

The Equity Income Buy List

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Whether you're planning for retirement, already enjoying it, or opening your first investment account, we believe dividends can be an important piece of your investment strategy. When you stop working, income may become a concern, and a regular income stream could help pay for groceries, health care costs and vacations. If additional income is not needed now, dividends can be reinvested to grow wealth for your future needs. The Edward Jones Equity Income Buy List includes attractively priced stocks with appealing dividends in each sector. Keep in mind that dividends can be increased, decreased or eliminated at any time.

Investment Strategy Summary

The Equity Income Buy List has a primary objective to provide an above-average dividend yield with the potential for dividend increases. Secondly, this income strategy seeks to provide a competitive total return with less price volatility than the market.

The Case for Dividends

We believe dividend-paying stocks can be an important part of a complete equity portfolio. We recommend owning high-quality companies that pay an attractive dividend and have an ability to raise it over time. If owning individual stocks is right for you, a dividend-focused strategy offers several potential benefits including:

- **A regular income stream** – Most dividend-paying stocks pay dividends quarterly. By staggering your stock holdings based on the date they pay their dividend, you can potentially receive a dividend check every month. Our Monthly Income Strategy on Page 2 can help you accomplish this.
- **Offset inflation risk** – Inflation is a common concern when investing for a long time horizon. A stream of rising dividend income can help offset higher costs of living over time.
- **The power of reinvestment** – Dividends have been an important part of a stock's total return on investment. Historically, dividends that have been reinvested have accounted for nearly 40% of the total return on stocks.¹
- **Track record of good performance** – Over long periods of time, dividend-paying stocks have outperformed those without dividends. And the stocks of companies that grew their dividends performed even better. See Figure 1.

Figure 1. Annualized Returns by Dividend Policy



Source: Ned Davis Research, S&P 500 Index total return data 12/31/71 - 12/31/19

- **Lower volatility** - Dividends can be a signal of strong corporate financial health. Historically, stocks with attractive dividend profiles perform better during market downturns, as investors value the steadiness of dividends. See Figure 1.

¹ Morningstar. Please see the full company research reports for important disclosures on the companies mentioned in this report. You can also contact a local Edward Jones financial advisor, or write the Research Department, Edward Jones, 12555 Manchester Road, St. Louis, MO 63131, to receive a complete company opinion.

How We Build the List

The stocks on the Equity Income Buy List are selected using a bottoms-up approach with Buy recommendations by Edward Jones Research. Our Buy-rated stocks focus on quality companies with strong financial positions, sound fundamentals, and attractive valuations. We then apply sector and subsector diversification to this dividend-focused strategy, favoring sectors that meet our income and volatility objectives. Selected stocks typically behave more consistently than the general market with Average or Below-average price movement and display the following dividend characteristics:

1

Attractive current dividend yield.

The average dividend yield of the overall list is well above the current market yield of approximately 2%.

2

Solid track record of paying and growing the dividend.

The average dividend increase for the list is approximately 8% over the past 12 months.

3

Continuing ability to pay and grow dividends over time.

Rising income can help offset the impact of inflation.



Caution on High Yield

Investments that offer yields significantly higher than the market average or other comparable investments are usually subject to higher risk. A high-yield stock can signal a future dividend cut or the inability to raise the dividend, which may reflect financial or fundamental concerns with the company.

Portfolio Fit: Equity vs. Fixed Income

The Equity Income Buy List may be included as part of the overall equity portion of a diversified portfolio. Many of the stocks on the list are large-sized companies that satisfy the Growth & Income Investment Category. Keep in mind, dividend-paying stocks are not a replacement for fixed-income investments. We believe you should have adequate exposure to bonds to fulfill the income allocation that is consistent with your overall investment objective. Bonds offer investors attractive diversification benefits, as they typically move in the opposite direction from stocks.

