# Intelligent Income

*Nothing sedates rationality like large doses of effortless money. — Warren Buffett*



MARKET RECAP

## Everyone Wants to Grow Beets

Brian Bollinger

About 20% of the sugar consumed in America starts out as beets grown in the Red River Valley, a stretch of rich farmland covering eastern North Dakota and northwestern Minnesota.

My dad grew up there and enjoyed helping his father on the farm. Two years before my dad was born, a sugar beet processing plant came to their small town.

**1954**

American Crystal dedicates factory in Crookston, Minnesota, its third in the Red River Valley.

Source: American Crystal Sugar Company

When the factory first opened, my grandfather planted and harvested beets for several years, barely breaking even but seeing the crop as a way to create new opportunities for his farm.

As a boy, my dad begged to join his father during beet harvest. They used an old truck with a wooden box until my grandfather replaced it with a steel one that could withstand the pounding from the beets.

Farmers teamed up during harvest, which ran around the clock in the fall, racing the weather. Sugar beets are among the densest crops, so when the fields got wet, the trucks often had to be pulled by tractors.

On one of those drives home from the farm, the beet plant was running at full capacity. Steam drifted across the highway, carrying a powerful, unpleasant smell. My dad said it really smelled bad. His dad replied it smelled like money.

He was right. Sugar beets became lucrative, and suddenly everyone wanted to grow them. But the plant could process only so many beets, so future acreage allocations went only to land with an established history of beet production. Latecomers were out of luck.

With four young children and nine consecutive years of diaper experience, I know a thing or two about tolerating bad smells in service of a long-term payoff. But that's not why I've been thinking about that story lately.

My grandfather had the temperament to evaluate a business opportunity based on its expected cash flow rather than how exciting it looked (or smelled) to everyone else in the moment. That sort of discipline has felt like a lost art lately. Everyone seems to want to grow beets.

Since I last wrote, U.S. stocks had their best quarter in nearly six years, and the tech-heavy Nasdaq soared as much as 30% from its March lows. Joining the Nasdaq in early July is Elon Musk's SpaceX, now a sprawling empire spanning rockets, satellite internet, AI, and social media, which went public in June.

AI excitement briefly pushed SpaceX's valuation to nearly $3 trillion, making it the world's fourth-largest company. Yet SpaceX is projected to generate only about $37 billion in revenue this year, and analysts expect it to burn through $70 billion over the next three years as it pours money into AI infrastructure, satellites, and rockets.

Like any good fireworks show here in Indiana, it's spectacular to watch, but when the smoke clears, financial gravity is stubborn. Stock prices and business fundamentals must find each other eventually.

Meanwhile, OpenAI and Anthropic, the two companies at the center of the AI spending boom, are rushing toward IPOs that could value each near $1 trillion. Together they're projected to bring in around $55 billion in revenue this year, while losing tens of billions on operations and bets on future models that have yet to prove their worth.

A $1 trillion valuation is roughly what you'd pay for profits on the scale of Apple — the most profitable company in the world — beginning within a few years and sustained for two decades.

That's a lot of beets to bet on for companies whose core business, training and selling cutting-edge AI models, has yet to produce a profit or demonstrate clear signs of a durable moat.

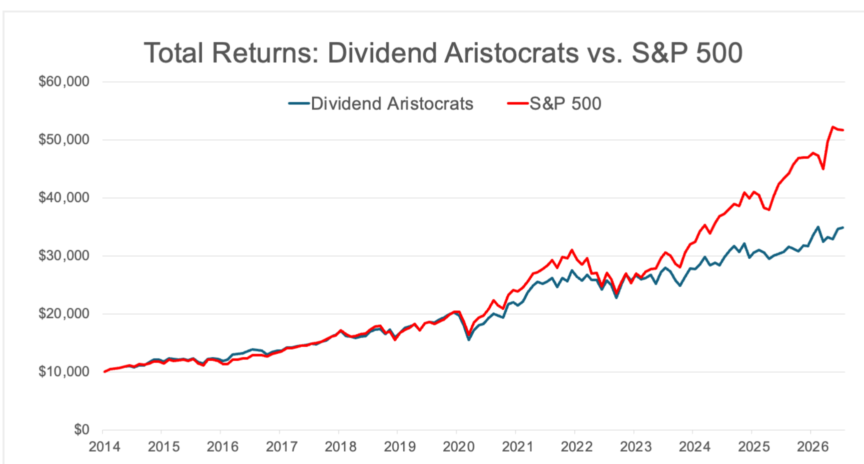
Some of today's AI companies will likely become enormously successful businesses. The challenge for investors is knowing which ones and how much future success is already reflected in today's stock prices.

With the number of birds in the bush this uncertain, I find myself returning to something Warren Buffett wrote in Berkshire's 2000 shareholder letter:

> At Berkshire, we make *no* attempt to pick the few winners that will emerge from an ocean of unproven enterprises. We're not smart enough to do that, and we know it. Instead, we try to apply Aesop's 2,600-year-old equation to opportunities in which we have reasonable confidence as to how many birds are in the bush and when they will emerge. Obviously, we can never precisely predict the timing of cash flows in and out of a business or their exact amount. We try, therefore, to keep our estimates conservative and to focus on industries where business surprises are unlikely to wreak havoc on owners.

While OpenAI and Anthropic aren't publicly traded yet, their uncertain fortunes are already partly embedded in most investors' portfolios. Nvidia, Microsoft, Amazon, Google, Oracle, Broadcom, and others provide the chips, data centers, and cloud infrastructure these AI labs rely on, and several have made sizable investments in them as well.

Those are the megacap tech stocks that have dominated the S&P 500's performance in recent years. As excitement surrounding AI has intensified, many dividend stocks have looked old, boring, and frankly disappointing by comparison. The Dividend Aristocrats Index, shown below, has notably trailed the broader market since ChatGPT's arrival in late 2022.

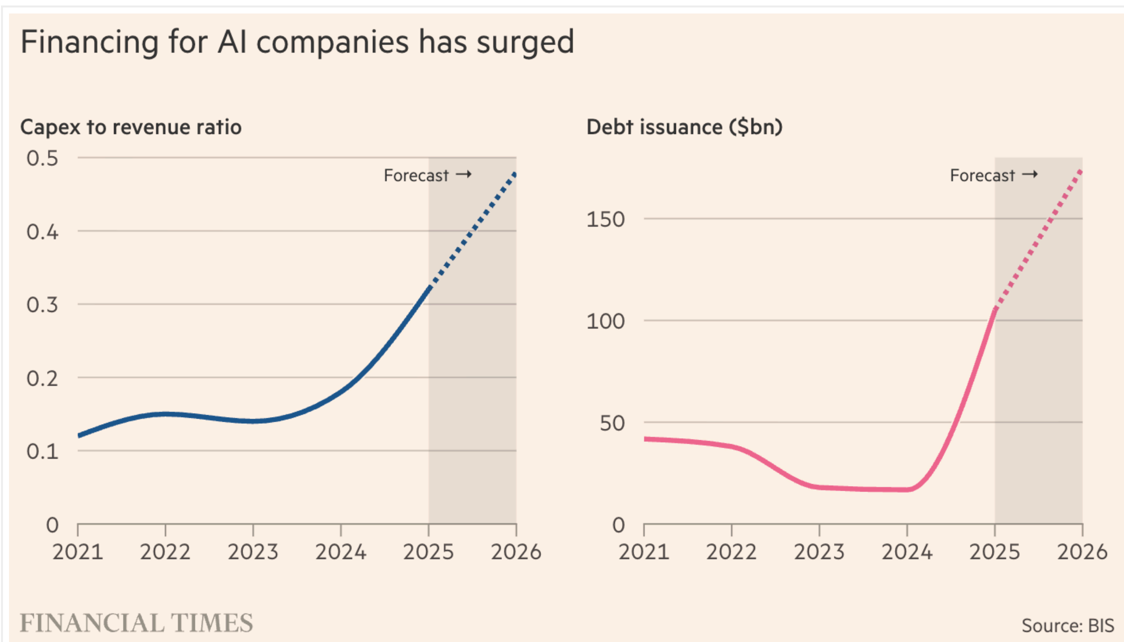



Source: Simply Safe Dividends

For investors focused on preserving capital and building a reliable stream of income that stays ahead of inflation, periods like this can be psychologically challenging. When the market's newest darlings are soaring 30% in a quarter (or more — many semiconductor stocks more than doubled), proven businesses paying steady dividends can feel like a consolation prize. It's tempting to wonder if the old rules no longer apply.

