OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

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Valuentum Securities Inc.
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Annualized Return	Annualized Goal	Outperformance
16.1%	Mid-High Single Digits	8.6pts

*Please see note below regarding performance measurement.

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***NOTE:** Our 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 May 1, 2014, the portfolio is significantly exceeding this goal.

April Was A Great Month!

By Brian Nelson, CFA

Brian Nelson, CFA
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Best Dividend Growth Ideas: MO, AAPL, CVX, EMR, ETP, GE, HAS, INTC, JNJ, KMP, MDT, MSFT, PG, PPL, PSX, O

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I'm very excited about this edition of the Dividend Growth Newsletter!

For starters, two of the holdings in the Dividend Growth portfolio – Johnson & Johnson (JNJ) and Kinder Morgan Energy Partners (KMP) – increased their respective payouts since the last update. Kinder Morgan Energy Partners now yields in excess of 7%, while Johnson & Johnson has been such an excellent performer, surpassing $100 per share, that its yield is now just shy of 3% (following the raise). We're very happy about the pace of income growth from portfolio constituents and expect this to continue.

In this edition, we highlight Abbott (ABT), as one of the ideas that we're hoping to add to the portfolio on any material pullback (page 2). We've had fantastic performance from the portfolio's healthcare constituents, including Medtronic (MDT), and we think Abbott would be a great addition at the right price. In this edition of the newsletter, we also walk through 'Earnings from 15 Dividend Growth Giants' beginning on page 3. Out of those 15, we think 3M (MMM) is overpriced, another healthcare giant Baxter (BAX) is worth a look, and if you're not aware of our long-term thesis on portfolio holding Altria (MO) regarding its financial flexibility, it's a must read. Very few firms have such a valuable (and hidden) asset in the form of a material stake in SABMiller like the tobacco firm.

We're also very pleased with the performance of the Dividend Growth portfolio since the last update. Thanks in part to fantastic performance from recent Dividend Growth portfolio additions Apple (AAPL) and Realty Income (O), the portfolio's annualized performance advanced to 16.1%, now nearly 9 percentage points greater than the mid-to-high single-digit annualized goal. We're still expecting fantastic total return prospects from Apple and Realty Income, and we've just started to see the market recognize the material upside potential of portfolio holding General Electric (GE). The industrial giant continues to capitalize on its massive backlog as it sheds risky financial operations. Investors should expect GE to look to add to its industrial exposure via non-US assets, namely France's Alstom, and we think pricing upside above $30 per share is reasonably fair. We're also expecting big things from portfolio holding Microsoft (MSFT), both with respect to dividend growth and capital appreciation. We peg the software giant's fair value at nearly $50 per share.

I hope you enjoy this edition of the Dividend Growth Newsletter, and please don't forget to access the 16-page stock and dividend reports of desired companies on our website. Thank you for your membership!

Keeping a Close Eye on Abbott

By Brian Nelson, CFA

We've always liked Abbott (ABT) – 2.3% annual dividend yield. The company has been one of the most successful companies for more than 125 years. The firm has leadership positions in a number of attractive markets such as 'Diagnostics' – where it is #1 in immunoassay diagnostics and #1 in blood screening – and 'Nutrition' – where it boasts brand names such as Similac, Ensure, and PediaSure, leading to its #1 position in both worldwide adult nutrition and US pediatric nutrition. The firm's 'Branded Generics' segment has strong positions in emerging markets, while its 'Medical Devices' segment is #1 in drug-eluting stents, #1 in bare metal stents, and #1 in LASIK. Abbott continues to execute nicely.

On April 16, Abbott reported solid first-quarter results. On an operational basis, 'Diagnostic' revenues and 'Medical Devices' revenues advanced 5.1% and 0.3%, respectively, while its 'Nutrition' business revenues and 'Established Pharmaceuticals' segment revenues fell 1.7% and 0.7%, respectively. We're not reading too much into the declines in its 'Nutrition' operations, as the company is already well on its way to recovering and recapturing lost share from a supplier recall in August 2013 across certain international markets. We also think the weakness in the company's 'Established Pharmaceuticals' business will be short-lived, and management noted that key emerging markets such as India, Russia, Brazil and China represent the most attractive long-term opportunities in its branded generic product portfolio.

The company exceeded its own bottom-line expectations during the period, posting first-quarter ongoing earnings per share of $0.41, above its previous guidance range of $0.34-$0.36 per share. We would have expected Abbott to raise its full-year outlook, at least by the magnitude of the better-than-expected performance, but the company confirmed its full-year 2014 ongoing earnings-per-share guidance of $2.16-$2.26. Management may still be exercising conservatism this early in 2014 relative to its year-end targets, and **we expect the company to raise guidance at some point in the near future**. The existing guidance represents double-digit growth at the midpoint of the range.

Valuentum's Take

Abbott is a Dividend Aristocrat, which means it has raised its dividend for 25+ consecutive years (after adjusting for the AbbVie spin-off), and the company's recent quarterly dividend of $0.22 that it declared on February 21 was its 361st quarterly dividend. That's a fantastic track record of consistency and resiliency through the course of almost every imaginable market cycle.

For investors interested in a strong dividend-paying equity, Abbott certainly fits the mold. At present, the company's annual dividend yield is 2.3%, and we're considering the company for inclusion in both the Best Ideas portfolio and Dividend Growth portfolio. We'd like to add the firm to the Dividend Growth portfolio (see page 5) at a slightly higher yield, and we fully expect to be patient for a great entry point. Abbott is certainly one for Dividend Growth investors to keep an eye on, if they don't already own it.

Did you know you can access a list of Dividend Aristocrats at the following link (login required):

http://www.valuentum.com/articles/20121128_1

Earnings from 15 Dividend Growth Giants

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.

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. Let's take a look at the recent performance of 15 high dividend payers and disclose their 'valuation ratings' and most recent Valuentum Dividend Cushion scores. Valuentum updates each firm's cash-flow derived valuation rating and Dividend Cushion scores at least on a quarterly basis (or after material events). The Valuentum Dividend Cushion is a pure financially-derived cash-flow coverage ratio that considers a dividend payers future free cash flow, expected future cash dividend payments, and balance sheet (net cash/debt) information. Valuentum includes a number of the firms below in its Dividend Growth portfolio.

Stocks Discussed: MMM, MO, T, BAX, HAS, KALU, KMB, KMP, KLAC, MSFT, PM, PG, RTN, RSG, VZ

3M (MMM) – Overvalued – Dividend Cushion: 1.9 – Dividend Yield: 2.5%

There's little doubt across the team at Valuentum that shares of 3M are overpriced. 3M is a perfect example of the saying that a good company doesn't always make a good stock. We think the odds are long that 3M will outperform the market in the years ahead, as dividend growth investors have bid the firm to levels far beyond what we would consider to be an acceptable fair value range. The company's first-quarter results weren't poor, and its outlook calling for organic local-currency sales growth of 3%-6% wasn't bad, but investors are just too enamored by the company's recent 35% dividend increase. Further advancement at this pace is just unlikely, in our view, and we think investors will have a better time to enter 3M's shares in the next few years.

Altria (MO) – Fairly Valued – Dividend Cushion: 1.2 – Dividend Yield: 4.9%

Altria is one of our favorite dividend growth ideas. The company continues to raise the dividend at a nice clip and holds a prized 27% ownership stake in SABMiller, which continues to perform well. SABMiller currently sports a ~R800 billion market capitalization (or about $80 billion USD at current exchange rates), which means Altria is effectively sitting on $21.6 billion in potential cash (about 30% of its market capitalization) at current price levels. We think this hidden asset within Altria's portfolio is the primary difference between our fair value of Altria and its market price. The firm grew first-quarter adjusted diluted earnings per share by nearly 6% and reaffirmed its 2014 full-year diluted earnings per share range. Altria expects to maintain a dividend payout ratio target of about 80% of earnings, so whenever earnings advance, its dividend payout will as well. If it needs excess cash to fund a one-time dividend or boost annual dividend expansion, it can tap its valuable stake in SABMiller. Altria has financial flexibility that most firms would love to have, and we love holding it in the Dividend Growth portfolio.

AT&T (T) – Fairly Valued – Dividend Cushion: 0.5 – Dividend Yield: 5.3%

We don't like the debt loads of telecom firms. All things considered, firms that generate significant cash flow, have little incremental capital requirements, and boast little to no debt on their balance sheets are the ones with strong dividend-growth potential. This particular profile is as about as far away as possible for AT&T. The company had its best revenue growth in more than two years and its best first-quarter postpaid net adds in five years during the first quarter, but we can't overlook the impediments to AT&T's future dividend expansion. Capital expenditures absorbed nearly two thirds of cash from operations in the period, and while the company expects to haul in $11 billion in free cash flow for 2014, it is staring down a mountain of long-term debt ($71.6 billion at quarter end).

Please see *Earnings…*on next page

*Earnings...*from previous page

Its cash balance doesn't even cover debt maturing within one year, which itself is not included in the long-term debt count. AT&T may have been a great dividend growth idea 10 or 15 years ago, but it is not today. The company's Dividend Cushion score is below 1.

Baxter (BAX) – Fairly Valued – Dividend Cushion: 1.8 – Dividend Yield: 2.7%

Baxter is one of the many dividend growth ideas in the healthcare space. Its strong image and brand is augmented by an extensive global footprint and channel strength. The company continues to enhance its position in hemophilia and advance its pipeline to late-stage development -- all good things. There are close to 20 phase III pipeline programs compared to just a couple in 2005. On an adjusted basis, first-quarter earnings per share advanced 9%, while worldwide sales jumped 5%, excluding the contribution of Gambro revenues. We like the company's product pipeline, its Dividend Cushion score, and annual dividend yield. We're strongly considering adding it to the Dividend Growth portfolio.

