

Individual Investor  
Group Research  
**Dividend  
Achievers**

**April 2017**



D|A|**DAVIDSON**

The Strength of Advice®

Please refer to page 19  
of this report for detailed disclosure  
and certification information

# Dividend Achievers Philosophy

## High Quality Growth & Income Strategy

**The D.A. Davidson & Co. Dividend Achievers Model Portfolio** is made up of stocks that have a minimum 10-year history of consecutive dividend increases and have a positive outlook for future growth. We expect the overall dividend yield for the portfolio to be above the average market yield. The goal of the portfolio is to emphasize consistent income with a growth component while minimizing risk.

**Although we may not have holdings in all sectors at all times, we maintain diversity across most economic sectors.** While this can at times reduce the amount of the dividend yield, it will also reduce the overall risk profile to investors. We endeavor to minimize portfolio turnover in order to minimize potential capital gains liability.

**We believe that companies with a long history of increasing their dividends have proven themselves able to successfully manage through changes in the economy and within their individual industries.** Companies that have gained Dividend Achiever status tend to be large-cap, multi-national firms, and are generally leaders in their industries with strong, consistent management teams.

**Increased market volatility has had a significant impact on investors' portfolios over the past few years.** We have found that the focus on high income and low portfolio turnover taken by the D.A. Davidson Dividend Achievers Model Portfolio has enabled the portfolio to significantly outperform the market during down years, yet still provide reasonable returns during periods of higher market performance.

The stocks included in the portfolio are selected and supervised by members of D.A. Davidson's Individual Investor Group Research and it is actively managed.

# Quarterly Portfolio Letter

## Dividend Achievers First Quarter 2017 Recap

**Dividend Achievers increased by 4.2% (total return) in Q1, relative to a positive 6.1% total return for the S&P 500.** We believe it is important to consider the portfolio's performance within the context of its primary objective to outperform over a full market cycle by protecting investors' capital in declining markets. Given this goal, the portfolio has performed in-line with our expectations in this type of a market environment. In fact, outperformance during this market rally would be of greater concern as it could indicate elevated valuations for high-quality companies, which in turn may not provide the desired downside protection when market stress inevitably arrives. The portfolio has experienced similar periods of underperformance in rising markets and maintained a long-term track record of outperformance – since inception in 2005, Dividend Achievers has returned 9.7% annualized versus 8.4% for the S&P 500. If we were to have fully participated in the gains over the past year, we would be less confident that Dividend Achievers is currently positioned to meet its stated goal of outperforming during market declines. We will stay true to our strategy, as we believe that patient investors with a time horizon beyond that of the market will be rewarded for maintaining this discipline.

**Kimberly Clark (KMB)**, up 16.2% during Q1, outperformed the market and the sector (+6.4%) over the same period. Strong Q4 earnings coupled with chatter that the Company could be a takeover candidate contributed to the outperformance. The price-to-earnings ratio of the stock remains in line with peers even after the strong return this quarter. We expect KMB's focus on managing costs will allow the Company to deliver both strong financial results and growing dividends to investors. **Emerson Electric (EMR)** was a positive contributor after several years of demand weakness (due to depressed energy markets) and currency headwinds. The stock was up 8.2% during the quarter as underlying sales turned positive in February. The Company also completed the divestiture of its Network Power business and is expected to complete acquisition of Pentair's (PNR) valves and controls business in the near future. Other strong performers included **Johnson & Johnson (JNJ)** and **NextEra Energy (NEE)**, up 8.8% and 8.2%, respectively for the period.

The portfolio's technology holdings – **Automatic Data Processing (ADP)**, **International Business Machines (IBM)**, and **Microsoft (MSFT)** – accounted for nearly all of the underperformance relative to the S&P 500, though all had positive returns in dollar terms. ADP increased by 0.2%, IBM by 5.7%, and MSFT by 6.6%, yet all lagged the return of the Technology sector (+12.6%). **ExxonMobil (XOM)** declined by 8.3% due to oil price instability. Though supply and demand of the commodity remain out of balance, XOM's fundamentals are beginning to improve and the Company covered its quarterly dividend payment in Q4 with cash from operations and asset sales. This is a positive development and puts the Company back on a path toward sustainable long-term dividend growth, which management again reaffirmed as a cornerstone of its corporate strategy at its recent investor day.

We made no changes to the portfolio during the first quarter. Dividend Achievers maintains higher returns on invested capital and margins than the S&P 500, while also having a lower debt-to-total capital ratio. While there is not a quantitative way to measure business quality, we believe these metrics are a good proxy and give us confidence the companies we own will continue to deliver growing income to investors in the future.

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# Dividend Achievers Portfolio

## High Quality Growth & Income Strategy

Dividend Achievers Portfolio	3/31 Price	Total Return			EPS Estimates		P/Earnings Ratios		Yield %
		YTD	3 Mo.	1 Mo.	FY1	FY2	FY1	FY2	
Dividend Achievers	—	4.2%	4.2%	-0.1%	—	—	—	—	3.0%
S&P 500	2,362.72	6.1%	6.1%	0.1%	\$130.71	\$146.12	18.1x	16.2x	2.0%

Dividend Achievers Stocks	Ticker	'16 Year-End or '17 Add Price		3/31 Price	Total Return			Dividend Statistics				Yield %
		Date	Price		YTD	3 Mo.	1 Mo.	Payout Ratio	10-Year CAGR	# of Years Increases	Paid Since	
<b>Consumer Discretionary</b>												
V.F. Corporation	VFC <sup>(A)</sup>	12/31	\$53.35	<b>\$54.97</b>	3.9%	3.9%	5.6%	54.0%	12.2%	43	1973	3.1%
<b>Consumer Staples</b>												
Kimberly-Clark Corporation	KMB	12/31	\$114.12	<b>\$131.63</b>	16.2%	16.2%	0.0%	64.3%	6.6%	44	1935	2.9%
Procter & Gamble Company	PG	12/31	\$84.08	<b>\$89.85</b>	7.7%	7.7%	-1.3%	75.1%	8.2%	61	1890	3.1%
<b>Energy</b>												
Exxon Mobil Corporation	XOM	12/31	\$90.26	<b>\$82.01</b>	-8.3%	-8.3%	0.8%	126.8%	8.8%	34	1882	3.7%
<b>Financials</b>												
Chubb Limited	CB	12/31	\$132.12	<b>\$136.25</b>	3.6%	3.6%	-0.9%	27.3%	11.0%	23	1993	2.0%
<b>Health Care</b>												
CVS Health Corporation	CVS	12/31	\$78.91	<b>\$78.50</b>	0.1%	0.1%	-2.6%	34.2%	27.0%	14	1995	2.5%
Johnson & Johnson	JNJ	12/31	\$115.21	<b>\$124.55</b>	8.8%	8.8%	1.9%	47.5%	8.0%	54	1944	2.6%
Novartis AG	NVS	12/31	\$72.84	<b>\$74.27</b>	5.1%	5.1%	-2.1%	49.0%	8.9%	19	1996	3.7%
<b>Industrials</b>												
Emerson Electric Co.	EMR	12/31	\$55.75	<b>\$59.86</b>	8.2%	8.2%	-0.4%	64.4%	7.4%	61	1947	3.2%
United Technologies Corporation	UTX	12/31	\$109.62	<b>\$112.21</b>	3.0%	3.0%	-0.3%	39.9%	9.9%	23	1936	2.4%
<b>Information Technology</b>												
Automatic Data Processing, Inc.	ADP	12/31	\$102.78	<b>\$102.39</b>	0.2%	0.2%	0.3%	69.9%	11.1%	42	1974	2.2%
International Business Machines Corporation	IBM	12/31	\$165.99	<b>\$174.14</b>	5.7%	5.7%	-3.2%	41.2%	17.5%	21	1913	3.2%
Microsoft Corporation	MSFT <sup>(A)</sup>	12/31	\$62.14	<b>\$65.86</b>	6.6%	6.6%	2.9%	55.9%	14.8%	14	2003	2.4%
<b>Telecommunication Services</b>												
AT&T Inc.	T <sup>(A)</sup>	12/31	\$42.53	<b>\$41.55</b>	-1.1%	-1.1%	-0.6%	69.0%	3.7%	33	1881	4.7%
<b>Utilities</b>												
NextEra Energy, Inc.	NEE	12/31	\$119.46	<b>\$128.37</b>	8.3%	8.3%	-2.0%	63.5%	8.8%	21	1945	3.1%

Annual Performance (total returns)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Dividend Achievers Model Portfolio	-18.6%	13.8%	17.3%	12.9%	13.7%	24.6%	10.3%	2.6%	12.1%	4.2%
S&P 500	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	6.1%
Relative Performance	18.4%	-12.7%	2.2%	10.8%	-2.3%	-7.8%	-3.4%	1.2%	0.1%	-1.9%

Rolling Returns (annualized) and Since Inception	1-year	3-year	5-year	10-year	Since Inception	
					Cumulative	Annualized
Dividend Achievers Model Portfolio	9.5%	9.0%	12.3%	8.7%	191.0%	9.7%
S&P 500	17.2%	10.4%	13.3%	7.5%	153.0%	8.4%
Relative Performance	-7.7%	-1.4%	-1.0%	1.2%	38.0%	1.3%

**Notes:**

- For stocks added to the Dividend Achievers Model Portfolio in 2017, YTD total return is calculated from the date it was added through 3/31/2017. All prices and return information reflect closing prices.
- Portfolio additions/removals by calendar year: **2009** 2/2; **2010** 1/1; **2011** 0/0; **2012** 1/1; **2013** 1/1; **2014** 1/1; **2015** 2/2; **2016** 2/2; **2017** 0/0

<sup>(A)</sup> D. A. Davidson & Co. makes a market in this security.

