Valuentum Securities, Inc.

"Exclusive Analysis for the Discerning Investor"

The Ultimate Dividend Growth Investing Tool
The Valuentum Dividend Cushion™

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May 13, 2014
World MoneyShow, Las Vegas

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About the Speaker

Brian Nelson is the President of Equity Research and ETF Analysis at Valuentum Securities. Before founding Valuentum in early 2011, Mr. Nelson worked as a director at Morningstar, where he was responsible for training and methodology development within the firm's equity and credit research department. Prior to that position, he served as a senior industrials securities analyst, covering aerospace, airlines, construction and environmental services companies. Before joining Morningstar in February 2006, Mr. Nelson worked for a small capitalization fund covering a variety of sectors for an aggressive growth investment management firm in Chicago. He holds a Bachelor's degree in finance and a minor in mathematics, magna cum laude, from Benedictine University. Mr. Nelson has an MBA from the University of Chicago Booth School of Business and also holds the Chartered Financial Analyst (CFA) designation.

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About Valuentum Securities

Valuentum (val·u·n·tum) [val-yoo-en-tuh-m] Securities Inc. is an independent investment research provider, offering premium equity reports and dividend reports, as well as commentary across all sectors/companies, a Best Ideas Newsletter (spanning market caps, asset classes), a Dividend Growth Newsletter, modeling tools/products, and more. Independence and integrity remain our core, and we strive to be a champion of the investor. Valuentum is based in the Chicagoland area.

Valuentum serves money-management institutions, financial advisors, and individual investors.

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Agenda

- About Valuentum
- Our Investment Research Services
- Introducing the Valuentum Dividend Cushion™
- Conducting a Cash-flow Based Dividend Analysis
- Microsoft (MSFT): One of Our Favorite Dividend Growth Ideas

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About the Valuentum Team

- Two Teams
  - Qualitative Focus
    - Competitive Advantages
    - Long-term Growth Potential
    - Financial Health
    - Corporate Governance
    - Dividend and Yield Analysis
  - Quantitative Focus
    - Valuentum® Value Rating™
    - Valuentum® Buying Index™
    - Valuentum® Dividend Cushion™
    - NEW: Valuentum® Economic Castle™

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Investment Research Services

- Stocks, Dividends, and ETFs
  - An unmatched value for the Financial Advisor and Individual Investor
  - Fully transparent research services and best-in-class support

Valuentum's Investment Research	FREE	PREMIUM	ADVISOR	INSTITUTION
Premium Valuentum Commentary & Articles		X	X	X
16-page Stock Research Reports		**X**	**X**	**X**
Fair Value Estimates		**X**	**X**	**X**
Valuentum Value Rating™		**X**	**X**	**X**
Valuentum Buying Index™ Scores		**X**	**X**	**X**
Valuentum Proprietary Stock Information		X	X	X
Valuentum ValueCreation™ Rating		X	X	X
Valuentum ValueRisk™ Rating		X	X	X
Valuentum ValueTrend™ Rating		X	X	X
Dividend Reports		X	X	X
Valuentum Dividend Cushion™		X	X	X
Discounts on Modeling Tools & Products		X	X	X
Access to Actively-Managed Portfolios*		**X**	**X**	**X**
Best Ideas Portfolio*		**X**	**X**	**X**
Dividend Growth Portfolio*		**X**	**X**	**X**
Our Best Ideas Newsletter*		**X**	**X**	**X**
Our Dividend Growth Newsletter*		**X**	**X**	**X**
An Experienced Opinion on Stocks in Your Portfolio		X	X	X
Valuentum *Ideas100*			X	X
Valuentum *Dividend100*			X	X
Valuentum *DataScreener500*			X	X
Training & Support			X	X
Distribution Rights to Clients/Prospects			X	X
Access to DCF Valuation Models (a $10,000 value)			**X (thru 2013)**	**X**
Customized Research & Analysis				X
Advanced Access to Valuentum Analyst Team				X
Advanced Valuation Infrastructure				X
Public Valuentum Commentary	X	X	X	X
New Investing Book Reviews, pre-public release	X	X	X	X
Basic Access to Valuentum Analyst Team	X	X	X	X
Open Forum – Discussion Board	X	X	X	X

* Dependent on Choice of Membership Plan.

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Investment Research Services

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  - 16-page Stock Reports (available in PDF form)
  - Stock Dividend Reports (available in PDF form)
  - Earnings Reports, Industry Outlooks and Company Spotlights
  - Quarterly Publications: *Dividend100*, *Ideas100*, *DataScreener*
  - Actively Managed Portfolios
    - Best Ideas Newsletter (available in PDF form)
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  - Licensed Proprietary Data Feed (VVR, VBI, VDC)
  - Customized Research & Analysis
  - Development & Maintenance of Valuation Infrastructure
  - Fully-populated DCF Valuation Models

