OASIS DIVIDEND STOCKS FOR 2016 AND BEYOND

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"In the long run, men hit only what they aim at. Therefore, they had better aim at something high."

- Henry David Thoreau

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WHAT TO DO WITH THIS MARKET?

Sometimes life finds us faced with scary moments of the unknown. The global markets are chaotic and fear is amplified with the thought of central banks being "out of ammunition." Several major central banks have pushed short-term rates negative. The European Central Bank (ECB), the Danish National Bank (DNB), the Swedish Riksbank, the Bank of Japan (BOJ), and the Swiss National Bank (SNB) have all adopted negative short-term rates. Yields on some short- and medium-term sovereign bonds have fallen below zero in Austria, Denmark, Germany, The Netherlands, Switzerland, and Japan. Both Switzerland and Japan saw their 10-year government bonds trade with negative yields in 2016. It is not necessarily reassuring to know that one can find 25% yield in the countries of Ghana and Malawi[1].

One may ask: "How will the market react to this unprecedented rate environment?" The real answer is that no one really knows. Another nagging question is, "Where can an investor hope to put his or her money to work for them, or at bare minimum, not decline in value?" Buying a negative yield bond increases the probability of a decline in principal as all bonds pay borrowed money back at par. If one buys a bond with a negative interest rate, one is guaranteed to get less cash at maturity.

Technically speaking, regular bonds pay back principal and interest. If the deflationary environment is really bad, theoretically it may be possible that a bond with a negative interest rate could be worth more in *real terms* if the rate of deflation is greater in magnitude than the negative interest rate. But this is a rather rare occurrence from a historical perspective.

Well, how about just holding onto cash? Denials due to panic may often lead investors to hoarding cash. Yet as the low inflationary environment erodes the purchasing power of the dollar, putting money under the mattress doesn't seem like a very enticing proposition. The cash erodes in value merely by doing nothing. The rate of inflation makes that cash worth less every day. In fact, a U.S. dollar ten years ago is only worth about 82 cents today.

If you look at longer periods of time, the value of cash has consistently eroded (as seen in the chart below). If you put all dollars on the same scale, $1000 in today's dollars shrinks its purchasing power to $42.20 in 100 years. In other terms, what you could buy with a dollar 100 years ago costs you $23.69 today.

[1]http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospects-June-2015-Negative-interest-rates.pdf

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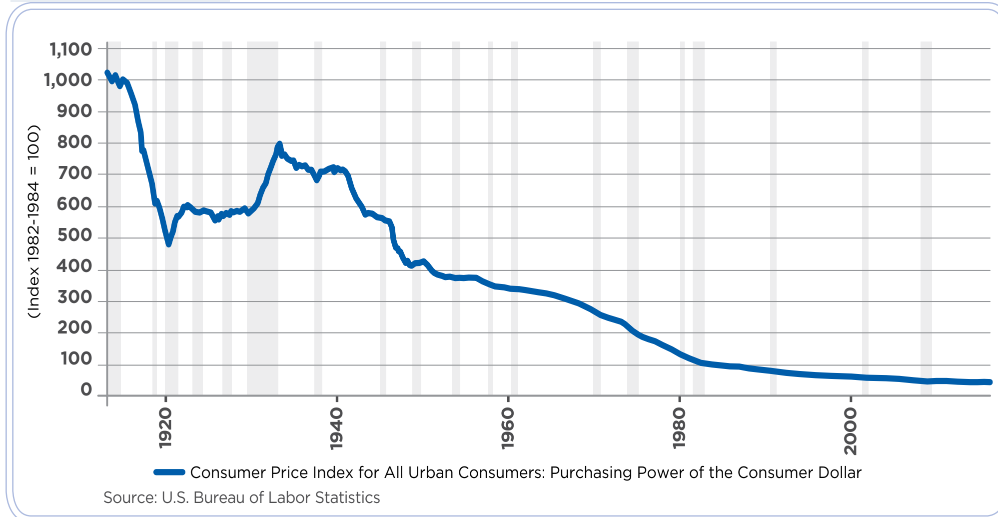

The reason for the decline in the purchasing power of cash could be the desire of many central banks to maintain a positive inflation rate. In the U.S. the central bank targets a positive inflation rate of 2%. Other central banks in the world also target a positive inflation rate, even though some have been less successful lately.

One place to look to potentially offset the erosion of inflation is dividend yield. Although the equity markets may seem terrifying in recent months, the fact remains that the dividend yield on the S&P 500 estimated at 2.13% (as of this writing) is higher than that of the 10-year Treasury. This very fact would make it a logical assumption that capital should be driven into equities, specifically those with dividend yields. But is it really that simple? Just buy the implied dividend yield of the S&P 500? Before we answer that, let's look closer at where dividends came from.

THE POWER OF THE DIVIDEND

A dividend is a sum of money paid regularly (typically quarterly) by a company to its shareholders out of its profits (or reserves). It is also a number to be divided by another number, but we'll concern ourselves with the first meaning.

Companies pay out dividends for several reasons. When a company is mature and does not need or wish to reinvest in future projects or other areas of growth, the excess cash on hand can be paid out as a dividend. This can achieve several things. It provides a steady income for investors, a perception of stability, and general perception of a safe, lower volatility investment. A

