



Safest Dividend Yields for June 2021

10 Large/Mid Cap and 9 Small Cap Stocks

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- Figure 1 shows six new stocks that make our June list.
- The Safest Dividend Yields Model Portfolio underperformed the S&P 500 from May 20, 2021 through June 21, 2021.
- The Model Portfolio fell 2.0% on a price return basis (S&P +1.3%) and 1.6% on a total return basis (S&P +1.3%).
- Figure 10 shows the four stocks with positive returns since 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.
- This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.
- Our Robo-Analyst technology, [featured by Harvard Business School](#), enables analysis of financial footnotes at unprecedented scale.
- Our research utilizes more reliable & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#) and [studies](#) from the public & private sectors.

Figure 1: Additions for June

Large/Mid Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
FLO	Flowers Foods	ATLO	Ames National Corp
HBI	Hanesbrands Inc.	CIX	CompX International
IBM	International Business Machines	ODC	Oil-Dri Corporation of America

Sources: New Constructs, LLC

Editor’s Note: This month’s Safest Dividend Yields Model Portfolio has fewer than the standard 20 tickers as not enough tickers met the Safest Dividend Yields criteria. See page 8 for more details on this Model Portfolio’s methodology.

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 since 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			Market Value (\$mm)
				As of Last Twelve Months		As of 6/21/21			
				Positive Economic EPS	Return On Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	
UMPQ	Umpqua Holdings Corp	4.6%	Financials	\$0.66	9%	6%	0.6	Less than 1	\$4,055
IBM*	International Business Machines	4.5%	Technology	\$3.04	6%	8%	0.9	Less than 1	\$131,035
WU	Western Union	4.0%	Industrials	\$1.84	26%	7%	0.5	Less than 1	\$9,675
ISBC	Investors Bancorp	3.9%	Financials	\$0.51	9%	1%	1.0	4	\$5,233
K	Kellogg Company	3.6%	Consumer Non-cyclicals	\$2.90	9%	4%	0.5	Less than 1	\$21,850
KMB	Kimberly-Clark Corp	3.5%	Consumer Non-cyclicals	\$6.97	16%	3%	0.5	Less than 1	\$43,684
FLO*	Flowers Foods	3.5%	Consumer Non-cyclicals	\$1.00	10%	6%	0.5	Less than 1	\$5,054
OMC	Omnicom Group	3.5%	Consumer Cyclical	\$4.31	12%	11%	0.6	Less than 1	\$17,166
IPG	Interpublic Group of Companies	3.3%	Consumer Cyclical	\$1.09	8%	11%	0.8	Less than 1	\$12,741
HBI*	Hanesbrands Inc.	3.2%	Consumer Cyclical	\$0.57	7%	8%	1.0	Less than 1	\$6,480

* Addition to the list in June

Top Dividend Yield Stocks are Sorted by Dividend Yield in Descending Order

Sources: New Constructs, LLC

The 9 Safest Dividend Yield Small Cap Stocks for June

We recommend that investors equal-weight holdings in all 9 stocks.

Figure 3: 9 Top Dividend Yield Small Cap Stocks for June

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			Market Value (\$mm)
				As of Last Twelve Months		As of 6/21/21			
				Positive Economic EPS	Return On Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	
NPK	National Presto Industries	6.2%	Industrials	\$5.19	17%	5%	0.5	Less than 1	\$705
NVEC	NVE Corporation	6.0%	Technology	\$2.12	156%	4%	1.2	Less than 1	\$324
PWOD	Penn's Woods Bancorp	5.3%	Financials	\$1.33	9%	2%	0.4	Less than 1	\$169
SAFT	Safety Insurance Group	4.5%	Financials	\$7.43	18%	5%	0.4	Less than 1	\$1,188
ATLO*	Ames National Corp	4.2%	Financials	\$1.28	11%	3%	0.5	Less than 1	\$224
EBF	Ennis Inc.	4.2%	Industrials	\$0.33	5%	8%	0.8	Less than 1	\$555
SPTN	SpartanNash Co	4.1%	Consumer Non-cyclicals	\$1.24	6%	4%	0.3	Less than 1	\$712
CIX*	CompX International	3.7%	Consumer Cyclicals	\$0.38	7%	3%	0.8	Less than 1	\$268
ODC*	Oil-Dri Corporation of America	3.0%	Consumer Non-cyclicals	\$1.40	9%	3%	0.6	Less than 1	\$240