Hasbro (HAS) – Fairly Valued – Dividend Cushion: 1.9 – Dividend Yield: 3.1%

Hasbro has fared much better than its peer Mattel (MAT), and we made a great call in choosing Hasbro over its peer in the Dividend Growth portfolio. Hasbro owns well-known brands such as Transformers, Nerf, Playskool, My Little Pony, G.I. Joe, Magic: The Gathering, and Monopoly. The company has been paying dividends since 1977 and has an excellent track record of consistency. In a difficult revenue environment for physical toys, Hasbro still grew revenue 2% in its first quarter thanks to strength in its international segment and its licensing business. The company is solidly profitable, has strong cash-flow generating capacity, and a healthy balance sheet. It remains a position in the Dividend Growth portfolio, and we're fine with that.

Kaiser Aluminum (KALU) – Fairly Valued – Dividend Cushion: 2.2 – Dividend Yield: 2%

We generally don't like commodity producers (they have no control over price), but we're quite impressed with Kaiser Aluminum's Dividend Cushion score. Aerospace and high-strength products (Aero/HS) represent roughly 40% of Kaiser's business, and the aerospace industry perhaps has never been stronger. Still, pricing pressure was something that Kaiser mentioned in its first-quarter release regarding its outlook for 2014, and the company's adjusted consolidated EBITDA dropped in the first quarter both in absolute terms and as a percentage of valued added revenue. We think dividend growth investors can find better ideas than Kaiser Aluminum at this juncture.

Kimberly-Clark (KMB) – Fairly Valued – Dividend Cushion: 1.3 – Dividend Yield: 3%

Kimberly-Clark is best known for its personal care and consumer tissue brands, which include Huggies, Pull-Ups, Little Swimmers, Depend, Kleenex, Scott, and Cottonelle. Its portfolio remains strong. Organic sales advanced 4% during its first quarter thanks to an impressive 12% increase in K-C International, and the company reaffirmed its earnings per share target in the range of $6-$6.20 per share. Kimberly-Clark has raised its dividend in each of the past 40+ years, and its Dividend Cushion score indicates future dividend increases are in store for investors. Shares aren't necessarily cheap, and we think investors could get a better price in the next few years. It's not a portfolio holding.

Kinder Morgan (KMP) – Fairly Valued – Dividend Cushion: 1.5 – Dividend Yield: 7.1%

Kinder Morgan Energy Partners has been a controversial idea. The view that MLPs are inherently risky enterprises is not based on their operations, but instead is grounded on the riskiness of their business structure, which is always reliant on new capital. Bulls will say that this is just how MLPs operate (and they're special entities to be evaluated differently), and some will even refuse to accept this view. But the reality is that the inherent riskiness and capital-market dependence of an MLP is a fact: the entity is dependent on new, incremental money for growth spending. This has always been the case, and the SEC and accounting boards have signed off on it. We don't like the MLP structure any more than the next person, but we accept the abnormal risks related to it in the form of a significantly larger distribution payout than otherwise could be had under a general operating structure (as in a corporation).

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Our Dividend Growth Portfolio

Annualized Return	Annualized Goal	Outperformance
16.1%	Mid-High Single Digits	8.6pts

DIVIDEND GROWTH PORTFOLIO -- as of May 1, 2014 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	39.83	8,045.66	5.7%	387.84
Apple (AAPL)	7/24/2013	442.16	11	4,870.76	591.48	6,506.28	4.6%	144.76
Chevron (CVX)	12/30/2011	106.40	56	5,965.40	124.94	6,996.64	4.9%	224.00
Emerson Electric (EMR)	12/30/2011	46.59	97	4,526.23	67.99	6,595.03	4.7%	166.84
Energy Transfer (ETP)	12/30/2011	45.85	142	6,517.70	55.44	7,872.48	5.6%	522.56
General Electric (GE)	10/21/2013	26.18	240	6,290.20	26.77	6,424.80	4.5%	211.20
Hasbro (HAS)	12/30/2011	31.89	220	7,022.80	55.66	12,245.20	8.6%	378.40
Intel (INTC)	12/30/2011	24.25	289	7,015.25	26.45	7,644.05	5.4%	260.10
Johnson & Johnson (JNJ)	12/30/2011	65.58	107	7,024.06	100.53	10,756.71	7.6%	299.60
Kinder Morgan (KMP)	12/30/2011	84.95	65	5,528.75	75.38	4,899.70	3.5%	358.80
Medtronic (MDT)	12/30/2011	38.25	157	6,012.25	59.21	9,295.97	6.6%	175.84
Microsoft (MSFT)	12/30/2011	25.96	308	8,002.68	40.00	12,320.00	8.7%	344.96
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	82.34	8,645.70	6.1%	269.85
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	34.21	8,141.98	5.7%	354.62
Phillips 66 (PSX)	5/1/2012	Spin Off	44	Spin Off	84.05	3,698.20	2.6%	68.64
Realty Income (O)	7/24/2013	44.35	60	2,668.00	43.21	2,592.60	1.8%	131.40
Cash				2,363.42		18,963.31	13.4%	4,299.41
Dividend Growth Portfolio				100,000.00		**141,644.31**	100.0%	**TBD**
DG Portfolio Annualized Return (from inception through current date)								**16.1%**
DG Portfolio Annualized Return Goal (Mid-to-High Single Digit Returns)								7.5%
DG Portfolio Annualized Return Outperformance								**8.6%**

UR = Under Review

** 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 May 1, 2014. Cost basis includes commissions. Results include divdends, but no interest received on cash balance.

DIVIDEND GROWTH PORTFOLIO -- as of May 1, 2014

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)	1.92	4.82%	mid-June 2014	mid July 2014 (quart)	1.2	GOOD	GOOD	$40.00	3	1.00
Apple (AAPL)	13.16	2.22%	early-May 2014	May 2014 (quart)	4.1	EXCELLENT	EXCELLENT	$715.00	7	0.83
Chevron (CVX)	4.00	3.20%	mid-May 2014	early June 2014 (quart)	1.9	GOOD	EXCELLENT	$113.00	4	1.11
Emerson Electric (EMR)	1.72	2.53%	mid May 2014	early June 2014 (quart)	2.3	GOOD	EXCELLENT	$59.00	6	1.15
Energy Transfer (ETP)	3.68	6.64%	late May 2014	June 2014 (quart)	2.3	GOOD	GOOD	$66.00	4	0.84
General Electric (GE)	0.88	3.29%	mid-May 2014	May 2014 (quart)	2.3	GOOD	GOOD	$32.00	9	0.84
Hasbro (HAS)	1.72	3.09%	late Jul 2014	mid Aug 2014 (quart)	1.9	GOOD	EXCELLENT	$63.00	7	0.88
Intel (INTC)	0.90	3.40%	early May 2014	early June 2014 (quart)	1.9	GOOD	GOOD	$30.00	3	0.88
Johnson & Johnson (JNJ)	2.80	2.79%	late May 2014	early June 2014 (quart)	2.2	GOOD	EXCELLENT	$97.00	4	1.04
Kinder Morgan (KMP)	5.52	7.32%	late Jul 2014	mid Aug 2014 (quart)	1.5	GOOD	EXCELLENT	$94.00	3	0.80
Medtronic (MDT)	1.12	1.89%	late Jun 2014	July 2014 (quart)	3.7	EXCELLENT	EXCELLENT	$64.00	6	0.93
Microsoft (MSFT)	1.12	2.80%	mid May 2014	mid June 2014 (quart)	3.4	EXCELLENT	EXCELLENT	$48.00	6	0.83
Proctor & Gamble (PG)	2.57	3.12%	mid July 2014	early Aug 2014 (quart)	1.4	GOOD	EXCELLENT	$74.00	4	1.11
PP&L (PPL)	1.49	4.36%	early June 2014	early Jul 2014 (quart)	Held for diversification reasons.			$33.00	6	1.04
Phillips 66 (PSX)	1.56	1.86%	early May 2014	late May 2014 (quart)	2.3	GOOD	EXCELLENT	$71.00	5	1.18
Realty Income (O)	2.19	5.07%	monthly	monthly	1.8	GOOD	EXCELLENT	$60.00	9	0.72

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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Kinder Morgan Energy Partners had a strong first quarter and raised its cash distribution 6%, to $5.52 per unit annualized, and it has largely shrugged off the market's concerns, punctuated by a Barron's article, about how it accounts for maintenance capital spending. The midstream pipeline giant expects to pay at least $5.58 per unit in 2014, so unitholders should expect another increase in the distribution this year. Still, the unique fundamental risks of an MLP's business model cannot be ignored.

KLA-Tencor (KLAC) – Fairly Valued – Dividend Cushion: 3.2 – Dividend Yield: 2.7%

KLA-Tencor is among the largest semiconductor equipment companies in the world. The firm supplies process control and yield management solutions to a variety of industries: LED, data storage and photovoltaic. The company's calendar first quarter (fiscal third quarter) results left much to be desired. KLA-Tencor's commentary in the release regarding semiconductor device makers facing enormous challenges in transitioning from planar to 3D transistor structures and the notion that the semiconductor capital equipment industry is currently experiencing a pause in demand doesn't get us very excited. Its guidance for fiscal fourth-quarter revenue and earnings came in lower than consensus expectations, and we won't be rushing to add shares to the Dividend Growth portfolio.

