



Safest Dividend Yields for February 2018

10 Large/Mid Cap and 10 Small Cap Stocks

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- Figure 1 shows 13 new stocks that make our February list.
- The Safest Dividend Yields Model Portfolio underperformed the S&P 500 last month on a total and price return basis.
- The Model Portfolio fell 5.1% on a price return basis (S&P - 3.2%) and fell 5.0% on a total return basis (S&P -3.2%).
- Since inception, this Model Portfolio is up 10% price return and 17% total return while the S&P 500 is up 23% price return and 25% total return.
- Figure 10 shows the six stocks that outperformed from January's report
- The stocks in this model portfolio have safer dividends based on free cash flow and economic earnings.
- Each stock has an Attractive or Very Attractive rating and a dividend yield that is among the highest in the market.
- Ernst & Young's recent white paper "[Getting ROIC Right](#)" proves the superiority of our research and analytics.

Figure 1: Additions for February

Large/Mid Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
BRX	Brixmor Property Group	AROW	Arrow Financial Group
GIS	General Mills Inc.	LOAN	Manhattan Bridge Capital Inc.
GM	General Motors	ORIT	Oritani Financial Corp
KMB	Kimberly-Clark Corp	VALU	Value Line Inc.
NWE	NorthWestern Corporation		
OMC	Omnicom Group		
PFG	Principal Financial Group		
STX	Seagate Technology		
TD	Toronto-Dominion Bank		

Sources: New Constructs, LLC

This model portfolio helps investors find high and safe dividend yields. When investors search for yield, we believe it is important to distinguish between safe and unsafe dividend yields.

Companies with strong free cash flow provide safer dividend yields because we know they generate the cash flow to support the dividend. Dividend yields from companies with low or negative free cash flow cannot be trusted as much because they may not be able to sustain their dividend because they are financing it with debt or cash on the balance sheet.



This model portfolio is updated the third week of every month.

Please see Appendix B for explanations of additions and deletions to the [Safest Dividend Yields Model Portfolio](#).

The 10 Safest Dividend Yield Large/Mid Cap Stocks for February

We recommend that investors equal-weight holdings in all 10 stocks.

Figure 2: 10 Top Dividend Yield Large/Mid Cap Stocks for February

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			
				As of Last Twelve Months		As of 2/20/18			
				Positive Economic EPS	Return on Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	Market Value (\$mm)
BRX*	Brixmor Property Group	7.0%	Real Estate	\$0.45	6%	6%	0.8	Less than 1	\$4,769
STX*	Seagate Technology	4.8%	Technology	\$2.56	19%	9%	1.1	26	\$14,845
NWE*	NorthWestern Corporation	4.1%	Utilities	\$0.94	5%	6%	0.7	Less than 1	\$2,535
GM*	General Motors	3.7%	Consumer Cyclical	\$2.57	11%	8%	0.5	Less than 1	\$57,185
GIS*	General Mills, Inc.	3.5%	Consumer Non-cyclical	\$1.71	9%	5%	1.1	5	\$31,838
PG	Procter & Gamble Co.	3.4%	Consumer Non-cyclical	\$2.36	10%	5%	1.0	Less than 1	\$205,058
KMB*	Kimberly-Clark Corp	3.4%	Consumer Non-cyclical	\$4.98	15%	5%	0.9	Less than 1	\$40,138
TD*	Toronto-Dominion Bank	3.4%	Financial	\$2.22	12%	2%	0.9	1	\$105,684
PFG*	Principal Financial Group	3.1%	Financial	\$1.19	11%	8%	0.8	Less than 1	\$18,161
OMC*	Omnicom Group	3.1%	Consumer Cyclical	\$3.91	14%	8%	0.8	Less than 1	\$18,044

* Addition to the list in February
Top Dividend Yield Stocks are Sorted by Dividend Yield in Descending Order

Sources: New Constructs, LLC

The 10 Safest Dividend Yield Small Cap Stocks for February

We recommend that investors equal-weight holdings in all 10 stocks.

