OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

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Valuentum Securities Inc.
www.valuentum.com info@valuentum.com

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"…we believe investors may be well-rewarded in future periods by finding the best dividend-growth stocks out there."

The Benefits of Dividend Growth Investing

By Brian Nelson, CFA

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com

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.

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 safest dividends but also ones that are poised to grow them long into the future.

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About Our Dividend Growth Newsletter

By Brian Nelson, CFA

The goal of our Dividend Growth Newsletter is to identify high-yielding, undervalued stocks that offer investors not only a source of sustainable and growing dividend income but also collectively form a portfolio that we expect to achieve an average annual rate of return in the high-single-digits over rolling 3- to 5-year periods into the future.

The dividend-growth ideas presented in our Dividend Growth portfolio are all trading at attractive valuations, offer an annual dividend income stream that is greater than the average of the S&P 500 Index (about 2%), and present investors with tremendous dividend growth potential over the long haul.

Our dividend methodology is forward-looking and seeks to identify firms that not only currently pay an outsize dividend, but also have the capacity and willingness to pay an ever-increasing dividend well into the

Please see *About Our Dividend Growth Newsletter* on page 4

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$56.00 - $94.00	HEALTHY	GOOD / 2.5	EXCELLENT

Dividend Spotlight: Johnson & Johnson (JNJ)

By Valuentum Analysts

With a 49-year history of continuous dividend increases, Johnson & Johnson (JNJ) is a core position in the portfolio of our Dividend Growth Newsletter. Though we admire its healthy track record of paying and raising its dividend in the past, we think the firm's willingness and capacity to raise the dividend in the future has never been stronger. Due to its healthy track record and solid Valuentum Dividend Cushion™ score, Johnson & Johnson, in our opinion, has the potential to pay a dividend of $2.74 per share within the next several years (it is $2.28 currently; 3.5% annual yield), signaling a very nice opportunity for dividend growth investors, particularly at current price levels that are below our estimate of its intrinsic value.

As long-time followers of Johnson & Johnson know, the firm is a steady, established company that has pursued somewhat of a defensive strategy in light of the uncertain global economic situation. J&J has pulled back on capital expenditures and R&D, while cutting overhead expenses, amounting to material operating savings. Operating margins have improved from about 26.6% in 2008 to over 27.5% in 2010, and we think there is further room for expansion in coming years.

Please see *Dividend Spotlight: Johnson & Johnson* on page 12

Dividend Strength	Dividend Growth			
Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record				HEALTHY
Fiscal Year	Div'n/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-96	0.37		1.06	34.9%
Dec-97	0.43	16.2	1.21	35.5%
Dec-98	0.49	14.0	1.12	43.8%
Dec-99	0.55	12.2	1.47	37.4%
Dec-00	0.62	12.7	1.70	36.5%
Dec-01	0.70	12.9	1.84	38.0%
Dec-02	0.80	14.3	2.16	37.0%
Dec-03	0.93	16.3	2.40	38.8%
Dec-04	1.10	18.3	2.84	38.7%
Dec-05	1.28	16.4	3.46	37.0%
Dec-06	1.46	14.1	3.73	39.1%
Dec-07	1.62	11.0	3.63	44.6%
Dec-08	1.80	11.1	4.57	39.4%
Dec-09	1.93	7.2	4.40	43.9%
Dec-10	2.11	9.3	4.78	44.1%
Dec-11	***2.28***	***8.1***	***4.45***	***51.2%***
Dec-12	*2.40*	*5.4*	*4.70*	*51.2%*
Dec-13	*2.53*	*5.4*	*4.95*	*51.2%*
Dec-14	*2.65*	*4.5*	*5.17*	*51.2%*
Dec-15	*2.74*	*3.5*	*5.35*	*51.2%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio.

To view our full 16-page equity report on Johnson & Johnson, please visit our website at www.valuentum.com

The Benefits of Dividend Growth Investing from page 1

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 it held on its balance sheet).

The Importance of Forward-Looking Dividend Analysis

Armed 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 why backward-looking analysis can be painful.

"Although analyzing historical trends is important, we think assessing what may happen in the future is even more important."

Please see *The Benefits of Dividend Growth Investing* on page 6

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$30.00 - $44.00	HEALTHY	EXCELLENT / 3.3	EXCELLENT

Dividend Spotlight: Intel (INTC)

By Valuentum Analysts

Intel continues to have a near monopoly in a growing sector and produces gobs of free cash flow. We think the company's shares are worth $26 under a bear-case scenario and as high as the mid-$30 on more optimistic forecasts, representing considerable upside from today's price levels (the low $20s). Plus, we think the firm is one of the best dividend growth plays on the market, offering investors a juicy 3.5% annual yield and a yearly payout ($0.84) that we expect to grow long into the future. Intel is a core position in the portfolio of our Dividend Growth Newsletter.

"…we think (Intel) is one of the best dividend growth plays on the market, offering investors a juicy 3.5% annual yield and a payout that we expect to grow long into the future."

As investors and consumers are well aware, much has been made about the rise of the tablet (think iPad) and the death of the personal computer. Though we like Apple (AAPL)—in fact, it remains a core position in the portfolio of our Best Ideas Newsletter—we think worries about a dramatic and secular decline in demand for personal computers are severely overblown. Additionally, according to most tech companies that we've been monitoring, the US remains in the midst of a technology refresh cycle, which could accelerate if and when the macro situation improves. Though recent results from Oracle (ORCL) and competing chipmakers muddy this outlook, long-term dividend growth investors should expect years of growing dividends from Intel even in the face of a difficult market environment.

Plus, even if some companies abandon the Windows platform, Intel still supplies high margin processors to Apple, which continues to grow at a breakneck pace. Admittedly, we'd be even more excited if Apple were using an Intel processor rather than its own A5, but we still think long-term PC growth will continue, as will the sales of Macs with Intel insides. In addition to PC expansion, the build-out of the cloud will continue to be a tailwind for Intel. Data center processor revenue remains core to the chipmaker's business and has nearly doubled since 2009. We think companies building clouds will continue to trust Intel to power these clouds, and we could see data center processors becoming an even bigger part of the company's revenue mix going forward.

That said, the near-term will be a bit challenging for Intel. In the past couple weeks, the firm followed the path of other chipmakers like Texas Instruments (TXN), Altera (ALTR), and Lattice Semi (LSCC) and lowered its fourth-quarter revenue and gross margin outlook, blaming hard disk drive supply shortages from the recent flooding in Thailand. But we view the flooding in Thailand as only a temporary supply chain issue and expect the rebuilding of inventories and microprocessor purchases to be a positive catalyst for Intel's shares after the first quarter of 2012. Importantly, Intel noted in its recent fourth-quarter pre-announcement that sales of personal computers will still advance sequentially in the fourth quarter, a notable positive.

Dividend Strength	Dividend Growth			
Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record				HEALTHY
Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-96	NA	0.0	0.73	0.0%
Dec-97	NA	0.0	0.97	0.0%
Dec-98	NA	0.0	0.87	0.0%
Dec-99	NA	0.0	1.06	0.0%
Dec-00	NA	0.0	1.51	0.0%
Dec-01	NA	0.0	0.19	0.0%
Dec-02	NA	0.0	0.46	0.0%
Dec-03	0.08	0.0	0.85	9.4%
Dec-04	0.16	100.0	1.16	13.8%
Dec-05	0.32	100.0	1.40	22.9%
Dec-06	0.40	25.0	0.86	46.5%
Dec-07	0.45	12.5	1.18	38.1%
Dec-08	0.55	22.2	0.92	59.8%
Dec-09	0.56	1.8	0.77	72.7%
Dec-10	0.63	12.5	2.01	31.3%
Dec-11	***0.84***	***33.3***	***2.47***	***33.9%***
Dec-12	*0.88*	*5.0*	*2.59*	*34.1%*
Dec-13	*0.93*	*5.0*	*2.62*	*35.4%*
Dec-14	*0.97*	*5.0*	*2.63*	*37.0%*
Dec-15	*1.02*	*5.0*	*2.62*	*38.9%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Intel , please visit our website at www.valuentum.com

Please see *Dividend Spotlight: Intel* on page 7

About Our Dividend Growth Newsletter from page 1

future. Our research has shown that most companies cut their dividend to preserve cash in the midst of a secular or cyclical decline in demand for their products or services, or to get a better handle on their overleveraged capital structure in the wake of a corporate restructuring or a transformational acquisition.