Microsoft (MSFT) – Fairly Valued – Dividend Cushion: 3.4 – Dividend Yield: 2.8%

Microsoft is one of the largest weightings in the Dividend Growth portfolio, and very few other firms pack the punch of its elevated Valuentum Dividend Cushion score. Its name should be synonymous with dividend growth and safety. The company's calendar first quarter (fiscal third quarter) results were solid, and we don't have any qualms with its conservative fourth-quarter outlook. We think the real story with Microsoft, however, is its undervaluation coupled with a fortress balance sheet that will propel years and years of future dividend growth. Microsoft will be one of the best dividend growth gems over the next two decades, in our view, and we continue to like shares quite a bit.

Philip Morris (PM) – Fairly Valued – Dividend Cushion: 1.2 – Dividend Yield: 4.4%

To us, the best dividend growth idea in the tobacco space is Altria. Bulls of Philip Morris say the company has fantastic international growth potential, but so does Altria via SABMiller. Philip Morris' first-quarter performance didn't spell expansion potential. Adjusted diluted earnings per share, excluding currency impacts, advanced less than 5%, while cigarette shipment volume tumbled more than 4%. The company is still expecting a 6%-8% increase in adjusted diluted earnings per share during 2014, and it may just hit that mark via pricing growth, but it is far from a fast grower. Altria's stake in SABMiller gives it comparatively more flexibility to grow its dividend payout, and Altria already has a higher yield than Philip Morris. We're sticking with Altria in the Dividend Growth portfolio.

Procter & Gamble (PG) – Fairly Valued – Dividend Cushion: 1.4 – Dividend Yield: 3.1%

Procter & Gamble's brands include Tide, Ariel, Gillette, Venus, Bounty, Charmin, Pantene, Olay, Pampers, Crest, Oral-B, Duracell, and Vicks. The firm boasts 120+ consecutive years of dividend payments and 55+ consecutive years of dividend increases. Its payout is rock-solid. There's very little that one quarter could ever do to make or break Procter & Gamble, but we were generally pleased with its calendar first quarter (fiscal third quarter) performance. It's no surprise that the company is operating in a highly-competitive, slow-growth environment, but it still put up 3% organic growth and 17% core earnings-per-share expansion during the period. Innovation, pricing expansion, and productivity will be the keys to the company's future dividend expansion, and we think Procter & Gamble's proven track record speaks to continued success. We like the firm as a position in the Dividend Growth portfolio.

Please see *Earnings...*on next page

*Earnings…*from previous page

Raytheon (RTN) – Fairly Valued – Dividend Cushion: 2.8 – Dividend Yield: 2.5%

Raytheon caught investors by surprise with its disappointing first-quarter results following a bullish piece in Barron's. The defense contractor's adjusted earnings per share fell to $1.43 in the period from $1.56 per share in the first quarter of last year, as net sales dropped to $5.5 billion from $5.9 billion. Operating cash flow improved in the period, but the company credited this more to the timing of collections than any fundamental improvement. Sales dropped in all four of its business segments, and operating income in all but one. Boeing (BA) is our favorite defense contractor, but this is more due to its exposure to the burgeoning aerospace industry than anything else. We won't be adding shares of Raytheon to the Dividend Growth portfolio.

Republic Services (RSG) – Fairly Valued – Dividend Cushion: 0.9 – Dividend Yield: 3%

Solid waste operators generate strong and predictable cash flow. Within the collection line of a waste hauler's business, 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. It's probably no surprise why trash takers boast lofty payouts. Republic Services' first-quarter results were decent, but its Dividend Cushion has waned in recent years. It has been one of the few firms we have removed from the Dividend Growth portfolio, and while we like its stable collection operations and landfill position, we don't intend to add it back to the Dividend Growth portfolio anytime soon. It is a holding in the Best Ideas portfolio.

Verizon (VZ) – Fairly Valued – Dividend Cushion: 2.1 – Dividend Yield: 4.4%

Verizon has complicated matters way too much as of late. Even though the firm is one of the market's great cash generators, we have material concerns about the size of Verizon's debt load following its decision to bring Verizon Wireless into the fold. Simply put, investors cannot ignore the balance sheet, which is critical in assessing financial risk and the concept of value creation. We do not think Verizon's elevated debt load bodes well for dividend growth investors in the near term, nor do we think it is a prudent move to add on so much debt so late in the economic cycle. The company's first quarter results showed lower postpaid adds and a higher churn rate relative to expectations, and we're just not excited about its soon-to-be-mountain of debt on the balance sheet in an ultra-competitive environment. We're not considering the firm for addition to the Dividend Growth portfolio.

Wrapping Things Up

The Valuentum Dividend Cushion continues to be the primary metric we use in deciding which companies to add to the Dividend Growth portfolio, and we've yet to have a dividend cut in the portfolio. But as you can see, not every firm that has an elevated Valuentum Dividend Cushion score is worthy of inclusion to the Dividend Growth portfolio. Only the best of the best dividend growth giants are included.

Another New High for GE's Industrial Backlog

By Brian Nelson, CFA

General Electric (GE) – 3.3% annual dividend yield – has taken a number of steps to position itself for future success, and reduced reliance on GE Capital Corp (GECC) remains a sound trajectory. Not only do we think that increased transparency and potential monetization of a portion of its far-reaching financial operations is a prudent idea (particularly given the recent lessons learned from the Financial Crisis), but the move also frees up the executive suite to focus on driving top-notch performance at its industrial operations. Clearly, we're already seeing the potential of this "new GE," and we like it very much.

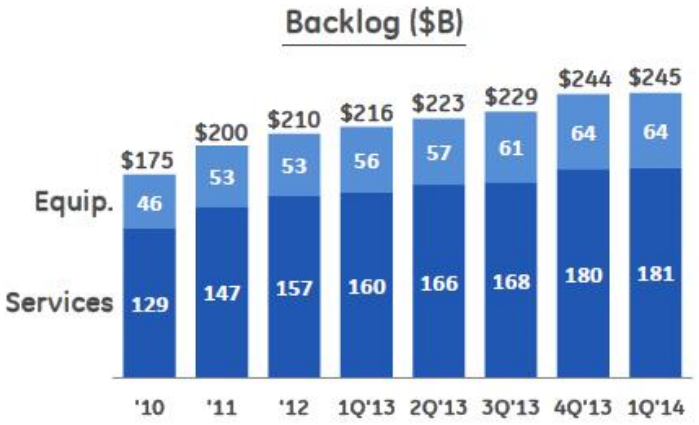


Image Source: GE

GE reported excellent first-quarter results on April 17. One of the most important indicators of GE's industrial business potential is the trend in backlog of equipment and services. Since 2010, **the trend in backlog has been ever-higher**, and we like that the company posted increases in every business segment over the year-ago period. Industrial segment organic revenues jumped a better-than-expected 8% during the period, while growth market revenues advanced 7%. Equipment revenue jumped 12%. We find it quite remarkable that a company of General Electric's size is growing at a pace that is 2-3 times healthy global GDP numbers, and it posted double-digit growth in five of nine growth regions.

GE's industrial segment profits rose 12% thanks to segment margins improving 50 basis points over the prior-year period. 'Simplification' and efficiency initiatives continue to be the key margin drivers, accounting for a large portion of the profitability improvement. Excluding the 2013 NBCUniversal impact and other restructuring items, operating earnings per share increased 9% from the year-ago period. GE Capital's earnings were flat, and the division posted a solid Tier I common ratio (Basel I) of 11.4% and a strong net interest margin of 4.9%. Both of these numbers are better than some of the largest money center banks, including JP Morgan, Wells Fargo, and Citigroup. Cash from operating activities totaled $1.7 billion during the period, and the industrial giant ended the quarter with $87 billion of consolidated cash and equivalents.

GE's 2014 operating framework remains on track, and we show the firm's slide on the next page. It's difficult to argue with all key metrics moving in the right direction, and we are huge fans of GE's ongoing focus on removing structural costs. Its 'simplification' goals, for example, helped to reduce industrial structural costs in the first quarter by $254 million, and the company remains on track to achieve $1 billion in savings. This is needle-moving efficiency improvement.

Please see *Another New High...*on next page

Another New High…**from previous page**

2014 operating framework

Operating earnings	2014F	2014 drivers
Industrial	++	✓ Strong Industrial segment growth ✓ Margin expansion
GE Capital	~$7B	✓ Phase 1 of Retail Finance transaction & lower CRE gains ✓ Position core portfolio for growth
Corporate	–	✓ On track for ~$500MM ↓ in Corporate expense ✓ Offset by loss of NBCU JV income/gain (1Q'13) ✓ Restructuring > gains
Total operating earnings	+	✓ Positive impact of share reduction
CFOA	$14-17B	✓ Planning strong Industrial CFOA; GE Capital dividends below 2013 levels
Total revenues	0-5%	✓ Industrial segment organic 4-7%; GE Capital 0-(5)%

Total year framework on track

Image Source: GE

Valuentum's Take

GE continues to simplify its business by shedding non-core financial assets as its industrial operations fire on all cylinders. The company boasts a solid annual dividend yield of 3.3% at the time of this writing, and dividend growth investors should expect increases year-after-year. Management has learned from the Financial Crisis, and as evidenced by the coming initial public offering of its North American Retail Finance division, it's not interested in needless risk-taking for growth. We continue to expect upside in shares, and the company remains a holding in both the Best Ideas portfolio and Dividend Growth portfolio.