**Model Portfolio inception date for the Dividend Achievers Model Portfolio is 10/6/2005.**

Dividend Achievers is currently prepared by James Ragan, CFA, and Matthew Griffith, CFA.  
Sources: D.A. Davidson & Co., FactSet, Morningstar Equity Research

# Dividend Achievers **AT&T Inc. (T)<sup>(A)</sup>**

Price (4/13/17) \$40.28

DIVIDEND STATISTICS	
Dividend & Yield	\$1.96 / 4.87%
Dividend paid since	1881
# of Consecutive Increases	33 years
10-yr. Annualized Dividend Growth	3.7%
Dividend Payout	69%

KEY STATISTICS	
52-wk. Price Range	\$36 - \$44
Average Daily Volume (3mo.)	18,778,418
Market Value	\$247.4 billion
Shares Outstanding (m)	6,142
Cash per share	\$0.98
Book Value per share	\$20.06

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	19.2x	50.6x	9.4x	24.8x	1.0x
P/Book	2.0x	2.3x	1.6x	2.0x	0.7x
P/Cash Flow	6.3x	7.0x	4.6x	5.8x	0.5x
P/Sales	1.5x	1.7x	1.3x	1.5x	0.8x
EV/EBITDA	7.1x	9.9x	4.9x	7.5x	0.6x
EV/Sales	2.2x	2.4x	1.8x	2.1x	0.9x
Div. Yield	4.9%	5.7%	4.4%	5.1%	2.5x
LTD/Capital	46%	52%	35%	43%	1.1x

GROWTH SUMMARY as of FY Ended 12/16				
	1-yr.	3-yr.	5-yr.	10-yr.
Sales	11.6%	8.3%	5.3%	10.0%
EBIT	5.0%	-5.3%	16.4%	8.9%
EBITDA	10.9%	1.9%	11.1%	9.4%
Net Income	-2.8%	-10.7%	26.9%	5.8%
EPS (Diluted)	-11.4%	-14.7%	26.0%	1.1%
Dividends	2.1%	2.2%	2.2%	3.7%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

AT&T (T) is one of the largest U.S. wireless carriers, serving subscribers through handsets and other connected devices. The recent acquisition of DirecTV (DTV) makes T the largest pay TV provider in the world, and the proposed acquisition of Time Warner (TWX-\$98.26) would transform the Company into one of the largest vertically-integrated media conglomerates. The Company is also the dominant local phone company in 22 U.S. states and provides phone and data services, such as web hosting and data transport, to larger businesses nationwide. AT&T was founded in 1876 and is headquartered in Dallas, TX.

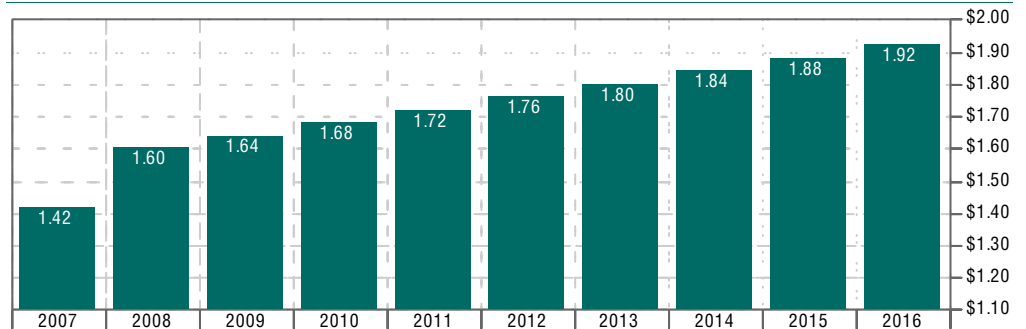
## Why it is an Achiever

The Company has paid a dividend since 1881, and its current streak of consecutive annual increases now stands at 33 years. Over that span, the Company has evolved from a local exchange carrier operating in five states to now a dominant telecom provider that along with Verizon (VZ - \$48.62)<sup>(A)</sup> controls over 65% of the U.S. wireless market. T's 2015 acquisition of Iusacell gives the Company access to 8.6 million subscribers and a network that covers 70% of Mexico's population of 120 million.

The Company has used its market-leading position and excess free cash flow to fund the investments needed to keep its service offerings among the fastest and most reliable in the industry. Smartphones continue to drive wireless growth and now account for the vast majority of new mobile phones placed into service. To meet the needs of these devices, T has nearly completed the national development of its 4G LTE network.

Following T's acquisition of DTV, the Company provided a long-term growth outlook (2016-2018), in which it expects EPS to grow mid-single digits or better, and sees an improving FCF dividend payout ratio in the 70% range. AT&T continues to generate sufficient operating cash flow to fund both its investments in its networks, as well as to modestly grow its dividend.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



<sup>(A)</sup> D. A. Davidson & Co. makes a market in this security.

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# Dividend Achievers Automatic Data Processing, Inc. (ADP)

Price (4/13/17) \$101.26

## DIVIDEND STATISTICS

Dividend & Yield	\$2.28 / 2.25%
Dividend paid since	1974
# of Consecutive Increases	42 years
10-yr. Annualized Dividend Growth	11.1%
Dividend Payout	70%

## KEY STATISTICS

52-wk. Price Range	\$84 - \$105
Average Daily Volume (3mo.)	1,781,016
Market Value	\$45.5 billion
Shares Outstanding (m)	449
Cash per share	\$6.12
Book Value per share	\$8.50

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	27.1x	30.0x	16.5x	24.4x	1.4x
P/Book	11.9x	12.1x	3.5x	6.8x	3.9x
P/Cash Flow	14.9x	25.0x	11.9x	18.0x	1.4x
P/Sales	3.8x	3.8x	2.1x	3.1x	1.9x
EV/EBITDA	16.7x	17.8x	9.1x	13.8x	1.3x
EV/Sales	3.7x	3.8x	2.0x	2.9x	1.5x
Div. Yield	2.3%	3.3%	2.1%	2.6%	1.1x
LTD/Capital	34%	34%	0%	9%	0.8x

## GROWTH SUMMARY as of FY Ended 6/16

	1-yr.	3-yr.	5-yr.	10-yr.
Sales	6.7%	1.0%	3.4%	2.8%
EBIT	11.6%	3.3%	4.3%	3.0%
EBITDA	10.7%	2.5%	3.4%	2.6%
Net Income	8.5%	3.1%	3.6%	3.4%
EPS (Diluted)	12.5%	4.9%	5.2%	6.7%
Dividends	8.2%	6.8%	8.0%	11.1%

## PRIMARY RISKS

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Automatic Data Processing (ADP) competes in the human resources administration services industry. The Company serves over 650,000 clients and employs 57,000 people worldwide. ADP provides services that satisfy companies' human resources needs, including payroll processing and benefits administration. ADP was founded in 1949 and is headquartered in Roseland, NJ.

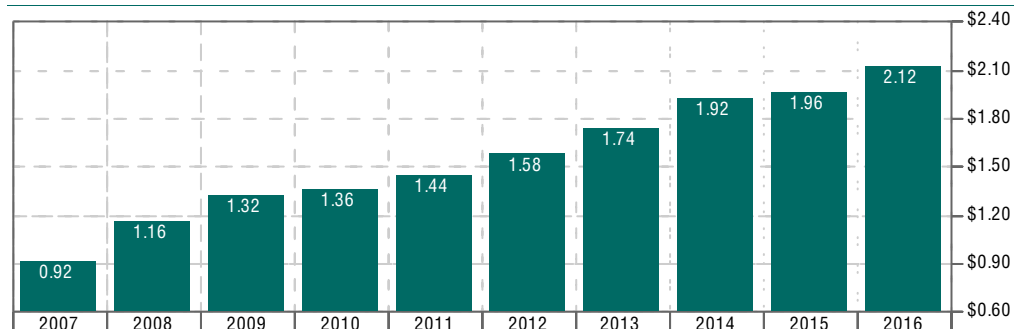
### Why it is an Achiever

ADP has continuously paid a dividend since 1974, increasing it each of the past 42 years. The Company has achieved strong performance, while growing into one of the world's largest providers of business outsourcing and solutions, and is by far the largest payroll service provider. ADP's customers can now be found in more than 110 countries around the world. The Company's payrolls cover 24 million (one in six) U.S. workers and 12 million more employees abroad. Last fiscal year (FY16 ended 6/30/16), ADP processed 60 million year-end tax statements.

ADP's ability to continue its history of dividend growth rests on its capacity to leverage market position in order to take advantage of the increasingly complex modern workplace. The Company plans to grow its suite of cloud-based benefits and payroll solutions and enhance its support and compliance capabilities. ADP will offer an end-to-end suite of cloud-based HR services. Any change to government regulations present challenges for firms as they require process changes to remain in compliance. ADP has also developed solutions for workforce planning, eligibility, affordability, enrollment, and compliance management.

Financially, ADP's strength is highlighted by its AA credit rating (S&P). ADP's basic financial model relies on a large recurring revenue base and low capital requirements. The Company currently has minimal long-term debt.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Chubb Limited (CB)

Price (4/13/17) \$136.72

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$2.76 / 2.02%
<b>Dividend paid since</b>	1993
<b># of Consecutive Increases</b>	23 years
<b>10-yr. Annualized Dividend Growth</b>	11.0%
<b>Dividend Payout</b>	27%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$117 - \$141
<b>Average Daily Volume (3mo.)</b>	1,316,112
<b>Market Value</b>	\$63.7 billion
<b>Shares Outstanding (m)</b>	466
<b>Cash per share</b>	-
<b>Book Value per share</b>	\$103.60

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
<b>P/E (LTM)</b>	15.4x	21.1x	8.6x	12.5x	0.8x
<b>P/Book</b>	1.3x	1.3x	1.0x	1.2x	0.4x
<b>P/Cash Flow</b>	12.2x	14.9x	6.8x	9.0x	1.0x
<b>P/Sales</b>	2.0x	2.6x	1.4x	1.8x	1.0x
<b>EV/EBITDA</b>	-	-	-	-	-
<b>EV/Sales</b>	2.5x	3.3x	1.6x	2.2x	1.0x
<b>Div. Yield</b>	2.0%	2.6%	1.9%	2.3%	1.1x
<b>LTD/Capital</b>	20%	24%	10%	14%	0.5x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	62.4%	18.5%	12.0%	8.8%
<b>EBIT</b>	-	-	-	-
<b>EBITDA</b>	-	-	-	-
<b>Net Income</b>	45.9%	3.2%	21.1%	6.0%
<b>EPS (Diluted)</b>	2.9%	-6.7%	13.8%	2.6%
<b>Dividends</b>	3.0%	10.8%	14.9%	11.0%

## PRIMARY RISKS

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Chubb Limited (CB) is one of the world's largest multiline property and casualty insurance (P&C) insurers, providing commercial and personal P&C insurance, personal accident and supplemental health insurance, reinsurance, and life insurance. In early 2016, ACE Limited acquired Chubb Corp. to form the largest global P&C insurer by market capitalization. Shortly after the merger, the combined company branded itself as Chubb Limited. We feel strongly about the combined entity given a shared culture of underwriting discipline.

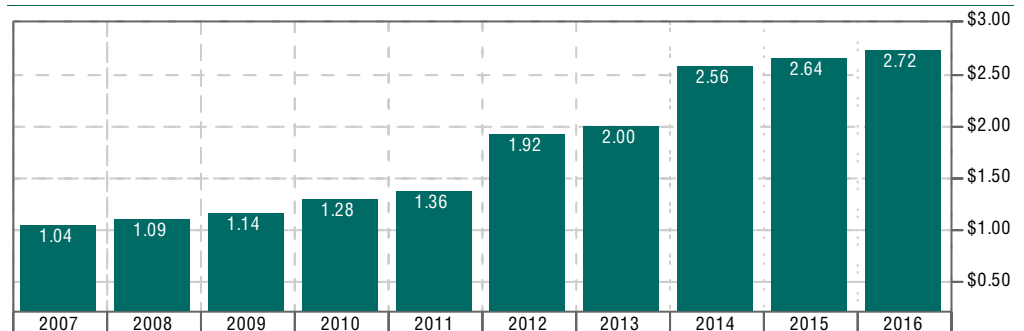
CB has a strong North American (70% of revenue) and European (12% of revenue) presence, but is also geographically diverse, with operations in 54 countries that include exposure to the fast-growing emerging economies of Asia (11% of revenue) and Latin America (7% of revenue). CB is headquartered in Zurich, Switzerland.

