OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

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Valuentum Securities Inc.
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Expected Yield	Benchmark Yield	Outperformance
3.83%	3.44%	0.39%
Portfolio Return	**Benchmark Return**	**Outperformance**
7.9%	8.3%	-0.4%

Portfolio Inception Date: January 1, 2012

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A Strong Month of August for Our Dividend Growth Portfolio

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We remain on target to deliver on our portfolio's goal of earning a high-single-digit annual return over rolling 3- to 5-year periods into the future. So far through 2012, we're up almost 8%, and we continue to have an expected annual yield (3.8%) greater than our exchange-traded fund benchmark (DVY). Our cash balance continues to swell thanks to dividend payments received, and we're anxiously looking to put this cash to work in coming weeks.

August was truly a fantastic month for our dividend-growth portfolio. Not only did one of our larger holdings, Altria (MO) raise its dividend by a nice clip, but two out of every three portfolio constituents advanced higher during the period as our dividend benchmark fell. Our portfolio jumped 1.2 percentage points, bolstered in part by dividend payments received. We expect outperformance like this to continue as the market begins to recognize the material underpricing and significant dividend-growth prospects of companies in our portfolio.

Please see *Our Dividend Growth Portfolio* on page 5

Dividend Profile: Realty Income

By RJ Towner

With interest rates poised to remain low for at least the next year or two, we think high-yielding equities are as vital as ever for providing investors with an attractive total return investment. We recently expanded our REIT coverage universe, and let's take a close look at one of our favorites in the space, Realty Income (O)--$1.81 annual payout; 4.3% dividend yield.

Realty Income started in 1969 with two partners looking to provide investors with monthly income. The idea was and still is, relatively simple: purchase properties, lease them to reliable tenants, collect monthly rent checks, deduct fees to cover overhead and return the rest to shareholders. However, unlike many REITs, Realty doesn't take on massive amounts of debt in order to invest

Please see *Dividend Profile: Realty Income* on page 18

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$29.00 - $48.00	HEALTHY	GOOD / 1.3	EXCELLENT

Dividend Growth Gem Altria Raises Dividend

By Valuentum Analysts

Dividend Growth portfolio holding Altria (MO)—$1.76 annual payout; 5% dividend yield—announced that it will hike its quarterly dividend 7.3% to $0.44 per share. We've been huge fans of the firm's return prospects since we initiated a position in our actively-managed portfolio some time ago. We still think shares have further upside.

Importantly, all US tobacco companies achieved a victory recently when the US appellate court ruled 2-1 against the Food & Drug Administration's new regulations mandating that cigarette makers put vivid graphics showcasing the negative impacts of smoking. The court ruled that the regulation did indeed violate First Amendment rights.

The US would not have been the first to place such pictures on packaging. New Zealand, Singapore and the United Kingdom have mandated it for years. Each of these nations claims the pictures will reduce the overall smoking rate, but we do not think a final ruling one way or the other will have a significantly material long-term impact on cigarette smoking in the United States, and by proxy, Altria. The dangers of smoking are well known in the US, in our view-whether smokers choose to ignore them or not cannot be decided by anyone but the individual consumer.

In Mid-August, Altria raised its full-year GAAP guidance range to $2.01-$2.05 from $1.95-$2.00 due to lower expected charges related to debt extinguishment. Altria, however, reaffirmed its 2012 full-year guidance for adjusted diluted earnings per share, which excludes special charges such as this one, in the range of $2.19-$2.23, representing a growth pace of 7%-9% from last year's adjusted earnings.

Altria tendered up to $2 billion of unsecured notes. However, debt holders didn't redeem much at all, so Altria will take an early extinguishment charge of $875 million during the fiscal year (lower than expected). We continue to like the company as a core holding in our Dividend Growth portfolio.

Key Dividend Considerations	
Current Annual Dividend Yield	4.97%
Annual Dividends per Share	$1.76
Initial Annual Div's Paid, $10k Investment	$497.03
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.3
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

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 Growth

Dividend Safety	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
Dec-97	NA	0.0	2.58	0.0%
Dec-98	NA	0.0	2.20	0.0%
Dec-99	NA	0.0	3.19	0.0%
Dec-00	NA	0.0	3.75	0.0%
Dec-01	NA	0.0	3.88	0.0%
Dec-02	NA	0.0	5.21	0.0%
Dec-03	NA	0.0	4.52	0.0%
Dec-04	NA	0.0	4.57	0.0%
Dec-05	NA	0.0	5.10	0.0%
Dec-06	NA	0.0	5.71	0.0%
Dec-07	NA	0.0	4.33	0.0%
Dec-08	1.32	0.0	1.48	0.0%
Dec-09	1.32	0.0	1.54	0.0%
Dec-10	1.46	10.6	1.87	78.1%
Dec-11	1.58	8.2	1.64	96.3%
Dec-12	*1.76*	*11.4*	*2.23*	*78.8%*
Dec-13	*1.83*	*4.0*	*2.40*	*76.1%*
Dec-14	*1.90*	*4.0*	*2.53*	*75.2%*
Dec-15	*1.98*	*4.0*	*2.67*	*74.2%*
Dec-16	*2.06*	*4.0*	*2.81*	*73.3%*

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.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$43.00 - $65.00	HEALTHY	POOR / 0.8	VERY POOR

Heinz Not Playing Catch-Up

By RJ Towner

Food giant Heinz (HNZ)—$2.06 annual payout; 3.7% dividend yield—reported decent second quarter results, despite global macroeconomic headwinds. The firm saw reported revenue decline 1.5% to $2.8 billion, which was approximately in-line with consensus expectations. Profit from continuing operations was $0.87 per share, up 10% from a year ago and several pennies higher than consensus expectations. Even though profits grew more than expected, the firm reiterated its full-year earnings guidance of $3.52-$3.63 per share.

Though reported growth looked tame, on an organic currency-neutral basis, revenue increased 4.8%, which Heinz identified as its 29th consecutive quarter of revenue growth. Gross margins increased just 10 basis points year-over-year, as rising prices managed to barely offset higher input costs. The firm also announced at its annual shareholders' meeting that it intends to invest heavily in expanding its presence in emerging markets, which experienced an impressive 19% revenue growth during the second quarter. Needless to say, the company has a strong portfolio, driven by its flagship ketchup, Quero, Ore-Ida and Weight Watchers (license) brands, which we expect to obtain premium pricing abroad. Further adoption of Western diets that are heavy with foods where ketchup is a complement should continue to propel worldwide brand growth.

Results in North America were also decent, as organic sales increased 0.9%. The firm exited a number of frozen-food businesses that were facing margin pressure and had lower pricing power. The US retail business grew 1.9% organically, but we're even more positive on its US foodservice business that grew 2.4% in the period, to $315 million. All gains were attributable to better pricing, resulting in operating income jumping nearly 13% during the quarter. We're big fans of this business in the long term, especially with Americans consistently eating more meals outside the home. Though we admit consumers are often looking for healthier options, we see no signs that "burgers and fries" are going away.

We like the firm's pricing power and great brand name, as well as its strategy for emerging markets growth. The company's dividend doesn't score well on our Valuentum Dividend Cushion™, but Heinz operates a very stable, predictable business--so we wouldn't say the dividend is in jeopardy. If the firm's VBI rating increases (due to a better valuation assessment) and its dividend coverage with cash flow improves, we may become more interested.

Key Dividend Considerations

Current Annual Dividend Yield	3.79%
Annual Dividends per Share	$2.06
Initial Annual Div's Paid, $10k Investment	$378.96
Dividend Track Record	HEALTHY
Dividend Safety	POOR
Valuentum Dividend Cushion™	0.8
Dividend Growth Potential	VERY POOR
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
Apr-98	NA	0.0	2.15	0.0%
Apr-99	NA	0.0	1.29	0.0%
Apr-00	NA	0.0	2.47	0.0%
Apr-01	NA	0.0	1.41	0.0%
Apr-02	NA	0.0	2.36	0.0%
Apr-03	NA	0.0	1.57	0.0%
Apr-04	1.08	0.0	2.20	49.1%
Apr-05	1.14	5.6	2.08	54.8%
Apr-06	1.20	5.3	1.29	93.0%
Apr-07	1.40	16.7	2.38	58.8%
Apr-08	1.52	8.6	2.63	57.8%
Apr-09	1.66	9.2	2.90	57.2%
Apr-10	1.68	1.2	2.87	58.5%
Apr-11	1.80	7.1	3.06	58.8%
Apr-12	1.92	6.7	2.85	67.4%
Apr-13	*2.06*	*7.3*	*3.56*	*57.9%*
May-14	*2.10*	*2.0*	*3.82*	*55.0%*
May-15	*2.14*	*2.0*	*3.98*	*53.8%*
Apr-16	*2.19*	*2.0*	*4.12*	*53.0%*
Apr-17	*2.23*	*2.0*	*4.23*	*52.7%*

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.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$22.00 - $34.00	HEALTHY	EXCELLENT / 4.4	EXCELLENT

Cisco Makes Itself a True Income Investment after a Strong Fourth Quarter

By Valuentum Analysts

Technology giant Cisco (CSCO) reported better than expected results for its fiscal fourth quarter. Revenue grew 4% year-over-year to $11.7 billion, which was slightly better than consensus expectations. Earnings, on a comparable non-GAAP basis, increased 18% to $0.47 per share, which was also better than the Street expected. However, what really excites us about Cisco is that the firm finally raised its quarterly dividend to a meaningful level—a yield in excess of 3% at current prices ($0.56 annual payout). Management also expects solid strength in the first quarter of its 2013 fiscal year, where it expects 2-4% revenue growth and diluted non-GAAP earnings per share of $0.45-$0.47 (up 5-9% YoY).

Not surprisingly, the most weakness Cisco saw was out of Europe. Revenues in its Europe, Middle East and Africa segment fell 5% year-over-year, driven by weakness in central and southern Europe. However, revenues in the Americas segment grew 7% year-over-year, driven by strength in the United States. While US government spending, as well as government spending worldwide, has been weak and will continue to be weak, the US drove firm-wide order growth during the fourth quarter. CEO John Chambers noted that growth in the US accelerated, especially in the second half of the quarter, and he indicated the market looks strong going forward. Chambers provided some very interesting insights:

"GET and our largest 29 enterprise accounts declined in double-digits in Q3 and increased in double-digits in Q4. Those are our global enterprise accounts again in the theater. While U.S. enterprise grew 1% in Q3, it grew 4% in Q4. U.S. commercial for Q3 was 6% and for Q4 it was 7%. As expected our U.S. Federal business declined in both quarters with minus 8% decline in Q3 and minus 11% decline in Q4."

Over the past two years, Cisco appears to have successfully reinvented its business strategy. Once focused on growing via acquisitions and diversification (think Flip Cameras), the firm is focusing on gaining market share in its core competencies and becoming more shareholder-friendly. The firm continues to generate huge amounts of revenue in its routers and switches business lines, but we're more excited about the company's potential to profit from the shift to cloud computing. Data center revenue grew 90% in the fourth quarter, and management is understandably excited about its market position going forward.

With its dominant lines of business, Cisco remains focused on returning at least 50% of free cash flow to shareholders. The firm repurchased over $4 billion in stock during its 2012 fiscal year and now provides investors with a reasonable income stream after the dividend hike. We continue to believe shares are undervalued at current prices and are a fantastic dividend growth opportunity. We may look to add shares to our Dividend Growth Newsletter portfolio in coming weeks.