Johnson & Johnson's Patent Expiration Profile is Fantastic

By Brian Nelson, CFA

Very few firms have a more attractive investment profile than Johnson & Johnson (JNJ) – 2.8% annual dividend yield. The consumer products and healthcare company showed us why when it reported better-than-expected first-quarter performance on both the top and bottom lines. The company continues to drive outperformance in the Dividend Growth portfolio as it approaches $100 per share.

Operating sales during the period jumped 5.3% compared to the same quarter a year ago, consisting of 2.2% domestic expansion and 7.9% international growth. Excluding one-time items, net earnings for the quarter came in at $4.4 billion and diluted earnings per share came in at $1.54, representing advances of 7.8% and 6.9%, respectively, compared to last year's quarter. Management credited successful new product launches and continued growth in key products for the strong showing.

Though consumer sales faced an operational sales decline and its medical devices businesses put up flat performance, operational sales in the company's pharmaceutical business advanced an impressive 12.2%. Leading the charge were STELARA®, a biological treatment of moderate to severe plaque psoriasis and psoriatic arthritis, INVEGA®SUSTENNA®/XEPLION®, a once-monthly, long-acting, injectable atypical anti-psychotic for the treatment of schizophrenia, PREZISTA®, a treatment for HIV, and VELCADE®, a treatment for multiple myeloma. New products such as OLYSIO™/SOVRIAD™ (hepatitis C), ZYTIGA (prostate cancer), XARELTO (anticoagulant), and INVOKANA (type 2 diabetes) also performed nicely.

Please see *Johnson & Johnson…*on page 13

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 is near fully-invested, 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.

Name	Symbol	Industry	Est. Div Yield	VBI	Div Growth	Div Cushion
Teekay	TGP	Shipping	6.4%	6	GOOD	1.7
Buckeye Partners	BPL	Oil & Gas Pipelines	6.1%	6	GOOD	1.8
Omega Healthcare	OHI	REIT - Healthcare	6.1%	6	EXCELLENT	2.0
Holly Energy	HEP	Oil & Gas Pipelines	6.0%	6	EXCELLENT	1.3
DCP Midstream	DPM	Oil & Gas Pipelines	5.8%	7	EXCELLENT	1.9
HCP	HCP	REIT - Healthcare	5.8%	7	EXCELLENT	1.9
Universal Health Realty	UHT	REIT - Healthcare	5.7%	6	GOOD	2.6
AstraZeneca	AZN	Pharmaceuticals	5.5%	6	EXCELLENT	1.4
Health Care REIT	HCN	REIT - Healthcare	5.5%	6	EXCELLENT	1.5
Realty Income Corp	O	REIT - Retail	5.3%	9	EXCELLENT	1.8
Ventas	VTR	REIT - Healthcare	4.8%	6	EXCELLENT	2.2
Enterprise Product Partners	EPD	Oil & Gas Pipelines	4.3%	6	EXCELLENT	2.4
Rio Tinto	RIO	Mining - diversified	3.9%	7	EXCELLENT	1.7
Williams Co	WMB	Oil & Gas Pipelines	3.9%	6	EXCELLENT	1.7
Superior	SUP	Auto Parts Suppliers	3.5%	6	GOOD	2.5
Eli Lilly	LLY	Pharmaceuticals	3.4%	6	GOOD	1.9
General Electric	GE	Conglomerates	3.3%	9	GOOD	2.3
Agrium	AGU	Chemicals - agriculture	3.3%	7	EXCELLENT	1.3
Sysco	SYY	Food Retailers	3.2%	6	GOOD	1.4
Hasbro	HAS	Leisure	3.2%	7	EXCELLENT	1.9
Meredith	MDP	Media - advertising	3.2%	6	EXCELLENT	1.3
Merck	MRK	Pharmaceuticals	3.1%	6	GOOD	2.3
Simon Property	SPG	REIT - Retail	3.1%	6	GOOD	2.0
Occidental Petroleum	OXY	Independent Oil & Gas	3.0%	6	EXCELLENT	1.6
Diebold	DBD	Commercial Services	3.0%	6	GOOD	2.3
Kimberly-Clark	KMB	Household Products	3.0%	6	EXCELLENT	1.3
Enbridge	ENB	Oil & Gas Pipelines	3.0%	6	EXCELLENT	1.3

Our Dividend Growth Watch List

By Valuentum Analysts

The dividend-growth watch list, which is proprietary to this newsletter, continues to be filled with potential ideas for your portfolio. We may replace firms held in our portfolio with companies found in the table below 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 May 1, 2014

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Div Cushion™	Div Safety	Div Growth	Fair Value	VBI Score	Price/Fair Value	Price ($)
3M (MMM)	3.42	2.43%	1.9	GOOD	EXCELLENT	$ 113.00	4	1.25	140.81
HIGHLIGHT: Abbott (ABT)	0.88	2.28%	3.6	EXCELLENT	GOOD	$ 38.00	3	1.02	38.67
ADP (ADP)	1.92	2.47%	2.1	GOOD	EXCELLENT	$ 65.00	3	1.19	77.62
Analog Devices (ADI)	1.48	2.91%	2.9	EXCELLENT	EXCELLENT	$ 46.00	3	1.10	50.82
Becton, Dickinson (BDX)	2.18	1.95%	2.1	GOOD	EXCELLENT	$ 88.00	3	1.27	111.59
NEW: Bob Evans (BOBE)	1.24	2.64%	2.0	GOOD	EXCELLENT	$ 49.00	6	0.96	47.02
Boeing (BA)	2.92	2.27%	2.9	EXCELLENT	EXCELLENT	$ 128.00	3	1.00	128.46
Chicago Rivet (CVR)	0.72	1.87%	2.6	GOOD	GOOD	$ 37.00	6	1.04	38.47
Coca-Cola (KO)	1.22	2.99%	1.7	GOOD	EXCELLENT	$ 36.00	4	1.13	40.78
Colgate-Palmolive (CL)	1.44	2.15%	1.7	GOOD	EXCELLENT	$ 51.00	3	1.31	67.01
NEW: Cracker Barrel (CBRL)	3.00	3.13%	1.5	GOOD	EXCELLENT	$ 110.00	4	0.87	95.75
Deere (DE)	2.04	2.19%	2.3	GOOD	EXCELLENT	$ 89.00	3	1.05	93.22
Dover (DOV)	1.50	1.74%	2.1	GOOD	EXCELLENT	$ 78.00	6	1.10	86.02
DuPont (DD)	1.80	2.70%	2.5	GOOD	GOOD	$ 72.00	7	0.93	66.76
Eli Lilly (LLY)	1.96	3.29%	1.9	GOOD	GOOD	$ 54.00	6	1.10	59.52
Exxon Mobil (XOM)	2.52	2.48%	1.9	GOOD	EXCELLENT	$ 94.00	3	1.08	101.41
General Dynamics (GD)	2.48	2.26%	3.0	EXCELLENT	EXCELLENT	$ 98.00	3	1.12	109.77
Genuine Parts (GPC)	2.30	2.68%	1.8	GOOD	EXCELLENT	$ 72.00	3	1.19	85.84
H&R Block (HRB)	0.80	2.78%	3.2	EXCELLENT	EXCELLENT	$ 29.00	3	0.99	28.81
Harris (HRS)	1.68	2.29%	1.8	GOOD	EXCELLENT	$ 70.00	6	1.05	73.48
HCP (HCP)	2.18	5.17%	1.9	GOOD	EXCELLENT	$ 46.00	7	0.92	42.18
Honeywell (HON)	1.80	1.95%	3.1	EXCELLENT	EXCELLENT	$ 89.00	7	1.04	92.24
Hormel Foods (HRL)	0.80	1.68%	3.0	EXCELLENT	EXCELLENT	$ 40.00	6	1.19	47.61
IBM (IBM)	3.80	1.96%	3.3	EXCELLENT	EXCELLENT	$ 180.00	6	1.08	193.53
Illinois Tool Works (ITW)	1.68	1.97%	2.1	GOOD	EXCELLENT	$ 70.00	7	1.22	85.28
Kimberly-Clark (KMB)	3.36	3.02%	1.3	GOOD	EXCELLENT	$ 90.00	6	1.24	111.23
Lockheed Martin (LMT)	5.32	3.27%	1.8	GOOD	EXCELLENT	$ 142.00	4	1.15	162.85
Mattel (MAT)	1.52	3.86%	1.5	GOOD	EXCELLENT	$ 40.00	4	0.98	39.39
Merck (MRK)	1.76	2.95%	2.3	GOOD	GOOD	$ 56.00	6	1.06	59.62
Northrop Grumman (NOC)	2.44	2.02%	3.3	EXCELLENT	EXCELLENT	$ 121.00	4	1.00	120.61
NEW: Occidental Petrol (OXY)	2.88	3.03%	1.6	GOOD	EXCELLENT	$ 90.00	6	1.06	94.99
Owens & Minor (OMI)	1.00	3.01%	1.9	GOOD	EXCELLENT	$ 35.00	3	0.95	33.18
Paychex (PAYX)	1.40	3.38%	2.9	EXCELLENT	GOOD	$ 36.00	3	1.15	41.41
Phillip Morris (PM)	3.76	4.39%	1.2	POOR	VERY POOR	$ 71.00	3	1.21	85.72
Raytheon (RTN)	2.42	2.54%	2.8	EXCELLENT	EXCELLENT	$ 91.00	7	1.05	95.41
St. Jude (STJ)	1.08	1.71%	2.6	GOOD	EXCELLENT	$ 68.00	4	0.93	63.14
Texas Instr (TXN)	1.20	2.65%	1.7	GOOD	EXCELLENT	$ 35.00	3	1.29	45.23
United Technologies (UTX)	2.36	2.02%	1.8	GOOD	EXCELLENT	$ 113.00	7	1.03	116.80
UPS (UPS)	2.68	2.73%	1.9	GOOD	EXCELLENT	$ 95.00	3	1.03	98.11
VF Corp (VFC)	1.05	1.72%	2.3	GOOD	EXCELLENT	$ 54.00	7	1.13	61.18
Verizon (VZ)	2.12	4.49%	2.1	GOOD	GOOD	$ 56.00	3	0.84	47.22
Walgreen (WAG)	1.26	1.81%	2.1	GOOD	EXCELLENT	$ 63.00	6	1.10	69.43
Wal-Mart (WMT)	1.92	2.41%	1.5	GOOD	EXCELLENT	$ 76.00	6	1.05	79.70