### Why it is an Achiever

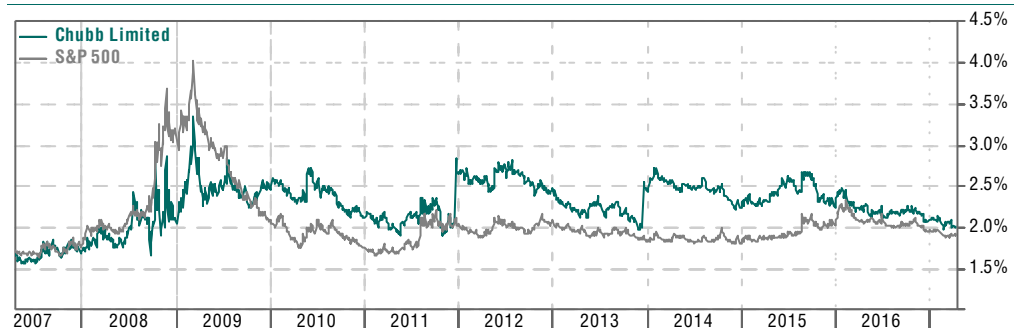
CB has a strong track record of dividend growth since becoming public in 1993, with 23 consecutive annual increases and a compounded annual growth rate (CAGR) of 15%. We expect dividend growth to continue, given CB's healthy growth prospects, revenue and cost synergies from the acquisition, as well as the Company's low payout ratio of 27%.

CB's advantage lies within its large global footprint and its ability to service the needs of large and complex multinational customers with its diverse product lines. In addition, CB has a growing consumer business given its attractive exposure to the high net worth individual. CB's international presence, particularly in Asia and Latin America, adds an enhanced layer of growth in markets that are currently underserved, providing a longer-term growth tailwind, in our view. CB has historically run its business more efficiently than peers. The Company's combined ratio – a measure of the operating and claims expense of an insurance company relative to total premiums – is currently 87%, better (lower) than the industry of 93%.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers CVS Health (CVS)

Price (4/13/17) \$77.96

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$2.00 / 2.57%
<b>Dividend paid since</b>	1995
<b># of Consecutive Increases</b>	14 years
<b>10-yr. Annualized Dividend Growth</b>	27.0%
<b>Dividend Payout</b>	34%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$69 - \$107
<b>Average Daily Volume (3mo.)</b>	6,853,143
<b>Market Value</b>	\$80.8 billion
<b>Shares Outstanding (m)</b>	1,036
<b>Cash per share</b>	\$3.34
<b>Book Value per share</b>	\$34.71

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
<b>P/E (LTM)</b>	15.9x	27.1x	15.7x	19.6x	0.8x
<b>P/Book</b>	2.2x	3.4x	1.5x	2.4x	0.7x
<b>P/Cash Flow</b>	8.3x	17.0x	7.2x	12.3x	0.7x
<b>P/Sales</b>	0.5x	0.9x	0.5x	0.6x	0.2x
<b>EV/EBITDA</b>	8.1x	12.7x	7.4x	9.7x	0.7x
<b>EV/Sales</b>	0.6x	0.9x	0.6x	0.7x	0.2x
<b>Div. Yield</b>	2.6%	2.3%	1.1%	1.5%	1.2x
<b>LTD/Capital</b>	40%	42%	18%	27%	0.9x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	15.8%	11.9%	10.6%	15.0%
<b>EBIT</b>	9.6%	10.1%	10.9%	15.8%
<b>EBITDA</b>	11.1%	10.0%	10.7%	15.2%
<b>Net Income</b>	1.9%	4.8%	8.7%	14.5%
<b>EPS (Diluted)</b>	6.1%	9.3%	13.5%	11.8%
<b>Dividends</b>	21.4%	22.7%	26.7%	27.0%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

CVS is an integrated pharmacy health care provider focused on providing solutions that over time reduce the total cost of health care. It operates its business through its Retail Pharmacy (40% of sales) and Pharmacy Services business (60% of sales). CVS was founded in 1963 and is headquartered in Woonsocket, RI.

Retail Pharmacy operates over 9,700 retail drug stores located in 49 states, Puerto Rico, and Brazil. CVS is the leader in retail medical clinics, operating more than 1,100 clinics through its MinuteClinic brand. These clinics diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations at a fraction of the cost of a typical physician visit. Within its retail segment, CVS has the largest retail pharmacy and has grown its geographic footprint dramatically following its recent acquisition of Target's (TGT-\$53.39) in-store pharmacies. This segment derives the majority of its revenue by selling prescription drugs, but it also sells over-the-counter drugs and a wide assortment of general merchandise. CVS also provides pharmaceutical distribution services to long term care facilities due to its acquisition of Omnicare.

Pharmacy Services generates revenue through a full range of pharmacy benefit management (PBM) services including plan design and administration, formulary management, mail order, specialty pharma and infusion services.

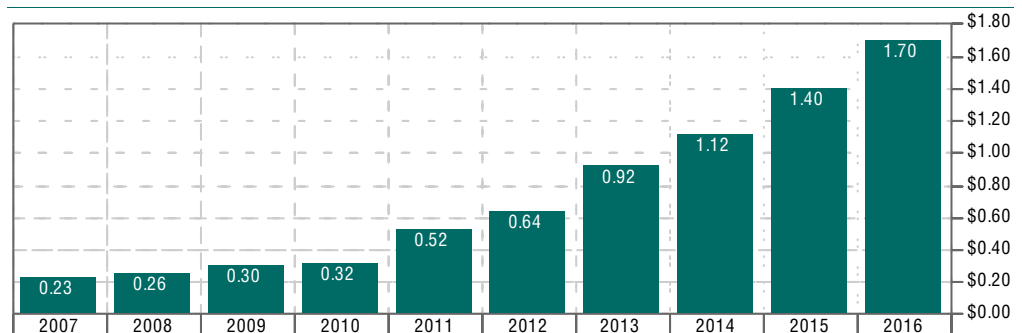
### Why it is an Achiever

CVS has increased its dividend for 14 consecutive years at a compound annual growth rate of 23%. We expect the strong dividend growth trend to continue given the Company's long-term low double digit EPS growth prospects, its strong free cash flow profile (9.2% FCF yield), and its intention to raise its mid-cycle payout ratio to a modest 35% level by 2018. In addition to a current 2.6% yield, the Company is committed to buying back \$5 billion in shares in 2017, which should reduce its share count by ~6%.

CVS' integrated model is uniquely positioned to take advantage of an aging U.S. population and the expansion of covered lives. CVS has many touch points with health care consumers, which we believe provides a competitive advantage against pure play PBMs and pharmacies, and positions the Company well to help reduce costs in the health care market today.

The availability and utilization of costly new therapies is increasing. Specialty drug sales made up 33% of total drug spend in 2015, and are expected to grow to 50% by 2018. At \$32 billion in FY16 revenue, CVS has the largest specialty pharmacy, and through its robust service offerings, the Company believes it can offer better care at reduced costs. On the opposite side of the spectrum sits the opportunity with generic drug substitutions. CVS recently formed the #1 generic sourcing entity through its Red Oak venture. We believe this provides buying scale which should allow further cost reductions through the system.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Emerson Electric Co. (EMR)

Price (4/13/17) \$57.87

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$1.92 / 3.32%
<b>Dividend paid since</b>	1947
<b># of Consecutive Increases</b>	61 years
<b>10-yr. Annualized Dividend Growth</b>	7.4%
<b>Dividend Payout</b>	64%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$48 - \$64
<b>Average Daily Volume (3mo.)</b>	3,915,236
<b>Market Value</b>	\$37.3 billion
<b>Shares Outstanding (m)</b>	645
<b>Cash per share</b>	\$6.44
<b>Book Value per share</b>	\$11.96

## VALUATION SUMMARY

	5 Year			Avg. SP500	Rel. to
	Last	High	Low		
<b>P/E (LTM)</b>	24.8x	30.0x	11.0x	19.5x	1.2x
<b>P/Book</b>	4.8x	5.0x	3.2x	4.2x	1.6x
<b>P/Cash Flow</b>	14.2x	14.7x	11.1x	12.3x	1.2x
<b>P/Sales</b>	2.2x	2.5x	1.3x	1.7x	1.1x
<b>EV/EBITDA</b>	10.6x	12.8x	6.9x	9.2x	0.9x
<b>EV/Sales</b>	2.2x	2.7x	1.5x	1.9x	0.9x
<b>Div. Yield</b>	3.3%	4.3%	2.4%	3.1%	1.7x
<b>LTD/Capital</b>	32%	32%	20%	25%	0.8x

## GROWTH SUMMARY as of FY Ended 9/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	-34.9%	-16.1%	-9.7%	-3.2%
<b>EBIT</b>	-24.3%	-11.9%	-6.4%	-0.8%
<b>EBITDA</b>	-25.4%	-11.8%	-6.7%	-0.8%
<b>Net Income</b>	-41.3%	-7.4%	-8.3%	-1.5%
<b>EPS (Diluted)</b>	-36.9%	-2.9%	-5.0%	1.2%
<b>Dividends</b>	1.1%	4.7%	5.8%	7.4%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Emerson Electric (EMR) is a diversified global manufacturing and technology company that offers a wide range of products and services in the industrial, commercial, and consumer markets. The Company operates through two business segments: Automation Solutions and Commercial & Residential Solutions. Emerson Electric was founded in 1890 and is headquartered in St. Louis, MO.

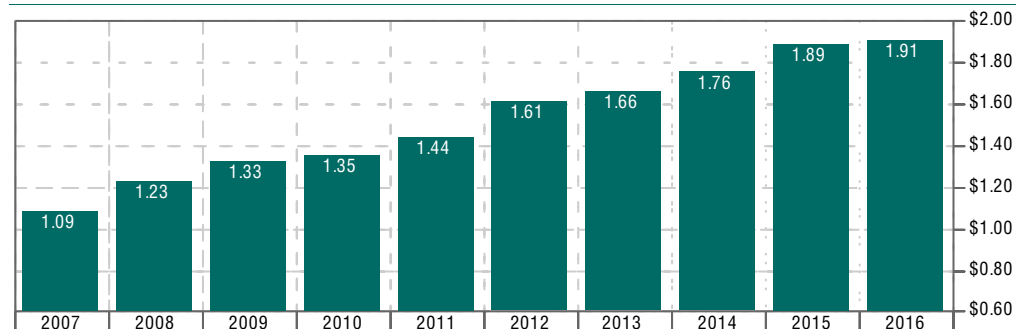
### Why it is an Achiever

EMR has paid a dividend since 1947, with consecutive annual increases dating back 61 years. EMR's history of success lies within the Company's broad portfolio of electrical products that are used in a wide variety of commercial, industrial, and residential applications. EMR views its overall market as being driven by growth in global gross fixed investment (GFI)—a measure of building and fixed infrastructure investment. Due to stagnating global growth and recent pressures in the energy market, EMR growth has been challenged in recent years.