Our Dividend Growth Portfolio

Expected Yield	Benchmark Yield	Outperformance
3.83%	3.44%	0.39%
Portfolio Return	**Benchmark Return**	**Outperformance**
7.9%	8.3%	-0.4%

Portfolio Inception Date: January 1, 2012

DIVIDEND GROWTH PORTFOLIO -- as of August 31, 2012 — Dividend Growth Portfolio Inception Date: January 1, 2012

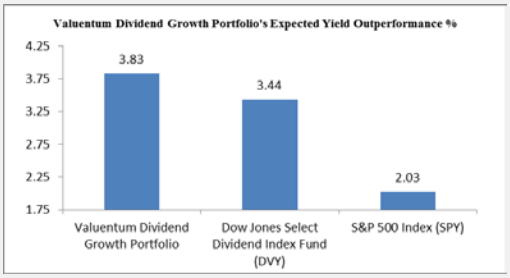
Company Name	First Purchase	Avg Cost ($)	# of Shares	Total Cost ($)	Last Close	Current Value ($)	% of Portfolio	Exp. Yrly Div's ($)
Altria (MO)	12/30/2011	29.65	202	5,996.30	33.96	6,859.92	6.4%	355.52
Chevron (CVX)	12/30/2011	106.40	56	5,965.40	112.16	6,280.96	5.8%	201.60
ConocoPhillips (COP)	12/30/2011	72.87	89	6,492.43	56.79	5,054.31	4.7%	234.96
Emerson Electric (EMR)	12/30/2011	46.59	97	4,520.23	50.72	4,919.84	4.6%	155.20
Energy Transfer (ETP)	12/30/2011	45.85	142	6,517.70	42.72	6,066.24	5.6%	508.36
Hasbro (HAS)	12/30/2011	31.89	220	7,022.80	37.51	8,252.20	7.6%	316.80
Intel (INTC)	12/30/2011	24.25	289	7,015.25	24.83	7,175.87	6.7%	260.10
Johnson & Johnson (JNJ)	12/30/2011	65.08	107	6,970.56	67.43	7,215.01	6.7%	261.08
Kinder Morgan (KMP)	12/30/2011	84.95	65	5,528.75	82.77	5,380.05	5.0%	319.80
Medtronic (MDT)	12/30/2011	38.25	157	6,012.25	40.66	6,383.62	5.9%	163.28
Microsoft (MSFT)	12/30/2011	25.96	308	8,002.68	30.82	9,492.56	8.8%	246.40
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	67.19	7,054.95	6.5%	236.25
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	29.33	6,980.54	6.5%	342.72
Phillips 66 (PSX)	5/1/2011	Spin Off	44	Spin Off	42.00	1,848.00	17%	35.20
Republic Services (RSG)	12/30/2011	27.55	236	6,508.80	27.65	6,525.40	6.0%	221.84
Superior Industries (SUP)	12/30/2011	16.54	423	7,003.42	17.09	7,229.07	6.7%	270.72
Cash				2,363.42		5,154.80	4.8%	4,129.83
Dividend Growth Portfolio				100,000.00		**107,873.34**	100.0%	**3.83%**
Benchmark: Dow Jones Select Dividend Index (DVY)				100,000.00	57.17	**108,259.25**		**3.44%******

UR = Under Review

**Upper bound of fair value range noted.

****The yield an investor would have received if they had held the fund over the last 12 months assuming the most recent NAV.

This portfolio is not a real money portfolio. Data as of August 31, 2012. Cost basis includes commissions. Results include dividends, but no interest received on cash balance.



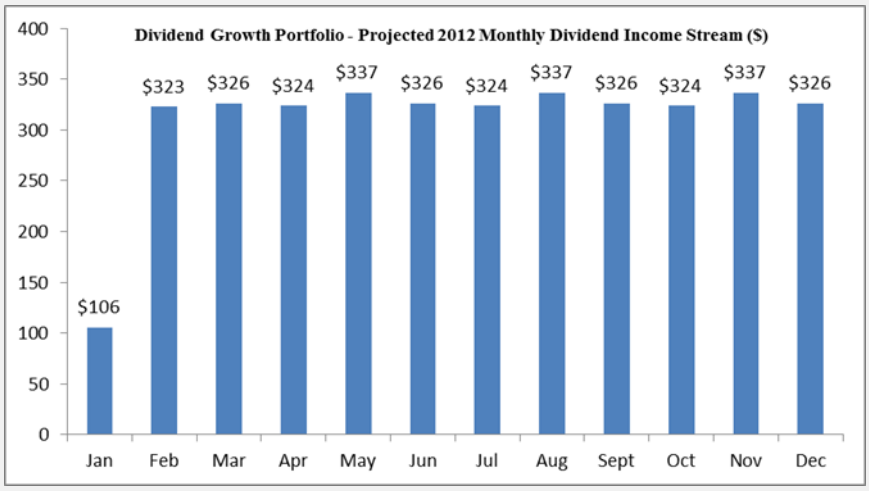
We expect our Dividend Growth portfolio to garner an income stream higher than that of the Dow Jones Select Dividend Index Fund (DVY) and the S&P 500 Index (SPY) in coming periods.

DIVIDEND GROWTH PORTFOLIO -- as of August 31, 2012

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value	VBI Score	Price/Fair Value
Altria (MO)	1.76	5.18%	mid-Sep 2012	mid Oct 2012 (quart)	1.3	GOOD	4.0	$38.00	6	0.89
Chevron (CVX)	3.60	3.21%	mid-Nov 2012	early Dec 2012 (quart)	2.9	EXCELLENT	8.0	$123.00	6	0.91
ConocoPhillips (COP)	2.64	4.65%	mid-Oct 2012	early Nov 2012 (quart)	1.4	GOOD	8.0	$62.00	6	0.92
Emerson Electric (EMR)	1.60	3.15%	early Nov 2012	mid-Dec 2012 (quart)	1.9	GOOD	8.0	$53.00	6	0.96
Energy Transfer (ETP)	3.58	8.38%	early Nov 2012	Nov 2012 (quart)	1.4	GOOD	5.0	$48.00	3	0.89
Hasbro (HAS)	1.44	3.84%	late Oct 2012	mid-Sep 2012 (quart)	1.6	GOOD	10.0	$49.00	6	0.77
Intel (INTC)	0.90	3.62%	early Nov 2012	early Dec 2012 (quart)	2.8	EXCELLENT	8.0	$35.00	9	0.71
Johnson & Johnson (JNJ)	2.44	3.62%	late Nov 2012	early Dec 2012 (quart)	2.6	GOOD	8.0	$90.00	9	0.75
Kinder Morgan (KMP)	4.92	5.94%	late Oct 2012	mid Nov 2012 (quart)	1.5	GOOD	5.0	$85.00	6	0.97
Medtronic (MDT)	1.04	2.56%	early Oct 2012	late Oct 2012 (quart)	2.7	GOOD	8.0	$49.00	6	0.83
Microsoft (MSFT)	0.80	2.60%	mid Nov 2012	mid Dec 2012 (quart)	4.9	EXCELLENT	12.0	$47.00	6	0.66
Proctor & Gamble (PG)	2.25	3.35%	late Oct 2012	mid Nov 2012 (quart)	1.3	GOOD	8.0	$69.00	4	0.97
PP&L (PPL)	1.44	4.91%	early Sep 2012	early Oct 2012 (quart)	-0.5	VERY POOR	3.0	$34.00	6	0.86
Phillips 66 (PSX)	0.80	1.90%	mid-Oct 2012	early Nov 2012 (quart)	UR	UR	UR	UR	UR	UR
Republic Services (RSG)	0.94	3.40%	late Sep 2012	mid Oct 2012 (quart)	1.3	GOOD	4.0	$35.00	9	0.79
Superior Industries (SUP)	0.64	3.74%	early Oct 2012	late Oct 2012 (quart)	4.2	EXCELLENT	3.0	$21.00	3	0.81

Though we have minor exceptions for diversification (e.g. utilities), each firm when entered into our Dividend Growth portfolio above meets our demanding criteria (attractively valued, strong Valuentum Dividend Cushion™, solid dividend-growth potential). The mix of mature high-yielders and long-term dividend-growers provides a good balance and consistent estimated monthly dividend income stream, as revealed by the graph to the right.

Since the previous edition of our newsletter, we've received (or have in receivables) quarterly dividend payments from Chevron (CVX), Emerson (EMR), Energy Transfer Partners (ETP), Intel (INTC), J&J (JNJ), and Microsoft (MSFT) to the tune of ~$408.



January is impacted by a few equities whose ex-dividend dates occurred in December before their purchase date. Adjusting for this, the payout would be $324 in January, consistent with April, July, and October. Projections as of Jan 1, 2012.

Standard Disclaimer: Our Dividend Growth portfolio is for information purposes only and should not be considered a solicitation to buy or sell any security. Valuentum is not responsible for any errors or omissions or for results obtained from the use of our Dividend Growth Newsletter and accepts no liability for how readers may choose to utilize the content.

What Is Going on at Intel?

By RJ Towner

Though advancing modestly since we added it to the portfolio of our Dividend Growth portfolio, Intel (INTC)--$0.90 annual payout; 3.7% dividend yield--has retreated from highs achieved a number of weeks ago. Given the recent fundamental issues at its two biggest clients, Hewlett Packard (HPQ) and Dell (DELL), we wanted to offer our current line of thinking on Intel and reveal its relative outperformance.

Though clearly not as drastic as the significant declines its peers have experienced, Intel's performance has understandably not been as robust as some of our other tech picks. With PC shipments slowing, expected now to grow just 0.9% year-over-year for 2012, Intel will continue to face some headwinds, in our view, unless Windows 8 (MSFT) becomes an immediate blockbuster hit. Though it's hard to think the operating system will completely reverse slowing expansion in PC shipments, we're not ready to give up on Windows 8 (and view the new platform as a legitimate catalyst for shares). In fact, we think a Windows 8 bust appears to be priced fully into Intel's shares (presenting opportunity for investors).

In addition to pricing in poor Windows 8 performance, the market has also grown worried about Intel's position in the mobile market. The results of Dell and HP both confirm that tablets are becoming a substitute product, especially for notebooks, so Intel's entrance into the market will be integral to its long-term success. Though the firm doesn't have the same presence as ARM Holdings (ARMH), tech magazine Wired offers a detailed profile of Intel's current position in mobile chips. Essentially, the market is more competitive, offers lower margins, and consumers seem to care less about these chips than they do about PC chips. Still, we wouldn't be shocked to see Intel make a splash, especially given the legal battle between Apple (AAPL) and Samsung, as well as the firm's absolutely massive research and development budget.

Investors should be aware of the market's outlook on the company given PC industry weakness and expect the next quarter to be difficult (in fact, we would not be surprised if Intel misses consensus expectations on the top line). Still, the company registers a 9 on the Valuentum Buying Index (our stock-selection methodology) and looks incredibly cheap based on our discounted cash-flow process. And it's important to note that not all of the firm's business lines are under pressure. The firm's Data Center Group grew revenue 15% during the most recent quarter, and Intel continues to grow its Software and Services Group at a similar clip.

With an annual dividend yield of 3.6% and downside largely priced in, we continue to hold the firm in our actively-managed portfolios. The firm has raised its dividend payout three times in the past 18 months, and we reiterate our view that Intel has significant room for further dividend increases (at a low-double-digit annual pace in coming years) based on our Valuentum Dividend Cushion measure. At this point, we think most of the tail risk (Windows 8 success, Apple iPhone/iPad deal) at Intel is to the upside.