UR = Under Review

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:

Name	Symbol	Industry	Est. Div Yield	Div Safety	Div Cushion
CONSOL Energy	CNX	Industrial Minerals	0.7%	VERY POOR	-13.1
Peabody Energy	BTU	Industrial Minerals	2.0%	VERY POOR	-11.6
D. R. Horton	DHI	Homebuilders	0.6%	VERY POOR	-10.8
Ryder System	R	Rental and Leasing	1.7%	VERY POOR	-9.9
Cablevision	CVC	Media - CATV	3.6%	VERY POOR	-8.6
Range Resources	RRC	Independent Oil & Gas	0.2%	VERY POOR	-8.5
Barrick Gold	ABX	Metals & Mining - gold	1.1%	VERY POOR	-7.2
Chesapeake	CHK	Independent Oil & Gas	1.3%	VERY POOR	-5.0
Roundy's Inc	RNDY	Food Retailers	7.2%	VERY POOR	-4.2
Cliffs Natural Resources	CLF	Mining - diversified	3.1%	VERY POOR	-3.7
Sealed Air	SEE	Containers & Packaging	1.6%	VERY POOR	-3.4
TAL Intl	TAL	Rental and Leasing	6.5%	VERY POOR	-3.1
Textainer	TGH	Rental and Leasing	4.9%	VERY POOR	-2.9
Service Corp Intl	SCI	Personal Services	1.6%	VERY POOR	-2.8
Alcoa	AA	Aluminum	1.1%	VERY POOR	-2.4
DineEquity	DIN	Restaurants	3.8%	VERY POOR	-2.3
Frontier Comm	FTR	Telecom Services - diversified	8.2%	VERY POOR	-2.2
Allegheny Technologies	ATI	Aluminum	2.3%	VERY POOR	-1.9
Iron Mountain	IRM	Commercial Services	3.9%	VERY POOR	-1.7
Time Warner Cable	TWC	Media - CATV	2.2%	VERY POOR	-1.6
American Tower	AMT	Wireless Telecom Services	1.6%	VERY POOR	-1.5
Yamana Gold	AUY	Metals & Mining - gold	1.7%	VERY POOR	-1.5
ConAgra Foods	CAG	Food Products - Large	3.4%	VERY POOR	-1.3
Centurylink	CTL	Telecom Services - diversified	6.9%	VERY POOR	-1.1
Royal Caribbean	RCL	Leisure	1.9%	VERY POOR	-1.0
Apache	APA	Independent Oil & Gas	1.2%	VERY POOR	-1.0
R.R. Donnelley	RRD	Commercial Services	5.7%	VERY POOR	-1.0
Tidewater	TDW	Shipping	1.7%	VERY POOR	-0.9
STMicroelectronics	STM	Broad Line Semiconductors	4.9%	VERY POOR	-0.9
Allison Transmission	ALSN	Auto Parts Suppliers	1.6%	VERY POOR	-0.8
Darden Restaurants	DRI	Restaurants	4.3%	VERY POOR	-0.8
Devon Energy	DVN	Independent Oil & Gas	1.4%	VERY POOR	-0.7
Noble Energy	NBL	Independent Oil & Gas	0.8%	VERY POOR	-0.7
Kroger	KR	Food Retailers	1.5%	VERY POOR	-0.6

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

***Johnson & Johnson…*from previous page**

Looking ahead, Johnson & Johnson raised its earnings guidance for the full-year to the range of $5.80-$5.90, up from the previously-issued and conservative range of $5.75-$5.85. We think the company's patent expiration profile offers some nice comfort for investors, as its fastest-growing drugs won't come off exclusivity for some time. In the first quarter alone, Johnson & Johnson's largest drug REMICADE generated nearly $1 billion in just the US, while PREZISTA and STELARA, for example, witnessed sales increases of 21.3% and 31.8% in the first quarter, respectively. Here's a breakdown of the profile.

REMICADE - US: patent exclusivity remains until September 2018; in majority of EU countries (including France, UK, Germany, Italy, Spain) the firm has exclusivity until February 2015.

PREZISTA - US: November 2017; EU: August 2018.

STELARA - US: September 2023; EU: Jan 2024.

ZYTIGA - US: December 2016; EU: September 2022.

XARELTO - US: Feb 2021; the firm does not have European rights (Bayer has them).

SIMPONI - US: Feb 2024; EU: October 2024.

Valuentum's Take

Johnson & Johnson's pharmaceutical portfolio continues to do well, and its patent expiration profile provides some comfort to the investment community. The company's pipeline of new opportunities continues to be robust, with the FDA approving IMBRUVICA (leukemia) and the European Commission granting conditional approval of SIRTURO (tuberculosis) in the EU during the first quarter. Johnson & Johnson boasts a cash-flow-derived Valuentum Dividend Cushion score of 2.2, and we don't see us removing it from the Dividend Growth portfolio anytime soon. We continue to like shares.

Intel Continues Its Move to $30 Per Share

By Brian Nelson, CFA

Frankly, it's hard not to like Intel (INTC) – 3.4% annual dividend yield. The company dominates the microprocessor and chipset market, and while rivals can adapt quickly in the land of technology, continuous research and development keeps the firm a step ahead of the competition. If that weren't enough, the company is simply a cash-flow machine, and its annual dividend payout is not only safe on the basis of the Valuentum Dividend Cushion score but also is poised to grow into the future. A strong competitive position, an attractive valuation, and a safe and growing dividend are a few qualities that make the company a Valuentum stock. It is held in both the Best Ideas portfolio and Dividend Growth portfolio.

Intel's goal is to be the preeminent computing solutions company powering the worldwide digital economy, and it continues to take strides to achieve this end. The chip giant continues to transform its focus from making chips for PCs/servers to the delivery of solutions consisting of hardware and software platforms and supporting services across a plethora of devices. Intel has the following key objectives:

1) strive to ensure that Intel's technology is the best choice for any computing device, including PCs, data centers, cloud computing, ultra-mobile devices, and wearables;

2) be the platform of choice for any operating system;

3) maximize and extend its manufacturing technology leadership;

4) extend to adjacent services such as security, cloud, and foundry;

Please see *Intel…*on next page

Intel...from previous page

> 5) expand platforms into adjacent market segments to bring compelling new System-on-Chip (SoC) solutions and user experiences to ultra-mobile form factors including smartphones and tablets, as well as notebooks (including Ultrabook devices and 2 in 1 systems), embedded systems, and microserver applications;
>
> 6) develop platforms to enable devices that connect to the Internet of Things and to each other to create a computing continuum offering consumers a set of secure, consistent, engaging, and personalized forms of computing; and
>
> 7) strive to lower the footprint of its products and operations as well as be an asset to the communities we work in.

Intel reported first-quarter results that revealed progress toward its goals. The company reported revenue of $12.8 billion (up 1% from a year ago), operating income of $2.5 billion (up 1% from a year ago), net income of $1.9 billion and earnings per share of $0.38. Intel's gross margin in the period was one point above its previous guidance as it benefited from lower factory startup costs on 14nm and other non-production cost of sales. The firm generated an impressive $3.5 billion in cash flow from operations, which is more than three times what it paid out as dividends during the period, indicating potential for future increases. Management's commentary was also quite encouraging:

> In the first quarter we saw solid growth in the data center, signs of improvement in the PC business, and we shipped 5 million tablet processors, making strong progress on our goal of 40 million tablets for 2014. Additionally, we demonstrated our further commitment to grow in the enterprise with a strategic technology and business collaboration with Cloudera, we introduced our second-generation LTE platform with CAT6 and other advanced features, and we shipped our first Quark products for the Internet of Things.

Data Center Group revenue and Internet of Things Group revenue advanced 11% and 32%, respectively, on a year-over-year basis, though the company did face a significant decline in its Mobile and Communications Group. Qualcomm (QCOM) – 2.1% annual dividend yield – remains a formidable foe in mobile, though we think Intel will make inroads over the long haul. In any case, Intel continues to transform its business, and news that the firm's PC Client Group revenue declined only 1% on a year-over-year basis in the quarter was quite encouraging. Recently, we picked up data from International Data Corp that pointed to positive news for the PC supply chain, and while we can't say that the better-than-feared PC Client Group performance was completely unexpected, we liked the news:

> Though worldwide PC shipments continued to decline during the first quarter of 2014, the pace of the fall was nearly a percentage point better than expected (-4.4% versus -5.3% forecast, -5.6% in the fourth quarter, and -7.3% in the third quarter). Much of the upside surprise during the period came from mature commercial markets as technical support for Windows XP expired.