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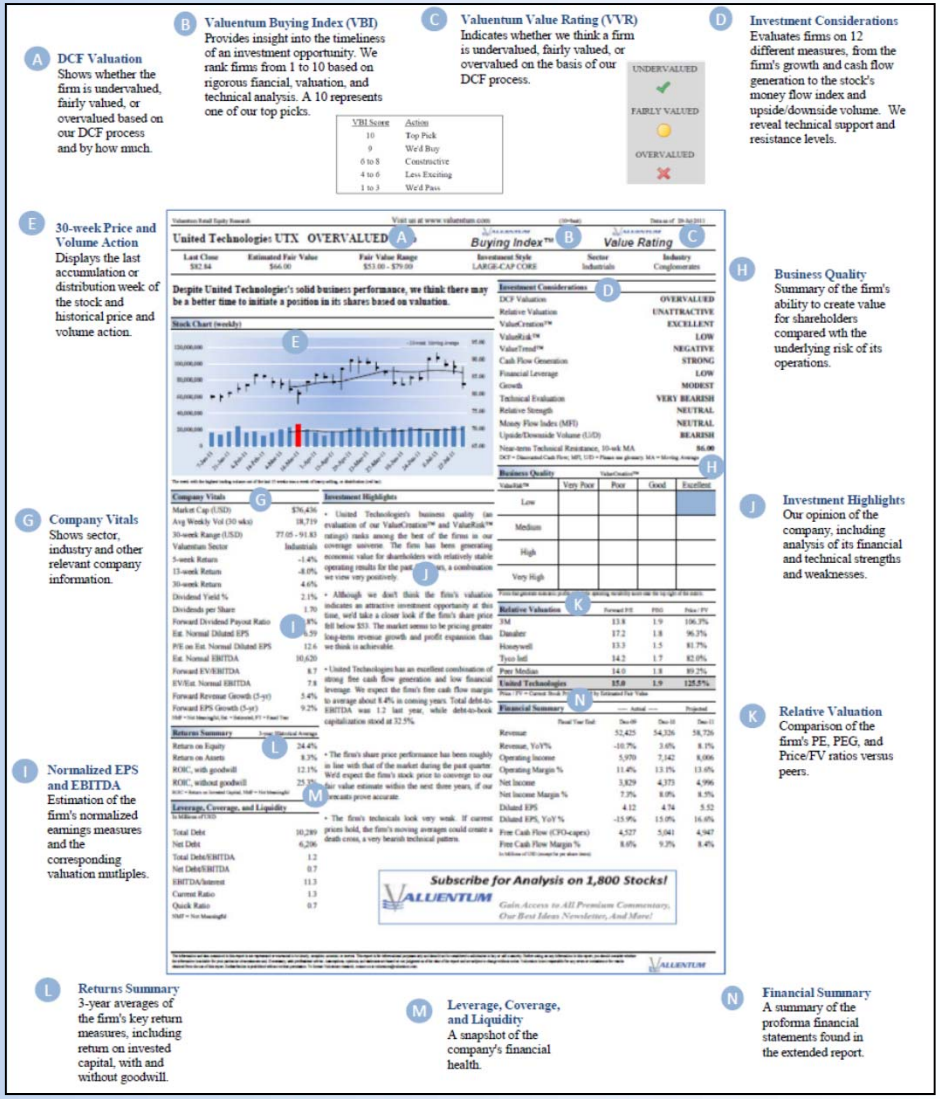
- Our 16-page Stock Report covers a variety of investment perspectives.
- Evaluates firms on a dozen different measures, from the firm's ROIC (economic value creation), growth and cash flow generation to the stock's money flow index and upside / downside volume.
- Contains qualitative and firm-specific commentary.



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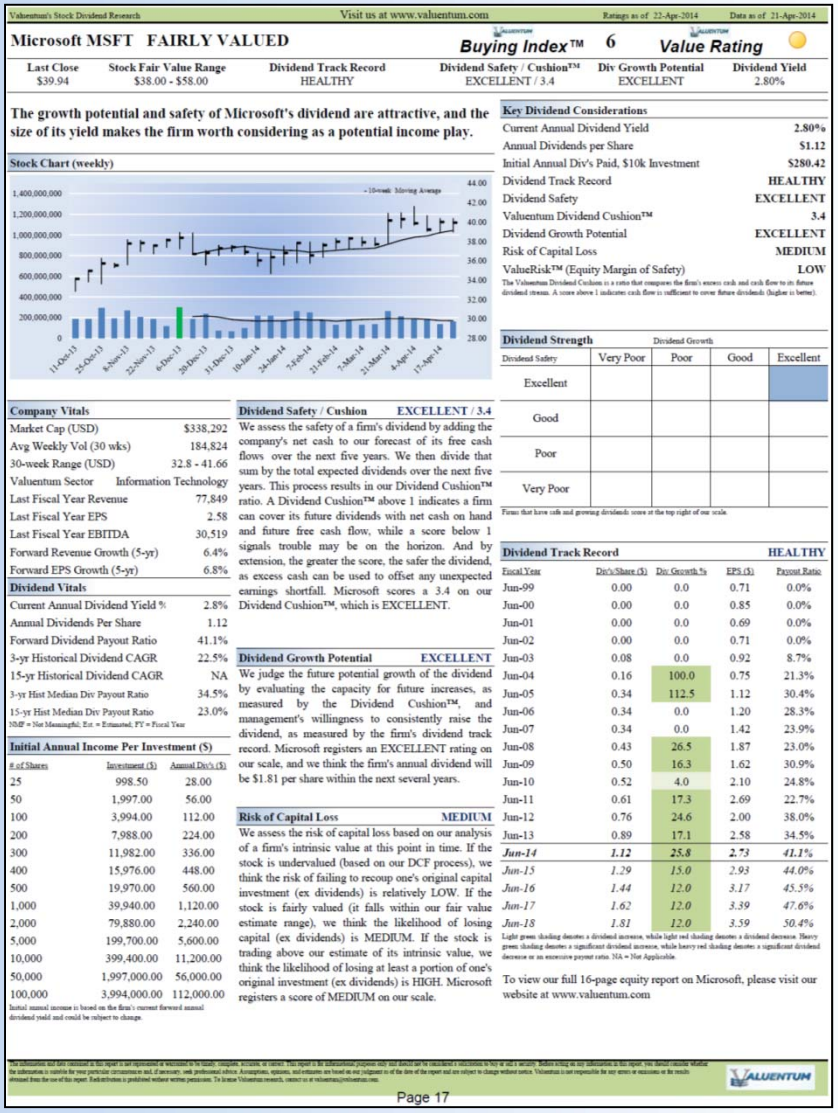
- Our Dividend Reports assess the track record, growth potential, and safety of a firm's dividend.

- Our evaluation is forward-looking, insightful and systematically applied across our coverage universe.



Valuentum's Stock Dividend Research — Visit us at www.valuentum.com — Ratings as of 22-Apr-2014 — Data as of 21-Apr-2014

Microsoft MSFT FAIRLY VALUED — Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$39.94	$38.00 - $58.00	HEALTHY	EXCELLENT / 3.4	EXCELLENT	2.80%

The growth potential and safety of Microsoft's dividend are attractive, and the size of its yield makes the firm worth considering as a potential income play.

