

DIVIDEND DETECTIVE

DividendDetective.com



Free Lists

- 800 High-Dividend Stocks
- Bulletproof Stocks
- All Dividend ETFs
- Business Development Companies
- Real Estate Investment Trusts
- Master Limited Partnerships
- 100 Best Closed-End Funds

Free Tutorials

- Everything You Need to Know About:
- Preferred Stocks
 - Closed-End Funds
 - Master Limited Partnerships
 - Real Estate Investment Trusts
 - Dividend Stock Analysis Checklist

DIVIDEND DETECTIVE PREMIUM

\$5 first month, then \$15 per month • No Minimum • Cancel Anytime

- **Dividend Detective Highlights:** the best of Dividend Detective in printable format
- **Dividend Monsters:** Filtered list of 50 highest yielding stocks & funds
- **Monthly Monsters:** 25 highest yielding monthly payers
- **Preferred Monsters:** 25 highest yielding "investment quality" preferreds
- **Model Portfolios:** (7 stocks each): Monthly Paying Retirement, Conservative, Growth & Income, High Yield/Speculative
- **Ex-Dividend Calendar:** all stocks going ex-dividend within the next four weeks.
- **Dividend News:** breaking dividend news, continuously updated.
- **What's Hot Now!:** pinpoint hot and cold dividend categories & stocks
- **Monthly Dividend Payers Scoreboard:** tracks performance of more than 250 monthly payers
- **Quant Workshop:** invest like a Hedge Fund Manager

Industry & Specialty Portfolios

Preferred Stocks • Monthly Paying Closed-End Funds • U.S. Banks • Business Development Corps.
Closed-End Funds Growth • ETF Monthly Income • Insurance Stocks • ETF Growth
Master Limited Partnerships • Canadian Stocks • Mfg. & Service • MLPs Ex-Energy
Real Estate Investment Trusts • Utilities • Oil Stocks

24 hr. customer service: 866-632-1593 (toll free), 661-621-9660 (direct)

Why High-Dividend Stocks?

Hercules Capital (HTGC)



HGTC Stock Price

10/6/11: \$8.85

10/6/16: \$13.62

HTGC Price Appreciation: **54%**

HTGC Total Return:

Price + Dividends

Dividends: \$5.69/share

HTGC Total Return: **118%**

S&P 500

Return: **85%**

Analyzing High-Dividend Stocks

Payout Ratio: *Not a Useful Indicator*

Definition: dividends divided by earnings (if dividends paid = \$50 and annual earnings = \$100, payout ratio is 50%).

Accounting Basics

Capital improvements and capital equipment must be depreciated over specified period, e.g. 30 years.

Simplified Example: Say that you spend \$30 million to build a new office building.

For 30 year depreciation, you would have to take a \$1 million/year depreciation deduction even though your building will probably be worth more than \$30 million in 30 years.

Revenues	\$2,000,000
All operating expenses	-750,000
Depreciation	<u>-1,000,000</u>
Reported Net income	\$250,000
Actual cash income	\$1,250,000

Operating Cash Flow

- Net income with non-cash deductions added back in.
- Actual cash that went into, or out of, firm's bank accounts resulting from business operations

Free Cash Flow

- Operating cash flow minus dividends minus capital expenses
- Free cash flow not shown on most financial statements

Simon Property Group (SPG)

Structure: Real Estate Investment Trust (REIT)

Business: Shopping Center Owner/Operator

2015 Payout Ratio: 103%

2015 Operating CF Payout Ratio: 73%

\$ millions

Year	Net Inc.	Divs Paid	Oper. CF	Free CF
2013	1,319.6	1,699.9	2,701.0	160.0
2014	1,651.5	1,898.4	2,730.4	35.3
2015	2,139.4	2,204.1	3,024.7	200.3