We believe that the Company is working hard to improve its situation by reducing fixed and variable costs, which should help to stabilize margins in the near-term. Revenue has declined on a y/y basis for the past three years in its recently divested Network Power segment and margins were significantly below the Company average, which will act to improve the overall optics of the Company now that business has been sold. We do not anticipate a change to the dividend strategy at this point, given that Network Power only contributes 13% to overall operating income. The Company also announced its intention to acquire Pentair's (PNR-\$62.35) valves and controls business. In our view, these moves will put the Company in a much better position when global growth resumes.

In FY16 (ended 9/30/16), EMR generated over \$2.4 billion in free cash flow — nearly twice the Company's annual dividend commitment. The balance sheet is conservatively leveraged, as net debt was 24.4% of total capital as of 9/30/16.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Exxon Mobil Corporation (XOM)

Price (4/13/17) \$81.69

DIVIDEND STATISTICS	
Dividend & Yield	\$3.00 / 3.67%
Dividend paid since	1882
# of Consecutive Increases	34 years
10-yr. Annualized Dividend Growth	8.8%
Dividend Payout	127%

KEY STATISTICS	
52-wk. Price Range	\$80 - \$96
Average Daily Volume (3mo.)	12,613,236
Market Value	\$338.7 billion
Shares Outstanding (m)	4,147
Cash per share	\$0.88
Book Value per share	\$40.34

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	43.5x	48.0x	8.9x	18.3x	2.2x
P/Book	2.0x	2.6x	1.8x	2.2x	0.7x
P/Cash Flow	15.4x	19.1x	6.4x	10.2x	1.3x
P/Sales	1.7x	1.9x	0.8x	1.2x	0.9x
EV/EBITDA	16.5x	19.4x	5.4x	9.6x	1.3x
EV/Sales	1.9x	2.1x	0.8x	1.3x	0.8x
Div. Yield	3.7%	3.8%	2.2%	3.0%	1.9x
LTD/Capital	14%	14%	4%	7%	0.3x

	GROWTH SUMMARY as of FY Ended 12/16			
	1-yr.	3-yr.	5-yr.	10-yr.
Sales	-16.6%	-20.3%	-14.5%	-5.1%
EBIT	-67.1%	-52.8%	-39.9%	-22.9%
EBITDA	-24.9%	-26.0%	-19.7%	-10.2%
Net Income	-51.5%	-37.8%	-28.2%	-14.9%
EPS (Diluted)	-51.2%	-36.6%	-25.9%	-11.8%
Dividends	3.5%	6.6%	10.0%	8.8%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Exxon Mobil (XOM) is an integrated oil and gas company that searches for, produces, and refines oil around the world. The Company is the world's largest refiner and one of the world's largest manufacturers of commodity and specialty chemicals. The Company was founded by John D. Rockefeller in 1882 and is headquartered in Irving, TX.

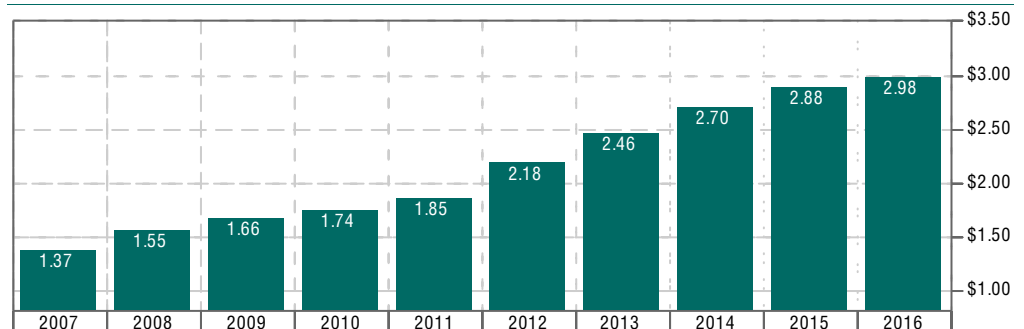
## Why it is an Achiever

XOM has paid a dividend since 1882, with consecutive increases in each of the last 34 years. The Company has accomplished this by generating industry-leading returns and free cash flow from its portfolio of upstream production and downstream refining assets. XOM plans to increase investment in the coming years, with near-term emphasis on liquids and away from lower margin gas output, although over the long-term XOM believes more demand growth will come from gas relative to oil. The Company expects to invest \$22 billion in 2017, an increase of 16% over 2016. This investment will primarily be in the Upstream segment. By 2020, XOM expects to produce 4.0-4.4 million barrels of oil equivalents (boe) per day.

XOM will also continue to invest selectively in its downstream and chemical businesses. XOM has the most profitable downstream and chemical businesses among major integrators, and XOM's refining costs per unit are below the industry average. The Company's returns on its downstream and chemical business have consistently outperformed the industry over a variety of economic conditions during the past ten years.

The Company currently has an AA+ rating on its debt, recently downgraded by S&P and on negative watch with Moody's (Aaa rating). Despite the negative rating outlook, we believe that XOM is in good financial shape, though we will monitor cash flow trends as the industry continues to face challenges. Although free cash flow does not currently fund the dividend, we believe the Company's commitment to the dividend and its balance sheet strength make XOM one of the most attractively positioned integrators to weather the current downturn. In our view, XOM remains a solid way to maintain exposure to the Energy sector in a diversified portfolio.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Int'l Business Machines Corp. (IBM)

Price (4/13/17) \$169.53

## DIVIDEND STATISTICS

Dividend & Yield	\$5.60 / 3.30%
Dividend paid since	1913
# of Consecutive Increases	21 years
10-yr. Annualized Dividend Growth	17.5%
Dividend Payout	41%

## KEY STATISTICS

52-wk. Price Range	\$142 - \$183
Average Daily Volume (3mo.)	3,779,137
Market Value	\$159.9 billion
Shares Outstanding (m)	943
Cash per share	\$9.04
Book Value per share	\$19.29

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	13.7x	15.4x	9.2x	12.2x	0.7x
P/Book	8.8x	13.9x	8.2x	10.7x	2.9x
P/Cash Flow	9.5x	12.4x	7.1x	10.0x	0.8x
P/Sales	2.0x	2.3x	1.5x	1.9x	1.0x
EV/EBITDA	11.6x	12.3x	7.6x	9.4x	0.9x
EV/Sales	2.4x	2.6x	1.9x	2.2x	1.0x
Div. Yield	3.3%	4.0%	1.4%	2.5%	1.7x
LTD/Capital	57%	67%	44%	56%	1.3x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
Sales	-2.2%	-7.1%	-5.7%	-1.3%
EBIT	-18.8%	-14.3%	-9.9%	0.1%
EBITDA	-12.2%	-11.7%	-8.2%	-0.3%
Net Income	-11.1%	-10.3%	-5.6%	2.4%
EPS (Diluted)	-8.5%	-6.1%	-1.1%	7.3%
Dividends	10.0%	14.1%	13.7%	17.5%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

International Business Machines (IBM) is a multinational information technology company that offers integrated solutions through five primary business segments: Cognitive Solutions, Global Business Services, Technology Services & Cloud Platforms, Systems, and Global Financing. The Company was founded in 1911 and is headquartered in Armonk, NY.

### Why it is an Achiever

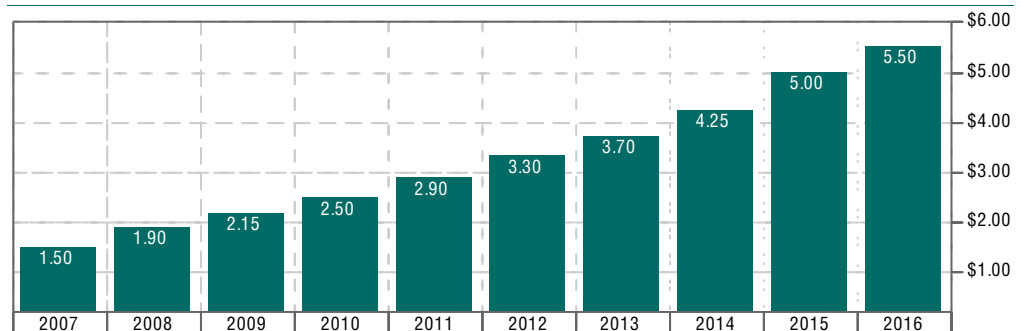
IBM has increased its dividend for 21 consecutive years and has consistently paid a dividend for over 100 years. Over the past decade, IBM transformed itself from a hardware and commodity service-based enterprise into one that has leveraged innovation into better growth and higher profitability, focused on software and higher-value services. Margins tell the story, as this shift has resulted in impressive growth of IBM's profit margin. In 2000, IBM's adjusted pre-tax operating margin was 10% compared to 25% in 2016.

Despite recent earnings setbacks, margins continue to expand with the change in revenue mix. The recent divestiture of the money-losing semiconductor manufacturing business and growth within IBM's Strategic Imperatives (cloud, analytics, mobile, social, and security) further supports the view for improving margins. These Strategic Imperatives represented 41% of combined revenue of \$79.9B and grew by 14% in 2016. Cloud offerings, in particular, generated \$13.7 billion in revenue in 2016.

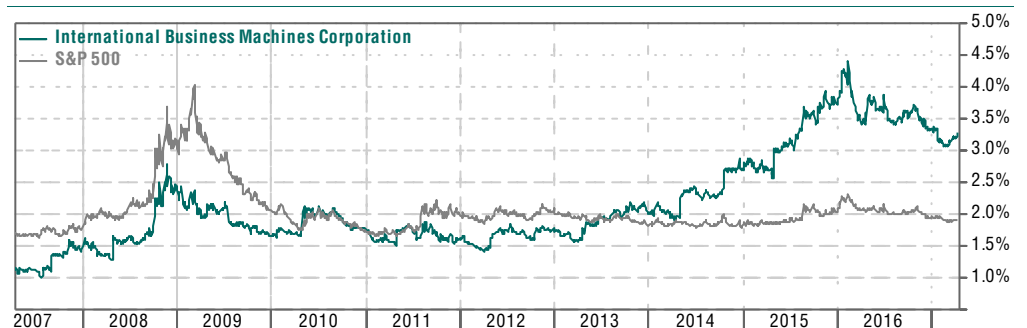
We acknowledge that IBM's near-term results leave little room for excitement as overall growth remains sluggish, but we continue to see pockets of opportunity driven by double-digit revenue growth in IBM's Strategic Imperatives. Importantly, we believe that IBM is investing in the right areas for long-term growth, and though progress is slower than desired, we initiated our Dividend Achievers position in IBM well aware of the near-term fundamental challenges facing the Company, as it attempts to turn a big ship to better align with future technology growth trends. We believe that the near-term focus of many investors and generally bearish sentiment sets a low bar, and offers an attractive long-term opportunity for patient investors who are seeking income growth and capital appreciation.

