

Investing for Successful Retirement

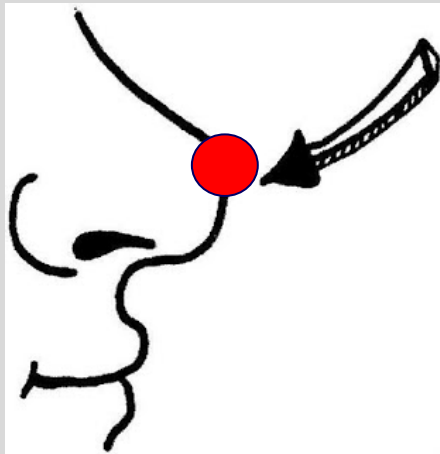
UD Osher – OLLI

Fall 2024

- **Rajeev A. Vaidya**
- **Ron Materniak**
- **Jane Roe-Fox**

Disclaimer in plain language

Disclaimer – in plain language:



Opinions are like noses, everyone has one !

You are going to see mine in this course !!

We are simply sharing our perspective.

This is not investment advice or recommendation.

Ron, Jane and I are not a financial advisors.

This course is for educational purposes only.

Form your own opinion, make your own investment decisions.

Class 8 – Oct. 23th

- Market Update – Rajeev – 20 minutes
- Investing for dividends

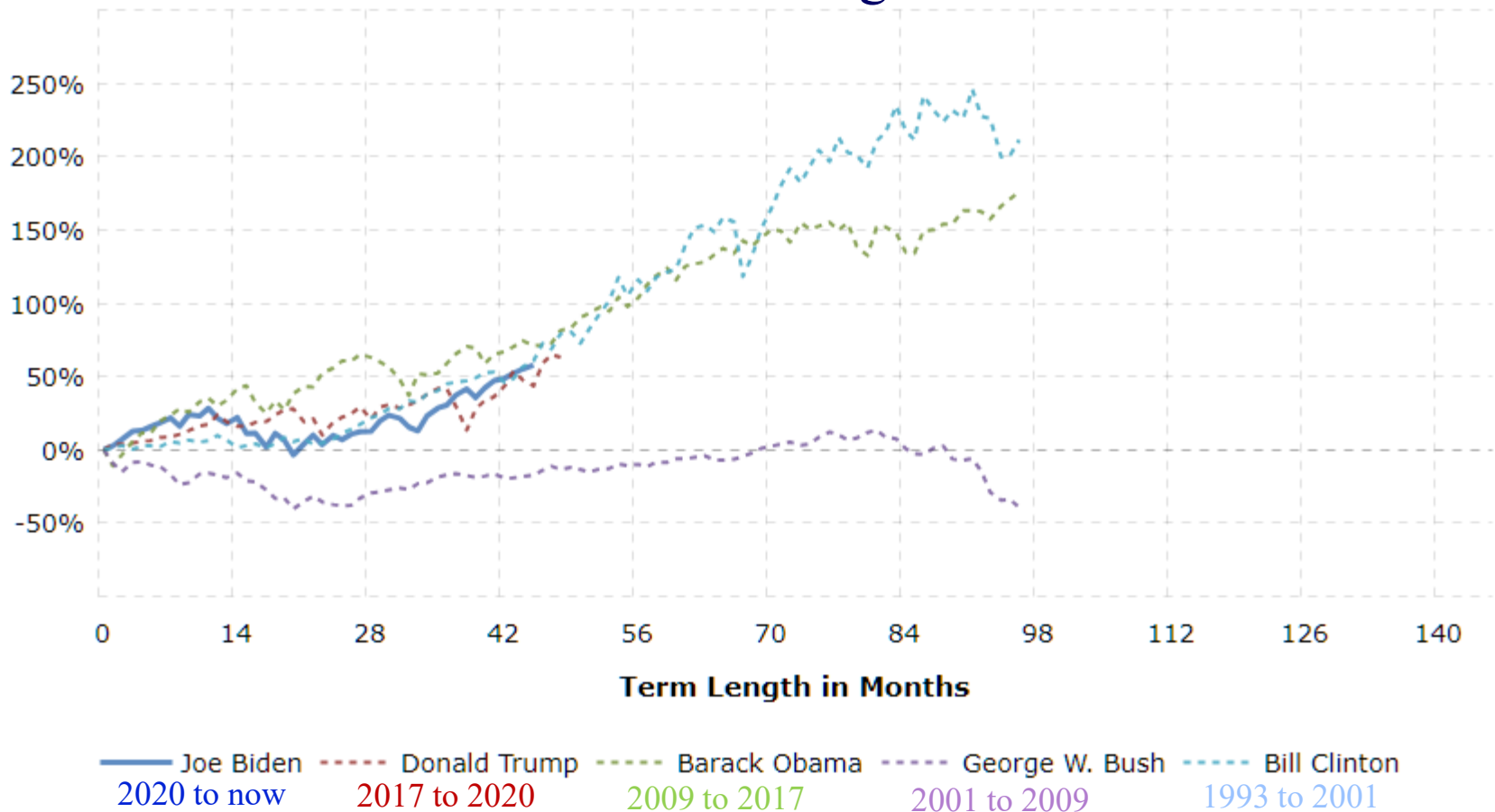
Correlation – Elections and markets

- WSJ data on 10/16/2024 – 66 economists and WSJ readers' poll
 - Inflation higher under Trump than Harris – almost 7 to 1
 - Deficits higher under Trump than Harris – almost 6 to 1
 - Interest rates likely to be higher under Trump than Harris – almost 6 to 1
 - Growth lower under Trump than Harris – 45% to 37%
 - Unemployment higher under Trump than Harris – 59% to 26%
- Perplexity.ai work to explore relevant correlations between Presidential and Congressional elections and financial outcomes.
 - Democratic Presidents produce 1.2 to 1.8% more GDP growth, but economic policies have a bigger impact than which party wins the WH.
 - Divided governments produce best results