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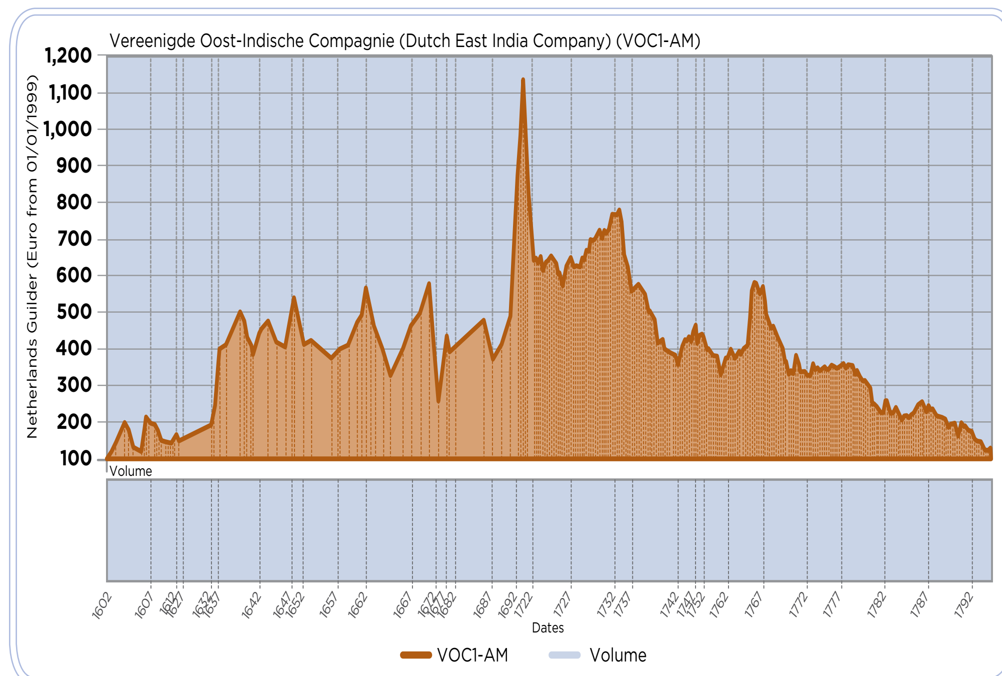
company can pay a dividend using the residual, stability, or hybrid method. Residual dividends are paid out only after all other expense and capital requirements are met. This causes variability and, in turn, dividends using this method are less reliable or predictable. When using the stability method, as the name implies, the company is going for a smooth, predictable dividend trend. Using this method, dividends may be set at a fraction of quarterly or annual earnings. This method seeks to reduce uncertainty for investors. The hybrid method, which is very common today, establishes a combination. A stable dividend is chosen at a smaller fraction of earnings and an extra dividend will be paid when income exceeds certain levels.

The first company to ever pay a dividend was the Dutch East India Company in the early 1600s and it paid a whopping average 18% annual dividend for nearly 200 years. The Dutch East India Company (Vereenigde Oostindische Compagnie, also known as VOC) was an enormously successful monopoly that started March 20, 1602 and ran until December 31, 1799. Not only was it the first company to issue a dividend, but it was also the first company to issue stock! The power of the dividend over the long term is incontrovertible. If one had invested one penny in VOC at its debut, and solely reinvested dividends disregarding capital appreciation, after 200 years the value would have amounted to an unbelievable amount of money.

Then things went sour for VOC and they had to borrow to pay their dividends and eventually went belly up... The chart below documents the rise and fall of this famed story.



SOURCE *Business Insider*

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Now obviously the illustration on the previous page is not practical considering it would have eclipsed the entire market capitalization of that company many times over. But the magic of compounding is sometimes overlooked as managers chase alpha in strategies that seek to outperform the markets.

During stormy times like these, it helps to keep the long-term goal in mind. There is great power in investing in companies that exhibit growing revenues and earnings per share with great debt management in a high demand industry. Identifying these companies early is tough. Staying focused and committed is even tougher. Yet many great dividend stories now were growth stories early on. Take the case of Home Depot...

Home Depot debuted its stock to the public September 30th of 1981. An investor could have paid $11.96 for 100 shares back then. If the original investment was held to today and dividends were reinvested, the value would be many times the worth of the original investment. The reinvestment of dividends and compounding would have done all the work.

That ride was not smooth sailing all the way. The stock fell 73.8% from its peak of $68.75 in December of 1999 to $18.00 in 2009. To expect anyone to sit through that would be asking a lot. The fact is, however, the stock was splitting and dividends were being paid along the way. By the time the stock had hit its low, a patient investor would have held more than 42 thousand shares, long since paying for the original investment. Even at that low point, had he or she reinvested dividends the original investor would have had more shares due to splits and at a higher value.

Home Depot, early in its first publicly traded days, was a growth company showing explosive revenue and earnings growth. Eventually the growth led to higher share prices, which led to splits. After the growth levelled off, the now-successful company began rewarding shareholders in the form of dividends. The power of growth turning into a dividend-paying powerhouse is hard to be patient for, but it certainly can pay off.

Warren Buffett said[2], “Today people who hold cash equivalents feel comfortable. They shouldn’t. They have opted for a terrible long-term asset, one that pays virtually nothing and is certain to depreciate in value.” There may be no other person on earth who appreciates aiming high for the long run than him.

[2]http://www.nytimes.com/2008/10/17/opinion/17buffett.html

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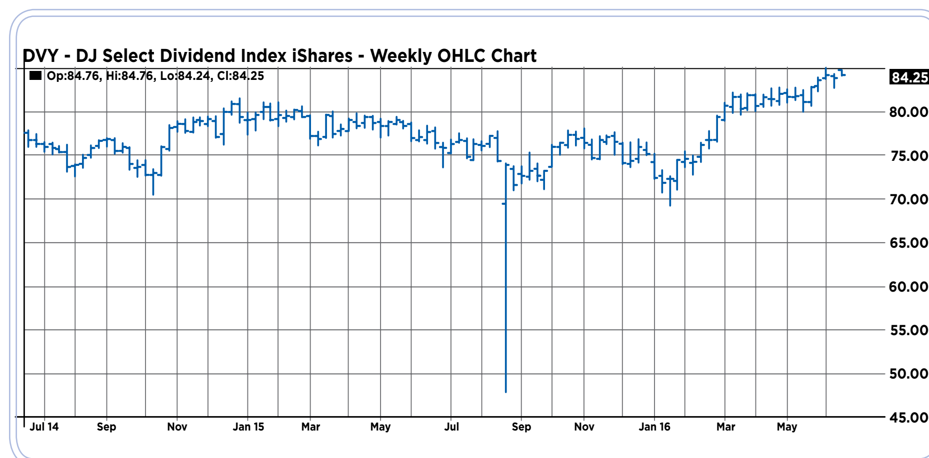
NOT ALL DIVIDENDS ARE CREATED EQUAL