As for the dividend, which has grown at a compounded annual rate of 17% over the past ten years, the 2016 payout ratio was still modest, at 41% of free cash flow. Given considerable headroom in these ratios, we believe that IBM's dividend is well-positioned for continued healthy growth and at a rate faster than earnings.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Johnson & Johnson (JNJ)

Price (4/13/17) \$124.99

## DIVIDEND STATISTICS

Dividend & Yield	\$3.20 / 2.56%
Dividend paid since	1944
# of Consecutive Increases	54 years
10-yr. Annualized Dividend Growth	8.0%
Dividend Payout	48%

## KEY STATISTICS

52-wk. Price Range	\$109 - \$129
Average Daily Volume (3mo.)	6,948,467
Market Value	\$338.8 billion
Shares Outstanding (m)	2,711
Cash per share	\$15.46
Book Value per share	\$26.02

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	21.1x	23.5x	16.5x	19.7x	1.1x
P/Book	4.8x	4.8x	2.8x	3.8x	1.6x
P/Cash Flow	18.4x	19.5x	11.7x	15.6x	1.5x
P/Sales	4.8x	4.9x	2.7x	3.9x	2.4x
EV/EBITDA	12.9x	14.1x	8.0x	11.2x	1.0x
EV/Sales	4.5x	4.6x	2.4x	3.6x	1.9x
Div. Yield	2.6%	3.7%	2.4%	2.9%	1.3x
LTD/Capital	23%	25%	11%	16%	0.5x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
Sales	2.5%	0.3%	2.0%	3.0%
EBIT	16.2%	4.3%	5.5%	4.5%
EBITDA	13.5%	3.1%	5.2%	4.7%
Net Income	7.3%	6.1%	11.3%	4.1%
EPS (Diluted)	8.2%	7.2%	11.2%	4.7%
Dividends	6.8%	6.7%	7.0%	8.0%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Johnson & Johnson (JNJ) is engaged in the research and development, manufacturing, and sale of a broad range of products within the Health Care sector. With over 230 operating companies around the world, JNJ operates in three segments: Pharmaceutical (46% of 2016 revenue), Medical Devices & Diagnostics (MD&D – 35%), and Consumer (19%). The Company was founded in 1886 and is headquartered in New Brunswick, NJ.

### Why it is an Achiever

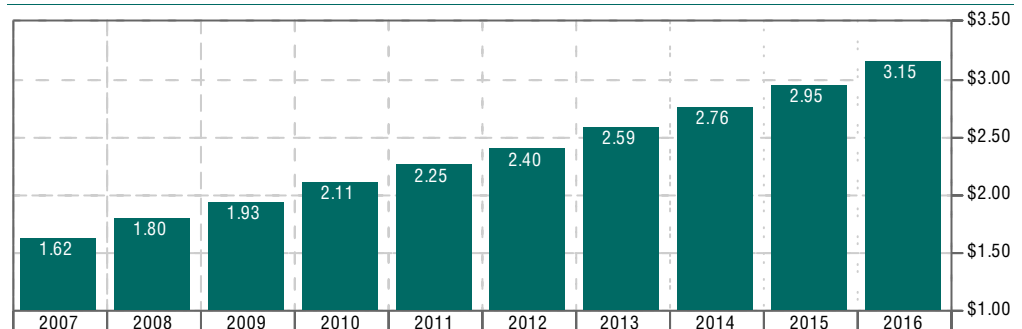
JNJ's string of consecutive annual dividend increases stands at 54 years. JNJ's long-term track record is built around market leading products and innovation. In 2016, approximately 65% of total consumer product sales come from products with either a number one or two global market share and 22% of total sales come from products launched within the past five years. Over half of the Company sales come from outside of the United States.

JNJ's Pharmaceutical business is anchored by its Remicade franchise for the treatment of immune disorders. Remicade accounts for 10% of total company revenues and though it has U.S. patent protection through 2018, the FDA recently approved a biosimilar version of Remicade, a development we will watch closely. JNJ's deep and diverse portfolio should help limit the impact on financial results. JNJ's other key immunology franchises, Stelara and Simponi, are showing solid growth and JNJ has filed a number of submissions to extend indications for these products. In addition, JNJ plans to file more than ten new products by 2019, each with the potential to exceed \$1 billion in revenue, adding an additional layer of growth to the Pharmaceutical segment.

JNJ's MD&D segment operates the world's largest and most comprehensive orthopaedics and neurologics business. The Consumer segment holds a leading portfolio of brands including *Aveeno*, *Clean & Clear*, *Neutrogena*, *RoC*, *Lubriderm*, *Listerine*, *Carefree*, and *Stayfree*.

We note that financial strength at JNJ is exemplary, and the Company's AAA credit rating is one of only two in the S&P 500. JNJ's free cash flow exceeds its annual dividend commitment by over 80%.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Kimberly-Clark Corporation (KMB)

Price (4/13/17) \$132.67

## DIVIDEND STATISTICS

Dividend & Yield	\$3.88 / 2.92%
Dividend paid since	1935
# of Consecutive Increases	44 years
10-yr. Annualized Dividend Growth	6.6%
Dividend Payout	64%

## KEY STATISTICS

52-wk. Price Range	\$111 - \$139
Average Daily Volume (3mo.)	2,000,483
Market Value	\$47.2 billion
Shares Outstanding (m)	356
Cash per share	\$2.59
Book Value per share	-\$0.29

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	22.1x	73.9x	16.8x	27.8x	1.1x
P/Book	-	805.4x	5.5x	113.7x	-
P/Cash Flow	14.8x	20.6x	9.7x	14.1x	1.2x
P/Sales	2.6x	2.7x	1.4x	2.0x	1.3x
EV/EBITDA	13.3x	14.5x	8.4x	11.4x	1.1x
EV/Sales	3.0x	3.1x	1.7x	2.3x	1.2x
Div. Yield	2.9%	3.8%	2.6%	3.1%	1.5x
LTD/Capital	86%	87%	44%	62%	2.0x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
Sales	-2.1%	-4.9%	-2.7%	0.8%
EBIT	3.5%	0.8%	3.3%	2.6%
EBITDA	1.8%	-0.7%	0.6%	1.4%
Net Income	113.8%	0.4%	6.4%	3.7%
EPS (Diluted)	116.2%	2.7%	8.5%	6.3%
Dividends	4.6%	4.7%	5.7%	6.6%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Kimberly-Clark (KMB) is a leading player in the global health and hygiene category, selling bathroom tissues, diapers, feminine products, and paper towels. The Company's brands include *Kleenex*, *Scott*, *Huggies*, *Pull-Ups*, and *Kotex*. Kimberly sells its products directly to supermarkets, mass merchandisers, and drugstores, in addition to distributing products through other distributors. The Company was founded in 1872 and is headquartered in Irving, TX.

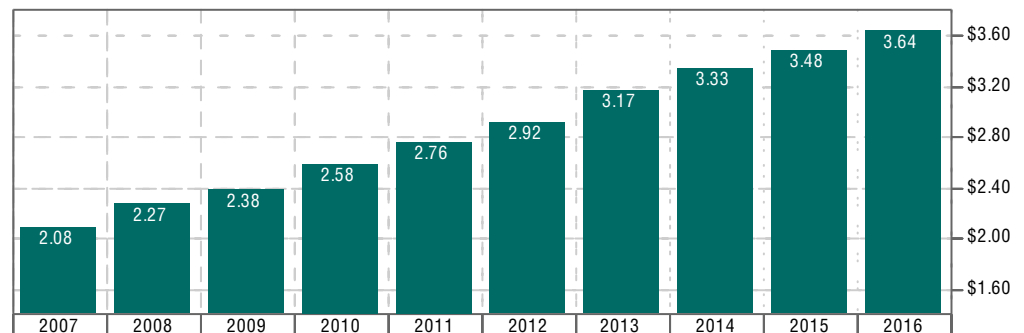
### Why it is an Achiever

KMB has paid a dividend since 1935 and its streak of consecutive annual increases now stands at 44. The Company has achieved this by building a worldwide portfolio of leading consumer personal care brands. KMB's three principal segments are Personal Care, Consumer Tissue, and K-C Professional.

Personal Care products contribute to nearly half of the Company's overall sales, and among KMB's well-known brands are *Poise* and *Depend* in the growing adult care category. These brands account for 55% of category sales and are well-positioned as demographics drive mid-to-high single-digit growth for incontinence products. In the baby and childcare category, the latest available data shows KMB's *Huggies* brand maintains its position as the strong number two player in this category. In Consumer Tissue, KMB's leading brands are *Kleenex*, *Cottonelle*, and *Scott*. These products make up nearly one-third of the Company's revenues. K-C Professional, contributing roughly 17% of total sales, supplies hygiene products to the workplace. Going forward, a key growth initiative will be the continued emphasis on developing and emerging economies, which make up roughly 30% of revenue. In particular, KMB is seeing strong growth in diapers and adult care products, as consumer education and acceptance continues to grow.

