DSR 2021

DIVIDEND STOCKS ROCK

INVEST WITH CONVICTION, ENJOY YOUR RETIREMENT

DSR 10 MOST POPULAR US DIVIDEND STOCKS

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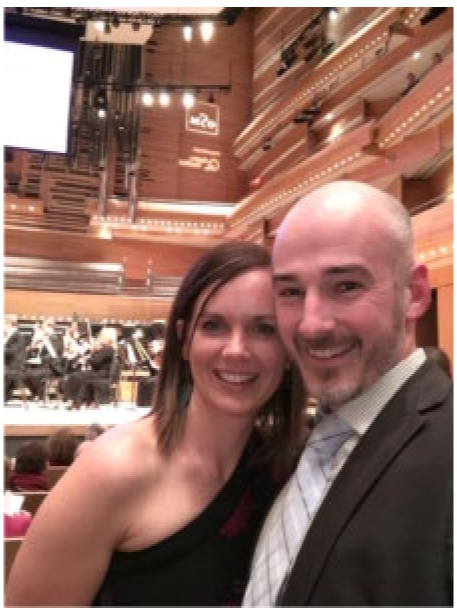
Have you ever wondered what successful investors have in their portfolios? I've used my DSR PRO database to identify which company is held by the most members (roughly 1,600 DSR PRO members). These seasoned and experienced investors have been around for a long time and some of them even rely on their dividends to finance their retirement. I've decided to share with you the DSR 10 Most Popular US Dividend Stocks.

Let's sneak in and see what I like, what I don't like, and the role played in a portfolio for the top 5.

But first, if you're wondering who I am, here's a quick overview.

18+ YEARS OF INVESTING AND PLANNING AT YOUR SERVICE



My name is Mike Heroux and I'm the author of The Dividend Guy Blog, The Dividend Monk, along with being the founder of Dividend Stocks Rock (DSR) (yes, I thrive on staying busy!). I have an unusual sense of humor for a "nerdy finance guy".

I earned my bachelor's degree with a double major in finance and marketing along with an MBA in financial services. I worked in the financial industry for over a decade including 5 years as a certified financial planner and another 5 as a private banker managing accounts for high net worth (read $1M+) clients. Since 2003, I have been 100% invested in equities. I shifted my entire portfolio into a dividend growth investing strategy in 2010. I've been through market crises such as the credit crunch in 2008, the oil bust of 2015, the "flash crash" of 2018 along with the COVID-19 in 2020. I know how it feels to lose money and feel overwhelmed by the amount of information being disseminated by various market analysts. I've helped hundreds of retirees manage their portfolios in such a way as to assure their retirement was never at risk. I've always kept my portfolio aligned with my strategy and ended-up with great results. I'm now offering my assistance to thousands of investors like you so you all can **invest with conviction** and **enjoy your retirement**.

In 2016, my wife and I decided to leave everything behind and go for a 1-year RV trip across North America and Central America with our kids. We made it all the way down to Costa Rica. Upon our return in 2017, I decided to leave my job as a private banker and invested all my energy in my fledgling online business. I would rather pursue my dream of helping people invest through my websites, and since then, I have been a full-time online entrepreneur.

You can read more about my investing journey here.

APPLE (AAPL) 450 MEMBERS

Do I really need to introduce you to Apple? Apple generated about 50% of its revenue from its iPhone. It was once seen as a one-trick pony, but Apple has developed several other "business lines" that completes its product ecosystem. Its services business now accounts for 20% of its sales (and growing). Then, about 10% of its sales comes from wearables, another 10% from Mac systems, and another 10% from iPads.

What I like

Apple's iPhone looks like an infinite fountain of cash flow. The company can afford to be second, third or even 10th to enter a new market. But when it enters, Apple does it with a full-strength blow packed by raving fans waiting for their next product. This is how they have shown double-digit growth in their service business segment for several years now. Apple has a strong and innovative culture that should propel its business forward indefinitely.

What I don't like

Apple stock looks as expensive as its products. We keep saying there is a price for quality. Well, paying 25 times its forward earnings still seem a bit steep. While the company has proven time and time again it can battle against any other tech stock, there are new and innovative companies rising from everywhere in this market. Just because the iPhone killed the Blackberry doesn't mean it cannot be similarly knocked off its pedestal.

What's its role?

Forget about its P/E ratio and its yield and go for Apple's growth in your portfolio. Interestingly, I also see Apple as a great defensive stock. Companies that are able to build such a strong quality brand as Apple has will also find its customers (referred to as raving fans!) fully receptive to their new products even during tough economic times.

