



*Harry Domash's*

# Dividend Detective

*If you like dividends,  
you'll LOVE Dividend Detective*



стрелять ваши акции аналитика

激發你的股票分析師

あなたの株式アナリストを発射する



# DIVIDEND SCOREBOARD

Sector <a href="#">[expand all]</a>	12-Month % Return	Year-To-Date % Return	One-Month % Return	% Yield	Frequency	Trend Score	Optionable	Ex-Date
<input checked="" type="checkbox"/> <b><u>Energy Refining Ex MLPs</u></b>	110	19	1	2.1		25		
Marathon Petroleum Corporation (MPC)	137	28	3	1.8	Q	34	✓	05/14/2013
Valero Energy Corporation (VLO)	111	25	3	2.1	Q	29	✓	05/20/2013
Phillips 66 (PSX)	119	21	3	2.0	Q	28	✓	05/16/2013
Hollyfrontier Corporation (HFC)	74	4	-6	2.6	Q	11	✓	06/10/2013
<input checked="" type="checkbox"/> <b><u>Media &amp; Advertising</u></b>	65	31	-0	4.2		21		
Sinclair Broadcast Group Class A (SBGI)	214	93	-11	2.5	Q	61	✓	05/29/2013
Belo Corporation (BLC)	94	43	-1	3.0	Q	29	✓	05/08/2013
Harte Hanks Incorporated (HHS)	9	51	10	3.9	Q	23	✓	05/30/2013
United Online Incorporated (UNTD)	76	25	4	5.9	Q	23	✓	05/10/2013
Meredith Corporation (MDP)	46	18	2	4.1	Q	15	✓	05/29/2013
Gannett Incorporated (GCI)	68	12	-2	4.0	Q	14	✓	06/05/2013
Courier Corporation (CRRG)	27	24	-3	6.3	Q	11	✓	05/15/2013
Thomson Reuters Corporation (TRI)	28	18	-1	3.9	Q	10	✓	05/21/2013
Shaw Communications Incorporated (SJR)	25	-2	-3	4.6	M	2	✓	06/12/2013
<input checked="" type="checkbox"/> <b><u>Technology: Semiconductor Equipment</u></b>	41	27	4	2.7		18		
Applied Materials Incorporated (AMAT)	53	34	3	2.6	Q	22	✓	05/21/2013
Kla-tencor Corporation (KLAC)	30	20	5	2.8	Q	14	✓	05/09/2013
<input checked="" type="checkbox"/> <b><u>Technology: Communications Gear</u></b>	31	27	8	4.1		18		
Technical Communications Corporation (TCCO)	-5	68	11	5.3	Q	27	✓	12/18/2012
Cisco Systems Incorporated (CSCO)	54	25	17	2.8	Q	26	✓	04/04/2013
Concurrent Computer Corporation (CCUR)	87	25	-9	3.4	Q	18	✓	03/13/2013
Evolving Systems New (EVOL)	26	12	16	4.8	Q	17	✓	06/06/2013
Comtech Telecommun Corporation (CMTL)	-7	4	3	4.2	Q	2	✓	04/17/2013
<input checked="" type="checkbox"/> <b><u>Energy Partnerships: Propane/Heating Oil</u></b>	44	25	2	7.3		16		