We believe that management has been successful in boosting profitability as of late, as cost restructuring programs have increased company operating margin from 10% in 2010 to 18% in 2016. The Company targets FY17 cost savings of at least \$400 million. Dividends paid during 2016 were approximately 50% of KMB's free cash flow.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Microsoft Corporation (MSFT)<sup>(A)</sup>

Price (4/13/17) \$64.98

DIVIDEND STATISTICS	
Dividend & Yield	\$1.56 / 2.40%
Dividend paid since	2003
# of Consecutive Increases	14 years
10-yr. Annualized Dividend Growth	14.8%
Dividend Payout	56%

KEY STATISTICS	
52-wk. Price Range	\$48 - \$66
Average Daily Volume (3mo.)	22,455,490
Market Value	\$502.1 billion
Shares Outstanding (m)	7,728
Cash per share	\$15.89
Book Value per share	\$8.90

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	30.7x	43.8x	10.6x	21.9x	1.5x
P/Book	7.3x	7.4x	3.1x	4.6x	2.4x
P/Cash Flow	13.8x	15.0x	7.2x	11.2x	1.1x
P/Sales	6.0x	6.0x	3.1x	4.2x	3.0x
EV/EBITDA	16.5x	16.7x	5.8x	9.5x	1.3x
EV/Sales	5.5x	5.5x	2.3x	3.5x	2.3x
Div. Yield	2.4%	3.1%	2.2%	2.6%	1.2x
LTD/Capital	39%	42%	12%	21%	0.9x

	GROWTH SUMMARY as of FY Ended 12/16			
	1-yr.	3-yr.	5-yr.	10-yr.
Sales	-8.9%	2.9%	3.9%	6.7%
EBIT	-25.0%	-8.0%	-5.3%	1.6%
EBITDA	-18.6%	-3.5%	-1.8%	3.9%
Net Income	37.8%	-8.4%	-6.2%	2.9%
EPS (Diluted)	41.9%	-6.6%	-4.8%	5.8%
Dividends	14.0%	14.8%	16.7%	14.8%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Microsoft Corporation (MSFT) develops and markets software, services, and hardware. The Company's segments include Productivity & Business Processes, Intelligent Cloud, and More Personal Computing, which made up 31%, 29%, and 47% of FY16 revenue, respectively (with the offsetting negative revenue attributed to its corporate segment). The Company's products include: operating systems for personal computers, servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools; software development tools; video games; and online advertising. MSFT also designs and sells hardware, including its line of Xbox video game consoles and Surface tablets. The Company was founded in 1975 and is headquartered in Redmond, WA.

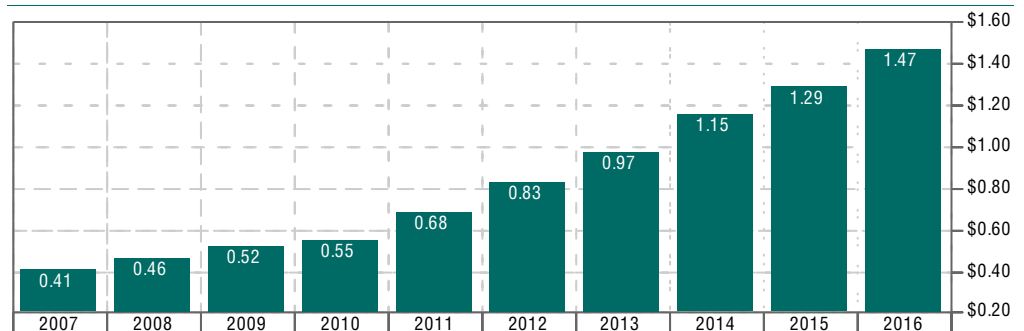
## Why it is an Achiever

MSFT has paid a dividend since 2003 and has increased it for 14 consecutive years at a compound annual growth rate of 25%. We believe the strong dividend growth trend will continue, given the Company's pristine balance sheet, healthy cash flow profile (5.7% FCF yield), and relatively low payout ratio (52% payout ratio based upon analysts EPS estimates for next fiscal year). In addition to offering an attractive 2.4% yield, MSFT announced another \$40 billion share repurchase in September 2016.

In our view, Microsoft's advantage lies within its size and scale, allowing the Company to offer compelling and competitively-priced software products for enterprise and consumer markets. Through its Windows and Office products, MSFT is deeply entrenched in the consumer, small business, and enterprise software markets. These products are high margin, cash-generating businesses that provide internal funding to maintain its leadership in the IT space. We favor MSFT's move to a subscription-based model, and we see potential for continued growth within the commercial cloud business (including Office 365, Azure, and Dynamics CRM), particularly Office 365.

Though MSFT paid a steep price for the recently acquired LinkedIn, for a company of MSFT's size and with its large cash balance, the financial risk is low. We believe there is potential to integrate LinkedIn's data graph into new products that could provide an avenue for growth with the Company's core enterprise customers.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



(A) D. A. Davidson & Co. makes a market in this security.

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# Dividend Achievers NextEra Energy, Inc. (NEE)

Price (4/13/17) \$130.77

## DIVIDEND STATISTICS

Dividend & Yield	\$3.93 / 3.01%
Dividend paid since	1945
# of Consecutive Increases	21 years
10-yr. Annualized Dividend Growth	8.8%
Dividend Payout	63%

## KEY STATISTICS

52-wk. Price Range	\$110 - \$133
Average Daily Volume (3mo.)	1,794,715
Market Value	\$61.2 billion
Shares Outstanding (m)	468
Cash per share	\$5.31
Book Value per share	\$52.01

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
P/E (LTM)	20.9x	24.4x	12.7x	19.0x	1.1x
P/Book	2.5x	2.6x	1.8x	2.2x	0.8x
P/Cash Flow	9.7x	9.7x	6.8x	8.0x	0.8x
P/Sales	4.0x	4.0x	1.9x	2.8x	2.0x
EV/EBITDA	13.3x	14.1x	9.5x	11.8x	1.1x
EV/Sales	5.9x	5.9x	3.6x	4.6x	2.5x
Div. Yield	3.0%	3.5%	2.5%	3.0%	1.4x
LTD/Capital	50%	55%	49%	51%	1.2x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
Sales	-4.9%	1.2%	1.2%	-0.3%
EBIT	5.6%	2.9%	6.7%	4.2%
EBITDA	5.5%	6.3%	9.5%	6.2%
Net Income	5.8%	19.2%	8.7%	8.6%
EPS (Diluted)	3.1%	15.8%	6.4%	6.8%
Dividends	13.0%	9.6%	9.6%	8.8%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

NextEra Energy (NEE) is a leading electricity provider whose regulated segment, Florida Power & Light, distributes power to approximately 4.9 million customers in Florida. The Company's other principal operating subsidiary, NextEra Energy Resources, is the largest generator in the U.S. of renewable energy from the wind and sun. NextEra is headquartered in Juno Beach, FL.

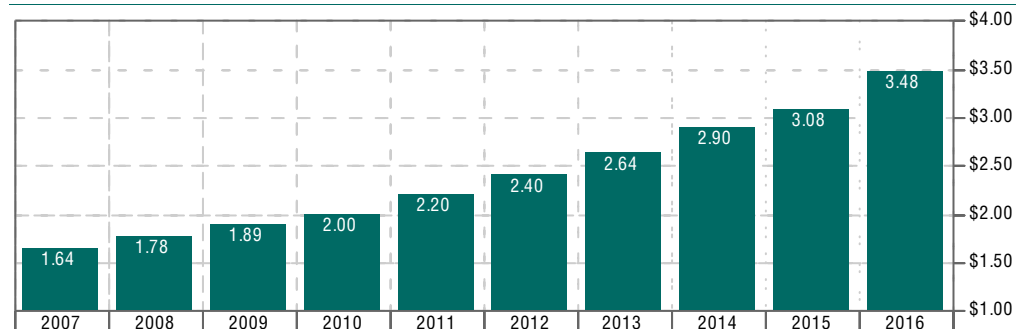
### Why it is an Achiever

NEE has paid a dividend since 1945 and has increased it in each of the past 21 years. NEE's largest business segment is Florida Power & Light (FPL), accounting for 69% of the Company's revenues. FPL has just under \$11 billion in annual operating revenue and primarily serves customers along Florida's Atlantic coast. FPL is one of the nation's cleanest utilities, only 3% of capacity generated from coal. In 2017, FPL submitted a proposal for a new base rate plan with the Florida Public Service Commission, in which they suggest revenue increases of 2.8% annualized over a four-year period.

NEE also operates NextEra Energy Resources (NEER). NEER is one of the largest wholesale generators of electricity in the U.S with facilities in 25 U.S. states and 4 Canadian provinces. Nearly 40% of NEER's power generation is wind-based, with the balance split evenly between natural gas and nuclear. Approximately 80% of NEER's generating capacity is now contracted out under long-term selling agreements, with a weighted average contract life of 17 years. In mid-2016, NEER announced the acquisition of Energy Future Holdings' transmission business for \$18B. Management expects significant earnings accretion from the deal (though specific estimates have not yet been communicated) while maintaining the Company's credit rating (A- by S&P and Fitch).

Over 80% of NEE's adjusted EBITDA comes from its regulated and long-term contracted operations. Based on this visibility, NEE expects +6-8% annual adjusted EPS growth through at least 2020 from a 2016 base, which should provide room for NEE to continue raising its dividend in the future.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Novartis AG (NVS)

Price (4/13/17) \$73.15

## DIVIDEND STATISTICS

<b>Dividend (CHF) &amp; Yield</b>	2.75 / 3.71%
<b>Dividend paid since</b>	1996
<b># of Consecutive Increases</b>	19 years
<b>10-yr. Annualized Dividend Growth</b>	7.4%
<b>Dividend Payout</b>	49%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$67 - \$84
<b>Average Daily Volume (3mo.)</b>	3,072,329
<b>Market Value</b>	\$192.2 billion
<b>Shares Outstanding (m)</b>	2,627
<b>Cash per share</b>	\$2.98
<b>Book Value per share</b>	\$31.75

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
<b>P/E (LTM)</b>	26.0x	29.8x	9.6x	19.6x	1.3x
<b>P/Book</b>	2.3x	3.6x	2.0x	2.7x	0.8x
<b>P/Cash Flow</b>	15.3x	18.7x	8.6x	14.7x	1.3x
<b>P/Sales</b>	3.6x	5.1x	2.1x	3.7x	1.8x
<b>EV/EBITDA</b>	13.2x	17.2x	10.1x	13.6x	1.1x
<b>EV/Sales</b>	3.9x	5.4x	2.4x	3.9x	1.6x
<b>Div. Yield</b>	3.7%	4.6%	2.6%	3.4%	1.9x
<b>LTD/Capital</b>	18%	18%	12%	15%	0.4x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	-1.9%	-5.8%	-3.7%	2.9%
<b>EBIT</b>	-11.5%	-6.7%	-4.8%	1.2%
<b>EBITDA</b>	-6.8%	-3.2%	-2.5%	3.8%
<b>Net Income</b>	-4.4%	-9.9%	-6.0%	-0.5%
<b>EPS (Diluted)</b>	-61.6%	-8.9%	-5.9%	4.0%
<b>Dividends</b>	1.9%	3.9%	4.1%	7.4%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Novartis AG (NVS) manufactures and markets health care and nutritional products. The Company provides health care solutions and offers innovative medicines, eye care, cost-saving generic pharmaceuticals, preventive vaccines, diagnostic tools, and over-the-counter products. The Company operates through three primary segments: Innovative Medicines (pharmaceuticals), Alcon (eye care), and Sandoz (generics). The Company is headquartered in Basel, Switzerland.

