of the favorable characteristics that define the large integrated majors including Exxon Mobil and Chevron, namely a strong balance sheet (A-rated) and solid free cash flow generation capacity, particularly during strong economic times. Oxy's diverse portfolio and position in the Permian Basin offer nice growth potential, and how can we disagree with an executive team that is targeting economic returns north of 15%. Though share repurchases have absorbed capital, the company has returned more than $14 billion in cash dividends during the past 10 years.

Potential Weaknesses

As with many of its peers, the volatile energy resource pricing environment remains Oxy's biggest challenge when it comes to dividend growth. The company ended 2015 with a net debt position, but debt-to-market capitalization remains quite reasonable, despite the rout in energy shares during much of the past 12-18 months. Capital spending cuts to the range of ~$3 billion should align investment outflows with cash flow from operations during 2016, but Oxy retains significant flexibility when it comes to its capital budget in 2016 and 2017. The company's relatively minute Dividend Cushion ratio still implies some risk, however. Long-term income investors should not ignore it.

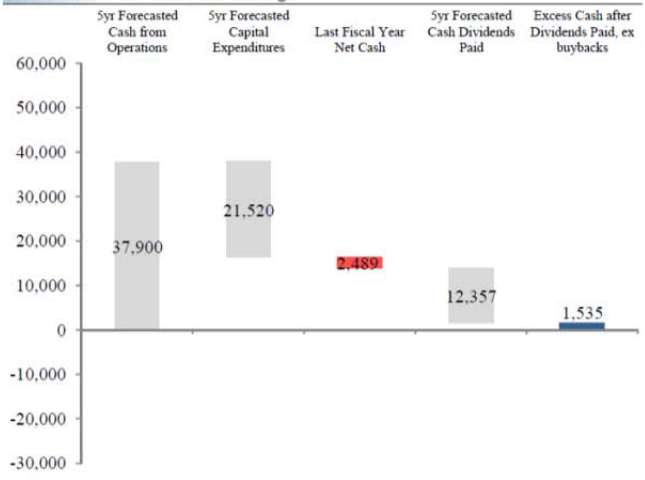
Graphical Relationship, Earnings and Dividends (per share)

The graph above shows the relationship between a firm's earnings per share and its dividends per share.

Dividend Cushion Cash Flow Bridge Evaluation

The Dividend Cushion Cash Flow Bridge, shown in the image to the right, illustrates the components of the Dividend Cushion ratio and highlights in detail the many drivers behind it. Occidental Petroleum's Dividend Cushion Cash Flow Bridge reveals that the sum of the company's 5-year cumulative free cash flow generation, as measured by cash flow from operations less all capital spending, plus its net cash/debt position on the balance sheet, as of the last fiscal year, is greater than the sum of the next 5 years of expected cash dividends paid. Because the Dividend Cushion ratio is forward-looking and captures the trajectory of the company's free cash flow generation and dividend growth, it reveals whether there will be a cash surplus or a cash shortfall at the end of the 5-year period, taking into consideration the leverage on the balance sheet, a key source of risk. On a fundamental basis, we believe companies that have a strong net cash position on the balance sheet and are generating a significant amount of free cash flow are better able to pay and grow their dividend over time. Firms that are buried under a mountain of debt and do not sufficiently cover their dividend with free cash flow are more at risk of a dividend cut or a suspension of growth, all else equal, in our opinion. Generally speaking, the greater the 'blue bar' to the right is in the positive, the more durable a company's dividend, and the greater the 'blue bar' to the right is in the negative, the less durable a company's dividend.

