
Dividend Investing: Idea Discovery Made Simple

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Idea Discovery Made Simple

Presentation Overview

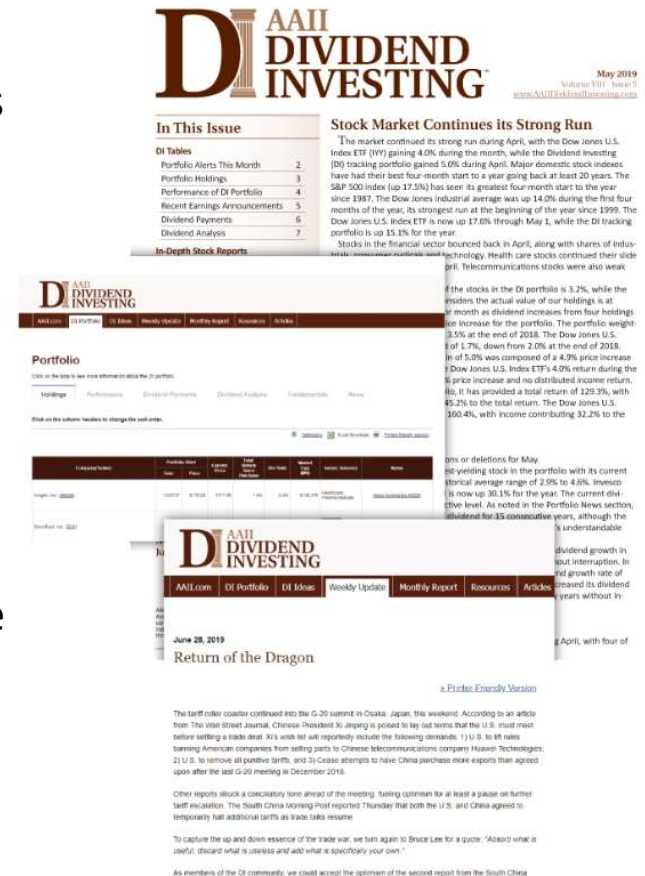
- *AAll Dividend Investing* (DI) strategy
- Three pillars of *Dividend Investing*
- Why using a dividend screener can help you build lasting income
- Process behind developing the AAll Dividend Screener
- Practical ideas for building a dividend portfolio using the Dividend Screener
- AAll Dividend Screener demonstration

AAII Dividend Investing

<https://di.aaii.com>

AAII Dividend Investing Strategy

- **Dividend Investing's strategy:** Seeks stocks that have the potential to rise in price and make larger dividend payments in the future—a total-return strategy
- DI seeks to identify the best dividend investment opportunities by **focusing on a select universe of well-financed companies** that have a long history of:
 - Sales, earnings and dividend growth
 - Positive free cash flow
 - Attractive valuations
- Strategy based on robust studies of market factors that have contributed to strong long-term market returns
- Unique value proposition: provides subscribers complete control (addition/deletion decisions, tax situation, etc.)
- Weekly email/commentary; Monthly *Dividend Investing* newsletter with article archive



Provides the education and tools necessary to analyze, research and manage a successful dividend portfolio



AII Dividend Investing Model Portfolio

AII Dividend Investing

- Model portfolio with real capital investment
- Portfolio inception: 2012
- 24 hand-picked dividend-paying growth stocks
 - U.S. exchange-traded; large-cap value tilt
 - Diversified across sectors; no REITs or MLPs
 - Pays monthly dividends; current portfolio composition
 - Current yield ~2.6% vs. market yield ~1.1%
 - Compared to Dow Jones U.S. Index (IYY)
- Proprietary quantitative strategy, rules-based
- Alert members of portfolio additions/deletions

Current DI holdings - sample



Former DI holdings - sample



DI Portfolio Return Versus Vanguard High Dividend Yield ETF (VYM) & Dow Jones U.S. Index (IYY)

	Annualized	Annual Returns (%)									
	Return (%)	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012
Dividend Investing Portfolio	13.1	21.5	3.5	29.9	(11.5)	22.3	18.2	(7.7)	12.2	36.5	10.2
Vanguard High Dividend Yield ETF (VYM)	12.8	17.9	1.1	24.1	(5.9)	16.4	17.1	0.3	13.5	30.1	12.7
Dow Jones U.S. Index (IYY)	15.9	18.5	20.1	30.8	(5.2)	21.3	12.0	0.4	12.9	32.6	14.4

Source: Morningstar and AII's A+ Investor. Data from January 3, 2012, through August 6, 2021.