The reality is that some dividends are safer and more reliable than others. In a prior Navellier energy white paper we warned about the safety of the dividends of high-yielding energy stocks. It can be found here: https://navellier.com/download_file/1595/

In recent weeks we have found our warnings have proven prescient. Several larger energy stocks have already begun slicing their dividend; and Chevron may issue debt, in part to maintain their dividend payment. It is worth noting that 2015 saw a significant spike in dividend cuts. According to data from Bespoke, 2015 saw 394 companies cut their dividend, eclipsing the dismal year of 2008 by one shy of 100[3]. Seeing as the problems in energy and industrials aren't near over yet, it looks like 2016 is shaping up to be a challenging year for income investors. There is potential to outdo the peak year of dividend cuts when in 2009 there were 527.

Well then, why not just buy a dividend ETF and let it do the work for us? All one needs to do is look at the price performance of DVY (see chart below). It not only has been unusually erratic this last year, but can be subject to deep discounting due to inefficiencies in the ETF market as was the case on August 24, 2015, as this chart demonstrates. The iShares DJ Select Dividend Index Fund, one designed for safety and income, had a 35% intraday range that day! This is a potential danger of passively investing in a dividend ETF which may not have the same level of scrutiny when it comes to the quality of the stocks within the portfolio.



SOURCE *Barchart.com*

[3]Bespoke "Dividend Cuts in 2015 Surpass 2008" February 5, 2016

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The reality is this: some stocks have quality attributes that we look for to attest to the high quality and stability of the dividend. We consider these stocks to be an oasis in the tumult of the markets. Other dividend-paying stocks exhibit the opposite qualities. We will show you some examples of top rated dividend payers and bottom rated dividend payers for the sake of comparison in just a bit, but first it is important for you to understand how we at Navellier & Associates go about grading dividend stocks, and what factors we look at in the process.

HOW DO WE APPROACH FINDING THE BEST DIVIDEND-PAYING STOCKS?

We begin by looking at several factors for a key, underlying stock. Some examples of these may be:

- Free cash flow per share
- Free cash flow/market value
- Working capital growth
- Price/Networking capital
- Present value growth opportunities
- Return on equity (ROE)
- Equity turnover
- Asset turnover
- Liquidation value/price
- Operating margins
- Free cash flow growth
- Free cash flow/current liabilities
- Capital expenditures
- Book price
- Dividend yield "coverage"
- Margins change
- Net profit margin
- Price/sales
- Earnings to price
- Dividend yield persistence

In short, we look for companies growing their dividends with lower volatility and increasing yields. As a guide, we love to see companies that double their dividend every 6-7 years. We look for companies with strong balance sheets, growing revenues, and strong dividend stability. The company should have a healthy amount of Free Cash Flow, and ideally we would like to see a dividend yield 150% relative to the market. The current market conditions have translated to a fairly narrow field of the safe-haven oasis stocks. Recently, we have seen a lot of strength in these regards in staples like water, power, telecommunications, and food. Data center and storage REITs have also exhibited strong qualities. These stocks also have the characteristic of being recession resistant. An example might be a neighborhood shopping facilities REIT that exhibits a growing dividend. Our current economy is bolstered 2/3rds by consumer spending. Food, clothing, and essentials tend to be recession resistant items that perform well even in a sour economy.

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On the contrary, we avoid stocks with dwindling revenues, ballooning debt, and capital depreciation which may drive up yields to "attractive levels." This is where we see a red flag. A company that issues debt to service their dividend, even if they are taking advantage of this low rate environment, is a caution sign for us. We stay away. If the credit markets tighten, then a company may find it may not have the cash flow to support its dividend. The stocks exhibiting these negative qualities have been in the land of energy, materials, industrials, and commodities lately. That's why you won't find many "high yield" dividend stocks in our portfolios. They have questionable safety at best. We have been avoiding MLPs, energy stocks like pipeline and oil & gas exploration, and banks.

GET GOOD GRADES!

Our Dividend Grader is a great place to begin to see how these factors can translate to performance. Let us walk you through what the grader is and what goes into it. Our Dividend Grader utilizes key fundamental metrics and weights them in an average to determine a grade of A to F. An A grade indicates high-ranking dividend sustainability. As a group, A-rated stocks tend to outperform the F-rated stocks which have low dividend sustainability. It is also interesting to note that the A-rated stocks tend to outperform the market in general.

The grader assigns grades based on the following metrics:

Four Quarter Dividend Growth - Grade based upon the dividend growth rate over the past four quarters.

Twelve Quarter Dividend Growth - Grade based upon the dividend growth rate over the past twelve quarters.

Estimated Dividend Growth - Grade based upon analyst expectations for dividend growth.

Consecutive Quarterly Dividends - Trailing number of quarters in which a dividend was paid.

Dividend Yield Current - Current indicated annual dividend yield.

We update our dividend database monthly.