I would encourage caution. Investors have [rarely been more willing to reach for returns](). Margin debt, what investors borrow to buy stocks, has surged 54% to a record $1.4 trillion in just the past year, and assets in leveraged ETFs, which amplify both gains and losses, have nearly doubled since March to exceed $200 billion.

Risk appetite runs high, and tech companies have taken advantage by [selling stock like it's the dot-com boom]() and issuing debt at remarkably thin premiums over Treasury rates, all to fund AI ambitions that are increasingly outpacing their own cash flows.




Source: The Financial Times

When sugar beets became lucrative in Crookston, everyone wanted to grow them. But most farmers didn't because they knew the processing plant could handle only so many beets. Scarcity imposed discipline.

With AI, there is no equivalent processing plant limiting investment, especially with external financing remaining abundant for now. Outside of Apple, many of today's technology giants appear willing to abandon their historically capital-light business models, at least temporarily, for something far more capital-intensive and uncertain to avoid the possibility of being left behind.

The companies doing the spending — Microsoft, Amazon, Google, Meta, and Oracle — have started to see their stocks lag or fall outright as more investors question whether the returns on all that capital will ever justify the cost. Oracle, which has borrowed tens of billions to build data centers for AI customers, saw its free cash flow turn deeply negative and its stock drop nearly 30% this year.

Meanwhile, downstream businesses benefiting from that spending remain red hot. Micron, which makes the memory chips these data centers require, tripled in a single quarter. Even Caterpillar, which makes the engines and generator sets that help power AI data centers, gained 50% in the second quarter and now trades at nearly 40 times earnings, more than double its five-year average, for what has historically been a cyclical business.

If the spending ever slows, the pain could travel down the chain quickly as growth expectations recalibrate. Rapid technological change can create big winners, but it can also lead to speculative overinvestment, disappointing returns on capital, and intense competition that ultimately benefits consumers far more than shareholders.

I am far from an AI expert. But I have lived through plenty of occasions where market enthusiasm made discipline feel foolish right before it didn't.

The businesses we favor don't require us to guess much about the future. We look for companies with unique, proven assets that are hard for rivals to take away or replace, that meet needs people always have, and that keep making money whether the economy is doing well or doing poorly.

Inside our portfolios, Coca-Cola has spent a century building the brand and distribution network that puts its products in the hands of consumers across 200 countries every day. Waste Management collects trash in recessions and booms alike, protected by the landfills and dense routes competitors can't easily duplicate. Exxon Mobil sits atop reserves, refineries, and pipelines that took decades and hundreds of billions to develop. Procter & Gamble sells the toothpaste, detergent, and diapers people trust and purchase out of habit regardless of what is happening in a data center.

These businesses rarely make headlines, but they have a way of looking very attractive when the exciting ones stop working.

For investors depending on their portfolios for income, reliability matters. A dividend that has been paid and raised through recessions, rate cycles, and bear markets continues arriving whether stock prices cooperate or not.

My grandfather would have appreciated that. I suspect he would look at opportunities in today's market and ask the same questions he likely did back then: How much cash will this business generate? How confident am I? And what am I paying for it?

Those questions are easy to ignore when effortless money is being made all around you. But over long periods of time, they have helped investors build and preserve substantial wealth.

On that drive home from the farm all those years ago, my dad thought the beet plant smelled terrible. My grandfather smelled money.

Today's market is full of businesses that smell exciting. We're continuing to focus on the ones that smell like money.

Thank you for your support of Simply Safe Dividends, and please reach out with any questions or ideas for how we can keep improving the service for you.

Sincerely,

Brian Bollinger
President & Analyst, Simply Safe Dividends

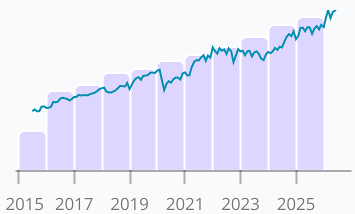
# Model Portfolios

Follow along our three professionally-managed dividend portfolios

Capital Preservation & Income

**Conservative Retirees**

Income & Portfolio Growth



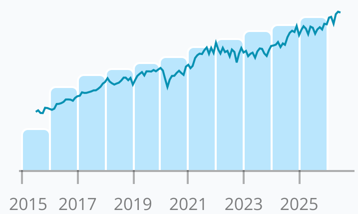

Dividend Growth 7.6% per year

Total Return 9.6% per year

Blend of Income & Growth

**Top 20 Stocks**

Income & Portfolio Growth



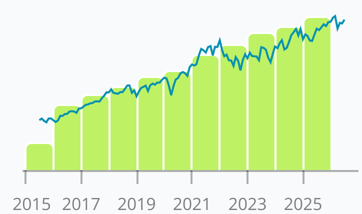

Dividend Growth 6.9% per year

Total Return 9.4% per year

Low-Yield, High-Growth

**Long-Term Growth**

Income & Portfolio Growth




Dividend Growth 10.1% per year

Total Return 10.5% per year

## About

Our model portfolios are overseen by Brian Bollinger, a CPA and former partner at a multi-billion dollar investment firm. Brian is a buy-and-hold investor and manages the portfolios with very low turnover. Holdings are rarely sold so long as their dividends appear to remain safe and their long-term outlooks are favorable.

CAPITAL PRESERVATION & INCOME

# Conservative Retirees Portfolio

Portfolio Update • Q2 2026

## Commentary

Our portfolio gained 7.0% in the second quarter, ahead of the Invesco S&P 500 High Dividend Low Volatility ETF (SPHD), which rose 3.8%, but well behind the S&P 500's 15.1% surge. The gap versus the index reflects a quarter led by semiconductor stocks, which surged on booming chip demand from data center buildouts. Our portfolio's defensive tilt offered less exposure to that rally.

Texas Instruments was our top performer, gaining 54%. The chipmaker posted its best-ever first-quarter results, driven by a broad-based industrial demand recovery, rapidly growing data center revenue tied to AI infrastructure, and expanding margins as manufacturing scale advantages took hold. More broadly, TI rode the same wave lifting semiconductor stocks generally as investors continued rewarding companies tied to AI infrastructure buildout.

Cisco gained 52%, powered by an accelerating AI infrastructure story. The company posted record first-quarter revenue, driven by surging demand for AI-related networking equipment, and sharply raised its outlook for AI-related orders from hyperscalers. Investors rewarded the beat-and-raise combination as confirmation that Cisco has become a genuine AI infrastructure beneficiary rather than a legacy networking name riding the wave.

Elevance Health returned 33%, rebounding sharply after shares were hit hard in January when a government preview signaled Medicare Advantage funding for 2027 would grow much slower than investors expected, stoking fears about industry-wide margin pressure. First-quarter results beat expectations on favorable claims experience, and management raised full-year guidance. A legal dispute with regulators over past billing practices remains a lingering concern, though the company appears to be resolving it without further penalty. The rebound reflects growing confidence that 2026 will prove to be the trough year for Medicare Advantage margins, with a return to stronger earnings growth expected in 2027.

AT&T fell 28% despite posting solid first-quarter results and healthy growth in fiber and broadband subscribers. The stock got caught up in growing investor anxiety about SpaceX's satellite internet service, Starlink, after the company's June IPO revealed ambitions to launch its own branded wireless service rather than remaining a rural backup sold through partners like T-Mobile. AT&T, Verizon, and T-Mobile responded defensively by forming a joint venture to pool resources and shore up their own satellite coverage. That said, SpaceX still holds a small fraction of the spectrum the major carriers control, and satellite signals struggle indoors and in cities. A real head-to-head competitor to AT&T's network feels a long way off, if it happens at all. We are comfortable continuing to hold.

