Colley Asset Management, Inc.

REGISTERED INVESTMENT ADVISOR

This Spring Shower Yourself with Dividends and Enjoy the Added Return

Cash dividends and especially the kind that regularly increase over time, can add real heft to your long-term stock return. Dividends are not really a secret weapon because many companies pay them. However, dividends can be overlooked, forgotten heroes that can add real advantage and horsepower to your return. Furthermore, the current economic climate certainly reminds us that dividend yields of 3+ or more % are actually outpacing returns from most U.S. Treasury Notes and Bills and most Corporate Bonds, too. With money market yields at historic lows, it can make sense to own some blue chip, high quality stocks that pay handsome dividends that grow over time. The added caveat is the stock can also appreciate and provide growth over time too.

So, this Spring consider letting a few more dividend stocks bloom in your portfolio garden. So you won't be surprised to see me dedicate this issue to smart picks in the world of U.S. dividend stocks. I will even share a few picks in 3 related arenas: Real Estate Investment Trusts (known as REIT's), Master Limited Partnerships, and Royalty Income Trusts.

Take a look at 2 well-known blue-chippers with brand-name recognition, for illustration:

<u>Proctor & Gamble</u> (PG), the consumer products conglomerate, has improved its dividend for 55 consecutive years, sporting a nice 10% dividend growth rate each year over the last decade.

<u>McDonald's</u> (MCD), the fast food leader that did a $2 IPO in 1962, has increased dividends for 35 years in a row with a whopping 26.5% growth rate each year over the last 10 years.

Please take a look at the "**Elite List**" on the next page...

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Name (Ticker)	Current Share Price	Current Annual Dividend Yield	10Year Dividend Growth Rate	10Year EPS Growth Rate
Abbott Labs (ABT)	$60	3.3	9%	10%
Automatic Data Processing (ADP)	$55	3.9	15%	10%
Caterpillar (CAT)	$106	1.8	11%	11%
Century Link (CTL)	$38	7.6	15%	12%
Chevron (CVX)	$104	3.1	7%	12%
Coca Cola (KO)	$73	2.8	10%	11%
Colgate Palmolive (CL)	$98	2.6	10%	11%
Consolidated Edison (ED)	$58	4.2	2%	2%
Emerson Electric (EMR)	$50	3.2	7%	7%
Enbridge Energy (EEP)	$31	6.8	30%	19%
Enterprise Products (EPD)	$50	4.9	28%	15%
Exxon Mobil (XOM)	$84	2.3	6%	18%
Illinois Tool Works (OTW)	$56	2.6	15%	11%
International Bus. Machine (IBM)	$204	1.5	14%	9%
Johnson & Johnson (JNJ)	$65	3.5	14%	13%
Kinder Morgan (KMP)	$82	5.6	15%	11%
McCormick Spice (MKC)	$54	2.3	11%	12%
McDonalds (MCD)	$98	2.9	24%	11%
Merck (MRK)	$38	4.3	9%	12%
Paychex (PAYX)	$31	4.1	26%	18%
PepsiCo (PEP)	$66	3.1	11%	11%
Pfizer (PFE)	$22	4.0	8%	9%
Proctor & Gamble (PG)	$67	3.1	10%	11%
Smuckers (SJM)	$80	2.5	9%	11%
Stanley Works (SWK)	$77	2.2	5%	9%
Suburban Propane (SPH)	$44	7.8	7%	17%
Walgreen (WAG)	$32	2.8	13%	15%
Walmart (WMT)	$60	2.7	20%	15%

AT& T and Verizon did not make the list, although, they have been low-beta, long-term defensive holdings with steady 5.5 to 6.5% dividend yields, but have not enjoyed regular yearly growth in dividends as their pattern has been rather flat-line.

Separately, the Preferred Securities (Senior Debentures with bond-like qualities) may also fit the bill for those desiring above average fixed yields (5 ½% - 8%) with price stability (low volatility). History indicates their price stability too in bear markets also. They usually pay out on the quarterly cycle. See JC for our latest favorites in the preferred issues. We also like PFF (6.1% yield), JHI (8.8%), PTY (7.5%) as closed-end, income funds that contain preferred issues.

REITS and Royalty Trusts are also a good choice for some investors. These investments often generate K-1 type income tax adjustments reflecting amortization and depreciation credits so the end return has some tax-deferred calculations to it. Here are a few:

REITS/ROYALTY TRUSTS	**Price**	**Yield**
Triangle Capital (TCAP)	$19	9.7%
Health Care REIT (HCN)	$53	5.5%
Stonmore Partners (STON)	$24	9.5%
National Grid (NGG) As a converted ADR (American Depository Receipt)	$50	5.9%
Permian Basin RTY TR(PBT) As a royalty trust	$22	7.6%
BP Prudhoe Bay RTY(BPT) As a royalty trust	$127	9.0%

High-yield investing is actually "in" and Apple's recent decision to offer its first ever dividend ($2.65 per share per quarter) is proof that dividends offer enhanced value. Pure and simple, shareholders like dividends and feel rewarded to receive them.

Take Coca Cola as a case in point. The beverage company went public 93 years ago in 1919 at about $40/share (a lot of money back then). Today, after all splits, one of those ($40 single) shares is worth the equivalent of $253,000. By reinvesting the dividends for 93 years, (1) $40 share is now worth over $8 million. For further illustration, the original $40 share is paying out $243,700 in dividends a year. WOW! Over the last 10 years, Coke has provided a dividend growth rate of 10% per year. Rather impressive stats! Total return investing is here to stay. **Happy Spring everyone**!

JC
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