SeaDrill Reports a Strong Second Quarter

By Valuentum Analysts

Offshore rig owner SeaDrill (SDRL)—$3.36 annual payout; 8.2% dividend yield—reported far better than expected second quarter results. Revenue accelerated 12.8% year-over-year to $1.1 billion, roughly in-line with expectations. Earnings tumbled 15.5% year-over-year to $1.09 per share, but the year-over-year decline was muddied by a gain on marketable securities in last year's period. Still, the firm's reported earnings amounted to a better-than-expected decline. More telling of its performance during the quarter, operating profit increased 12.3% as the company was able to drive the incremental revenue to the bottom line. Nevertheless, shares are fairly valued at this time, in our view.

Please See *SeaDrill Reports a Strong Second Quarter...* on page 8

Medtronic Posts a Decent First Quarter

By Valuentum Analysts

Medical device maker Medtronic (MDT)—$1.04 annual payout; 2.6% dividend yield—reported decent results for its fiscal year 2013 first quarter as its two major end markets (ICD and Spine) continue to show signs of stabilization. The firm grew revenue 2% (or 5% excluding currency fluctuations) year-over-year to $4 billion, roughly in-line with consensus expectations. Earnings increased 8% year-over-year to $0.85 per share, matching the Street's forecast. The firm reiterated its fiscal 2013 earnings per share guidance of $3.62-$3.70 (up 5%-7% from last year), and we continue to think the medical device maker has valuation upside from today's levels.

Negative currency fluctuations weighed on reported results, with revenue from international operations declining 1% to $1.78 billion (but still advancing 6% constant currencies). Medtronic noted that it experienced 4% sales expansion in Western Europe, highlighting double-digit growth in France, the UK, and Ireland. The firm's US business grew 4% during the first quarter, and emerging markets revenue, on a reported basis, grew 9% year-over-year to $438 million (up 14% constant currencies). Though management expressed some disappointment with emerging-market expansion during the period, CEO Omar Ishrak expects growth to return to a 20%+ pace in coming periods. We think such levels of expansion are achievable.

Among the stand out revenue drivers were Surgical Technologies, up 22%, Coronary, up 11%, and Endovascular, up 12%. Coronary revenue growth was driven by sales of drug-eluting stents, which, as we've mentioned before, continue to steal market share in the US. Revenue expansion in the company's Surgical Technologies division comes as no surprise to us, as we've been very bullish on overall surgical device unit expansion.

Looking forward, we're confident the firm will be able to achieve its earnings growth targets, especially since management mentioned future acquisitions will not be dilutive to shareholders. Plus, the company's laser-focus on reducing product cost by $1.2 billion during the next 5 years should support earnings while paving the way for future innovation. Shares of the heart-rhythm device maker are trading at the low end of our fair value range, and we still think the company's dividend has potential for significant growth (even after more than doubling in just 5 years). We hold the company's shares in our Dividend Growth portfolio.

Key Dividend Considerations	
Current Annual Dividend Yield	2.55%
Annual Dividends per Share	$1.04
Initial Annual Div's Paid, $10k Investment	$254.65
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	2.7
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

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
NA	NA	0.0	0.48	0.0%
NA	NA	0.0	0.40	0.0%
Apr-00	0.16	0.0	0.90	17.8%
Apr-01	0.20	25.0	0.85	23.5%
Apr-02	0.23	15.0	0.80	28.8%
Apr-03	0.25	8.7	1.30	19.2%
Apr-04	0.29	16.0	1.60	18.1%
Apr-05	0.34	17.2	1.48	23.0%
Apr-06	0.39	14.7	2.09	18.7%
Apr-07	0.44	12.8	2.41	18.3%
Apr-08	0.50	13.6	1.95	25.6%
Apr-09	0.75	50.0	1.93	38.9%
Apr-10	0.82	9.3	2.79	29.4%
Apr-11	0.90	9.8	2.86	31.5%
Apr-12	0.97	7.8	3.22	30.1%
Apr-13	***1.04***	***7.2***	***3.70***	***28.1%***
May-14	*1.12*	*8.0*	*3.89*	*28.9%*
May-15	*1.21*	*8.0*	*4.01*	*30.2%*
Apr-16	*1.31*	*8.0*	*4.14*	*31.7%*
Apr-17	*1.41*	*8.0*	*4.26*	*33.2%*

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.

SeaDrill Reports a Strong Second Quarter... from page 6

Importantly, management acknowledged it had secured contracts and commitments of $7.6 billion since the first quarter, bringing its total backlog to $20.3 billion. The company indicated that the average contract duration is 38 months for its deepwater fleet, 18 months for its jack-ups (was 17), and 29 months for its tender rigs (was 25)—providing improved visibility. Based on this strength and future potential revenue, management increased its quarterly dividend to $0.84 per quarter (was $0.82). The increase gives the company an annual yield in excess of 8% based on its current share price. SeaDrill revised its existing credit facility, increasing liquidity by nearly $600 million, but its balance sheet remains highly leveraged.

Though shares score a 6 on our Valuentum Buying Index (our stock-selection methodology) and trade at the low-end of our fair value range, we aren't fans of the rig owner at current levels. In addition to shares trading in our fair value range, we are concerned about the long-term health of the company's dividend. Management noted strong operating performance, a record high order backlog, and a positive outlook for the drilling industry as reasons for dividend sustainability, but SeaDrill posts a Valuentum Dividend Cushion™ score of 0—suggesting the dividend is at significant risk going forward. Either management will have to make sweeping changes to the growth and profitability of the firm or access the equity/debt markets to sustain the dividend, which may have dilutive implications on shareholders. Further, SeaDrill has substantial downside risk associated with its off-shore business model.

Though the high-single-digit annual yield is tempting, the company's poor dividend safety and modest growth potential--it only raised its dividend 2%--will keep us from adding shares to our Dividend Growth portfolio anytime soon.

Apple Victim Dell Changes to Survive

By RJ Towner

Computer maker Dell (DELL)—$0.32 annual payout; 3% dividend yield—reported mediocre results for the second quarter of its 2013 fiscal year and gave dismal guidance. Revenue declined 8% year-over-year to $14.5 billion, which was even worse than the Street's estimates. Operating income fell 15% year-over-year, but due to massive share repurchases, non-GAAP earnings per share exceeded consensus estimates, falling 7% to $0.50. Going forward, management expects earnings of at least $1.70 per share for fiscal year 2013, which was significantly lower than the consensus forecast of $1.91 per share.

We've previously addressed the bevy of companies Apple (AAPL) has left for dead in its wake of destruction, including Research In Motion (RIMM) and Hewlett Packard (HPQ), and it appears that Dell's consumer PC business is no different. The segment's revenue declined 22% year-over-year to $2.6 billion. With consumers opting for iPads, notebook sales slipped 26% year-over-year. Of course, management cited consumer anticipation of Windows 8 (MSFT) as one of the main drivers of weakness, but we think this is only an ancillary reason. Though Dell is far from dead, the shift to mobile looks like it might be too powerful for the firm to overcome. Operating income fell a whopping 86% to just $14 million. Dell's lack of innovation is hurting itself, as well as crushing Best Buy (click ticker for report: BBY).

Dell's Large Enterprise business segment was significantly stronger (but still weak), with revenue falling just 3% year-over-year to $4.5 billion. Operating income fell 6% to $433 million, but the segment's operating margin slipped just 30 basis points to 9.5%.

Please see *Apple Victim Dell...* on page 12

Stocks with High VBI Ratings and Strong Dividend Growth Prospects

By Valuentum Analysts

The table below showcases firms in our coverage universe that have high Valuentum Buying Index™ ratings and strong dividend growth prospects. The table represents a list of interesting dividend-paying stocks that are among the most timely investment opportunities based on our stock-selection methodology.

Though our dividend-growth portfolio (see page 5) is near fully-invested, we may swap in firms on this list or firms on our dividend-growth watch list (see page 11) at the right price or if our analyst team determines that a new add has more potential total return opportunity than a current holding.

To access a firm's dividend report, please click on the link below:

http://www.valuentum.com/categories/20111110

Name	Symbol	Dividend Yield	VBI	Div Growth	Div Cushion
Omega Healthcare	OHI	7.1%	9	EXCELLENT	2.3
Kinder Morgan	KMP	5.9%	6	GOOD	1.5
Altria Group	MO	5.0%	6	EXCELLENT	1.3
Health Care REIT	HCN	5.0%	6	GOOD	2.7
Royal Dutch Shell	RDS	4.9%	6	GOOD	1.6
H&R Block	HRB	4.8%	7	EXCELLENT	3.0
ConocoPhillips	COP	4.8%	6	EXCELLENT	1.4
Eli Lilly	LLY	4.6%	6	GOOD	1.7
Verizon Comm	VZ	4.5%	6	GOOD	2.0
Brookfield Infrastructure	BIP	4.5%	6	EXCELLENT	2.1
Garmin	GRMN	4.4%	6	EXCELLENT	2.2
Merck	MRK	4.0%	6	GOOD	2.1
Bristol-Myers Squibb	BMY	3.9%	6	GOOD	2.4
Rio Tinto	RIO	3.9%	6	EXCELLENT	2.6
Ventas	VTR	3.9%	6	EXCELLENT	4.7
Paychex	PAYX	3.9%	6	GOOD	3.2
Olin Corp	OLN	3.8%	6	GOOD	1.3
Hasbro	HAS	3.8%	6	EXCELLENT	1.6
Sysco	SYY	3.8%	6	GOOD	1.3
Johnson & Johnson	JNJ	3.6%	9	EXCELLENT	2.6
Applied Materials	AMAT	3.6%	6	EXCELLENT	4.3
Mattel	MAT	3.5%	6	EXCELLENT	1.8
Intel	INTC	3.4%	9	EXCELLENT	2.8
DuPont	DD	3.4%	6	GOOD	1.5
Chevron	CVX	3.3%	6	EXCELLENT	2.9
Republic Services	RSG	3.3%	9	EXCELLENT	1.3
Abbott Laboratories	ABT	3.2%	6	EXCELLENT	2.3
Methode Electronics	MEI	3.1%	6	GOOD	2.4
Emerson Electric	EMR	3.1%	6	EXCELLENT	1.9
Molson Coors	TAP	3.0%	6	EXCELLENT	2.1
Crane Co	CR	3.0%	6	EXCELLENT	2.8
Koppers	KOP	2.9%	6	GOOD	1.3
Cisco	CSCO	2.9%	9	EXCELLENT	4.4
Newmont Mining	NEM	2.9%	8	EXCELLENT	3.5
Enbridge	ENB	2.9%	6	EXCELLENT	1.9
Gold Resource	GORO	2.8%	6	EXCELLENT	1.4
Hewlett-Packard	HPQ	2.7%	6	EXCELLENT	4.0
Automatic Data Processing	ADP	2.7%	6	EXCELLENT	2.8
Insperity	NSP	2.7%	6	EXCELLENT	5.5
Microsoft	MSFT	2.7%	6	EXCELLENT	4.9
Coca-Cola	KO	2.6%	6	EXCELLENT	1.9
Washington Post	WPO	2.6%	6	GOOD	3.8
Exxon Mobil	XOM	2.6%	6	EXCELLENT	2.1
Medtronic	MDT	2.5%	6	EXCELLENT	2.7
United Technologies	UTX	2.5%	6	EXCELLENT	2.9
Caterpillar	CAT	2.5%	6	EXCELLENT	2.3

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$27.00 - $41.00	HEALTHY	EXCELLENT / 4	EXCELLENT

Footlocker Rides Nike to Strong Second Quarter Results

By RJ Towner

Athletic and fashion retailer Footlocker (FL)—$0.72 annual payout; 2.1% dividend yield—continues to post fantastic results, with the trend continuing during the second quarter. Revenue accelerated 7% year-over-year to $1.4 billion, which was better than consensus expectations. Earnings per share grew 63% year-over-year to $0.39, well ahead of the Street's expectations. Gross margins increased 90 basis points year-over-year to 31.3%, but initial mark-up margins are falling slightly. The company's partners have been dealing with higher costs and have shown an increased desire to capture more profit through the supply chain. Though the firm has clearly navigated an impressive turnaround, Foot Locker's shares look fairly valued at current levels.