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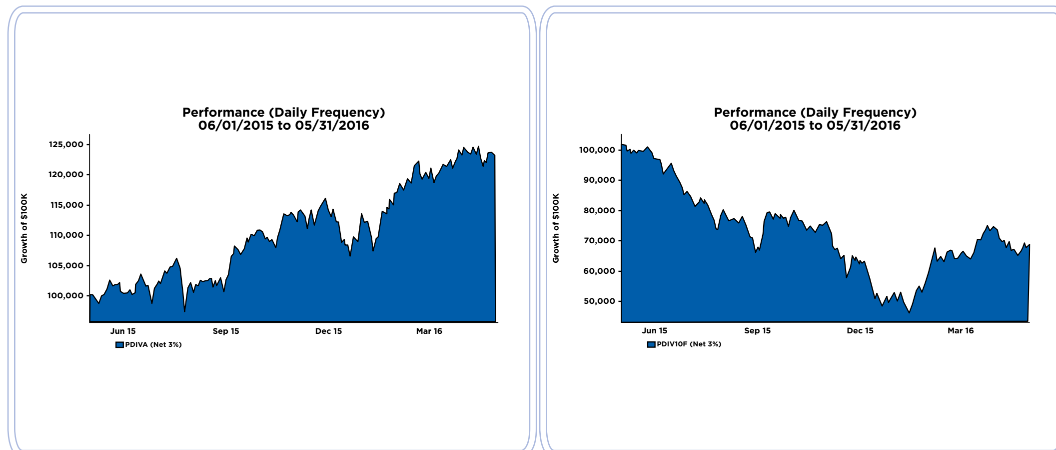
I went into the dividend grader and created a couple of portfolios that were equal weighted 10% positions per stock. I created one called PDIV10A selecting ten highly rated stocks. These stocks have many of the positive attributes we discussed above. On the flip side, I created a PDIV10F of 10 low rated stocks. These stocks all scored very poorly on the Dividend Grader.

Let's have a look at how these baskets have performed in the past year:



SOURCE *Navellier & Associates*

On the left we see the highly rated dividend stocks as a portfolio in a 1 year chart. The chart looks choppy but only due to a very narrow range. Its performance was highly resilient to the market's general decline over the past year as it ***increased 22.85%*** for one year. On the right, we see the poorly rated stocks portfolio which has ***declined 30.64%*** for this illustration.

WHAT MAKES NAVELLIER'S POWER DIVIDEND PORTFOLIO DIFFERENT?

The dividend landscape for 2015 was not pretty. In 2015, the higher the dividend yield, the more destruction of capital occurred. This was of course witnessed in REITs, MLPs, energy, and industrial stocks. Some closed-end dividend products faced a complete meltdown in 2015. For the icing on the cake, private REIT/MLP managers will soon have to disclose that they have lost 40% or more of their investors' capital in some of their private dividend MLPs. Income investing will not just stop. It may however, need to find a new home.

Our Power Dividend portfolio has several key distinctions from other competing investment products out there. We have already discussed the

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advantage of applying our quantitative technique towards selecting the highest-quality dividend stocks versus passively investing in a dividend ETF. For 2015, our Power Dividend portfolio returned 5.83% (pure gross) and 3.81% (net), versus 0.48% for the Russell 3000 benchmark. Year-to-date (ending 9/30/2016), the portfolio has returned 14.36% (pure gross) and 12.97% (net), versus 8.18% for the benchmark.

Another clear distinction is that we track the Russell 3000 Index, which we believe gives us a key advantage. Other managers may track the Russell 1000, Russell 1000 Growth, Russell 2000 Value, or Russell 2000 Growth indices. Why is tracking the Russell 3000 advantageous? Well for starters, we have a broader, wider, and deeper pool of securities for our models to sift through. Having 3000 stocks to choose from immediately offers an advantage over 2000 or 1000. We also have the ability to be nimble. As an example, other managers may have overexposure in multinational companies earning a significant portion of their revenue overseas. As the U.S. dollar strengthened and it eroded earnings abroad, we had the ability to shift our focus to companies that earn a lion's share of their revenue here on U.S. soil.

As discussed, we search for sectors and stocks that may offer greater earnings and dividend predictability, with less volatility. We place emphasis on these stronger sectors and higher-quality dividends because we believe they will perform well in the current economic cycle. We avoid the weaker sectors with lower-quality dividends. Although the energy, financial, healthcare, and industrial sectors may offer opportunity, we currently feel these sectors may face headwinds due to economic and policy conditions in the foreseeable future. Using a variation of the factor modeling developed and continuously refined by Navellier & Associates over 25 years ago, we attempt to avoid Wall Street "herd" mentality through a screening process that can identify underfollowed stocks.

The Navellier Power Dividend Portfolio is definitely a unique product. It uses the time-tested Navellier stock selection methodology to identify high-quality stocks with strong dividend growth rates. Our research found that financially sound companies with positive dividend growth rates offer attractive total return potential.

In addition to our proprietary quantitative and fundamental screening process, we seek stocks with market caps greater than $250 million that not only pay and grow their dividends but also have positive free cash flow sufficient to cover the dividend payment. In addition, the stocks must demonstrate compelling profitability measures. Typically, stocks in the

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Power Dividend portfolio exhibit positive return on equity and positive return on assets. Statistical measures may also be used in an attempt to identify unusual price movements in individual stock prices, which may result in higher-than-average turnover and cash positions for the portfolio. Our investment process also seeks in most cases to find dividend yields higher than the market. In addition, the equity securities must demonstrate compelling profitability measures.

The idea for such a strategy is that companies growing dividends do so because they have confidence in their future earnings power. This is why we typically select those companies with the highest dividend growth rates.

NAVELLIER POWER DIVIDEND PORTFOLIO TOP 10 HOLDINGS AS OF 09/30/2016

SORTED BY % OF TOTAL PORTFOLIO

1. Reynolds American Inc. (RAI)
2. Packaging Corporation of America (PKG)
3. Getty Realty Corp. (GTY)
4. Schweitzer-Mauduit International, Inc. (SWM)
5. QUALCOMM Incorporated (QCOM)
6. International Business Machines Corporation (IBM)
7. Dow Chemical Company (DOW)
8. Douglas Dynamics, Inc. (PLOW)
9. Intel Corporation (INTC)
10. Eaton Corp. Plc (ETN)

The Power Dividend Portfolio typically holds 15-25 dividend-paying stocks, which change as their screening parameters change. The stocks are chosen in part for the ability to meet and/or grow their dividends via a proprietary cash flow screen. In addition, they typically must have a minimum dividend yield of 3%-- as of September 30, 2016 the portfolio yields 3.34% --and have passing fundamental and quantitative grades.