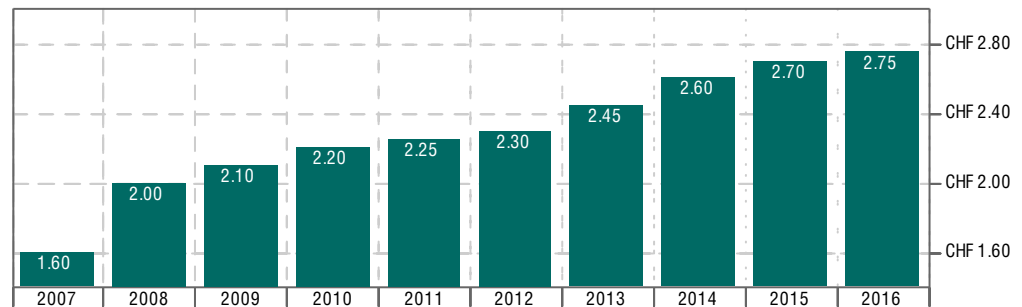
### Why it is an Achiever

NVS has paid a dividend since the Company was formed in late 1996 and has increased the dividend once annually (on a Swiss franc basis) every year since. The Innovative Medicines segment is the Company's largest operating segment, accounting for 67% of total revenue. We note that the lifeblood of any good pharmaceutical company is a strong pipeline, and over the past five years, we believe that NVS has proven itself capable of producing significant new therapies. The importance is the visibility that new products give through longer patent lives.

Alcon accounts for 12% of the Company's sales. Alcon has a broad and deep portfolio of eye care products that are market leaders in cataract surgery, glaucoma treatment and contact lenses, and has also developed promising new treatments for dry eye. We believe that aging demographics and international growth should provide a positive backdrop for Alcon's growth in coming years. Though the Alcon division recently has had difficulty achieving its growth and profitability goals, in early 2017 management announced a strategic review of the segment and, absent a turnaround in the business, it is possible that the segment may be divested. The generics business, Sandoz, is one of the largest in the world and the segment contributed 21% of 2016 revenue.

NVS' net debt at year-end 2016 was just under 16% of capital. NVS' 2016 free cash flow coverage of the dividend was 1.3x.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers Procter & Gamble Company (PG)

Price (4/13/17) \$90.03

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$2.76 / 3.06%
<b>Dividend paid since</b>	1890
<b># of Consecutive Increases</b>	61 years
<b>10-yr. Annualized Dividend Growth</b>	8.2%
<b>Dividend Payout</b>	75%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$79 - \$92
<b>Average Daily Volume (3mo.)</b>	9,132,421
<b>Market Value</b>	\$230.2 billion
<b>Shares Outstanding (m)</b>	2,556
<b>Cash per share</b>	\$5.26
<b>Book Value per share</b>	\$20.35

## VALUATION SUMMARY

	5 Year			Avg. SP500	Rel. to SP500
	Last	High	Low		
<b>P/E (LTM)</b>	26.5x	32.3x	17.3x	23.5x	1.3x
<b>P/Book</b>	4.4x	4.5x	2.7x	3.4x	1.5x
<b>P/Cash Flow</b>	18.3x	18.5x	13.5x	15.6x	1.5x
<b>P/Sales</b>	3.8x	3.9x	2.2x	3.0x	1.9x
<b>EV/EBITDA</b>	14.6x	15.3x	9.8x	12.9x	1.2x
<b>EV/Sales</b>	3.8x	3.9x	2.3x	3.1x	1.6x
<b>Div. Yield</b>	3.1%	3.7%	2.8%	3.1%	1.5x
<b>LTD/Capital</b>	20%	24%	18%	20%	0.5x

## GROWTH SUMMARY as of FY Ended 6/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	-14.4%	-8.1%	-4.6%	-0.4%
<b>EBIT</b>	-7.1%	-2.1%	0.1%	1.0%
<b>EBITDA</b>	-6.8%	-1.8%	0.2%	1.1%
<b>Net Income</b>	12.5%	-4.2%	-3.4%	1.4%
<b>EPS (Diluted)</b>	46.4%	-2.8%	-2.0%	3.0%
<b>Dividends</b>	1.5%	4.1%	5.4%	8.2%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

Procter & Gamble (PG) is one of the world's largest consumer product manufacturers. The Company's products are sold in over 180 countries worldwide through mass merchandisers, grocery stores, membership club stores, drug stores, and neighborhood stores. Some of PG's well-known brands include *Tide* laundry detergent, *Charmin* toilet paper, and *Pantene* hair products. PG maintains a strong international presence, with 59% of FY16 sales coming from outside of the United States. The Company was founded in 1837 and is headquartered in Cincinnati, OH.

### Why it is an Achiever

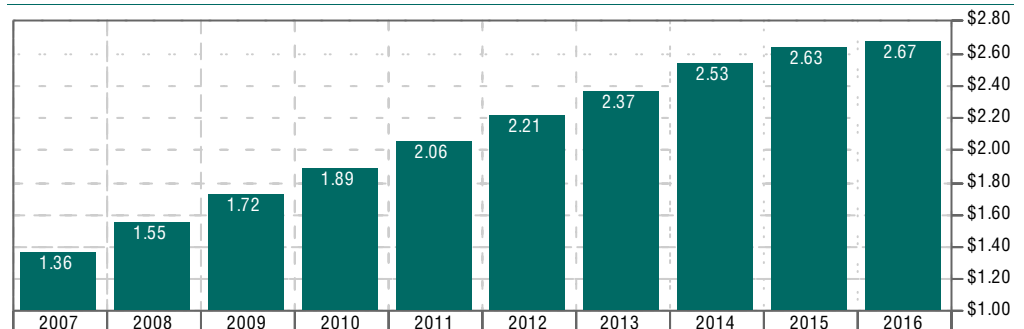
PG has paid a dividend since 1890 and has increased its dividend for the past 61 consecutive years. PG's ability to sustain its dividend rests on the Company's portfolio of market-leading everyday household and personal care products. PG's portfolio is anchored by 22 brand franchises that each generate over \$1 billion in annual sales. These well-known brands include *Head & Shoulders*, *Olay*, *Gillette*, *Crest*, *Pampers*, and *Tide*. The Company's vast portfolio of products spans the globe, with nearly 40% of company sales coming from emerging markets. We believe that sales growth should continue to benefit, as per capita incomes and living standards continue to rise within these markets.

With the recent divestiture of the company's specialty beauty brands, PG completed the portfolio rationalization that was announced in 2014, paring down its roughly 160 brands to a more focused number of ~65 leaders. Other notable divestitures included its Pet Care business and Duracell. PG retained approximately 85% of sales and 95% of the before tax profit, which should be highly accretive to operating margins. We believe that the brand rationalization should lead to better growth, as the Company will be more focused on brands and categories that are more attractive and play into the PG's core strengths. Going forward, a greater emphasis on growth in areas of strength should improve profitability and cash flow, resulting in continued dividend growth, in our view.

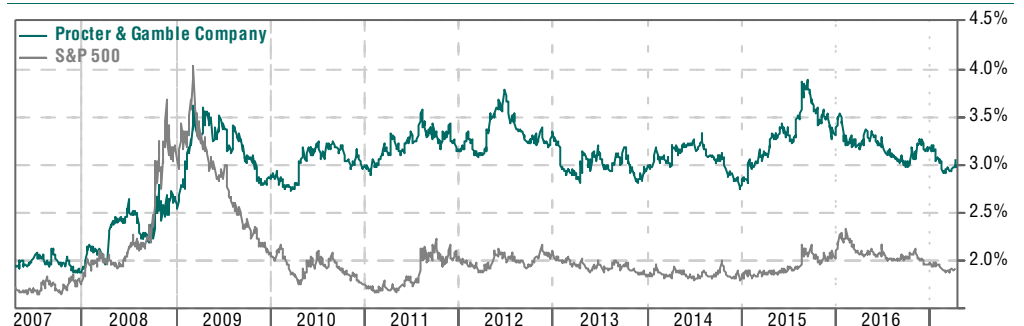
PG has established an initiative to wring \$10 billion out of its cost structure by fiscal year 2021. We believe that a big opportunity lies within the Company's developing markets, where management seeks to improve supply chains by moving sourcing closer to its customers. This would reduce costs and improve inventory turns.

Financially, we believe that PG is well-positioned to maintain its record of dividend growth. From FY16-FY19 the Company is targeting to pay dividends and retire shares worth up to \$70 billion (32% of current market cap) through ongoing discretionary share repurchases and shares eliminated through its portfolio sales. At the end of FY16 (ended 6/30/16), the Company's total debt to assets ratio was 24%, in-line with its five-year average, and the Company generated over \$12 billion in free cash flow during the 2016 fiscal year. Although its dividend payout rate appears elevated, given the stability of its business we believe PG is in a strong financial position.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers United Technologies Corporation (UTX)

Price (4/13/17) \$112.09

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$2.64 / 2.36%
<b>Dividend paid since</b>	1936
<b># of Consecutive Increases</b>	23 years
<b>10-yr. Annualized Dividend Growth</b>	9.9%
<b>Dividend Payout</b>	40%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$97 - \$114
<b>Average Daily Volume (3mo.)</b>	2,961,625
<b>Market Value</b>	\$89.9 billion
<b>Shares Outstanding (m)</b>	802
<b>Cash per share</b>	\$8.93
<b>Book Value per share</b>	\$34.10

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
<b>P/E (LTM)</b>	18.4x	84.5x	12.6x	26.9x	0.9x
<b>P/Book</b>	3.3x	3.6x	2.6x	3.1x	1.1x
<b>P/Cash Flow</b>	14.2x	15.1x	9.6x	13.0x	1.2x
<b>P/Sales</b>	1.6x	1.7x	1.2x	1.5x	0.8x
<b>EV/EBITDA</b>	11.2x	12.5x	7.8x	10.7x	0.9x
<b>EV/Sales</b>	1.9x	2.0x	1.3x	1.8x	0.8x
<b>Div. Yield</b>	2.4%	2.9%	1.9%	2.3%	1.2x
<b>LTD/Capital</b>	42%	47%	29%	38%	1.0x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	1.9%	-2.9%	-0.2%	1.8%
<b>EBIT</b>	-3.8%	-3.0%	0.2%	2.2%
<b>EBITDA</b>	-2.1%	-2.0%	1.5%	2.9%
<b>Net Income</b>	26.8%	-3.8%	0.3%	3.1%
<b>EPS (Diluted)</b>	244.2%	-0.8%	2.1%	5.1%
<b>Dividends</b>	2.3%	6.1%	7.0%	9.9%

## PRIMARY RISKS

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- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

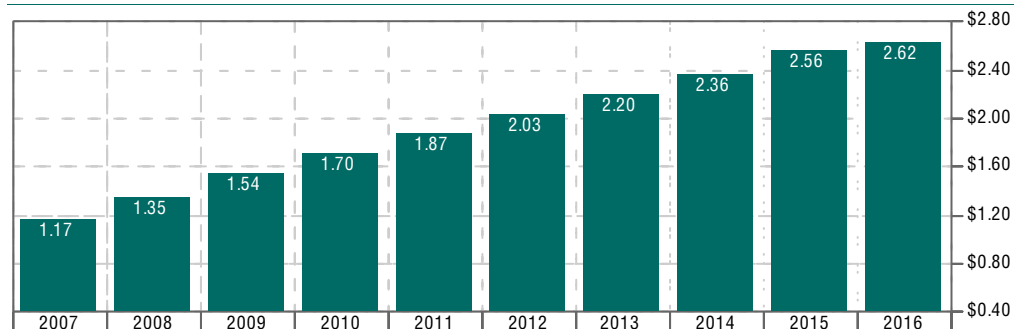
United Technologies (UTX) is a diversified industrial conglomerate with business operations primarily serving the building systems and aerospace markets. The Company's commercial businesses include Otis elevators and escalators, and UTC Climate, Controls & Security. UTX's aerospace segment is comprised of Pratt & Whitney and UTC Propulsion & Aerospace Systems. United Technologies was founded in 1934 and is headquartered in Hartford, CT.