Our Valuentum Dividend Cushion™ applies our understanding of the key drivers behind a dividend cut to evaluate the underlying safety of the firm's current dividend. The forward-looking nature of the Valuentum Dividend Cushion™ captures the underlying demand profile of a firm's products and services via our future forecasts of free cash flow (income statement and balance sheet projections), and whether the company has too much leverage via its net debt position (cash less long-term debt) on its balance sheet. At its core, the Valuentum Dividend Cushion™ hits at the heart of what dividend-growth investors care about: Does the firm have the capacity to continue raising its dividend at an above-average pace long into the future? We seek to invest in firms where yes would be the answer to that question – that is, in firms that register an elevated Valuentum Dividend Cushion™ score.

But a firm that has significant capacity to raise its dividend is only part of our criteria for inclusion to our portfolio. Even solid companies like Google (GOOG) or Apple (APPL), for example, don't pay a dividend, despite having phenomenal cash-flow generation and little to no obligations. Therefore, an analysis of management's willingness to raise its dividend over time becomes paramount to the dividend-growth investor; after all, if management teams (and their corresponding boards) are not going to share increased profits with shareholders in the form of higher dividends, the firms they manage are of little interest to the Valuentum dividend-growth investor.

The final consideration before including a firm in our portfolio is its valuation. We prefer firms that are trading below our estimate of their intrinsic value, as this assessment reveals that the risk of capital loss is relatively lower than firms that we believe to be overvalued. By extension, the firms we hold in our Dividend Growth portfolio 1) have a dividend yield greater than the average of that of the S&P 500, 2) are undervalued, 3) have a shareholder-friendly management team and a healthy track record of increasing their annual dividend payouts over time, and 4) have significant financial capacity to raise their dividend in the future as measured by our Valuentum Dividend Cushion™.

On the next page, we outline the constituents of our portfolio and their respective weightings. Each subsequent issue will include Valuentum's discussion of the latest changes to the portfolio, a summary of new names on our watch list, as well as analysis and trends impacting companies held in our portfolio. Plus, we email transaction alerts to subscribers of our newsletter if we make any changes to the portfolio between issues.

Our dividend-growth investment process is completely transparent and easy to implement in your own portfolio. Firms added to our Dividend Growth Newsletter are the cream up the crop based on our dividend-growth methodology. Our Dividend Growth portfolio is highlighted on the next page.

"…the firms we hold in our Dividend Growth portfolio 1) have a dividend yield greater than the average of that of the S&P 500, 2) are undervalued, 3) have a shareholder-friendly management team and a healthy track record of increasing their annual dividend payouts over time, and 4) have significant financial capacity to raise their dividend in the future as measured by our Valuentum Dividend Cushion."

DIVIDEND GROWTH PORTFOLIO -- as of December 31, 2011 Dividend Growth Portfolio Inception Date: January 1, 2012

Company Name	First Purchase	Avg Cost ($)	# of Shares	Total Cost ($)	Last Close	Current Value ($)	% of Portfolio	Exp Yrly Div's ($)
Altria (MO)	12/30/2011	29.65	202	5,996.30	29.65	5,989.30	6.0%	331.28
Chevron (CVX)	12/30/2011	106.40	56	5,965.40	106.40	5,958.40	6.0%	181.44
ConocoPhillips (COP)	12/30/2011	72.87	89	6,492.43	72.87	6,485.43	6.5%	234.96
Emerson Electric (EMR)	12/30/2011	46.59	97	4,526.23	46.59	4,519.23	4.5%	155.20
Energy Transfer (ETP)	12/30/2011	45.85	142	6,517.70	45.85	6,510.70	6.5%	507.65
Hasbro (HAS)	12/30/2011	31.89	220	7,022.80	31.89	7,015.80	7.0%	264.00
Intel (INTC)	12/30/2011	24.25	289	7,015.25	24.25	7,008.25	7.0%	242.76
Johnson & Johnson (JNJ)	12/30/2011	65.58	107	7,024.06	65.58	7,017.06	7.0%	243.96
Kinder Morgan (KMP)	12/30/2011	84.95	65	5,528.75	84.95	5,521.75	5.5%	301.60
Medtronic (MDT)	12/30/2011	38.25	157	6,012.25	38.25	6,005.25	6.0%	152.29
Microsoft (MSFT)	12/30/2011	25.96	308	8,002.68	25.96	7,995.68	8.0%	246.40
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	66.71	7,004.55	7.0%	220.50
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	29.42	7,001.96	7.0%	333.20
Republic Services (RSG)	12/30/2011	27.55	236	6,508.80	27.55	6,501.80	6.5%	207.68
Superior Industries (SUP)	12/30/2011	16.54	423	7,003.42	16.54	6,996.42	7.0%	270.72
Cash				2,363.42		2,363.42	2.4%	3,893.64
Dividend Growth Portfolio				100,000.00		**99,895.00**	100.0%	**3.90%**
Benchmark I: S&P 500 Index (SPY)						**100,000.00**		**2.16%*****
Benchmark II: Dow Jones Select Dividend Index Fund (DVY)						**100,000.00**		**3.48%******

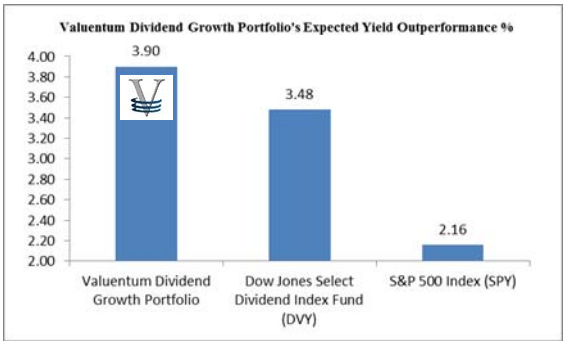
UR = Under Review

*Portfolio will not receive next paid dividend due to purchase after the ex-dividend date.

**Upper bound of fair value range noted.

***The yield an investor would have received if they had held the fund over the last 12 months assuming the most recent NAV.

This portfolio is not a real money portfolio. Data as of December 31, 2011. Cost basis includes commissions. Results include dividends, but no interest received on cash balance.

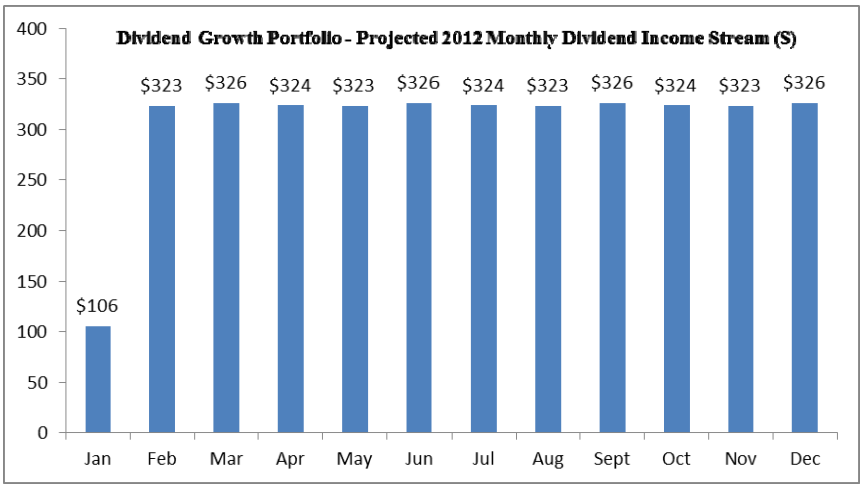


We expect our Dividend Growth portfolio to garner an income stream higher than that of the Dow Jones Select Dividend Index Fund (DVY) and the S&P 500 Index (SPY) in coming periods.