Focus on Dividend Prospects

Three Factors

1) Ability

- Cash flow vs. dividends

2) Desire

- Make history your guide

3) It's the Economy

- Revenue Outlook
- Materials & Supplies Costs
- Interest Rates

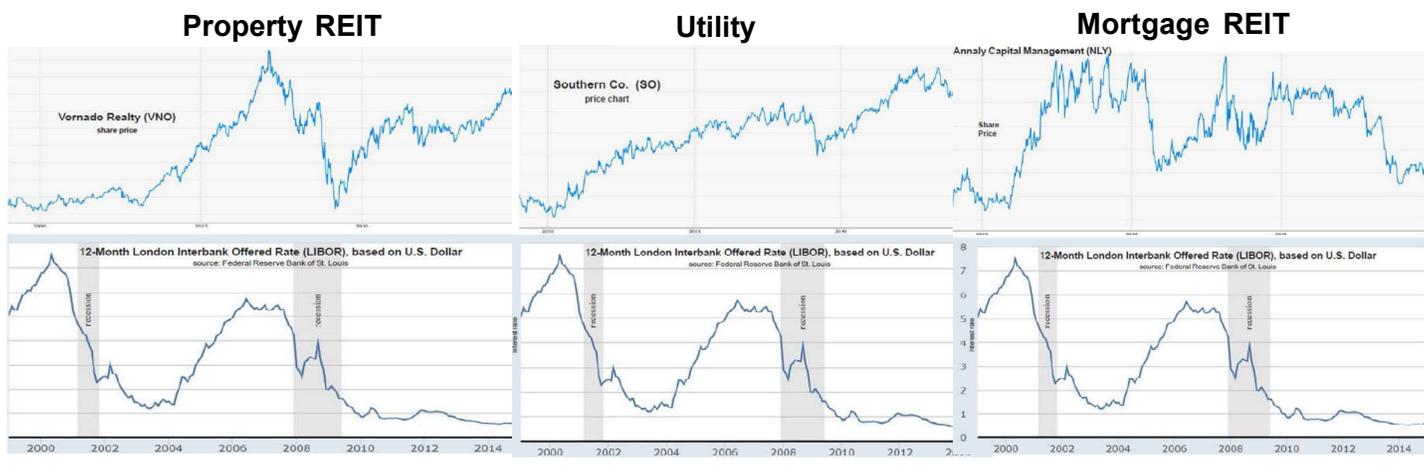


Yahoo Historical Prices

Apr 13, 2016	1.10 Dividend
Jan 13, 2016	1.10 Dividend
Oct 14, 2015	1.10 Dividend
Jul 15, 2015	4.10 Dividend
Apr 15, 2015	1.00 Dividend
Jan 14, 2015	1.00 Dividend
Oct 15, 2014	1.00 Dividend
Jul 16, 2014	1.00 Dividend
Apr 15, 2014	0.75 Dividend
Jan 15, 2014	0.75 Dividend
Oct 16, 2013	0.75 Dividend
Jul 17, 2013	0.75 Dividend
Apr 17, 2013	0.50 Dividend
Jan 16, 2013	0.50 Dividend
Oct 17, 2012	0.50 Dividend
Jul 18, 2012	0.40 Dividend
Apr 18, 2012	0.25 Dividend
Jan 18, 2012	0.25 Dividend
Oct 19, 2011	0.25 Dividend

Look for stocks that have consistently raised their payouts. Use Yahoo, get quote, click on Historical Prices and then select "Dividends Only."

What Happens to Dividend Stocks When Interest Rates Rise?



High Dividend Stocks for This Uncertain Market

Closed-End Funds

- Managed Mutual Funds
- Sells fixed number of shares at IPO
- Managers deploy funds without worrying about redemptions or new money
- Trades at premium or discount to NAV, supply vs. demand sets price
- Holds equities and/or bonds
- Many CEFs use borrowings (leverage) to improve returns

CEF Monthly Payers

	<u>Holdings</u>	<u>Yield</u>	<u>YTD Return</u>
DNP Select Income (DNP)	Utilities, Telecom, etc.	7.6%	18%
F&C Claymore Preferred (FLC)	Preferred Stocks, Bonds	7.8%	19%
JH Premium (PDT)	Bank Preferreds, Common	7.1%	27%
Pimco Corp. & Income (PCN)	Mix: US Gov, Corp. MBS	8.8%	18%
Pimco Muni Income II (PML)	Invest & Junk Fed Tax Exmpt.	5.7%	13%

ETF Monthly Payers

	<u>Holdings</u>	<u>Yield</u>	<u>YTD Return</u>
iS iBoxx High Yield (HYG)	Junk-Rated Corp	5.4%	13%
iS iBoxx Invest Grade (LQD)	Invest-Rated Corp	3.2%	10%
iS JP Morgan Emerging (EMB)	Emerging Gov. Debt	4.7%	14%
iS S&P Preferred (PFF)	Bank Preferreds	5.7%	5%
MV CEF Muni (XMPT)	Muni Closed-End Funds	4.8%	9%

Business Development Companies

- Lend to and/or take equity interest in Mid-Sized Companies
- Don't Pay Federal Income Taxes
- Must Pay 98% of income & capital gains to shareholders