* Addition to the list in June

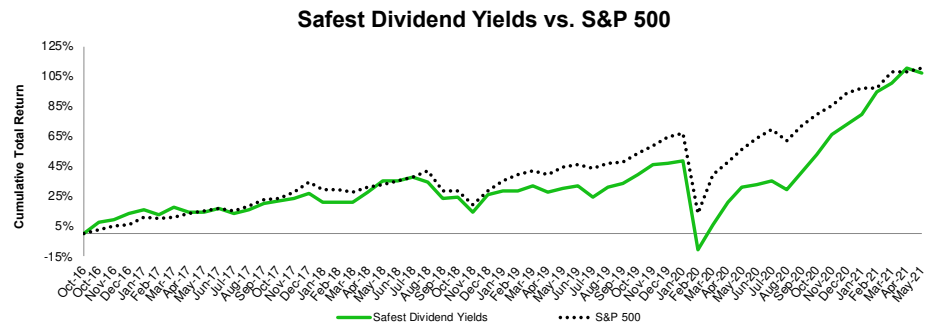
Top Dividend Yield Stocks are Sorted by Dividend Yield in Descending Order

Sources: New Constructs, LLC

Safest Dividend Yields: Total Return Performance

Per Figure 4, the Safest Dividend Yields Model Portfolio has underperformed on a total return basis since inception in October 2016. Since then, The Safest Dividend Yields Model Portfolio has cumulative total returns of 107% compared to 111% 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.

Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.

Figure 5: Monthly Total Return of Safest Dividend Yields

	Portfolio Total Returns							
	2016	2017	2018	2019	2020	1Q21	Apr-21	May-21
Safest Dividend Yields	13.4%	11.9%	-0.5%	16.8%	17.5%	16.0%	4.8%	-1.6%
S&P 500	6.4%	26.1%	-4.2%	28.1%	18.1%	7.3%	-0.1%	1.3%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.

Figure 6: Cumulative Total Return of Safest Dividend Yields

	Cumulative Portfolio Total Returns							
	2016	2017	2018	2019	2020	1Q21	Apr-21	May-21
Safest Dividend Yields	13.4%	26.9%	26.1%	47.6%	73.2%	101.0%	110.6%	107.3%
S&P 500	6.4%	34.2%	28.5%	64.9%	94.3%	108.5%	108.3%	111.1%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

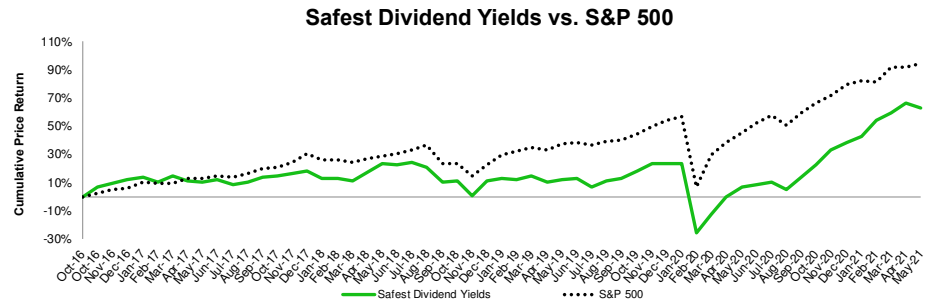
Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.