Hawkish Fed. response + more borrowing = higher interest rates

Elections and Markets

Growth of the S&P 500 during Presidential terms

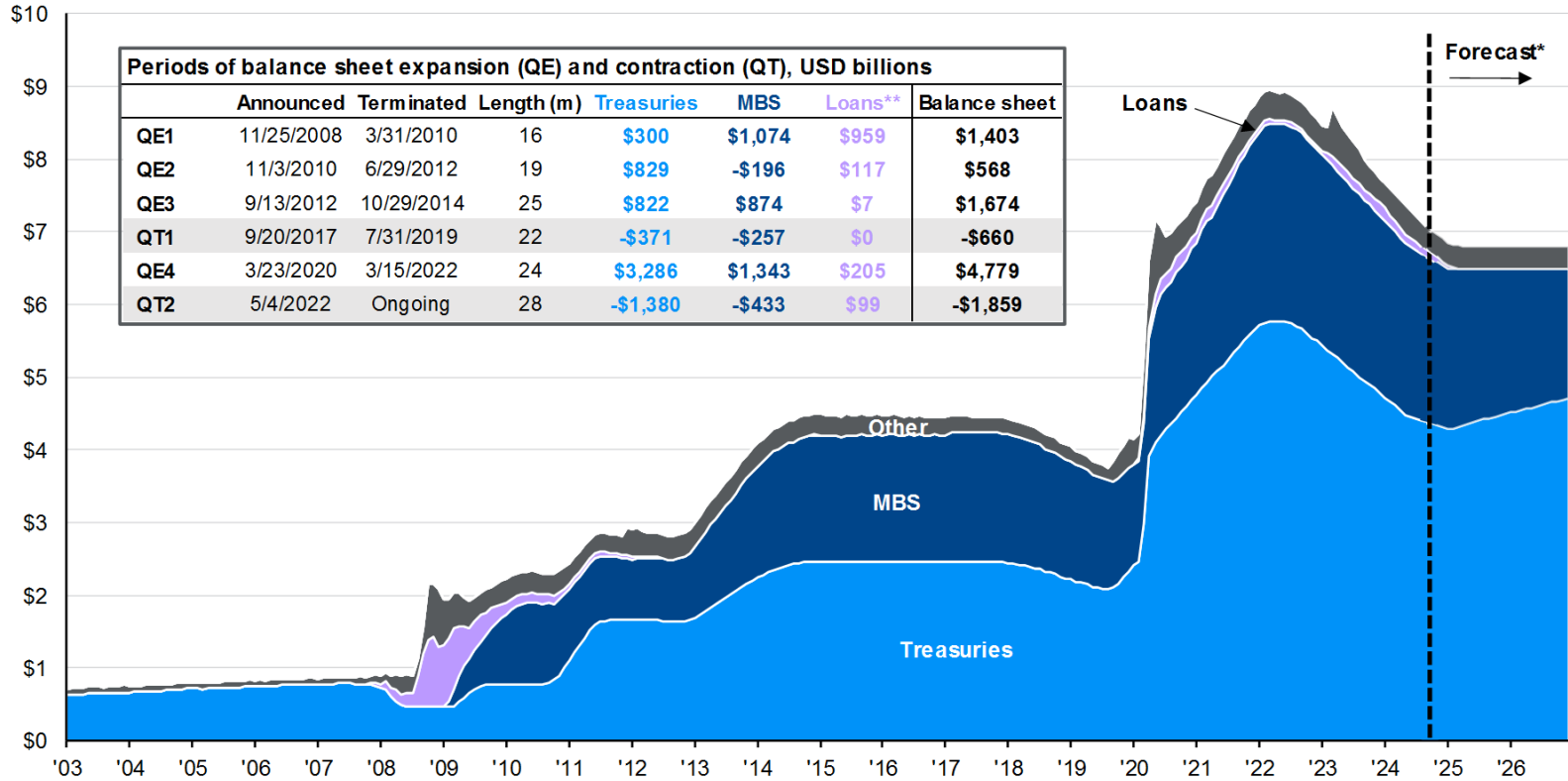




The Federal Reserve balance sheet

The Federal Reserve balance sheet

USD trillions



Fixed Income

Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management.

Total Fed assets represents total assets on the Federal Reserve's balance sheet excluding eliminations from consolidation. *The Federal Reserve began balance sheet run-off (quantitative tightening) in June 2022. Beginning in June 2024, the committee slowed the pace of QT to a cap of \$25bn for Treasuries and \$35bn for MBS. The forecast assumes this pace is maintained through January 2025. Thereafter, we assume the committee will conclude QT and purchase securities in the amount to keep the balance sheet level. We also assume the committee will allow MBS securities to continue to mature and reinvest maturing MBS and Treasuries into Treasury only securities to maintain a stable balance sheet. The forecast does not include the active selling of securities from the committee. **Loans include liquidity and credit extended through facilities established as a result of a financial or systemic crisis. Loan amount in the table represents the peak facility usage on the Fed's balance sheet during the defined periods of quantitative easing, the minimum facility usage during periods of quantitative tightening and facility usage at the most recent month-end for the current period. Other includes primary, secondary and seasonal loans, other credit extensions, repurchase agreements, foreign currency reserves, liquidity swaps, gold and other assets. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Analysis is based on month-end data.

Guide to the Markets - U.S. Data are as of September 30, 2024.

J.P.Morgan
ASSET MANAGEMENT

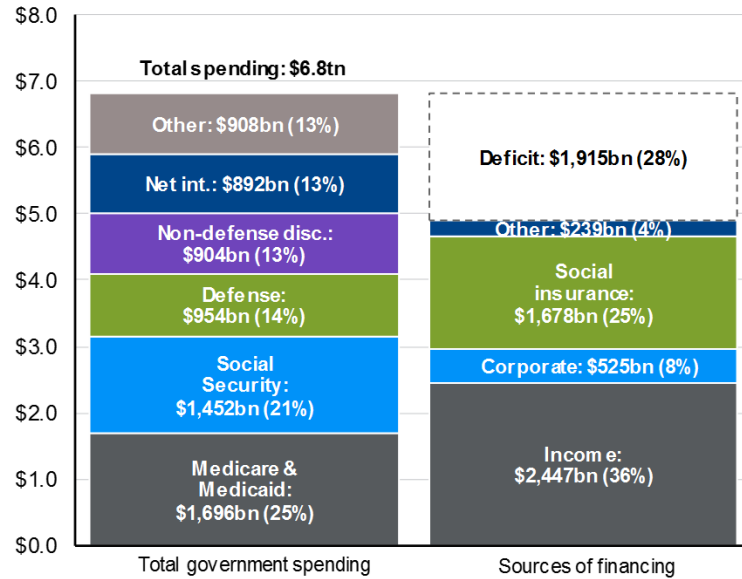


Federal finances

Economy

The 2024 federal budget

USD trillions

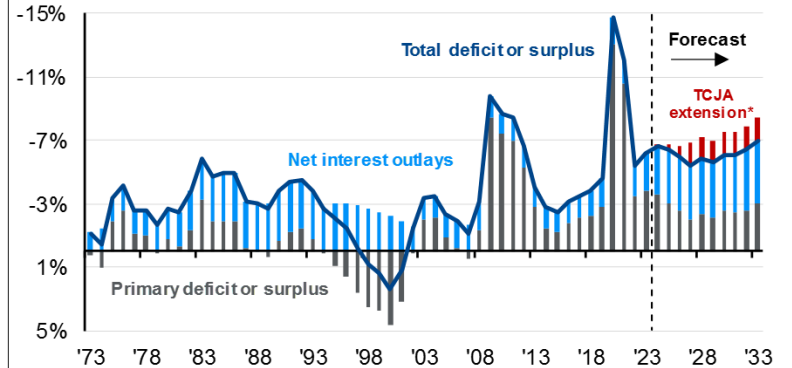


CBO's Baseline economic assumptions

	2024	'25-'26	'27-'28	'29-'34
Real GDP growth	2.9%	2.0%	1.7%	1.8%
10-year Treasury	4.5%	4.0%	3.6%	4.0%
Headline inflation (CPI)	3.2%	2.4%	2.2%	2.2%
Unemployment	3.8%	4.0%	4.3%	4.5%

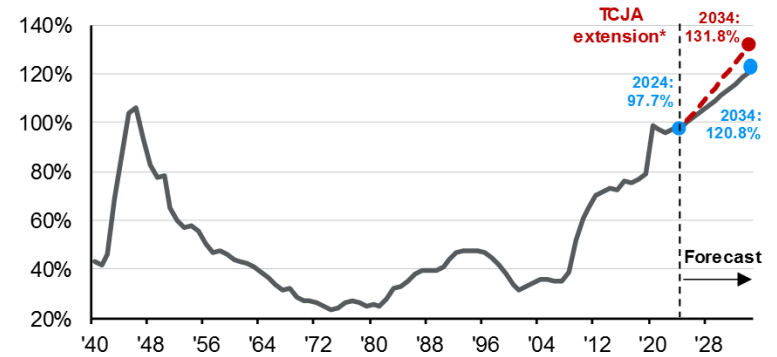
Federal deficit and net interest outlays

% of GDP, 1973-2034, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of September 30, 2024.