Stock Chart (weekly)

Company Vitals

Market Cap (USD)	$338,292
Avg Weekly Vol (30 wks)	184,824
30-week Range (USD)	32.8 - 41.66
Valuentum Sector	Information Technology
Last Fiscal Year Revenue	77,849
Last Fiscal Year EPS	2.58
Last Fiscal Year EBITDA	30,519
Forward Revenue Growth (5-yr)	6.4%
Forward EPS Growth (5-yr)	6.8%

Dividend Vitals

Current Annual Dividend Yield %	2.8%
Annual Dividends Per Share	1.12
Forward Dividend Payout Ratio	41.1%
3-yr Historical Dividend CAGR	22.5%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	34.5%
15-yr Hist Median Div Payout Ratio	23.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	998.50	28.00
50	1,997.00	56.00
100	3,994.00	112.00
200	7,988.00	224.00
300	11,982.00	336.00
400	15,976.00	448.00
500	19,970.00	560.00
1,000	39,940.00	1,120.00
2,000	79,880.00	2,240.00
5,000	199,700.00	5,600.00
10,000	399,400.00	11,200.00
50,000	1,997,000.00	56,000.00
100,000	3,994,000.00	112,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — **EXCELLENT / 3.4**

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Microsoft scores a 3.4 on our Dividend Cushion™, which is EXCELLENT.

Dividend Growth Potential — **EXCELLENT**

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Microsoft registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.81 per share within the next several years.

Risk of Capital Loss — **MEDIUM**

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Microsoft registers a score of MEDIUM on our scale.

Key Dividend Considerations

Current Annual Dividend Yield	2.80%
Annual Dividends per Share	$1.12
Initial Annual Div's Paid, $10k Investment	$280.42
Dividend Track Record	HEALTHY
Dividend Safety	EXCELLENT
Valuentum Dividend Cushion™	3.4
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record — **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jun-99	0.00	0.0	0.71	0.0%
Jun-00	0.00	0.0	0.85	0.0%
Jun-01	0.00	0.0	0.69	0.0%
Jun-02	0.00	0.0	0.71	0.0%
Jun-03	0.08	0.0	0.92	8.7%
Jun-04	0.16	100.0	0.75	21.3%
Jun-05	0.34	112.5	1.12	30.4%
Jun-06	0.34	0.0	1.20	28.3%
Jun-07	0.34	0.0	1.42	23.9%
Jun-08	0.43	26.5	1.87	23.0%
Jun-09	0.50	16.3	1.62	30.9%
Jun-10	0.52	4.0	2.10	24.8%
Jun-11	0.61	17.3	2.69	22.7%
Jun-12	0.76	24.6	2.00	38.0%
Jun-13	0.89	17.1	2.58	34.5%
Jun-14	***1.12***	***25.8***	***2.73***	***41.1%***
Jun-15	*1.29*	*15.0*	*2.93*	*44.0%*
Jun-16	*1.44*	*12.0*	*3.17*	*45.5%*
Jun-17	*1.62*	*12.0*	*3.39*	*47.6%*
Jun-18	*1.81*	*12.0*	*3.59*	*50.4%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Microsoft, please visit our website at www.valuentum.com

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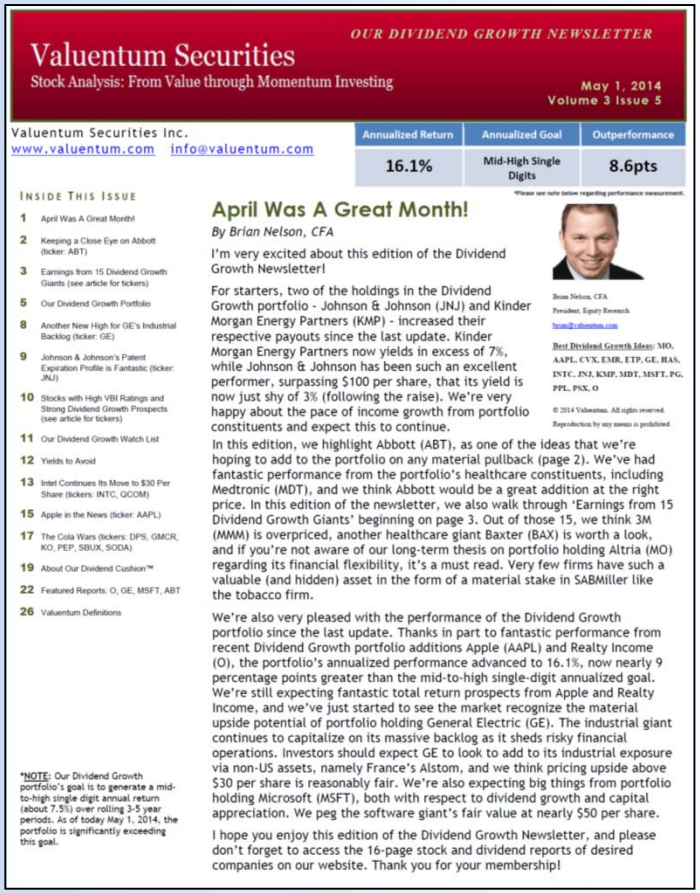
Actively Managed Portfolios

- Valuentum offers two actively-managed portfolios that generate rewarding ideas to help with various investing decisions.
  - Best Ideas Newsletter
  - Dividend Growth Newsletter



OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

May 1, 2014
Volume 3 Issue 5

Valuentum Securities Inc.
www.valuentum.com info@valuentum.com

Annualized Return	Annualized Goal	Outperformance
16.1%	Mid-High Single Digits	8.6pts

*Please see note below regarding performance measurement.