Figure 3: 10 Top Dividend Yield Small Cap Stocks for February

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			
				As of Last Twelve Months		As of 2/20/18			
				Positive Economic EPS	Return on Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	Market Value (\$mm)
ACRE	Ares Commercial Real Estate	8.5%	Real Estate	\$0.36	8%	22%	0.6	Less than 1	\$362
LOAN*	Manhattan Bridge Capital Inc.	7.2%	Real Estate	\$0.22	11%	5%	0.8	Less than 1	\$50
ORIT*	Oritani Financial Corp	6.3%	Financials	\$0.50	10%	5%	0.8	Less than 1	\$739
DIN	DineEquity Inc.	6.1%	Consumer Cyclical	\$1.99	6%	22%	1.0	Less than 1	\$1,141
BKE	The Buckle Inc.	4.8%	Consumer Cyclical	\$1.21	15%	12%	0.7	Less than 1	\$1,028
DSW	DSW Inc.	4.1%	Consumer Cyclical	\$0.50	7%	13%	0.8	Less than 1	\$1,558
EBF	Ennis Inc.	4.1%	Industrials	\$0.29	8%	7%	0.9	Less than 1	\$499
VALU*	Value Line Inc.	3.9%	Industrials	\$0.50	13%	4%	1.1	12	\$181
SCS	Steelcase Inc.	3.6%	Industrials	\$0.28	8%	5%	1.0	Less than 1	\$1,661
AROW*	Arrow Financial Group	3.1%	Financials	\$0.87	10%	3%	0.9	Less than 1	\$451

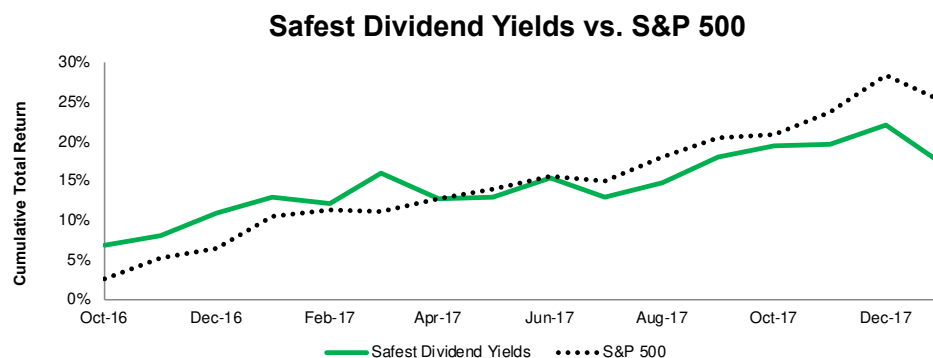
* Addition to the list in February
Top Dividend Yield Stocks are Sorted by Dividend Yield in Descending Order

Sources: New Constructs, LLC



Safest Dividend Yields: Total Return Performance

Per Figure 4, the Safest Dividend Yields Model Portfolio has underperformed on a total return basis since inception in October 2016. Since then, the Safest Dividend Yields Model Portfolio has cumulative total returns of 17% compared to 25% for the S&P 500.

Figure 4: Total Return of Safest Dividend Yields Model Portfolio

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

Figure 5: Monthly Total Return of Safest Dividend Yields

	Portfolio Total Returns					
	4Q16	1Q17	2Q17	3Q17	4Q17	Jan-18
Safest Dividend Yields	11.0%	5.1%	-0.6%	2.5%	4.2%	-5.0%
S&P 500	6.4%	4.6%	4.5%	4.9%	7.9%	-3.2%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

Figure 6: Cumulative Total Return of Safest Dividend Yields

	Cumulative Portfolio Total Returns					
	4Q16	1Q17	2Q17	3Q17	4Q17	Jan-18
Safest Dividend Yields	11.0%	16.1%	15.5%	18.0%	22.1%	17.1%
S&P 500	6.4%	11.0%	15.6%	20.5%	28.3%	25.1%

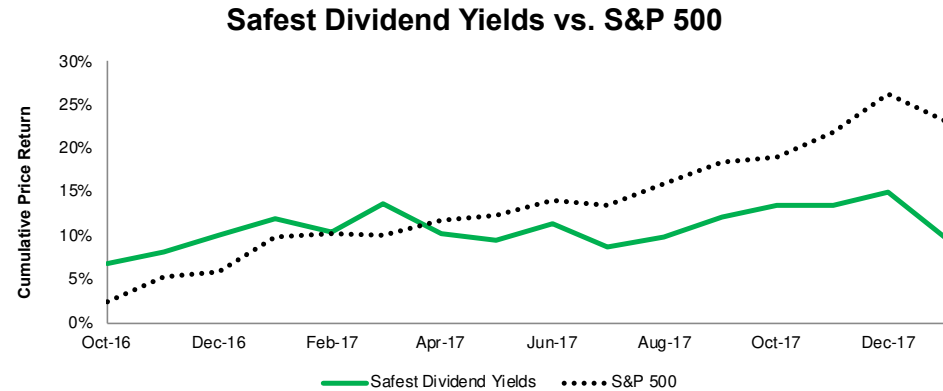
Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.