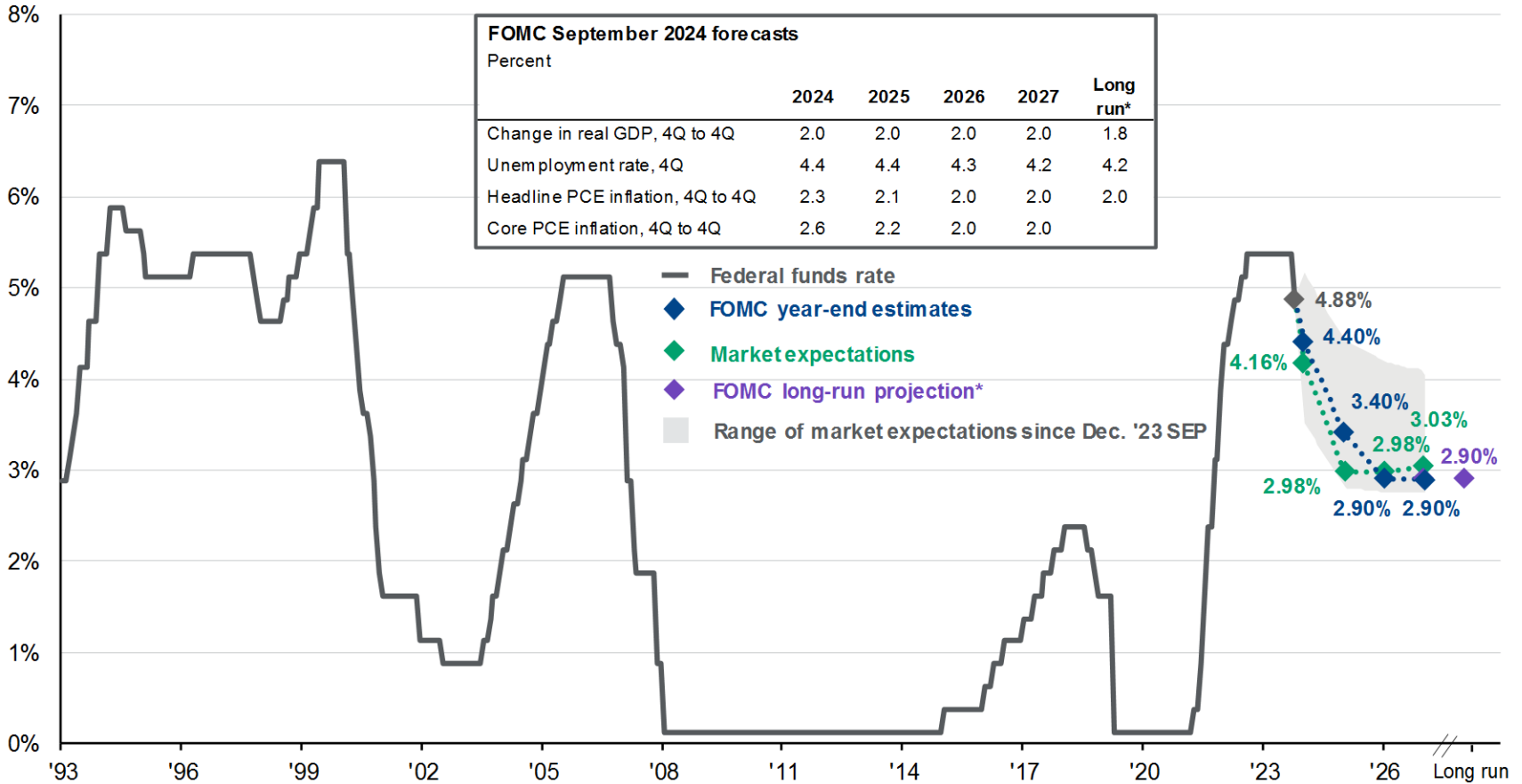


The Fed and interest rates

Fixed Income

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets – U.S.* Data are as of September 30, 2024.

Elections and Markets

□ Further work on Perplexity.ai to validate results:

1. How many times in the last 50 years has the US had a budget surplus and which presidents were in charge when it happened?
 - A. What was the GDP growth in those years?
 - B. Was the government divided with the President and Congress controlled by different parties in all these years?

Year	President	Congress	GDP growth
1969	Richard Nixon	Democrats	3.1%
1998	Bill Clinton	Republicans	4.48%
1999	Bill Clinton	Republicans	4.79%
2000	Bill Clinton	Republicans	4.05%
2001	George W. Bush	Senate evenly divided. Republican House	1.00%

Factset(R) - S&P 500 Calendar year earnings forecast

\$290.00

https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_101824.pdf

\$270.00

\$250.00

\$230.00

Axis Title

\$210.00

\$190.00

\$170.00

\$150.00

13-Jan
18-Feb
18-Mar
14-Apr
13-May
10-Jun
8-Jul
5-Aug
23-Sep
21-Oct
18-Nov
6-Jan
3-Feb
3-Mar
31-Mar
28-Apr
26-May
30-Jun
28-Jul
15-Sep
13-Oct
10-Nov
15-Dec
26-Jan
29-Feb
28-Mar
26-Apr
24-May
21-Jun
19-Jul
16-Aug
27-Sep

2023 EPS
2024 EPS
2025 EPS

Factset Earnings Estimates 10/18/2024

- Q324 S&P 500 EPS estimate 3.4% YOY growth (was 4.1% last week). Only 14% reported
 - Was 7.8% on June 30th
- EPS for 2024 **lower** than 10/4 by \$1.14, for 2025 by 81c
- Fwd. looking P/E 21.9 was 21.4 on 10/4
- 12-month target for the S&P 500 6377 (higher than 10/4 by 2.81)
- CFRA data on 10/18 - EPS for 2024 **\$238.55 down 40c** from last week, for 2025 **\$273.03, up 25c**
- CFRA calculated P/E = 25.5 (was 25.3 last week) based on next 4 quarters. 21.5 based 2025 EPS, was 21.3 last week).

