

Stocks for Dividend Growth with Low Risk

In this screen, we turned our attention to low-risk stocks that have good records for dividend growth. In addition, our selection criteria focused on those issues that our analysts project to continue providing investors with dividends that are likely to increase at above-average rates.

We began our search with stocks whose dividends have advanced at a compounded annual rate of at least 7% over the last five years. Similarly, we next narrowed the list to equities with projected annual dividend growth rates of at least 5% over the next three to five years. We also set a minimum estimated yield for the year ahead of 3.1%, which is 100 basis points (100 basis

points equals one percentage point) higher than the current median for all dividend-paying stocks under our review. For comparative purposes, we also show payout ratios (all dividends as a percentage of net profit) for the most recent fiscal year.

We then restricted our search to stocks with Safety ranks of at least 2 (Above Average), and Financial Strength Ratings of B++ or better (B+ is Average). Companies whose shares earn high marks for these metrics generally will fare better in volatile markets than the typical stock under our review. Lastly, to reduce the risk of underperformance, we limited the selection to issues ranked 3 (Average), or better, for relative price performance

over the next six to 12 months.

The set of stocks that made the final cut are not only judged to be safer than most, but also possess proven and prospective dividend growth rates that have and are likely to advance at a rate exceeding the average rate of inflation under the time periods chosen under this review. We note that this group is comprised of a fairly wide range of companies, differing from many past screens which often consisted primarily of regulated utilities and financial institutions. As usual, we advise investors to carefully review both full-page and supplementary analyses in our *Ratings & Reports* before making commitments to any of the equities on the list of stocks below.

| Ratings & Reports Page | Ticker | Company | Dividend Yield | Time-liness | Safety | Payout Ratio | AVG. ANN'L GROWTH | | Financial Strength Rating | Industry |
|------------------------|--------|--------------------------|----------------|-------------|--------|--------------|-------------------|----------------|---------------------------|-------------------------|
| | | | | | | | Last 5 Years | Next 3-5 Years | | |
| 1586 | ABT | Abbott Labs. | 3.6% | 3 | 1 | 42% | 8% | 7% | A++ | Drug |
| 2574 | ADP | Automatic Data Proc. | 3.2 | 3 | 1 | 52 | 17 | 8 | A++ | Computer Software/Svcs |
| 2238 | AVA | Avista Corp. | 4.8 | 3 | 2 | 51 | 7 | 11 | B++ | Electric Utility (West) |
| 1983 | BNS.TO | Bank of Nova Scotia | 3.9 | 3 | 2 | 61 | 16 | 7 | B++ | Bank (Canadian) |
| 1990 | BTI | British Amer Tobacco ADR | 4.0 | 3 | 2 | 45 | 16 | 7 | B++ | Tobacco |
| 1041 | CTL | CenturyLink Inc. | 8.1 | 3 | 2 | 54 | 48 | 11 | B++ | Telecom. Utility |
| 1187 | CLX | Clorox Co. | 3.4 | 3 | 2 | 48 | 12 | 11 | B++ | Household Products |
| 1964 | KO | Coca-Cola | 3.3 | 3 | 1 | 56 | 11 | 7 | A++ | Beverage |
| 1914 | GIS | Gen'l Mills | 3.1 | 3 | 1 | 41 | 9 | 10 | A+ | Food Processing |
| 208 | JNJ | Johnson & Johnson | 3.7 | 3 | 1 | 41 | 14 | 8 | A++ | Medical Supplies |
| 717 | LMT | Lockheed Martin | 3.4 | 3 | 1 | 30 | 24 | 11 | A++ | Aerospace/Defense |
| 307 | MCD | McDonald's Corp. | 3.3 | 2 | 1 | 51 | 34 | 10 | A++ | Restaurant |
| 156 | NEE | NextEra Energy | 3.8 | 3 | 2 | 47 | 8 | 5 | A | Electric Utility (East) |
| 719 | NOC | Northrop Grumman | 3.3 | 2 | 1 | 34 | 14 | 8 | A+ | Aerospace/Defense |
| 1612 | NVS | Novartis AG ADR | 4.0 | 3 | 1 | 47 | 20 | 7 | A+ | Drug |
| 722 | RTN | Raytheon Co. | 3.1 | 3 | 1 | 24 | 7 | 10 | A++ | Aerospace/Defense |