Most of the accolades for the quarterly results, released August 17, will go to Footlocker's impressive 9.8% same-store sales growth. The performance comes off a strong quarter in 2011 and amounts to a stacked two-year comp increase over 20% (we typically add the same-store sales performance in year-over-year quarters—a stacked trend—to better assess overall organic revenue momentum).

There are a number of drivers behind the strong same-store sales expansion. Over the past several years, Footlocker has focused on shuttering unproductive stores (mainly Champs' Sports), generating more productive storefronts, and consolidating overall foot traffic. Though this has formed the backbone of the company's turnaround, two other trends are really driving growth, in our view: higher average selling prices and strong product trends.

The footwear market in the US is incredibly competitive, but Nike (NKE)—$1.44 annual payout; 1.5% dividend yield—is experiencing one of the strongest runs since Converse in the 1960's. Plus, Nike isn't just basketball and casual, but the brand extends into nearly every avenue imaginable. Footlocker CEO Ken Hicks pointed to strong performance from classic styles like Converse All-Stars (Nike), Blazers (Nike) and adidas Sambas (ADDYY). But with running flat year-over-year, the classic styles with lower price points haven't been the true drivers of higher average selling prices at the firm. Rather, Nike's premium and often limited products are what's driving the positive trends at the retailer.

Retro Jordan brand shoes (the shoes Michael Jordan played in during his career) are about as popular now as they were when originally released. Until mayhem over the Jordan XI Concord in December 2011, lines formed for days, even weeks, for the latest Jordan shoes. Demand is incredibly high, somewhat driven by Nike's limited supply, creating a huge market for end use, collecting and ultimately financial speculation (as odd as that sounds). Nike has consistently raised prices over the past several years, collecting outsize profit, but leaving some pricing upside to keep financial speculators engaged. Recent LeBron shoes released in late 2010, for example, retailed for $175 and now sell for upwards of $1,000. Footlocker doesn't even have to spend much money on marketing—buyers are simply flocking for desired product.

The same phenomenon is evident among other lines, including the LeBron James line, where buyers literally lined up for the privilege of paying $250 for limited "Elite" colors. Buyers that miss out on certain colors tend to purchase other shoes at the store after waiting for a few hours at Footlocker (improving overall inventory turns). Footlocker receives a larger percentage of premium products than any other retailer, excluding NikeTown stores, making its business superior to Finish Line (FINL), in our view.

Please see *Footlocker Rides Nike*...On Page 15

Our Dividend Growth Watch List

By Valuentum Analysts

Our dividend-growth watch list continues to be filled with potential ideas for your portfolio. We may replace firms held in our portfolio with companies found in the table below should their dividend growth potential (and/or total return potential) become relatively more attractive than portfolio constituents'. We continue to scour our coverage universe for firms to add to our dividend-growth watch list, which we update in every edition of our Dividend Growth Newsletter.

DIVIDEND GROWTH WATCH LIST - as of July 31, 2012

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value	VBI Score	Price/Fair Value	Last Close ($)
ADP (ADP)	1.58	2.72%	2.8	EXCELLENT	8.0	$53.00	6	1.10	58.08
Analog Devices (ADI)	1.20	3.02%	3.1	EXCELLENT	10.0	$42.00	3	0.95	39.74
Boeing (BA)	1.76	2.46%	3.1	EXCELLENT	6.0	$77.00	3	0.93	71.40
Chicago Rivet (CVR)	0.60	3.19%	3.4	EXCELLENT	8.0	$20.00	3	0.94	18.79
Coca-Cola (KO)	1.02	2.73%	1.9	GOOD	8.0	$35.00	6	1.07	37.40
Colgate-Palmolive (CL)	2.48	2.33%	1.7	GOOD	10.0	$86.00	6	1.24	106.31
Collectors Universe (CLCT)	1.30	8.86%	UR	UR	UR	UR	UR	UR	14.68
Deere (DE)	1.84	2.45%	1.6	GOOD	8.0	$93.00	3	0.81	75.11
DuPont (DD)	1.72	3.46%	1.5	GOOD	5.0	$64.00	6	0.78	49.75
Eaton (ETN)	1.52	3.40%	1.7	GOOD	7.0	$55.00	4	0.81	44.72
Exxon Mobil (XOM)	2.28	2.61%	2.1	GOOD	4.0	$74.00	6	1.18	87.30
General Dynamics (GD)	2.04	3.11%	2.6	GOOD	8.0	$72.00	4	0.91	65.51
Genuine Parts (GPC)	1.98	3.13%	1.6	GOOD	8.0	$54.00	4	1.17	63.16
H&R Block (HRB)	0.80	4.83%	3.0	EXCELLENT	8.0	$21.00	7	0.79	16.56
Harris (HRS)	1.48	3.15%	1.4	GOOD	10.0	$53.00	3	0.89	47.03
Honeywell (HON)	1.49	2.55%	2.5	GOOD	8.0	$62.00	4	0.94	58.45
IBM (IBM)	3.40	1.74%	3.5	EXCELLENT	10.0	$210.00	3	0.93	194.85
Eli Lilly (LLY)	1.96	4.36%	1.7	GOOD	5.0	$50.00	6	0.90	44.91
Lockheed Martin (LMT)	4.00	4.39%	1.5	GOOD	8.0	$73.00	3	1.25	91.14
Lorillard (LO)	6.20	4.94%	1.3	GOOD	6.0	$126.00	4	1.00	125.51
Mattel (MAT)	1.24	3.53%	1.8	GOOD	10.0	$33.00	6	1.06	35.14
McDonalds (MCD)	2.80	3.13%	1.3	GOOD	8.0	$95.00	4	0.94	89.49
Molex (MOLX)	0.88	3.31%	2.1	GOOD	8.0	$24.00	3	1.11	26.55
Merck (MRK)	1.68	3.90%	2.1	GOOD	5.0	$38.00	6	1.13	43.05
Northrop Grumman (NOC)	2.20	3.29%	2.5	GOOD	8.0	$70.00	3	0.96	66.89
Olin Corp (OLN)	0.80	3.73%	1.3	GOOD	5.0	$22.00	6	0.97	21.43
Owens & Minor (OMI)	0.88	3.14%	1.9	GOOD	9.0	$32.00	4	0.87	27.99
Paychex (PAYX)	1.28	3.85%	3.2	EXCELLENT	4.0	$33.00	6	1.01	33.26
Phillip Morris (PM)	3.08	3.45%	1.5	GOOD	5.0	$72.00	3	1.24	89.30
Raytheon (RTN)	2.00	3.54%	2.4	GOOD	8.0	$51.00	3	1.11	56.52
St. Jude (STJ)	0.92	2.44%	2.5	GOOD	12.0	$49.00	4	0.77	37.76
Sysco (SYY)	1.08	3.56%	1.3	GOOD	5.0	$27.00	6	1.12	30.30
Texas Instr (TXN)	0.68	2.34%	2.6	GOOD	8.0	$28.00	3	1.04	29.04
United Technologies (UTX)	2.14	2.68%	2.9	EXCELLENT	12.0	$105.00	6	0.76	79.85
UPS (UPS)	2.28	3.09%	1.6	GOOD	9.0	$72.00	3	1.03	73.81
Verizon (VZ)	2.00	4.66%	2.0	GOOD	4.0	$44.00	6	0.98	42.94

UR = Under Review

To access the dividend reports of companies on our watch list, please click here.

Apple Victim Dell ... from page 8

Enterprise solutions revenue in the division grew 9% year-over-year, and we expect calendar fourth quarter spending could be strong due to budget dumping. Small & Medium Business revenues held up and only fell 1% year-over-year to $3.2 billion—the segment's operating margin expanded 20 basis points, to 11.7%. Services revenue within this segment, however, grew 27%, and we think this area is particularly attractive given better pricing power and a long runway for future expansion.

On a product basis, Servers & Networking continue to outperform other business lines, growing 14%. As the movement to the cloud continues, we figure Servers & Networking could become one of Dell's most valuable product offerings. Though revenue from desktops fell 9% year-over-year, we're much more concerned about the 19% drop in mobility revenue. We fear that without an integrated tablet and smartphone offering, Dell will continue to lose share to Apple. We previously mentioned how Dell has designed security solutions for Apple devices, almost admitting defeat. The PC business is becoming more and more commoditized, and Dell is languishing.

Though Dell continues to generate robust free cash flow ($577 million in the second quarter), the firm's cash conversion cycle (turning a product into cash) continues to increase, leading to a decline in overall cash flow generation. The firm wants to maintain pricing and margins, which may be good for the company in the near term, but elevated prices, could lead to bloated inventories resulting in lower margins in the future.

While we think Dell is undervalued at current levels, we simply aren't interested in the shares at this time (we have a technical and momentum overlay in our stock-selection process). The firm's dividend is 2.7% (above the broader market average) and we expect it to continue to grow, but we don't think the firm is well-positioned over the next several years. Without question, the company is shifting to become a fully-integrated enterprise business provider, but the consumer business is still a large (and unprofitable) part of its sales mix. Additionally, the business enterprise market remains a highly competitive industry. Shares score just a 3 on our Valuentum Buying Index, so we're steering clear of the company at this time.

Nordic American Tankers Warns About Third Quarter

By Valuentum Analysts

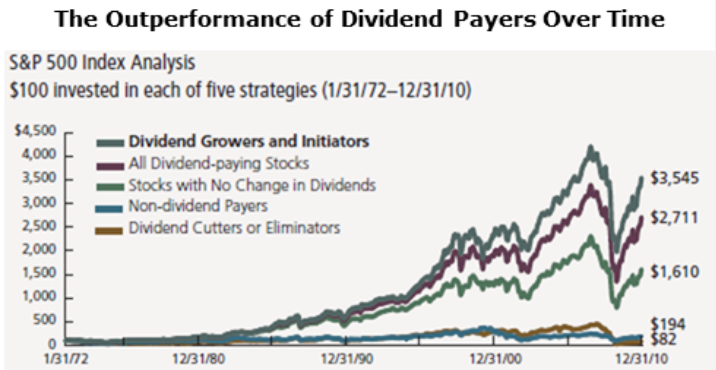
The tanker business remains challenged, with Nordic American Tankers (NAT)—$1.20 annual payout; 10.6% dividend yield—issuing a warning about its third quarter results. CEO Herbjorn Hansson authored a letter to shareholders, letting investors know that the third quarter will be worse than the second quarter. He noted that he is not sure when the industry tide will turn and that industry fundamentals continue to languish. Hansson also mentioned that the firm has identified some fuel savings, which could lead to an additional $0.30-$0.40 per share in cash flow to help cover the firm's 10%+ annual dividend. However, we're skeptical the firm's dividend will be preserved over the intermediate term if current poor industry conditions persist. As a general rule, we are skeptical of the sustainability of any double-digit dividend yield.