After being our best performer in the first quarter, Exxon Mobil fell 19% as a peace deal between the U.S. and Iran de-escalated the war that had pushed oil prices up sharply. Gulf oil shipments began recovering faster than expected, and crude prices have now fallen back to roughly where they sat before the war started, even though full normalization of shipping through the Strait of Hormuz is still a work in progress. Regardless of near-term macro noise, Exxon remains one of the most durable businesses in the world with global scale and a low-cost production base necessary to serve the world's insatiable appetite for energy. We plan to continue holding.

Verizon had performed well in the first quarter as a new CEO showed early signs of turning the business around after years of sluggish results. That progress didn't stop shares from slumping 14% in the second quarter. Much of the decline hit in late June, triggered by a mix of technical and one-time factors, including Verizon's removal from the Dow Jones Industrial Average and the same satellite competition worries weighing on AT&T. We think the selloff overstates the real impact on Verizon's underlying business and plan to continue holding.

# Trades

On Monday, July 6, we will trim Cisco, which has benefited from the boom in AI infrastructure spending. Its weight will be reduced from around 7% of the portfolio to roughly 5%. Proceeds will be spread across existing holdings, including Procter & Gamble and Mondelez.

We are also monitoring three holdings for potential replacement.

Genuine Parts plans to split into two companies in the first quarter of 2027 (see our February note for more). Expectations look low, so we are content to keep holding for now. But we liked the diversification the automotive and industrial businesses provided together, so we are evaluating replacement ideas.

General Mills appears to have low expectations as well following several years of earnings declines. Given that backdrop and this week's stronger-than-expected quarter, we're comfortable holding the position for now. However, our concerns about pricing power and brand alignment with evolving consumer health trends remain, so we're still inclined to look for an opportunity to exit over time. The stock jumped after reporting earnings July 1 as management laid out plans to improve its organic sales trajectory this year, pivoting from price investments back toward product innovation while boosting cost cuts, prioritizing debt reduction, and maintaining the dividend.

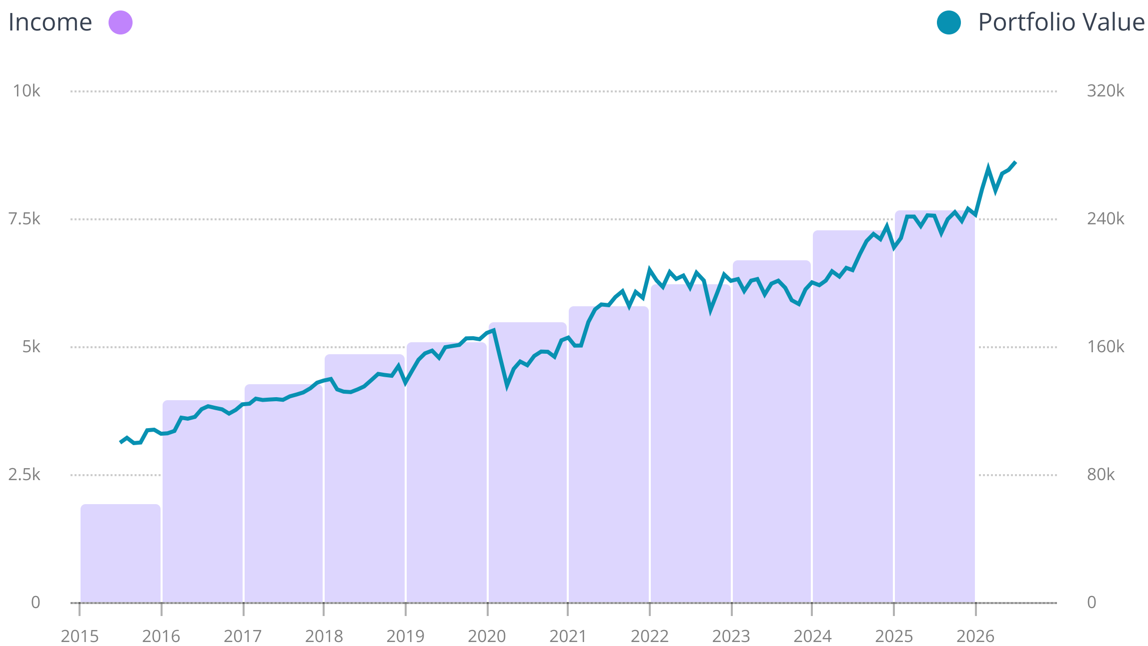
Finally, Dominion Energy has agreed to be acquired by NextEra Energy in an all-stock transaction that would create the largest regulated electric utility in the world. If approved, the deal is expected to close in the next 12 to 18 months. We like the combined company's profile. Dominion shareholders will receive NextEra shares once the deal closes, and income investors should expect their dividend to initially decline by around 15% at that point, a gap narrower than today's roughly 24% difference since NextEra continues raising its payout while Dominion's stays frozen in the interim (see our May note for more). Even so, they'd own a financially stronger, faster-growing utility going forward. We plan to hold for now as we monitor the regulatory approval process.

Should we decide to make any moves prior to the next newsletter, we will send an email.

# Performance

## Income and Portfolio Growth

From inception in June 2015 through June 2026




**Dividend Growth**

7.6% per year

**Total Return**

9.6% per year

## Total Return vs Benchmarks

Data as of Jun 30, 2026. SPHD is the Invesco S&P 500 High Dividend Low Volatility ETF. Returns are annualized in the Last 3 Years and Since Inception periods.

| | Portfolio | SPHD | S&P 500 |
|---|---|---|---|
| Q2 2026 | 7.0% | 3.8% | 15.1% |
| 2026 Year To Date | 13.7% | 8.0% | 9.3% |
| Last 3 Years | 11.4% | 11.9% | 21.0% |
| Since Inception | 9.6% | 8.6% | 14.1% |

# About

| Dividend Yield | Target Dividend Yield | Target Dividend Growth |
|---|---|---|
| 3.02% | 3.5% - 4.5% | 4% - 6% |
| Fri, Jul 3 | High | Moderate |

The Conservative Retirees Portfolio seeks to preserve capital and deliver a safe dividend yield above the market's average. Dividend income is expected to grow faster than inflation.

With a defensive tilt, the portfolio has had less volatile returns compared to the broader stock market, often underperforming in bull markets and outperforming in bear markets.

Total return is expected to be composed of:

- 3.5% – 4.5% dividend yield
- 4% – 6% earnings growth

Brian Bollinger oversees the portfolio and is a CPA and former partner at a multi-billion dollar investment firm. Brian is a buy-and-hold investor and manages the portfolio with very low turnover. Holdings are rarely sold so long as their dividends appear to remain safe and their long-term outlooks are favorable.