# Three Most Important Rules For Investing Success

# **Three Most Important Rules For Investing Success**

**1) Don't Lose Money**

# **Three Most Important Rules For Investing Success**

**1) Don't Lose Money**

**2) Don't Lose Money**

# **Three Most Important Rules For Investing Success**

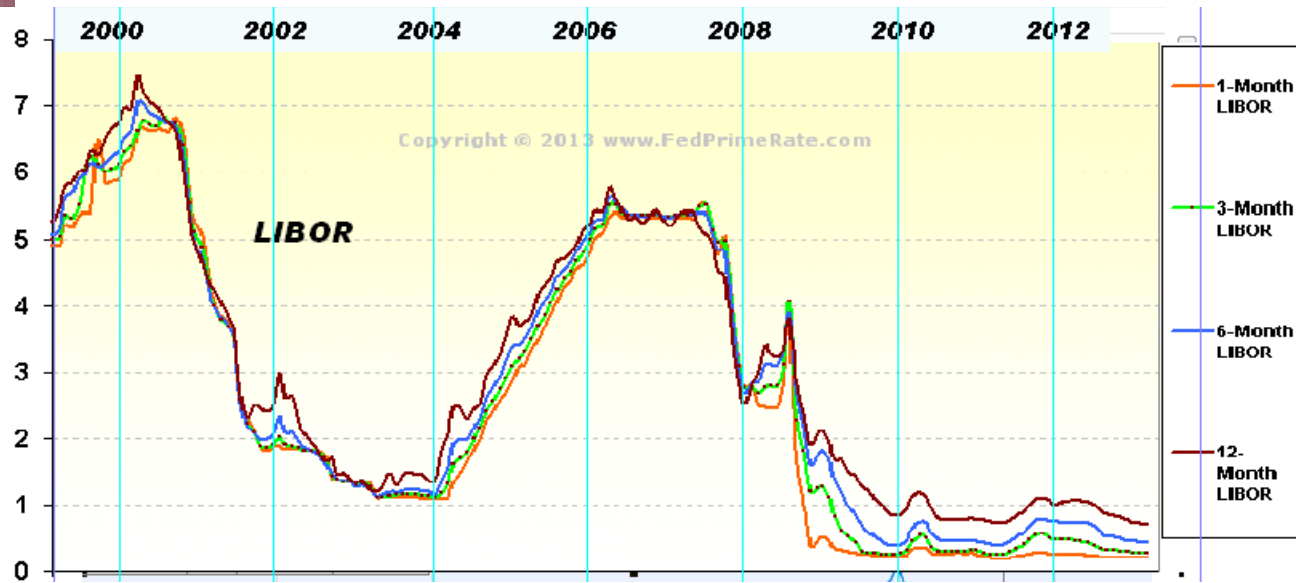
**1) Don't Lose Money**

**2) Don't Lose Money**

**3) Don't Forget #1 & #2**

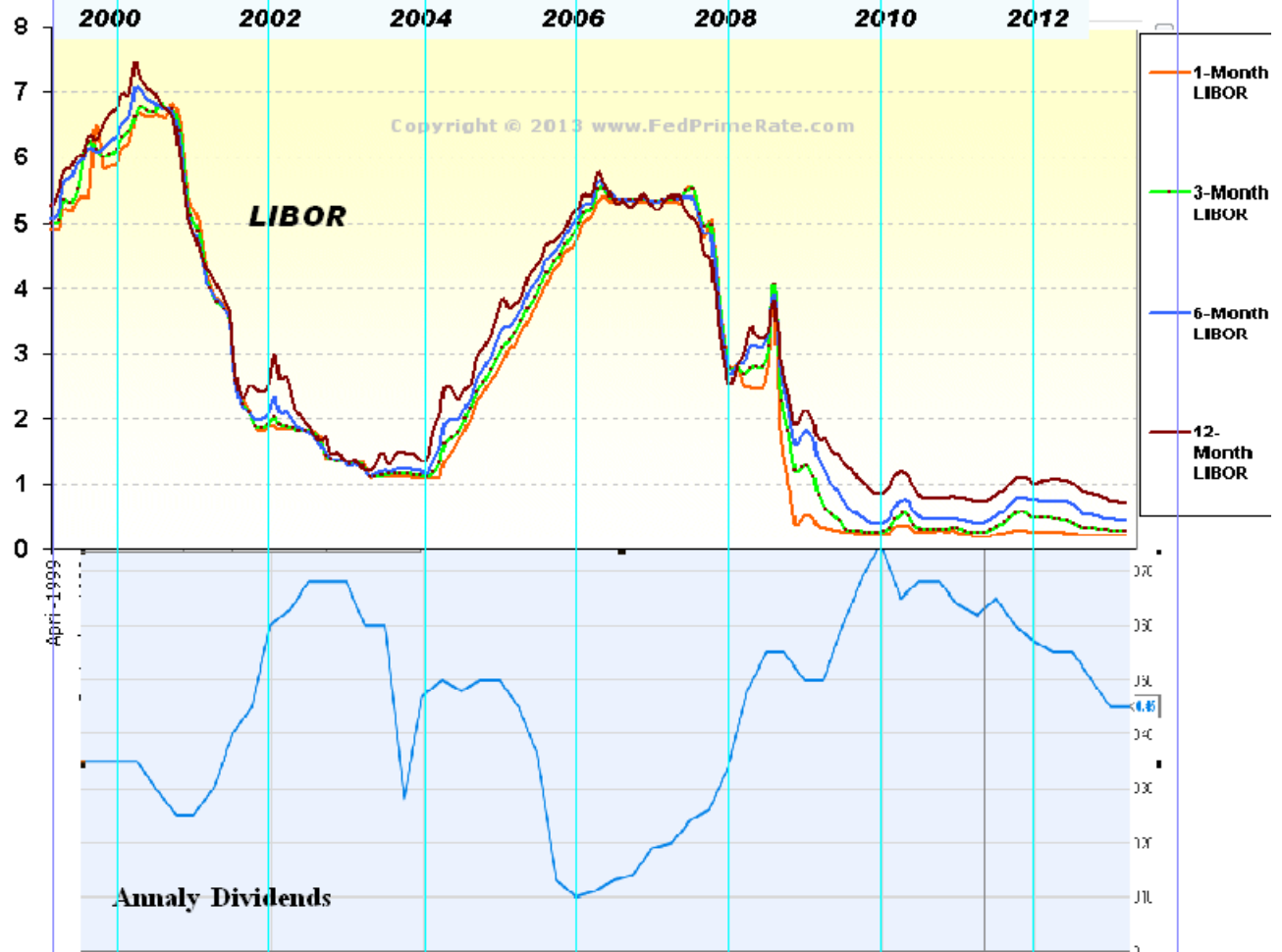
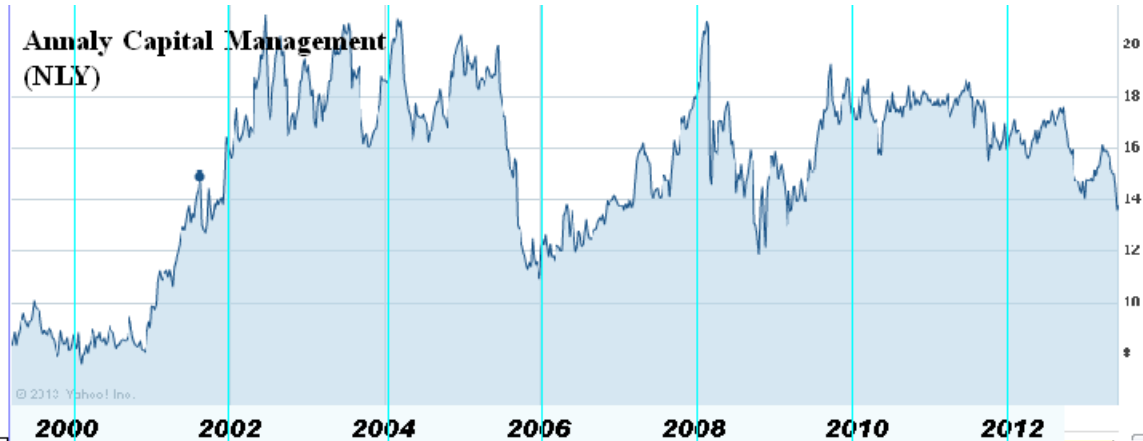