Plan for Monthly Income

Most dividends are paid quarterly, but companies pay their dividends during different months. By selecting one stock from each column in the following chart, you can potentially receive dividend payments every month of the year.

| Months Dividends Are Paid | | | | |
|-------------------------------|-----------------------------|----------------------------------|-------------------------|-----------------------------|
| January, April, July, October | February, May, August, Nov. | March, June, September, December | | |
| Cisco Systems (CSCO) | Lowe's (LOW) | Aflac (AFL) | Eli Lilly (LLY) | Lockheed Martin (LMT) |
| Equity Residential (EQR) | Procter & Gamble (PG) | Ameren (AEE) | Enbridge (ENB) | McDonald's (MCD) |
| Illinois Tool Works (ITW) | Verizon Comm. (VZ) | Atmos Energy (ATO) | Fortis (FTS) | PepsiCo (PEP)** |
| JP Morgan Chase (JPM) | Texas Instruments (TXN) | BlackRock (BLK) | IBM (IBM) | Pfizer (PFE) |
| Medtronic (MDT) | | Broadcom (AVGO) | Johnson & Johnson (JNJ) | Truist (TFC) |
| Merck (MRK) | | Chevron (CVX) | Kellogg (K) | United Parcel Service (UPS) |
| Omnicom Group (OMC) | | Duke Energy (DUK) | Linde (LIN) | |
| State Street (STT) | | | | |

¹ Morningstar. ² FactSet.

*Realty Income (O) pays a monthly dividend

**PepsiCo pays the Dec. dividend in Jan

Actions for Investors

Talk with your financial advisor about appropriate ways to include dividend-paying stocks for your current and rising income needs as part of your overall portfolio.

The Equity Income Buy List - Quick Overview

The Equity Income Buy List is designed to provide an above-average dividend yield and the potential for rising income. The list includes a mix of stocks from all industry sectors. We recommend owning individual stocks within a diversified portfolio as appropriate for each portfolio objective.