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The Navellier Proprietary Quantitative Grade is a significant variable in the Navellier screening arsenal as it rewards stocks that have been outperforming the market on a risk-adjusted basis. Stocks that have been generating strong, steady returns are typically more likely to receive a top score of "A." Stocks that have been underperforming the market and have been volatile are typically more likely to receive the lowest grade of "F." The Navellier Proprietary Quantitative Grade is approximately 70% of the Total Stock Grade. For inclusion in the Power Dividend Portfolio, stocks are also screened to have a passing Overall Fundamental Grade based on an eight fundamental variables model. The Overall Fundamental Grade is typically 30% of the Total Stock Grade.

Navellier & Associates also recently developed a Dividend Persistence Model for use with all Navellier dividend strategies that ranks companies on their ability to pay and maintain a dividend. A company that has a low dividend yield, but the ability to pay a much higher dividend, as well as strong dividend growth, will typically get a high rating. A company that has a high dividend but insufficient cash flow to maintain it will typically get a low rating, etc. Some of the key criteria that highly-rated companies in the Dividend Persistence Model have to pass are: high earnings yield, high free cash flow yield, as well as good growth rate of the dividend over time.

The Concentrated High Dividend Portfolio is a little different as it aims for a minimum portfolio yield of 4% or higher, with similar criteria that deal with passing fundamental and quant grades, as well as the necessary cash flow to cover (and/or grow) the dividends—the Concentrated High Dividend Portfolio now yields 3.99% as of September 30, 2016. In order to attempt to deliver the highest possible yields while controlling risk, we have also included equity investments that are not regular stocks in the portfolio—like a few preferred securities.

The main difference between the Power Dividend and Concentrated High Dividend portfolios is that in the former we are typically looking for the highest possible yields combined with the ability of the companies to grow these yields substantially over time, while in the latter we are typically most concerned with the safety of the highest possible dividends. Some stocks between the two portfolios may overlap, but you would be surprised how these two different mandates lead to different companies. In the end, we have found that the safest dividends typically come from sectors like alcohol, tobacco, foods, energy, pharmaceuticals, telecommunications, utilities, and defense.

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HERE ARE SOME MORE DETAILS ON EACH OF NAVELLIER'S TOP 10 POWER DIVIDEND PORTFOLIO HOLDINGS:

Reynolds American (RAI)

Reynolds American is the undisputed number 2 player in the U.S. tobacco market after Altria. The company bought Lorillard in 2015 and has the opportunity to deliver a lot of synergies and cost cuts to maintain a healthy dividend growth as well as a buy-back program. The U.S. smoker rate as well as volume of cigarettes sold has been sliding for 35 years, yet the company has managed to figure out ways to cut costs and raise dividends as well as do aggressive buy-backs. The combined company raised the yield to 3.9% and we have the ability to see the dividend rise further as the merger synergies are worked out.

Packaging Corp. of America (PKG)

Packaging Corporation of America manufactures and sells container-board and corrugated packaging products in the United States, Europe, Mexico, and Canada. This is somewhat cyclical business that tends to shine in a mature economy. In that regard, it is somewhat different than the rest of the portfolio which is less economically cyclical. Be that as it may, PKG offers a generous dividend of 2.73% which is above the overall stock market yield.

Getty Realty Corp. (GTY)

Getty Realty Corp. owns and leases retail motor fuel and convenience store properties. Getty owns 836 properties and leased 216 additional properties in 13 states. The company was not started by legendary oil man John Paul Getty but in 1985, it was acquired from Texaco the petroleum distribution and marketing assets of Getty Oil Company in the Northeast United States along with the Getty name. In 2001 Getty Realty Corp. elected to qualify as a REIT. As a REIT, the company would not be subject to federal income tax, provided it distributes at least 90% of its REIT taxable income to its shareholders. This makes payout ratios a little different to read as REITs accentuate funds from operations (a measure of cash flow) and not income. That said, the 4.2% dividend is well covered.

Schweitzer-Mauduit International, Inc. (SWM)

Schweitzer-Mauduit International, Inc. provides engineered solutions and advanced materials for various industries worldwide. The company has two divisions, Engineered Papers and Advanced Materials & Structures.

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The Engineered Papers segment serves cigarette and cigar manufacturers, but it is a second derivative player in the industry not exposed to lawsuits. The Advanced Materials & Structures segment manufactures resin-based products, such as films, nets and foams for filtration, surface protection, medical, and industrial applications. SWM is a 1995 spin-off form Kimberly Clark, possibly for the parent to disassociate itself from the tobacco business. SWM makes no cigarettes or tobacco products, but it does serve those who make them. And while cigarette volumes in the US are slowly declining, they are growing globally. The 4.2% dividend is covered by a 51.1% payout ratio.

QUALCOMM (QCOM)

QUALCOMM operates through three segments: Qualcomm CDMA Technologies (QCT); Qualcomm Technology Licensing (QTL); and Qualcomm Strategic Initiatives (QSI). The QCT segment develops and supplies integrated circuits and system software based on code division multiple access (CDMA), and other standards. The QSI segment also invests in early-stage companies in various industries, including digital media, e-commerce, healthcare, and wearable devices. It has strategic alliances with many large players in the industry to develop, market, and promote LTE-based solutions. The company's chips are found virtually in every high-end smartphone. As the business has matured, management has raised the dividend to the present 3.1% with a 57.1% payout ratio.