DIVIDEND GROWTH PORTFOLIO -- as of December 31, 2011

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value ($)	VBI Score	Price/Fair Value
Altria (MO)	1.64	5.53%	22-Dec-2011	10-Jan-2012 (quart)*	UR	GOOD	UR	35.00	7	0.85
Chevron (CVX)	3.24	3.05%	mid Feb 2012	Mar-2012 (quart)	2.9	EXC	8.0	120.00	6	0.89
ConocoPhillips (COP)	2.64	3.62%	mid Jan 2012	Mar-2012 (quart)	2	GOOD	8.0	89.00	6	0.82
Emerson Electric (EMR)	1.60	3.43%	early Feb 2012	Mar-2012 (quart)	1.9	GOOD	8.0	51.00	7	0.91
Energy Transfer (ETP)	3.575	7.80%	early Feb 2012	Feb-2012 (quart)	UR	GOOD	UR	46.00 (UB)**	6	1.00 (UB)**
Hasbro (HAS)	1.20	3.76%	late Jan 2012	15-Feb-2012 (quart)	2.1	GOOD	8.0	49.00	9	0.65
Intel (INTC)	0.84	3.46%	early Feb 2012	Mar-2012 (quart)	3.3	EXC	5.0	37.00	9	0.66
Johnson & Johnson (JNJ)	2.28	3.48%	late Feb 2012	Mar-2012 (quart)	2.5	GOOD	5.0	75.00	6	0.87
Kinder Morgan (KMP)	4.64	5.46%	late Jan 2012	Feb-2012 (quart)	UR	GOOD	UR	89.00 (UB)**	6	0.95 (UB)**
Medtronic (MDT)	0.97	2.54%	early Jan 2012	27-Jan-2012 (quart)	2.8	EXC	8.0	51.00	9	0.75
Microsoft (MSFT)	0.80	3.08%	12-Feb-2012	8-Mar-2012 (quart)	4	EXC	12.0	39.00	3	0.67
Proctor & Gamble (PG)	2.10	3.15%	mid Jan 2012	Feb-2012 (quart)	1.4	GOOD	8.0	74.00 (UB)**	7	0.90 (UB)**
PP&L (PPL)	1.40	4.76%	early Dec 2011	3-Jan-2012 (quart)*	UR	GOOD	UR	34.00	5	0.87
Republic Services (RSG)	0.88	3.19%	late Dec 2011	17-Jan-2012 (quart)*	1.3	GOOD	7.0	39.00	6	0.71
Superior Industries (SUP)	0.64	3.87%	early Jan 2012	20-Jan-2012 (quart)	UR	GOOD	UR	20.00	3	0.83

We think each firm held in our Dividend Growth portfolio above meets our demanding criteria. The mix of mature high-yielders and long-term dividend-growers provides a good balance and consistent estimated monthly dividend income stream, as demonstrated by the graph to the right. With Hasbro (HAS), Intel (INTC), and Medtronic (MDT) currently registering a 9 on our Valuentum Buying Index (see page 18), we'd point to those three ideas as potential new candidates, if you're just starting to build your dividend-growth portfolio.



January is impacted by a few equities whose ex-dividend dates occurred in December before their purchase date. Adjusting for this, the payout would be $324 in January, consistent with April, July, and October.

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.

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In fact, one only has to look over the past few years to see the removal of such big names from the Dividend Aristocrat List like General Electric (GE) and Pfizer (PFE) 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. We want to find the 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 and adds that to its forecasted future free cash flows 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 fact, the Valuentum Dividend Cushion™ would have caught every dividend cut made by a non-financial, operating firm that we have in our database, except for one (Marriott). But interestingly, our 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 it cut it.

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. Plus, we not only provide the actual Valuentum Dividend Cushion™ number for every company we mention in our Dividend Growth Newsletter, but we also scale the safety of a firm's dividend in simple terms: Excellent, Good, Poor, Very Poor.

But What about the Growth of a Firm's Dividend?

It takes time to accumulate wealth through dividends, so dividend growth investing requires a long-term perspective. As a result, we assess the long-term future growth potential of a firm's dividend. And we don't just take management's word for what they will do with their dividend. Instead, we dive into the financial statements and make our own forecasts of the future to see if what they're saying is actually achievable. We use our 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.

Plus, we don't use fancy language for what we think of its future growth. We scale our assessment in an easily-interpreted fashion: Excellent, Good, Poor, Very Poor. Our dividend growth methodology is used to uncover the dividend gems included in our portfolio as well as the firms that make up our dividend-growth watch list.

Dividend Spotlight: Intel continued from page 3

We also think the market has been quick to write-off Intel as little more than a parts supplier. With the acquisition of McAffe for $7.68 billion in 2010, Intel also entered the profitable software security and solutions industry. We expect McAffe to capitalize on the proliferation of corporate mobile devices and the downfall of Research in Motion's (RIMM) Blackberry platform. Though McAffe has stiff competition from free spyware and other security options on the consumer level, we think the enterprise business will continue to grow, and the results should eventually translate to increased profitability.

With very little long-term debt, in fact so little that the company earns positive interest on the loads of cash it's creating, we don't think there's much downside risk in Intel at today's levels. It's not a huge discount from our bear-case scenario ($26 per share), but we think the buybacks and a very healthy and growing dividend will continue to support the stock.

A portion of this article appeared in the August edition of our Best Ideas Newsletter.

Sifting Through the Trash for a Dividend Gem: Republic Services

By Valuentum Analysts

As Benjamin Franklin once said, "nothing is certain but death and taxes." If he had lived during our time, Franklin would probably have added a couple other certainties - and garbage would have been among them.

The US non-hazardous solid-waste services industry generates annual revenue in excess of $50 billion, a staggering number just to keep our streets clean. Public companies (like Waste Management (WM), Republic Services (RSG), Waste Connections (WCN), etc.) dominate this market, generating greater than 60% of industry revenues and controlling an equal percentage of valuable disposal capacity. The top line for the group can be expected to expand at a nominal-GDP rate, with pricing growth in the industry adding an additional tailwind thanks to recent consolidation (Republic Services/Allied Waste), a rational focus on return on invested capital, and cost pressures facing independent mom-and-pop trash companies and municipalities.

There are a couple reasons to be fans of the waste-services industry:

1) Operators generate strong and predictable cash flow.

Within the collection line of a waste hauler's business (typically 60-70% of revenue; about 75%-plus in Republic's case), residential services provided to municipalities and individual households are on a service-based model (not-volume based) and can largely be viewed as insulated from economic pressures. Such a constant revenue stream helps to mitigate cyclical pressures in a trash taker's commercial collection and industrial roll-off lines, which also fall into the overall waste-collection category.

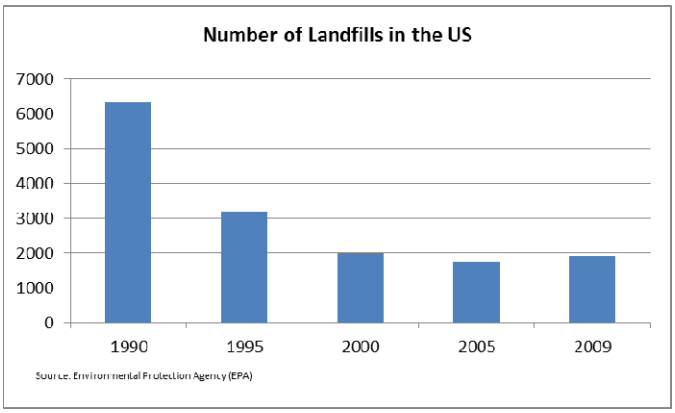
Cell-by-cell landfill build-out provides additional flexibility with respect to capital outlays, as haulers can scale back expenditures during troubled economic times. Waste Management's results speak to the cash-flow stability of this business, and Republic's free cash flow margin will return to double-digit levels this year following its acquisition of Allied Waste a few years ago.

