

Dogs of the Dow 2021 - Dividend Aristocrats

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Dogs of the Dow is an investment strategy that aims to beat the Dow Jones by focusing on High Yield Investments. The strategy goes like this: (a) take an equal amount of money and place it in the Top 10 highest dividend yielding stocks in the Dow Jones at the start of a new year; and (b) rebalance annually.

Yep... kind of simple isn't it? Does it work? Well, yes, and it generally has worked pretty well. Since 2000, the Dogs have returned over 10% annually which is better than the Dow Jones return of approximately 8% and the S&P 500 approximate return of 7% over the same time period. Here are the 10 Dogs for 2021:

(1) Chevron

The big hurt in the energy business is not just electric cars; it's also the lack of jet fuel usage and the lack of overall commuting as people haven't been going to work in typical numbers. As travel picks up and people begin to use their cars more, Chevron stands to benefit.

(2) IBM

The Red Hat acquisition should start to become more accretive going forward. IBM has been on an acquisition tear since October, purchasing six cloud computing and fintech firms.

(3) Dow

Demand for polymers is increasing because of the growth of technologies such as 3D printing. Dow stands to benefit greatly over the next few years.

(4) Walgreens

The stock has been cut in half over the past 1.5 years; it should see growth from both the vaccine distribution and the re-opening of the country.

(5) Verizon

Verizon continues to expand the breadth of their 5G network, having recently competed in the Federal Communications Commission's sale of C-band spectrum rights.

(6) 3M

It's been treated like a bad dog lately as 3M is facing a couple of product and manufacturing lawsuits. However, the company remains an R&D juggernaut and is extremely cheap with a P/E under 20.

(7) Cisco

Public cloud migration is estimated to rise to a growth rate of over 20% in the near term. Cost savings, flexibility as well as improved security are the catalysts for the growth of public cloud migration. Personalized medicine is an industry driving the expansion and Cisco's security and network products will be front and center.

(8) Merck

As far as Blue Chips go, Merck is extremely cheap trading at a P/E of 18.42. Merck stock has been down as hospitals are deferring procedures and people aren't going to the doctor's office. Keytruda, its cancer fighting drug, continues to shine with a growth rate over 20%. Merck should see growth post-COVID.

(9) Amgen

Another Blue Chip value play with a P/E under 20, Amgen is run extremely efficiently undergoing significant cost cutting and restructuring in recent years. Amgen's EPS should grow as it starts to realize profit from its newer drugs Otezla, Repatha and Aimovig.

(10) Coca-Cola

In 2021, Coca-Cola will launch the alcoholic version of its Topo-Chico sparkling water along with beer giant Molson Coors Beverage Company in the United States. Considering the distribution chains Coke already has, this product can proliferate rather quickly.

Disclosure: This article was written by Jeffrey Kamys, a Chief Investment Strategist & Portfolio Manager with Baseline Investments, and is general in nature. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation. Past performance is not always indicative of future returns.

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