

FIRST CUT: STOCKS

The Stocks First Cut is designed as a starting point, showing the top stocks that pass relatively simple screens of interest to individual investors.

Dividend Aristocrats With Longest Streak of Dividend Increases

In this month's issue, contributing editor Brian Haughey looks into why the S&P 500 Dividend Aristocrats index has underperformed compared to the broader S&P 500 index over the last five years. In "Viewing the Sector Exposure of Dividend Stocks Through the Aristocrats," Haughey highlights one factor that dividend investors often overlook, asset allocation. He observes that the main reason for the recent underperformance of the Aristocrats relative to the S&P 500 is its sector exposure—the percentage of assets invested in each market sector.

The Dividend Aristocrats are high-quality dividend-paying companies that have continuously grown their dividends. They have also displayed durable business models, stable earnings, solid fundamentals, strong histories of profit and growth, and they have exhibited solid performance characteristics over a wide range of market conditions. The Dividend Aristocrats strategy has demonstrated a history of weathering market turbulence over time by capturing most of the gains of rising markets and fewer of the losses in falling markets.

Our starting point for this month's First Cut was the S&P 500 Dividend Aristocrats index. The Dividend Aristocrats index focuses on dividend growers. It comprises the subset of S&P 500 stocks that have increased their dividends every year for at least 25 years, with most doing so for 40 years or more.

Constituents must also have a float-adjusted market capitalization of at least \$3 billion and an average daily value traded of at least \$5 million for the three months prior to the quarterly rebalancing reference date. There are 65 companies that meet the designation requirements.

We then researched each Dividend Aristocrat stock to determine how many consecutive years it has increased its dividend. This month's First Cut shows the top 20 Dividend Aristocrat stocks with the longest streak of dividend increases. All of the companies on the list have increased their dividends for at least 48 consecutive years. ■

—Derek J. Hageman, AAI financial analyst

Top 20 S&P Dividend Aristocrats With Longest Consecutive Streak of Dividend Increases

(Ranked by Years of Consecutive Dividend Increases)

| Company (Ticker) | Share Price (2/11) (\$) | Div Yield (%) | Ind Ann'l Div (\$) | 5-Year Dividend Growth (%) | 5-Year EPS Growth (%) | Consec Yrs of Div Increase (X) | Industry |
|------------------------------------|-------------------------|---------------|--------------------|----------------------------|-----------------------|--------------------------------|-----------------------------------|
| Dover Corp. (DOV) | 122.10 | 1.6 | 1.98 | 4.6 | 0.0 | 64 | Industrial Machinery & Equip |
| Emerson Electric Co. (EMR) | 85.16 | 2.4 | 2.02 | 1.2 | (2.7) | 64 | Electrical Components & Equip |
| Genuine Parts Company (GPC) | 100.53 | 3.1 | 3.16 | 6.2 | (1.5) | 64 | Auto, Truck & Motorcycle Parts |
| Procter & Gamble Co. (PG) | 128.33 | 2.5 | 3.16 | 3.1 | 11.8 | 64 | Personal Products |
| 3M Co. (MMM) | 177.21 | 3.3 | 5.92 | 7.5 | 4.0 | 62 | Consumer Goods Conglomerates |
| Johnson & Johnson (JNJ) | 166.06 | 2.4 | 4.04 | 6.3 | (0.2) | 58 | Pharmaceuticals |
| Coca-Cola Co. (KO) | 50.30 | 3.3 | 1.64 | 5.9 | 5.3 | 58 | Non-Alcoholic Beverages |
| Colgate-Palmolive Company (CL) | 78.41 | 2.2 | 1.76 | 3.8 | 3.1 | 57 | Personal Products |
| Illinois Tool Works Inc. (ITW) | 200.94 | 2.3 | 4.56 | 18.5 | 10.6 | 57 | Consumer Goods Conglomerates |
| Hormel Foods Corp. (HRL) | 48.18 | 2.0 | 0.98 | 13.8 | 5.5 | 55 | Food Processing |
| Federal Realty Investment Tr (FRT) | 97.99 | 4.3 | 4.24 | 3.1 | — | 53 | REITs - Commercial |
| Stanley Black & Decker, Inc. (SWK) | 174.75 | 1.6 | 2.80 | 5.8 | 3.4 | 53 | Industrial Machinery & Equip |
| Abbott Laboratories (ABT) | 126.84 | 1.4 | 1.80 | 7.3 | 12.4 | 49 | Medical Equip, Supplies & Distrib |
| W W Grainger Inc. (GWW) | 374.15 | 1.6 | 6.12 | 6.4 | 6.3 | 49 | Industrial Machinery & Equip |
| Kimberly Clark Corp. (KMB) | 132.09 | 3.5 | 4.56 | 4.2 | 9.8 | 49 | Personal Products |
| Leggett & Platt, Inc. (LEG) | 42.88 | 3.7 | 1.60 | 5.3 | 9.7 | 49 | Home Furnishings |
| PPG Industries, Inc. (PPG) | 138.06 | 1.6 | 2.16 | 8.6 | 6.8 | 49 | Chemicals - Commodity |
| Target Corporation (TGT) | 190.41 | 1.4 | 2.72 | 6.5 | 10.4 | 49 | Retailers - Discount Stores |
| Becton Dickinson and Co. (BDX) | 253.39 | 1.3 | 3.32 | 5.7 | (4.1) | 48 | Medical Equip, Supplies & Distrib |
| PepsiCo, Inc. (PEP) | 134.97 | 3.0 | 4.09 | 7.8 | 6.9 | 48 | Non-Alcoholic Beverages |

Source: AAI Stock Investor Pro, Refinitiv and I/B/E/S. Data as of 2/11/2021.