2) There are huge barriers to entry in the landfill business.

Transfer and disposal (typically 20%-30% of revenue; about 18% of revenue in Republic's case) is the most lucrative revenue stream in the waste business. Landfill ownership can largely be viewed as the primary competitive advantage for a solid-waste operator. Though anyone that can finance a truck can bid on collection routes (service is undifferentiated), new entrants are at a significant disadvantage for disposal.

For starters, building a landfill is expensive, time-consuming (permits can take 3-7 years to obtain, sometimes longer), and NIMBY (not-in-my-backyard) opposition has only increased with suburban sprawl. Subtitle D of the Resource Conservation and Recovery Act (1991) significantly increased the cost and complexity of landfill ownership (composite liners, leachate collection systems, zoning, etc.). As a result, many landfills in the US have been closed, and disposal airspace should only become more valuable over time.

Sifting Through the Trash for a Dividend Gem
continued on next page



Since collected waste must go somewhere (direct haul is only practical for 40-50 miles), the company that controls the disposal assets in a given "wasteshed" (locality) often dictates pricing. Owning the only dump in town also limits hefty tipping fees paid to other participants. Waste Management and Republic Services internalize--dispose of into their own company-owned landfills--more than 60% of collected waste, bolstering operating margins relative to privately-held, independent operators. Importantly, landfilling still represents the most prominent form of disposal, declining only 3 percentage points (as a percentage of generation) during the last decade. Materials recovery (including recycling) should continue its march upward, but the pace of this trend is far from tragic for the waste-hauling sector.

Republic's Story

After its acquisition of Allied Waste, Republic now operates roughly 190-plus solid municipal-waste landfills from under 60 pre-acquisition, second only to Waste Management's 271 sites. These disposal assets represent a long-term strategic benefit that will only become more valuable over time due to an increasingly onerous regulatory environment and continued citizens' group opposition to greenfield sites.

Through long-term exclusive franchise contracts with municipalities, Republic operates as a monopoly in nearly 30% of its markets. Plus, Republic arguably has the most attractive franchise deal in the country, an exclusive contract that runs through 2035 with Las Vegas. Its enormous Apex regional landfill in Clark County, Nevada, is the busiest facility in the country and should enjoy years of strong cash flow generation from one of the fastest-growing areas in the country.

Although Republic has largely captured its targeted synergies related to the Allied transaction, continued execution should drive free cash flow margins to levels even higher than peer Waste Management. Specifically, Republic's guidance for $860 million to $885 million for free cash flow in 2011 seems achievable and breaches the double-digit mark as a percentage of revenue (check out Republic's most recent presentation here).

On an enterprise free cash flow basis, we're looking at annual levels comfortably above the $1 billion mark. Assuming a meager 2% long-term growth rate, a high-single-digit cost of capital (perhaps a conservative assumption given yields on its recent new issues), and accounting for the trash taker's elevated net debt load, a fair value for the firm's equity rests in the high $30 per share, significant upside from current levels. To sweeten the deal for investors, the trash taker also pays a nice annual dividend yield of 3.2% ($0.88 per share), the payout having significant room for further increases.

A portion of this article appeared in the July edition of our Best Ideas Newsletter.

Altria's Yield is Smoking

By Valuentum Analysts

"Some readers may be surprised that (Altria) is a top performer for investors in the face of the onslaught of government restrictions and legal actions that have cost the firm tens of billions of dollars and threaten the cigarette manufacturer with bankruptcy.

But in the capital markets, bad news for the firm often is transformed into good news for investors. Many shun the stock in the company and fear that its legal liability for producing a dangerous product—cigarettes—will eventually crush the firm. This aversion to the firm pushes down the price of (Altria's) shares and raises the return to investors who stick with the stock.

As long as the firm survives and continues to be very profitable, paying out a good fraction of its earnings in the form of dividends, investors will

Altria's Yield is Smoking **continued on next page**

continue to do extraordinarily well."

--- "The Future For Investors," Jeremy J. Siegel explaining why Altria (MO) "has been the golden company that beat the market by 9 percent per year over the last half century and left every other firm far behind in the race to be number one (through 2003)."

In Siegel's now somewhat dated book, readers learned of the magnificent returns one could garner by holding a solid dividend-paying company that is continuously pressured with uncertainty through both the ups and downs of its share price. The reinvested dividends during the troughs of a firm's stock price often find a way of propelling the overall return of that stock to meaningful outperformance when the shares ultimately reach new highs during optimistic times. We tend to agree with Siegel on this point and believe Altria Group to be a core position in the portfolio of our Dividend Growth Newsletter.

Altria is currently targeting roughly an 80% payout ratio, and with expectations for the firm to earn nearly $2.20 per share by 2012, we could see as much as 15% dividend growth in two years to an annual payout of over $1.70 per share, which represents a projected yield of 5.6% based on its current share price. We also think Altria is undervalued on a discounted cash-flow basis and peg its fair value in the mid-$30s. Our opinion regarding Altria's key investment considerations can be found in the table to the right.

A portion of this article appeared in the July edition of our Best Ideas Newsletter.

Investment Considerations	
DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	26.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Business Quality	ValueCreation™			
ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

Relative Valuation	Forward P/E	PEG	Price / FV
Vector Group	15.1	1.6	92.6%
Lorillard	14.2	1.9	109.6%
Philip Morris	13.3	3.3	113.4%
Reynolds American	14.3	5.9	110.2%
Peer Median	14.2	2.6	109.9%
Altria Group	**12.6**	**2.7**	**76.6%**

Price / FV = Current Stock Price divided by Estimated Fair Value

Financial Summary	----- Actual -----		Projected
Fiscal Year End:	Dec-09	Dec-10	Dec-11
Revenue	16,824	16,892	17,061
Revenue, YoY%	5.4%	0.4%	1.0%
Operating Income	5,883	6,264	7,131
Operating Margin %	35.0%	37.1%	41.8%
Net Income	3,206	3,905	4,384
Net Income Margin %	19.1%	23.1%	25.7%
Diluted EPS	1.55	1.88	2.12
Diluted EPS, YoY %	4.6%	21.3%	12.9%
Free Cash Flow (CFO-capex)	3,170	2,599	5,559
Free Cash Flow Margin %	18.8%	15.4%	32.6%

In Millions of USD (except for per share items)

To access the 16-page equity report on Altria, please click here.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$66.00 - $110.00	HEALTHY	GOOD / 1.3	GOOD

Dividend Spotlight: McDonalds (MCD)

By Valuentum Analysts

There's little need for us to explain to investors the story behind McDonald's. At the end of 2011, McDonald's will have over 33,500 restaurant locations nationwide, and total sales (including franchisees, which don't count for McDonald's Corp.) will likely exceed $100 billion. We think shares are about fairly valued at today's levels, but we have our eyes on the firm's dividend yield (2.8%) in the event the company's share price experiences a significant pullback.

