



Safest Dividend Yields for January 2023

10 Large/Mid Cap and 10 Small Cap Stocks

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- **Figure 1 shows five new stocks that make our January list.**
- **The Safest Dividend Yields Model Portfolio outperformed the S&P 500 from December 21, 2022 through January 17, 2023.**
- **The Model Portfolio rose 10.1% on a price return basis (S&P +3.0%) and 10.3% on a total return basis (S&P +3.0%).**
- **Figure 10 shows the 16 stocks that outperformed since December’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 January

Large/Mid Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
AAP	Advance Auto Parts	CZNC	Citizens & Northern Corp
BBY	Best Buy Co.	RGP	Resources Connection
UMPQ	Umpqua Holdings		

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 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 January

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

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

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			Market Value (\$mm)
				As of Last Twelve Months		As of 1/17/23			
				Positive Economic EPS	Return On Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	
OMF	OneMain Holdings	9.6%	Financials	\$5.33	21%	18%	0.4	Less than 1	\$4,826
JHG	Janus Henderson Group	5.9%	Financials	\$0.14	8%	14%	0.8	Less than 1	\$4,405
MDC	MDC Holdings	5.5%	Consumer Cyclical	\$5.11	14%	3%	0.3	Less than 1	\$2,582
LYB	LyondellBasell Industries	5.2%	Basic Materials	\$10.36	16%	16%	0.5	Less than 1	\$29,824
STX	Seagate Technology Holdings	4.9%	Technology	\$4.75	20%	7%	0.7	Less than 1	\$11,764
DOW	Dow Inc.	4.9%	Basic Materials	\$3.61	11%	10%	0.6	Less than 1	\$40,396
UMPQ*	Umpqua Holdings	4.9%	Financials	\$0.07	8%	1%	0.8	Less than 1	\$3,742
SMG	The Scotts Miracle-Gro Company	4.2%	Basic Materials	\$2.40	8%	1%	1.0	Less than 1	\$3,448
BBY*	Best Buy Co.	4.2%	Consumer Cyclical	\$4.63	18%	10%	1.0	Less than 1	\$18,679
AAP*	Advance Auto Parts	4.0%	Consumer Cyclical	\$8.60	13%	5%	0.8	Less than 1	\$8,841

* Addition to the list in January
 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 January

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

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

Ticker	Company Name	Dividend Yield	Sector	High-Quality Earnings		Cheap Valuation			Market Value (\$mm)
				As of Last Twelve Months		As of 1/17/23			
				Positive Economic EPS	Return On Invested Capital (ROIC)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	
KRO	Kronos Worldwide	7.0%	Basic Materials	\$0.50	9%	11%	0.6	Less than 1	\$1,256
UBFO	United Security Bancshares	5.5%	Financials	\$0.21	10%	12%	0.8	Less than 1	\$137
CIX	CompX International	5.5%	Consumer Cyclical	\$0.82	13%	7%	0.7	Less than 1	\$224
HMST	HomeStreet, Inc.	5.0%	Financials	\$0.76	8%	17%	0.6	Less than 1	\$526
CZNC*	Citizens & Northern Corp	4.9%	Financials	\$0.41	10%	11%	1.0	Less than 1	\$354
EBF	Ennis Inc.	4.6%	Industrials	\$0.55	9%	6%	0.8	Less than 1	\$558
ETD	Ethan Allen Interiors	4.4%	Consumer Cyclical	\$2.94	20%	11%	0.5	Less than 1	\$739
HNI	HNI Corporation	4.2%	Industrials	\$0.55	8%	4%	1.1	3	\$1,273
NGVC	Natural Grocers by Vitamin Cottage	4.0%	Consumer Cyclical	\$0.49	6%	6%	0.7	Less than 1	\$228
RGP*	Resources Connection	3.2%	Industrials	\$1.48	18%	16%	0.5	Less than 1	\$588