We think the continued stabilization of the PC market drove the penny of upside in Intel's first-quarter earnings (absent buybacks), and we think the stabilizing market is going a long way to supporting the firm's full-year 2014 forecasts. Intel reiterated its 2014 outlook for the top line, but **the company increased its gross margin forecast for the year by a full percentage point**, even as it raised its R&D plus MG&A guidance by a few hundred million dollars. We like the trajectory of both developments as it reveals a more resilient pricing environment coupled with lower start-up costs on 14nm and a focus by management to continue to invest in its product line-up. This long-term focus is invaluable to shareholders. The company ended the quarter with total cash investments of $19 billion.

Please see *Intel*...on next page

*Intel...*from previous page

Valuentum's Take

Eleven firms raised their price target on Intel following the news:

Topeka -- from $28 to $30, +7.1%, Maintains Buy

MKM -- from $26 to $27, +3.8%, Neutral

Susquehanna -- from $21 to $23, +9.5%, Neutral

Cowen -- from $23.50 to $24, +2.1%, Market Perform

FBR -- from $27 to $30, +11.1%, Outperform

Pacific Crest -- from $31 to $32, +3.2%, Outperform

Jefferies -- from $32 to $35, +9.3%, Buy

UBS -- from $24 to $28, +16.6%, Neutral

Roth -- from $25 to $28, +12%, Neutral

RBC -- from $26 to $28, +7.6%, Sector Perform

Goldman -- from $16 to $17, +6.2%, Sell

We're staying pat with our $30 per-share fair value estimate and expect Intel to continue to execute at a high level, while rewarding shareholders with a nice and growing dividend stream. Shares are trading just shy of $27 per share at the time of this writing. The PC market is improving, the company's gross margins are holding the line, and management is enthused about its "roadmap to profitability" and closing the gap with competition in its struggling mobile business. We think it's hard to argue that Intel *doesn't* have upside. The company remains a holding in the Best Ideas portfolio and Dividend Growth portfolio.

Apple in the News

By Valuentum Analysts

We expect Apple to be in the news frequently in the next few months, so please stay up-to-date by visiting our website between newsletter editions.

Apple is Back!

Apple (AAPL) – 2.3% annual dividend yield – is back, and we think this makes all the difference in the world when it comes to driving price-to-fair value convergence. The firm recently put up excellent fiscal second-quarter results. As the quarterly headline suggests, strong iPhone sales in emerging markets (thanks in part to China Mobile) drove record March quarter revenue and 15% earnings-per-share expansion. The $11.62 per share quarterly earnings number exceeded the consensus estimate by more than 14%, so it was a large beat. During the period, the company generated $13.5 billion in cash flow from operations and returned almost $21 billion in cash to shareholders through dividends and share repurchases. Apple also guided revenue in the fiscal third quarter to the range of $36-$38 billion, bounding the consensus view. The quarter was solid across the board, with gross margins advancing nicely due to higher-margin iPhone sales (nearly 60% of revenue). The company ended the quarter with a staggering cash balance of $150.6 billion.

The quarterly report wasn't all the news, however. In a separate press release, the board announced that it has been very busy. First, it authorized another significant increase in its plan to return cash to shareholders. Apple's share repurchase authorization has been raised to $90 billion from $60 billion previously, and the company approved an 8% increase to its quarterly dividend, to $3.29 per share ($13.16 per share annually). The company's Valuentum Dividend Cushion score indicates that the firm's dividend still has significant room for growth.

Please see *Apple...*on next page

Apple...from previous page

In our view, **Apple may become one of the best dividend growth gems over the next few decades (a Dividend-Aristocrat-to-be)**. The company also announced that it may access the public debt markets during 2014 to help manage the large cash stockpile domiciled overseas. International sales, for example, accounted for 66% of the fiscal second-quarter's revenue. All-in, Apple expects to utilize a total of $130 billion of cash under its capital-return program by the end of calendar 2015, even as it remains open to large acquisitions. If that weren't enough, Apple also announced a 7-for-1 stock split, which will go into effect June 9.

Our valuation thesis on Apple is progressing nicely, and we continue to hold shares of the firm in both the Best Ideas portfolio and Dividend Growth portfolio. **We value the shares at over $700 each** (about $100 on a forward split-adjusted basis), so any buybacks are value-creative. We're also huge fans of its dividend growth potential, and we think the path to price-to-fair value convergence has opened up significantly following the strong quarterly results and shareholder-friendly capital-allocation plans. Apple's total return prospects—capital appreciation and dividend expansion--may be better than any other firm on the market today. If Apple wasn't currently such a large position in both portfolios, we'd be looking to add to it.

Pounding the Table on Apple Shares…Again!

Source: **TradingView.com**

The Cola Wars

By Brian Nelson, CFA

We live in a thirsty world. Global non-alcoholic ready-to-drink (NARTD) consumption is expected to advance at nearly a 6% compound annual growth rate over the next four years. Since the beginning of this decade, NARTD retail value has increased by $135 billion, and the market is expected to grow by another $300 billion before the end of 2020. The global beverage industry is fueled by a number of global macro trends: 20% growth in urban population, 70% increase in personal expenditure per capita, 50% growth in middle class, and 1 billion teens today. Coca-Cola (KO) – 3.0% annual dividend yield – and Pepsi (PEP) – 2.7% annual dividend yield, which both reported results last week, are poised to benefit from these strong market demand trends, and Pepsi has a faster-growing snacks business to boot.

Coca-Cola reported first-quarter results April 15. Global unit case volume advanced 2% at the firm thanks primarily to relatively better international volume growth. Comparable currency-neutral net revenue growth of 2% drove a 7% increase in currency-neutral operating income. Comparable currency-neutral earnings per share increased 5%, and the company noted that it gained both volume and value share in the NARTD beverage industry. Though we liked the adjusted numbers, the financial performance was decidedly worse including the impact from currency. Still, Coca-Cola continues to make progress across all five of its strategic system priorities:

1) Accelerate sparkling growth, led by Coca-Cola
2) Strategically expand its profitable still portfolio
3) Increase brand investments by maximizing productivity
4) Win at the point of sale by unlocking the 'power of the system'
5) Invest in its next generation of leaders

Volume in the firm's developed markets fell 1%, impacted by the timing of the Easter holiday, though Coca-Cola noted resilience in key developed markets, including Japan and Australia. Volume grew 3% in the company's developing and emerging markets, with China up 12% and Brazil up 4%, both accelerating sequentially due to strong marketing campaigns. India and Russia grew volume 6% during the period. Worldwide sparkling beverage volume (carbonated NARTD beverages) was down 1%, while worldwide still beverage volume (non-carbonated NARTD beverages) advanced 8% for the quarter. Free cash flow totaled $617 million in the quarter, roughly 5.8% of sales, and the company ended the quarter with $16 billion in cash and $18.6 billion in long-term debt. Looking ahead, Coca-Cola plans to continue to focus on its five strategic priorities. While we like how the firm's underlying operations are trending, currency will continue to provide a stiff headwind, as management outlined in the release:

> Currency exchange rates are expected to have an unfavorable impact on our reported results in 2014. Based on current spot rates, our existing hedge positions, and the cycling of our prior year rates, we estimate currency will be an approximate 7% headwind on our full-year operating income, and an approximate 7% headwind on our second quarter operating income. This outlook reflects the negative impact of the Venezuela devaluation, partially offset by slight improvements in other currencies as compared to the outlook we provided at the time of our year-end 2013 earnings release.

Within the valuation context, we tend to focus on underlying, operational results (excluding currency fluctuations), as with global giants such as Coca-Cola, currency movements across a broad swath of countries tend to offset each other over the long haul. However, over short periods of time, currency can have a material impact. In this light, Coca-Cola's high-single-digit currency headwind in 2014 is something we cannot completely ignore. We'd like management to do a better job hedging currency so that investors can capture operational upside, instead of retaining exposure to unnecessary currency risk.

Please see *The Cola Wars…*on next page

*The Cola Wars…*from previous page

Pepsi released its first-quarter results April 17. Most investors were anxiously awaiting commentary about the firm's thoughts on potentially acquiring SodaStream (SODA) to combat Coca-Cola's new stake in Green Mountain (GMCR) – 1.1% annual dividend yield, but there wasn't a hint of it on the firm's conference call. This could mean that Pepsi is considering a deal, or it could mean that they're not at all. We wouldn't expect management to show its cards in any case, as any hint would have sent shares of SodaStream higher, making it more difficult to consummate a transaction, as the price offered would then have to be sweetened. Starbucks (SBUX) – 1.5% annual dividend yield – and Dr. Pepper Snapple (DPS) – 3.1% annual dividend yield – could be potential buyers of SodaStream as well.

Pepsi's organic revenue growth of 4% came in better than that of Coca-Cola during the calendar period, though core constant currency-operating profit advanced 7%, matching the pace of growth of its global peer. Organic revenue grew 5% for global snacks and 3% for global beverages in the quarter. Core constant-currency earnings per share advanced 10%. The strength in Pepsi's snack business was largely driven by price increases, something we're quite fond of. Developing and emerging-market organic revenue grew 9% in the quarter. Core gross margin and core operating margin advanced 40 basis points and 50 basis points, respectively. We think the operating performance of Pepsi was better than Coca-Cola's during the first quarter.

Looking ahead, Pepsi released a relatively optimistic forecast for 2014 and noted that it will face currency headwinds as well. Our initial take is that the firm will fall short of its operating cash-flow forecast for the year. During the first quarter, Pepsi generated a mere $181 million in cash from operations, and free cash flow was negative during the period. For the full year, Pepsi is targeting $10+ billion in operating cash flow and $7+ billion in free cash flow.