Three Pillars of Dividend Investing

1

Valuation / Attractiveness

Stock prices tend to **fluctuate between high and low extreme valuation levels**, these relationships can be used to determine a stock's value range

Characteristics Analyzed:

- Dividend yield
- Trailing price-earnings ratio
- Forward price-earnings ratio

Dividend Yield: Main valuation metric

2

Growth Trends

A company's success is driven by its ability to **generate sales** and **convert revenue into earnings and cash flow**

Characteristics Analyzed:

- Revenue
- Gross margins
- Operating margins
- Net profit margins
- Earnings
- Earnings per share
- Operating cash flow
- Return on assets (ROA)
- Dividend growth

Growth: Does, and can, the company grow its dividend?

3

Financial Strength / Quality

Understand company's underlying financials and its ability to **generate cash flow**, **pay its obligations** and **return capital to shareholders**

Characteristics Analyzed:

- Earnings payout ratio
- Free-cash-flow payout ratio
- Leverage ratio
- Interest coverage ratio
- Free cash flow
- Dividend history
 - Consistency
- Returned capital
 - Share buybacks & dividends

Sustainability: Can the dividend payment be sustained in the future?

Rationale Behind AAI's New Dividend Screener

- Deliver more meaningful tools and resources to help dividend-focused investors
 - Identify and evaluate dividend-paying stocks that meet your income investing needs
 - Based on the three pillars of Dividend Investing: valuation, growth and financial strength
- Easier way to start analyzing dividend-paying stocks
 - Generates an outcome that combines numeric scores with letter grades
 - Dividend grades are determined by their underlying scores, which provides a level of detail and transparency

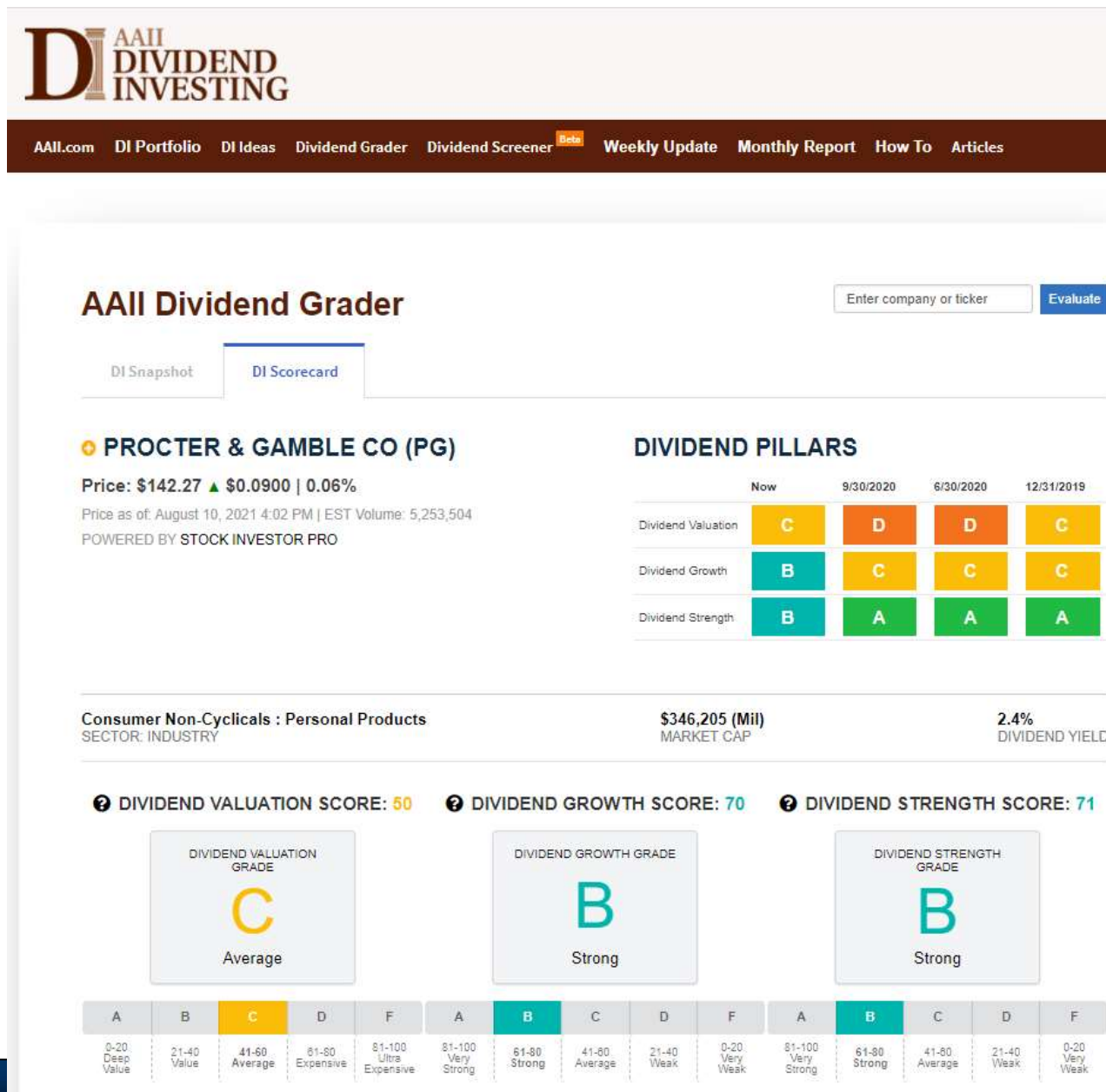
AAll Dividend Screener: Build Lasting Income