# 30 Holdings

| Ticker | Sub-Sector | % of Portfolio | Dividend Yield | Dividend Safety | P/E Ratio | Entry Date |
|---|---|---|---|---|---|---|
| CSCO Cisco | Communications Equi... | 7.0% | 1.49% | 91 | 24.0 | Jun '16 |
| JNJ Johnson & Johnson | Pharmaceuticals | 5.6% | 2.04% | 99 | 22.3 | Jun '15 |
| TXN Texas Instruments | Semiconductors | 5.2% | 1.94% | 80 | 35.8 | Apr '24 |
| WM Waste Management | Waste and Facility Serv... | 5.2% | 1.64% | 80 | 27.5 | Jul '15 |
| NDSN Nordson | Industrial Machinery a... | 4.5% | 1.13% | 94 | 24.3 | Jan '25 |
| ORI Old Republic Intern... | Property and Casualty ... | 4.3% | 3.01% | 73 | 12.8 | Aug '20 |
| PAYX Paychex | Human Resource Servi... | 4.2% | 4.48% | 70 | 17.8 | Jul '15 |
| MCD McDonald's | Restaurants | 4.1% | 2.65% | 77 | 21.3 | Jul '15 |
| EMR Emerson Electric | Electrical Components... | 4.0% | 1.60% | 78 | 20.3 | Aug '15 |
| PM Philip Morris Interna... | Tobacco | 3.9% | 3.23% | 70 | 21.4 | Jun '15 |
| AEP American Electric P... | Electric Utilities | 3.6% | 2.74% | 81 | 21.4 | Jun '15 |
| WEC WEC Energy | Multi-Utilities | 3.5% | 3.21% | 87 | 21.0 | Mar '18 |
| SO Southern Company | Electric Utilities | 2.9% | 3.10% | 65 | 21.2 | Aug '20 |
| ELV Elevance Health | Managed Health Care | 2.8% | 1.65% | 90 | 15.9 | Jan '26 |
| GPC Genuine Parts Co... | Distributors | 2.7% | 3.21% | 60 | 16.8 | Jan '25 |
| ED Consolidated Edison | Multi-Utilities | 2.7% | 3.11% | 90 | 18.3 | Jul '15 |
| PG Procter & Gamble | Household Products | 2.7% | 2.88% | 99 | 21.9 | Jul '15 |
| WPC W. P. Carey | Diversified REITs | 2.5% | 5.27% | 70 | 13.5 | Mar '18 |
| PSA Public Storage | Self-Storage REITs | 2.5% | 3.64% | 90 | 21.1 | Mar '18 |
| DUK Duke Energy | Electric Utilities | 2.5% | 3.29% | 80 | 19.1 | Mar '18 |
| XOM ExxonMobil Holdi... | Integrated Oil and Gas | 2.4% | 3.01% | 80 | 10.8 | Jul '15 |
| MDLZ Mondelez | Packaged Foods and ... | 2.4% | 3.28% | 66 | 19.1 | Jan '25 |
| PFE Pfizer | Pharmaceuticals | 2.4% | 7.07% | 50 | 8.5 | Apr '17 |
| KO Coca-Cola | Soft Drinks and Bevera... | 2.4% | 2.52% | 80 | 25.5 | Apr '20 |
| NNN NNN REIT | Retail REITs | 2.2% | 5.05% | 80 | 13.2 | Jun '15 |
| UPS United Parcel Service | Air Freight and Logistics | 2.1% | 5.93% | 50 | 14.6 | Mar '18 |
| VZ Verizon | Telecom Services | 2.0% | 6.65% | 70 | 8.5 | Jun '15 |
| D Dominion Energy | Multi-Utilities | 1.2% | 3.83% | 70 | 19.1 | Nov '17 |
| GIS General Mills | Packaged Foods and ... | 1.0% | 6.49% | 60 | 12.0 | Jun '15 |
| T AT&T | Telecom Services | 0.8% | 5.39% | 70 | 8.7 | Nov '17 |
| Cash | | 4.5% | | | | |

BLEND OF INCOME & GROWTH

# Top 20 Dividend Stocks Portfolio

Portfolio Update • Q2 2026

## Commentary

Our portfolio gained 7.7% in the second quarter, ahead of Schwab's U.S. Dividend Equity ETF (SCHD), which rose 4.2%, but well behind the S&P 500's 15.1% surge. The gap versus the index reflects another quarter led by semiconductor stocks, which surged on booming chip demand from data center buildouts. Our portfolio, and dividend strategies in general, have much less exposure to the tech sector.

Texas Instruments was our top performer, gaining 54%. The chipmaker posted its best-ever first-quarter results, driven by a broad-based industrial demand recovery, rapidly growing data center revenue tied to AI infrastructure, and expanding margins as manufacturing scale advantages took hold. More broadly, TI rode the same wave lifting semiconductor stocks generally as investors continued rewarding companies tied to AI infrastructure buildout.

Cisco gained 52%, powered by an accelerating AI infrastructure story. The company posted record first-quarter revenue, driven by surging demand for AI-related networking equipment, and sharply raised its outlook for AI-related orders from hyperscalers. Investors rewarded the beat-and-raise combination as confirmation that Cisco has become a genuine AI infrastructure beneficiary rather than a legacy networking name riding the wave.

Elevance Health returned 33%, rebounding sharply after shares were hit hard in January when a government preview signaled Medicare Advantage funding for 2027 would grow much slower than investors expected, stoking fears about industry-wide margin pressure. First-quarter results beat expectations on favorable claims experience, and management raised full-year guidance. A legal dispute with regulators over past billing practices remains a lingering concern, though the company appears to be resolving it without further penalty. The rebound reflects growing confidence that 2026 will prove to be the trough year for Medicare Advantage margins, with a return to stronger earnings growth expected in 2027.

Accenture was our weakest holding, falling 36%. The decline accelerated sharply after its latest quarterly report, even though the headline numbers actually beat expectations with earnings up 9% and revenue growing 6%. The market instead focused on a 2% decline in new bookings, which led management to trim full-year revenue growth guidance, citing the conflict in the Middle East and broader economic softness. Investors read the report as an early sign that AI is starting to weigh on demand, though the evidence for that remains fuzzy. Shares now trade below 10x forward earnings for a business that is still growing, if more slowly, and financially sound (AA- credit rating). We are willing to be patient.

Intercontinental Exchange (ICE) fell 21% despite what the company called the best quarter in its history with 37% adjusted EPS growth and records across its exchange trading, data, and mortgage technology businesses. The decline instead tracked a broader pullback in exchange stocks after regulators approved a new type of round-the-clock crypto trading product in late May, raising fears of new competition even though this product mainly attracts retail speculators and seems unlikely to threaten ICE's institutional business. The disconnect between the results and the stock price likely reflects investors' broader unease about how data-driven businesses will be valued in an AI world. We are comfortable continuing to hold given the strong financial health of the underlying business and how essential ICE's data and infrastructure are to its customers.

Broadridge declined 15% even as its latest quarterly report beat estimates and the company raised its full-year guidance. The stock still fell after management said some big client deals were taking longer to close than expected, even as the pipeline of future business kept growing. The bigger worry was a fear shared across many tech companies that AI will let cheaper competitors catch up, plus a specific concern that companies moving to track stock ownership directly on blockchain, instead of through brokers, could cut Broadridge out of its role in shareholder voting. Management pushed back on both, noting that new business tied to this shift is flowing to Broadridge rather than away from it. We think the business remains stronger than investors are giving it credit for and are comfortable holding.

# Trades

On Monday, July 6, we will trim Cisco and Cummins, which have benefited from the boom in AI infrastructure spending. Their weights will each be reduced from around 9% of the portfolio to roughly 5%. Proceeds will be spread across existing holdings, including EOG Resources, Intercontinental Exchange, PepsiCo, Broadridge Financial, and Accenture.

We are also monitoring developments with Dominion Energy, which agreed to be acquired by NextEra Energy in an all-stock transaction that would create the largest regulated electric utility in the world. If approved, the deal is expected to close in the next 12 to 18 months. We like the combined company's profile. Dominion shareholders will receive NextEra shares once the deal closes, and income investors should expect their dividend to initially decline by around 15% at that point, a gap narrower than today's roughly 24% difference since NextEra continues raising its payout while Dominion's stays frozen in the interim (see our May note for more). Even so, they'd own a financially stronger, faster-growing utility going forward. We plan to hold for now as we monitor the regulatory approval process.

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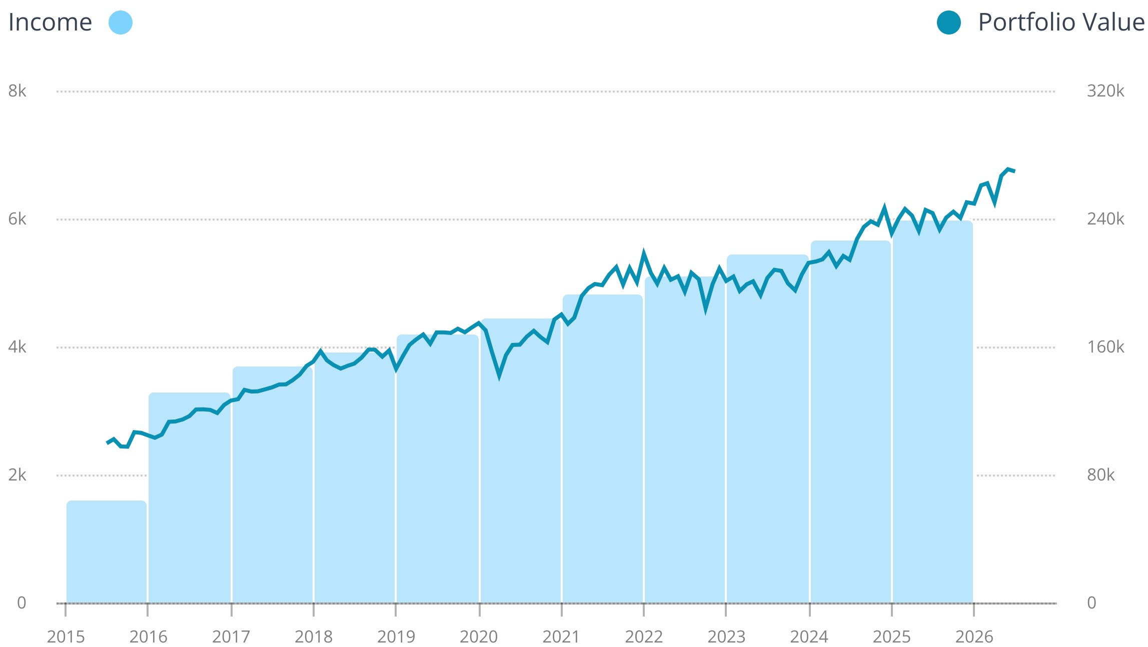
# Performance