Dividend Strength	Dividend Growth			
Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record				HEALTHY
Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-96	0.15	0.0	1.08	13.9%
Dec-97	0.16	6.7	1.15	13.9%
Dec-98	0.18	12.5	1.11	16.2%
Dec-99	0.20	11.1	1.39	14.4%
Dec-00	0.22	10.0	1.46	15.1%
Dec-01	0.23	4.5	1.25	18.4%
Dec-02	0.24	4.3	0.77	31.2%
Dec-03	0.40	66.7	1.18	33.9%
Dec-04	0.55	37.5	1.79	30.7%
Dec-05	0.67	21.8	2.04	32.8%
Dec-06	1.00	49.3	2.30	43.5%
Dec-07	1.50	50.0	1.93	77.7%
Dec-08	1.63	8.7	3.76	43.4%
Dec-09	2.05	25.8	4.11	49.9%
Dec-10	2.26	10.2	4.58	49.3%
Dec-11	***2.80***	***23.9***	***5.45***	***51.3%***
Dec-12	*2.97*	*6.0*	*5.92*	*50.1%*
Dec-13	*3.15*	*6.0*	*6.27*	*50.2%*
Dec-14	*3.30*	*5.0*	*6.60*	*50.0%*
Dec-15	*3.47*	*5.0*	*6.93*	*50.1%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on McDonald's , please visit our website at www.valuentum.com

Best in class management sets the tone for the rest of the company.

How many CEOs started out working as an assistant manager in a McDonald's restaurant? The answer is one, and his name is Jim Skinner. Skinner started working with the company in 1971, and has held several positions since then, including the COO of McDonald's Asian-Pacific, Middle East and Africa (APMEA) and COO of the entire company. Skinner never graduated from college, and knows his business better than almost any CEO on earth. After becoming CEO in the midst of falling profits and high turnover (three CEO's in one year), Skinner continued the plan he started as COO and has transformed a once struggling giant into the envy of the fast-food industry.

He dealt with "Supersize Me" and negative health concerns by expanding healthy options and eliminating the outsized servings. McDonald's now offers oatmeal, fruit smoothies and salads, though burgers and fries remain the stalwarts of the business. He also directed billions of dollars to reinvest in dated-stores to make customer friendly environments, which includes faster service time, friendly service and drive-thru screens that confirm entire orders.

We also like that management requires executives to spend significant time inside the stores to learn the business as well as Skinner. This prepares a long-line of succession that holds the same core values as current management, and quite possibly the same prudence with shareholder capital.

International strategy: We're 'Lovin' It.'

Though much has been made about Yum Brands' (YUM) dominance in China, McDonald's pioneered the journey and continues to grow sales throughout Asia and other emerging markets. Although a few initial hiccups occurred, the company continues to open profitable franchises throughout China and other emerging markets. Sales were up 16% in 2010 in the APMEA region, with same store sales increasing by 6%. By offering unique regional products coupled with its core consumer experiences, McDonald's opens up its doors to more and more customers on a daily basis.

Additionally, the company has toned down the Americana in Europe, creating restaurants that better fit European style and landscape. McDonald's has also started automated ordering in Europe, lowering costs and improving order accuracy. Gross margins in Europe improved over 100 basis points in 2010.

Dividend Spotlight: McDonalds **continued on next page**

The company has invested about $2.5 billion in capital expenditures in 2011, with approximately half of that going toward store updates and renovations. Improving the customer experience makes McDonald's more appealing to every type of customer that is being squeezed by time constraints, as eating habits in the United States shift toward even more meals prepared outside the home.

Few companies are as kind to shareholders.

McDonald's continues to be one of the most shareholder-friendly companies in the fast-food space. The company has returned over $5 billion to shareholders in each of the last three years, which is split between buybacks and dividends. With around 1.7 million shares, Skinner is a significant shareholder whose interests (and net worth) are tied to McDonald's continued success. We think the long-term focus of McDonald's will continue to align shareholders and management. The company also floats a significant amount of low cost debt that can be easily covered (EBITDA/Interest coverage is about 19x).

Although there are fewer negatives, we still think shares are fairly valued.

At over $100 per share, however, McDonald's shares are approaching the high end of our fair value range (about $110 per share). The threat of a backlash against the healthfulness of its food is always a risk, though the recession appears to have tempered fears about obesity in the U.S. Additionally, McDonald's has literally been firing on all cylinders for the last six or seven years, and any slip-up could negatively impact growth. An increase in commodity costs could also pressure margins, as McDonald's tries to squeeze every last penny out of suppliers.

In the event of margin compression and lackluster sales growth, McDonald's could fetch a value south of $70 per share (based on our down-side scenario). However, continued success and improving operating margins could send the shares to over $110 each. In the near term, however, we remain on the sidelines, as our required margin of safety is not yet present. That said, we wouldn't hesitate to add the firm to our Dividend Growth portfolio on a pullback, which would have the dual effect of reducing our risk of capital loss and offering us a higher dividend yield.

Our Dividend Growth Watch List

By Valuentum Analysts

Our dividend-growth watch list continues to be filled with potential ideas for your portfolio. We may replace firms held in our portfolio with companies found in the table to the right should their dividend growth potential (and/or total return potential) become relatively more attractive than portfolio constituents'. We continue to scour our coverage universe for firms to add to our dividend-growth watch list, which we update in every edition of our Dividend Growth Newsletter.

DIVIDEND GROWTH WATCH LIST - as of December 31, 2011

Company Name	YtyDiv's Paid ($) / Shr	Div Yield %	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value ($)	VBI Score	Price Fair Value	Last Close ($)
ADP (ADP)	1.58	2.93%	2.3	GOOD	8.0	48.00	6	1.13	54.01
Avon Products (AVP)	0.92	5.24%	1.5	GOOD	4.0	26.00	6	0.68	17.57
Bemis (BMS)	0.96	3.19%	UR	UR	UR	27.00	6	1.11	30.08
Boeing (BA)	1.76	2.40%	3.1	END	7.0	77.00	3	0.95	73.35
Coca-Cola (KO)	1.88	2.69%	1.9	GOOD	6.0	65.00	3	1.08	69.97
Colgate-Palmolive (CL)	2.32	2.51%	1.9	END	8.0	75.00	3	1.23	92.39
Duke Energy (DUK)	1.00	4.55%	UR	GOOD	UR	18.00	5	1.22	22.00
General Dynamics (GD)	1.88	2.83%	3.1	END	8.0	73.00	3	0.91	66.41
Honeywell (HON)	1.49	2.75%	UR	GOOD	UR	61.00	7	0.89	54.25
IBM (IBM)	3.00	1.65%	3.4	END	10.0	189.00	6	0.97	183.88
Mattel (MAT)	0.92	3.31%	2.3	GOOD	8.0	29.00	6	0.96	27.76
McDonalds (MCD)	2.80	2.79%	1.3	GOOD	5.5	88.00	7	1.14	100.33
Molex (MOLX)	0.80	3.35%	2.4	GOOD	7.0	26.00	6	0.92	23.86
Northrop Grumman (NOC)	2.00	3.42%	3.1	END	5.0	70.00	3	0.84	58.48
Owens & Minor (OMI)	0.80	2.88%	2.0	GOOD	10.0	32.00	3	0.87	27.79
Paychex (PAYX)	1.28	4.25%	2.7	GOOD	5.0	30.00	6	1.00	30.11
Philip Morris (PM)	3.08	3.92%	UR	GOOD	UR	56.00	3	1.40	78.48
Raytheon (RTN)	1.72	3.56%	2.5	GOOD	8.0	38.00	7	1.27	48.38
St. Jude (STJ)	0.84	2.45%	2.5	GOOD	10.0	46.00	6	0.75	34.30
United Technologies (UTX)	1.92	2.63%	UR	GOOD	UR	101.00	6	0.72	73.09
UPS (UPS)	2.08	2.84%	UR	GOOD	UR	72.00	3	1.02	73.39
Waste Management (WMI)	1.36	4.16%	0.9	POOR	2.0	40.00	3	0.82	32.69

UR = Under Review

To access the dividend reports of companies on our watch list, please click here.

Dividend Spotlight: Johnson & Johnson continued from page 2

We believe these operating improvements to be a low-risk measure to improve the bottom line, and with expansion into international markets, the firm should continue to experience decent sales growth in all three of its business segments: consumer products, medical devices and diagnostics, and pharmaceuticals. International growth will continue to be the key driver behind J&J's operations, as shown historically in the chart below.