Dividend Cushion Cash Flow Bridge

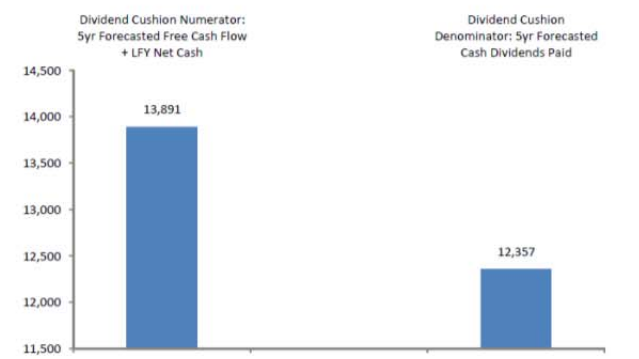


Source: Company Filings, Valuentum Projections

Dividend Cushion Ratio Evaluation

The Dividend Cushion Ratio Deconstruction, shown in the image to the right, reveals the numerator and denominator of the Dividend Cushion ratio. At the core, the larger the numerator, or the healthier a company's balance sheet and future free cash flow generation, relative to the denominator, or a company's cash dividend obligations, the more durable the dividend. In the context of the Dividend Cushion ratio, Occidental Petroleum's numerator is larger than its denominator suggesting strong dividend coverage in the future. The Dividend Cushion Ratio Deconstruction image puts sources of free cash in the context of financial obligations next to expected cash dividend payments over the next 5 years on a side-by-side comparison. Because the Dividend Cushion ratio and many of its components are forward-looking, our dividend evaluation may change upon subsequent updates as future forecasts are altered to reflect new information.

Dividend Cushion Ratio Deconstruction



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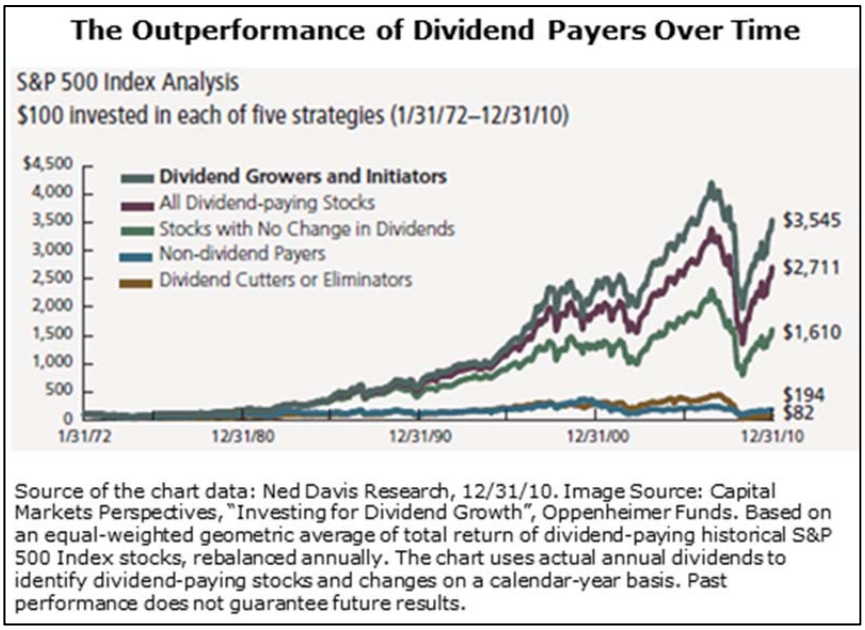
About the Valuentum Dividend Cushion™

By Valuentum Analysts

History has revealed that the best performing stocks during the previous decades have been those that shelled out ever-increasing cash to shareholders in the form of dividends. In a recent study, S&P 500 stocks that initiated dividends or grew them over time registered roughly a 9.6% annualized return since 1972 (through 2010), while stocks that did not pay out dividends or cut them performed poorly over the same time period.



Source of the chart data: Ned Davis Research, 12/31/10. Image Source: Capital Markets Perspectives, "Investing for Dividend Growth", Oppenheimer Funds. Based on an equal-weighted geometric average of total return of dividend-paying historical S&P 500 Index stocks, rebalanced annually. The chart uses actual annual dividends to identify dividend-paying stocks and changes on a calendar-year basis. Past performance does not guarantee future results.

Such analysis is difficult to ignore, and we believe investors may be well-rewarded in future periods by finding the best dividend-growth stocks out there. As such, we've developed a rigorous dividend investment methodology that uncovers firms that not only have the strongest dividends but also ones that are poised to grow them long into the future.