INSIDE THIS ISSUE

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*NOTE: Our Dividend Growth portfolio's goal is to generate a mid-to-high single digit annual return (about 7.5%) over rolling 3-5 year periods. As of today May 1, 2014, the portfolio is significantly exceeding this goal.

April Was A Great Month!

By Brian Nelson, CFA

I'm very excited about this edition of the Dividend Growth Newsletter!

For starters, two of the holdings in the Dividend Growth portfolio - Johnson & Johnson (JNJ) and Kinder Morgan Energy Partners (KMP) - increased their respective payouts since the last update. Kinder Morgan Energy Partners now yields in excess of 7%, while Johnson & Johnson has been such an excellent performer, surpassing $100 per share, that its yield is now just shy of 3% (following the raise). We're very happy about the pace of income growth from portfolio constituents and expect this to continue.

Brian Nelson, CFA
President, Equity Research
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Best Dividend Growth Ideas: MO, AAPL, CVX, EMR, ETP, GE, HAS, INTC, JNJ, KMP, MDT, MSFT, PG, PPL, PSX, O

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In this edition, we highlight Abbott (ABT), as one of the ideas that we're hoping to add to the portfolio on any material pullback (page 2). We've had fantastic performance from the portfolio's healthcare constituents, including Medtronic (MDT), and we think Abbott would be a great addition at the right price. In this edition of the newsletter, we also walk through 'Earnings from 15 Dividend Growth Giants' beginning on page 3. Out of those 15, we think 3M (MMM) is overpriced, another healthcare giant Baxter (BAX) is worth a look, and if you're not aware of our long-term thesis on portfolio holding Altria (MO) regarding its financial flexibility, it's a must read. Very few firms have such a valuable (and hidden) asset in the form of a material stake in SABMiller like the tobacco firm.

We're also very pleased with the performance of the Dividend Growth portfolio since the last update. Thanks in part to fantastic performance from recent Dividend Growth portfolio additions Apple (AAPL) and Realty Income (O), the portfolio's annualized performance advanced to 16.1%, now nearly 9 percentage points greater than the mid-to-high single-digit annualized goal. We're still expecting fantastic total return prospects from Apple and Realty Income, and we've just started to see the market recognize the material upside potential of portfolio holding General Electric (GE). The industrial giant continues to capitalize on its massive backlog as it sheds risky financial operations. Investors should expect GE to look to add to its industrial exposure via non-US assets, namely France's Alstom, and we think pricing upside above $30 per share is reasonably fair. We're also expecting big things from portfolio holding Microsoft (MSFT), both with respect to dividend growth and capital appreciation. We peg the software giant's fair value at nearly $50 per share.

I hope you enjoy this edition of the Dividend Growth Newsletter, and please don't forget to access the 16-page stock and dividend reports of desired companies on our website. Thank you for your membership!

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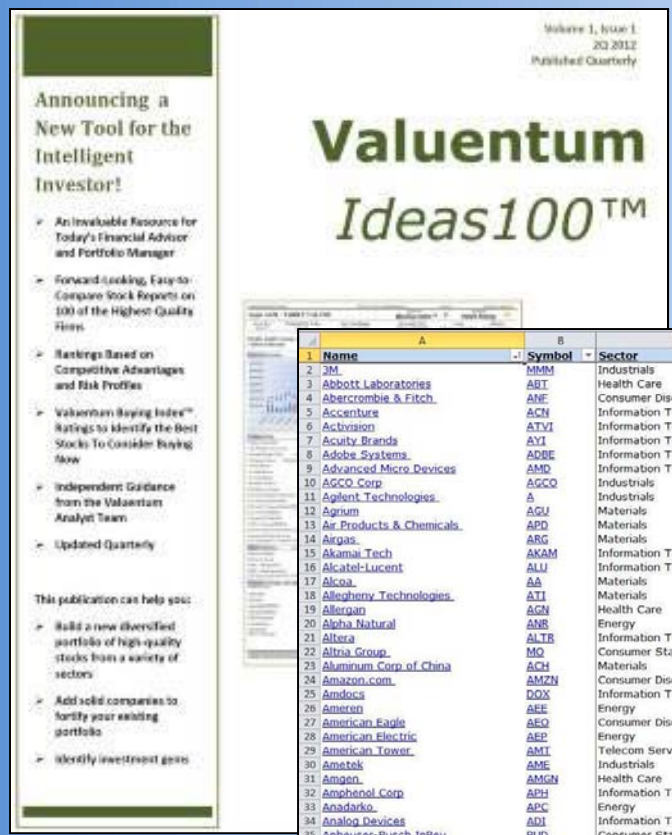
Dividend100, *Ideas100*, and *DataScreener500*



Volume 1, Issue 1
2Q 2012
Published Quarterly

Announcing a New Tool for the Intelligent Investor!

- An Invaluable Resource for Today's Financial Advisor and Portfolio Manager
- Forward-Looking, Easy-to-Compare Stock Reports on 100 of the Highest-Quality Firms
- Rankings Based on Competitive Advantages and Risk Profiles
- Valuentum Buying Index™ Ratings to Identify the Best Stocks To Consider Buying Now
- Independent Guidance from the Valuentum Analyst Team
- Updated Quarterly

This publication can help you:

- Build a new diversified portfolio of high-quality stocks from a variety of sectors
- Add solid companies to fortify your existing portfolio
- Identify investment gems