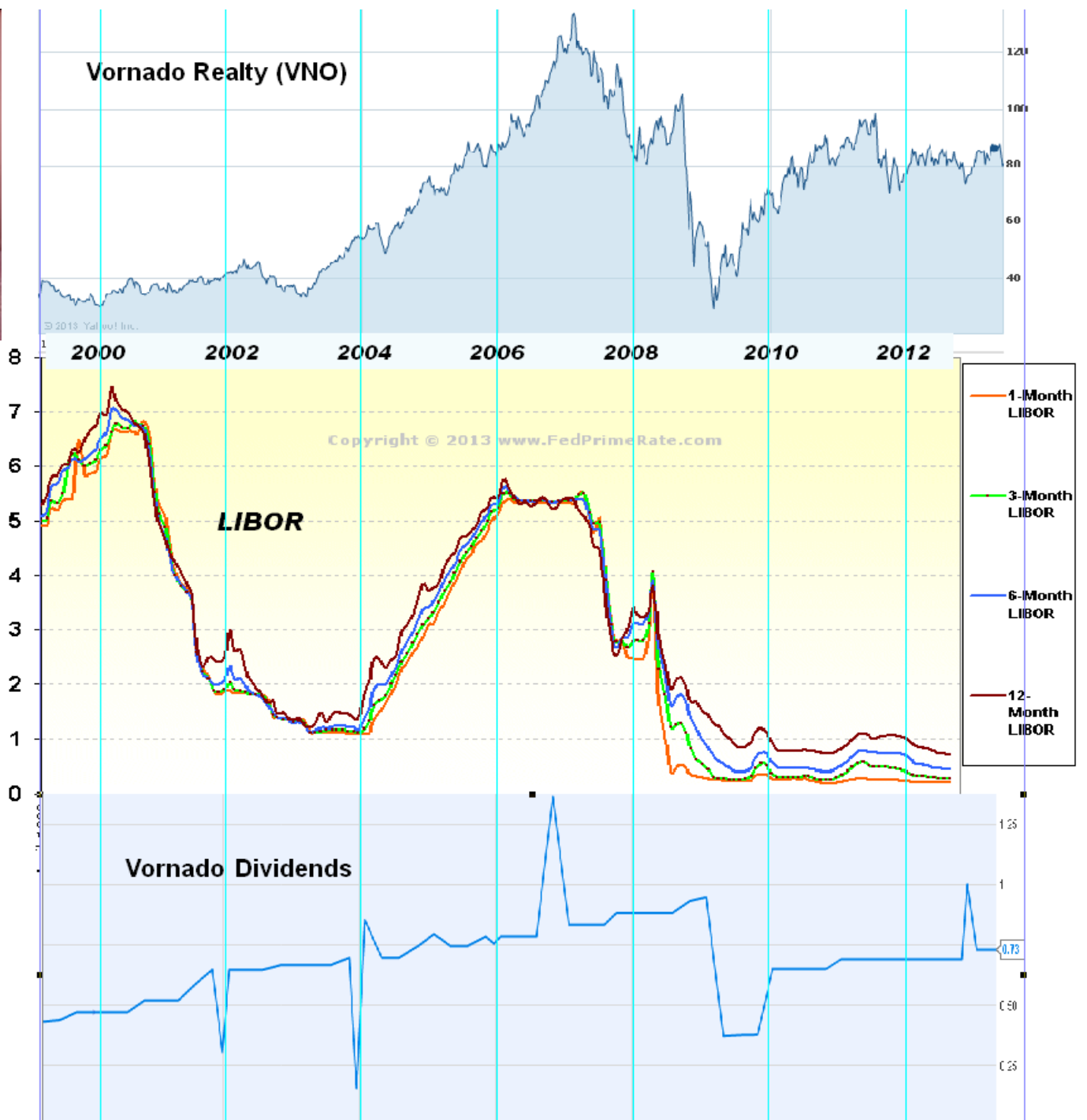


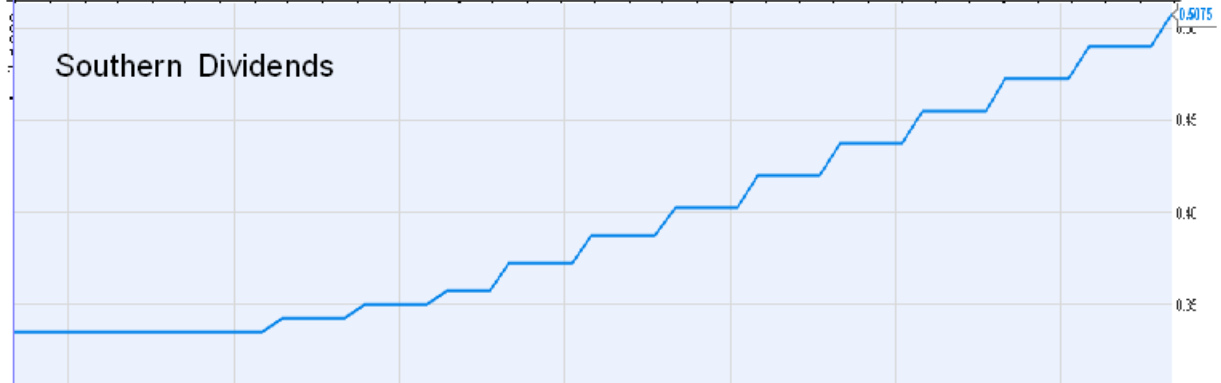
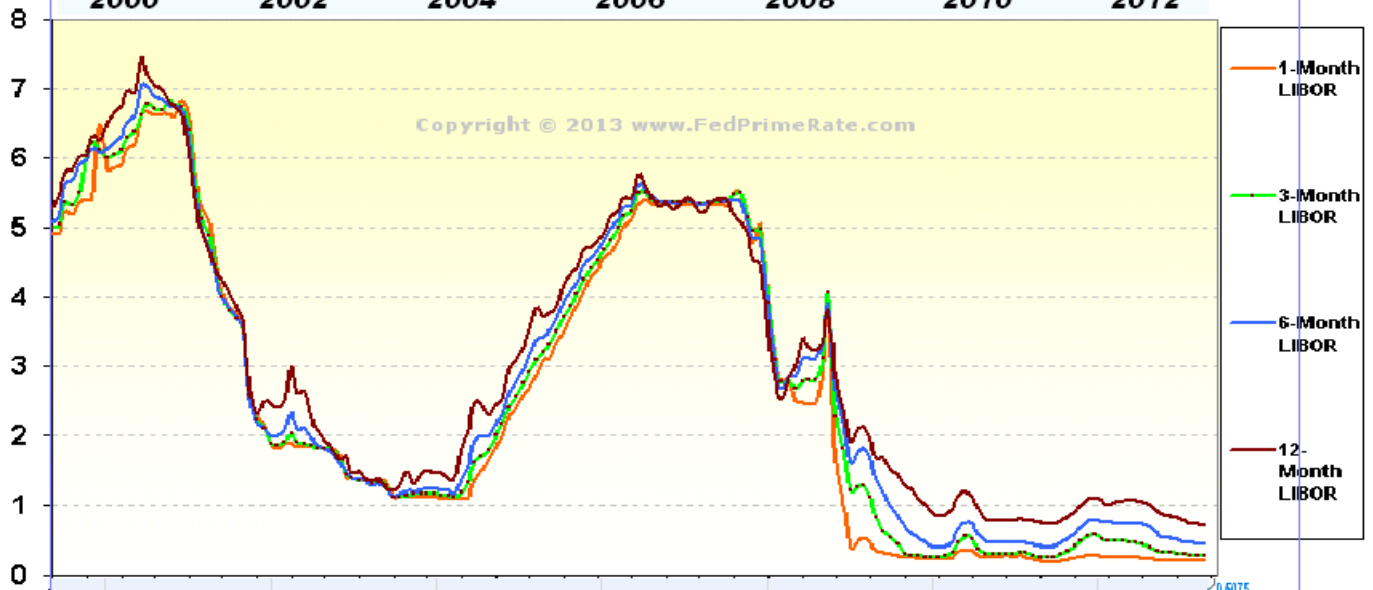




## Annaly Capital Management (NLY)







# Why Dividend Stocks?

## How Do You Make Money On Stocks?

- Regular Stocks
  - Sell Them to Someone Else at Higher Price

# Why Dividend Stocks?

## How Do You Make Money On Stocks?

- Regular Stocks
  - Sell Them to Someone Else at Higher Price

### **Affymax Falls After Firing 75% of Workers**

**Affymax Inc. (AFFY) dropped to its lowest value ever after the company said it will fire three-quarters of its workforce. Affymax plunged 64% to \$1.05, its lowest price since the shares began trading in December 2006.**