	<u>Typical Loan Size</u>	<u>Yield</u>	<u>YTD Return</u>
Hercules Capital (HTGC)	\$1 million - \$40 million	9.1%	20%
Main Street Capital (MAIN)	\$5 million - \$120 million	8.1%	26%

High-Dividend Stocks For This Uncertain Market



Preferred Stocks

	<u>Business</u>	<u>S&P Rtg.</u>	<u>Price</u>	<u>Yield</u>	<u>YTC</u>	<u>YTD Return</u>
AmTrust Financial 7.50% D (AFSI-D)	Full-Line Insurance		25.85	7.3%	6.4%	7%
Banc of Calif. 7.00 Series E (BANC-E)	Regional Bank		26.28	6.7%	5.7%	new
Colony Capital 7.125% Ser C (CNLY-C)	Commer. Mort. REIT		24.78	7.2%	7.4%	new
Invesco Mortgage 7.75% B (IVR-B)	Res. Mortgage REIT		25.45	7.6%	7.5%	24%
KKR & Co. 6.75% A (KKR-A)	Private Equity	BBB+	27.08	6.2%	4.8%	11%
Maiden Holdings 6.625% Notes (MHL-A)	Reinsurance	BBB-	26.08	6.4%	5.6%	new
National General 7.50% B (NGHCO)	Specialty Insurance		26.02	7.2%	6.2%	9%
Qwest 6.50% Notes (CTBB)	Telecom (CenturyLink)	BBB-	25.85	6.3%	5.7%	new

More Like Bonds Than Common Stocks

- Sold mostly by banks, REITs, insurance companies, and utilities to raise cash
- Buy for steady income, usually no capital appreciation
- Risk
 - Interest rate risk: Preferred prices drop when market rates rise & vice versa
 - Dividend suspension risk

Terminology

- Callable: issuer may redeem shares at 'call price' at any time after the 'call date'
- Yield to Call: Ave. annual return if called on call date
- Coupon Rate: yield when first issued
- Cumulative: issuer must pay missed dividends before 'calls' shares and before pays common stock dividends
- Exchange-Traded Debt Securities, also called Senior Notes, are in effect, cumulative
- Market Yield: yield based on current trading price
- Non-Cumulative: issuer not obligated to pay missed dividends

Insurance

	<u>Business</u>	<u>Yield</u>	<u>YTD Return</u>
Arthur J. Gallagher (AJG)	Regional Insur., Brokers	3.0%	27%
Cincinnati Financial (CINF)	Property & Casualty Ins.	2.5%	28%

Monthly Paying Retirement Portfolio

- Target 7% annual return, paid monthly, principal untouched

BETA
VERSION 2.0
5.5% Yld. 16% YTD

	<u>Category</u>	<u>Yield</u>	<u>YTD Return</u>
EPR EPR Properties	REIT: Entertain. Prop	4.9%	31%
EMB iS Emerging Mkts	Emerging Gov. Debt	4.7%	14%
PFF iS S&P U.S. Preferred	ETF: Preferred Stocks	5.7%	5%
PCN Pimco Corp. & Income	CEF: Gov. & Corp Bonds	8.8%	21%
PML Pimco Muni Income II	CEF: Tax Exempt Bonds	5.7%	12%
UTG Reeves Utility Income	CEF: Utilities & Telecom	5.9%	18%
DLN W.T. LargeCap Dividend	ETF: Large-Cap Growth	2.7%	10%

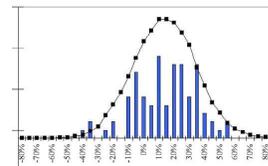
"Quant Workshop" Invest Like a Hedge Fund Manager

Five for Three

High Beta / High Returns

BUY NOW - HOLD FOR THREE MONTHS

<u>Ticker</u>	<u>Name</u>	<u>Price</u>	<u>Yield %</u>
PLOW	Douglas Dynamics Inc.	31.65	3.0
MPX	Marine Products Corp	9.05	3.1
NTRI	NutriSystem Inc.	29.49	2.4
RMP	Rice Midstream Partners LP	23.96	3.7
UVE	Universal Insurance Holdings	24.00	3.0



Five for Three Returns Since Started

<u>Start Date</u>	<u>End Date</u>	<u>Stocks Up</u>	<u>Stocks Down</u>	<u>Stocks No Change</u>	<u>Total Return</u>	<u>S&P 500</u>
7/1/16	10/3/16	5	0	0	10.5%	2.8%
6/3/16	9/2/16	4	1	0	5.2%	3.9%
5/3/16	8/2/16	4	1	0	18.1%	4.5%
4/3/16	7/1/16	2	3	0	-1.9%	1.5%