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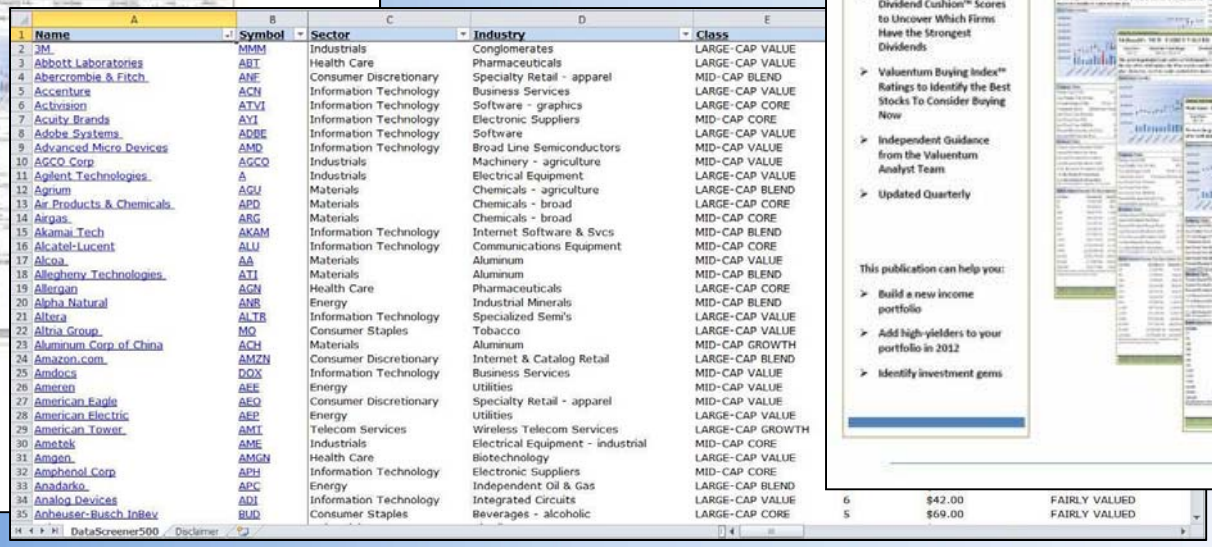
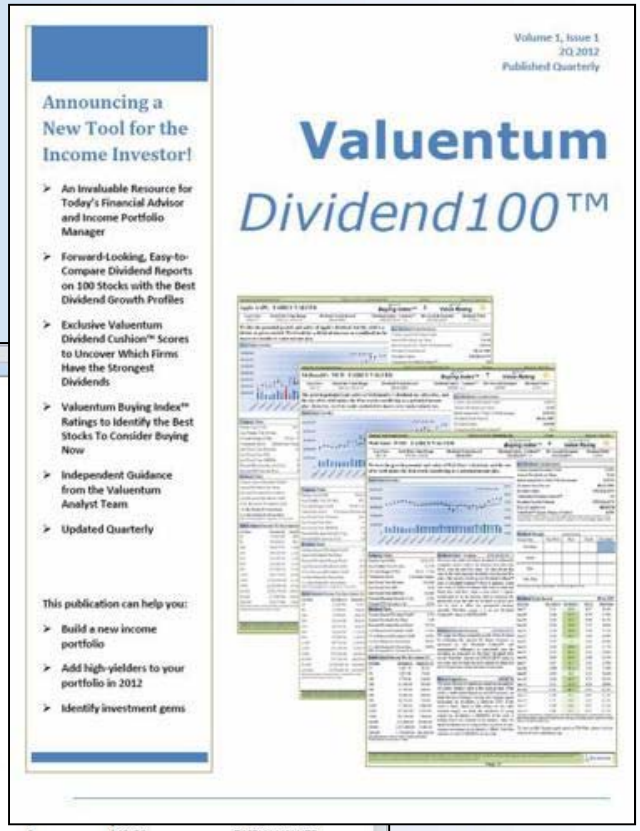


	A	B	C	D	E			
1	Name	Symbol	Sector	Industry	Class			
2	3M	MMM	Industrials	Conglomerates	LARGE-CAP VALUE			
3	Abbott Laboratories	ABT	Health Care	Pharmaceuticals	LARGE-CAP VALUE			
4	Abercrombie & Fitch	ANF	Consumer Discretionary	Specialty Retail - apparel	MID-CAP BLEND			
5	Accenture	ACN	Information Technology	Business Services	LARGE-CAP VALUE			
6	Activision	ATVI	Information Technology	Software - graphics	LARGE-CAP CORE			
7	Acuity Brands	AYI	Information Technology	Electronic Suppliers	MID-CAP CORE			
8	Adobe Systems	ADBE	Information Technology	Software	LARGE-CAP VALUE			
9	Advanced Micro Devices	AMD	Information Technology	Broad Line Semiconductors	MID-CAP VALUE			
10	AGCO Corp	AGCO	Industrials	Machinery - agriculture	MID-CAP VALUE			
11	Agilent Technologies	A	Industrials	Electrical Equipment	LARGE-CAP VALUE			
12	Agrium	AGU	Materials	Chemicals - agriculture	LARGE-CAP BLEND			
13	Air Products & Chemicals	APD	Materials	Chemicals - broad	LARGE-CAP CORE			
14	Airgas	ARG	Materials	Chemicals - broad	MID-CAP CORE			
15	Akamai Tech	AKAM	Information Technology	Internet Software & Svcs	MID-CAP BLEND			
16	Alcatel-Lucent	ALU	Information Technology	Communications Equipment	MID-CAP CORE			
17	Alcoa	AA	Materials	Aluminum	MID-CAP VALUE			
18	Allegheny Technologies	ATI	Materials	Aluminum	MID-CAP BLEND			
19	Allergan	AGN	Health Care	Pharmaceuticals	LARGE-CAP CORE			
20	Alpha Natural	ANR	Energy	Industrial Minerals	MID-CAP BLEND			
21	Altera	ALTR	Information Technology	Specialized Semi's	LARGE-CAP VALUE			
22	Altria Group	MO	Consumer Staples	Tobacco	LARGE-CAP VALUE			
23	Aluminum Corp of China	ACH	Materials	Aluminum	MID-CAP GROWTH			
24	Amazon.com	AMZN	Consumer Discretionary	Internet & Catalog Retail	LARGE-CAP BLEND			
25	Amdocs	DOX	Information Technology	Business Services	MID-CAP VALUE			
26	Ameren	AEE	Energy	Utilities	MID-CAP VALUE			
27	American Eagle	AEO	Consumer Discretionary	Specialty Retail - apparel	MID-CAP VALUE			
28	American Electric	AEP	Energy	Utilities	LARGE-CAP VALUE			
29	American Tower	AMT	Telecom Services	Wireless Telecom Services	LARGE-CAP GROWTH			
30	Ametek	AME	Industrials	Electrical Equipment - industrial	MID-CAP CORE			
31	Amgen	AMGN	Health Care	Biotechnology	LARGE-CAP VALUE			
32	Amphenol Corp	APH	Information Technology	Electronic Suppliers	MID-CAP CORE			
33	Anadarko	APC	Energy	Independent Oil & Gas	LARGE-CAP BLEND			
34	Analog Devices	ADI	Information Technology	Integrated Circuits	LARGE-CAP VALUE	6	$42.00	FAIRLY VALUED
35	Anheuser-Busch InBev	BUD	Consumer Staples	Beverages - alcoholic	LARGE-CAP CORE	5	$69.00	FAIRLY VALUED