Though both Coca-Cola and Pepsi will face currency headwinds, we think Pepsi's snacks portfolio positions it slightly better for 2014, or until beverage volumes accelerate back to intermediate-term growth projections (about 6%). Pepsi's snack business also provides it with an opportunity to spin it off in an initial public offering or sell it to a peer for a lofty price. The idea continues to be on the table, though not all investors agree this is the right path for Pepsi.

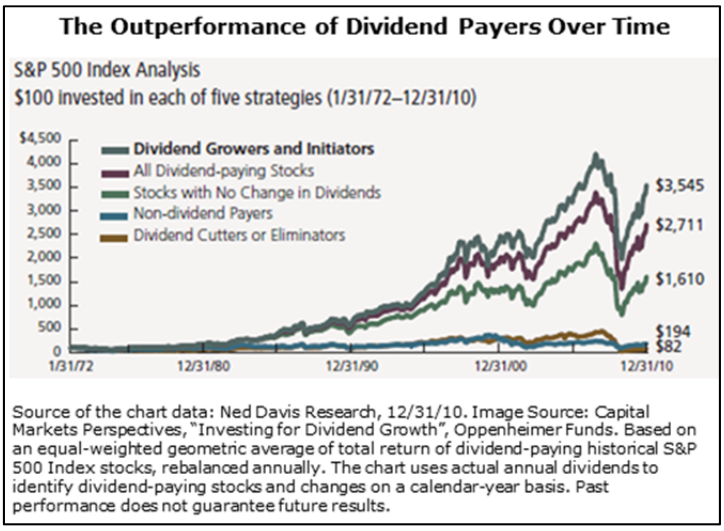
Valuentum's Take

We like both Coca-Cola and Pepsi, but we continue to prefer the former. Coca-Cola boasts a stronger balance sheet, and we view its dividend to be safer. At this juncture, Coca-Cola and Pepsi boast a 3% and 2.7% annual dividend yield, respectively. Coca-Cola's cash-flow generation is stronger, and we think Pepsi may come up short of hitting its cash-flow targets for the year, though Pepsi is a strong cash-flow generator in its own right. We don't include either Coca-Cola or Pepsi in the actively-managed portfolios. At the time of this writing, we estimate shares of Coca-Cola are worth $36 each, while shares of Pepsi are worth $73 each. Both of these fair values are below their respective share prices at present. The Valuentum Buying Index ratings for both equate to a 'hold' rating, neither a 'consider buy' nor 'consider sell' rating equivalent for new investors.

About Our 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.



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.

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).

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 of why backward-looking analysis can be painful.

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 to understand that backward-looking analysis can sometimes be misleading. 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 (Dividend-Aristocrats-to-be), not use a rear-view mirror to build a portfolio of names that may already be past their prime dividend growth years. We like to evaluate history, but the future is far more important.

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

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

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 the cut.

Here are the results of our 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 Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1Indicates 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 Foods (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. Plus, we not only provide the actual Valuentum Dividend Cushion™ number for our subscribers in our dividend reports and newsletter, but we also scale the safety of a firm's dividend 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

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.

We scale our 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.

We credit the Valuentum Dividend Cushion for much of the outperformance of the Dividend Growth portfolio.

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's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 16-Mar-2014 | Data as of 7-Mar-2014

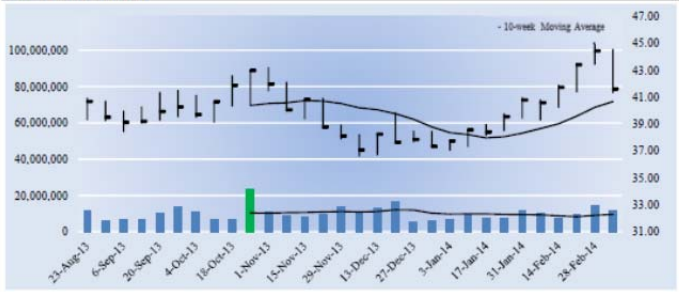
Realty Income Corp O UNDERVALUED 8.2%

Buying Index™ 9 **Value Rating**

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$41.59	$45.00 - $75.00	HEALTHY	GOOD / 1.8	EXCELLENT	5.27%

Realty Income has a 40+ year track record of providing dependable monthly income.

Stock Chart (weekly)



Company Vitals

Market Cap (USD)	$5,248
Avg Weekly Vol (30 wks)	10,072
30-week Range (USD)	36.58 - 45.11
Valuentum Sector	Financials
Last Fiscal Year Revenue	421
Last Fiscal Year EPS	1.05
Last Fiscal Year EBITDA	381
Forward Revenue Growth (5-yr)	16.4%
Forward EPS Growth (5-yr)	30.1%

Dividend Vitals

Current Annual Dividend Yield %	5.3%
Annual Dividends Per Share	2.19
Forward Dividend Payout Ratio	97.3%
3-yr Historical Dividend CAGR	8.6%
15-yr Historical Dividend CAGR	5.7%
3-yr Hist Median Div Payout Ratio	172.3%
15-yr Hist Median Div Payout Ratio	131.1%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,039.75	54.75
50	2,079.50	109.50
100	4,159.00	219.00
200	8,318.00	438.00
300	12,477.00	657.00
400	16,636.00	876.00
500	20,795.00	1,095.00
1,000	41,590.00	2,190.00
2,000	83,180.00	4,380.00
5,000	207,950.00	10,950.00
10,000	415,900.00	21,900.00
50,000	2,079,500.00	109,500.00
100,000	4,159,000.00	219,000.00

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

Dividend Safety / Cushion — GOOD / 1.8

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. Realty Income Corp scores a 1.8 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. Realty Income Corp registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.56 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. Realty Income Corp registers a score of LOW on our scale.

Key Dividend Considerations

Current Annual Dividend Yield	5.27%
Annual Dividends per Share	$2.19
Initial Annual Div's Paid, $10k Investment	$526.57
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.8
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.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	0.95	0.0	0.74	128.4%
Dec-98	0.98	3.2	0.78	125.6%
Dec-99	1.04	6.1	0.77	135.1%
Dec-00	1.09	4.8	0.85	128.2%
Dec-01	1.12	2.8	0.99	113.1%
Dec-02	1.15	2.7	0.93	123.7%
Dec-03	1.18	2.6	0.98	120.4%
Dec-04	1.18	0.0	0.90	131.1%
Dec-05	1.29	9.3	1.00	129.0%
Dec-06	1.44	11.6	1.05	137.1%
Dec-07	1.56	8.3	1.03	151.5%
Dec-08	1.66	6.4	0.91	182.4%
Dec-09	1.71	3.0	1.03	166.0%
Dec-10	1.72	0.6	0.92	187.0%
Dec-11	1.74	1.2	1.01	172.3%
Dec-12	*2.19*	*25.9*	*2.25*	*97.3%*
Dec-13	*2.28*	*4.0*	*3.52*	*64.7%*
Dec-14	*2.37*	*4.0*	*3.66*	*64.7%*
Dec-15	*2.46*	*4.0*	*3.77*	*65.3%*
Dec-16	*2.56*	*4.0*	*3.93*	*65.2%*

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. NA = Not Applicable.

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

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VALUENTUM

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http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 23-Apr-2014 | Data as of 17-Apr-2014

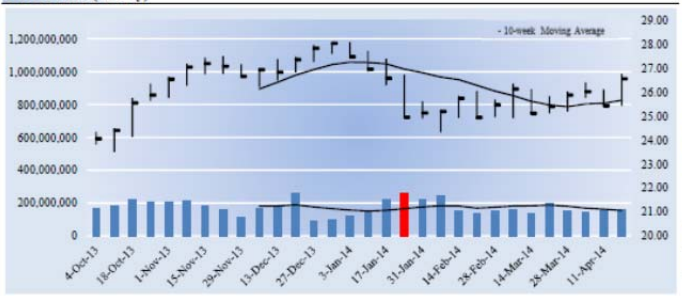
General Electric GE UNDERVALUED 1.7%

Buying Index™ 9 **Value Rating**

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$26.56	$27.00 - $37.00	RISKY	GOOD / 2.3	GOOD	3.31%

General Eletric had a hiccup during the Financial Crisis, but we think its dividend growth is back on track.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.31%
Annual Dividends per Share	$0.88
Initial Annual Div's Paid, $10k Investment	$331.33
Dividend Track Record	RISKY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	2.3
Dividend Growth Potential	GOOD
Risk of Capital Loss	LOW
ValueRisk™ (Equity Margin of Safety)	LOW

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)	$273,276
Avg Weekly Vol (30 wks)	173,162
30-week Range (USD)	23.5 - 28.09
Valuentum Sector	Industrials
Last Fiscal Year Revenue	146,045
Last Fiscal Year EPS	1.48
Last Fiscal Year EBITDA	36,029
Forward Revenue Growth (5-yr)	1.8%
Forward EPS Growth (5-yr)	10.9%

Dividend Vitals

Current Annual Dividend Yield %	3.3%
Annual Dividends Per Share	0.88
Forward Dividend Payout Ratio	51.3%
3-yr Historical Dividend CAGR	13.0%
15-yr Historical Dividend CAGR	9.2%
3-yr Hist Median Div Payout Ratio	50.4%
15-yr Hist Median Div Payout Ratio	49.6%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	664.00	22.00
50	1,328.00	44.00
100	2,656.00	88.00
200	5,312.00	176.00
300	7,968.00	264.00
400	10,624.00	352.00
500	13,280.00	440.00
1,000	26,560.00	880.00
2,000	53,120.00	1,760.00
5,000	132,800.00	4,400.00
10,000	265,600.00	8,800.00
50,000	1,328,000.00	44,000.00
100,000	2,656,000.00	88,000.00

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

Dividend Safety / Cushion — GOOD / 2.3

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. General Electric scores a 2.3 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — GOOD

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. General Electric registers an GOOD rating on our scale, and we think the firm's annual dividend will be $1.24 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. General Electric registers a score of LOW on our scale.