## Income and Portfolio Growth

From inception in June 2015 through June 2026




**Dividend Growth**

6.9% per year

**Total Return**

9.4% per year

## Total Return vs Benchmarks

Data as of Jun 30, 2026. SCHD is the Schwab U.S. Dividend Equity ETF.
Returns are annualized in the Last 3 Years and Since Inception periods.

| | Portfolio | SCHD | S&P 500 |
|---|---|---|---|
| Q2 2026 | 7.7% | 4.2% | 15.1% |
| 2026 Year To Date | 8.1% | 16.6% | 9.3% |
| Last 3 Years | 9.9% | 13.8% | 21.0% |
| Since Inception | 9.4% | 12.0% | 14.0% |

# About

| Dividend Yield | Target Dividend Yield | Target Dividend Growth |
|---|---|---|
| 2.34% | 2.5% - 3.5% | 7% - 9% |
| Fri, Jul 3 | Above Average | Above Average |

The Top 20 Dividend Stocks Portfolio contains a mix of low- and high-yielding stocks with a defensive tilt. Over the long run, the portfolio is expected to generate high-single-digit annual returns with less volatility than the broader stock market.

Due to the higher quality level of its holdings, the portfolio is expected to underperform in bull markets and outperform in bear markets while growing its dividend income faster than inflation.

Total return is expected to be composed of:

- 2.5% – 3.5% dividend yield
- 7% – 9% earnings growth

Brian Bollinger oversees the portfolio and is a CPA and former partner at a multi-billion dollar investment firm. Brian is a buy-and-hold investor and manages the portfolio with very low turnover. Holdings are rarely sold so long as their dividends appear to remain safe and their long-term outlooks are favorable.

# 20 Holdings

| Ticker | Sub-Sector | % of Portfolio | Dividend Yield | Dividend Safety | P/E Ratio | Entry Date |
|---|---|---|---|---|---|---|
| CMI Cummins | Heavy Machinery and ... | 9.4% | 1.21% | 98 | 21.8 | Jul '15 |
| CSCO Cisco | Communications Equi... | 8.8% | 1.49% | 91 | 24.0 | Jun '16 |
| TXN Texas Instruments | Semiconductors | 6.9% | 1.94% | 80 | 35.8 | Apr '24 |
| GD General Dynamics | Aerospace and Defense | 6.4% | 1.70% | 97 | 22.2 | Aug '20 |
| CB Chubb | Property and Casualty ... | 6.3% | 1.13% | 99 | 13.1 | Jun '15 |
| JNJ Johnson & Johnson | Pharmaceuticals | 5.8% | 2.04% | 99 | 22.3 | Apr '20 |
| ELV Elevance Health | Managed Health Care | 5.2% | 1.65% | 90 | 15.9 | Jan '26 |
| EMR Emerson Electric | Electrical Components... | 5.1% | 1.60% | 78 | 20.3 | Aug '15 |
| ADP Automatic Data Pr... | Human Resource Servi... | 4.9% | 2.81% | 90 | 20.2 | Jun '15 |
| APD Air Products and C... | Industrial Gases | 4.5% | 2.30% | 80 | 22.8 | Oct '22 |
| ED Consolidated Edison | Multi-Utilities | 4.3% | 3.11% | 90 | 18.3 | Jul '15 |
| MDT Medtronic | Health Care Equipment | 3.9% | 3.46% | 99 | 14.0 | Apr '20 |
| EOG EOG Resources | Oil and Gas Production | 3.9% | 3.12% | 82 | 7.7 | Apr '24 |
| ICE Intercontinental Exc... | Financial Exchanges a... | 3.9% | 1.56% | 89 | 16.8 | Apr '24 |
| BR Broadridge Financial ... | Financial Technology S... | 3.6% | 2.71% | 75 | 14.5 | Jun '15 |
| D Dominion Energy | Multi-Utilities | 3.3% | 3.83% | 70 | 19.1 | Nov '17 |
| AMT American Tower | Telecom Tower REITs | 3.3% | 4.31% | 78 | 15.0 | Apr '17 |
| PEP PepsiCo | Soft Drinks and Bevera... | 3.3% | 4.10% | 80 | 16.6 | Jul '15 |
| ACN Accenture | IT Consulting Services | 2.1% | 4.75% | 80 | 9.6 | Jul '15 |
| VZ Verizon | Telecom Services | 2.0% | 6.65% | 70 | 8.5 | Jun '15 |
| Cash | | 3.1% | | | | |

LOW-YIELD, HIGH-GROWTH

# Long-Term Dividend Growth Portfolio

Portfolio Update • Q2 2026

## Commentary

Our portfolio gained 6.3% in the second quarter, behind both the Vanguard Dividend Appreciation ETF (VIG), which rose 10.5%, and the S&P 500's 15.1% surge. The gap versus the index reflects a quarter led by semiconductor stocks, which surged on booming chip demand from data center buildouts. Our portfolio has less exposure to that trade than VIG or the broader market, which explains much of the shortfall.

Amphenol gained 40%, driven by explosive demand for the connectors and cables that power AI data centers. First-quarter results were the strongest in the company's history with revenue up nearly 60%. A recently completed acquisition of CommScope's connectivity business added further scale to its AI-related product lineup. The results were broad-based rather than a single-product story, with strength also showing up in defense and industrial demand. We continue to hold given this diversified growth, though we're mindful the stock now trades at a rich valuation that leaves less room for error if any of these trends slow.

Rockwell Automation gained 38% after posting a sharp beat on both earnings and revenue, with management raising full-year profit guidance well above estimates. Demand improved and broadened across several faster-growing areas of the business, including data centers, semiconductors, warehouse automation, and energy as customers increasingly deploy Rockwell's industrial controllers to manage AI infrastructure alongside its traditional factory automation business. We plan to hold for the long term.

Elevance Health returned 33%, rebounding sharply after shares were hit hard in January when a government preview signaled Medicare Advantage funding for 2027 would grow much slower than investors expected, stoking fears about industry-wide margin pressure. First-quarter results beat expectations on favorable claims experience, and management raised full-year guidance. A legal dispute with regulators over past billing practices remains a lingering concern, though the company appears to be resolving it without further penalty. The rebound reflects growing confidence that 2026 will prove to be the trough year for Medicare Advantage margins, with a return to stronger earnings growth expected in 2027.

Intercontinental Exchange (ICE) fell 21% despite what the company called the best quarter in its history with 37% adjusted EPS growth and records across its exchange trading, data, and mortgage technology businesses. The decline instead tracked a broader pullback in exchange stocks after regulators approved a new type of round-the-clock crypto trading product in late May, raising fears of new competition even though this product mainly attracts retail speculators and seems unlikely to threaten ICE's institutional business. The disconnect between the results and the stock price likely reflects investors' broader unease about how data-driven businesses will be valued in an AI world. We are comfortable continuing to hold given the strong financial health of the underlying business and how essential ICE's data and infrastructure are to its customers.

