How to Double Your Money Every Five Years in a True AAA-Rated Safe Haven

Whenever a stock market crash hits, investors – time and time again – sell out, run to cash, put their money in a savings account or buy treasuries.

They think that by getting into these “safe haven” investments they’ll miss the worst of the crash. And then buy back in before the recovery.

Unfortunately that almost never happens. Most of the time, investors miss the rebound and the recovery. And they end up locking in pitiful 1% or 2% returns for years.

The truth of the matter is… Most of what we consider “safe havens” from the stock market end up losing investors a lot of money in the grand scheme of things.

Fortunately, there is an alternative in what we call the “true safe haven.”

It’s a set of investments that offer high yields (often between 4% and 10%) and actually increase their payouts year after year. So even though you might start with a 7% yield, you could end up with a 16% yield just five years from now... enough to double your money every five years.

Better yet, many of these investment opportunities hold an AAA rating or something close to it.

So what investment am I talking about exactly?

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I’m talking about Perpetual Dividend Raisers – the very rare group of stocks that have increased their dividend payouts every single year for 10, 25 or even 50 straight years.

Over time, all evidence proves that these very few companies (There are only 105 total that have increased dividends for 25 straight years.) vastly outperform the rest of the market. In fact, even in times of turbulent markets, they’ve crushed the returns of other so-called safe havens.

**What Works on Wall Street**

Using this strategy, an investment in Southern Company (NYSE: SO) 10 years ago had an average annual return of 11.4%, while the S&P 500 returned only 9.5% total over the entire decade. $10,000 in Southern Company would have turned into $29,434. While $10,000 in the S&P 500 would have only been worth $10,950. Likewise, a traditional safe haven like 3% treasuries would have turned into just $13,439.

Clearly, over a 10-year period, investing in a Perpetual Dividend Raiser would have more than crushed the returns of both the stock market and treasuries.

And if you go back 20 years, the returns of Perpetual Dividend Raisers are even more impressive. A $10,000 purchase of Colgate-Palmolive (NYSE: CL), for instance, grew to $102,190... a return of over 900%!

Now, neither of the companies above are very exciting. They aren’t likely to make anybody’s must-have list for 2013. Really, they don’t generate much talk at all.

Yet companies like them outperform the market year after year and decade after decade because they pay dividends and raise them every year.

And if you reinvest the dividend over those years? Well, then look out!

Because that’s when your returns really get amplified, thanks to the power of compounding. In other words, when you reinvest your dividends, you buy more shares, which spin off more income, enabling you to buy
more shares, which spin off more income…

“The Most Powerful Force in the Universe”

Albert Einstein said that compound interest is “the most powerful force in the universe.” And whether we’re talking about interest or dividends, it’s obvious that compounding really picks up momentum after several years.

First, let’s look at an extremely conservative example…

Take Kimberly-Clark, a stock that isn’t going to get anyone’s adrenaline pumping. I mean, you can only get so excited about Huggies diapers, Kleenex tissues and Scott paper towel.

Yet even so, the company pays a healthy 3.3% dividend yield, which amounts to $3.24 per share. That means that if you bought $10,000 worth of stock and reinvested the dividends as they came in – with that payout increasing 9% per year as it has for the past decade and assuming that the stock price rose a mere 5% per year – those shares would yield over 10% on your original investment 10 years down the road.

So instead of the $344 in income you would have received in the first year, you’d get paid more than $1,083 instead.

And if you kept reinvesting those dividends as time goes on, the compounding machine kicks into overdrive… and continues doing so the longer you follow that plan.

Fifteen years from now, you’d receive over $2,000 per year in dividends. Five years later, that figure would hike above $4,534. By that point, you’d make your original investment back every two years.

Clearly, Perpetual Dividend Raisers are a great way to build an impressively sized nest egg, provided that you have the patience, commitment and ability to keep putting those dividends received back into the stock every quarter, every year.

But even if you need income today and won’t be reinvesting
dividends, they can ensure that you stay ahead of inflation by receiving more income every year from the same stocks.

The best part is that these stocks tend to have lower volatility and can even be safer than the broad market. And certainly more so than any hot stocks you may have been chasing to try to boost up your portfolio.

**Dividend Aristocrats for Income Seekers**

Then there are the Dividend Aristocrats, companies listed on the S&P that have increased their dividends every year for the past 25 years. Their track records, to say the least, are welcome signs in any economy, especially the kind we’re in today.

Currently, there are some 50 such stocks, including big corporation names like Target, Walgreen’s and Becton Dickinson. Investing in these Dividend Aristocrats has become an extremely popular method for anybody seeking reliability and increasing income.

