

Insights on Investing

Market Perspectives: Johnson & Johnson is Cradle to Grave

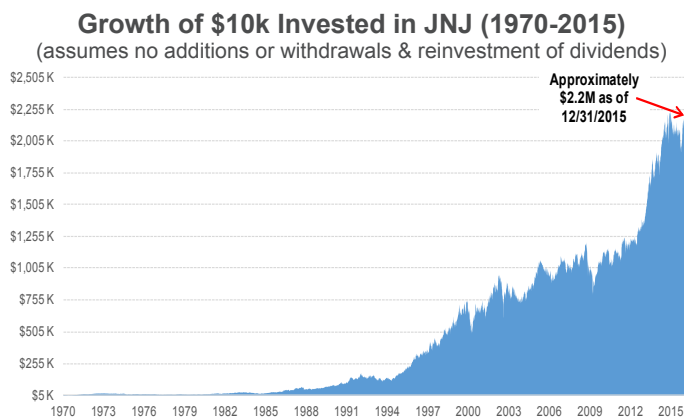


Michael S. Beall, CFA

Executive Vice President,
Chairman, Investment
Policy Committee

We believe that Johnson & Johnson (JNJ)* is a legacy investment and it is a core holding in our income oriented (DVIPX) and growth based (DAVPX) mutual funds, with each fund holding 3.44% and 3.26% of net asset value, respectively, as of June 30, 2016. Johnson & Johnson has paid a dividend since 1944 and increased it annually for the last 53 years. The dividend has averaged annual growth of over 7% the last 10 years; a rate the company could approach in the years to come.

The company and our economy have seen wide swings and significant changes over the last 50 years, yet JNJ has been able to prosper. We attribute part of its success to its diversified customer base, providing health



Source: Yahoo Finance

and related products literally from the cradle to the grave. Innovation from its own R&D efforts coupled with acquisitions has helped it meet the ever changing needs of its customers. Global growth and demographic shifts bode well for JNJ's long term future in our view.

Growing markets, a strong financial position (AAA balance sheet—a rarity these days) and a proven ability to grow in multiple ways make JNJ a great buy and hold stock. The company's size makes rapid growth difficult. However, investors should find the nearly 3% current yield coupled with mid-single digit earnings and dividend growth potential quite acceptable; especially given the below average risk we perceive.

As of June 30, 2016

*Immediate family members own JNJ common stock

Investors should consider the Fund's investment objectives, risks, charges, and expenses carefully before investing. The Fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and may be obtained from your Financial Advisor, (800) 846-6666, or by visiting www.investdavenport.com.

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Johnson & Johnson is a holding company. The Company is engaged in the research and development, manufacture and sale of a range of products in the health care field. The Company has more than 265 operating companies conducting business around the world. The Company's primary focus is products related to human health and well-being. The Company is organized into three business segments: Consumer, Pharmaceutical and Medical Devices. The Company's subsidiaries operate 134 manufacturing facilities occupying approximately 21.5 million square feet of floor space. The Company's research facilities are located in the United States, Belgium, Brazil, Canada, China, France, Germany, India, Israel, Japan, the Netherlands, Singapore, Switzerland and the United Kingdom.

Risk Considerations: The fund may not achieve its objective and/or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks. Small and mid-cap company stocks may be more volatile than stocks of larger, more established companies. Please see the prospectus for further information on these and other risk considerations.