Safest Dividend Yields: Price Return Performance

Per Figure 7, the Safest Dividend Yields Model Portfolio has underperformed on a price return basis since inception in October 2016. Since then, the Safest Dividend Yields Model Portfolio has cumulative price returns of 10% compared to 23% for the S&P 500. A detailed breakdown of last month's performance can be seen on the next page.

Figure 7: Price Return of Safest Dividend Yields Model Portfolio

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

Figure 8: Monthly Price Return of Safest Dividend Yields

	Portfolio Price Returns					
	4Q16	1Q17	2Q17	3Q17	4Q17	Jan-18
Safest Dividend Yields	10.1%	3.5%	-2.4%	0.9%	2.8%	-5.1%
S&P 500	5.8%	4.2%	4.0%	4.4%	7.9%	-3.2%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

Figure 9: Cumulative Price Return of Safest Dividend Yields

	Cumulative Portfolio Price Returns					
	4Q16	1Q17	2Q17	3Q17	4Q17	Jan-18
Safest Dividend Yields	10.1%	13.6%	11.3%	12.0%	15.0%	9.9%
S&P 500	5.8%	10.0%	14.0%	18.0%	26.3%	23.1%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends.



Safest Dividend Yields: Monthly Price Updates

The [Safest Dividend Yields Model Portfolio](#) (-5.1%) underperformed the S&P 500 (-3.2%) last month. Six stocks from our [January Safest Dividend Yields Model Portfolio](#) outperformed the S&P 500 and Russell 2000 while four stocks had positive returns. See Figure 10 for details. For updates on the performance of all of last month's stocks, see Appendix A. We measure our January performance based on closing prices from January 19, 2018 to February 20, 2018. We published last month's report to subscribers on January 19, 2018.

Figure 10: Six Stocks That Outperformed from January's Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 1/19/18	Ticker	Company Name	Change From 1/19/18
K	Kellogg Company	4.6%	DIN	DineEquity Inc.	19.6%
LVS	Las Vegas Sands Corp	0.7%	BKE	The Buckle Inc.	1.4%
SPY	S&P 500	-3.2%	NPK	National Presto Industries	-2.9%
			ACRE	Ares Commercial	-3.3%
			RUT	Russell 2000	-4.2%

Sources: New Constructs, LLC

Note: Gain/decline performance analysis excludes transaction costs and dividends



Safest Dividend Yield: Methodology

Stocks make our Safest Dividend Yield Model Portfolio because they have:

1. Attractive or Very Attractive [rating](#)
2. Dividend Yield >3%
3. Positive [Free Cash Flow](#) and [Economic Earnings](#)

To support sector diversification, we limit the number of stocks per sector on each list to three.

This model portfolio offers a well-screened group of stocks that also delivers yields greater than the market (S&P 500 yields ~2%), dividend sustainability because of strong free cash flow, and the potential for capital appreciation as each stock is currently undervalued.



Appendix A – Price Performance of Stocks on January's Report

Figure 11: Price Performance of All Stocks from January's Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 1/19/18	Ticker	Company Name	Change From 1/19/18
K	Kellogg Company	4.6%	DIN	DineEquity Inc.	19.6%
LVS	Las Vegas Sands Corp	0.7%	BKE	The Buckle Inc.	1.4%
SPY	S&P 500	-3.2%	NPK	National Presto Industries	-2.9%
IBM	International Business Machines	-4.4%	ACRE	Ares Commercial	-3.3%
STWD	Starwood Property Trust	-4.5%	RUT	Russell 2000	-4.2%
SPG	Simon Property Group	-5.3%	EBF	Ennis Inc.	-6.7%
TGT	Target Corporation	-6.7%	SCS	Steelcase Inc.	-7.7%
KO	The Coca-Cola Company	-6.7%	ANH	Anworth Mortgage Asset	-9.3%
GLPI	Gaming and Leisure Properties	-7.7%	NRCIB	National Research Corp	-9.6%
PG	Procter & Gamble Co.	-10.7%	DSW	DSW Inc.	-10.5%
TUP	Tupperware Brands Group	-20.9%	WPG	Washington Prime Group	-11.6%
Portfolio Return		-6.2%	Portfolio Return		-4.1%
Combo (Large and Small Cap) Return		-5.1%			