Make no mistake: That kind of track record is nothing to sneeze at, and therefore Dividend Aristocrats are rarely a bad place to park some personal cash. But they aren’t the only places to do so, which a number of dividend chasing investors tend to forget…

Overlooked though they can be, Dividend Champions, for example, have just as long a history of annual dividend increases. The difference is that, unlike Aristocrats, Champions do not have to be members of the S&P 500.

And there are a lot more of them… one hundred-plus, actually, including Lowe’s, Healthcare Real Estate Investment Trust HCP Inc., and Lancaster Colony, a small-cap food-maker that has increased its dividend every year since 1963.

While those are definitely the crème de la crème of dividend stocks, there are other companies that are working very hard to join the highest echelons of that category.

These companies are called Dividend Achievers. And with at least
a 10-year history of raising dividends, each one of these hopefuls stand a decent chance of becoming an Aristocrat or Champion someday. After all, before they could boost their dividends for 25 or more years in a row, the crème de la crème had to first hit the 10-year mark, too.

All of these categories are solid companies that know their businesses, their markets and their competition… and keep yielding exactly what dividend-hungry investors – want, year after year.

Here’s some of my current favorites.

#1: A High Tech… High Payer

We live in a world that expects – no, demands! – the best possible products when it comes to our technical needs.

Desktops, laptops, multimedia devices, smartphones, smar pads… Not only do we want them all, we want them better than the last versions, with advanced capabilities and sleeker looks. And we want them in our hands now.

Businesses in the technology sector have to constantly be on the cutting edge in order to succeed in this technology-driven world of ours…

Which leads us right to Intel Corporation (Nasdaq: INTC).

Intel Corporation was a mover and shaker from the very start. Founded by scientists Robert Noyce and Gordon Moore in 1968, the company was the first to design a working, marketable microprocessor: the ‘guts’ of today’s computers.

That was way back in 1971, and Intel has been growing ever since. While Intel’s main business is still making microprocessors for personal computers, its reach has spread enormously since then. Intel is now the world’s largest semiconductor maker. It sells integrated technology platforms to clients around the world.

To get an idea of how dominant Intel really is, look at its numbers over the last decade. Revenue, on average, has grown nearly 8% annually. Its gross margin (how much it makes on each individual sale) has remained
above 50% and its been over 60% since 2010. Likewise, operating margins have doubled since 2006 to over 30% and net margins are above 20% almost every year too.

Intel is a great company, but its track record of raising dividends has us most excited.

Intel boasts a yield of 4.2% and has raised its dividend every year for the past nine years.

Earnings are expected to grow 11% annually over the next five years. The stock is currently trading at 10 times trailing 12 month’s (TTM) earnings.

Over the last five years, Intel has boosted its dividend by an average of 14% per year. Even if that growth rate slows down to 10% per year, you’re still guaranteed a hefty additional percentage to your profit intake.

**Action to Take:** *Buy Intel Corporation (Nasdaq:INTC) at market. And use our customary 25% trailing stop to protect your principal and your profits.*

#2: Here’s a Genuine Dividend Champion

Technology stocks – even dividend-yielding ones – can be considered sexy portfolio picks. But there’s really not anything so exciting about our next recommendation.

Not at first glance, anyway…

**Genuine Parts Company** (NYSE: GPC) is currently a leading provider of auto and other industrial replacement parts in North America.

The company has been around for a while. First established in 1928, it’s cruising ever closer to the 100-year mark. During that time, GPC has seen the best and the worst its market has to offer, experiencing its share of ups and downs in the process. Yet it not only survived through all of that… it’s now thriving.

It boasts an “A” rating from Standard and Poor’s and has one of the
best dividend records in the entire market.

Today, it’s comprised of four different, well-established divisions – automotive, industrial, office products and electric/electronic materials – that do business throughout the North American continent.

Its automotive group – predominantly comprised of NAPA and its international arms – distributes over 380,000 products throughout the United States, Canada and Mexico. Batteries, brakes, oil fluids and chemicals, starting and charging devices, tools and equipment, shocks and struts, belts and hoses: NAPA sells all of that and more under a trusted name that brings in the lion’s share of the company’s revenue.

In 2011 and 2012, the automotive group made up around half of revenue. And it’s been growing year over year. Last year didn’t disappoint either.

But that’s not to say the other divisions don’t play their parts as well. In 2011, Genuine Parts’ industrial segment experienced a 19% jump in sales on top of a 22% climb the year before. And office products and electric/electronic output forged higher over that two-year period as well, with the latter increasing sales by 30% in 2010 and 24% in 2011. Even in the midst of an industry downturn in 2012, three out of four divisions were able to hike sales figures by 4-7%.

Altogether, the last several years have been good to Genuine Parts and, in turn, Genuine Parts has been good to its investors.

Since going public in 1948, it’s paid a dividend every year, with the amount increasing from 1.18 to 1.98 in the last ten years alone.

And with over $900 million in free cashflow being generated and a manageable debt load, I don’t think that trend is going to end anytime soon.

