



## Safest Dividend Yields for June 2018

### 10 Large/Mid Cap and 10 Small Cap Stocks

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- Figure 1 shows five new stocks that make our June list.
- The Safest Dividend Yields Model Portfolio outperformed the S&P 500 last month.
- The Model Portfolio rose 4.5% on a price return basis (S&P +1.2) and rose 4.8% on a total return basis (S&P +1.6%).
- Figure 10 shows the 12 stocks that outperformed from May'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.
- Our Robo-Analyst technology, [featured by Harvard Business School](#), analyzes thousands of stocks to help pick the best.

Figure 1: Additions for June

Large/Mid Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
KMB	Kimberly-Clark Corp	AYR	Aircastle Ltd
PFG	Principal Financial Group	MITT	AG Mortgage Investment Trust
TUP	Tupperware Brands		

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 June

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

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

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			
				As of Last Twelve Months		As of 6/18/18			
				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)
NRZ	New Residential Investment Corp	10.9%	Real Estate	\$3.72	30%	2%	0.3	6	\$6,175
CIM	Chimera Investment Corp	10.7%	Real Estate	\$2.45	21%	12%	0.3	Less than 1	\$3,496
MFA	MFA Financial, Inc.	10.3%	Real Estate	\$0.50	13%	4%	0.5	Less than 1	\$3,108
TUP*	Tupperware Brands Corp	6.1%	Consumer Cyclical	\$2.51	14%	10%	0.9	Less than 1	\$2,262
BUD	Anheuser-Busch InBev S.A.	5.1%	Consumer Non-cyclical	\$1.39	6%	15%	1.5	Less than 1	\$163,567
FII	Federated Investors, Inc.	4.5%	Financial	\$1.34	18%	4%	1.0	Less than 1	\$2,420
KMB*	Kimberly-Clark Corp	4.0%	Consumer Non-cyclical	\$3.90	14%	12%	1.0	Less than 1	\$35,191
PG	Procter & Gamble Co.	3.8%	Consumer Non-cyclical	\$2.38	10%	5%	0.9	Less than 1	\$190,707
PFG*	Principal Financial Group, Inc.	3.7%	Financial	\$1.48	11%	1%	0.7	Less than 1	\$16,052
GM	General Motors Co	3.5%	Consumer Cyclical	\$1.94	10%	11%	0.6	Less than 1	\$61,936

\* Addition to the list in June  
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 June

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

**Figure 3: 10 Top Dividend Yield Small Cap Stocks for June**

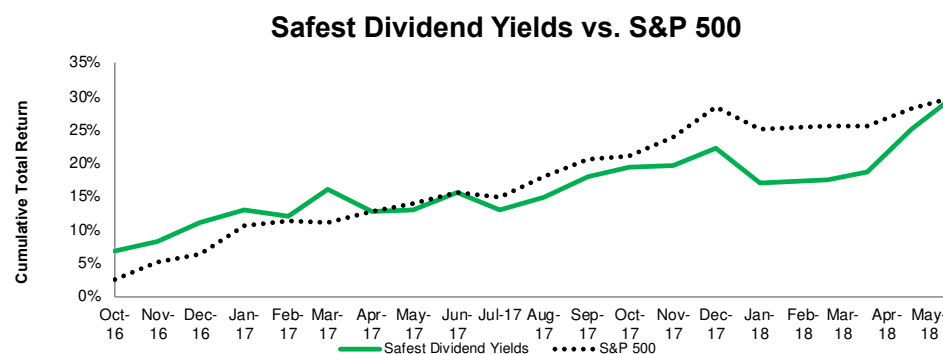
				High-Quality Earnings		Cheap Valuation			
				As of Last Twelve Months		As of 6/18/18			
Ticker	Company Name	Dividend Yield	Sector	Positive Economic EPS	Return On Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	Market Value (\$mm)
MITT*	AG Mortgage Investment Trust	9.8%	Real Estate	\$2.28	15%	9%	0.3	Less than 1	\$547
SLD	Sutherland Asset Management	9.2%	Real Estate	\$0.88	9%	6%	0.5	4	\$514
LADR	Ladder Capital Corp	8.2%	Real Estate	\$0.77	10%	5%	0.7	3	\$1,754
AYR*	Aircastle Ltd	5.3%	Industrials	\$0.64	5%	6%	0.4	Less than 1	\$1,653
NPK	National Presto Industries	4.6%	Industrials	\$4.33	21%	4%	1.1	Less than 1	\$911
WHG	Westwood Holdings Group	4.5%	Financials	\$2.24	22%	6%	1.3	1	\$541
PWOD	Penns Woods Bancorp	4.3%	Financials	\$0.82	8%	6%	0.9	Less than 1	\$205
EBF	Ennis Inc.	4.3%	Industrials	\$0.25	7%	7%	0.8	Less than 1	\$478
CZNC	Citizens & Northern Corp	4.1%	Financials	\$0.57	8%	4%	1.0	Less than 1	\$323
BKE	The Buckle	3.7%	Consumer Cyclical	\$1.28	17%	8%	0.9	Less than 1	\$1,319

\* Addition to the list in June  
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 performed in line on a total return basis since inception in October 2016. Since then, the Safest Dividend Yields Model Portfolio has cumulative total returns of 30% compared to 30% 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					
	2016	2017	1Q18	18-Apr	May-18
Safest Dividend Yields	11.0%	11.2%	-3.6%	6.5%	4.8%
S&P 500	6.4%	21.9%	-2.8%	2.5%	1.6%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

