



balanced mix of stocks for your portfolio simply by purchasing one stock from each of the following seven sectors.

Consistent Growers

Stock prices follow earnings. If earnings keep going up...



Companies with a long record of increasing their earnings every year are good bets as buy-and-hold investments. Of more than 15,000 publicly traded U.S. companies, fewer than 2% have raised their earnings for 10 straight years or longer. Through 2005 or the closest fiscal year, just 21 have boosted earnings 20 years in a row, according to *America's Finest Companies*, an annual reference guide.

● **General Electric** is perhaps the most visible of these consistent growers, having posted increased earnings 30 years in a row. Nonetheless, the share price is down almost 10% since late 2004. GE's yearly growth rate is no longer at the 15% level of Jack Welch's day, in part because the company's sheer size makes that number difficult to reach. But since CEO Jeff Immelt took over in 2001, he has divested insurance operations and focused on more promising businesses. Analysts think Immelt's efforts will pay off with double-digit earnings growth. In addition, GE offers a 2.9% dividend yield, a generous payout for such a quality stock.

Dividend Hikers

Everyone wants an annual raise. So get one.



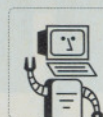
Some companies that can't maintain a perfect earnings record still manage to increase their dividends like clockwork. In fact, more than 100 have hiked dividends for 30 years in a row, and 22 dividend machines have rolled past the 40-year mark.

● **Procter & Gamble** has raised its payout for an incredible 50 straight years. The company's great array of soaps and personal-

care products (Tide, Crest, Head & Shoulders and Pampers, among others) are recession-resistant. People don't stop washing their hair or diapering their babies because the economy is sluggish. So P&G generally enjoys great earnings stability. When the company acquired Gillette last year, some analysts thought that P&G had overpaid and that the merger would take too long to pay off. Whether the deal was well priced or not, P&G's earnings are expected to be up 13% this year and next. That should allow the dividend, which now provides a 2% yield, to keep rising.

Tech Dominators

They may go up and down, but over the long run, they always seem to win.



Technology may change, and tech shares may be very unpredictable, but one type of stock in particular benefits from a very long holding period. A company that dominates an important business can maintain its position for years and turn in above-average growth. If the business is highly cyclical, however, even the No. 1 player's stock will bounce up and down, and investors can get burned if they mistime a trade. But hold for 30 years, and you won't care about volatility. In the end, you'll reap the rewards of decades of earnings growth.

● **Applied Materials** is the leading producer of semiconductor-manufacturing equipment. Even in good times this is a cyclical business. Because chipmaking equipment is so expensive (from \$1 million to \$3 million apiece for one of the latest systems), producers put off buying new machines as long as they can. But then, when overall demand picks up enough or a new kind of chip becomes popular, makers have to upgrade. Recently, Applied Materials has warned that orders could be flat in the second half. Nonetheless, the company's earnings have grown at an 18% compound annual rate over the past five years. That's impressive for a stock trading at less than 15 times estimated

Marathon Stocks

Investments that you can hang on to, like these seven, will lower your costs and boost your returns.

STOCK (TICKER)	PRICE	P/E RATIO	EARNINGS GROWTH	YIELD	COMMENT
Anadarko Petroleum (APC)	\$45.03	7.1	10%	0.8%	A major independent oil and gas producer with huge North American reserves
Applied Materials (AMAT)	15.61	14.2	15	1.3	The world's leading maker of semiconductor-manufacturing equipment
Burlington Northern (BNI)	66.07	11.6	14	1.5	The better-run of the two giant U.S. railroads and a play on energy efficiency
FPL Group (FPL)	43.36	13.2	10	3.4	Fast-growing electric utility serving much of eastern and southern Florida
General Electric (GE)	33.96	15.0	10	2.9	A leading conglomerate that has posted higher earnings for 30 years in a row
J.P. Morgan Chase (JPM)	45.46	11.5	10	3.0	Underperforming U.S. banking giant with lots of room to raise its profitability
Procter & Gamble (PG)	60.78	20.3	12	2.0	A great mix of recession-resistant brands such as Tide, Pampers and Gillette

NOTES: Data as of Aug. 21. P/E ratios based on projected earnings for 2007. Earnings growth is compound annual rate projected for five years by analysts covering the stock. SOURCE: Thomson/Baseline.