Sources: New Constructs, LLC

Note: Gain/decline performance analysis excludes transaction costs and dividends



Appendix B – Additions and Deletions

Safest Dividend Yield Large/Mid Cap Stocks

Deletions:

- | | |
|------|--|
| GLPI | - Displaced by improved rank of other stocks |
| IBM | - Expected to file 10-K within current month |
| K | - Expected to file 10-K within current month |
| KO | - Expected to file 10-K within current month |
| LVS | - Downgraded to Neutral |
| SPG | - Expected to file 10-K within current month |
| STWD | - Expected to file 10-K within current month |
| TGT | - Expected to file 10-K within current month |
| TUP | - Expected to file 10-K within current month |

Additions:

- | | |
|-----|---|
| BRX | - Addition by improved rank over other stocks |
| GIS | - Addition by improved rank over other stocks |
| GM | - Addition by improved rank over other stocks |
| KMB | - Addition by improved rank over other stocks |
| NWE | - Addition by improved rank over other stocks |
| OMC | - Addition by improved rank over other stocks |
| PFG | - Addition by improved rank over other stocks |
| STX | - Addition by improved rank over other stocks |
| TD | - Addition by improved rank over other stocks |

Safest Dividend Yield Small Cap Stocks

Deletions:

- | | |
|-------|--|
| ANH | - Expected to file 10-K within current month |
| NPK | - Expected to file 10-K within current month |
| NRCIB | - Expected to file 10-K within current month |
| WPG | - Expected to file 10-K within current month |

Additions:

- | | |
|------|---|
| AROW | - Addition by improved rank over other stocks |
| LOAN | - Addition by improved rank over other stocks |
| ORIT | - Addition by improved rank over other stocks |
| VALU | - Addition by improved rank over other stocks |



Explanation of Risk/Reward Rating System

Our Risk/Reward Rating System assigns a rating to every stock under our coverage according to what we believe are the 5 most important criteria for assessing the risk versus reward of stocks. See table that follows for details.

Overall Risk/Reward Ranking	The Overall Risk/Reward Ranking provides a final rating based on the equal-weighted average rating of each criterion.
Very Unattractive	FCF Yield is not included in the average.
Unattractive	FCF Yield is not included in the average.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

Economic vs Reported EPS	Rates stocks based on how their Economic Earnings compare to their Reported Earnings. Values based on Latest Fiscal Year.
Very Unattractive	Negative and declining Economic Earnings despite positive and rising Reported Earnings
Unattractive	Same as above except Reported Earnings are not rising or Reported Earnings are not positive
Neutral	Negative Economic and Reported Earnings
Attractive	Economic Earnings are positive
Very Attractive	Economic Earnings are positive and rising

Return on Invested Capital (ROIC)	Rates stocks based on their ROIC. Values based on Latest Fiscal Year.
Bottom Quintile	Very Unattractive = < 4.8%
4th Quintile	Unattractive = 4.8% < 7.5%
3rd Quintile	Neutral = 7.5% < 10.5%
2nd Quintile	Attractive = 10.5% < 14.5%
Top Quintile	Very Attractive = > 14.5%

FCF Yield	Rates stocks based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.
<-5%	Very Unattractive = less than or equal to -5%
-5%<-1%	Unattractive = more than -5% but less than or equal to -1%
-1%<3%	Neutral = more than -1% but less than or equal to +3%
3%<10%	Attractive = more than +3% but less than or equal to +10%
>10%	Very Attractive = more than +10%



Price-to-EBV Ratio	Rates stocks based on their Price-to-Economic Book Value Ratio. Values based on Latest Closing Stock price and Latest Fiscal Year.
>3.5 or -1>0	Very Unattractive = greater than or equal to 3.5 or less than 0 but greater than -1
2.4>3.5 or <-1	Unattractive = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6>2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1>1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0>1.1	Very Attractive = greater than or equal to 0 but less than 1.1

Growth Appreciation Period (yrs)	Rates stocks based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.
>50	Very Unattractive = greater than or equal to 50 years
20>50	Unattractive = at least 20 years but less than 50
10>20	Neutral = at least 10 years but less than 20
3>10	Attractive = at least 3 years but less than 10
0>3	Very Attractive = at least 0 years but less than 3



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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

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1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our [robo-analyst technology](#) empowers us to perform for thousands of stocks, ETFs and mutual funds.



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