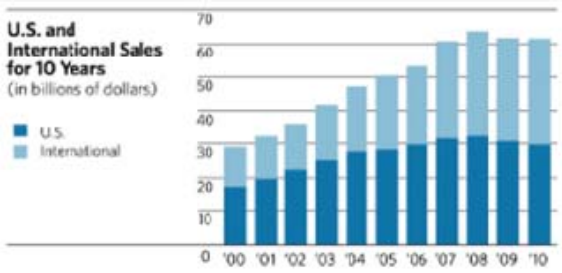


Image Source: J&J's 2010 10-K

Recent lawsuits—including those related to DePuy's artificial hips—and voluntary recalls in the OTC business – the latest of which is the December voluntary recall of Motrin IB—should not disrupt these growth expectations too much. However, a December 19 ruling means that the firm will have to defend itself against a securities fraud lawsuit regarding information given to investors about the quality control failures relating to product recalls. Its April 2011 acquisition of Synthes provides further expansion opportunities, and the EU review of the deal is expected to be completed by the beginning of April 2012.

The consumer products segment (24% of 2010 sales) continues to face headwinds due in large part to voluntary recalls and a temporary shutdown of its McNeil Consumer Healthcare manufacturing facility. Total domestic sales in the consumer segment decreased over 9% during the first nine months from the same period a year ago. However, in its most recent quarter, total consumer sales increased roughly 5% led exclusively by international expansion (as shown below).

(Dollars in Millions)	October 2, 2011	October 3, 2010	Total Change	Operations Change	Currency Change
OTC Pharm & Nutr	$ 1,054	$ 1,109	(5.0)%	(9.4)%	4.4%
Skin Care	943	800	17.9	13.2	4.7
Baby Care	613	566	8.3	4.1	4.2
Women's Health	458	459	(0.2)	(4.8)	4.6
Oral Care	422	384	9.9	5.8	4.1
Wound Care/Other	250	249	0.4	(2.8)	3.2
Total	$ 3,740	$ 3,567	4.9%	0.5%	4.4%

Image Source: J&J's Q3 2011 10-Q

Although this division continues to face stiff competition in the domestic market from private label competitors (as consumers look for lower-priced options), and from branded foes such as Pfizer (PFE) and Novartis (NVS) that are capitalizing on the recalls, we believe such trends, while a major headache, are not tragic to the firm. In fact, we fully expect the company to regain lost ground in coming years, particularly with its flagship OTC Tylenol. Still, brand repair will be paramount, but we don't expect recent rapid market share gains from Pfizer's Advil and Novartis' Maalox to be sustainable.

In addition, we think the international market remains quite promising for consumer products growth over the long haul. In the third quarter of 2011, for example, total international sales in its consumer products segment expanded more than 10% from the same period a year ago and experienced a 9.5% increase through the first nine months of the year over the same period last year. We believe J&J will look to its faster-growing markets for further expansion – Western Hemisphere (excluding the United States), Asia Pacific, and Africa – where it's recently experienced double-digit growth (including currency).

J&J's Acquisition of Synthes

MD&D (40% of 2010 sales) has shown modest sales growth (6.1% increase in the third quarter versus the prior year), and is being driven worldwide by ETHICON, diabetes care, including LifeScan's blood glucose monitoring products, and vision care, which includes Vistakon's disposable contact lenses.

Dividend Spotlight: Johnson & Johnson continued on next page

Dividend Spotlight: Johnson & Johnson **continued from previous page**

Major Medical Devices and Diagnostics Franchise Sales — Fiscal Third Quarters Ended

(Dollars in Millions)	October 2, 2011	October 3, 2010	Total Change	Operations Change	Currency Change
DEPUY ®	$ 1,384	$ 1,309	5.7%	1.7%	4.0%
ETHICON ENDO-SURGERY ®	1,231	1,137	8.3	3.4	4.9
ETHICON ®	1,187	1,072	10.7	6.4	4.3
Vision Care	752	695	8.2	2.5	5.7
Diabetes Care	664	613	8.3	4.4	3.9
ORTHO-CLINICAL DIAGNOSTICS ®	539	498	8.2	4.5	3.7
Cardiovascular Care*	526	596	(11.7)	(15.9)	4.2
Total	$ 6,283	$ 5,920	6.1%	1.7%	4.4%

Image Source: J&J's Q3 2011 10-Q

The MD&D segment—as well as the pharma segment—face increased regulatory pressure, both in the US and worldwide, from government and insurance companies. This could pressure margins due to lower pricing growth and increased rebates, making efficiency initiatives paramount. J&J's recently-announced acquisition of Synthes, which makes devices to treat bone fractures and trauma, should fit well with its DuPuy segment. We believe Synthes' focus on emergency-related devices will add to J&J's overall defensive characteristics, making it a go-to stock should the global market economy falter. Though we aren't too excited about the purchase price for Synthes (over 11x EBITDA), we do expect the combined entity to achieve its targeted synergies in coming years. Synthes shareholders voted to approve the deal on December 15, 2011, and the $21 billion-plus deal is expected to close next year.

Pharmaceuticals Division Boasts a Strong Pipeline

J&J holds a strong position in pharmaceuticals (36% of 2010 sales), and its focus on R&D should keep its pipeline robust for years to come. Though R&D funding has been pulled back slightly from 2007 highs (about $7.7 billion), the $6.8 billion spent in 2010 is still more than double the roughly $3.2 billion spent in 2000, and we're anticipating higher R&D spending in 2011.

Manufacturing issues also plague the pharma segment, with Ben Venue Laboratories, the sole manufacturer of Doxil—a drug treating ovarian and other cancers—unable to supply the drug. The drug shortage isn't expected to be filled by Ben Venue until late 2012, although J&J is seeking other alternatives (sales of Doxil declined over 85% in the third quarter versus the same period in the prior year). While the loss of patent protection in June for its treatment for bacterial infections, Levaquin (which accounted for 2% of 2010 sales), caused sales of the drug to decline precipitously (91% decline in the third quarter versus the same period a year ago)—as was the case with Topamax, which lost exclusivity in 2009—we believe recently-launched products will fill the void. Two of the firm's new launches are Stelara for psoriasis, and Simponi for rheumatoid arthritis, which are achieving incredible growth rates through the first nine months. J&J has also recently announced a partnership with Pharmacyclics, Inc. (PCYC) for the development and marketing of a new cancer drug, and a deal with Bristol-Myers Squibb to develop an oral treatment for chronic HCV (hepatitis C).

Additionally, J&J may also benefit from more favorable trends in the FDA's drug-approval rate. Peers such as Merck (MRK), Bristol-Myers Squibb (BMY), Human Genome Sciences (HGSI), and GlaxoSmithKline (GSK) have had notable approvals in recent months, and such a favorable trend has also revealed itself in the recent FDA approval of the anticoagulant Xarelto, which was developed by J&J and Bayer AG (BAYZF.PK). Other new potential opportunities for J&J span treatments for advanced prostate cancer, hepatitis C, and HIV, all of which we are monitoring closely.

All things considered, we think the future remains bright for Johnson & Johnson and view its dividend characteristics as among the best available on the market today. The firm is one of our larger positions in our Dividend Growth portfolio.

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 (read multiple analysis) 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:

Mueller Water MWA FAIRLY VALUED — Buying Index™ 3 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$2.17	$1.00 - $3.00	HEALTHY	VERY POOR / -11.1	VERY POOR	3.23%

Pitney Bowes PBI FAIRLY VALUED — Buying Index™ 3 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$18.64	$14.00 - $24.00	HEALTHY	VERY POOR / -1	VERY POOR	7.94%

R.R. Donnelley RRD UNDERVALUED 1.2% — Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$14.82	$15.00 - $25.00	HEALTHY	VERY POOR / -1.1	VERY POOR	7.02%

To access the full dividend reports on the above companies, please click here.