# Why Dividend Stocks?

## How Do You Make Money On Stocks?

- Regular Stocks
  - Sell Them to Someone Else at Higher Price
- Dividend Stocks
  - Company Pays You to Own Its Shares
  - Dividend Stocks Can Go Up Too

# Why Dividend Stocks?

## American Capital Agency (AGNC)





# Why Dividend Stocks?

## American Capital Agency (AGNC)



### AGNC Stock Price

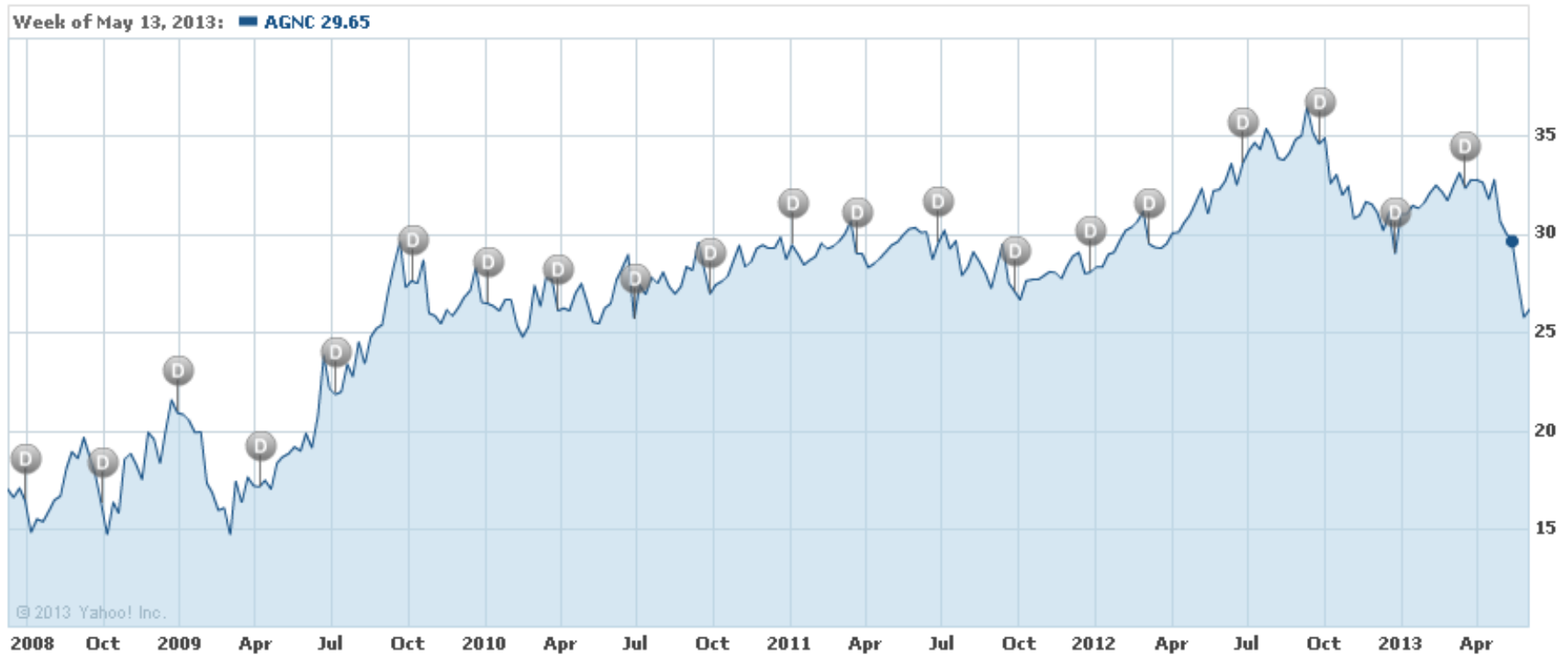
6/6/08: \$19.02

6/6/13: \$26.20

AGNC Price Appreciation: **38%**

# Why Dividend Stocks?

## American Capital Agency (AGNC)



### AGNC Stock Price

6/6/08: \$19.02

6/6/13: \$26.20

AGNC Price Appreciation: **38%**

### Total Return:

Price Appreciation + Divs Recvd.

Dividends: \$21.75/share

AGNC Total Return: **152%**

# About Dividend Stocks



## Dividend Basics

- U.S. Stocks: Most pay quarterly dividends, some pay monthly
- Foreign Stocks: Could be quarterly, semiannual, or annual

## Dividends

- Usually cash (sometimes stock )

**Dividend Yield** (expected next 12 months dividends divided by share price)

- Your Yield = 12-mo Dividends Received divided by price you paid

# 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%).*

# Analyzing High-Dividend Stocks



## 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.

# Analyzing High-Dividend Stocks



## 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
<b>Actual cash income</b>	<b>\$1,250,000</b>

# Analyzing High-Dividend Stocks



## Accounting basics

### Operating Cash Flow

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

# Analyzing High-Dividend Stocks



## Accounting basics

### Operating Cash Flow

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

### Free Cash Flow

- Operating cash flow minus capital expenses
- Dividends subtract from free cash flow
- Free cash flow not shown on most financial statements



# Analyzing High-Dividend Stocks



## Accounting basics



# Analyzing High-Dividend Stocks



## Accounting basics

### **Simon Property Group (SPG)**

Structure: Real Estate Investment Trust (REIT)

Business: Shopping Center Owner/Operator

2012 Payout Ratio: 104%

\$ millions

<u>Year</u>	<u>Net Inc.</u>	<u>Divs Paid</u>	<u>Oper. CF</u>	<u>Free CF</u>
2008	463.6	1,075.9	1,606.2	731.9
2009	387.3	216.8	1,720.5	1,344.2
2010	617.0	944.1	1,755.2	1,498.9
2011	1,024.8	1,272.9	2,005.9	300.8
2012	1,440.9	1,498.9	2,513.1	256.8