Dividend Track Record — RISKY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-99	0.24	0.0	1.07	22.0%
Dec-00	0.28	17.0	1.27	21.7%
Dec-01	0.32	16.4	1.41	22.7%
Dec-02	0.36	12.5	1.51	23.8%
Dec-03	0.38	5.6	1.55	24.5%
Dec-04	0.30	-21.1	1.59	18.9%
Dec-05	0.88	193.3	1.72	51.2%
Dec-06	1.00	13.6	1.99	50.3%
Dec-07	1.12	12.0	2.20	50.9%
Dec-08	1.24	10.7	1.78	69.7%
Dec-09	0.61	-50.8	1.03	59.2%
Dec-10	0.46	-24.6	1.15	40.0%
Dec-11	0.61	32.6	1.23	49.6%
Dec-12	0.70	14.8	1.39	50.4%
Dec-13	0.79	12.9	1.47	53.7%
Dec-14	*0.88*	*11.4*	*1.72*	*51.3%*
Dec-15	*0.97*	*10.0*	*1.84*	*52.7%*
Dec-16	*1.06*	*10.0*	*2.02*	*52.8%*
Dec-17	*1.15*	*8.0*	*2.23*	*51.6%*
Dec-18	*1.24*	*8.0*	*2.48*	*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 General Electric, please visit our website at www.valuentum.com

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Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 22-Apr-2014 | Data as of 21-Apr-2014

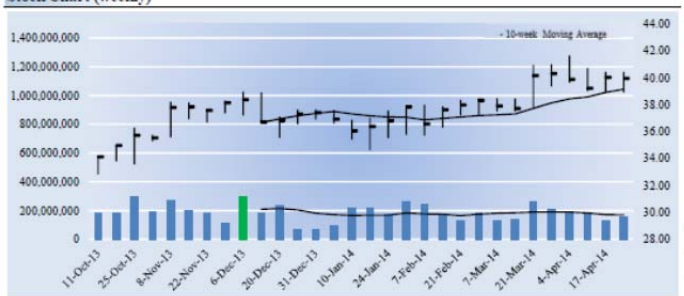
Microsoft MSFT FAIRLY VALUED

Buying Index™ 6 Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$39.94	$38.00 - $58.00	HEALTHY	EXCELLENT / 3.4	EXCELLENT	2.80%

The growth potential and safety of Microsoft'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	2.80%
Annual Dividends per Share	$1.12
Initial Annual Div's Paid, $10k Investment	$280.42
Dividend Track Record	HEALTHY
Dividend Safety	EXCELLENT
Valuentum Dividend Cushion™	3.4
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

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)	$338,292
Avg Weekly Vol (30 wks)	184,824
30-week Range (USD)	32.8 - 41.66
Valuentum Sector	Information Technology
Last Fiscal Year Revenue	77,849
Last Fiscal Year EPS	2.58
Last Fiscal Year EBITDA	30,519
Forward Revenue Growth (5-yr)	6.4%
Forward EPS Growth (5-yr)	6.8%

Dividend Vitals

Current Annual Dividend Yield %	2.8%
Annual Dividends Per Share	1.12
Forward Dividend Payout Ratio	41.1%
3-yr Historical Dividend CAGR	22.5%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	34.5%
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	998.50	28.00
50	1,997.00	56.00
100	3,994.00	112.00
200	7,988.00	224.00
300	11,982.00	336.00
400	15,976.00	448.00
500	19,970.00	560.00
1,000	39,940.00	1,120.00
2,000	79,880.00	2,240.00
5,000	199,700.00	5,600.00
10,000	399,400.00	11,200.00
50,000	1,997,000.00	56,000.00
100,000	3,994,000.00	112,000.00

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

Dividend Safety / Cushion — EXCELLENT / 3.4

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 3.4 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 $1.81 per share within the next several years.

Risk of Capital Loss — MEDIUM

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 MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jun-99	0.00	0.0	0.71	0.0%
Jun-00	0.00	0.0	0.85	0.0%
Jun-01	0.00	0.0	0.69	0.0%
Jun-02	0.00	0.0	0.71	0.0%
Jun-03	0.08	0.0	0.92	8.7%
Jun-04	0.16	100.0	0.75	21.3%
Jun-05	0.34	112.5	1.12	30.4%
Jun-06	0.34	0.0	1.20	28.3%
Jun-07	0.34	0.0	1.42	23.9%
Jun-08	0.43	26.5	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	0.76	24.6	2.00	38.0%
Jun-13	0.89	17.1	2.58	34.5%
Jun-14	*1.12*	*25.8*	*2.73*	*41.1%*
Jun-15	*1.29*	*15.0*	*2.93*	*44.0%*
Jun-16	*1.44*	*12.0*	*3.17*	*45.5%*
Jun-17	*1.62*	*12.0*	*3.39*	*47.6%*
Jun-18	*1.81*	*12.0*	*3.59*	*50.4%*

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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Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | Ratings as of 3-Apr-2014 | Data as of 28-Mar-2014

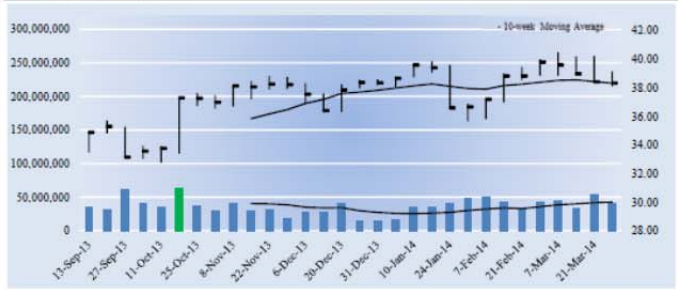
Abbott ABT FAIRLY VALUED

Buying Index™ 3 Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$38.31	$30.00 - $46.00	HEALTHY	EXCELLENT / 3.6	GOOD	2.30%

We don't have any concerns with the new Abbott's dividend, but its yield is not yet large enough to get us excited.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	2.30%
Annual Dividends per Share	$0.88
Initial Annual Div's Paid, $10k Investment	$229.71
Dividend Track Record	HEALTHY
Dividend Safety	EXCELLENT
Valuentum Dividend Cushion™	3.6
Dividend Growth Potential	GOOD
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

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)	$60,300
Avg Weekly Vol (30 wks)	36,341
30-week Range (USD)	32.75 - 40.49
Valuentum Sector	Health Care
Last Fiscal Year Revenue	21,848
Last Fiscal Year EPS	1.51
Last Fiscal Year EBITDA	4,348
Forward Revenue Growth (5-yr)	4.1%
Forward EPS Growth (5-yr)	15.3%

Dividend Vitals

Current Annual Dividend Yield %	2.3%
Annual Dividends Per Share	0.88
Forward Dividend Payout Ratio	39.6%
3-yr Historical Dividend CAGR	-22.4%
15-yr Historical Dividend CAGR	1.9%
3-yr Hist Median Div Payout Ratio	53.6%
15-yr Hist Median Div Payout Ratio	51.7%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	957.75	22.00
50	1,915.50	44.00
100	3,831.00	88.00
200	7,662.00	176.00
300	11,493.00	264.00
400	15,324.00	352.00
500	19,155.00	440.00
1,000	38,310.00	880.00
2,000	76,620.00	1,760.00
5,000	191,550.00	4,400.00
10,000	383,100.00	8,800.00
50,000	1,915,500.00	44,000.00
100,000	3,831,000.00	88,000.00

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

Dividend Safety / Cushion — EXCELLENT / 3.6

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. Abbott scores a 3.6 on our Dividend Cushion™, which is EXCELLENT.

Dividend Growth Potential — GOOD

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. Abbott registers an GOOD rating on our scale, and we think the firm's annual dividend will be $1.2 per share within the next several years.

Risk of Capital Loss — MEDIUM

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. Abbott registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-99	0.66	0.0	1.57	42.0%
Dec-00	0.74	12.1	1.78	41.6%
Dec-01	0.82	10.8	0.99	82.8%
Dec-02	0.92	12.2	1.78	51.7%
Dec-03	0.97	5.4	1.75	55.4%
Dec-04	1.03	6.2	2.02	51.0%
Dec-05	1.09	5.8	2.16	50.5%
Dec-06	1.16	6.4	1.12	103.6%
Dec-07	1.27	9.5	2.31	55.0%
Dec-08	1.41	11.0	3.03	46.5%
Dec-09	1.56	10.6	3.69	42.3%
Dec-10	1.72	10.3	2.96	58.1%
Dec-11	1.88	9.3	3.02	62.3%
Dec-12	2.01	6.9	3.75	53.6%
Dec-13	0.56	-72.1	1.50	37.3%
Dec-14	*0.88*	*57.1*	*2.22*	*39.6%*
Dec-15	*0.95*	*8.0*	*2.49*	*38.1%*
Dec-16	*1.03*	*8.0*	*2.69*	*38.1%*
Dec-17	*1.11*	*8.0*	*2.89*	*38.4%*
Dec-18	*1.20*	*8.0*	*3.08*	*38.8%*

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 Abbott, please visit our website at www.valuentum.com

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Valuentum Dividend Growth Newsletter: Volume 3, Issue 5

Valuentum's Dividend Growth Newsletter is published monthly. To receive this newletter 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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