### Why it is an Achiever

UTX has paid a dividend since 1936, with consecutive annual increases dating back 23 years. UTX has established this record while building itself into one of the world leaders in building infrastructure and aerospace. UTX's core operating strategy going forward is to build on its leadership positions in commercial buildings and aerospace, as well as to capitalize on two mega-trends: urbanization and increased commercial air travel. Today, according to the U.N., the world is halfway through a 30-year cycle that will see an additional two billion people move to urbanized settings. With that, a similar trend is forecast in the growth of commercial airline revenue passenger miles. UTX has broadly aligned itself into two key addressable markets: Propulsion & Aerospace Systems and Building & Industrial Systems. Including the military end market, Propulsion & Aerospace accounts for slightly more than half of the Company's total revenues, and the unit is the largest aircraft component supplier in the world. Operating businesses within this unit include Pratt & Whitney, Hamilton Sundstrand, and Goodrich. Over the next 20 years, the number of commercial aircraft in service is expected to double, creating growth in both aircraft construction, as well as a larger pool for parts, maintenance, and service. Likewise, Building & Industrial Systems is the worldwide leader in commercial building infrastructure, led by leading market brands such as Otis, Carrier, and Kidde. We believe that developing markets will be a key growth driver for the Company, where elevator/escalator and HVAC penetration is much lower than in the developed world.

In November 2015, the Company closed on its sale of the Sikorsky helicopter unit to Lockheed Martin (LMT-\$268.00) for \$9 billion (~\$6 billion net). To offset the Sikorsky's earnings impact, the Company announced a new \$12 billion share repurchase agreement through 2017. This includes the \$6 billion accelerated repurchase using the net proceeds from the Sikorsky sale. UTX's dividend commitment for 2016 was less than 53% of the Company's free cash flow. At year-end 2016, net debt was less than 32.5% of total assets. This leaves UTX room, in our view, to continue its track record of dividend growth while funding share repurchases, debt repayment, and potential acquisitions.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



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# Dividend Achievers V.F. Corporation (VFC)<sup>(A)</sup>

Price (4/13/17) \$54.80

## DIVIDEND STATISTICS

<b>Dividend &amp; Yield</b>	\$1.68 / 3.07%
<b>Dividend paid since</b>	1973
<b># of Consecutive Increases</b>	43 years
<b>10-yr. Annualized Dividend Growth</b>	12.2%
<b>Dividend Payout</b>	59%

## KEY STATISTICS

<b>52-wk. Price Range</b>	\$48 - \$66
<b>Average Daily Volume (3mo.)</b>	4,254,177
<b>Market Value</b>	\$22.7 billion
<b>Shares Outstanding (m)</b>	415
<b>Cash per share</b>	\$2.96
<b>Book Value per share</b>	\$11.93

## VALUATION SUMMARY

	5 Year				Rel. to SP500
	Last	High	Low	Avg.	
<b>P/E (LTM)</b>	18.8x	32.2x	15.2x	21.9x	0.9x
<b>P/Book</b>	4.6x	6.6x	3.2x	4.7x	1.5x
<b>P/Cash Flow</b>	15.5x	29.4x	12.4x	18.4x	1.3x
<b>P/Sales</b>	1.9x	2.7x	1.4x	2.1x	1.0x
<b>EV/EBITDA</b>	13.2x	16.6x	10.9x	13.7x	1.1x
<b>EV/Sales</b>	2.0x	2.8x	1.6x	2.2x	0.8x
<b>Div. Yield</b>	3.1%	3.0%	1.4%	1.9%	1.5x
<b>LTD/Capital</b>	28%	29%	17%	21%	0.7x

## GROWTH SUMMARY as of FY Ended 12/16

	1-yr.	3-yr.	5-yr.	10-yr.
<b>Sales</b>	-3.7%	1.7%	4.9%	6.8%
<b>EBIT</b>	-12.6%	-2.2%	4.0%	6.4%
<b>EBITDA</b>	-10.5%	-1.4%	4.5%	6.6%
<b>Net Income</b>	-4.8%	-1.0%	5.7%	8.2%
<b>EPS (Diluted)</b>	2.1%	2.4%	7.8%	8.7%
<b>Dividends</b>	15.0%	18.7%	18.6%	12.2%

## PRIMARY RISKS

- Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield.
- All risks that could materially affect the Company are disclosed in the annual 10-K filing.

V.F. Corp. (VFC) has grown from its founding in 1899 as a glove and mitten manufacturer into a diversified global apparel brand powerhouse. Over 85% of the Company's sales are from its Outdoor & Action Sports and Jeanswear coalitions, or segments, anchored by top brands that include The North Face, Vans, Timberland, Lee, and Wrangler, each of which generate more than \$1 billion in annual revenue. The North Face and Vans are \$2 billion businesses. We believe that VFC is among the best-managed and most well-diversified portfolios in consumer apparel, both by brand and geography.

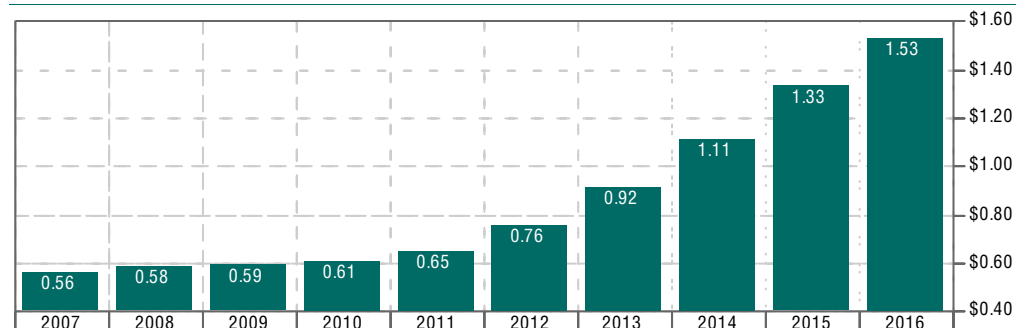
## Why it is an Achiever

VFC has increased its dividend every year for 43 years, including a 16% increase announced in October 2016, and in our view is poised to continue growing into the future aided by a reasonable payout ratio. VFC's asset-light operating model has historically led to high returns on invested capital – over the past five years the average has been 17%.

During the tenure of previous CEO Eric Wiseman from 2008-2016, revenue grew 7% annualized and EPS grew by 11%. Strategically, we view the Company's focus on brand ownership as important in an environment where retailers are struggling with too many locations and competition from online retailers. VFC has also built a strong direct-to-consumer (DTC) business (28% of 2016 revenues) and continues to develop its online presence (5% of total sales, also counted within DTC). Gross margins of 48% have consistently remained above peer group averages of 43%. Steven Rendle, former President/Chief Operating Officer and previously head of the North Face business, took over as CEO beginning in 2017, part of a multi-year succession plan.

Given recent headwinds from weather and a promotional retail environment, the lack of near-term growth has led to a decline in share price over the past year. Despite these factors, the Company expects to grow EPS 10-12% annualized through 2021. We continue to believe in the strategy along with management's ability to execute and deliver strong financial results for shareholders. The Company has typically grown by acquisition, however there has not been a major acquisition since the Company purchased Timberland in 2011. Management has indicated that the Company is actively pursuing opportunities, and we expect the Company to continue to add brands in attractive end markets at the right price.

## DIVIDENDS PER SHARE



## DIVIDEND YIELD VS. S&P 500



<sup>(A)</sup> D. A. Davidson & Co. makes a market in this security.

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D.A. Davidson & Co. expects to receive, or intends to seek, compensation for investment banking services from the companies mentioned in this report in the next three months.

James Ragan, the analyst who prepared this report, or his immediate family owns an investment position in: IBM, MSFT, T

Matt Griffith, the analyst who prepared this report, or his immediate family owns an investment position in: ADP, CVS, VFC

**Analyst Certification:** We, James Ragan, CFA, and Matthew Griffith, CFA, attest (i) that all the views expressed in this research report accurately reflect our personal views about the common stock of the subject company and (ii) that no part of the compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by us in the report.

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Of all the eligible securities from the Research Universe, those ultimately selected for inclusion in Dividend Achievers will have a minimum 10-year history of consecutive dividend increases and, in the opinion of Mr. Ragan and Mr. Griffith, have a positive outlook for future growth. The overall dividend yield for Dividend Achievers is expected to be above the average market yield. Dividend Achievers may not have holdings in all sectors at all times, but Mr. Ragan and Mr. Griffith strive to maintain diversity across most economic sectors. Dividend Achievers will be a periodic publication that will highlight the current securities included. Securities may be removed from Dividend Achievers if the underlying company fails to sustain its record of consecutive annual dividend increases or if there is a significant change in company fundamentals. Changes to Dividend Achievers may also be prompted by Mr. Ragan and Mr. Griffith's views of the risk/reward profile offered by individual securities. Dividend Achievers will disclose any securities removed from the list in the first publication following the removal of the security.

**For a copy of the most recent reports containing all required disclosure information for covered companies referenced in this report, please contact your D.A. Davidson & Co. representative or call 206-389-8000.**

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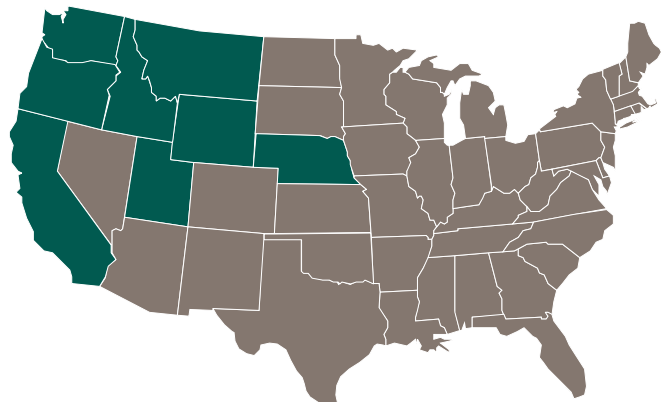
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