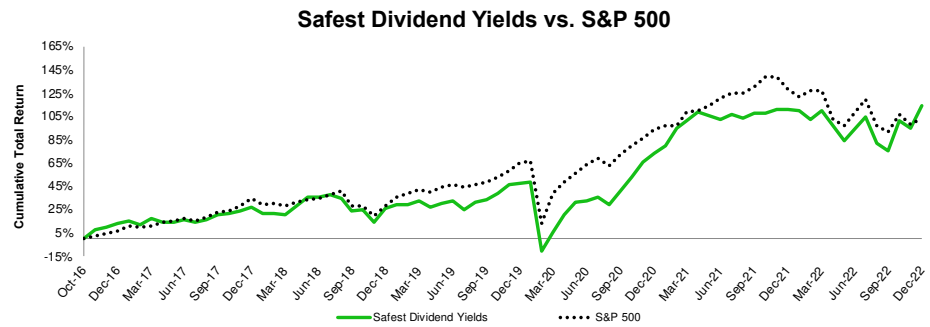
* Addition to the list in January
 Top Dividend Yield Stocks are Sorted by Dividend Yield in Descending Order

Sources: New Constructs, LLC

Safest Dividend Yields: Total Return Performance

Per Figure 4, the Safest Dividend Yields Model Portfolio has outperformed on a total return basis since inception in October 2016. Since then, the Safest Dividend Yields Model Portfolio has cumulative total returns of 115% compared to 104% 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 January 17, 2023. 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	2021	1Q22	2Q22	3Q22	Oct-22	Nov-22	Dec-22
Safest Dividend Yields		13.4%	11.9%	-0.5%	16.8%	17.5%	22.2%	-0.9%	-7.7%	-9.5%	15.2%	-3.4%	10.3%
S&P 500		6.4%	26.1%	-4.2%	28.1%	18.1%	17.4%	-0.4%	-8.6%	-8.0%	8.4%	-4.5%	3.0%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

Most recent month return data is through January 17, 2023. 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	2021	1Q22	2Q22	3Q22	Oct-22	Nov-22	Dec-22
Safest Dividend Yields		13.4%	26.9%	26.2%	47.4%	73.2%	111.7%	109.7%	93.5%	75.1%	101.8%	94.9%	114.8%
S&P 500		6.4%	34.2%	28.5%	64.6%	94.3%	128.2%	127.4%	107.9%	91.3%	107.3%	97.9%	103.8%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs.

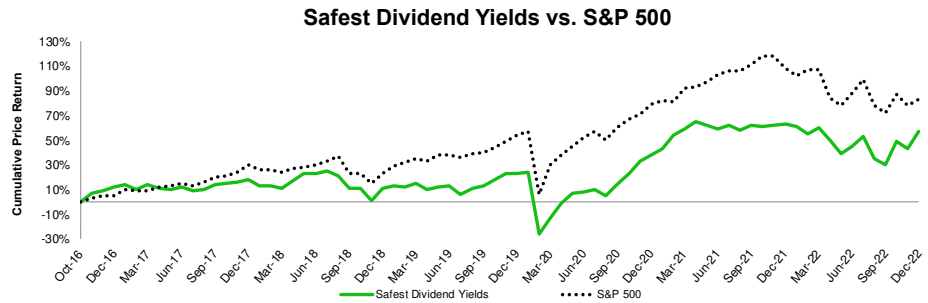
Most recent month return data is through January 17, 2023. Official return data will be provided in our quarterly Model Portfolio Performance reports.