# Analyzing High-Dividend Stocks



## Accounting basics

### Simon Property Group • Yahoo Cash Flow (annual)

Period Ending	Dec 30, 2012	Dec 30, 2011	Dec 30, 2010
Net Income	1,440,922	1,024,799	617,038
<b>Operating Activities, Cash Flows Provided By or Used In</b>			
Depreciation	1,301,304	1,112,438	1,016,027
Adjustments To Net Income	(534,963)	(215,198)	46,463
Changes In Accounts Receivables	(4,815)	(19,370)	2,144
Changes In Liabilities	165,679	(58,959)	(22,550)
Changes In Inventories	-	-	-
Changes In Other Operating Activities	(133,765)	(58,924)	(40,388)
<b>Total Cash Flow From Operating Activities</b>	<b>2,513,072</b>	<b>2,005,887</b>	<b>1,755,210</b>
<b>Investing Activities, Cash Flows Provided By or Used In</b>			
Capital Expenditures	(802,427)	(445,495)	(256,312)
Investments	(3,254,648)	(684,560)	(1,302,308)
Other Cash flows from Investing Activities	476,404	136,013	311,925
<b>Total Cash Flows From Investing Activities</b>	<b>(3,580,671)</b>	<b>(994,042)</b>	<b>(1,246,695)</b>
<b>Financing Activities, Cash Flows Provided By or Used In</b>			
Dividends Paid	(1,498,863)	(1,272,949)	(944,058)
Sale Purchase of Stock	740,449	6,530	(5,770)
Net Borrowings	2,211,881	256,506	(2,368,999)
Other Cash Flows from Financing Activities	-	-	(350,688)
<b>Total Cash Flows From Financing Activities</b>	<b>1,453,467</b>	<b>(1,009,913)</b>	<b>(3,669,515)</b>
Effect Of Exchange Rate Changes	-	-	-
<b>Change In Cash and Cash Equivalents</b>	<b>385,868</b>	<b>1,932</b>	<b>(3,161,000)</b>

# Analyzing High-Dividend Stocks



**Focus on Dividend Prospects**



# Analyzing High-Dividend Stocks



**Focus on Dividend Prospects**

**Three Factors**

**1) Ability**

- Cash flow vs. dividends



# Analyzing High-Dividend Stocks



## Focus on Dividend Prospects

### Three Factors

#### 1) Ability

- Cash flow vs. dividends

#### 2) Desire

- Make history your guide

Prices				
Date	Open	High	Low	Close
Jan 31, 2013				0.65 Dividend
Oct 31, 2012				0.62 Dividend
Aug 1, 2012				0.59 Dividend
May 2, 2012				0.56 Dividend
Feb 1, 2012				0.53 Dividend
Nov 2, 2011				0.50 Dividend
Jul 29, 2011				0.495 Dividend
Apr 29, 2011				0.475 Dividend
Feb 2, 2011				0.47 Dividend
Oct 29, 2010				0.46 Dividend
Jul 30, 2010				0.455 Dividend
Apr 30, 2010				0.455 Dividend
Jan 29, 2010				0.455 Dividend
Oct 30, 2009				0.45 Dividend
Jul 31, 2009				0.45 Dividend
May 1, 2009				0.45 Dividend
Jan 30, 2009				0.45 Dividend
Oct 31, 2008				0.45 Dividend
Jul 31, 2008				0.45 Dividend
May 1, 2008				0.45 Dividend

*Yahoo Historical Prices.*

# Analyzing High-Dividend Stocks



## 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



# High-Dividend Rebound Candidates





# High-Dividend Rebound Candidates



## Real Estate Investment Trusts (REITs)

- **Invest Solely In Real Estate**

- Property REITs
- Mortgage REITs

### **Property REITs**

- Typical yields: 3% - 7% |

### **Mortgage REITs**

- Typical yields: 9% - 15%
- Rising Interest Rates: Reduce portfolio value
  - Borrow at short-term rates
  - Profit margin based on spread between short & long-term rates (yield curve)

### **Agency**

- Buys U.S. Gov. insured mortgages from Fannie Mae & Freddie Mac

### **Non-Agency**

- Buys mortgages not insured by government agencies

# High-Dividend Rebound Candidates



## Real Estate Investment Trusts (REITs)

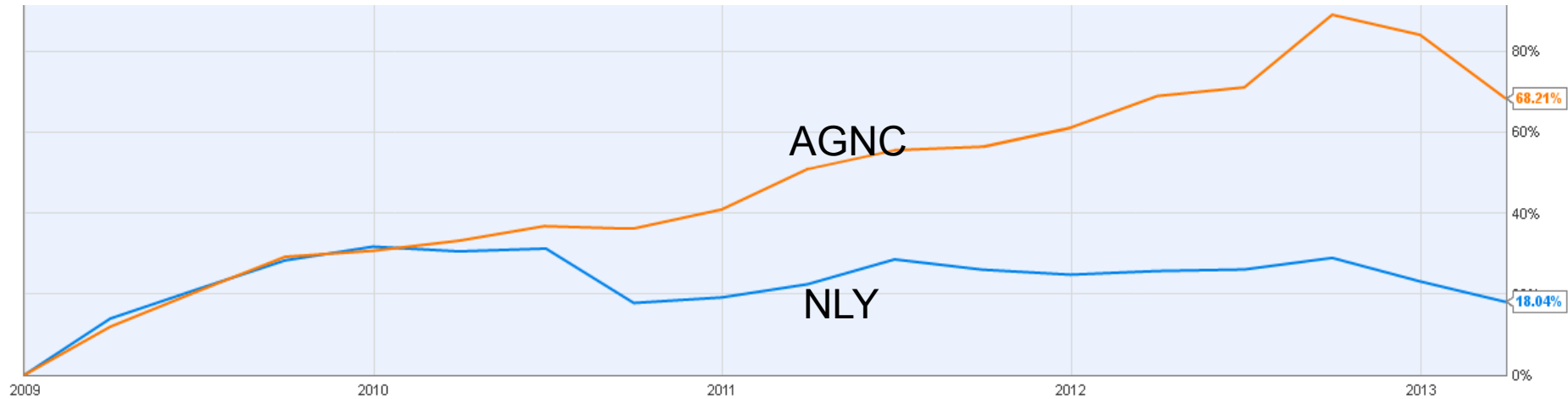
	<u>Business</u>	<u>Yield</u>	<u>1-Mo Return</u>
American Capital Agency (AGNC)	Mortgage Agency	19.4%	-17%
EPR Properties (EPR)	Property: Entr. & Charter Sch.	6.0%	-11%
Home Properties	Property: Multi-Family	4.6%	-4%
Hospitality Properties (HPT)	Property: Hotels	6.4%	-7%
Inland Real Estate (IRC)	Property: Strip Shop. Ctrs	5.6%	-11%
STAG Industrial (STAG)	Property: Industrial	5.5%	-4%

# High-Dividend Rebound Candidates



## Real Estate Investment Trusts (REITs)

### Mortgage REITs Trade Near Their Book Values



# High-Dividend Rebound Candidates



## Real Estate Investment Trusts (REITs)

	<u>Business</u>	<u>Yield</u>	<u>1-Mo Return</u>
American Capital Agency (AGNC)	Mortgage Agency	19.4%	-17%
EPR Properties (EPR)	Property: Entr. & Charter Sch.	6.0%	-11%
Home Properties	Property: Multi-Family	4.6%	-4%
Hospitality Properties (HPT)	Property: Hotels	6.4%	-7%
Inland Real Estate (IRC)	Property: Strip Shop. Ctrs	5.6%	-11%
STAG Industrial (STAG)	Property: Industrial	5.5%	-4%