- Why using a dividend screener can help you build lasting income
 - Generate a list of dividend-paying stock ideas
 - Receive objective feedback on a dividend-paying stock's underlying characteristics
 - Evaluate a buy or sell decision
 - Get a second opinion on a dividend-paying stock you already own or are considering buying or selling
- Grading system is just like you had in school
 - A's and B's are good; D's and F's are not
 - Grades make it easier to quickly identify what was attractive, what was within an average range and what was unattractive

Developing the AAI Dividend Screener

- Powered by AAI's *Stock Investor Pro* and Dividend Investing's Dividend Grader
- Considered several important characteristics of dividend-paying stocks
 - Purposely sought metrics shown to be predictive of strong dividend growth, safety, consistency and attractive relative valuations
 - Based on academic research studies
 - Backtested the results of the scoring system across all letter grades (A to F) to ensure validity

AAII's Dividend Grader



Dividend Score & Grade Components

- Dividend Valuation Score definition:
 - Percentile rank of the average of the percentile ranks of:
 - Relative dividend yield
 - Shareholder yield
- Dividend Growth Score definition:
 - Percentile rank of the average of the percentile ranks of:
 - Cash from operations growth
 - Return on assets (ROA) compared to its sector median
 - Dividend growth rate for the last 12 months
 - Average annualized dividend growth rate over the last five years
- Dividend Strength Score definition:
 - Percentile rank of the average of the percentile ranks of:
 - Earnings payout ratio compared to its sector median
 - Ratio of total liabilities to total assets
 - Times interest earned ratio compared to its sector median
 - Dividend sustainability score

Dividend Screening Simplified

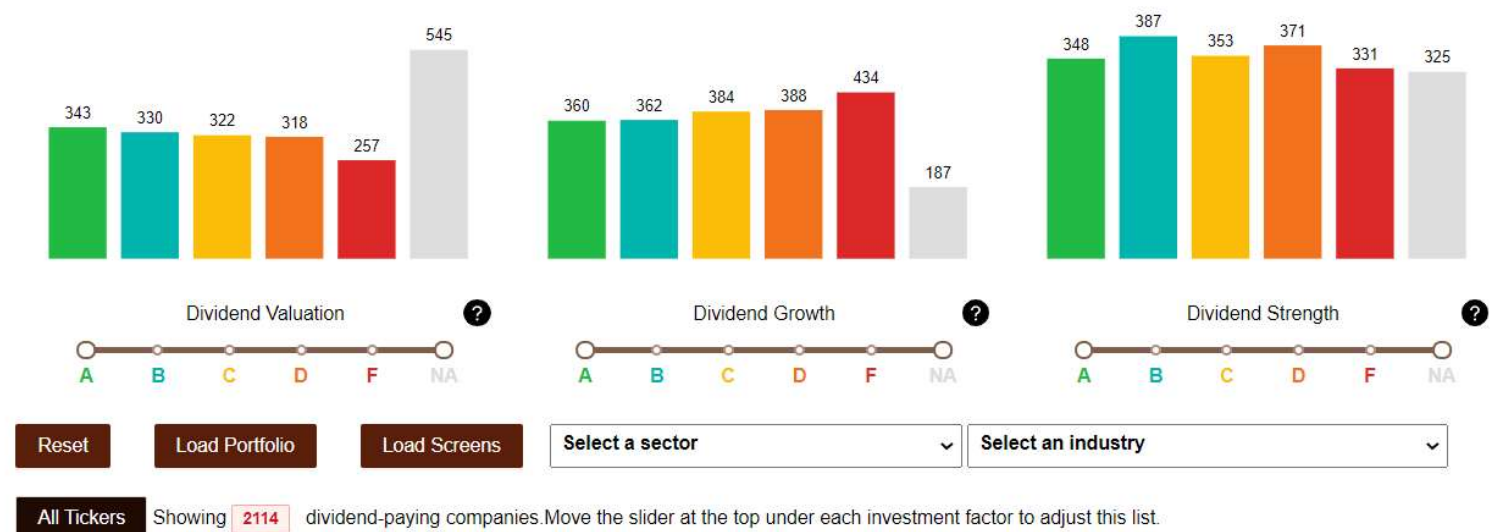
- Filter dividend-paying stock universe or subset to identify stocks that match specific Dividend Grades filters and/or grade ranges
- Screen against:
 - U.S.-listed dividend-paying stock universe (~2,100 companies)
 - Current passing companies of AAI Stock Screens
 - Individual My Portfolio portfolios
 - Specific sector or industry
 - Dividend Investing related screens, ideas and portfolios