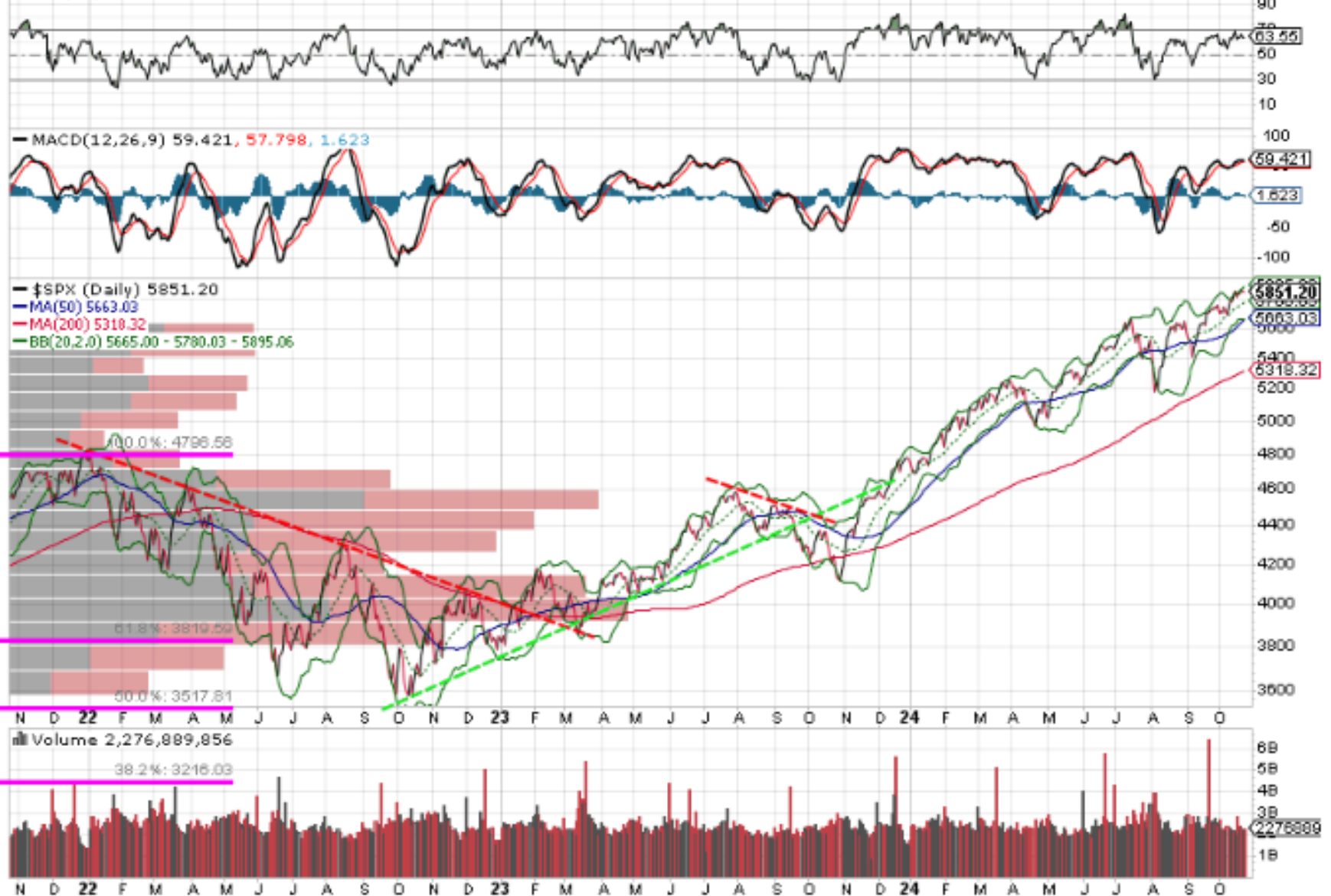
\$SPX S&P 500 Large Cap Index INDX

22-Oct-2024

Open 5832.70 High 5863.04 Low 5821.17 Close 5851.20 Volume 2.3B Chg -2.78 (-0.05%)

© StockCharts.com

▲ RSI(14) 63.55



\$SPX S&P 500 Large Cap Index INDX

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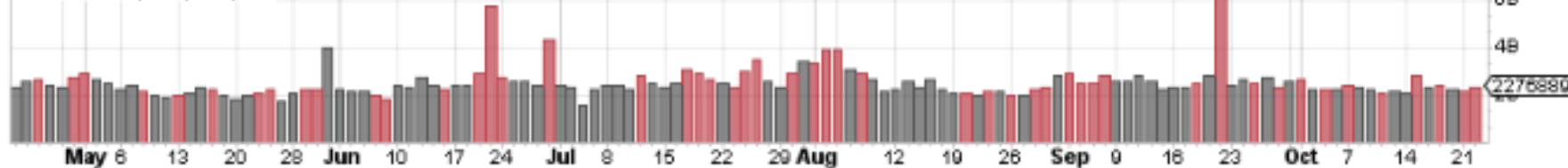
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© StockCharts.com