# High-Dividend Rebound Candidates



## Business Development Companies

### 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>1-Mo Return</u>
<b>Hercules Technology Growth. (HTGC)</b>	\$1 million - \$40 million	8.0%	4%
<b>Triangle Capital Res. (TCAP)</b>	\$5 million - \$15million	7.4%	-1%

# High-Dividend Rebound Candidates



## Preferred Stocks

### 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

# High-Dividend Rebound Candidates



## Preferred Stocks

	<u>Business</u>	<u>S&amp;P Rtg.</u>	<u>Price</u>	<u>Yield</u>	<u>1-Mo Return</u>
<b>General Electric 4.875% Notes (GEB)</b>	<b>Conglomerate</b>	<b>AA+</b>	<b>24.59</b>	<b>5.0%</b>	<b>-5%</b>
<b>Goodrich Petroleum 10.0% C (GDP-C)</b>	<b>Oil &amp; Gas Explore &amp; Prod.</b>	<b>CCC-</b>	<b>25.21</b>	<b>9.9%</b>	<b>2%</b>
<b>Kimco Realty 5.50% J (KIM-J)</b>	<b>REIT: Community Shop Ctr.</b>	<b>BBB-</b>	<b>24.75</b>	<b>5.6%</b>	<b>-2%</b>
<b>NorthStar Realty 8.875% C (NRF-C)</b>	<b>REIT: Mortgage, Commer.</b>		<b>25.15</b>	<b>8.8%</b>	<b>-2%</b>
<b>PartnerRe 5.875% F (PRE-F)</b>	<b>Global Reinsurance</b>	<b>BBB</b>	<b>24.65</b>	<b>6.0%</b>	<b>-2%</b>

# High-Dividend Rebound Candidates



## Energy Partnerships

### Master Limited Partnerships (MLP)

- Federal Corporate Income Tax Exempt
- Must Pay Out Almost All Taxable Income to Shareholders
  - Must raise expansion cash via borrowing or selling more stock
  - Income Tax Returns May Be More Complicated
- Master Partner Takes % of Cash Flow
- Income Tax Reporting More Complicated

### Limited Liability Corps (LLC)

- No General Partner

### **90% of income must be from: real estate, commodities, natural resources**

- Natural Gas or Petroleum Pipelines, Exploration & Production
- Not Corporations
  - units = shares, unit holders = shareholders, distributions = dividends



# High-Dividend Rebound Candidates



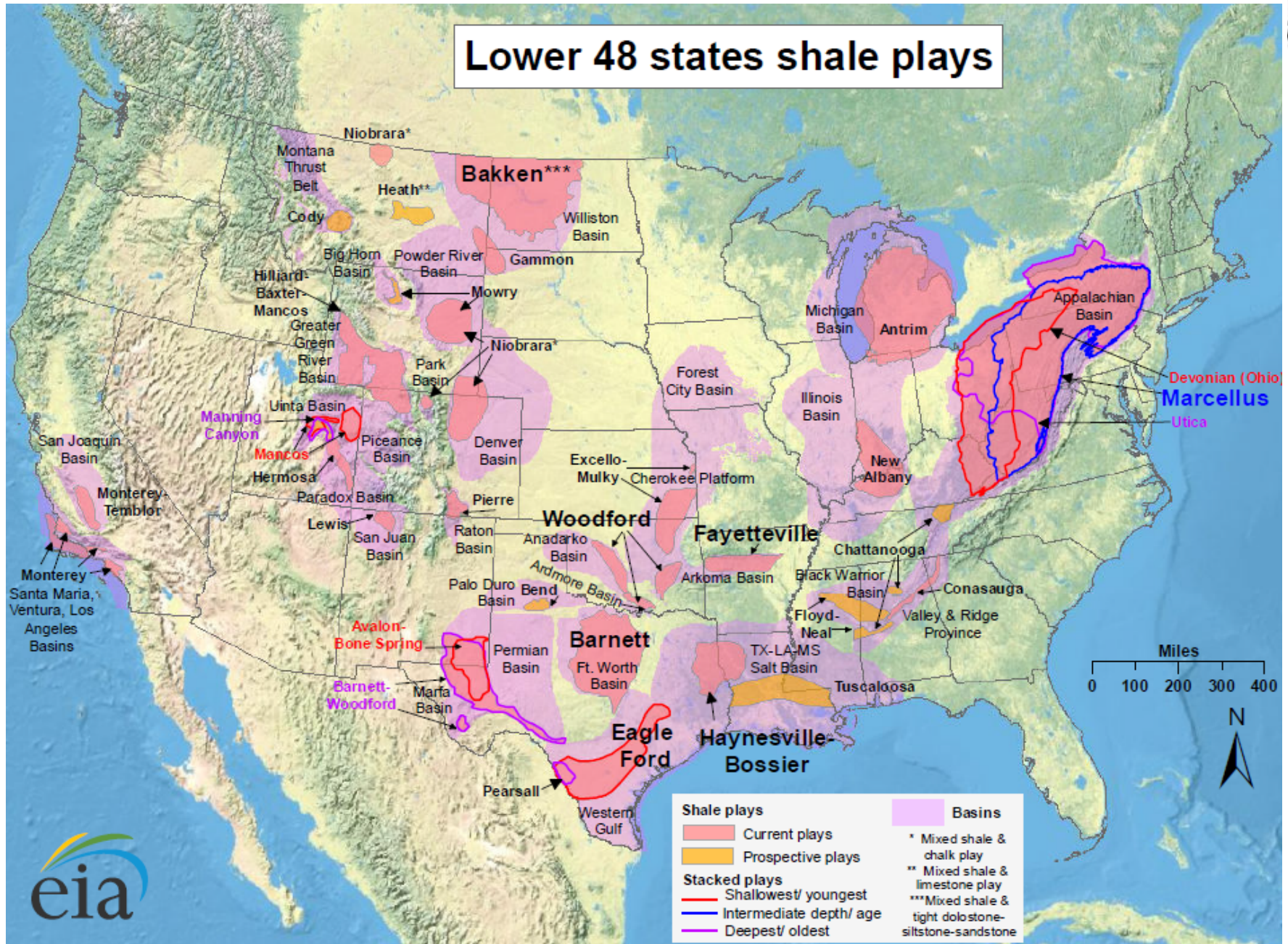
## Energy Partnerships

	<u>Business</u>	<u>Yield</u>	<u>1-Mo Return</u>
Calumet Specialty Prod. (CLMT)	Refiner: Lubricating Oils, Etc.	7.2%	-9%
Exterran Partners (EXLP)	Nat. Gas Compression Svcs.	7.7%	-9%
Global Partners (GLP)	Transport/Distribute Crude Oil /Gasoline	6.5%	-3%
MarkWest Energy Partners (MWE)	Nat. Gas Pipelines (no GP)	5.6%	7%