AAII's Dividend Screener



AAII Dividend Screener

Data as of 8/10/2021



AAll's Dividend Screener

- Move sliders from left to right to the grade or grade range for each of the three investment factors
 - Valuation
 - Growth
 - Strength

AAII Dividend Screener

Data as of 8/9/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

Showing 47 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
AAP	Advance Auto Parts, Inc.	0	A	97	A	84	A
AEM	Agnico Eagle Mines Ltd (USA)	9	A	98	A	71	B
ALCO	Alcoa, Inc.	1	A	75	B	67	B
ALL	Allstate Corp	6	A	84	A	84	A
DOX	Amdocs Limited	8	A	93	A	87	A
ATRI	Atrion Corporation	11	A	82	A	91	A
COG	Cabot Oil & Gas Corporation	5	A	87	A	89	A
CCBG	Capital City Bank Group, Inc.	9	A	93	A	64	B
CNA	Cna Financial Corp	16	A	79	B	64	B
CNO	CNO Financial Group Inc	16	A	62	B	64	B
CSVI	Computer Services, Inc.	8	A	89	A	81	A



Click to Load Screens X

DI Ideas and Former Holdings

DI Ideas

Select

DI Former Holdings

Select

AAIL Dividend Oriented Screens

Dividend (High Relative Yield) Screen

Select

Dogs of the Dow Screen

Select

Dogs of the Dow: Low Priced 5 Screen

Select

Graham--Defensive Investor (Non-Utility) Screen

Select

Graham--Defensive Investor (Utility) Screen

Select

Graham--Enterprising Investor Revised

Select

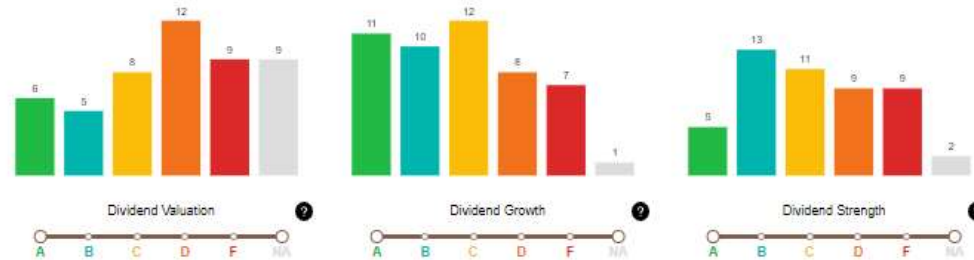
O'Shaughnessy: All Cap Screen

Select