International Business Machines Corp. (IBM)

International Business Machines provides information technology products and services worldwide. The company's Global Technology Services segment provides IT infrastructure services. Its Global Business Services segment offers consulting and systems integration services for strategy and transformation. The company's Software segment provides middleware and operating systems software. The company's Global Financing segment provides lease and loan financing; commercial financing to suppliers, distributors, and remarketers. In the past 15 years IBM has oriented its business more towards software and services—which have higher margins—rather than the classic hardware business. IBM has had many challenges over the years, but has always managed to overcome them. The shares yield 3.5% with an only 43.2% payout ratio.

Dow Chemical Co. (DOW)

The Dow Chemical operates through its Agricultural Sciences, Consumer Solutions, Infrastructure Solutions, Performance Materials & Chemicals, and

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Performance Plastics segments. As one of the largest chemical companies in the world—and one of the most advanced—Dow is an integral part of the U.S. economy. As all chemical companies go, it tends to have a more cyclical business model but because of the advanced nature of its products, it also tends to have higher operating margins. The business is less commoditized than its smaller competitors, which is why management can offer 3.6% dividend yield with a 26.4% payout ratio.

Douglas Dynamics, Inc. (PLOW)

Douglas Dynamics manufactures and sells snow and ice control equipment in the United States and Canada. Last year it acquired a smaller competitor which allowed to more synergies, better margins and a larger distribution network. The company offers snowplows, sand and salt spreaders, dump bodies, muni-bodies, replacement parts, and related parts and accessories. The company also provides customized solutions to governmental agencies, such as Departments of Transportation and municipalities. It sells its products through a distributor network primarily to professional snow blowers that serve commercial, municipal, and residential areas. As you can imagine the business is somewhat seasonal, but its substantial government business tend to smooth out that seasonality. The shares yield 3% with a 40% payout ratio.

Intel Corp. (INTC)

Intel is the largest semiconductor maker in the world. It has been a little slow to expand in mobile chips, but the old joke for Intel and AMD still applies here. The joke was: if Intel's R&D budget was bigger than AMD's total sales, why was AMD even bothering to compete? Well Intel's R&D budget is still bigger than some of mobile chipmakers' sales, so we have little doubt that the company will come back and become a big player. In the meantime, Intel has a 2.8% dividend and a 48.5% payout ratio that suggests the dividend is well covered.

Eaton Corp. Plc (ETN)

Eaton Corporation operates as a worldwide power management company. It is a product of now controversial reverse mergers, where a U.S. company buys a smaller foreign company but moves the headquarters outside of the U.S. for tax reasons (in this case Ireland). Eaton is a diversified electrical and industrial components manufacturer that is benefiting from a strong U.S. economy and business model built on buying smaller competitors and leveraging their niche products globally. The 3.5% dividend yield is well-covered by its 55.8% ratio.

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SUMMARY

There are very few places to find attractive and relatively safe yield in the market these days. We believe one logical place to look is in the dividend landscape. But not all companies that pay dividends are safe. At Navellier & Associates we use a time-tested, quantitative approach to sift through everything to find the best quality dividend stocks.

Set and forget may not always work, as evidenced by the Dutch East India Company. And some volatile growth stocks can grow to be the highest-quality dividend stocks, as is the case with Home Depot. At Navellier & Associates, we make it our mission to find the best in any market we look in. The Power Dividend Portfolio can be an oasis in the chaos of the current market environment.

DISCLOSURE

The preceding commentary is the opinion of Navellier & Associates, Inc.

This is not a recommendation to buy or sell the securities mentioned in this article. Investors should consult their financial advisor prior to making any decision to buy or sell the above mentioned securities.

The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients and it should not be assumed that investments in securities identified and described were or would be profitable. Performance results presented herein do not necessarily indicate future performance. Results presented include reinvestment of all dividends and other earnings. Investment in equity strategies involves substantial risk and has the potential for partial or complete loss of funds invested. Investment in fixed income components has the potential for the investment return and principal value of an investment to fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost. It should not be assumed that any securities recommendations made by Navellier & Associates, Inc. in the future will be profitable or equal the performance of securities mentioned in this report. For a list of recommendations made by Navellier & Associates, Inc. for the preceding twelve months, please contact Tim Hope at (775) 785-9415.

Dividend payments are not guaranteed. The amount of a dividend payment, if any, can vary over time and issuers may reduce dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer.

This report is for informational purposes and is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. The views and opinions expressed are those of Navellier at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Although the information in this communication is believed to be materially correct, no representation or warranty is given as to the accuracy of any of the information provided. Certain information included in this communication is based on information obtained from sources considered to be reliable. However, any projections or analysis provided to assist the recipient of this communication in evaluating the matters described herein may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results. Accordingly, any projections or analysis should not be viewed as factual and should not be relied upon as an accurate prediction of future results. Furthermore, to the extent permitted by law, neither Navellier nor any of its affiliates, agents, or service providers assumes any liability or responsibility nor owes any duty of care for any consequences of any person acting or refraining to act in reliance on the information contained in this communication or for any decision based on it. Opinions, estimates, and forecasts may be changed without notice. The views and opinions expressed are provided for general information only.

While MLPs have attractive features, there are potential risks an investor should consider prior to investment in such securities: (1) Commodity Price Risk - MLPs can be subject to commodity price risk when there is a decline in exploration, transport, and processing of energy products related to volatile energy prices. (2) Correlation Risk – While MLPs have historically low correlation to other asset classes, there has been a measureable increase since the financial crisis of 2008. This pattern has been present in other times of severe equity market stress. (3) Limited Liquidity – While liquidity has improved with investment vehicles like mutual and closed end funds, the ability to buy and sell is still somewhat constrained when compared to traditional investments such as equities. (4) Tax liability for tax exempt investors. Other potential issues include changes in the regulatory climate for energy-related activities, tax law changes, supply disruptions, environmental accidents, and terrorism. Interest rate risk may increase the potential cost of financing projects and affect the demand for MLP investments; this translates into lower valuations.