DataScreener500 Disclaimer



Volume 1, Issue 1
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- Updated Quarterly

This publication can help you:

- Build a new income portfolio
- Add high-yielders to your portfolio in 2012
- Identify investment gems

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Dividend100™

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The Valuentum Dividend Cushion™

- An objective, cash-flow based fundamental ratio that gauges a company's ability to *continue raising* its dividend long **into the future**.
- Adds five-year forecast of free cash flow (CFO less capex) to net balance sheet (cash less long-term debt) and divides that sum by five-year forecast of expected cash dividends paid.
- It is pure cash-flow dividend coverage ratio that considers the health of a firm's balance sheet, which is a key funding source for dividend expansion.
- **The bigger the positive number above 1 the better**. Anything less than 0 (a negative number) signals trouble.
- A better, more comprehensive measure of growth and safety than the dividend payout ratio (dividends per share divided by earnings per share).

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The Valuentum Dividend Cushion™ Helps Dividend Growth Investors Avoid Dividend Cuts

- The Valuentum Dividend Cushion measure has predicted, in *real-time*, the dividend cuts, of SuperValu (SVU), Roundy's (RNDY), Dover Downs (DDE), Strayer (STRA), Exelon (EXC), Cliffs Natural (CLF), Pitney Bowes (PBI), CenturyLink (CTL) and JC Penney (JCP)…and more.

The Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1 Indicates a Firm's Dividend is At Risk in the Years Ahead

Dividend Cutter	Cut Date	Dividend Cushion (Before Cut)	Reason for Dividend Cut
Avery Dennison (AVY)	31-Jul-09	0.66	Reduced dividend to support debt-reduction efforts.
ConAgra Foods (CAG)	16-Mar-06	-0.59 (1)	Restructuring, divestitures.
Constellation (CEG)	18-Feb-09	-4.36	Refocus on core business of generating and selling power.
DR Horton (DHI)	6-May-08	-0.03	Housing turmoil.
Gannett Co. (GCI)	25-Feb-09	-0.06	Excessive debt; preserve cash amid downturn of newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash amid downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of weak business travel, but dividend achieved record highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund operations and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in newspaper industry. Loss of investment-grade credit rating.
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue base. Raised $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business unit divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

(1) Forecast period for ConAgra, 2007 through 2011.

(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high

(3) Forecasts adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.

Backtesting Methodology: Net balance sheet (year prior to dividend cut). Free cash flow for years beginning in year of dividend cut through reported years. If reported years do not total five, last reported year is extrapolated for remainder of forecast period. Dividends paid reflects what the dividends would be ex dividend cut.

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A Few Dividend Yields to Avoid!

Name	Symbol	Industry	Est. Div Yield	Div Safety	Div Cushion
CONSOL Energy	CNX	Industrial Minerals	0.7%	VERY POOR	-13.1
Peabody Energy	BTU	Industrial Minerals	2.0%	VERY POOR	-11.6
D. R. Horton	DHI	Homebuilders	0.6%	VERY POOR	-10.8
Ryder System	R	Rental and Leasing	1.7%	VERY POOR	-9.9
Cablevision	CVC	Media - CATV	3.6%	VERY POOR	-8.6
Range Resources	RRC	Independent Oil & Gas	0.2%	VERY POOR	-8.5
Barrick Gold	ABX	Metals & Mining - gold	1.1%	VERY POOR	-7.2
Chesapeake	CHK	Independent Oil & Gas	1.3%	VERY POOR	-5.0
Roundy's Inc	RNDY	Food Retailers	7.2%	VERY POOR	-4.2
Cliffs Natural Resources	CLF	Mining - diversified	3.1%	VERY POOR	-3.7
Sealed Air	SEE	Containers & Packaging	1.6%	VERY POOR	-3.4
TAL Intl	TAL	Rental and Leasing	6.5%	VERY POOR	-3.1
Textainer	TGH	Rental and Leasing	4.9%	VERY POOR	-2.9
Service Corp Intl	SCI	Personal Services	1.6%	VERY POOR	-2.8
Alcoa	AA	Aluminum	1.1%	VERY POOR	-2.4
DineEquity	DIN	Restaurants	3.8%	VERY POOR	-2.3
Frontier Comm	FTR	Telecom Services - diversified	8.2%	VERY POOR	-2.2

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The Valuentum Dividend Cushion™ Helps Identify Dividend Growth Capacity