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ABBVIE (ABBV) 431

I must admit I'm a bit surprised to find a pharmaceutical firm as the second most popular U.S. stock. While AbbVie deserves a place in the top 10, I would have thought that its volatility would have cooled off the interest of some investors. AbbVie offers its products in various therapeutic categories, including Immunology products, which include Humira, Skyrizi and Rinvoq; Oncology products consists of Imbruvica and Venclexta; Aesthetics products include Botox Cosmetic, Juvederm Collection, and other aesthetics; and Neuroscience products. In other words, we are talking about specialty drugs and aesthetics.

What I like

AbbVie has one of the most promising drug pipelines in the industry. With the combination of aesthetics products, ABBV is set to generate lots of blockbusters. I admire management's confidence in its ability to pay dividends with double-digit dividend increases over the past 5 years. A great combination of a generous yield (close to 5%) and growth potential.

What I don't like

Patent expirations and large amounts of debt. Humira is AbbVie's largest blockbuster ever and it counts for more than 50% of its profits. The problem? The patent expires in 2023 for the U.S. and sales are already slowing down (as other patents have already expired in Europe). This is a big Damocles sword. ABBV stock shows its fair share of volatility, so you must be ready to ride the roller coaster. While I like the acquisition of Allergan (Botox), this also pushed its debt level even higher. Let's hope the acquisition is a success!

What's its role?

An investment in AbbVie will provide you with a solid yield that will also come with its fair share of headaches. The stock price is highly volatile and moves easily in double-digits on news of consequence. You have been warned.

MICROSOFT (MSFT) 421

Microsoft is currently my favorite technology stock. The Company's segments include Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. Microsoft has built an impressive portfolio of products through organic development and acquisitions. It has strong ties to corporate America and now plays a major role in the cloud business.

What I like

Take a second to look at its dividend triangle as it can't get any better. The company shows double-digit revenue and earnings growth, and the dividend's annualized increase is around 9%. The shift towards a subscription-based business for many of its products has been pure genius. Now, we all pay for our Microsoft Windows or Office Suite licences annually. MSFT counts on multiple growth vectors including gaming, cloud, and artificial intelligence. MSFT recently acquired a player in the artificial intelligence (Nuance) arena for $19.7B. This will integrate well with the MSFT business portfolio and will open the door to healthcare solutions.

What I don't like

When you look at a stock that keeps going up all the time, you always wonder when the party will end. MSFT has been seeing strong PE expansion as it was trading under a PE ratio of 25 about 5 years ago. Right now, we talk about a forward PE of 34 and above. Microsoft is condemned to report double-digit growth for several years to justify its current price. I have no doubt it can do it, but still it is a risk!

What's its role?

Like Apple, put Microsoft in the "growth and defense" category. Such a strong company will go through recessions and continue to perform.

3M CORP (MMM) 372

3M is the perfect example of a well diversified business that has one common goal across all its business segments: innovation. The Company operates through four segments: Safety and Industrial, Transportation and Electronics, Health Care and Consumer. MMM produces several products used by commercial clients and consumers. About half of them are being repetitively purchased. My favorite example is the post-it notes, but now you can also think of masks.

What I like

A company like 3M is a perfect addition when you start a portfolio. You get immediate diversification on all fronts (products, geography, industries, etc.). 3M is one of the world's oldest dividend growers as its first increase happened in 1959. This tells you that the company will likely go through any type of recessions and keep increasing its payout. 3M also spends lots of money on innovation and R&D. This ensures it keeps its edge against competitors and that the company will always find a market or an industry to expand its business.

What I don't like

Over the past few years, MMM has been facing many headwinds. We have seen the translation of these headwinds into its dividend growth policy (e.g., dividend increases have been minimal for the past 2 years). The company faces various lawsuits. Legal battles drag on for a while and generate lots of uncertainties. This is bad for the stock price. MMM must also deal with raw material cost inflation. As cost of production rises, the company can't pass the entire increase to its customers. This has a negative impact on its margins. Finally, when you are that big and present everywhere, it's hard to grow faster than the world's GDP.

What's its role?

3M will provide a steady dividend increase with a decent yield. It won't be your top performer, but this is the type of stock that pays to hold for a very long time. At some point or another, you'll smile to see 3M sailing through a recession better than most of your other holdings.

JOHNSON & JOHNSON (JNJ) 344

Many investors picture JNJ as the maker of Tylenol and thinks that their “consumer staple” products are the bulk of their business. That’s false. JNJ operates through three segments: Consumer, Pharmaceutical and Medical Devices. The consumer segment only represents 17% of their 2020 sales, 38% comes from medical devices sales and 55% comes from pharmaceutical. In other words, JNJ is a big pharma with consumer products and medical devices as side gigs.

What I like

The problem with big pharma is often patent expiries. As JNJ specialized in complex drugs, they are harder and more costly to replicate. This makes those drugs generate solid sales even after the patent expires. I also like how the company can rely on other business segments as a source of more reliable and consistent cash flow. Finally, JNJ is also one of the Dividend Kings which is a small group of dividend growers with over 50 years of consistent dividend increases. This is another example of a company that will survived and even thrive during any kind of recession.