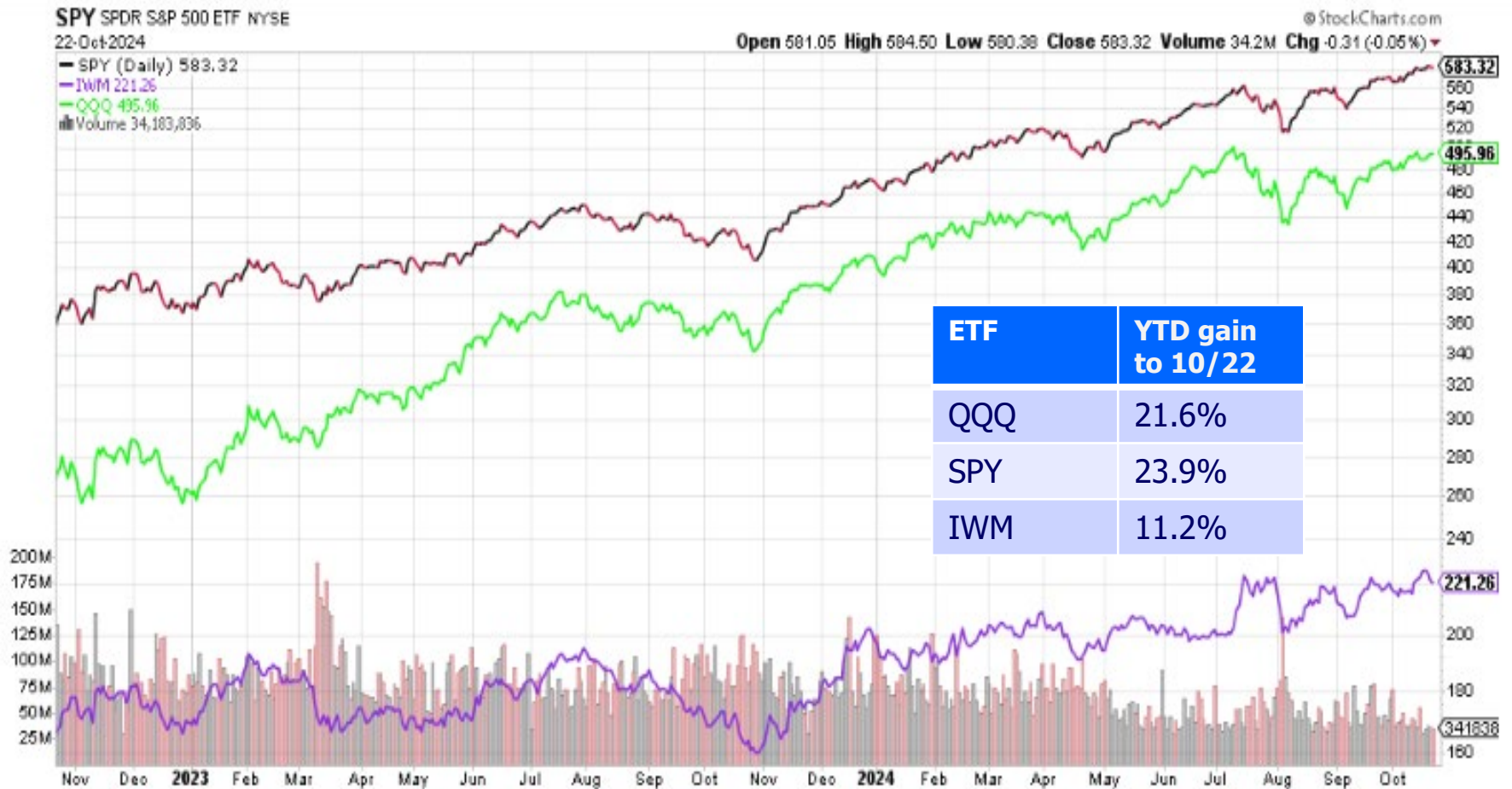
▲ RSI(14) 63.55



Volume 2,276,889,856



Market Breadth – another way



\$NYAD NYSE - Advance-Dcline Issues INDX

22-Oct-2024

© StockCharts.com

Open 40955.00 High 40955.00 Low 40955.00 Close 40955.00 Chg -349.00 (-0.84%)

— \$NYAD Cumulative 40955.00
— MA(50) 37272.98



— \$SPX 5851.20



This is NOT investment advice

Weekly market direction

Prof. Guy Werner

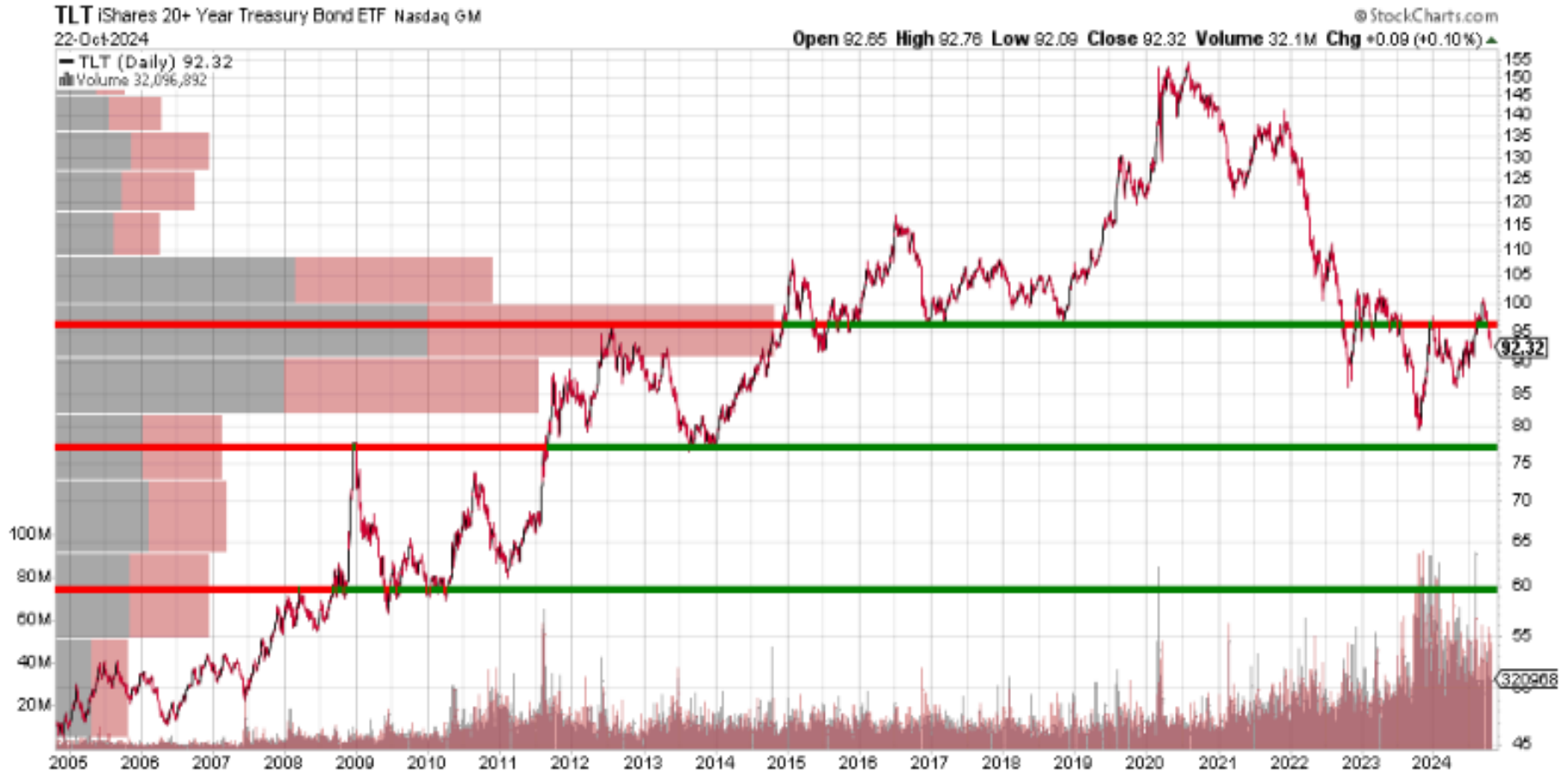
Guy.werner@verizon.net

COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

	DATE	MARKET PULSE (IBD) FOR THE WEEK	DISTRIBUTION DAYS		S&P 500 TRIPLE SCREEN					NASDAQ TRIPLE SCREEN						
			S&P 500	NASDAQ	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE
SAT	10/05/24								13	0.23%					18	0.10%
SUN	10/06/24	YTD							982	20.59%					3,126	20.82%
MON	10/07/24	CONFIRMED UP (80% -100%)	4	5	P	F	P	5,695	-56	-0.97%	P	0	P	17,923	-214	-1.18%
TUE	10/08/24	CONFIRMED UP (80% -100%)	4	5	P	F	P	5,751	56	0.98%	P	0	P	18,182	259	1.45%
WED	10/09/24	CONFIRMED UP (80% -100%)	3	5	P	P	P	5,792	41	0.71%	P	0	P	18,291	109	0.60%
THUR	10/10/24	CONFIRMED UP (80% -100%)	3	5	P	P	P	5,780	-12	-0.21%	P	0	P	18,282	-9	-0.05%
FRI	10/11/24	CONFIRMED UP (80% -100%)	3	5	P	P	P	5,815	35	0.61%	P	P	P	18,342	60	0.33%
SAT	10/12/24	FOR THE WEEK							64	1.11%					205	1.13%
SUN	10/13/24	YTD							1046	21.93%					3,331	22.19%
MON	10/14/24	CONFIRMED UP (80% -100%)	3	3	P	P	P	5,859	44	0.76%	P	P	P	18,502	160	0.87%
TUE	10/15/24	CONFIRMED UP (80% -100%)	4	4	P	P	P	5,815	-44	-0.75%	P	P	P	18,315	-187	-1.01%
WED	10/16/24	CONFIRMED UP (80% -100%)	4	4	P	P	P	5,842	27	0.46%	P	P	P	18,367	52	0.28%
THUR	10/17/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,841	-1	-0.02%	P	P	P	18,373	6	0.03%
FRI	10/18/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,864	23	0.39%	P	P	P	18,489	116	0.63%
SAT	10/19/24	FOR THE WEEK							49	0.84%					147	0.80%
SUN	10/20/24	YTD							1095	22.96%					3,478	23.17%
MON	10/21/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,853	-11	-0.19%	P	P	P	18,540	5	0.03%
TUE	10/22/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,851	-2	-0.03%	P	P	P	18,573	33	0.18%

https://drive.google.com/drive/folders/0B6Qc_gjpsHXMelkzQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg

TLT – 20 yr U.S. Treasury ETF



U.S. Dollar



Class 8 – Oct. 23th

- Market Update – Rajeev – 20 minutes
- Investing for dividends

Investing in Retirement

- Prior to retirement – Accumulation phase
- After retirement
 - Protect and grow the investment portfolio
 - Use the portfolio to produce income for current expenses
 - Draw down the principal as needed and in a way that does not exhaust it prematurely.
- If your plan is to draw down 4% per year from your portfolio
 - If your portfolio produces 2% income
 - You draw down 2% to meet your needs.
 - Helps in both up markets and down markets
- Income produced from dividends is taxed at a lower rate

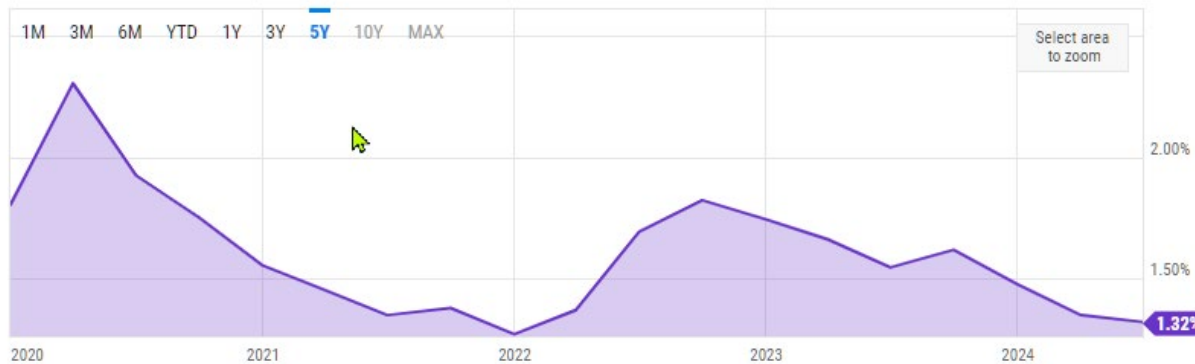
Why Dividends ??

- Historically, Dividends have been a meaningful part of total returns from equity investments.
- Dividend paying companies fare better in downturns than others.
- In a low yield environment, dividends offer better income than govt. bonds. – *Not true yet*
- Dividends are taxed at a lower rate than income produced from bonds.
 - Depends on your income tax rate and whether the dividends are qualified dividends.

Dividend & Treasury Yields



US 10-year Treasury yield
 Weekly 5 year history
 Last = 4.08%



S&P 500 yield
 Monthly 5 year history
 Last = 1.32%
 Source - ycharts

<http://indexarb.com/dividendYieldSorteddj.html> – 12mon fwd. looking dividend yields for the Dow 30

Only 3 of the 30 DJIA stocks have an expected yield > 4.0%

SureDividend Newsletter – website data –

- 47 of the S&P 500 stocks have a dividend yield > 4.0%
- 215 Russell 2000 Stocks have a Dividend yield > 4.0%

History dividend bearing stocks

Exhibit 1 Annualized Risk and Return of U.S. Stocks by Dividend Yield (July 1927–March 2019)

	Dividend-Payers by Yield Quintile					
	No Div	Low 1	2	3	4	High 5
Return (%)	8.81	9.25	10.13	9.85	11.88	10.84
Std Dev (%)	29.51	20.34	18.17	18.51	18.39	20.57
Beta	1.34	1.09	0.97	0.95	0.91	0.89

Source: French Data Library, author's calculations

Exhibit 2 Annualized Risk and Return of U.S. Stocks by Dividend Yield (January 1990–March 2019)

	Dividend-Payers by Yield Quintile					
	No Div	Low 1	2	3	4	High 5
Return (%)	10.24	8.68	10.53	10.70	10.98	9.85
Std Dev (%)	21.02	17.15	15.04	14.13	13.00	14.31
Beta	1.20	1.11	0.98	0.90	0.84	0.80

Source: French Data Library, author's calculations

Source – Morningstar article by Alex Bryan 8/21/2019

Relevant factors in Dividend paying stocks

- Cash flow predictability / consistency
 - Sales / earnings consistency
- Cash flow growth growing forward
 - Sales and earnings growth drives this
- Payout ratio
- Equity valuation
 - Relative to market
 - Relative to peers in industry
 - Relative to history
- Two broad styles
 - High yielders – high quality companies yielding more than the market
 - **Dividend growers** – high quality companies growing their dividends.
- **Dividend Growers**
 - Kings – 50 years of dividend increases
 - Aristocrats – 25+ years of dividend increases
 - Achievers – 10+ years of dividend increases

Screening for Dividend Stocks

- Value Line – Preset Screens – Summary and Index - Every week
 - Highest Dividend Yielding Stocks
 - Highest 3 to 5 year Dividend Yielding Stocks
 - Highest Dividend Yielding Non-Utility Stocks
- Value Line on-line live screens
 - Safety
 - Safety rank - 1 through 5 ... 1 is the safest
 - Financial Strength - A++ through C
 - Predictability
 - Earnings Predictability - 0 to 100. 100 is best.
 - Growth (5 years)
 - Earnings Growth
 - Cash Flow Growth
 - Dividend Yield
 - Dividend Growth

THE VALUE LINE Investment Survey®

Part 1
**Summary
&
Index**

File at the front of the
Ratings & Reports
binder. Last week's
Summary & Index
should be removed.

October 25, 2024

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SCREENS

Industries, in order of Timeliness Rank	24	Stocks with Lowest P/Es	35
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The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

18.7

26 Weeks Ago	Market Low	Market High
17.9	3-23-20 11.0	10-14-24 18.7

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend
paying stocks

2.0%

26 Weeks Ago	Market Low	Market High
2.2%	3-23-20 3.7%	10-14-24 2.0%

The Median Estimated
**THREE-TO-FIVE YEAR PRICE
APPRECIATION POTENTIAL**
of all stocks in the VL Universe

40%

26 Weeks Ago	Market Low	Market High
50%	3-23-20 145%	10-14-24 40%

The Median Estimated
**18-MONTH APPRECIATION POTENTIAL
TO TARGET PRICE RANGE**
of all stocks in the VL Universe

14%

26 Weeks Ago	Market Low	Market High
14%	3-23-20 72%	10-14-24 14%

Why is the yield high ??

- Is the yield high
 - Regularly? ...
 - Now .. Special dividend?
 - Now .. Low stock price?
- Good growing company
 - In a poor market
 - Short term issue with a clear way out?
- Company that is broken
 - Why will the company recover?
 - Is the risk worth the dividend?