How did we do this? Well, first of all, we scoured our stock universe for firms that have cut their dividends in the past to uncover the major drivers behind the dividend cut. This is what we found out: The major reasons why firms cut their dividend had to do with preserving cash in the midst of a secular or cyclical downturn in demand for their products/services or when faced with excessive leverage (how much debt they held on their respective balance sheets) during tightening credit markets.

The Importance of Forward-Looking Dividend Analysis

Informed with this knowledge, we developed the forward-looking Valuentum Dividend Cushion™, which is a ratio that gauges the safety of a dividend over time.

Most dividend analysis that we've seen out there is backward-looking – meaning it rests on what the firm has done in the past. Although analyzing historical trends is important, we think assessing what may happen in the future is even more important. The S&P 500 Dividend Aristocrat List, or a grouping of firms that have raised their dividends for the past 25 years, is a great example of why backward-looking analysis can be painful. One only has to look over the past few years to see the removal of well-known names from the Dividend Aristocrat List (including General Electric and Pfizer) to understand that backward-looking analysis is hardly worth your time. After all, you're investing for the future, so the future is all you should care about more.

Please see *About Our Valuentum Dividend Cushion…*on next page

*About Our Valuentum Dividend Cushion…*from previous page

The Dividend Cushion Ratio Helps Income Investors

$$\frac{\sum_{t=1}^{5}[A(t) - B(t)] + C(0) - D(0)}{\sum_{t=1}^{5} E(t)}$$

A = cash flow from operations (from the operating section of the cash flow statement),
B = capital expenditures or additions to property plant and equipment (from the investing section of the cash flow statement),
C = cash and cash equivalents (from the balance sheet),
D = long-term debt (from the balance sheet), and
E = cash dividends paid (from the financing section of the cash flow statement).

"All else equal, a firm with billions of net cash on the balance sheet is better positioned to keep paying a dividend than a firm with billions of net debt on the balance sheet. More cash on the books relative to debt reveals significantly more financial flexibility. The dividend payout ratio ignores this important concept, while the Dividend Cushion ratio embraces it." – Valuentum's Brian Nelson, CFA

We want to find stocks that will increase their dividends for 25 years into the future, not use a rear-view mirror to build a portfolio of names that may already be past their prime dividend growth years. The Valuentum Dividend Cushion™ measures just how safe the dividend is in the future. It considers the firm's net cash on its balance sheet (cash and cash equivalents less debt) and adds that to its forecasted future free cash flows (cash from operations less capital expenditures) and divides that sum by the firm's future expected dividend payments. At its core, it tells investors whether the firm has enough cash to pay out its dividends in the future, while considering its debt load. If a firm has a Valuentum Dividend Cushion™ above 1, it can cover its dividend, but if it falls below 1, trouble may be on the horizon.

In our study, the Valuentum Dividend Cushion™ process caught every dividend cut made by a non-financial, operating firm that we have in our database, except for one (Marriott). But interestingly, the Valuentum Dividend Cushion™ indicated that Marriott should have never cut its dividend, and sure enough, two years after the firm did so, it raised it to levels that were higher than before the cut.

Please see *About Our Valuentum Dividend Cushion…*on next page

***About Our Valuentum Dividend Cushion…*from previous page**

Here are the results of the study (a Valuentum Dividend Cushion™ below 1 indicates the dividend may be in trouble). The Valuentum Dividend Cushion™ score shown in the table below is the measure in the year before the firm cut its dividend, so it represents a predictive indicator. The measure continues to do well by members in real-time as well (beyond the constraints of any academic study).