Bond Risk Considerations: The return of principle in a bond fund is not guaranteed and there is the potential for partial or complete loss of funds invested. In general, the bond market is volatile, and fixed income securities

can carry interest rate risk, which is the risk that when interest rates rise, the values of debt securities, especially those with longer maturities, will fall. Fixed income securities also carry inflation risk, credit risk, and default risk for both issuers and counterparties. Inflation risk is the uncertainty over the future real value of an investment. Credit risk is the risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payment will cause the price of the security to decline. Default risk is the risk that the issuer will be unable to make the required payments on their debt obligations.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value. The reported returns reflect a total return for each quarter inclusive of dividends. Presentation of index data does not reflect a belief by Navellier that any stock index constitutes an investment alternative to any Navellier equity strategy presented in these materials, or is necessarily comparable to such strategies and an investor cannot invest directly in an index. Among the most important differences between the indexes and Navellier strategies are that the Navellier equity strategies may (1) incur material management fees, (2) concentrate investments in relatively few ETFs, industries, or sectors, (3) have significantly greater trading activity and related costs, and (4) be significantly more or less volatile than the indexes. All indexes are unmanaged and performance of the indices includes reinvestment of dividends and interest income, unless otherwise noted, are not illustrative of any particular investment and an investment cannot be made in any index.

The Russell 3000® Index measures the performance of the 3,000 largest U.S .companies based on total market capitalization, which represents approximately 98% of the total investable U.S. equity market. This index is considered a reasonable measure of the general performance of the broad U.S. equity market. The returns for the Russell 3000® Growth Index include the reinvestment of any dividends. The asset mix of equity accounts may not be precisely comparable to the presented indices. Presentation of index data does not reflect a belief by the Firm that the Russell 3000® Growth, or any other index, constitutes an investment alternative to any investment strategy presented in these materials or is necessarily comparable to such strategies.

The Russell 1000® Growth Index measures the performance of the Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. This index is considered a reasonable measure of the performance of the large cap, growth oriented U.S. companies. The returns for the Russell 1000® Growth Index include the reinvestment of any dividends. The asset mix of large cap growth equity accounts may not be

precisely comparable to the presented indices. Presentation of index data does not reflect a belief by the Firm that the Russell 1000® Growth, or any other index, constitutes an investment alternative to any investment strategy presented in these materials or is necessarily comparable to such strategies.

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GRADERS DISCLOSURE: Investment in equity strategies involves substantial risk and has the potential for partial or complete loss of funds invested. The sample portfolio and any accompanying charts are for informational purposes only and are not to be construed as an offer to buy or sell any financial instrument and should not be relied upon as the sole factor in an investment making decision. As a matter of normal and important disclosures to you, as a potential investor, please consider the following:

The performance presented is not based on any actual securities trading, portfolio, or accounts, and the reported performance of the A, B, C, D, and F portfolios (collectively the “model portfolios”) should be considered mere “paper” or pro forma performance results based on Navellier’s research.

Investors evaluating any of Navellier & Associates, Inc.’s, (or its affiliates’) Investment Products must not use any information presented here, including the performance figures of the model portfolios, in their evaluation of any Navellier Investment Products. Navellier Investment Products include the firm’s mutual funds and managed accounts. The model portfolios, charts and other information presented do not represent actual funded trades and are not actual funded portfolios. There are material differences between Navellier Investment Products’ portfolios and the model portfolios, research, and performance figures presented here. The model portfolios and the research results (1) may contain stocks or ETFs that are illiquid and difficult to trade; (2) may contain stock or ETF holdings materially different from actual funded Navellier Investment Product portfolios; (3) include the reinvestment of all dividends and other earnings, estimated trading costs, commissions, or management fees; and, (4) may not reflect prices obtained in an actual funded Navellier Investment Product portfolio. For these and other reasons, the reported performances of model portfolios do not reflect the performance results of Navellier’s actually funded and traded Investment Products. In most cases, Navellier’s Investment Products have materially lower performance results than the performances of the model portfolios presented.

As a matter of important disclosure regarding the model results presented for Stock Grader, ETF Grader, and Dividend Grader, the following factors must be considered when evaluating the long- and short-term performance figures presented:

(1) Historical or illustrated results presented herein do not necessarily indicate future performance; Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested.

(2) The results presented were generated during a period of mixed (improving and deteriorating) economic conditions in the U.S. and positive and negative market performance. There can be no assurance that these favorable market conditions will occur again in the future. Navellier has no data regarding actual performance in different economic or market cycles or conditions.

(3) The back-tested performance was derived from the application of a model with the benefit of hindsight.

(4) The results portrayed reflect the reinvestment of dividends and other income.

(5) The net performance results portrayed include the reinvestment of all dividends and other earnings. Net results also include our estimation of investment advisory fees, administrative fees, transaction expenses, or other expenses that a client would have paid or actually paid. A 3.00% annualized advisory fee is built into the net return calculations although that fee is higher than any actual advisory fee currently clients are paying to Navellier & Associates, Inc. for investment advisory services.

(6) LIMITATIONS INHERENT IN MODEL RESULTS: The performance results presented are from a model portfolio, not an actually funded portfolio, and may not reflect the impact that material economic and market factors might have had on the adviser's decision making if the adviser were actually managing clients' money, and thus present returns which are greater than what a potential investor would have experienced for the time period. The results are presented for informational purposes only. No real money has been invested in this model portfolio. The model performance results should be considered mere 'paper' or pro forma performance results. The model results do not represent actual funded trades and may not reflect actual prices paid or received for actual funded trades.

(7) The model results may or may not relate, or only partially relate, to the type of advisory services currently offered by Navellier & Associates, Inc.

(8) In most cases, the adviser's clients had investment results materially lower than the results portrayed in the model.