The shipping industry remains mired in oversupply thanks to terrible industry economics. Several shippers, including DryShips (DRYS), Frontline (FRO) and Genco (GNK) have fallen over 90% since their respective highs in 2008, after building large fleets to take advantage of booming global economic growth (which has slowed since then). Though shipping rates recovered a bit in 2010 and 2011, the Baltic Dry Index has tumbled this year to near all-time lows. Management indicated that fleet growth should come to a standstill by the end of 2013, but orders (though slowing) are still coming in for new Suezmax vessels. If economic growth in China continues to slow, we expect an ongoing dislocation between supply and demand beyond 2013. Nordic has some tough times ahead, and we'd continue to steer clear of the shares.

About Our Valuentum Dividend Cushion™

By Valuentum Analysts

History has revealed that the best performing stocks during the previous decades have been those that shelled out ever-increasing cash to shareholders in the form of dividends. In a recent study, S&P 500 stocks that initiated dividends or grew them over time registered roughly a 9.6% annualized return since 1972 (through 2010), while stocks that did not pay out dividends or cut them performed poorly over the same time period.



Source of the chart data: Ned Davis Research, 12/31/10. Image Source: Capital Markets Perspectives, "Investing for Dividend Growth", Oppenheimer Funds. Based on an equal-weighted geometric average of total return of dividend-paying historical S&P 500 Index stocks, rebalanced annually. The chart uses actual annual dividends to identify dividend-paying stocks and changes on a calendar-year basis. Past performance does not guarantee future results.

Such analysis is difficult to ignore, and we believe investors may be well-rewarded in future periods by finding the best dividend-growth stocks out there. As such, we've developed a rigorous dividend investment methodology that uncovers firms that not only have the safest dividends but also ones that are poised to grow them long into the future.

How did we do this? Well, first of all, we scoured our stock universe for firms that have cut their dividends in the past to uncover the major drivers behind the dividend cut. This is what we found out: The major reasons why firms cut their dividend had to do with preserving cash in the midst of a secular or cyclical downturn in demand for their products/services or when faced with excessive leverage (how much debt they held on their respective balance sheets).

The Importance of Forward-Looking Dividend Analysis

Armed with this knowledge, we developed the forward-looking Valuentum Dividend Cushion™, which is a ratio that gauges the safety of a dividend over time.

Most dividend analysis that we've seen out there is backward-looking – meaning it rests on what the firm has done in the past. Although analyzing historical trends is important, we think assessing what may happen in the future is even more important. The S&P 500 Dividend Aristocrat List, or a grouping of firms that have raised their dividends for the past 25 years, is a great example of why backward-looking analysis can be painful.

In fact, one only has to look over the past few years to see the removal of such big names from the Dividend Aristocrat List like General Electric (GE) and Pfizer (PFE) to understand that backward-looking analysis is hardly worth your time. After all, you're investing for the future, so the future is all you should care about. We want to find the stocks that will increase their dividends for 25 years into the future, not use a rear-view mirror to build a portfolio of names that may already be past their prime dividend growth years.

Please see *About Our Valuentum Dividend Cushion…*on next page

About Our Valuentum Dividend Cushion… **from previous page**

The Valuentum Dividend Cushion™ measures just how safe the dividend is in the future. It considers the firm's net cash on its balance sheet and adds that to its forecasted future free cash flows and divides that sum by the firm's future expected dividend payments. At its core, it tells investors whether the firm has enough cash to pay out its dividends in the future, while considering its debt load. If a firm has a Valuentum Dividend Cushion™ above 1, it can cover its dividend, but if it falls below 1, trouble may be on the horizon.

In fact, the Valuentum Dividend Cushion™ would have caught every dividend cut made by a non-financial, operating firm that we have in our database, except for one (Marriott). But interestingly, our Valuentum Dividend Cushion™ indicated that Marriott should have never cut its dividend, and sure enough, two years after the firm did so, it raised it to levels that were higher than before the cut.

Here are the results of our study (a Valuentum Dividend Cushion™ below 1 indicates the dividend may be in trouble). The Valuentum Dividend Cushion™ score shown in the table below is the measure in the year before the firm cut its dividend, so it represents a predictive indicator:

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) Forecast 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.

At the very least, using the Valuentum Dividend Cushion™ can help you avoid firms that are at risk of cutting their dividends in the future. And we are the only firm out there that does this type of in-depth analysis for you. Plus, we not only provide the actual Valuentum Dividend Cushion™ number for our subscribers in our dividend reports and newsletter, but we also scale the safety of a firm's dividend in simple terms: Excellent, Good, Poor, Very Poor.

Please see *About Our Valuentum Dividend Cushion…*on next page

About Our Valuentum Dividend Cushion… from previous page

But What about the Growth of a Firm's Dividend?

It takes time to accumulate wealth through dividends, so dividend growth investing requires a long-term perspective. As a result, we assess the long-term future growth potential of a firm's dividend. And we don't just take management's word for what they will do with their dividend. Instead, we dive into the financial statements and make our own forecasts of the future to see if what they're saying is actually achievable. We use our Valuentum Dividend Cushion™ as a way to judge the capacity for management to raise its dividend – how much cushion it has – and we couple that assessment with the firm's dividend track record, or management's willingness to raise the dividend.

In many cases, we may have a different view of a firm's dividend growth potential than what may be widely held in the investment community. That's fine by us, as our dividend-growth investment horizon is often longer than others. We want to make sure that the firm has the capacity and willingness to increase the dividend years into the future and will not be weighed down by an excessive debt load or cyclical or secular problems in fundamental demand for their products/services.

Plus, we don't use fancy language for what we think of its future growth. We scale our assessment in an easily-interpreted fashion: Excellent, Good, Poor, Very Poor.

What are the Dividend Ideas We Seek to Deliver to You in Our Newsletter?

First of all, we're looking for stocks with dividend yields that are greater than the average of the S&P 500, or about 2% (but preferably north of 3%). This excludes many names, but we think such a cutoff eliminates firms whose dividend streams aren't yet large enough to generate sufficient income. Second, we're looking for firms that register an 'EXCELLENT' or 'GOOD' rating on our scale for both safety and future potential growth. And third, we're looking for firms that have a relatively lower risk of capital loss, as measured by our estimate of the company's fair value.

Footlocker Rides Nike… from Page 10

Nike's tremendous brand momentum in North America should continue, and incremental additions like Nike Elite Socks (MSRP: $14) will help Footlocker grow as Nike's preferred retail partner. Plus, we think Nike's recent partnership with the NFL will be a huge driver and could help improve apparel sales at Footlocker in the back half of 2012. Plus, the iconic black and red Jordan XI will release around Christmas this year and will likely be the most anticipated shoe release of all time. In fact, our outlook for Jordan, LeBron, Derrick Rose and other NBA superstars with shoe endorsements looks strong for the remainder of 2012.

We don't want to downplay what Footlocker has done over the past several years, including improved store optimization, better inventory management, a revamped Eastbay website, the successful launch of House of Hoops and repositioning of its Lady Footlocker brand. But it's hard for us to see Footlocker's strong same-store sales growth continuing in the US without a strong contribution from Jordan and other popular Nike lines. We've seen huge fads come and go in footwear, even within Nike itself, ranging from Air Force One's to Dunks to the current Jordan brand and Nike basketball cohort. If popularity wanes for the current 'hip' products, we think Footlocker will be in some trouble. The recent Nike+ Lunar Hyperdunk retails for an unheard of $250, so we wouldn't be surprised to see some customer defections if Nike and Footlocker continue to push the upper limits with regards to pricing.

Ultimately, Footlocker's shares look strong on a technical basis, and the firm registers a 7 on our Valuentum Buying Index (our stock-selection methodology). However, we think the brand is a US derivative play on Nike's premium product offerings, and it remains to be seen if Nike's marketing and demand creation is enough to sustain tremendous momentum at Footlocker. We remain on the sidelines for now, though we continue to monitor new developments at the company.

Yields to Avoid

By Valuentum Analysts

As many investors know, firms can often become cheap for good reasons. That is, they are not trading cheaply because of Mr. Market's irrational behavior, but instead are trading at depressed levels due to deteriorating underlying fundamental characteristics that actually justify its current share price, even if traditional valuation techniques (read multiple analysis) suggest the firm's shares are inexpensive. On a similar note, firms that boast high dividend yields may do so because the market has little confidence in the sustainability of its dividend and believes a cut may be just around the corner.

Though we fall short of saying the following list of firms will slash their respective dividends anytime soon, our dividend-cut predictive indicator—the Valuentum Dividend Cushion™--indicates that the firms below are at significant risk for a dividend cut in coming years. We think the dividend-growth investor should steer clear of the following firms' shares:

To access the full dividend reports on the companies below, please click the following link:

http://www.valuentum.com/categories/20111110

Name	Symbol	Industry	Dividend Yield	Div Safety	Div Cushion
KB Home	KBH	Homebuilders	1.0%	VERY POOR	-36.3
Lennar	LEN	Homebuilders	0.5%	VERY POOR	-33.9
Supervalu	SVU	Food Retailers	8.1%	VERY POOR	-10.4
Hess	HES	Refiners	0.9%	VERY POOR	-9.9
Royal Caribbean	RCL	Leisure	1.5%	VERY POOR	-9.3
Cablevision	CVC	Media - CATV	4.0%	VERY POOR	-9.3
Ryder System	R	Rental and Leasing	3.1%	VERY POOR	-7.8
Mueller Water	MWA	Electrical Equipment	1.7%	VERY POOR	-5.6
Sealed Air	SEE	Containers & Packaging	3.4%	VERY POOR	-5.2
Chesapeake	CHK	Independent Oil & Gas	2.2%	VERY POOR	-4.6
Peabody Energy	BTU	Industrial Minerals	1.4%	VERY POOR	-4.2
CONSOL Energy	CNX	Industrial Minerals	1.8%	VERY POOR	-3.5
Roundy's Inc	RNDY	Food Retailers	8.9%	VERY POOR	-3.0
Frontier Comm	FTR	Telecom Services - diversified	8.6%	VERY POOR	-2.4
Rock-Tenn	RKT	Paper Products	1.5%	VERY POOR	-2.1
Ecolab	ECL	Chemicals - broad	1.2%	VERY POOR	-1.9
Anadarko	APC	Independent Oil & Gas	0.6%	VERY POOR	-1.9
Lufkin	LUFK	Energy Equipment	1.1%	VERY POOR	-1.9
Time Warner Cable	TWC	Media - CATV	2.7%	VERY POOR	-1.7
Service Corp Intl	SCI	Personal Services	1.9%	VERY POOR	-1.6
Cedar Fair	FUN	Leisure	4.9%	VERY POOR	-1.6

Supervalu (SVU) recently slashed its dividend. The Valuentum Dividend Cushion™ highlighted it as a 'Yield to Avoid' months in advance.

Yields to Consider

By Valuentum Analysts

Provided below is a list of the top 100 firms with the best dividend growth profiles within our coverage universe (as of the beginning of this quarter, July 1). The list below is an excerpt (page) from our quarterly *Dividend100* publication. The next edition is due to be published Oct 1. Financial advisor clients receive this publication as part of their membership. For more information on our *Dividend100* publication, please contact us at info@valuentum.com.

