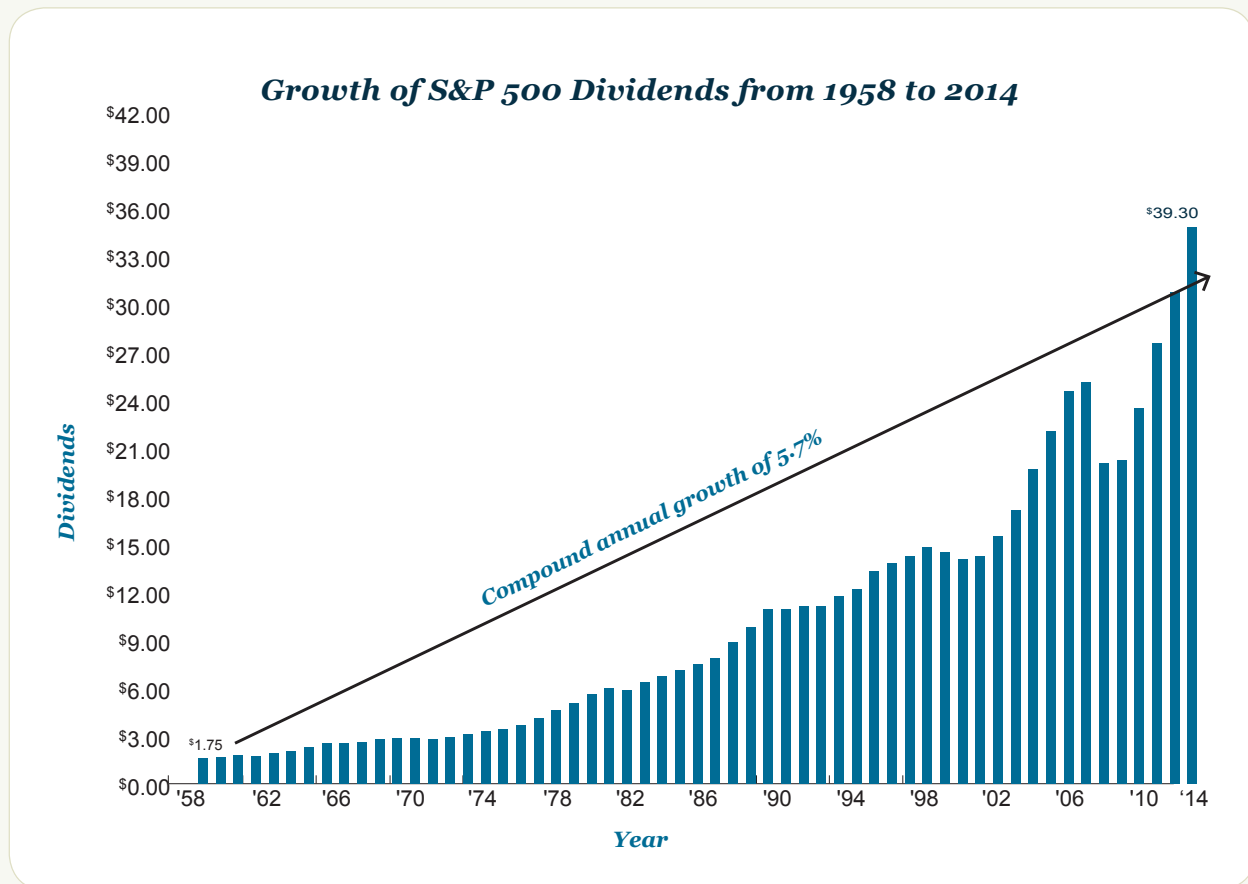


# D.M.KELLY & COMPANY

## AN INTRODUCTION TO DIVIDEND PAYING STOCKS

For investors seeking balance between growth and income, dividend paying stocks may be a good fit for a portion of their portfolios. Dividend-paying stocks can strengthen the foundation of a portfolio and complement many investments. They pair well with fixed-income investments because of the potential for income, possible appreciation in both dividends and share price, and may serve as a hedge against inflation. Perhaps most importantly dividend paying stocks generate income. Investors can choose to receive dividends in cash or reinvest them with the goal of increasing their long-term total return through the power of compounding.



Source: Bloomberg – S&P 500(SPX) annual dividends

The chart above shows the representative dividends beginning in 1958, the first full year of the S&P 500 Index's existence. The S&P 500 is used as a benchmark to measure the performance of large capitalization U.S. stocks. Dividends from the S&P 500 have grown at an average rate of 5.7% annually.\*

\* Past performance is not a guarantee of future results. Dividends can be increased, decreased or totally eliminated at any time without notice. The S&P 500 is an unmanaged index composite of the 500 largest companies in the United States and is not available for direct investment. The data does not represent the performance of D.M. Kelly & Company's recommendations and does not take into account fees and charges associated with actual investments.

## ***Our Approach***

D.M. Kelly & Company's philosophy includes focusing on companies that have historically maintained or increased their dividends over time. While high dividend yields may seem attractive, those dividend payouts are not always sustainable or necessarily a sign of company strength. Our selection criteria focuses on selecting stocks that pay appropriate dividend rates and have what we consider solid fundamentals and a strong commitment to their shareholders.

## ***Why Dividends Matter***

Rising dividends can be an attractive component of a long term investment strategy because they offer the potential of growth and a historically reliable income stream. They can help smooth out portfolio volatility and act as a buffer for a sinking stock price in a declining market. The stock prices of companies that increase, initiate, or make no change in their dividend policy are typically somewhat less volatile than the stock prices of companies that do not pay or lower their dividends. This is determined by a stock's "beta" which is a measurement of volatility relative to the index to which it is compared.

## ***Understanding the Risks***

It is important to remember that your principal will fluctuate with changing market conditions. Diversification does not guarantee a profit or protect against a loss. You may receive more or less than the original investment when you sell your shares. Past performance is not an indication of future results. Dividends can be increased, decreased or totally eliminated at any time without notice.

Dividend paying stocks are not guaranteed to outperform non-dividend paying stocks in a declining, flat or rising market. Investors need to examine the company's fundamentals to determine whether it truly has a strong foundation.

## ***Contact Us***

To discuss dividend paying stocks, contact a D.M. Kelly & Company registered representative at (800) 998-9773. He or she will be happy to answer any questions you may have.

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