

This is the Most Persuasive Test of High-Quality Investing: Does Your Portfolio Pass?

Of all the ways you can test the holdings in your portfolio, Ben Graham codified what he called the most persuasive in his book [*Intelligent Investor*](#). Companies paying dividends for 20 consecutive years were first on Graham's list of high quality. I explained high quality to readers in August 2007, writing:

Laurent & Villchur...

Back in 1967, Acoustic Research's demonstration room on Mount Auburn Street in Cambridge, Massachusetts, was ground zero for state-of-the-art high fidelity. My experiences in Cambridge led me to buy the Acoustic Research AR3 speakers and AR turntable that I am playing today, four decades later, as I write to you. And I am also using the same Dynaco PAT-4 preamplifier and Dyna Stereo 120 power amplifier that first powered my AR3s 40 years ago. AR's founder Edgar Villchur and Dynaco designer Ed Laurent were the legendary forces behind this ground-breaking equipment. Today, as I play Johnny Lytle's The Loop, Jack McDuff's Tough 'Duff and The Beatles' Sgt. Peppers, the sound from vinyl is every bit as warm and enjoyable as it was with my earliest AR/Dynaco experiences back in the 1960s.

Vinyl for Warmth

CDs were never collectible and never matched vinyl for warmth. I own a number of high-fidelity systems, including a dearly

priced and excellent Conrad Johnson-based reference system. But for day-to-day listening, I turn on my AR/Dynaco system and records—no question about it.

45-RPM Tops

All of this, of course, flies in the face of music industry hype for CDs and downloads, the ultimate in a low-fidelity music experience for the masses. While perfect for jogging and the Wal-Mart experience, this is not high fidelity. And the cherry on the cake of my musical high-fidelity experience for you is the revelation that sound from a properly mastered 45-RPM record is best of all. If you ever saw the classic 1982 movie Diner, you may remember the scene in which Shrevie utters, “Every one of my records means something.” Vinyl was and remains the way to go. What I find most encouraging is that young listeners are coming into the vinyl market every day.

Treasured Since 1934

As I write to you today, the single investment book on my desk is the same book that was on my desk when I began in the investment business at Clayton Securities in 1963. Graham, Dodd & Cottles’ Security Analysis is as treasured as it was since its first edition in 1934. Like high fidelity, the guts of investing have really not changed so much through the decades. Compound interest, value, and patience are still the key. Ben Graham was fond of saying, “One of the most persuasive tests of high quality is an uninterrupted record of dividend payments for the last 20 years or more.” In his Intelligent Investor, Graham followed up with, “Indeed, the defensive investor might be justified in limiting purchases to those meeting this test.” Nothing has changed.

Dividends Since 1893

Coke began paying a dividend in 1893, Exxon in 1882, GE in 1899. Things sure have gotten different, haven't they?

Uninterrupted streams of dividends can lead to a cascade of compounding in your portfolio. [Click here to learn more about the value of compound interest](#), and in particular the powerful Coca-Cola Story.