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DISCLOSURE

NAVELLIER POWER DIVIDEND WRAP COMPOSITE

Reporting Currency U.S. Dollar

Year	Firm Assets ($M)	Composite Assets ($M)	Percentage of Firm Assets	Number of Accounts	% of Composite Non-fee Paying	Composite Pure Gross Return (%)	Composite Net Return (%)	Russell 3000® Index Return (%)	S&P 500 Index Return (%)	Composite Dispersion (%)	Composite 3-Yr Std Dev (%)	Russell 3000® Index 3-Yr Std Dev (%)	S&P 500 Index 3-Yr Std Dev (%)
2015	1,100	2	<1%	21	0	5.83	3.81	0.48	1.38	0.19	10.18	10.58	10.47
2014	2,107	3	<1%	21	0	6.54	4.99	12.56	13.69	0.12	10.35	9.29	8.97
2013	2,322	1	<1%	8	0	35.76	34.14	33.55	32.39	0.33	12.86	12.53	11.94
2012	3,412	1	<1%	4	17	24.14	22.17	16.42	16.00	N/A[1]	15.64	15.73	15.09
2011	2,728	2	<1%	5	7	-1.02	-2.16	1.03	2.11	N/A[1]	19.39	19.35	18.71
2010	2,365	2	<1%	7	5	21.53	19.34	16.93	15.06	0.02	25.37	22.62	21.85
2009	2,668	2	<1%	8	5	27.09	24.70	28.34	26.46	0.60	24.06	20.32	19.63
2008	2,678	2	<1%	8	4	-38.59	-39.62	-37.31	-37.00	1.21	21.26	15.79	15.08
2007	4,649	2	<1%	8	8	11.65	10.37	5.14	5.47	N/A[1]			
2006	4,373	1	<1%	4	11	8.78	7.55	15.72	15.79	N/A[1]			

[1]N/A information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

1. Compliance Statement – Navellier & Associates, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS standards. Navellier & Associates, Inc. has been independently verified for the periods January 1, 1995 through December 31, 2014 by Ashland Partners & Company LLP. A copy of the verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

2. Definition of Firm – Navellier & Associates, Inc. is a registered investment adviser established in 1987. Registration does not imply a certain level of skill or training. Navellier & Associates, Inc. manages a variety of equity assets for primarily U.S. and Canadian institutional and retail clients. The firm's list of composite descriptions as well as information regarding the firm's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

3. Composite Description – The Navellier Power Dividend Wrap Composite includes all discretionary Power Dividend equity accounts that are charged a wrap fee and are managed with similar objectives for a full month, including those accounts no longer with the firm. The strategy is designed for aggressive investors seeking to capitalize on the best opportunities within the group of publicly traded companies that pay dividends. The strategy invests in U.S. listed securities with market capitalizations greater than $250 million that pay dividends. Statistical measures may be used in an attempt to identify unusual price movements in individual stock prices, which may result in higher-than-average turnover and cash positions for the portfolio. At any given time, the strategy may hold up to 15% in American Depositary Receipts (ADRs). Stocks in the strategy typically exhibit positive return on equity and positive return on assets, usually have higher free cash flow than what they pay in dividends, and are usually growing dividends faster than the rate of inflation. Typically, the strategy invests in approximately 15 to 25 stocks. The strategy may invest in smaller capitalization stocks that may trade fewer shares than larger capitalization stocks; the liquidity risk among these types of stocks may increase the strategy's risk. Performance figures that are net of fees take into account advisory fees, wrap fees, and any brokerage fees or commissions that have been deducted from the account. "Pure" gross-of-fees returns do not reflect the deduction of any trading costs, fees, or expenses, and are presented only as supplemental information. Performance results are total returns and include the reinvestment of all income, including dividends. The composite was created March 31, 2006. The 2011 annual gross return has changed from 0.06 to -1.02 and net from -1.09 to -2.16. Valuations and returns are computed and stated in U.S. Dollars.

4. Management Fees – The management fee schedule for accounts is generally 45 to 90 basis points; however, some incentive fee, fixed fee, and fulcrum fee accounts may be included. Fees are negotiable, and not all accounts included in the composite are charged the same rate. Bundled fee accounts make up 100% of the composite for all periods shown. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Wrap fees generally range from 100 to 200 basis points and include custody, trading expenses, and other expenses associated with the management of the account. The client is referred to the firm's Form ADV Part 2A for a full disclosure of the fee schedule.

5. Composite Dispersion – If applicable, the dispersion of annual returns is measured by the standard deviation across asset-weighted portfolio level gross returns represented within the composite for the full year.

6. Benchmark – The primary benchmark for the composite is the Russell 3000® Index. The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. The secondary benchmark for the composite is the Standard & Poor 500 Index ("S&P 500 Index"). The S&P 500 Index measures the performance of approximately 500 companies listed on U.S. stock exchanges selected by Standard & Poor. These indices are considered reasonable measures of the general performance of the broad U.S. equity market. The returns for the Russell 3000® and S&P 500 indices include the reinvestment of any dividends. The asset mix of Navellier Power Dividend equity accounts may not be precisely comparable to the presented indices. Presentation of index data does not reflect a belief by the Firm that the Russell 3000® or S&P 500 indices, or any other index, constitutes an investment alternative to any investment strategy presented in these materials or is necessarily comparable to such strategies. As of June 2012, the Russell 3000 Index is listed as the primary benchmark because it is a better representation of the investment strategy. The S&P 500 Index has replaced the Russell 1000 Index as the secondary benchmark.

7. General Disclosure – The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2006 through 2007 because 36 months of history were not available. Actual results may differ from composite results depending upon the size of the account, custodian related costs, the inception date of the account and other factors. ***Past performance does not guarantee future results. Investment in equity strategies involves substantial risk and has the potential for partial or complete loss of funds invested. Results presented include reinvestment of all dividends and other earnings.*** The securities identified and described do not represent all of the securities purchased, sold, or recommended for client accounts. It should not be assumed that any securities recommendations made by Navellier & Associates, Inc. in the future will be profitable or equal the performance of securities made in this report. A list of recommendations made by Navellier & Associates, Inc. for the preceding twelve months is available upon request.