STOCKS WITH HIGHEST PROJECTED 3- TO 5-YEAR DIVIDEND YIELD

Based upon the projected dividend per share 3 to 5 years hence divided by the recent price

Page No.	Stock Name	Recent Price	Est'd Future Yield	Time-liness	Safety Rank	Industry Group	Industry Rank	Page No.	Stock Name	Recent Price	Est'd Future Yield	Time-liness	Safety Rank	Industry Group	Industry Rank
516	Petroleo Brasileiro ADR	14.83	22%	2	3	Petroleum (Integrated)	34	1518	Crown Castle Inc.	112.03	7%	3	3	R.E.I.T.	91
1593	Vale S.A. ADR	11.10	20%	3	3	Metals & Mining (Div.)	84	359	Dine Brands Global	30.58	7%	2	4	Restaurant	55
2395	Kimbell Royalty Part.	16.28	16%	3	3	Petroleum (Producing)	80	1598	Dow Inc.	53.54	7%	3	3	Chemical (Basic)	7
604	Plains All Amerf. Pipe.	17.67	15%	3	3	Pipeline MLPs	58	589	Enbridge Inc.	56.56	7%	4	1	Oil/Gas Distribution	31
110	Stellantis N.V.	13.24	15%	4	3	Automotive	44	430	Exponent, Inc.	113.06	7%	2	3	Information Services	29
2391	Black Stone Minerals	15.07	14%	3	3	Petroleum (Producing)	80	2108	Guess?, Inc.	19.35	7%	3	4	Apparel	40
605	Plains GP Hldgs. L.P.	18.76	14%	2	3	Pipeline MLPs	58	1529	Host Hotels & Resorts	17.90	7%	3	3	R.E.I.T.	91
1545	SITE Centers	17.09	13%	-	3	R.E.I.T.	91	1977	Imperial Brands PLC	29.65	7%	2	2	Tobacco	4
816	Walgreens Boots	9.00	13%	4	3	Medical Services	8	2220	Invesco Ltd.	17.73	7%	4	3	Asset Management	20
1535	Park Hotels & Resorts	14.45	12%	3	4	R.E.I.T.	91	561	Kronos Worldwide	12.15	7%	3	3	Chemical (Specialty)	59
1590	Rio Tinto plc	67.70	12%	4	2	Metals & Mining (Div.)	84	1558	Lincoln Natl Corp.	32.91	7%	5	3	Insurance (Life)	5
1976	Brit. Am. Tobacco ADR	35.45	11%	3	2	Tobacco	4	1533	Macerich Comp. (The)	18.10	7%	4	5	R.E.I.T.	91
601	Enterprise Products	29.49	11%	3	3	Pipeline MLPs	58	1199	Newell Brands	7.47	7%	2	4	Household Products	69
107	Mercedes-Benz AG	63.22	11%	3	3	Automotive	44	2183	Sunoco LP	53.71	7%	3	3	Retail (Hardlines)	11
108	Nissan Motor ADR	5.37	11%	2	3	Automotive	44	937	Telefonica SA ADR	4.78	7%	-	3	Telecom. Services	74
338	SFL Corp. Ltd	11.48	11%	4	3	Maritime	30	544	UGI Corp.	24.76	7%	3	3	Natural Gas Utility	86
2214	AllianceBernstein Hldg.	36.11	10%	4	3	Asset Management	20	1980	Universal Corp.	49.99	7%	4	2	Tobacco	4
1975	Altria Group	49.86	10%	1	2	Tobacco	4	1549	Veris Residential	17.35	7%	4	3	R.E.I.T.	91
586	Antero Midstream Corp.	15.57	10%	4	3	Oil/Gas Distribution	31	942	Verizon Communic.	43.19	7%	3	1	Telecom. Services	74
1903	B&G Foods	8.13	10%	3	4	Food Processing	42	1552	W.P. Carey Inc.	59.92	7%	3	3	R.E.I.T.	91
919	BCE Inc.	32.56	10%	4	2	Telecom. Services	74	1774	Whirlpool Corp.	104.22	7%	3	3	Diversified Co.	19
602	Hess Midstream LP	36.25	10%	3	3	Pipeline MLPs	58	917	AT&T Inc.	21.26	6%	3	2	Telecom. Services	74
603	MPLX LP	44.09	10%	4	3	Pipeline MLPs	58	1176	Amcor plc	11.34	6%	3	3	Packaging & Container	15
2340	Paramount Global	10.37	10%	-	4	Entertainment	81	950	AudioCodes Ltd.	9.55	6%	-	3	Telecom. Equipment	48
1388	United Microelectronics	8.18	10%	2	3	Semiconductor	72	2200	Avista Corp.	37.98	6%	3	3	Electric Utility (West)	83
1550	VICI Properties	32.78	10%	3	3	R.E.I.T.	91	502	BP PLC ADR	31.99	6%	3	3	Petroleum (Integrated)	34
607	Western Midstream	39.44	10%	2	4	Pipeline MLPs	58	2506	Bank of Montreal	127.51	6%	5	2	Bank	68
1421	Xerox Holdings	10.17	10%	3	3	Computers/Peripherals	26	1752	Brookfield Infrastruc.	34.10	6%	4	3	Diversified Co.	19
351	Bloomin' Brands	15.45	9%	3	4	Restaurant	55	148	CNH Industrial N.V.	11.14	6%	3	3	Heavy Truck & Equip	21
600	Energy Transfer LP	16.55	9%	4	3	Pipeline MLPs	58	1503	Capitol Fed. Fin'l	5.90	6%	4	3	Thrift	36
1527	Healthcare Realty	17.46	9%	4	3	R.E.I.T.	91	2104	Carter's Inc.	63.90	6%	4	3	Apparel	40
1528	Healthpeak Properties	21.88	9%	-	3	R.E.I.T.	91	553	Chemours Co. (The)	19.96	6%	5	4	Chemical (Specialty)	59
2341	Sinclair, Inc.	17.36	9%	5	4	Entertainment	81	505	Chevron Corp.	151.78	6%	3	2	Petroleum (Integrated)	34
2319	Six Flags Ent. Corp.	39.27	9%	-	3	Recreation	52	920	Cogent Comms. Hldgs	80.83	6%	4	3	Telecom. Services	74
939	TELUS Corporation	22.26	9%	5	2	Telecom. Services	74	1504	Columbia Banking	27.16	6%	2	3	Thrift	36
2117	Advance Auto Parts	39.47	8%	-	3	Retail Automotive	41	507	Delek US Holdings	18.61	6%	2	4	Petroleum (Integrated)	34
503	CVR Energy	24.62	8%	3	4	Petroleum (Integrated)	34	2376	Deluxe Corp.	19.11	6%	2	3	Publishing	46
306	Copa Holdings, S.A.	97.40	8%	2	3	Air Transport	14	2191	Designer Brands	5.77	6%	-	5	Retail (Softlines)	23
2219	Franklin Resources	20.12	8%	4	3	Asset Management	20	1520	Elme Communities	16.77	6%	5	3	R.E.I.T.	91
1526	Gaming and Leisure	51.02	8%	3	3	R.E.I.T.	91	1223	Emera Inc.	50.63	6%	5	1	Power	78
1233	Northland Power	21.33	8%	4	3	Power	78	1157	Ethan Allen Interiors	29.98	6%	3	3	Furn/Home Furnishings	65
2385	OUTFRONT Media	18.53	8%	3	4	Advertising	43	137	Eversource Energy	64.02	6%	4	2	Electric Utility (East)	88
1995	Playtika Holding	7.50	8%	3	3	Entertainment Tech	93	1911	Fresh Del Monte Prod.	29.03	6%	1	3	Food Processing	42
606	Suburban Propane	18.48	8%	4	3	Pipeline MLPs	58	1616	GSK plc ADR	39.13	6%	3	1	Drug	51
585	TC Energy Corp.	46.78	8%	3	3	Oil/Gas Distribution	31	509	HF Sinclair	45.24	6%	3	3	Petroleum (Integrated)	34
2574	Western Union	11.84	8%	2	3	Financial Svcs. (Div.)	12	2382	Interpublic Group	31.50	6%	3	3	Advertising	43
2390	APA Corp.	26.70	7%	4	4	Petroleum (Producing)	80	1532	Kimco Realty	23.41	6%	5	3	R.E.I.T.	91
2507	Bank of Nova Scotia	72.18	7%	4	1	Bank	68	591	Kinder Morgan Inc.	24.88	6%	3	3	Oil/Gas Distribution	31
599	Cheniere Energy Part.	50.01	7%	4	3	Pipeline MLPs	58	592	Kinetik Holdings	49.89	6%	3	4	Oil/Gas Distribution	31
1002	Cogeco Communic.	69.30	7%	3	2	Cable TV	28	2146	Kohl's Corp.	19.30	6%	3	4	Retail Store	27