Company Index - Sorted By Dividend Yield

Company Name	Symbol	Industry	Investment Stlye	Mkt Cap (USD - mil)	Dividend Yield	Price/Fair Value	VBI
Omega Healthcare	OHI	REIT - Healthcare	MID-CAP VALUE	2,164.1	7.9%	0.71	9
Energy Transfer Partners	ETP	Oil & Gas Pipelines	MID-CAP BLEND	9,754.1	7.6%	0.88	3
Alliance Resource Partners	ARLP	Industrial Minerals	MID-CAP BLEND	2,017.9	7.5%	0.62	3
Reynolds American	RAI	Tobacco	LARGE-CAP CORE	24,035.8	5.7%	1.03	3
Health Care REIT	HCN	REIT - Healthcare	MID-CAP CORE	9,543.2	5.4%	1.05	3
Kinder Morgan	KMP	Oil & Gas Pipelines	LARGE-CAP GROWTH	29,006.6	5.4%	1.08	6
Meredith	MDP	Media - advertising	SMALL-CAP VALUE	1,333.3	5.3%	0.77	3
Altria Group	MO	Tobacco	LARGE-CAP VALUE	65,408.2	5.2%	0.83	7
Lorillard	LO	Tobacco	LARGE-CAP VALUE	16,719.2	5.2%	0.95	4
HCP	HCP	REIT - Healthcare	LARGE-CAP CORE	15,848.6	5.1%	1.20	3
Eli Lilly	LLY	Pharmaceuticals	LARGE-CAP VALUE	43,414.2	5.0%	0.84	3
H&R Block	HRB	Personal Services	MID-CAP VALUE	5,055.6	4.9%	0.82	4
Royal Dutch Shell	RDS	Major Oil & Gas	MEGA-CAP VALUE	214,036.8	4.9%	0.80	4
Avon Products	AVP	Luxury Goods	MID-CAP VALUE	8,248.8	4.8%	0.76	7
Verizon Comm	VZ	Telecom Services - diversified	LARGE-CAP VALUE	117,903.7	4.8%	0.92	6
Lockheed Martin	LMT	A&D Prime	LARGE-CAP CORE	28,310.3	4.8%	1.14	3
Strayer Education	STRA	Education Services	SMALL-CAP VALUE	1,037.8	4.6%	0.99	5
Ventas	VTR	REIT - Healthcare	LARGE-CAP CORE	13,115.8	4.4%	1.05	3
Merck	MRK	Pharmaceuticals	LARGE-CAP VALUE	120,307.2	4.4%	0.86	6
Paychex	PAYX	Staffing Services	LARGE-CAP VALUE	10,843.0	4.3%	1.00	3
Bristol-Myers Squibb	BMY	Pharmaceuticals	LARGE-CAP CORE	56,734.6	4.1%	1.32	1
Hasbro	HAS	Leisure	MID-CAP VALUE	4,933.4	4.0%	0.74	7
Garmin	GRMN	Electrical Equipment	MID-CAP CORE	8,807.3	4.0%	1.10	3
Superior	SUP	Auto Parts Suppliers	SMALL-CAP VALUE	450.7	3.9%	0.79	3
Raytheon	RTN	A&D Prime	LARGE-CAP CORE	18,238.7	3.9%	1.01	3
ConocoPhillips	COP	Major Oil & Gas	LARGE-CAP VALUE	102,132.2	3.9%	0.84	4
Eaton	ETN	Electrical Equipment - industrial	LARGE-CAP VALUE	13,794.3	3.8%	0.73	4
Mattel	MAT	Leisure	LARGE-CAP VALUE	11,491.0	3.8%	1.00	3
Sysco	SYY	Food Retailers	LARGE-CAP CORE	16,954.3	3.8%	1.07	6
Philip Morris	PM	Tobacco	LARGE-CAP CORE	145,876.0	3.7%	1.15	3
Dow Chemical	DOW	Chemicals - broad	LARGE-CAP VALUE	40,224.3	3.7%	0.91	7
Northrop Grumman	NOC	A&D Prime	LARGE-CAP VALUE	16,831.2	3.7%	0.85	3
Applied Materials	AMAT	Semi Equipment	LARGE-CAP VALUE	13,313.3	3.6%	0.63	6
Walgreen	WAG	Food Retailers	LARGE-CAP VALUE	28,807.4	3.5%	0.92	4
Johnson & Johnson	JNJ	Household Products	LARGE-CAP VALUE	181,244.1	3.5%	0.82	6
Dr Pepper Snapple	DPS	Beverages - nonalcoholic	MID-CAP VALUE	8,575.9	3.5%	0.99	7
Williams Co	WMB	Oil & Gas Pipelines	LARGE-CAP CORE	18,100.8	3.4%	1.01	6
Hillenbrand	HI	Personal Services	SMALL-CAP VALUE	1,411.1	3.4%	0.88	3
Harris Corp	HRS	Communications Equipment	MID-CAP VALUE	4,938.3	3.4%	0.74	3
Analog Devices	ADI	Integrated Circuits	LARGE-CAP VALUE	11,016.4	3.4%	0.85	3
Emerson Electric	EMR	Electrical Equipment	LARGE-CAP VALUE	36,303.6	3.3%	0.89	3
Chevron	CVX	Major Oil & Gas	MEGA-CAP VALUE	201,660.8	3.3%	0.76	3
Procter & Gamble	PG	Household Products	LARGE-CAP VALUE	194,853.3	3.2%	1.00	7
Rio Tinto	RIO	Mining - diversified	LARGE-CAP VALUE	108,501.3	3.2%	0.66	9
Chicago Rivet	CVR	Auto Parts Suppliers	NANO-CAP VALUE	18.1	3.2%	0.94	3
Genuine Parts	GPC	Specialty Retail - auto	MID-CAP CORE	9,760.7	3.2%	1.15	4
General Dynamics	GD	A&D Prime	LARGE-CAP VALUE	23,543.6	3.2%	0.89	4
Flowers Foods	FLO	Food Products	MID-CAP CORE	2,611.3	3.2%	1.18	3
KLA-Tencor	KLAC	Semi Equipment	MID-CAP VALUE	7,590.9	3.1%	0.76	3
Taiwan Semiconductor	TSM	Integrated Circuits	LARGE-CAP GROWTH	67,715.3	3.1%	1.00	3
Methode Electronics	MEI	Electronic Suppliers	SMALL-CAP BLEND	339.4	3.1%	1.00	3
Intel	INTC	Broad Line Semiconductors	LARGE-CAP VALUE	145,718.2	3.1%	0.75	6
Owens & Minor	OMI	Medical Equipment	SMALL-CAP VALUE	1,813.5	3.1%	0.87	4
DuPont	DD	Chemicals - broad	LARGE-CAP VALUE	50,552.1	3.1%	0.83	7
United Parcel Service	UPS	Air Freight & Logistics	LARGE-CAP VALUE	74,265.5	3.0%	0.99	4
Linear Technology	LLTC	Specialized Semi's	MID-CAP CORE	7,721.0	3.0%	1.01	6
Crane Co	CR	Machinery & Tools	MID-CAP VALUE	2,159.8	3.0%	0.73	6
Automatic Data Processing	ADP	Staffing Services	LARGE-CAP CORE	26,688.9	2.9%	1.14	3
Molex	MOLX	Electronic Suppliers	MID-CAP CORE	4,801.5	2.9%	1.05	6
Molson Coors	TAP	Beverages - alcoholic	MID-CAP VALUE	8,194.1	2.9%	1.00	6
Republic Services	RSG	Environmental Services	LARGE-CAP VALUE	11,418.6	2.9%	0.72	9
BHP Billiton	BHP	Mining - diversified	MEGA-CAP CORE	210,547.7	2.9%	1.07	6
McDonald's	MCD	Restaurants	LARGE-CAP CORE	101,324.0	2.9%	1.02	4
Newmont Mining	NEM	Metals & Mining - gold	LARGE-CAP VALUE	24,605.3	2.9%	0.60	8
Kohl's	KSS	Multiline Retail	LARGE-CAP VALUE	12,113.7	2.9%	0.75	3
Coca-Cola	KO	Beverages - nonalcoholic	LARGE-CAP CORE	166,071.3	2.9%	1.01	6
Diebold	DBD	Commercial Services	MID-CAP VALUE	2,629.9	2.8%	0.83	6
Whirlpool	WHR	Household Durables	MID-CAP VALUE	5,532.9	2.8%	0.76	7
Tupperware	TUP	Containers & Packaging	MID-CAP VALUE	3,168.2	2.8%	0.72	4
Compass Minerals	CMP	Chemicals - agriculture	MID-CAP VALUE	2,337.7	2.8%	0.96	3
3M	MMM	Conglomerates	LARGE-CAP VALUE	61,834.0	2.7%	0.90	3
Baxter Intl	BAX	Medical Instruments	LARGE-CAP VALUE	28,248.9	2.7%	0.78	4
Honeywell	HON	Conglomerates	LARGE-CAP VALUE	44,321.7	2.7%	0.90	4
Illinois Tool Works	ITW	Machinery & Tools	LARGE-CAP VALUE	26,948.3	2.6%	0.94	4
Stanley Works	SWK	Machinery & Tools	LARGE-CAP VALUE	10,769.3	2.6%	0.76	5
Hershey Foods	HSY	Food Products - Large	LARGE-CAP CORE	13,715.1	2.6%	1.24	1
Washington Post	WPO	Media - newspapers	MID-CAP CORE	3,437.1	2.5%	1.22	6
United Technologies	UTX	Conglomerates	LARGE-CAP BLEND	68,463.4	2.5%	0.72	6
Medtronic	MDT	Medical Devices	LARGE-CAP VALUE	41,266.9	2.5%	0.73	6
Microsoft	MSFT	Software	MEGA-CAP VALUE	270,851.4	2.5%	0.77	6
Boeing	BA	A&D Prime	LARGE-CAP BLEND	52,671.8	2.5%	0.91	3
Colgate-Palmolive	CL	Household Products	LARGE-CAP CORE	47,641.4	2.5%	1.24	6
Omnicom	OMC	Media - advertising	LARGE-CAP VALUE	13,734.4	2.5%	0.85	3
Rockwell Automation	ROK	Electrical Equipment - industrial	MID-CAP VALUE	9,989.8	2.5%	0.89	3
McCormick	MKC	Food Products	MID-CAP CORE	6,795.6	2.5%	1.05	6
Becton, Dickinson	BDX	Medical Instruments	LARGE-CAP VALUE	16,651.9	2.4%	0.90	3
Smucker	SJM	Food Products	MID-CAP CORE	9,324.9	2.4%	1.05	6
St. Jude	STJ	Medical Devices	LARGE-CAP VALUE	12,413.2	2.4%	0.73	6
Johnson Controls	JCI	Auto Parts Suppliers	LARGE-CAP CORE	21,069.5	2.4%	1.02	3
Wal-Mart	WMT	Food Retailers	MEGA-CAP VALUE	236,996.3	2.3%	0.99	6
Foot Locker	FL	Specialty Retail - shoes	MID-CAP CORE	4,786.4	2.3%	1.03	5
Cardinal Health	CAH	Wholesale Drug Providers	LARGE-CAP VALUE	14,438.4	2.3%	0.98	3
Nordstrom	JWN	Multiline Retail	LARGE-CAP VALUE	10,188.4	2.3%	0.92	3
Gentex	GNTX	Auto Parts Suppliers	MID-CAP BLEND	3,256.3	2.3%	0.90	3
Insperity	NSP	Staffing Services	SMALL-CAP VALUE	664.5	2.3%	0.64	6
Brinker	EAT	Restaurants	MID-CAP VALUE	2,575.7	2.3%	0.96	7
Lowe's	LOW	Specialty Retailers	LARGE-CAP CORE	35,542.2	2.3%	1.12	3
AVX Corp	AVX	Electronic Suppliers	MID-CAP VALUE	2,237.2	2.3%	0.82	3
Dover	DOV	Machinery & Tools	LARGE-CAP VALUE	10,447.3	2.3%	0.74	6
Exxon Mobil	XOM	Major Oil & Gas	MEGA-CAP CORE	404,381.3	2.3%	1.04	3

Dividend Profile: Realty Income... from page 1

in properties. Rather, the firm tends to issue some common or preferred equity or sell some properties in order to rebalance its portfolio. The firm had just 27% of its capitalization in debt as of the most recent quarter.