AAIL Other Screens

AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

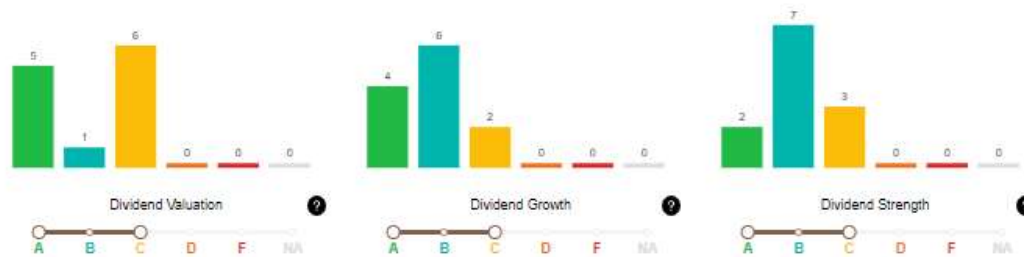
O'Shaughnessy Value Screen

Showing 49 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
ABT	Abbott Laboratories	59	C	95	A	77	B
ACN	Accenture Plc	75	D	70	B	85	A
ATVI	Activision Blizzard, Inc.	54	C	91	A	97	A
NGLOF	Anglo American plc (ADR)	na	na	24	D	58	C
ADM	Archer-Daniels-Midland Co	59	C	68	B	79	B
ASML	ASML Holding NV (ADR)	76	D	99	A	64	B
AZN	AstraZeneca plc (ADR)	39	B	50	C	26	D
ADP	Automatic Data Processing Inc	58	C	79	B	55	C
BMO	Bank of Montreal (USA)	70	D	22	D	9	F
BRDCY	Bridgestone Corp (ADR)	88	F	58	C	77	B
CG	Carlyle Group Inc	85	F	27	D	13	F

AAII Dividend Screener

Data as of 8/10/2021



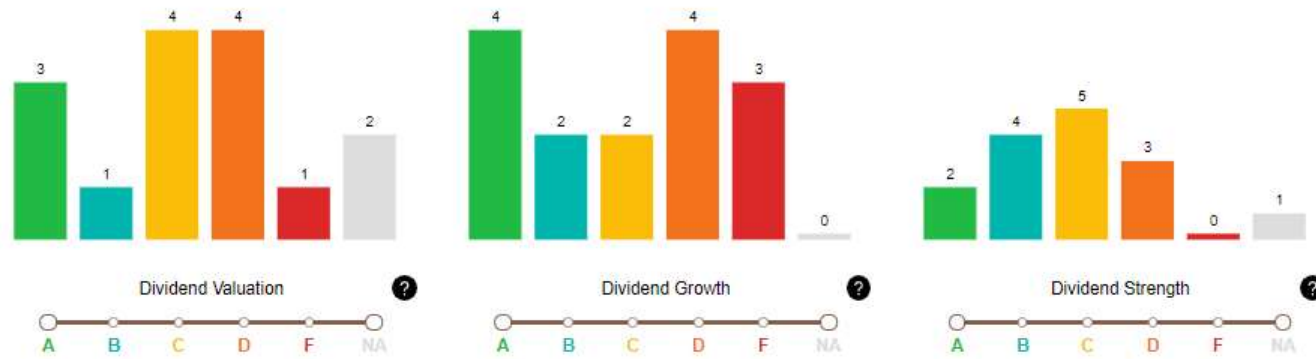
Reset Load Portfolio Load Screens Select a sector Select an industry

O'Shaughnessy: Value Screen Showing 12 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
RIO	Rio Tinto plc (ADR)	1	A	75	B	69	B
VLO	Valero Energy Corporation	2	A	53	C	52	C
EOG	EOG Resources Inc.	6	A	86	A	94	A
GS	Goldman Sachs Group Inc.	14	A	67	B	73	B
MPC	Marathon Petroleum Corp.	19	A	77	B	73	B
JPM	JPMorgan Chase & Co.	39	B	46	C	64	B
VIAC	ViacomCBS Inc.	45	C	91	A	69	B
ROST	Ross Stores, Inc.	51	C	70	B	58	C
ATVI	Activision Blizzard, Inc.	54	C	91	A	97	A
ADP	Automatic Data Processing Inc.	58	C	79	B	55	C

AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

Alphabet

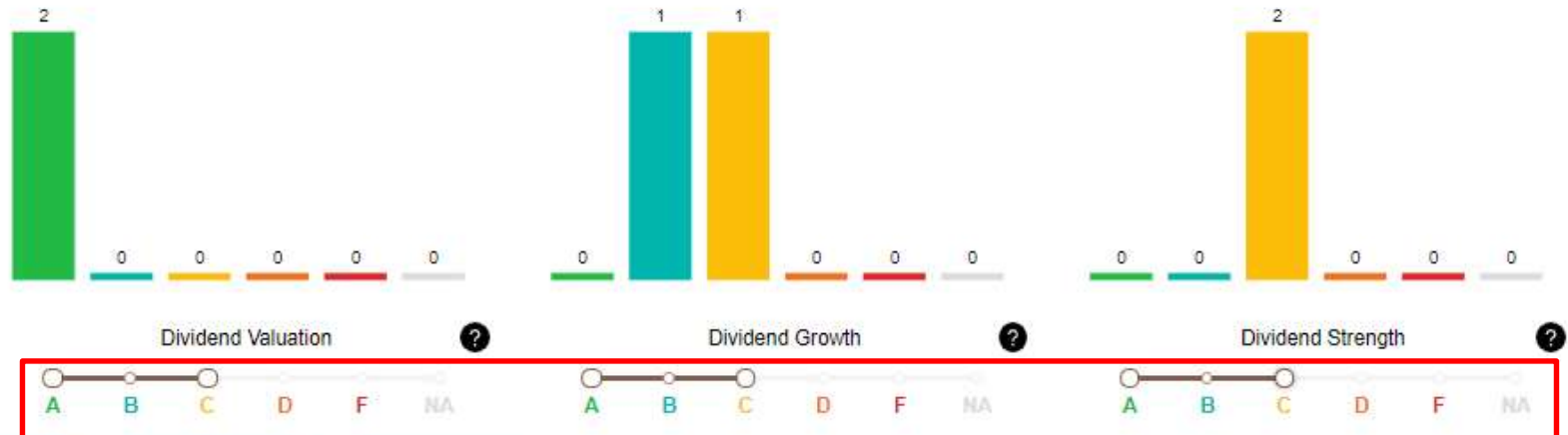
Showing 15 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
ABBV	AbbVie Inc.	63	D	95	A	27	D
A	Agilent Technologies Inc.	71	D	95	A	85	A
T	AT&T Inc.	2	A	30	D	66	B
B	Barnes Group Inc.	26	B	22	D	71	B
C	Citigroup Inc.	6	A	72	B	42	C
D	Dominion Energy Inc.	45	C	8	F	21	D



AAll Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

Alphabet

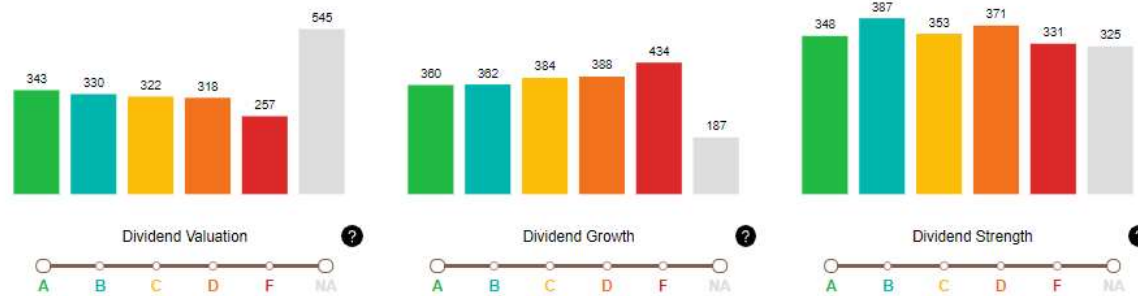
Showing 2 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
⊕ C	Citigroup Inc	6	A	72	B	42	C
⊕ K	Kellogg Company	19	A	46	C	42	C

< 1 >

AII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

All Tickers Showing 2114 dividend-paying companies.

- Select a sector
- Select a sector
 - Academic & Educational Services
 - Basic Materials
 - Consumer Cyclical
 - Consumer Non-Cyclicals
 - Energy
 - Financials
 - Healthcare
 - Industrials
 - Real Estate
 - Technology
 - Utilities

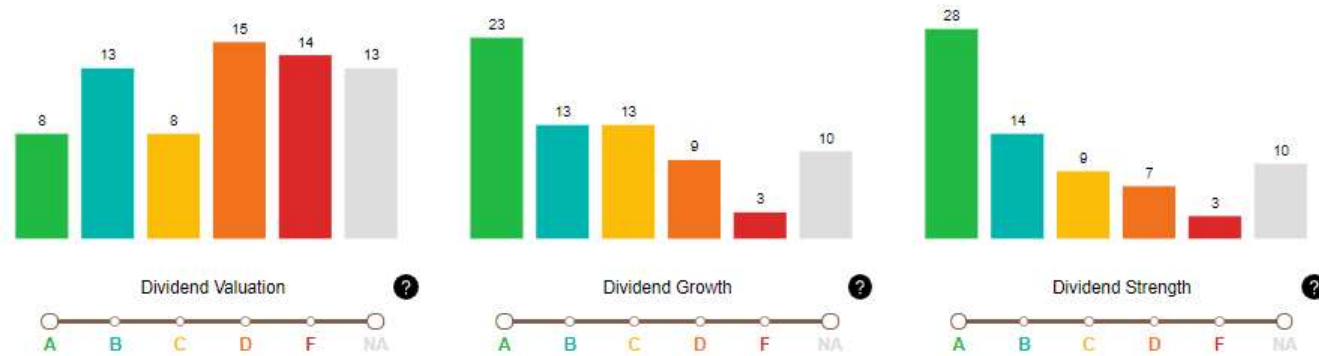
Select an industry

factor to adjust this list.