**Figure 6: Cumulative Total Return of Safest Dividend Yields**

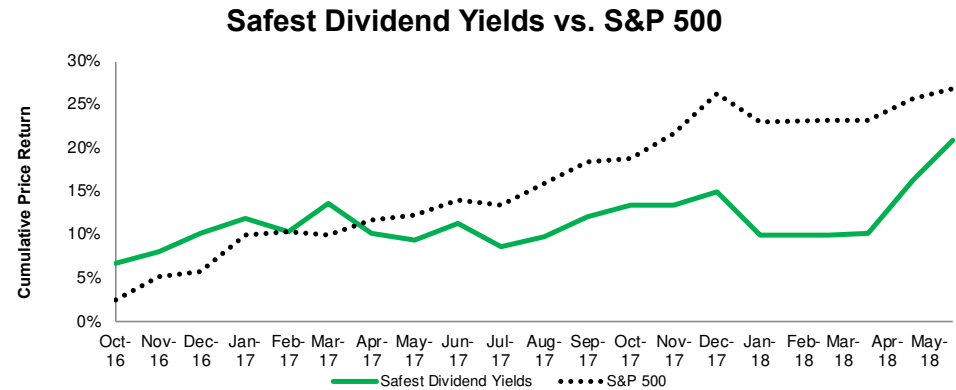
Cumulative Portfolio Total Returns					
	2016	2017	1Q18	18-Apr	May-18
Safest Dividend Yields	11.0%	22.1%	18.5%	25.0%	29.9%
S&P 500	6.4%	28.3%	25.5%	28.1%	29.7%

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 21% compared to 27% 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					
	2016	2017	1Q18	18-Apr	May-18
Safest Dividend Yields	10.1%	4.8%	-4.9%	6.3%	4.5%
S&P 500	5.8%	20.5%	-3.1%	2.5%	1.2%

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					
	2016	2017	1Q18	18-Apr	May-18
Safest Dividend Yields	10.1%	15.0%	10.1%	16.4%	20.9%
S&P 500	5.8%	26.3%	23.2%	25.7%	26.9%

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](#) (+4.5%) outperformed the S&P 500 (+1.2%) last month. 12 stocks from our [May Safest Dividend Yields Model Portfolio](#) outperformed the S&P 500 and 17 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 May performance based on closing prices from May 23, 2018 to June 18, 2018. We published last month's report to subscribers on May 23, 2018.

**Figure 10: 12 Stocks That Outperformed from May's Report**

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 5/23/18	Ticker	Company Name	Change From 5/23/18
GM	General Motors Co	16.1%	NPK	National Presto Industries	20.9%
SIX	Six Flags Entertainment	14.1%	HVT	Haverty Furniture Companies	11.4%
PDCO	Patterson Companies	2.5%	BKE	The Buckle	7.2%
CIM	Chimera Investment Corp	2.3%	SLD	Sutherland Asset Management	5.2%
PG	Procter & Gamble Co.	2.2%	CZNC	Citizens & Northern Corp	5.2%
BUD	Anheuser-Busch InBev	1.9%	<b>RUT</b>	<b>Russell 2000</b>	<b>4.0%</b>
NRZ	New Residential Investment	1.2%			
<b>SPY</b>	<b>S&amp;P 500</b>	<b>1.2%</b>			

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 May's Report

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

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 5/23/18	Ticker	Company Name	Change From 5/23/18
GM	General Motors Co	16.1%	NPK	National Presto Industries	20.9%
SIX	Six Flags Entertainment	14.1%	HVT	Haverty Furniture	11.4%
PDCO	Patterson Companies	2.5%	BKE	The Buckle	7.2%
CIM	Chimera Investment Corp	2.3%	SLD	Sutherland Asset Management	5.2%
PG	Procter & Gamble Co.	2.2%	CZNC	Citizens & Northern Corp	5.2%
BUD	Anheuser-Busch InBev	1.9%	<b>RUT</b>	<b>Russell 2000</b>	<b>4.0%</b>
NRZ	New Residential Investment	1.2%	EBF	Ennis Inc.	2.5%
<b>SPY</b>	<b>S&amp;P 500</b>	<b>1.2%</b>	LADR	Ladder Capital Corp	2.4%
MFA	MFA Financial, Inc.	0.1%	WHG	Westwood Holdings Group	1.8%
IBM	International Business Machines	-0.1%	ACRE	Ares Commercial Real Estate	0.7%
FII	Federated Investors	-3.8%	PWOD	Penns Woods Bancorp	-3.5%
Portfolio Return		3.7%	Portfolio Return		5.4%
Combo (Large and Small Cap) Return		4.5%			

Sources: New Constructs, LLC

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





## ***Appendix B – Additions and Deletions***

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### **Safest Dividend Yield Large/Mid Cap Stocks**

#### **Deletions:**

- IBM - Displaced by improved rank of other stocks
- PDCO - Displaced by improved rank of other stocks
- SIX - Rating downgraded to Neutral

#### **Additions:**

- KMB - Addition by improved rank over other stocks
- PFG - Addition by improved rank over other stocks
- TUP - Addition by improved rank over other stocks

### **Safest Dividend Yield Small Cap Stocks**

#### **Deletions:**

- ACRE - Displaced by improved rank of other stocks
- HVT - Rating downgraded to Neutral

#### **Additions:**

- AYR - Addition by improved rank over other stocks
- MITT - 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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4. **Relevant** - Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

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