# High-Dividend Rebound Candidates



## Lower 48 states shale plays



# High-Dividend Rebound Candidates



## Energy Partnerships

	<u>Business</u>	<u>Yield</u>	<u>1-Mo Return</u>
Calumet Specialty Prod. (CLMT)	Refiner: Lubricating Oils, Etc.	7.2%	-9%
Exterran Partners (EXLP)	Nat. Gas Compression Svcs.	7.7%	-9%
Global Partners (GLP)	Transport/Distribute Crude Oil /Gasoline	6.5%	-3%
MarkWest Energy Partners (MWE)	Nat. Gas Pipelines (no GP)	5.6%	7%

# High-Dividend Rebound Candidates



## MLP General Partners

**Holds 2% general partner interest in the MLP plus additional limited partner units**

### **Incentive distribution rights (IDRs)**

- Percentage of MLP's Distributable Cash Flow (DCF)
  - Percentage varies with amount of DCF
  - Starts at 0% or 5%, but ramps up to as high as 50%
  - Thus, **IDR increases faster than MLP's distributions**

### **Only a few general partners are publicly traded**

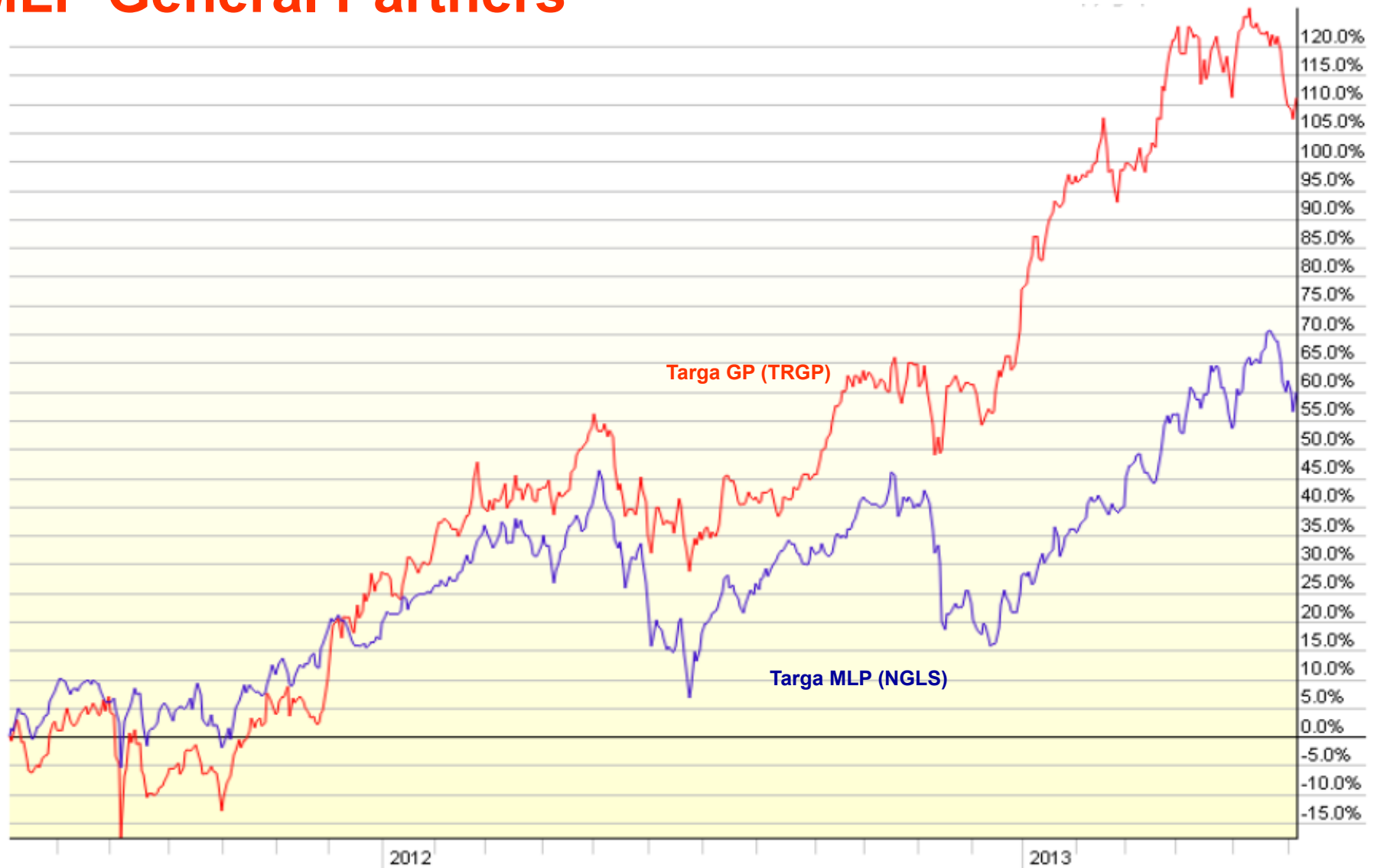
- Can be regular corporation or MLP
  - If Corp; 1099 tax forms, 15%/20% max



# High-Dividend Rebound Candidates



## MLP General Partners



# High-Dividend Rebound Candidates



## MLP General Partners



# High-Dividend Rebound Candidates



## MLP General Partners

	<u>Business</u>	<u>Yield</u>	<u>1-Mo Return</u>
Crosstex Energy, Inc. (XTXI) .....	Nat. Gas Pipelines .....	3.4%	5%
Targa Resources, Inc. (TRGP) .....	Nat. Gas Pipelines .....	3.1%	-6%