Ticker	Company Name	Growth		Strength	
		Score	Grade	Score	Grade
FCCY	1st Constitution Bancorp	19	A	86	A
SRCE	1st Source Corporation	11	A	73	B
MMM	3M Co	31	B	70	B
AOS	A O Smith Corp	41	C	94	A
AAON	AAON, Inc.	84	F	89	A

AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Healthcare

Select an industry

Showing 71 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
ABT	Abbott Laboratories	59	C	95	A	77	B
ABBV	AbbVie Inc	63	D	95	A	27	D
A	Agilent Technologies Inc	71	D	95	A	85	A
ABC	AmerisourceBergen Corp.	61	D	82	A	21	D
AMGN	Amgen, Inc.	12	A	84	A	44	C
ANTM	Anthem Inc	40	B	72	B	85	A



AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Healthcare

Select an industry

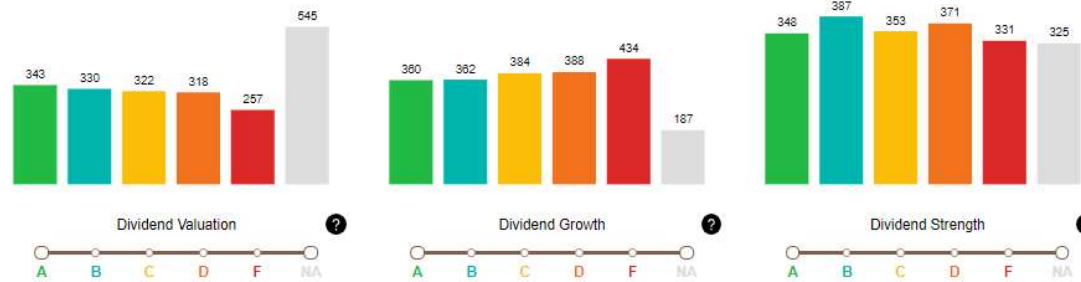
Showing 8 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
AMGN	Amgen, Inc.	12	A	84	A	44	C
ANTM	Anthem Inc	40	B	72	B	85	A
ATRI	Atrion Corporation	9	A	82	A	92	A
BIOQ	BIOQUAL, Inc.	26	B	86	A	95	A
GILD	Gilead Sciences, Inc.	5	A	84	A	55	C
MRK	Merck & Co., Inc.	26	B	68	B	42	C



AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

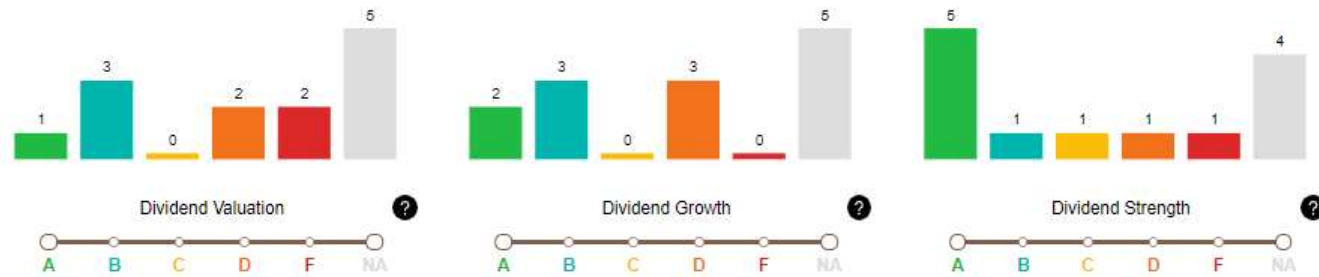
All Tickers Showing 2114 dividend-paying companies. Move the slider at the top under each investment.