DIVIDEND GROWTH PORTFOLIO -- as of May 1, 2014

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	Div Growth	Fair Value	VBI Score	Price/Fair Value
Altria (MO)	192	4.82%	mid-June 2014	mid July 2014 (quart)	1.2	GOOD	GOOD	$40.00	3	1.00
Apple (AAPL)	13.16	2.22%	early-May 2014	May 2014 (quart)	4.1	EXCELLENT	EXCELLENT	$715.00	7	0.83
Chevron (CVX)	4.00	3.20%	mid-May 2014	early June 2014 (quart)	1.9	GOOD	EXCELLENT	$113.00	4	1.11
Emerson Electric (EMR)	1.72	2.53%	mid May 2014	early June 2014 (quart)	2.3	GOOD	EXCELLENT	$59.00	6	1.15
Energy Transfer (ETP)	3.68	6.64%	late May 2014	June 2014 (quart)	2.3	GOOD	GOOD	$66.00	4	0.84
General Electric (GE)	0.88	3.29%	mid-May 2014	May 2014 (quart)	2.3	GOOD	GOOD	$32.00	9	0.84
Hasbro (HAS)	1.72	3.09%	late Jul 2014	mid Aug 2014 (quart)	1.9	GOOD	EXCELLENT	$63.00	7	0.88
Intel (INTC)	0.90	3.40%	early May 2014	early June 2014 (quart)	1.9	GOOD	GOOD	$30.00	3	0.88
Johnson & Johnson (JNJ)	2.80	2.79%	late May 2014	early June 2014 (quart)	2.2	GOOD	EXCELLENT	$97.00	4	1.04
Kinder Morgan (KMP)	5.52	7.32%	late Jul 2014	mid Aug 2014 (quart)	1.5	GOOD	EXCELLENT	$94.00	3	0.80
Medtronic (MDT)	1.12	1.89%	late Jun 2014	July 2014 (quart)	3.7	EXCELLENT	EXCELLENT	$64.00	6	0.93
Microsoft (MSFT)	1.12	2.80%	mid May 2014	mid June 2014 (quart)	3.4	EXCELLENT	EXCELLENT	$48.00	6	0.83
Proctor & Gamble (PG)	2.57	3.12%	mid July 2014	early Aug 2014 (quart)	1.4	GOOD	EXCELLENT	$74.00	4	1.11
PP&L (PPL)	1.49	4.36%	early June 2014	early Jul 2014 (quart)	Held for diversification reasons.			$33.00	6	1.04
Phillips 66 (PSX)	1.56	1.86%	early May 2014	late May 2014 (quart)	2.3	GOOD	EXCELLENT	$71.00	5	1.18
Realty Income (O)	2.19	5.07%	monthly	monthly	1.8	GOOD	EXCELLENT	$60.00	9	0.72

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Some Finance Definitions

- Cash flow from operations (CFO)
  - Found on the cash flow statement
  - A good measure of cash earnings
  - Takes into consideration changes in working capital (inventory, accounts receivable, accounts payable)
- Capital expenditures (capex)
  - Found on the cash flow statement
  - Growth and maintenance spending necessary to continue growing cash from operations
- Traditional free cash flow (FCF)
  - Derived by analyst
  - Cash from operations less capital expenditures
- Long-term debt
  - Found on the balance sheet
  - Debt due after one-year
- Total cash and cash equivalents
  - Found on the balance sheet
  - Cash that can generally be used for dividends, share repurchases, and/or acquisitions
- Cash dividends paid
  - Found on the cash flow statement
  - The actual cash going out the door in the form of cash dividend payments

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Microsoft: By the Numbers

Cumulative 5-year Forecasted Cash from Operations	160,721
Culumative 5-year Forecasted Capital Expenditures	-24,603
Cumulative 5-year Forecasted Free Cash Flow (CFO - capex)	136,117
Total Cash - Last Fiscal Year	77,022
Total Long-term Debt - Last Fiscal Year	12,601
Net Cash (total cash less total long-term debt)	64,421
Cumulative 5-year Forecasted Dividends Paid (from CF statement)	59,661
Valuentum Dividend Cushion Score (greater than 1.25 = good)	3.36

In USD millions

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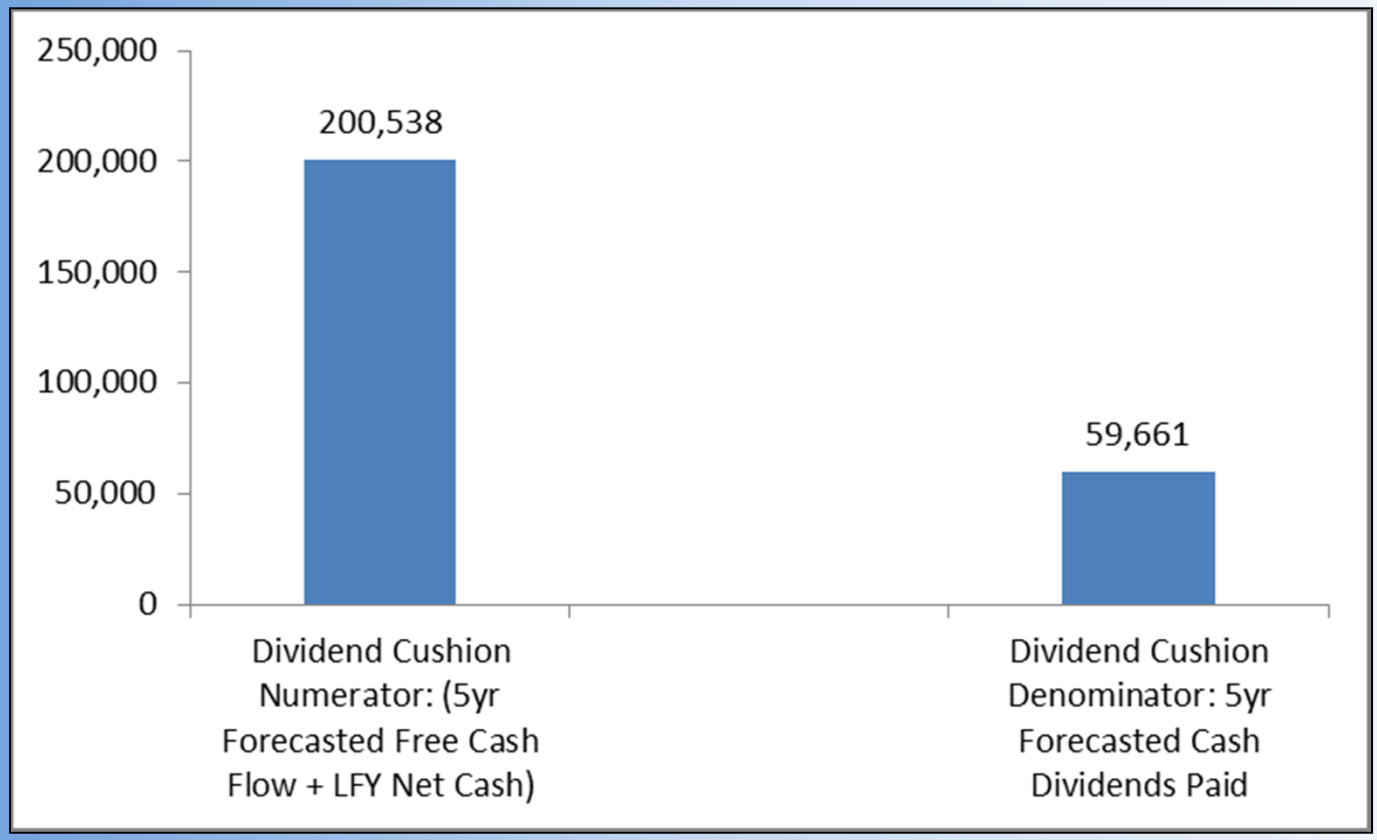
Microsoft: Dividend Cushion Derived