Fidelity National Information Services fell another 16% this quarter. The latest quarterly results were actually solid with revenue, margins, and free cash flow all coming in ahead of expectations, but that didn't matter to the market. Investors have not embraced Fidelity National's recent decision to sell its remaining Worldpay stake while acquiring Global Payments' issuer solutions business, a transaction that should result in a simpler, more bank-focused business with more stable, contract-based revenue. That is the right strategic direction, but after the costly Worldpay reversal, investors are understandably skeptical of large strategic moves from this management team. Leverage will rise and share repurchases have been paused while the company focuses on paying down debt. We have decided to exit our position.

Broadridge declined 15% even as its latest quarterly report beat estimates and the company raised its full-year guidance. The stock still fell after management said some big client deals were taking longer to close than expected, even as the pipeline of future business kept growing. The bigger worry was a fear shared across many tech companies that AI will let cheaper competitors catch up, plus a specific concern that companies moving to track stock ownership directly on blockchain, instead of through brokers, could cut Broadridge out of its role in shareholder voting. Management pushed back on both, noting that new business tied to this shift is flowing to Broadridge rather than away from it. We think the business remains stronger than investors are giving it credit for and are comfortable holding.

# Trades

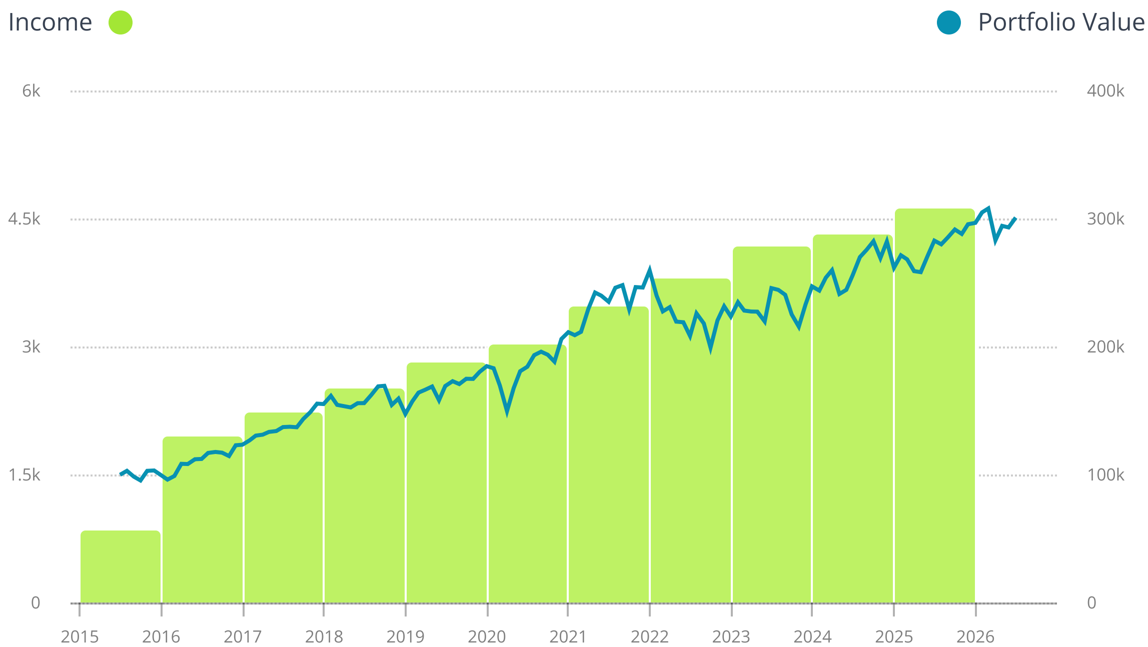
On Monday, July 6, we will sell Fidelity National (see our March note for more) and buy 13 shares of BlackRock, which will represent about 4% of the portfolio's value. To learn more about BlackRock, please see our pitch for the company in this newsletter's Income Ideas section.

We will also trim our positions in Amphenol and Parker-Hannifin, which have benefited from the boom in AI infrastructure spending. Their weights will each be reduced from around 7.5% of the portfolio to roughly 5%. Proceeds will be spread across existing holdings, including Intercontinental Exchange, Mondelez, Broadridge Financial, and Danaher.

# Performance

## Income and Portfolio Growth

From inception in June 2015 through June 2026




**Dividend Growth**

10.1% per year

**Total Return**

10.5% per year

## Total Return vs Benchmarks

Data as of Jun 30, 2026. VIG is the Vanguard Dividend Appreciation ETF.
Returns are annualized in the Last 3 Years and Since Inception periods.

| | Portfolio | VIG | S&P 500 |
|---|---|---|---|
| Q2 2026 | 6.3% | 10.5% | 15.1% |
| 2026 Year To Date | 1.4% | 7.7% | 9.3% |
| Last 3 Years | 7.0% | 15.8% | 21.0% |
| Since Inception | 10.5% | 12.5% | 14.1% |

# About

| Dividend Yield | Target Dividend Yield | Target Dividend Growth |
|---|---|---|
| 1.74% | 1.5% - 2.5% | 8% - 10% |
| Fri, Jul 3 | Average | Fast |

The Long-Term Dividend Growth Portfolio's objectives are to generate similar returns to the broader stock market while generating annual dividend growth of at least 8% to 10% per year.

The portfolio invests primarily in businesses with double-digit dividend growth potential and is most appropriate for buy-and-hold investors seeking long-term income growth and capital appreciation.

Total return is expected to be composed of:

- 1.5% – 2.5% dividend yield
- 8% – 10% earnings growth

Brian Bollinger oversees the portfolio and is a CPA and former partner at a multi-billion dollar investment firm. Brian is a buy-and-hold investor and manages the portfolio with very low turnover. Holdings are rarely sold so long as their dividends appear to remain safe and their long-term outlooks are favorable.

# 25 Holdings

| Ticker | Sub-Sector | % of Portfolio | Dividend Yield | Dividend Safety | P/E Ratio | Entry Date |
|---|---|---|---|---|---|---|
| APH Amphenol | Electronic Components | 7.6% | 0.61% | 87 | 33.4 | Jul '15 |
| PH Parker-Hannifin | Industrial Machinery a... | 7.3% | 0.83% | 94 | 29.0 | Jul '15 |
| ADI Analog Devices | Semiconductors | 5.8% | 1.17% | 63 | 27.5 | Apr '24 |
| ROK Rockwell Automati... | Electrical Components... | 5.3% | 1.17% | 70 | 34.4 | Jul '15 |
| CB Chubb | Property and Casualty ... | 4.5% | 1.13% | 99 | 13.1 | Jun '15 |
| LOW Lowe's | Home Improvement R... | 4.5% | 2.20% | 93 | 17.9 | Nov '17 |
| IEX IDEX Corporation | Industrial Machinery a... | 4.4% | 1.30% | 95 | 25.9 | Jul '15 |
| SCHW Charles Schwab | Investment Banking a... | 4.0% | 1.32% | 80 | 15.0 | Oct '25 |
| TTC Toro | Agricultural and Farm ... | 3.9% | 1.61% | 84 | 20.1 | Jul '15 |
| AWR American States ... | Water Utilities | 3.8% | 2.38% | 98 | 23.3 | Aug '20 |
| EXPO Exponent | Research and Consulti... | 3.6% | 2.03% | 61 | 25.3 | Jul '15 |
| BR Broadridge Financial ... | Financial Technology S... | 3.6% | 2.71% | 75 | 14.5 | Jun '15 |
| DHR Danaher | Life Sciences Tools an... | 3.6% | 0.81% | 80 | 23.1 | Oct '25 |
| ELV Elevance Health | Managed Health Care | 3.6% | 1.65% | 90 | 15.9 | Sep '23 |
| FUL H.B. Fuller | Specialty Chemicals | 3.2% | 1.69% | 70 | 11.4 | Jul '15 |
| ICE Intercontinental Exc... | Financial Exchanges a... | 3.2% | 1.56% | 89 | 16.8 | Jan '24 |
| MDLZ Mondelez | Packaged Foods and ... | 3.1% | 3.28% | 66 | 19.1 | Aug '20 |
| ABT Abbott Laboratories | Health Care Equipment | 2.8% | 2.64% | 90 | 17.1 | Dec '15 |
| ORCL Oracle | Systems Software | 2.8% | 1.43% | 50 | 17.4 | Dec '15 |
| BDX Becton, Dickinson ... | Health Care Equipment | 2.8% | 2.66% | 91 | 12.0 | Apr '16 |
| AOS A. O. Smith | Building Products | 2.7% | 2.30% | 99 | 16.0 | Jul '15 |
| AMT American Tower | Telecom Tower REITs | 1.9% | 4.31% | 78 | 15.0 | Apr '17 |
| MDT Medtronic | Health Care Equipment | 1.8% | 3.46% | 99 | 14.0 | Nov '17 |
| HRL Hormel Foods | Packaged Foods and ... | 1.2% | 4.68% | 80 | 16.4 | Jun '16 |
| FIS Fidelity National | Transaction and Paym... | 0.9% | 4.21% | 60 | 6.5 | Jul '15 |
| Cash | | 8.1% | | | | |