Ticker	Company Name	Valuation					
		Score	Grade				
FCCY	1st Constitution Bancorp	19	A				
SRCE	1st Source Corporation	11	A				
MMM	3M Co	31	B	70	B	61	B
AOS	A O Smith Corp	41	C	94	A	88	A
AAON	AAON, Inc.	84	F	89	A	91	A
AIR	AAR Corp.	na	na	24	D	79	B

- Select an industry
- Advanced Medical Equipment & Technology
- Advertising & Marketing
- Aerospace & Defense
- Airlines
- Airport Operators & Services
- Apparel & Accessories
- Appliances, Tools & Housewares
- Auto & Truck Manufacturers
- Auto, Truck & Motorcycle Parts
- Banks
- Biotechnology & Medical Research
- Brewers
- Broadcasting
- Business Support Services
- Business Support Supplies
- Casinos & Gaming
- Chemicals - Agricultural
- Chemicals - Commodity
- Chemicals - Diversified

AAII Dividend Screener

Data as of 8/10/2021



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Select a sector

Construction Materials

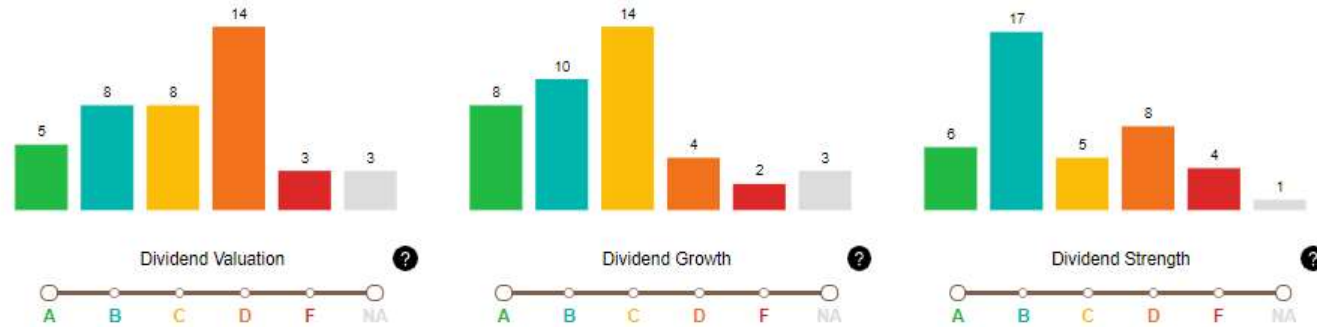
Showing 13 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
CPAC	Cementos Pacasmayo ADR	9	A	36	D	3	F
CX	Cemex SAB de CV (ADR)	na	na	na	na	na	na
CRH	CRH PLC (ADR)	32	B	na	na	34	D
EXP	Eagle Materials, Inc.	35	B	90	A	88	A
HCMLY	Holcim AG (ADR)	32	B	na	na	na	na
IIIN	Insteel Industries Inc	85	F	33	D	98	A



AAII Dividend Screener

Data as of 8/10/2021



Reset

Load Portfolio

Load Screens

Select a sector

Select an industry

DI Former Holdings

Showing 41 dividend-paying companies. Move the slider at the top under each investment factor to adjust this list.

Ticker	Company Name	Valuation		Growth		Strength	
		Score	Grade	Score	Grade	Score	Grade
CPK	Chesapeake Utilities Corporation	86	F	90	A	93	A
GNTX	Gentex Corporation	50	C	50	C	88	A
INTC	Intel Corporation	22	B	62	B	88	A
AFL	AFLAC Incorporated	24	B	73	B	85	A
MSFT	Microsoft Corporation	79	D	91	A	85	A
AAPL	Apple Inc.	68	D	90	A	84	A



Potential Dividend Screening Enhancements

- AAI Dividend Screener will continue to evolve
 - Already receiving feedback on enhancements
 - Ability to save screens and export to Excel
 - Ability to save screens and import to My Portfolio

Thank You!

Contact me at dhageman@aaii.com
with questions or comments about
the Dividend Screener

\$1 Trial for Today's Attendees

<https://di.aaii.com/subscribe/reportb.cfm>

☒ YES, give me your just-released **Special Report: 5 Dividend Winners**. Plus, full 3-month access to *AAII Dividend Investing*. **All for only \$1.**



My *AAII Dividend Investing* access includes:

- > AAI Dividend Portfolio (24 holdings)
- > Monthly DI Newsletter (with briefings & portfolio changes)
- > Company snapshots, commentaries and more at the Dividend Investing Website

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Upcoming Webinars:

Register at www.aaii.com/webinars

Individual Investor Show: Closed-End Funds, Selecting Stocks With PRISM, Hot Sector Stocks

Wednesday, August 18, 2021, 7:30 p.m. CDT

Peter Ngyuen

How to Navigate the New and Improved AAI Website

Wednesday, August 25, 2021, 7:30 p.m. CDT

And more to come! Stay tuned!

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