# High-Dividend Rebound Candidates



## Closed-End Funds

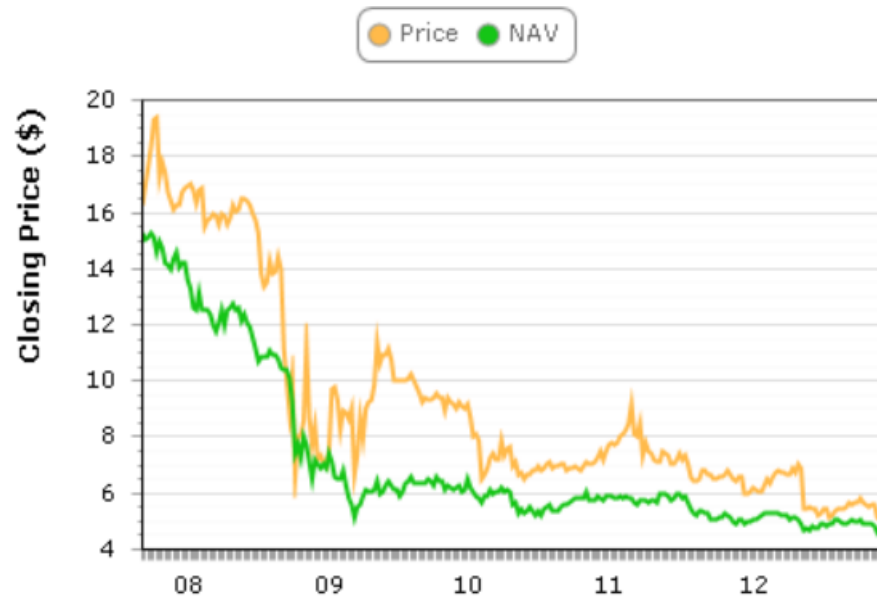
- **Managed Mutual Funds**
- **Sells fixed number of shares at IPO**
- **Managers deploy funds without worrying about redemptions or new money**
- **Trades at premium or discount to NAV, supply vs. demand sets price**
- **Holds Equities and/or bonds**
- **Many CEFs use borrowings (leverage) to improve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



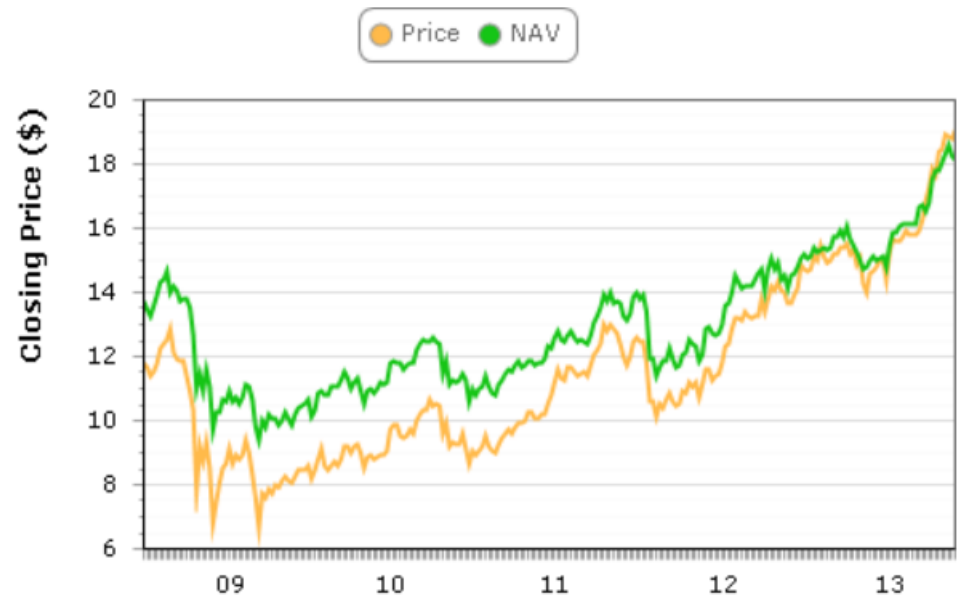
# High-Dividend Rebound Candidates



## Closed-End Funds



**Bad Fund**



**Good Fund**

Charts: *cefconnect.com*

# High-Dividend Rebound Candidates



## Closed-End Funds

	<u>Holdings</u>	<u>Yield</u>	<u>Div. Freq.</u>	<u>1-Mo MKt.Return</u>	<u>1-Mo NAV Return</u>
F&C Claymore Preferred (FLC)	Preferred Stocks	8.2%	M	-11%	-1%
Guggenheim Strategic Opp.	U.S. Corp. & Gov. Debt	10.0%	M	-5%	-1%
BlackRock MuniAssets	Municipal Bonds	5.8%	M	-6%	-2%
Nuveen Diversified Div.& Inc. (JDD)	50% Stocks/50% Debt	8.0%	Q	-10%	-5%

# Top Dividend Detective Stocks by Year-to-Date Returns

		6/7/13	Yield	YTD
EXLP	Exterran Partners	\$28.38	7.3%	45.6%
BX	Blackstone Group	\$21.67	5.5%	44.3%
GLP	Global Partners	\$35.15	6.6%	43.4%
OHI	Omega Healthcare	\$32.52	5.7%	40.7%
MWE	MarkWest Energy Partners	\$68.20	4.9%	37.6%
XTXI	Crosstex Energy	\$19.44	2.5%	37.4%
NTLS	NTELOS Holdings	\$16.35	10.3%	28.9%
AJG	Arthur J. Gallagher	\$43.77	3.2%	28.5%
ORI	Old Republic	\$13.24	5.4%	27.9%
SIX	Six Flags Entertainment	\$76.05	4.7%	27.4%
GEO	Geo Group	\$34.76	5.8%	26.8%
SUI	Sun Communities	\$49.81	5.1%	26.5%
HTGC	Hercules Technology	\$13.51	8.0%	26.4%
TRGP	Targa Resources	\$65.42	3.0%	25.7%
DD	E.I du Pont de Nemours	\$55.44	3.3%	25.4%
HQL	H&Q Life Sciences Investors	\$17.44	7.8%	24.7%
IRC	Inland Real Estate	\$10.19	5.6%	24.5%
CNP	CenterPoint Energy	\$23.39	3.5%	23.8%
GPC	Genuine Parts	\$77.47	2.8%	23.6%
JNJ	Johnson & Johnson	\$84.91	3.1%	23.0%
HPT	Hospitality Props Tst	\$27.79	6.8%	22.9%
STAG	Stag Industrial	\$21.64	5.5%	22.1%
TAL	TAL International Group	\$42.44	6.2%	20.2%
CINF	Cincinnati Financial Corp	\$46.46	3.5%	19.7%
VZ	Verizon Communications	\$50.24	4.1%	18.7%
CLMT	Calumet Specialty	\$34.72	7.8%	18.7%
ARCP	American Realty Capital	\$15.01	6.1%	17.5%
CMLP	Crestwood Midstream	\$24.20	8.4%	17.0%
KCAP	KCAP Financial	\$10.47	10.7%	16.9%
EPR	EPR Properties	\$52.58	6.0%	16.9%
TCAP	Triangle Capital	\$29.03	7.4%	16.0%
NEE	NextEra Energy	\$78.80	3.4%	15.9%
CVX	Chevron	\$121.70	3.3%	14.3%

*If you like dividends,  
you'll LOVE*

## **Dividend Detective**



Free List

800 High-Dividend Stocks