

Stocks that pay you to wait for the price to rise

'Old time' stocks seen as fertile territory for those seeking dividends

By [Kathleen Gallagher](#) of the Journal Sentinel

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Dividends lurk in what one Milwaukee money manager says are unexpected places.

In an era where throngs of investors have turned to stocks for the yield they can't find in bonds and CDs, Marc Dion says "old-time" growth stocks are fertile territory.

"This isn't just the Coca-Colas of the world, but technology as well," said Dion, a principle at Morgan Dempsey Capital Management LLC and manager of the firm's dividend income portfolio.

Many of the highfliers of the 1990s - think Cisco Systems, Intel Corp. or Microsoft Corp. - were seen as high-growth engines that didn't need to pay a dividend to attract investors.

"Dividends were almost considered a surrender, as if they were saying they didn't have enough growth projects to invest in," Dion said.

Those companies have gotten larger, though, and it's more difficult to replicate the rapid growth of their youth. So many are looking to attract new investors by paying a dividend, Dion said.

There's no shortage of high-yielding stocks, but the advantage of these old-timers is that many tend to consistently raise dividends over time and offer potential for price appreciation as well, he said. Investors essentially get paid to wait for that price appreciation - even in today's volatile markets.

Here are two companies that were previously seen as high growers and still achieve moderate growth and consistently raise their dividends. Both have dividend yields that are nearly double the 1.9% yield on the Standard & Poor's 500 index.

Kimberly-Clark Corp. (KMB, \$65.36), Dallas, makes consumer and health care products.

Kimberly-Clark's growth pace has slowed, but the company generates strong cash flow and has raised its dividend for 39 consecutive years, Dion said. It has a dividend yield of 4.28%.

The company faces some headwinds because of rising commodity prices, and it is perennially locked into a fight over market share in disposable diapers with Procter & Gamble Co. that could lead to price cutting, he said. But Kimberly-Clark has "decent" international exposure and an ability to grow abroad, Dion said.

Kimberly-Clark shares have traded in a 52-week range of \$61.06 to \$68.49, and Dion said they could trade as high as \$70 in the next 12 to 18 months.

Lockheed Martin Corp. (LMT, \$75.73), Bethesda, Md., makes F-35 stealth fighters and other advanced technology systems and products in the areas of defense, space, intelligence, homeland security and government information technology.

The stock has a dividend yield of 3.96%.

The U.S. government's fighter jet fleet is aging and will need to be upgraded, Dion said.

Risks with the shares include possible delays in implementing that upgrade and the wrangling over defense budgets that comes with tight finances. But the U.S. has been using aircraft extensively in its wars, and this isn't an area that can be ignored, Dion said.

Lockheed Martin shares have traded in a 52-week range of \$67.68 to \$82.43, and Dion said they could trade as high as \$90 in the next 12 to 18 months.

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