All told, Genuine Parts is a dividend-yielding dream that can make a winning portfolio that much more realistic.

**Action to Take:** Buy Genuine Parts Company (NYSE: GPC) at market. And use our customary 25% trailing stop to protect your
#3: An Infrastructure Play That’s Building Its Dividend

This next dividend-paying powerhouse is a mini-conglomerate operating as a master limited partnership (MLP): Brookfield Infrastructure Partners L.P. (NYSE: BIP). As the name might suggest, it runs numerous infrastructure-related businesses around the world.

Brookfield advertises itself as operating “high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry and other characteristics, tend to appreciate in value over time.”

With a global presence across North and South America, Australia, Asia and Europe, Brookfield spreads its considerable business efforts across three main areas: utilities, transport and energy, and timber. And it’s constantly, successfully looking for opportunities to grow further, both internally and through acquisitions.

Because of this broad spectrum, most of its cash flow is under contract or regulation. That pretty much ensures its dividend will be paid. Meanwhile, the remaining amount allows just enough variability for growth, which the company is achieving...

Being a diverse global business is a huge bonus in and of itself. It helps spread out the company’s risk in case one country or region suffers a weak economy.

Brookfield’s geographical business breakdown looks like this:

- Australasia – 38%
- North America – 24%
- Europe – 15%
- South America – 23%

Brookfield was created in 2008 as a spin-off from Brookfield Asset
Management (NYSE: BAM), which still manages the MLP counterpart.

The MLP’s stated goal is to pay out 60% to 70% of Funds From Operations (FFO) which we expect to continue to grow. That should enable the company to increase the dividend even more. Currently, shareholders can expect a 4.6% yield – a number that has increased significantly since 2008 – with a double-digit compound annual growth rate (CAGR) over that time period!

Buying BIP is almost like buying a diversified mutual fund of infrastructure businesses that have stable cash flows and growth opportunities. More importantly, its dividend should be secure… with meaningful growth potential during the next few years.

**Action to Take:** Buy Brookfield Infrastructure Partners L.P. (NYSE: BIP) at market. And use our customary 25% trailing stop to protect your principal and your profits.

**#4: Take Advantage of the Pessimism and Grab This Healthy Dividend**

Omega Healthcare Investors, Inc. (NYSE: OHI) operates as a real estate investment trust (REIT) that invests in healthcare facilities, principally long-term healthcare facilities in the United States. It owns or holds the mortgages of more than 400 health care facilities throughout the United States, most which are skilled nursing institutions, or nursing homes.

Some investors are wary of an investment like OHI for two reasons. First of all, the commercial real estate market is still in the doldrums over concerns about vacancies and foreclosures.

Secondly, with the word ‘healthcare’ in its name, Omega is wrongly thrown into the healthcare sector where concerns about future Medicare cuts/changes are weighing heavily on this sector’s stock prices.

Here’s why current skeptics have it wrong…

It’s important to realize that Omega isn’t in the nursing home business.
Changes and potential reductions to Medicare benefits don’t hit its margins.

Omega is the landlord. The company receives fixed-rent payments with annual increases from nursing home operators with strong credit profiles. If nursing homes want to stay in business, they’ll continue to pay their rent.

And Omega is in an even better position than most of its peers. Measuring a tenant’s financial stability is usually done by looking at earnings before taxes, interest, depreciation, amortization and rent (EBITDAR).

If Medicare cuts payments again to nursing homes, Omega shares could fall. Though a proposed 2% Medicare reduction shouldn’t have anywhere near the same impact as the already-enacted 11.1% cuts from the 2010 health reform bill.

That being said, you’re being compensated for the additional risk. Not only is Omega’s yield of 6.2% significant, but so is the growth rate of its dividend.

And it has raised its dividend every year since 2004.

A REIT must pay out virtually all of its profits in the form of dividends. However, when analyzing a REIT, it’s important to look at adjusted funds from operations (AFFO), which is similar to cash flow from operations. Omega estimates that AFFO will be between $2.20 to $2.25 per share for 2013.

It’s on track to pay out $1.80 per share in dividends, which translates into a payout ratio of more than 80% – very healthy for a REIT. And future dividend payments and increases look like solid possibilities. From 2007-2011, Omega’s core operating revenue and funds from operations increased every year at a compound annual growth rate of 16% and 17% respectively.

In fact, Omega has increased its dividend continuously for nearly a decade.

And considering America’s aging population of Baby Boomers, Omega is not only in a highly profitable place right now, but it should be
profitable for the foreseeable future as well.

With the misunderstanding about Omega’s business (and potential) still prevalent, now’s a great time to take advantage of this stock.

**Action to Take:** Buy *Omega Healthcare Investors* (NYSE: OHI)

*at market. And use our customary 25% trailing stop to protect your principal and your profits.*
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