| Company and Symbol | Price as of 9/01/2020 | Yield | Annual Dividend | Dividends Paid Since | Consecutive Years Increased | % Last Div. Increase | LT Div Growth Est. | Price Movement |
|-------------------------------|-----------------------|--------------|-----------------|----------------------|-----------------------------|----------------------|--------------------|----------------|
| Communication Services | | | | | | | | |
| Omnicom Group (OMC) | \$53.02 | 4.90% | \$2.60 | 1986 | 10 | 8% | 5% | Average |
| Verizon Communications (VZ) | \$59.16 | 4.16% | \$2.46 | 1984 | 13 | 2% | 3% | Below Average |
| Consumer Discretionary | | | | | | | | |
| Lowe's (LOW) | \$167.59 | 1.43% | \$2.40 | 1961 | 59 | 10% | 12% | Average |
| McDonald's (MCD) | \$212.69 | 2.35% | \$5.00 | 1976 | 43 | 8% | 7% | Below Average |
| Consumer Staples | | | | | | | | |
| Kellogg (K) | \$69.24 | 3.24% | \$2.24 | 1923 | 14 | 2% | 4% | Below Average |
| PepsiCo (PEP) | \$139.19 | 2.94% | \$4.09 | 1952 | 48 | 7% | 8% | Below Average |
| Procter & Gamble (PG) | \$138.18 | 2.29% | \$3.16 | 1890 | 64 | 6% | 6% | Below Average |
| Energy | | | | | | | | |
| Chevron (CVX) | \$83.08 | 6.21% | \$5.16 | 1912 | 33 | 8% | 4% | Below Average |
| Enbridge (ENB) | \$32.25 | 7.63% | \$2.46 | 1952 | 25 | 10% | 5% | Average |
| Financial Services | | | | | | | | |
| Aflac (AFL) | \$36.70 | 3.05% | \$1.12 | 1985 | 35 | 4% | 5% | Average |
| BlackRock (BLK) | \$596.24 | 2.44% | \$14.52 | 2003 | 11 | 10% | 9% | Above Average |
| Equity Residential (EQR) | \$56.78 | 4.24% | \$2.41 | 1993 | 3 | 6% | 5% | Below Average |
| JP Morgan Chase (JPM) | \$100.14 | 3.59% | \$3.60 | 1827 | 9 | 13% | 7% | Average |
| Realty Income (O) | \$62.45 | 4.48% | \$2.80 | 1994 | 26 | 3% | 3% | Average |
| State Street (STT) | \$68.58 | 3.03% | \$2.08 | 1910 | 9 | 11% | 8% | Average |
| Truist (TFC) | \$39.17 | 4.60% | \$1.80 | 1995 | 9 | 11% | 5% | Average |
| Health Care | | | | | | | | |
| Eli Lilly (LLY) | \$147.30 | 2.01% | \$2.96 | 1885 | 6 | 15% | 15% | Below Average |
| Johnson & Johnson (JNJ) | \$151.52 | 2.67% | \$4.04 | 1944 | 58 | 6% | 7% | Below Average |
| Medtronic (MDT) | \$107.52 | 2.01% | \$2.16 | 1977 | 43 | 7% | 8% | Below Average |
| Merck (MRK) | \$84.43 | 2.89% | \$2.44 | 1935 | 9 | 11% | 8% | Below Average |
| Pfizer (PFE) | \$36.88 | 4.12% | \$1.52 | 1901 | 11 | 6% | 6% | Below Average |
| Industrials | | | | | | | | |
| Illinois Tool Works (ITW) | \$201.02 | 2.27% | \$4.56 | 1933 | 58 | 7% | 10% | Average |
| Lockheed Martin (LMT) | \$386.81 | 2.48% | \$9.60 | 1995 | 17 | 9% | 6% | Below Average |
| United Parcel Service (UPS) | \$162.65 | 2.46% | \$4.00 | 2000 | 10 | 5% | 7% | Average |
| Materials | | | | | | | | |
| Linde plc (LIN) | \$256.94 | 1.50% | \$3.85 | 1992 | 27 | 10% | 13% | Below Average |
| Technology | | | | | | | | |
| Broadcom (AVGO) | \$359.54 | 3.62% | \$13.00 | 2011 | 8 | 23% | 8% | Average |
| Cisco Systems (CSCO) | \$42.03 | 3.43% | \$1.44 | 2011 | 9 | 3% | 5% | Average |
| IBM (IBM) | \$123.40 | 5.28% | \$6.52 | 1916 | 25 | 1% | 5% | Average |
| Texas Instruments (TXN) | \$144.96 | 2.48% | \$3.60 | 1962 | 16 | 17% | 8% | Average |
| Utilities | | | | | | | | |
| Ameren (AEE) | \$78.48 | 2.52% | \$1.98 | 1906 | 6 | 4% | 5% | Below Average |
| Atmos Energy (ATO) | \$97.43 | 2.36% | \$2.30 | 1984 | 32 | 10% | 7% | Below Average |
| Duke Energy (DUK) | \$79.21 | 4.87% | \$3.86 | 1926 | 13 | 2% | 4% | Below Average |
| Fortis (FTS) | \$39.68 | 3.63% | \$1.44 | 1972 | 46 | 6% | 6% | Below Average |
| LIST AVERAGE | | 3.37% | | | | 8% | 7% | |

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Please see the individual company opinions for more information, including valuation and risks specific to each company.

Required Disclosures

Individuals can access the full research report with the applicable current disclosures and analyst certifications on any of these companies mentioned in this report through our online account access website (www.edwardjones.com/access). You also can contact a local Edward Jones financial advisor, who can provide you with more information including a complete company opinion, or write: Edward Jones; Research Department; 12555 Manchester Road; St. Louis, MO 63131.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. — Robin Diedrich, CFA, CFP; Jennifer Roland, CFA

Other Disclosures

Price Movement: Above Average – This stock will likely move up and down to a greater degree than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. **Average** – This stock will likely move up and down to a similar degree of the average stock in the S&P 500 Index. **Below Average**: This stock will likely move up and down to a lesser degree than the average stock in the S&P 500 Index. These companies are often more mature, growing more slowly than the average company and/or are in industries that are less sensitive to the economy.

Past performance is not a guarantee of future results.

Diversification does not guarantee a profit and does not protect against loss.

Dividends can be increased, decreased or eliminated at any point without notice.

Stocks are subject to market risks, including the loss of principal invested.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

Special risks are inherent in international investing, including those related to currency fluctuations and foreign, political and economic events.

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