See more at the following link: http://www.valuentum.com/articles/20130528

The Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1 Indicates a Firm's Dividend is At Risk in the Years Ahead

Dividend Cutter	Cut Date	Dividend Cushion (Before Cut)	Reason for Dividend Cut
Avery Dennison (AVY)	31-Jul-09	0.66	Reduced dividend to support debt-reduction efforts.
ConAgra Foords (CAG)	16-Mar-06	-0.59 (1)	Restructuring, divestitures.
Constellation (CEG)	18-Feb-09	-4.36	Refocus on core business of generating and selling power.
DR Horton (DHI)	6-May-08	-0.03	Housing turmoil.
Gannett Co. (GCI)	25-Feb-09	-0.06	Excessive debt; preserve cash amid downturn of newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash amid downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of weak business travel, but dividend achieved record highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund operations and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in newspaper industry. Loss of investment-grade credit rating.
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue base. Raised $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business unit divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

(1) Forecast period for ConAgra, 2007 through 2011.

(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high

(3) Forecast adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.

Backtesting Methodology: Net balance sheet (year prior to dividend cut). Free cash flow for years beginning in year of dividend cut through reported years. If reported years do not total five, last reported year is extrapolated for remainder of forecast period. Dividends paid reflects what the dividends would be ex dividend cut.

At the very least, using the Valuentum Dividend Cushion™ can help you avoid firms that are at risk of cutting their dividends in the future. And we are the only firm out there that does this type of in-depth analysis for you. We provide the Valuentum Dividend Cushion™ ratio in the dividend reports and monthly Dividend Growth Newsletter, and we also scale the safety of a firm's dividend based on this measure in simple terms: Excellent, Good, Poor, Very Poor.

Please see *About Our Valuentum Dividend Cushion…*on next page

*About Our Valuentum Dividend Cushion...*from previous page

Here's a glimpse of the Valuentum Dividend Cushion™ ratio (as of November 2011) for a sample set of firms in our coverage universe. Please note that the current score on these and hundreds more are available with a membership to our website:

Company Name	Dividend Cushion
Abbott Labs (ABT)	2.3
Coca-Cola (KO)	1.9
Family Dollar (FDO)	4.4
International Business Machines (IBM)	3.7
Johnson & Johnson (JNJ)	2.5
Merck (MRK)	2.5
Molex (MOLX)	2.5
Pepsi (PEP)	1.3
Proctor & Gamble (PG)	1.4
Wal-Mart (WMT)	1.4

Subscribe to Valuentum to monitor the Dividend Cushion of firms you own.

Understanding Dividend Growth

It takes time to accumulate wealth through dividends, so dividend growth investing requires a long-term perspective. We assess the long-term future growth potential of a firm's dividend, and we don't take management's word for it. Instead, we dive into the financial statements and make our own forecasts of the future to see if what management is saying is actually achievable. We use the Valuentum Dividend Cushion™ as a way to judge the capacity for management to raise its dividend – how much cushion it has – and we couple that assessment with the firm's dividend track record, or management's willingness to raise the dividend.

In many cases, we may have a different view of a firm's dividend growth potential than what may be widely held in the investment community. That's fine by us, as our dividend-growth investment horizon is often longer than others'. We want to make sure that the firm has the capacity and willingness to increase the dividend years into the future and will not be weighed down by an excessive debt load or cyclical or secular problems in fundamental demand for their products/services. We scale our dividend-growth assessment in an easily-interpreted fashion: Excellent, Good, Poor, Very Poor.

What Are the Dividend Ideas We Seek to Deliver to You in Our Newsletter?

First of all, we're looking for stocks with dividend yields that are greater than the average of the S&P 500, or about 2% (but preferably north of 3%). This excludes many names, but we think such a cutoff eliminates firms whose dividend streams aren't yet large enough to generate sufficient income. Second, we're looking for firms that register an 'EXCELLENT' or 'GOOD' rating on our scale for both safety and future potential growth. And third, we're looking for firms that have a relatively lower risk of capital loss, as measured by our estimate of the company's fair value.

The Valuentum Dividend Cushion™ has an excellent track record of predicting dividend cuts. For more information, please select the following link (login required):

http://www.valuentum.com/articles/20130528

Valuentum Dividend Growth Newsletter: Volume 6, Issue 1

Valuentum's Dividend Growth Newsletter is published monthly. To receive this newsletter on a monthly basis, please subscribe to Valuentum by visiting our website at http://www.valuentum.com. Or contact us at info@valuentum.com.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

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