In USD millions

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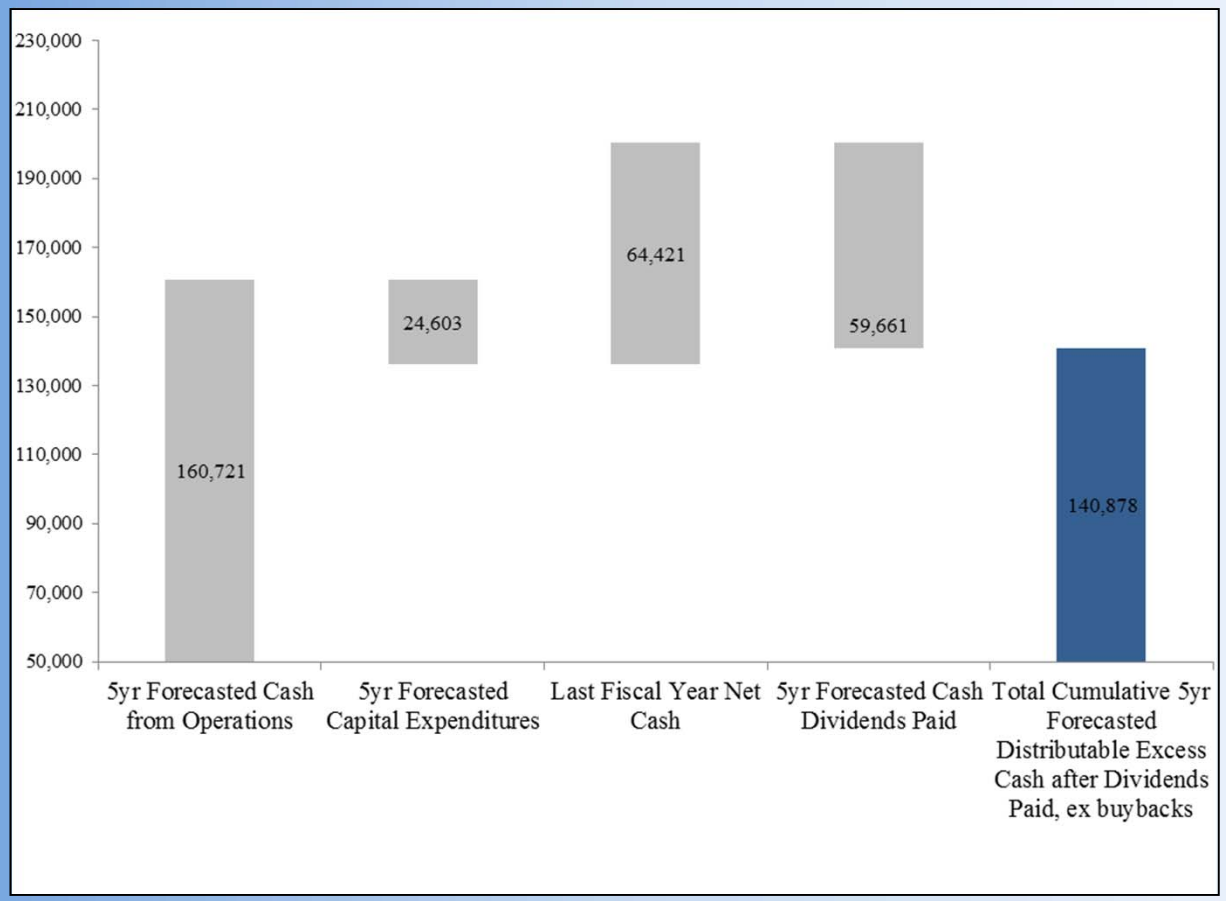
Microsoft Dividend Cushion Cash-Flow Bridge



In USD millions

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What Does This All Mean for Microsoft?

- Annual Dividend Yield: 2.8% ($1.12/share)
- Valuentum Dividend Cushion™ Score: **3.4**
- Translation: Microsoft can cover its *growing* dividend with expected free cash flow and its net cash position **more than 3 times** over the measurement period!
- The company has fantastic dividend growth prospects on the basis of its cash-flow profile and balance sheet.
- Question: Could Microsoft *double its dividend* and still have room to grow the payout? Yes.
- These are the types of solid and secure dividend growth ideas we seek to deliver to members in the Dividend Growth portfolio.

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Competitive Advantages of Valuentum's Approach

- Completely independent - NO conflicts of interest
- Integrity and systematic application of analytical process
- Comprehensive equity research provider – from value through momentum investing
- Breadth and depth of coverage
- Commitment to expanding coverage
- Strong performance track record
- Valuation expertise

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