



## Top Dividend Yielding Stocks for October

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

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- **Figure 1 shows the initial 20 stocks that we include in our new model portfolio.**
- **The stocks in this model portfolio earn an Attractive or Very Attractive rating and have some of the highest dividend yields in the market.**

**Figure 1: Initial Model Portfolio Constituents**

Large/Mid Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
CIM	Chimera Investment Corp	CMRE	Costamare Inc.
MFA	MFA Financial, Inc.	WDR	Waddell & Reed Financial
BXMT	Blackstone Mortgage Trust	CMO	Capstead Mortgage Corp
ERIC	Ericsson ADR	RWT	Redwood Trust
F	Ford Motor Company	NRCIB	National Research Corp
KSS	Kohl's Corp	BKE	The Buckle
MO	Altria Group, Inc.	EBF	Ennis Inc.
CSCO	Cisco Systems	ARII	American Railcar Industries
QCOM	QUALCOMM Inc.	IQNT	Inteliquent Inc.
CHL	China Mobile Limited	UVV	Universal Corporation

Sources: New Constructs, LLC

This model portfolio helps investors find high quality dividend yielding stocks. As more investors search for yield, we think it is important to distinguish between high and low quality dividend yields. Companies with strong free cash flow provide higher quality dividend yield because we know they have 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 for much longer.

## The 10 Top Dividend Yield Large/Mid Cap Stocks for October

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

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

			High-Quality Earnings		Cheap Valuation			
			As of Last Twelve Months		As of 10/17/16			
Ticker	Company Name	Dividend Yield	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)
CIM	Chimera Investment Corp	12%	\$0.58	10%	25%	0.7	Less than 1	\$2,869
MFA	MFA Financial, Inc.	11%	\$0.35	11%	10%	0.5	Less than 1	\$2,665
BXMT	Blackstone Mortgage Trust	9%	\$1.18	10%	8%	0.6	Less than 1	\$2,700
ERIC	Ericsson ADR	5%	\$0.31	13%	9%	0.6	Less than 1	\$17,713
F	Ford Motor Company	5%	\$1.00	12%	47%	0.4	Less than 1	\$46,360
KSS	Kohl's Corp	5%	\$2.09	7%	12%	0.5	Less than 1	\$7,762
MO	Altria Group, Inc.	4%	\$2.37	20%	4%	1.3	10	\$121,979
CSCO	Cisco Systems	3%	\$1.25	18%	7%	0.8	Less than 1	\$151,534
QCOM	QUALCOMM Inc.	3%	\$2.52	31%	3%	1.1	Less than 1	\$96,067
CHL	China Mobile Limited	3%	\$2.11	17%	7%	0.9	Less than 1	\$243,945

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

Sources: New Constructs, LLC

## The 10 Top Dividend Yield Small Cap Stocks for October

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

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

			High-Quality Earnings		Cheap Valuation			
			As of Last Twelve Months		As of 10/17/16			
Ticker	Company Name	Dividend Yield	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)
CMRE	Costamare Inc.	16%	\$0.36	8%	15%	0.3	Less than 1	\$446
WDR	Waddell & Reed Financial, Inc.	11%	\$1.58	27%	6%	0.6	Less than 1	\$1,398
CMO	Capstead Mortgage Corp	10%	\$0.23	7%	11%	0.5	Less than 1	\$875
RWT	Redwood Trust, Inc.	8%	\$0.39	9%	19%	0.7	Less than 1	\$1,064
NRCIB	National Research Corp	5%	\$2.24	27%	8%	0.7	Less than 1	\$262
BKE	The Buckle, Inc.	5%	\$2.09	23%	14%	0.5	Less than 1	\$1,043
EBF	Ennis Inc.	4%	\$0.07	7%	46%	0.8	2	\$407
ARII	American Railcar Industries	4%	\$1.33	10%	3%	0.9	9	\$758
IQNT	Inteliquent Inc.	4%	\$0.64	21%	1%	1.1	Less than 1	\$572
UVV	Universal Corporation	4%	\$0.34	6%	15%	0.7	Less than 1	\$1,264

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

Sources: New Constructs, LLC



### *Top Dividend Yield Stocks: Methodology*

Stocks make our Top Dividend Yield List 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%), safety in the sustainability of the yield because of strong free cash flow, and the potential for upside as each stock is currently undervalued.

### **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.

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

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

<b>Return on Invested Capital (ROIC)</b>	<b>Rates stocks based on their ROIC. Values based on Latest Fiscal Year.</b>
<b>Bottom Quintile</b>	Very Dangerous = the bottom 20% of Russell 1000 companies
<b>4th Quintile</b>	Dangerous = the bottom 40% of Russell 1000 companies
<b>3rd Quintile</b>	Neutral = the middle 20% of Russell 1000 companies
<b>2nd Quintile</b>	Attractive = the top 40% of Russell 1000 companies
<b>Top Quintile</b>	Very Attractive = the top 20% of Russell 1000 companies

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



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

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

## **Appendix A – Additions and Deletions**

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

#### **Deletions:**

None

#### **Additions (initial selections):**

CIM	- Chimera Investment Corp
MFA	- MFA Financial
BXMT	- Blackstone Mortgage Trust
ERIC	- Ericsson ADR
F	- Ford Motor Company
KSS	- Kohl's Corp
MO	- Altria Group
CSCO	- Cisco Systems
QCOM	- QUALCOMM Inc.
CHL	- China Mobile Limited

### **Top Dividend Yield Small Cap Stocks**

#### **Deletions:**

None

#### **Additions (initial selections):**

CMRE	- Costamare Inc.
WDR	- Waddell & Reed
CMO	- Capstead Mortgage
RWT	- Redwood Trust
NRCIB	- National Research Corp
BKE	- The Buckle
EBF	- Ennis Inc.
ARII	- American Railcar Industries
IQNT	- Inteliquent Inc.
UVV	- Universal Corporation

## ***New Constructs® – Profile***

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### ***How New Constructs Creates Value for Clients***

We find it. You benefit. Cutting-edge technology enables us to scale our [forensic accounting expertise](#) across 3000+ stocks. We shine a light in the dark corners of SEC filings so our clients can make safer, more informed decisions.

Our [stock rating methodology](#) instantly informs you of the quality of the business and the fairness of the stock's valuation. We do the diligence on earnings quality and valuation so you don't have to.

In-depth risk/reward analysis underpins our ratings. Our rating methodology grades every stock, ETF, and mutual fund according to what we believe are the 5 most important criteria for assessing the quality of an equity. Each grade reflects the balance of potential risk and reward of buying that equity. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Dangerous and Dangerous correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

QUESTION: Why shouldn't fund research be as good as stock research?  
Why should fund investors rely on backward-looking price trends?

ANSWER: They should not.

Don't judge a fund by its cover. Take a look inside at its holdings and understand the quality of earnings and valuation of the stocks it holds. We enable you to choose the best fund based on its stock-picking merits so you do not have to rely solely on backward-looking technical metrics.

The drivers of our [forward-looking fund ratings](#) are Portfolio Management (i.e. the aggregated ratings of its holdings) and Total Annual Costs. The Total Annual Costs Rating ([details here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all fund investors.

### ***Our Philosophy About Research***

Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.





### ***Additional Information***

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies. We translate accounting data from 10Ks into economic financial statements, i.e. [NOPAT](#), [Invested Capital](#), and [WACC](#), to create [economic earnings models](#), which are necessary to understand the true profitability and valuation of companies. Visit the [Free Archive](#) to download samples of our research. New Constructs is a [BBB accredited](#) business and a member of the [Investorside Research Association](#).



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