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Good Dividend stock – Prior Example

□ Like a Synthetic Bond

- Below Par Value
- With a good yielding coupon
- Protect capital

□ Example – Sunoco (SUN)

- 3/25/2021 Buy price = \$31.13 ... Dividend \$3.30 ... Yield 10.6%
- Not an oil company or a refining company
- Gasoline distribution and convenience stores
- Got beaten up with oil price decline.
- Went higher as oil price went higher.
- Have sell stop above my buy price.

This is not
investment
advice

My 1st purchase was on March 25 2021
My yield at 1st purchase = 10.6%
Made money on options
Added to my position
My average buy price = \$34.82
VL est. of 2024 dividend per share = \$3.47
Effective yield for me = 10%
Price on 10/18/24 = \$52.09
Yield today = 6.72%
My Protect capital Sell Stop @ 35.00

This is NOT investment advice

Value Line online stock screener

□ Safe High Yielding Dividend Stocks

- 14 stocks pass screen on 10/20/2024
- 11 are on US exchanges

Criteria	Value
Safety Rank	1 or 3
Financial Strength	B++ or better
Earnings Predictability	70 or better
Dividend Yield	4-10%
Dividend Growth (5 yr)	5% or better
Earnings per share Growth (5 yr)	5% or better
Cash Flow per share Growth (5 yr)	5% or better

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investment
advice

Value Line Screener Results

Company Name	Ticker	Dividend Yield	Safety™	Earnings Predictability	Financial Strength Rating	Dividend 5 Yr Growth Rate (%)	EPS 5 Yr Growth Rate (%)	Cash Flow 5 Yr Growth Rate (%)
Altria Group Inc	MO	8.2%	2	100	A	7	7.5	6.5
AllianceBernstein Holding LP	AB	7.4%	3	70	B++	6.5	7.5	5.5
Whirlpool Corp	WHR	6.5%	3	70	B++	5	13	8.5
Crown Castle Inc.	CCI	5.6%	3	70	B++	8	24.5	10.5
Toronto Dominion Bank	TD.TO	5.2%	1	80	A+	8	7	8.5
Cogeco Communic.	CCA.TO	4.8%	2	95	B++	10.5	9.5	6.5
United Parcel Service	UPS	4.8%	2	70	A	11	12	11
Truist Fin'l	TFC	4.8%	3	80	A	8.5	7.5	7.5
Great-West Lifeco	GWO.TO	4.7%	2	85	A	5	5.5	8
Eversource Energy	ES	4.3%	2	100	A	6	5.5	5.5
Evergy Inc.	EVERG	4.2%	2	85	B++	6	6.5	10.5
US Bancorp	USB	4.1%	3	75	A	9	6	8.5

These are potential starting points in your search
for dividend stocks

This is not
investment advice

Dividend Grower – Opportunity ??

- Like a Bond
 - Below Par Value
 - With a good yielding coupon
 - With a coupon that grows over time
 - Protect capital
- Example – United Parcel Service (UPS)
 - 10/22/24 price = \$131.33, Dividend Yield 4.96%
 - Has grown dividends every year since 2014
 - Morningstar – 4 Stars, Fair Value = \$150
 - CFRA - 3 Stars, Hold, 12-month target price = \$140, Dividend = \$6.52
 - EPS = \$7.97 in 2024, \$9.85 in 2025 ... P/E based on 2024 = 17.1 (range since 2014 = 25.3 – 17.9)
 - Asset intensive business.
 - 414,000 employees in US. Most are unionized, Teamsters contract expires 7/31/28, Intl. Pilots Assoc. contract expires 9/1/2025
 - Package volumes are contracting from pandemic highs, but favorable e-commerce trends are a tailwind
 - Argus – 5 year “Buy”, 12-month “Hold”
 - Value Line- Safety 2, Financial strength A, Timeliness 3, 18-month Mid-point \$144
 - EPS \$7.40 operating profit margin 13.0% in 2024, 8.90 and 14.5% in 2025
 - 2024 - All dividends to Net Profits = 77%, All dividends to Cash Flow = 56%
 - Chart needs to improve



This is NOT investment advice

Dividend focused ETFs

- Let some one else do the analysis
- Benefit from diversification
- ETFs with two main foci
 - Best Dividend Growth
 - Highest Yields

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investment
advice

Dividend focused ETFs

- Morning Gold Medalist Dividend ETFs
 - Green – 5 Star rating
 - High Dividend – VYM
 - Growing Dividend – VIG, VIGI, TDVG, DGRW
 - Low Beta High Quality – QDEF, DGRO,
 - International
 - ADIV (AP ex JP)
 - High Dividend - DEM (EM high div), HDEF,
 - Dividend growth - HDEF
 - International hedged – DDWM, DXJ, EUSC (EU SCap)
 - Small Cap – DGRS, DTD

These are potential starting points in your search for dividend focused funds

This is NOT investment advice

Enhancing Dividends with covered calls

- Buy a dividend paying stock
- Collect the dividend
- Sell out of the money covered calls – keep the premium
- Risks:
 - Stock gets called – make a profit ... may not get dividend
 - Stock drops in value
- ETFs with this strategy for the S&P 500 **DIVO**
 - Distribution Yield approx. 4.44%, 30 Day SEC Yield = 1.77%
 - Expense ratio = 0.56%
 - Rated 5 stars by Morning Star based on past performance
 - Buy in the market downturn with sell stops ??
 - If you do, raise sell stop above your buy price as the market recovers.

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Enhancing Dividends with covered calls

- Another similar ETF – JEPI or JEPQ
 - Exchange Linked Notes instead of covered calls
 - Counter Party Risk

Class 9 – Oct. 30th

- Market Update – Rajeev – 20 minutes
- Bucket Investing

Thanks !!

- Happy Investing !!

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