# Income Ideas

Pitches for 8 stocks with interesting valuations and long-term prospects

| Ticker | Dividend Yield | Dividend Safety Score |
|---|---|---|
| BLK BlackRock | 2.30% | 98 |
| MCD McDonald's | 2.65% | 77 |
| EOI Eaton Vance Enhanced Equity Income Fund | 8.13% | 60 |
| TSN Tyson Foods | 3.46% | 80 |
| PDT John Hancock Premium Dividend Fund | 8.19% | 50 |
| ACN Accenture | 4.75% | 80 |
| WM Waste Management | 1.64% | 80 |
| MZTI Marzetti Company | 3.45% | 90 |

BLK • Asset Management and Custody Banks

# BlackRock

Dividend Safety

98

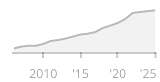
Very Safe

Dividend Yield

2.30%


Dividend Growth

10.0% in Jan '26




BlackRock shares have drifted nearly 20% lower since their October 2025 peak, weighed down by growing concern over a newer, riskier part of the business: private lending. The slide was punctuated by a sharp drop earlier this year when one of its private lending funds had to limit investor withdrawals.

BlackRock is the world's largest money manager with roughly $14 trillion invested on behalf of clients through index funds, ETFs, and other strategies. It earns steady fees on those assets, runs one of the best profit margins in the industry, and carries an AA- credit rating, putting it among the most financially sound companies in the market. The payout has grown steadily, including a 10% increase earlier this year, making this more of a long-term dividend growth story than a current income play.

The pressure on the stock ties back to BlackRock's recent push into private markets, including infrastructure investments and direct loans to companies that aren't traded on public exchanges the way stocks are.

These investments still make up a small slice of BlackRock's total assets, well under 5%, so this isn't a bet-the-firm issue. But they're a much bigger piece of where future growth is expected to come from, which is why investors reacted so strongly when one fund saw withdrawal requests that exceeded its preset limit.

Similar strains have shown up at other large private credit funds industry-wide, suggesting this is a broader growing pain for the private lending model rather than a problem specific to BlackRock. Even so, the news added to the slide despite BlackRock posting record assets, record ETF inflows, and solid revenue growth, all ahead of expectations.

Even setting the private markets bet aside, BlackRock's core business benefits from a long-running shift from expensive active funds into low-cost index funds and ETFs, and steady growth in retirement and wealth assets as the population ages

Shares now trade at a forward P/E ratio near 18, below both BlackRock's own five-year average of about 20 and the S&P 500's multiple. While private credit growth concerns are fair, that valuation looks interesting given BlackRock's durable advantages.

Scale through its iShares ETF business gives BlackRock a structural cost advantage that rivals struggle to match while still posting industry-leading margins. Its diverse products and reach into financial advisors and institutions worldwide also position it as a natural one-stop shop as large clients consolidate with fewer, trusted managers across both public and private markets.

Income investors need to be comfortable with BlackRock's growth now being more tied to private credit markets than in the past, along with its usual sensitivity to financial conditions. But the underlying business remains large, diversified, and consistently profitable, with growth drivers working in its favor regardless of how the private markets push plays out.

MCD • Restaurants

# McDonald's

Dividend Safety

77

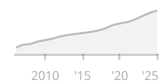
Safe

Dividend Yield

2.65%


Dividend Growth

5.1% in Oct '25




McDonald's shares have fallen almost 10% this year even after the company beat earnings expectations this spring and gained share in nearly all of its largest markets. The pressure reflects a more cautious growth outlook as inflation continues to squeeze lower-income consumers and increase competition.

Those headwinds are real and could persist or intensify in the near term, but the long-term picture looks largely unchanged. McDonald's still owns one of the world's most recognized brands, generates the vast majority of its profits from a stable, franchise-driven royalty model, and is responding to competitive pressure with a clear plan rather than standing still.

In June, McDonald's announced its NEXT strategy aimed at winning back ground from faster-moving competitors. It includes menu improvements such as better chicken to compete with chains like Raising Cane's and a new drink platform to take on the likes of drive-thru beverage chain Dutch Bros. Reworked restaurant layouts meant to feel less generic are part of the plan, too. Underneath all of it is a revamped McValue platform that has already improved how customers perceive the brand's affordability.

McDonald's earnings are still expected to grow at a high single-digit pace over the next few years. Yet shares now trade at a forward P/E near 21, a meaningful discount to McDonald's own historical average and among the cheapest multiples the stock has carried in years.

For a business with this kind of brand strength, cash flow predictability, and global expansion potential, that discount could be an opportunity for patient investors who are willing to look past any near-term noise.

EOI • Covered Calls

# Eaton Vance Enhanced Equity Income Fund

Dividend Safety

60

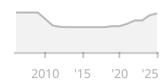
Borderline

Dividend Yield

8.13%


Dividend Growth

0% since 2024




EOI has historically traded close to NAV (net asset value), averaging roughly a 1% discount over the past five years. Today, shares trade at about a 6% discount, among the widest levels in the fund's recent history, offering a chance to own an actively managed covered call strategy at a moderate markdown.

That wider than usual discount comes despite a portfolio that has outperformed most equity closed-end funds over the past decade. EOI invests in a large-cap, growth-tilted portfolio resembling the S&P 500 and writes call options on individual stocks to generate income.

Unlike funds that write calls across the entire portfolio, EOI's partial coverage has allowed it to capture more of the market's upside than many of its covered call peers, while still generating a high single-digit yield. Importantly, EOI has paired that income with real NAV growth over time, avoiding the NAV erosion common among more aggressive covered call funds.

That said, EOI is far from a defensive, bond-like fund. Its holdings closely track growth-heavy benchmarks, and it will fall with the broader stock market in a downturn. The options income provides only a partial cushion, not real downside protection, since the premiums collected typically offset a modest portion of losses, not all of them. Investors should think of EOI as a stock fund first, with an income overlay second.

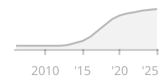
With momentum stocks dominating returns lately, capped-upside strategies like EOI's may have fallen out of favor with some investors chasing pure upside, pressuring demand for the fund's shares even as its underlying holdings have performed reasonably well.

For income investors comfortable with that tradeoff and willing to ride out equity swings, EOI's current discount looks more attractive than it has in years.

TSN • Packaged Foods and Meats

# Tyson Foods

| Dividend Safety | Dividend Yield | Dividend Growth |
| --- | --- | --- |
| 80 Safe | 3.46% | 2.0% in Nov '25 |


Tyson is not the kind of business that typically gets us excited. Even in good times, operating margins run below 10%, and the stock has spent most of the past decade going nowhere as commodity price swings sent earnings up and down without much lasting progress.

But the setup today looks more interesting. The main culprit behind depressed earnings is beef. Cattle supply has tightened to levels not seen since the 1950s, pushing input costs to record highs and leaving Tyson's beef segment deeply unprofitable for two years running. Beef is Tyson's largest segment by revenue, so even a partial margin recovery could have an outsized impact on earnings. The market, understandably, doesn't want to wait for a cycle that could take years to turn, and the wait may indeed be a long one.

Ranchers are enjoying their strongest profits in decades and have been reluctant to expand their herds, which means the supply rebuild will be slow even when it comes. In the meantime, Tyson has been closing underperforming beef plants, moves that look painful today but should position the company to capture more of the upside when the cycle eventually turns.