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 9-Dec-2011

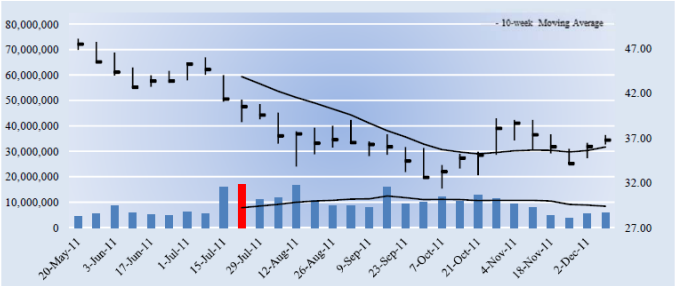
Hasbro HAS UNDERVALUED 0.7%

Buying Index™ 9 **Value Rating** ✓

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$36.76	$37.00 - $61.00	HEALTHY	GOOD / 2.1	EXCELLENT	3.26%

We think Hasbro is a slam-dunk dividend play. The firm is undervalued, its yield is attractive, and the dividend has strong growth prospects, in our opinion.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.26%
Annual Dividends per Share	$1.20
Initial Annual Div's Paid, $10k Investment	$326.44
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	2.1
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	LOW
ValueRisk™ (Equity Margin of Safety)	MEDIUM

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good				■
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$5,355
Avg Weekly Vol (30 wks)	9,081
30-week Range (USD)	31.36 - 48.1
Valuentum Sector	Consumer Discretionary
Last Fiscal Year Revenue	4,002
Last Fiscal Year EPS	2.73
Last Fiscal Year EBITDA	807
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	6.3%

Dividend Vitals

Current Annual Dividend Yield %	3.3%
Annual Dividends Per Share	1.20
Forward Dividend Payout Ratio	41.0%
3-yr Historical Dividend CAGR	16.4%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	34.7%
15-yr Hist Median Div Payout Ratio	27.9%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	919.00	30.00
50	1,838.00	60.00
100	3,676.00	120.00
200	7,352.00	240.00
300	11,028.00	360.00
400	14,704.00	480.00
500	18,380.00	600.00
1,000	36,760.00	1,200.00
2,000	73,520.00	2,400.00
5,000	183,800.00	6,000.00
10,000	367,600.00	12,000.00
50,000	1,838,000.00	60,000.00
100,000	3,676,000.00	120,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — GOOD / 2.1

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Hasbro scores a 2.1 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Hasbro registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.63 per share within the next several years.

Risk of Capital Loss — LOW

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Hasbro registers a score of LOW on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-96	NA	0.0	0.98	0.0%
Dec-97	NA	0.0	0.68	0.0%
Dec-98	NA	0.0	1.01	0.0%
Dec-99	NA	0.0	0.93	0.0%
Dec-00	NA	0.0	-0.82	0.0%
Dec-01	0.12	0.0	0.35	34.3%
Dec-02	0.12	0.0	0.43	27.9%
Dec-03	0.12	0.0	0.98	12.2%
Dec-04	0.21	75.0	0.96	21.9%
Dec-05	0.33	57.1	1.09	30.3%
Dec-06	0.45	36.4	1.29	34.9%
Dec-07	0.60	33.3	1.97	30.5%
Dec-08	0.76	26.7	2.00	38.0%
Dec-09	0.80	5.3	2.48	32.3%
Dec-10	0.95	18.8	2.74	34.7%
Dec-11	***1.20***	***26.3***	***2.93***	***41.0%***
Dec-12	*1.30*	*8.0*	*3.33*	*38.9%*
Dec-13	*1.40*	*8.0*	*3.45*	*40.5%*
Dec-14	*1.51*	*8.0*	*3.58*	*42.3%*
Dec-15	*1.63*	*8.0*	*3.71*	*44.0%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Hasbro , please visit our website at www.valuentum.com

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Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 23-Dec-2011

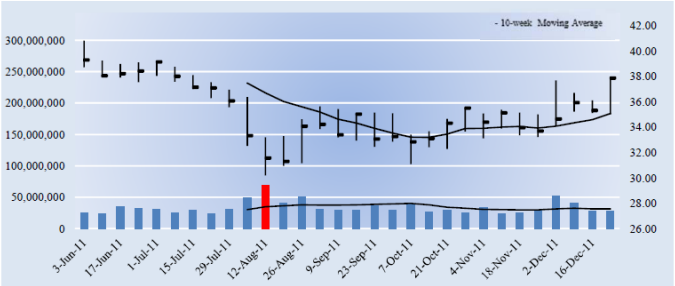
Medtronic MDT UNDERVALUED 0.4%

Buying Index™ 9 **Value Rating** ✓

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$37.84	$38.00 - $64.00	HEALTHY	EXCELLENT / 2.8	EXCELLENT	2.56%

The growth potential and safety of Medtronic 's dividend are attractive, and the size of its yield makes the firm worth considering as a potential income play.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	**2.56%**
Annual Dividends per Share	**$0.97**
Initial Annual Div's Paid, $10k Investment	**$256.34**
Dividend Track Record	**HEALTHY**
Dividend Safety	**EXCELLENT**
Valuentum Dividend Cushion™	**2.8**
Dividend Growth Potential	**EXCELLENT**
Risk of Capital Loss	**LOW**
ValueRisk™ (Equity Margin of Safety)	**MEDIUM**

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$40,932
Avg Weekly Vol (30 wks)	33,120
30-week Range (USD)	30.18 - 40.81
Valuentum Sector	Health Care
Last Fiscal Year Revenue	15,933
Last Fiscal Year EPS	2.86
Last Fiscal Year EBITDA	5,955
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	9.1%

Dividend Vitals

Current Annual Dividend Yield %	2.6%
Annual Dividends Per Share	0.97
Forward Dividend Payout Ratio	27.8%
3-yr Historical Dividend CAGR	9.0%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	31.5%
15-yr Hist Median Div Payout Ratio	23.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	946.00	24.25
50	1,892.00	48.50
100	3,784.00	97.00
200	7,568.00	194.00
300	11,352.00	291.00
400	15,136.00	388.00
500	18,920.00	485.00
1,000	37,840.00	970.00
2,000	75,680.00	1,940.00
5,000	189,200.00	4,850.00
10,000	378,400.00	9,700.00
50,000	1,892,000.00	48,500.00
100,000	3,784,000.00	97,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — EXCELLENT / 2.8

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Medtronic scores a 2.8 on our Dividend Cushion™, which is EXCELLENT.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Medtronic registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.32 per share within the next several years.

Risk of Capital Loss — LOW

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Medtronic registers a score of LOW on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Apr-97	NA	0.0	0.55	0.0%
Apr-98	NA	0.0	0.48	0.0%
Apr-99	0.10	0.0	0.40	25.0%
Apr-00	0.16	60.0	0.90	17.8%
Apr-01	0.20	25.0	0.85	23.5%
Apr-02	0.23	15.0	0.80	28.8%
Apr-03	0.25	8.7	1.30	19.2%
Apr-04	0.29	16.0	1.60	18.1%
Apr-05	0.34	17.2	1.48	23.0%
Apr-06	0.39	14.7	2.09	18.7%
Apr-07	0.44	12.8	2.41	18.3%
Apr-08	0.50	13.6	1.95	25.6%
Apr-09	0.75	50.0	1.93	38.9%
Apr-10	0.82	9.3	2.79	29.4%
Apr-11	0.90	9.8	2.86	31.5%
Apr-12	***0.97***	***7.8***	***3.48***	***27.8%***
Apr-13	*1.05*	*8.0*	*3.79*	*27.7%*
Apr-14	*1.13*	*8.0*	*3.99*	*28.3%*
Apr-15	*1.22*	*8.0*	*4.21*	*29.1%*
Apr-16	*1.32*	*8.0*	*4.43*	*29.8%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Medtronic , please visit our website at www.valuentum.com

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Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 2-Dec-2011