Though it might be advantageous to capitalize on low interest rates, we like management's conservative approach and unwillingness to over-leverage (add too much debt to) its balance sheet. If tough times strike again, Realty will be better positioned to sustain its dividend than many of its peers, in our view. Further, the firm does a fantastic job diversifying its property portfolio. Aside from California, which comprises 13.3% of the portfolio, no state makes up more than 10% of its portfolio—which encompasses 49 of 50 states.

In addition to tremendous geographic diversity, the firm diversifies on an industry basis. The company is most reliant on the convenience store industry, which accounts for 16.9% of revenue, but tends to have relatively low rents, resulting in high rent coverage ratios for occupants. Movie theaters are the second largest constituent, as AMC Theaters and Regal Cinemas (RGC) account for 8.8% of total occupancies. Although we're not huge fans of the long-term outlook of the theater business, we are fairly confident that the business will not be completely cannibalized by home entertainment as long as studios continue to produce films that consumers really want to watch. Most other industries comprise only small percentages of the firm's overall real estate portfolio.

Unfortunately, not every company that leases large amounts of real estate from Realty is in great financial shape. Friendly's, the recently bankrupt fast-food chain, accounts for 3.1% of the portfolio, similar to recently bankrupt restaurant chain Hometown Buffett (2.7%). Financially precarious Rite Aid (RAD) also accounts for 2.5% of the portfolio, though we think national chains like Walgreen's (WAG) or CVS (CVS) could be interested in acquiring its footprint.

GAAP earnings are essentially meaningless to the firm, since non-cash charges like depreciation affect GAAP earnings potential. Realty's metrics, Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) are much more useful metrics, in our view. For its second quarter, the firm earned $0.50 per share in AFFO, easily covering the dividends it paid ($0.437/share). However, the firm predicts AFFO of $2.06-$2.11 for 2012, which is just a 1%-3% increase year-over-year. As a result, its dividend likely won't grow much this year.

Management also sounds fairly cautious going forward, though its average lease life is secured for 11.1 years, meaning revenue should be fairly predictable for the next several years, especially with a 97.3% occupancy rate. The firm isn't overweight big box retailers by any means, but we suspect management fears its portfolio will be negatively impacted by the secular shift toward online purchasing.

Though we think shares are fairly valued at current levels, they could make an interesting dividend growth investment given the firm's healthy track record and future dividend-growth potential. Realty also scores well on the Valuentum Dividend Cushion, which continues to accurately predict dividend cuts. Still, we'd wait for a more attractive entry point (below our fair value range) before considering a position in the portfolio of our Dividend Growth Newsletter.

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 17-Aug-2012

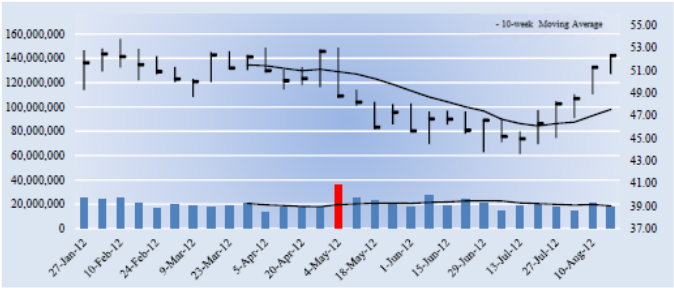
Emerson Electric EMR FAIRLY VALUED

Buying Index™ 6 Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$52.30	$40.00 - $66.00	HEALTHY	GOOD / 1.9	EXCELLENT	3.06%

Emerson Electric stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.06%
Annual Dividends per Share	$1.60
Initial Annual Div's Paid, $10k Investment	$305.93
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.9
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

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.

Company Vitals

Market Cap (USD)	$39,408
Avg Weekly Vol (30 wks)	20,263
30-week Range (USD)	43.59 - 53.78
Valuentum Sector	Industrials
Last Fiscal Year Revenue	24,222
Last Fiscal Year EPS	3.26
Last Fiscal Year EBITDA	5,096
Forward Revenue Growth (5-yr)	4.0%
Forward EPS Growth (5-yr)	7.5%

Dividend Vitals

Current Annual Dividend Yield %	3.1%
Annual Dividends Per Share	1.60
Forward Dividend Payout Ratio	46.7%
3-yr Historical Dividend CAGR	6.6%
15-yr Historical Dividend CAGR	7.5%
3-yr Hist Median Div Payout Ratio	51.5%
15-yr Hist Median Div Payout Ratio	38.6%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,307.50	40.00
50	2,615.00	80.00
100	5,230.00	160.00
200	10,460.00	320.00
300	15,690.00	480.00
400	20,920.00	640.00
500	26,150.00	800.00
1,000	52,300.00	1,600.00
2,000	104,600.00	3,200.00
5,000	261,500.00	8,000.00
10,000	523,000.00	16,000.00
50,000	2,615,000.00	80,000.00
100,000	5,230,000.00	160,000.00

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

Dividend Safety / Cushion — GOOD / 1.9

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. Emerson Electric scores a 1.9 on our Dividend Cushion™, which is GOOD.

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. Emerson Electric registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.3 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. Emerson Electric registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Sep-97	0.54	0.0	2.50	21.6%
Sep-98	0.59	9.3	2.77	21.3%
Sep-99	0.65	10.2	3.00	21.7%
Sep-00	0.72	10.0	3.30	21.7%
Sep-01	0.77	7.0	2.40	31.9%
Sep-02	0.78	1.3	2.52	30.8%
Sep-03	0.79	1.3	2.41	32.6%
Sep-04	0.80	1.9	1.49	53.7%
Sep-05	0.83	3.7	1.70	48.8%
Sep-06	0.89	7.2	2.24	39.7%
Sep-07	1.05	18.0	2.66	39.5%
Sep-08	1.20	14.3	3.11	38.6%
Sep-09	1.32	10.0	2.27	58.1%
Sep-10	1.34	1.5	2.60	51.5%
Sep-11	1.38	3.0	3.24	42.6%
Sep-12	*1.60*	*15.9*	*3.42*	*46.7%*
Sep-13	*1.79*	*12.0*	*3.79*	*47.3%*
Sep-14	*1.97*	*10.0*	*4.08*	*48.4%*
Sep-15	*2.13*	*8.0*	*4.37*	*48.7%*
Sep-16	*2.30*	*8.0*	*4.67*	*49.3%*

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 Emerson Electric, please visit our website at www.valuentum.com

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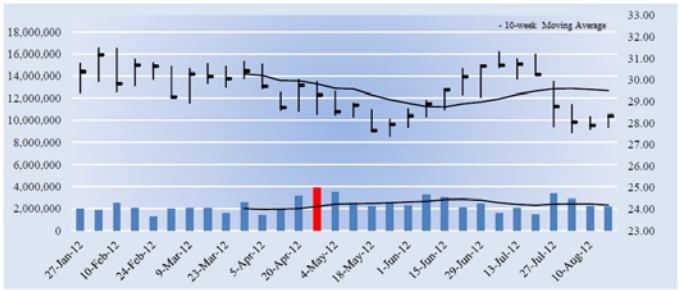
Owens & Minor OMI FAIRLY VALUED

Buying Index™ 3 Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$28.33	$24.00 - $40.00	HEALTHY	GOOD / 1.9	EXCELLENT	3.11%

Owens & Minor stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.11%
Annual Dividends per Share	$0.88
Initial Annual Div's Paid, $10k Investment	$310.62
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.9
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

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.

Company Vitals

Market Cap (USD)	$1,783
Avg Weekly Vol (30 wks)	2,328
30-week Range (USD)	27.37 - 31.49
Valuentum Sector	Health Care
Last Fiscal Year Revenue	8,628
Last Fiscal Year EPS	1.83
Last Fiscal Year EBITDA	247
Forward Revenue Growth (5-yr)	4.0%
Forward EPS Growth (5-yr)	5.2%

Dividend Vitals

Current Annual Dividend Yield %	3.1%
Annual Dividends Per Share	0.88
Forward Dividend Payout Ratio	44.0%
3-yr Historical Dividend CAGR	13.0%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	40.6%
15-yr Hist Median Div Payout Ratio	0.0%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	708.25	22.00
50	1,416.50	44.00
100	2,833.00	88.00
200	5,666.00	176.00
300	8,499.00	264.00
400	11,332.00	352.00
500	14,165.00	440.00
1,000	28,330.00	880.00
2,000	56,660.00	1,760.00
5,000	141,650.00	4,400.00
10,000	283,300.00	8,800.00
50,000	1,416,500.00	44,000.00
100,000	2,833,000.00	88,000.00

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

Dividend Safety / Cushion — GOOD / 1.9

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. Owens & Minor scores a 1.9 on our Dividend Cushion™, which is GOOD.

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. Owens & Minor registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.24 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. Owens & Minor registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	NA	0.0	0.60	0.0%
Dec-98	NA	0.0	0.56	0.0%
Dec-99	NA	0.0	0.82	0.0%
Dec-00	NA	0.0	0.94	0.0%
Dec-01	NA	0.0	0.85	0.0%
Dec-02	NA	0.0	1.26	0.0%
Dec-03	NA	0.0	1.42	0.0%
Dec-04	NA	0.0	1.53	0.0%
Dec-05	NA	0.0	1.61	0.0%
Dec-06	NA	0.0	1.20	0.0%
Dec-07	NA	0.0	1.79	0.0%
Dec-08	0.53	0.0	1.63	32.5%
Dec-09	0.61	15.1	1.86	32.8%
Dec-10	0.71	16.4	1.75	40.6%
Dec-11	0.80	12.7	1.81	44.2%
Dec-12	***0.88***	***10.0***	***2.00***	***44.0%***
Dec-13	*0.96*	*9.0*	*2.17*	*44.2%*
Dec-14	*1.05*	*9.0*	*2.25*	*46.5%*
Dec-15	*1.14*	*9.0*	*2.31*	*49.3%*
Dec-16	*1.24*	*9.0*	*2.36*	*52.6%*

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 Owens & Minor, please visit our website at www.valuentum.com

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Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 17-Aug-2012

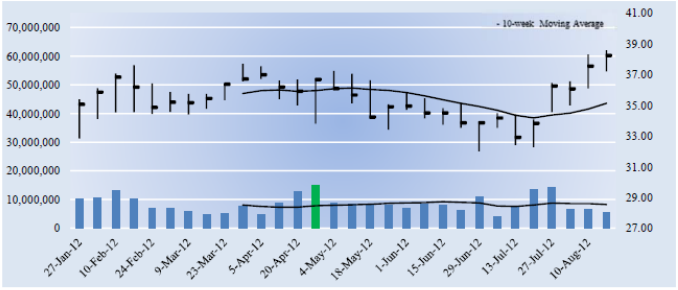
Hasbro HAS FAIRLY VALUED

Buying Index™ 6 Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$38.24	$37.00 - $61.00	HEALTHY	GOOD / 1.6	EXCELLENT	3.77%

Hasbro stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	3.77%
Annual Dividends per Share	$1.44
Initial Annual Div's Paid, $10k Investment	$376.57
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.6
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

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.