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 58% compared to 83% 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 January 17, 2023. 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	2021	1Q22	2Q22	3Q22	Oct-22	Nov-22	Dec-22
Safest Dividend Yields	12.3%	5.4%	-6.2%	11.1%	12.3%	17.8%	-2.0%	-9.0%	-10.5%	14.8%	-4.3%	10.1%
S&P 500	5.8%	23.7%	-6.0%	25.7%	16.0%	16.3%	-0.7%	-9.0%	-8.4%	8.4%	-5.0%	3.0%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends. Most recent month return data is through January 17, 2023. 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	2021	1Q22	2Q22	3Q22	Oct-22	Nov-22	Dec-22
Safest Dividend Yields	12.3%	18.3%	11.0%	23.3%	38.5%	63.2%	60.0%	45.6%	30.3%	49.6%	43.1%	57.6%
S&P 500	5.8%	30.9%	23.0%	54.6%	79.3%	108.5%	107.1%	88.5%	72.8%	87.2%	77.9%	83.2%

Sources: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs and dividends. Most recent month return data is through January 17, 2023. 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](#) (+10.1%) outperformed the S&P 500 (+3.0%) from December 21, 2022 to January 17, 2023. 16 stocks have outperformed their respective benchmarks (S&P 500 & Russell 2000) and 18 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 December 21, 2022 to January 17, 2023.

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

Figure 10: 16 Stocks That Outperformed Since December's Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 12/21/22	Ticker	Company Name	Change From 12/21/22
SMG	Scotts Miracle-Gro	28.6%	KRO	Kronos Worldwide	17.2%
LCII	LCI Industries	16.4%	UBFO	United Security	13.3%
OMF	OneMain Holdings	16.2%	HNI	HNI Corporation	12.1%
MDC	MDC Holdings	14.5%	ETD	Ethan Allen Interiors	9.3%
STX	Seagate Technology	13.4%	NGVC	Natural Grocers	9.3%
DOW	Dow Inc.	13.3%	HMST	HomeStreet	6.4%
LYB	LyondellBasell Industries	11.3%	RUT	Russell 2000	6.0%
WHR	Whirlpool Corporation	9.7%			
JHG	Janus Henderson Group	7.9%			
KEY	KeyCorp	6.3%			
SPY	S&P 500	3.0%			

Sources: New Constructs, LLC

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

Return data is through January 17, 2023. 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 ~1.3%), 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 December’s Report

Figure 11: Price Performance of All Stocks from December’s Report

Large/Mid Cap			Small Cap		
Ticker	Company Name	Change From 12/21/22	Ticker	Company Name	Change From 12/21/22
SMG	Scotts Miracle-Gro	28.6%	KRO	Kronos Worldwide	17.2%
LCII	LCI Industries	16.4%	UBFO	United Security Bancshares	13.3%
OMF	OneMain Holdings	16.2%	HNI	HNI Corporation	12.1%
MDC	MDC Holdings	14.5%	ETD	Ethan Allen Interiors	9.3%
STX	Seagate Technology	13.4%	NGVC	Natural Grocers	9.3%
DOW	Dow Inc.	13.3%	HMST	HomeStreet	6.4%
LYB	LyondellBasell Industries	11.3%	RUT	Russell 2000	6.0%
WHR	Whirlpool Corporation	9.7%	WSBF	Waterstone Financial	3.3%
JHG	Janus Henderson Group	7.9%	NUS	Nu Skin Enterprises	1.4%
KEY	KeyCorp	6.3%	CIX	CompX International	-3.4%
SPY	S&P 500	3.0%	EBF	Ennis Inc.	-5.2%
Portfolio Return		13.8%	Portfolio Return		6.4%
Combo (Large and Small Cap) Return		10.1%			

Sources: New Constructs, LLC

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

Return data is through January 17, 2023. 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:

- KEY - Displaced by improved rank of other stocks
- LCII - Displaced by improved rank of other stocks
- WHR - Displaced by improved rank of other stocks

Additions:

- AAP - Addition by improved rank over other stocks
- BBY - Addition by improved rank over other stocks
- UMPQ - Addition by improved rank over other stocks

Safest Dividend Yield Small Cap Stocks

Deletions:

- NUS - Displaced by improved rank of other stocks
- WSBF - Displaced by improved rank of other stocks

Additions:

- CZNC - Addition by improved rank over other stocks
- RGP - 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



It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

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.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

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.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).

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