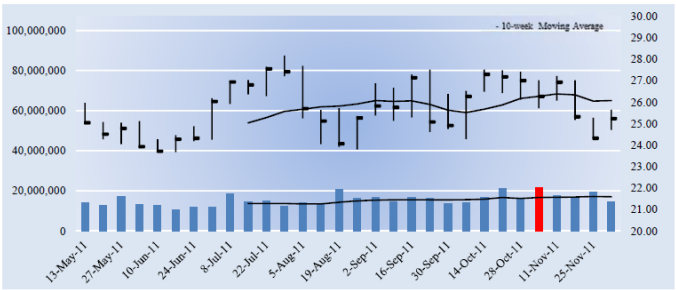
Microsoft MSFT UNDERVALUED 15%

Buying Index™ 3 **Value Rating** ✓

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$25.22	$29.00 - $49.00	HEALTHY	EXCELLENT / 4	EXCELLENT	3.17%

We think Microsoft is a slam-dunk dividend play. The firm is undervalued, its yield is attractive, and the dividend has strong growth prospects, in our opinion.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.17%
Annual Dividends per Share	$0.80
Initial Annual Div's Paid, $10k Investment	$317.21
Dividend Track Record	HEALTHY
Dividend Safety	EXCELLENT
Valuentum Dividend Cushion™	4.0
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	LOW
ValueRisk™ (Equity Margin of Safety)	MEDIUM

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				■
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$216,715
Avg Weekly Vol (30 wks)	15,379
30-week Range (USD)	23.65 - 28.15
Valuentum Sector	Information Technology
Last Fiscal Year Revenue	69,943
Last Fiscal Year EPS	2.69
Last Fiscal Year EBITDA	29,927
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	4.6%

Dividend Vitals

Current Annual Dividend Yield %	3.2%
Annual Dividends Per Share	0.80
Forward Dividend Payout Ratio	29.4%
3-yr Historical Dividend CAGR	17.0%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	24.8%
15-yr Hist Median Div Payout Ratio	0.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	630.50	20.00
50	1,261.00	40.00
100	2,522.00	80.00
200	5,044.00	160.00
300	7,566.00	240.00
400	10,088.00	320.00
500	12,610.00	400.00
1,000	25,220.00	800.00
2,000	50,440.00	1,600.00
5,000	126,100.00	4,000.00
10,000	252,200.00	8,000.00
50,000	1,261,000.00	40,000.00
100,000	2,522,000.00	80,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — EXCELLENT / 4

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Microsoft scores a 4 on our Dividend Cushion™, which is EXCELLENT.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Microsoft registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.26 per share within the next several years.

Risk of Capital Loss — LOW

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Microsoft registers a score of LOW on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jun-97	NA	0.0	0.33	0.0%
Jun-98	NA	0.0	0.42	0.0%
Jun-99	NA	0.0	0.71	0.0%
Jun-00	NA	0.0	0.85	0.0%
Jun-01	NA	0.0	0.69	0.0%
Jun-02	NA	0.0	0.71	0.0%
Jun-03	NA	0.0	0.92	0.0%
Jun-04	NA	0.0	0.75	0.0%
Jun-05	NA	0.0	1.12	0.0%
Jun-06	0.34	0.0	1.20	28.3%
Jun-07	0.39	14.7	1.42	27.5%
Jun-08	0.43	10.3	1.87	23.0%
Jun-09	0.50	16.3	1.62	30.9%
Jun-10	0.52	4.0	2.10	24.8%
Jun-11	0.61	17.3	2.69	22.7%
Jun-12	***0.80***	***31.1***	***2.72***	***29.4%***
Jun-13	*0.90*	*12.0*	*2.78*	*32.3%*
Jun-14	*1.00*	*12.0*	*3.00*	*33.4%*
Jun-15	*1.12*	*12.0*	*3.20*	*35.1%*
Jun-16	*1.26*	*12.0*	*3.37*	*37.3%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Microsoft , please visit our website at www.valuentum.com

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Our Methodology – The Valuentum Buying Index

By Valuentum Analysts

But how, you will ask, does one decide what [stocks are] "attractive"? Most analysts feel they must choose between two approaches customarily thought to be in opposition: "value" and "growth,"...We view that as fuzzy thinking...Growth is always a component of value [and] the very term "value investing" is redundant.

-- Warren Buffett, Berkshire Hathaway annual report, 1993

At Valuentum, we take Buffett's thoughts one step further. We think the best opportunities arise from a complete understanding of all investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through income through momentum investing. We think companies that are attractive from a number of investment perspectives--whether it be growth, value, income, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance. The more investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will move higher.

As such, the Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company. The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks. We believe our methodology helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time.

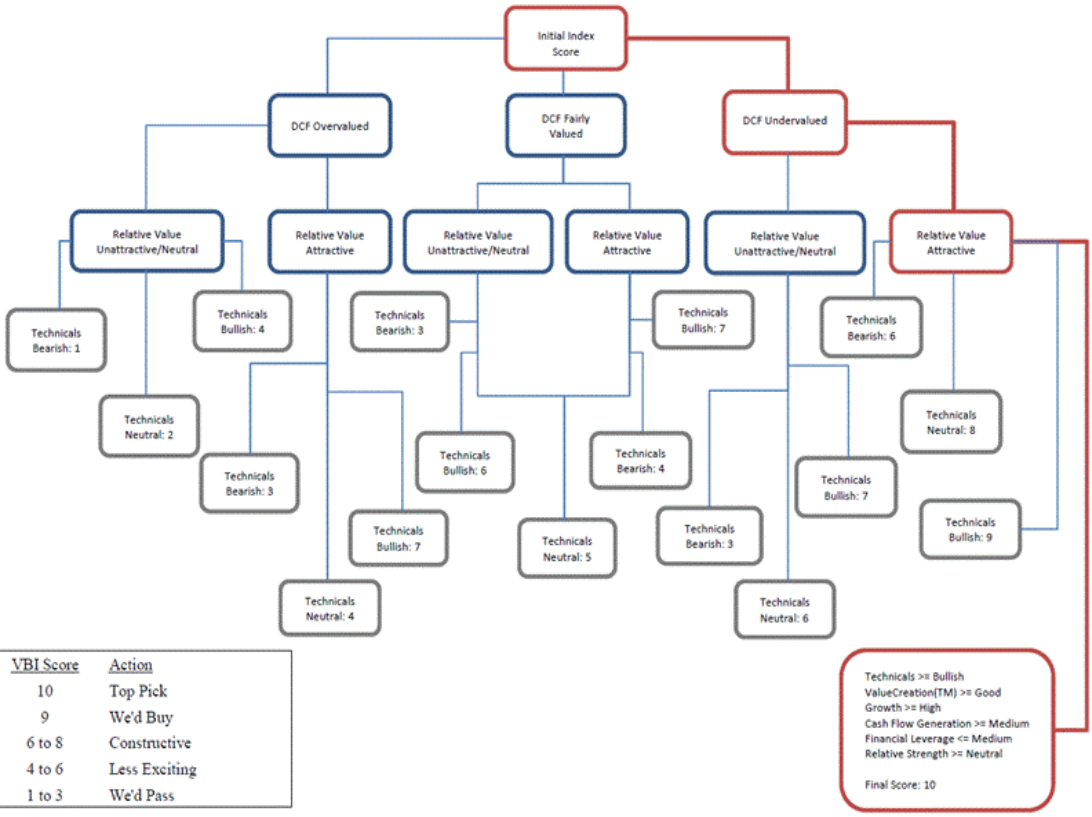
Let's discuss how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative 'value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.

Please view the flow chart on the next page regarding our Valuentum Buying Index.

Our Methodology – The Valuentum Buying Index **continued on next page**

Our Methodology – The Valuentum Buying Index



VBI Score	Action
10	Top Pick
9	We'd Buy
6 to 8	Constructive
4 to 6	Less Exciting
1 to 3	We'd Pass

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Valuentum Dividend Growth Newsletter: Volume 1, Issue 1

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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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