

Dividend Portfolio Review August 2009

Date of Review: 8/10/09 Date of Last Review: 3/6/09

1. Performance Since Last Review

S&P 500 today: 1010	Portfolio now: \$37,599	Portfolio since inception: -6%
S&P 500 last time: 757	Portfolio last time: \$30,180	S&P 500 since inception: -12%
S&P 500 change: +33%	Portfolio change: +25%	Cash: \$150 = 0% of portfolio

2. Discussion and Changes Since Last Review

After prices of most stocks got hammered in bear market of 2007-2008-2009, portfolio has revived price-wise with bull market rally that started 3/10/09—less than a week after last review. Only one stock (Diageo) has lowered its dividend, while all others have raised their dividends or not made that decision yet for 2009. Dividend changes of currently owned stocks in 2009:

- Abbott Labs: +11%
- Chevron: +5%
- Diageo: -25%; pays twice/year; first dividend of year is typically less than preceding dividend, but not by this much
- Emerson Electric: no change yet, typically declares increases in Q4
- Kinder Morgan: +3%
- McDonald's: no change yet, typically declares increases in Q4
- Realty Income: +1% or so (pays monthly and hard to discern full-year Y/Y change until all 12 payments have been declared)
- Pepsico: +6%
- Royal Bank of Canada: has held dividend steady since 7/2008 (5 payments)
- Sherwin-Williams: +1%
- Telefonica: makes 2 payments/year; typically raises each one; first payment of 2009 was +28% more than last payment of 2008

Portfolio changes as result of previous review:

- Sold Barclay's 3/16/09, \$532
- Sold GE 3/20/09, \$1388
- Bought AT&T 3/20/09, \$915
- Added to McDonald's 3/30/09, \$1089

Re-invested dividends since previous review:

- Added to Abbott Labs 6/29/09, \$910

3. Portfolio Status, Comments, and Actions

Note: Yield on Cost = Current Yield x Current Price / Acquisition Price

Stock	Date Bought	Price When Bought	Price Now	Price Return %	Current Yield %	Yield on Cost %	Still on Top 40 List?	Commentary	Action to Take
ABT	10/9/08	55.43	43.84	-21	3.6	2.8	Y	Address overall performance, whether stock meets minimum hurdles now, dividend actions, degree of conviction in stock and its dividend, reasons to hold, sell, or swap.	Hold
	6/29/09	47.38		-8		3.3		Added to position with proceeds from accumulated dividends. Dividend increase of 11% this year reinforces long-term confidence.	
CVX	9/20/07	94.00	69.50	-33	3.7	2.7	Y	Stock's price rises and falls with price of oil. Reliable dividend, up 5% this year.	Hold
DEO	10/13/08	60.37	61.72	+1	2.6	2.7	Y	Pays 2x/year. First dividend of 2009 was 25% less than first payment of 2008, probably portending dividend cut overall from 2008. Price has done better than most. Best course is to hold while waiting to see what happens with second dividend of 2009.	Hold
EMR	3/27/08	51.77	35.64	-31	3.6	2.5	Y	Disappointing. Large price drop, and only raised dividend 2% this year. Candidate to sell for better performer. Unlikely to make Top 40 list for 2010.	Hold, but put 10% trailing stop on it.
KMP	4/18/08	58.00	52.77	-9	7.9	7.3	Y	Raised first payment in 2009 14% year-over-year, but has held payments steady since then. Usual pattern is to increase 2-3 times/year. Overall increase for 2009 will probably be in 3-5% range. However, dividend seems secure and yield is high.	Hold
MCD	4/30/08	60.06	52.38	-8	3.6	3.1	Y	Solid company, dividend secure. Won't know 2009 increase until final payment of year.	Hold
	3/30/09	53.93		+1		3.5			
O	4/7/08	26.28	26.21	-1	6.3	6.3	Y	Among REITs, is proving to be solidly positioned. Dividends unlikely to increase much for a year or two, but unquestioned commitment to dividend growth long-term.	Hold
PEP	8/9/07	69.45	57.74	-17	3.1	2.6	Y	Consider this to be very solid long-term holding. Increased dividend 6% in 2009.	Hold
	8/13/07	68.42		-16		2.6			
RY	3/27/08	46.92	47.25	+0	4.2	4.2	Y	Has held last 5 dividend payments steady, but appears to be one of most solid banks. Price has recovered from severe drop in 2008. Make decision next review if dividend has not increased by then.	Hold
SHW	5/14/08	56.91	62.01	+9	2.3	2.5	Y	Steady performer, has fully recovered price from bear market, but raised dividend just 1% for 2009. Unlikely to make Top 40 list for 2010 because of low yield. Hold for now.	Hold
T	3/20/09	25.85	25.62	-2	6.4	6.3	Y	Only new position for 2009, added to increase overall portfolio yield.	Hold
TEF	4/17/08	88.52	74.22	-16	5.3	4.4	N	After very bad year in 2008, has come roaring back price-wise. Pays 2x/year. First payment of 2009 was +28% Y/Y. No reason to think dividend is in peril. Remove 15% trailing sell-stop and hold, despite not being on 2009's Top 40 list.	Hold

Simple (unweighted) average yield on cost is 4.0%.

Most likely candidates for investing money from sales or incoming dividends (as determined by magnitude of dividend increase in 2009):

- ABT—add to position; 3.6% current yield
- CL—new position, 2.5%
- PG—new position, 3.3%
- KO—new position, 3.3%