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 63% compared to 95% 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. Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports

Figure 8: Monthly Price Return of Safest Dividend Yields

Portfolio Price Returns								
	2016	2017	2018	2019	2020	1Q21	Apr-21	May-21
Safest Dividend Yields	12.3%	5.4%	-6.2%	11.1%	12.3%	14.9%	4.6%	-2.0%
S&P 500	5.8%	23.7%	-6.0%	25.7%	16.0%	7.3%	-0.1%	1.3%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends. Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.

Figure 9: Cumulative Price Return of Safest Dividend Yields

Cumulative Portfolio Price Returns								
	2016	2017	2018	2019	2020	1Q21	Apr-21	May-21
Safest Dividend Yields	12.3%	18.3%	11.0%	23.4%	38.5%	59.2%	66.5%	63.2%
S&P 500	5.8%	30.9%	23.0%	54.9%	79.3%	92.4%	92.2%	94.8%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends. Most recent month return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.

Safest Dividend Yields: Monthly Price Updates

The [Safest Dividend Yields Model Portfolio](#) (-2.0%) underperformed the S&P 500 (+1.3%) from May 20, 2021 to June 21, 2021. One stock outperformed its benchmark (S&P 500) and four stocks have positive returns. See Figure 10 for details. For updates on the performance of all of last month's stocks, see Appendix A. This performance is based on closing prices from May 20, 2021 to June, 21 2021.

See our quarterly [Model Portfolio Performance reports](#) for updates on performance since inception and other longer periods of time.

Figure 10: Four Stocks With Positive Returns Since May's Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 5/20/21	Ticker	Company Name	Change From 5/20/21
MGP	MGM Growth Properties	4.3%	RUT	Russell 2000	3.5%
SPY	S&P 500	1.3%	FNLC	First Bancorp	2.3%
			EBF	Ennis Inc.	1.2%
			RGP	Resources Connection	0.8%

Sources: New Constructs, LLC

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

Return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.



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 in May’s Report

Figure 11: Price Performance of All Stocks From May’s Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 5/20/21	Ticker	Company Name	Change From 5/20/21
MGP	MGM Growth Properties	4.3%	RUT	Russell 2000	3.5%
SPY	S&P 500	1.3%	FNLC	First Bancorp	2.3%
CAH	Cardinal Health	-0.6%	EBF	Ennis Inc.	1.2%
UMPQ	Umpqua Holdings Corp	-1.3%	RGP	Resources Connection	0.8%
APAM	Artisan Partners	-1.8%	SPTN	SpartanNash	-2.6%
IPG	Interpublic Group of Companies	-1.9%	NPK	National Presto Industries	-2.9%
ISBC	Investors Bancorp	-2.2%	NVEC	NVE Corporation	-3.1%
KMB	Kimberly-Clark	-2.4%	ETH	Ethan Allen Interiors, Inc.	-3.8%
K	Kellogg Company	-3.2%	PWOD	Penn’s Woods Bancorp	-5.3%
OMC	Omnicom Group	-3.4%	SAFT	Safety Insurance Group	-8.0%
WU	Western Union	-3.4%			
Portfolio Return		-1.6%	Portfolio Return		-2.4%
Combo (Large and Small Cap) Return		-2.0%			

Sources: New Constructs, LLC

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

Return data is through June 21, 2021. Official return data will be provided in our quarterly Model Portfolio Performance reports.



Appendix B – Additions and Deletions

Safest Dividend Yield Large/Mid Cap Stocks

Deletions:

- APAM - Displaced by improved rank of other stocks
- CAH - Displaced by improved rank of other stocks
- MGP - Rating downgraded to Neutral

Additions:

- FLO - Addition by improved rank over other stocks
- HBI - Addition by improved rank over other stocks
- IBM - Addition by improved rank over other stocks

Safest Dividend Yield Small Cap Stocks

Deletions:

- ETH - Displaced by improved rank of other stocks
- FNLC - Displaced by improved rank of other stocks
- RGP - Expected to file 10-K within current month

Additions:

- ATLO - Addition by improved rank over other stocks
- CIX - Addition by improved rank over other stocks
- ODC - 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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1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
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Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

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