What I don’t like

Like 3M, JNJ can be placed in a delicate situation when lawsuits arrive on their desks. It happens from time to time, and it usually hurts the stock price. With 55% of their revenue coming from their pharmaceutical division, JNJ’s growth is somewhat tied to its drug pipeline. If the company can’t come up with new blockbuster drugs, selling Tylenol and medical devices won’t be enough to create continued value for their shareholders.

What’s its role?

JNJ is very similar to 3M in the role it plays in a portfolio. It’s a strong defensive play that will occasionally provide shareholders with capital appreciation. Again, this is the type of stock that could go “dormant” for a while before exploding on good news.

AT&T (T) 264

I bet AT&T will become less popular in the coming quarters as its merger and spin-off (and dividend cut) will happen. AT&T has been many retirees' favorite pick for its yield and long history of dividend increases. Now that the dividend will be cut and the company has struggled to find its way, you must be very patient with this one. I believe they do what's best for the company, but it doesn't mean AT&T will turn into a superpowered dividend grower once it cleans up its mess.

VISA (V) 263

How about a low yield, high growth stock to boost your portfolio performance? Visa has been on a roll since its IPO. In fact, we all regret not buying it 10 years ago! Visa is the largest player in a playground that requires size and scale to be successful. Visa will continue to surf on international money transfers and ecommerce expansion. It's ability to follow (and create) trends in money transfer will be crucial going forward.

LOCKHEED MARTIN (LMT) 219

Lockheed Martin is part of our buy list, and you know why I like the company already. I think this is a great example of perfect timing to seize a strong dividend grower in a cyclical market. While defense stocks are dragging, it's time to look at this F35 maker.

DISNEY (DIS) 211

It's crazy how a stock that doesn't pay a dividend made the cut of the top 10. Disney used to be a strong dividend grower, but the pandemic and management's desire to invest massively in its streaming platform put an indefinite hold on their dividend policy. When a company can find projects to fund that will create more money for shareholders, it should not pay a dividend. I will tag along with Disney for this one; streaming content is more than a stream of dividend income.

BLACKROCK (BLK) 203

Let's end this top 10 with the world's largest asset manager (including ETFs!). BLK is by far my favorite U.S. financial stock. The company is the largest ETF creator and sponsor and enjoys strong economies of scale and organic growth from this segment. Its platform Aladdin is growing fast as portfolio managers are using it to improve their portfolios and reduce their risk. At a time when retirement planning is that important, BLK will enjoy strong tailwinds for years to come.

HOW DSR CAN HELP YOU WITH YOUR INVESTMENTS?

I've always been passionate about investing. After a successful career in the financial industry, I quit my position as a private banker in 2016 to spend all my time on Dividend Stocks Rock (DSR). This unique dividend investing program now helps around 3,000 investors to invest with conviction and enjoy their retirement. DSR is rapidly growing, and our team is doing everything they can to help investors like you gain conviction and succeed. When I receive emails like this one from Anne, I feel like my DSR team is progressing in the right direction.

> *"I want to thank you for this excellent service. I have been a dividend growth investor for 30 yrs…*
>
> *Your service is the most outstanding I have found in years of searching, with consistent comforting advise and very much in line with my values…*
>
> *I appreciate your division of dividends into USD and CAN in the last PRO report. Please keep up the great work and I wish you and your team every success. The world needs more of you and much less of the kind of reporting that makes people think they need those pick pocket mutual fund salesmen."*

- Anne, DSR PRO member since July 2018.

DSR content clears the noise and gets straight to the point. Within minutes, you'll know if a company is worthy of your hard-earned money. No more doubts, no more "I should have / could have", the best investing tools are at your disposal to enjoy the retirement of your dreams.

Our portfolio models provide you with real-life examples of how to invest your money; in which type of companies and in which sectors.

Our stock screener and stock cards tell you all you need to know about a company within minutes. In a glimpse, you'll get the metrics you need to decide with conviction. Our ratings will tell you which stocks to look at and which dividends are safe.

Finally, our weekly newsletter keeps you up-to-date with timely buys, market commentaries and video answers to your questions. You will never again be left in the dark if you join our DSR community.

Invest with conviction, enjoy your retirement

Investing is like hiking a mountain. It is challenging, but there is real fun throughout the journey and the end-result is highly rewarding. What makes hiking fun is having someone to share the adventure. Not someone that will do the hard work for you, but just a buddy that you can reach out to and discuss issues with while you are on your path to financial independence.

Market fluctuations create confusion and leave you with the impression you will lose all your savings. It doesn't have to be this way. Dividend Stocks Rock gives you the actionable tools you need to invest with confidence and retire stress-free.

To your success!

Founder of Dividend Stocks Rock.

P.S. You can forward this booklet to any of your friends who like dividend investing…