Company Vitals

Market Cap (USD)	$5,227
Avg Weekly Vol (30 wks)	8,448
30-week Range (USD)	32 - 38.6
Valuentum Sector	Consumer Discretionary
Last Fiscal Year Revenue	4,286
Last Fiscal Year EPS	2.82
Last Fiscal Year EBITDA	826
Forward Revenue Growth (5-yr)	1.6%
Forward EPS Growth (5-yr)	5.0%

Dividend Vitals

Current Annual Dividend Yield %	3.8%
Annual Dividends Per Share	1.44
Forward Dividend Payout Ratio	50.2%
3-yr Historical Dividend CAGR	21.6%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	34.7%
15-yr Hist Median Div Payout Ratio	30.3%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	956.00	36.00
50	1,912.00	72.00
100	3,824.00	144.00
200	7,648.00	288.00
300	11,472.00	432.00
400	15,296.00	576.00
500	19,120.00	720.00
1,000	38,240.00	1,440.00
2,000	76,480.00	2,880.00
5,000	191,200.00	7,200.00
10,000	382,400.00	14,400.00
50,000	1,912,000.00	72,000.00
100,000	3,824,000.00	144,000.00

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

Dividend Safety / Cushion — GOOD / 1.6

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. Hasbro scores a 1.6 on our Dividend Cushion™, which is GOOD.

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. Hasbro registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.24 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. Hasbro registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	NA	0.0	0.68	0.0%
Dec-98	NA	0.0	1.01	0.0%
Dec-99	NA	0.0	0.93	0.0%
Dec-00	NA	0.0	-0.82	0.0%
Dec-01	0.12	0.0	0.35	34.3%
Dec-02	0.12	0.0	0.43	27.9%
Dec-03	0.12	0.0	0.98	12.2%
Dec-04	0.21	75.0	0.96	21.9%
Dec-05	0.33	57.1	1.09	30.3%
Dec-06	0.45	36.4	1.29	34.9%
Dec-07	0.60	33.3	1.97	30.5%
Dec-08	0.76	26.7	2.00	38.0%
Dec-09	0.80	5.3	2.48	32.3%
Dec-10	0.95	18.8	2.74	34.7%
Dec-11	1.15	21.1	2.82	40.8%
Dec-12	*1.44*	*25.2*	*2.87*	*50.2%*
Dec-13	*1.66*	*15.0*	*3.08*	*53.8%*
Dec-14	*1.85*	*12.0*	*3.24*	*57.2%*
Dec-15	*2.04*	*10.0*	*3.42*	*59.7%*
Dec-16	*2.24*	*10.0*	*3.60*	*62.4%*

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 Hasbro , please visit our website at www.valuentum.com

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Our Methodology – The Valuentum Buying Index

By Valuentum Analysts

But how, you will ask, does one decide what [stocks are] "attractive"? Most analysts feel they must choose between two approaches customarily thought to be in opposition: "value" and "growth,"...We view that as fuzzy thinking...Growth is always a component of value [and] the very term "value investing" is redundant.

-- Warren Buffett, Berkshire Hathaway annual report, 1993

At Valuentum, we take Buffett's thoughts one step further. We think the best opportunities arise from a complete understanding of all investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through momentum investing. We think companies that are attractive from a number of investment perspectives--whether it be growth, value, income, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance. The more deep-pocketed institutional investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will be bought and the more likely the price will move higher to reflect its true intrinsic value (buying a stock pushes its price higher). On the other hand, we think the worst stocks will be shunned by most investment disciplines and display expensive valuations, poor technicals and deteriorating momentum indicators.

As such, the Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company (10=best). The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks. We believe our methodology helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time.

A Rigorous, Discounted Cash Flow Valuation Assessment

Our methodology starts with in-depth financial statement analysis, where we derive our ValueCreation, ValueRisk, and ValueTrend ratings, which together provide a quantitative assessment of the strength of a firm's competitive advantages. After evaluating historical trends, we then make full annual forecasts for each item on a company's income statement and balance sheet to arrive at a firm's future free cash flows. We derive a company-specific cost of equity (using a fundamental beta based on the expected uncertainty of key valuation drivers) and a cost of debt (considering the firm's capital structure and synthetic credit spread over the risk-free rate), culminating in our estimate of a company's weighted average cost of capital (WACC). We don't use a market price-derived beta, as we embrace market volatility, which provides investors with opportunities to buy attractive stocks at bargain-basement levels.

We assess each company within our complete three-stage free cash flow to the firm (enterprise cash flow) valuation model, which generates an estimate of a company's equity value per share based on its discounted future free cash flows and the company's net balance sheet impact, including other adjustments to equity value (namely pension and OPEB adjustments). Our ValueRisk rating, which considers the underlying uncertainty of the capacity of the firm to continue to generate value for shareholders, sets the margin of safety bands around this fair value estimate. For firms that are trading below the lower bound of our margin of safety band, we consider these companies undervalued based on our DCF process. For firms that are trading above the higher bound of our margin of safety band, we consider these companies overvalued based on our DCF process.

Our Methodology – The Valuentum Buying Index **continued on next page**

Our Methodology – The Valuentum Buying Index (cont.)

A Forward-Looking Relative Value Assessment

Our discounted cash-flow process allows us to arrive at an absolute view of the firm's intrinsic value. However, we also understand the critical importance of assessing firms on a relative value basis, versus both their industry and peers. Many institutional money-managers--those that drive stock prices—pay attention to a company's price-to-earnings (PE) ratio and price-earning-to-growth (PEG) ratio in making buy/sell decisions. With this in mind, we have included a forward-looking relative value assessment in our process to further augment our rigorous discounted cash-flow process. If a company is undervalued on both a price-to-earnings ratio and a price-earnings-to-growth (PEG) ratio versus industry peers, we would consider the firm to be attractive from a relative value standpoint.

Avoiding Value Traps and Opportunity Cost

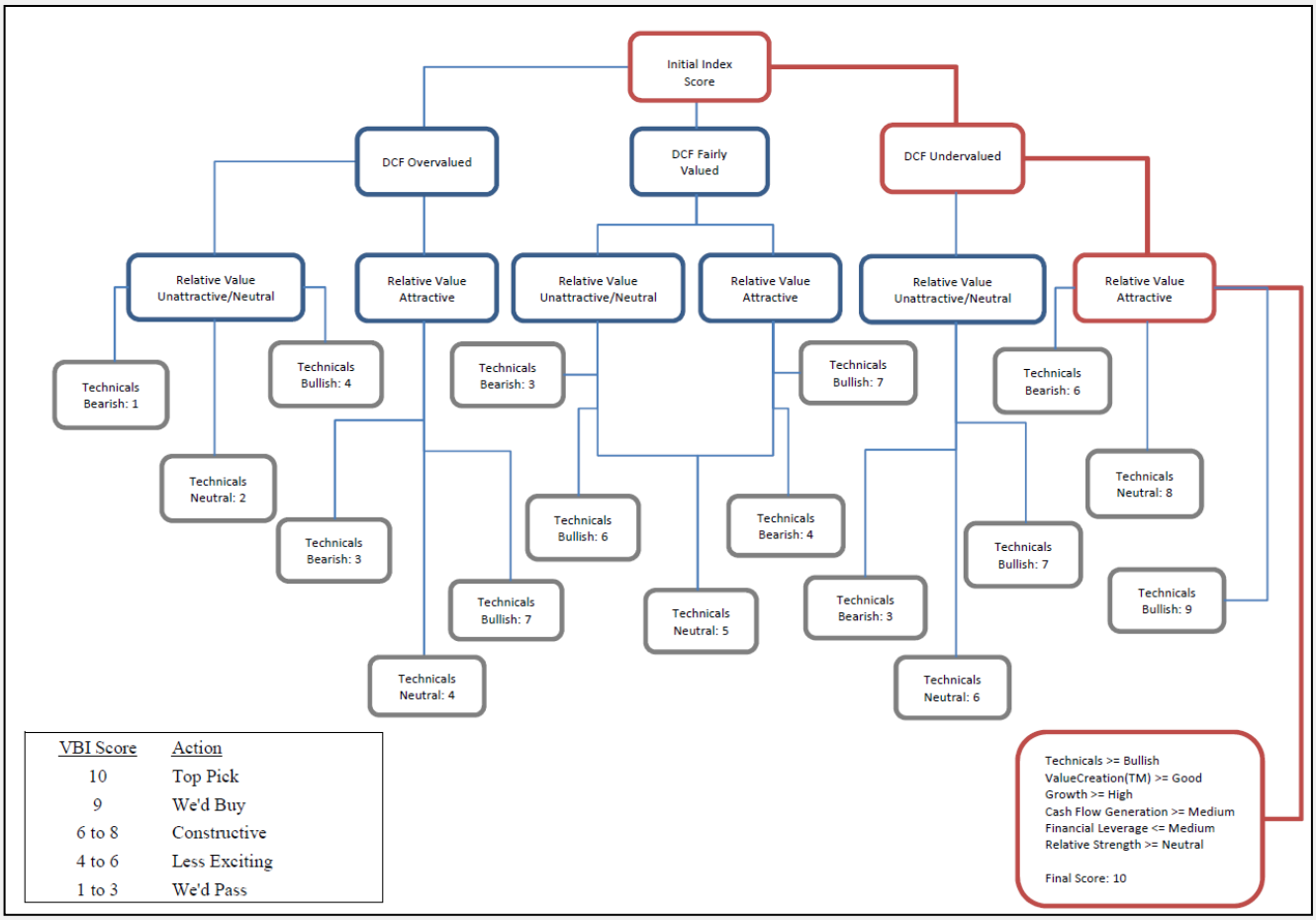
Once we have estimated a firm's intrinsic value on the basis of our discounted cash-flow process, determined if it is undervalued according to its firm-specific margin of safety bands, and assessed whether it has relative value versus industry peers, we then evaluate the company's technical and momentum indicators to pin-point the best entry and exit points on the stock (but only after it meets our stringent valuation criteria). Rigorous valuation analysis and technical analysis are not mutually exclusive, and we believe both can be used together to bolster returns. An evaluation of a stock's moving averages, relative strength, upside-downside volume, and money flow index are but a few considerations we look at with respect to our technical and momentum assessment of a company's stock. We embrace the idea that the future is inherently unpredictable and that not all fundamental factors can be included in a valuation model. By extension, we use technical and momentum analysis to help safeguard us against value traps, falling knives, and the opportunity cost of holding an undervalued equity for years before it converges to fair value. Other research firms do not consider opportunity cost as a legitimate expense for investors.

Putting It All Together - the Valuentum Buying Index

Let's follow the red line on the flow chart on the next page to see how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'UNDERVALUED' on a DCF basis and 'ATTRACTIVE' on a relative value basis. The stock would also have to be exhibiting 'BULLISH' technicals. The firm would need a ValueCreation rating of 'GOOD' or 'EXCELLENT', exhibit 'HIGH' or 'AGGRESSIVE' growth prospects, and generate at least a 'MEDIUM' or 'NEUTRAL' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.

Our Methodology – The Valuentum Buying Index (cont.)



VBI Score	Action
10	Top Pick
9	We'd Buy
6 to 8	Constructive
4 to 6	Less Exciting
1 to 3	We'd Pass

Valuentum Dividend Growth Newsletter: Volume 1, Issue 9

Valuentum's Dividend Growth Newsletter is published monthly. To receive this newletter on a monthly basis, please subscribe to Valuentum by visiting our website at http://www.valuentum.com. Or contact us at info@valuentum.com.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

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