That drag has overwhelmed what has otherwise been an impressive turnaround in the chicken business, where plant closures, automation, and a shift toward higher-margin products pushed chicken operating profit from roughly zero in 2023 to nearly $1.5 billion in 2025. Chicken and prepared foods, which includes brands like Jimmy Dean and Ball Park, are essentially carrying the company right now.

Tyson has also significantly improved its balance sheet over the last two years. S&P recently revised its outlook on Tyson's BBB credit rating to positive, citing faster-than-expected deleveraging and the resilience of its diversified protein model. A new CEO is coming in with a background building consumer brands, and demand for protein looks solid, including among the growing number of consumers on GLP-1 drugs who tend to favor high-protein diets.

Shares trade at a forward P/E below Tyson's own modest historical average, and that multiple is based on earnings that remain well below what the business has historically generated. If margins normalize even partially, the stock is cheaper still. For patient investors comfortable with the uncertainty around a recovery in beef, Tyson is an out-of-favor cyclical trading at low expectations, with a 3.5% dividend yield to get paid while you wait.

PDT • 50% to 70% Stocks

# John Hancock Premium Dividend Fund

Dividend Safety

50

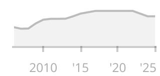
Borderline

Dividend Yield

8.19%


Dividend Growth

7.0% in Jun '26




The John Hancock Premium Dividend Fund launched in late 1989 and invests in a diversified portfolio of dividend-paying stocks, preferred securities, and corporate bonds. The financial and utilities sectors account for around 80% of the fund's portfolio and are often considered conservative sectors outside of banking and energy crises.

PDT's conservative tilt helped the fund maintain its payout during the last two recessions, and it has only reduced its distribution five times since inception nearly 40 years ago — a notable achievement for a closed-end fund.

Rising interest rates are the biggest threat to PDT's distribution because they raise the fund's variable-rate borrowing costs faster than its fixed income securities can be reinvested at higher rates, reducing net investment income available for payouts.

Facing this scenario, PDT last cut its distribution by 15% in the summer of 2023. The rebased payout has looked more sustainable to us, and management seems to agree with a 7% distribution raise announced last month.

However, with the stock market ripping higher and many investors looking to add risk rather than defense, PDT shares have lagged behind the performance of its underlying portfolio. The fund now trades at a 9% discount to NAV (net asset value), below the 4% discount it has averaged over the past five years.

While a jump in bond yields would cause many of PDT's holdings to underperform, the fund looks interesting for income investors who are comfortable with this exposure and the higher volatility that comes with investing in funds like PDT that use leverage.

ACN • IT Consulting Services

# Accenture

Dividend Safety

80

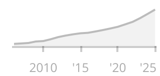
Safe

Dividend Yield

4.75%


Dividend Growth

10.1% in Sep '25




Accenture is one of the world's largest consulting and technology services firms, helping roughly 9,000 large companies, governments, and institutions plan and execute complex technology projects, from cloud migrations to cybersecurity overhauls, through a workforce of nearly 800,000 people worldwide.

The company's stock has fallen over 60% from its February 2025 high, a decline that accelerated further after last month's earnings report showed a modestly tempered growth outlook.

The stock's slide reflects a growing worry that AI will let companies handle more of their own technology work in-house, shrinking demand for the kind of labor-intensive consulting Accenture provides.

Management, however, attributes the softer outlook to a more cautious economic backdrop, with some clients delaying projects rather than canceling them outright.

That explanation seems reasonable. Consulting demand naturally rises and falls with the broader economy. That said, AI will likely have some impact on Accenture's business over time, even if the market's fears prove overblown.

While routine, well-defined coding and testing work may shrink as AI tools improve, new opportunities are being created as companies need help connecting AI models to old systems, securing increasingly connected infrastructure, and managing the operational changes AI requires.

Against this backdrop, new bookings continue to outpace revenue, and management still expects revenue and earnings to grow by mid-single digits this year despite the lowered guidance. Accenture also carries a AA- credit rating and virtually no net debt, giving it plenty of room to keep investing through this transition.

The company also just increased its share repurchase plan by $2 billion, bringing expected buybacks for the year to $7.5 billion, stating the current share price does not reflect the firm's position in AI-driven reinvention or the strength of its business fundamentals.

We plan to maintain our Accenture position in our Top 20 Dividend Stocks portfolio. The stock's collapse has been frustrating for shareholders, ourselves included, but we do not believe the business is broken.

In fact, investors who believe the AI-driven selloff may be overdone may want to give Accenture a closer look. The stock now has a historically high dividend yield near 5% and trades at a forward P/E ratio below 10.

That said, a rebound may take time, and the stock may never fully recover to its previous valuation if the industry is structurally changed. Even so, Accenture looks well-positioned to adapt to changing technologies, remain a trusted partner for complex technology projects, and continue generating substantial free cash flow.

WM • Waste and Facility Services

# Waste Management

Dividend Safety

80

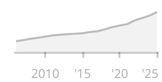
Safe

Dividend Yield

1.64%


Dividend Growth

14.5% in Dec '25




Waste Management is an example of a quality compounder trading at a reasonable price. It's the largest trash and recycling company in North America, hauling waste through a network of hundreds of landfills, transfer stations, and recycling facilities across the U.S., Canada, Puerto Rico, and the U.K.

Roughly 75% of revenue comes from repeat trash pickup that continues regardless of the economy, and no single customer makes up more than 5% of sales.

Landfill space is scarce and getting scarcer. In many parts of the country, no new landfill has been permitted in decades, and existing capacity near major cities is slowly closing. Waste Management owns the best-positioned landfills in 9 of the 10 largest U.S. markets, letting it raise prices as nearby competitors run out of room to dump waste.

The firm's recycling segment is a bright spot, too, posting double-digit earnings growth in 2025 and again in the first quarter of this year, even as prices for recycled materials fell sharply. Automation upgrades at its plants have cut labor costs and increased throughput enough to offset the weaker pricing.

Since acquiring the medical waste and document destruction business Stericycle in 2024, leverage has also improved to management's target 2.5x to 3.0x range, solidifying Waste Management's A- credit rating.

While the firm has a modest dividend yield of around 1.5%, the payout has been raised for 23 consecutive years and has enjoyed nearly 8% average annual increases over the past decade.

Waste Management looks well-positioned to keep steadily growing its dividend over time and may appeal to long-term dividend growth investors who value durable, recession-resistant cash flows.

MZTI • Packaged Foods and Meats

# Marzetti Company

Dividend Safety

90

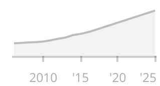
Very Safe

Dividend Yield

3.45%


Dividend Growth

5.3% in Nov '25




Marzetti has spent the past decade shifting its business toward sauces, dressings, and dips, which now make up roughly two-thirds of the company's sales. Much of that growth has come from partnering with restaurant chains, manufacturing the actual sauces and dressings sold under names like Chick-fil-A, Olive Garden, and Texas Roadhouse.

Meanwhile, rising private-label competition and healthier eating trends, including the growing use of GLP-1 weight-loss drugs, have pressured demand across the packaged foods industry in recent years. But Marzetti's portfolio is better positioned than most against these trends since its sauces and dressings are often used to flavor proteins and vegetables.

Even so, retail sales volumes have been under pressure recently, which management attributed to not just softness across the dressing category, but unusually harsh winter weather in the Northeast and tougher comparisons against last year's club-channel promotions.

However, Marzetti continues to gain market share across the board, and gross margins have expanded for 11 straight quarters despite the slowdown. The company also has a solid payout ratio under 60% and minimal debt, even after funding the $400 million acquisition of Bachan's, a fast-growing Japanese barbecue sauce brand, this year.

This solid financial footing provides Marzetti with the financial flexibility to keep investing through a tougher stretch while continuing its 63-year dividend growth streak.

The company isn't immune to the pressures facing the packaged foods industry. Still, its portfolio and balance sheet leave it better positioned than most to navigate and evolve with them.

That combination, along with the stock's pullback, could make now a reasonable time for income investors to consider the stock.