OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

October 1, 2012
Volume 1 Issue 10

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

Expected Yield	Benchmark Yield	Outperformance
3.85%	3.44%	0.41%
Portfolio Return	**Benchmark Return**	**Outperformance**
8.1%	10.2%	-2.1%

Portfolio Inception Date: January 1, 2012

Inside This Issue

We Continue To Benefit from Our Outsize Dividend Yield

By Brian Nelson, CFA

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com

RJ Towner
Associate Director, Equity Research
rj@valuentum.com

The portfolio of our Dividend Growth Newsletter remains on pace to achieve the goal of a high-single-digit annual return over rolling 3-to 5-year periods into the future. During the month of September, we tacked on another 20 basis points of return and are now sitting up over 8% on the year. The expected dividend yield outperformance of our portfolio is better than 40 basis points versus our benchmark, despite the strong capital gains thus far from holdings. We expect this dividend yield outperformance to persist.

Our portfolio continues to benefit from dividend increases from constituents, the latest coming from Microsoft (MSFT), which recently hiked its dividend 15%. During the month, we also received (or have in receivables) dividend payments from Altria (MO), PPL (PPL), Republic (RSG), and Superior (SUP). Though uncertainty about changes in future dividend tax rates continues, we expect our focus on identifying stocks that exhibit strong value, yield, and dividend growth attributes to shield our portfolio better than most.

Please see *Our Dividend Growth Portfolio* on page 5

The Risks of Mortgage REITs Are Too Many

By Brian Nelson, CFA

Investors seemingly can't get enough of residential/mortgage REITs. But should investors be concerned about reaching for yield in this group?

The residential REIT industry consists of REITs that own and manage housing, multi-family and apartment communities as well as mortgage REITs that invest in agency securities in which the principal and interest payments may be guaranteed by the government. The industry has been materially impacted by recent changes in the lending landscape, defaults, credit losses, and significant liquidity concerns during the recent global financial crisis.

Please see *The Risks of Mortgage REITs Are Too Many* on page 8

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$40.00 - $66.00	HEALTHY	GOOD / 1.9	EXCELLENT

Emerson Electric Sees the Global Economy Slowing

By RJ Towner

Dividend stalwart Emerson Electric (EMR--$1.60 annual payout; 3.3% dividend yield) updated investors on order flow during the summer months. Order growth across all segments except Process Management was pretty weak, resulting in the firm to forecast 2.5% revenue growth for its fiscal year. Looking at the results, it appears order growth slowed toward the end of the quarter, with Industrial Automation and Network Power looking particularly weak.

Emerson didn't give a very optimistic forecast, admitting that demand will be sluggish and inconsistent until there are some positive economic catalysts. The firm called for clarity and improved visibility on the investment landscape, which we think was a not-so-subtle jab at the impending fiscal cliff. During third-quarter reporting season, we expect to see several firms, especially those with capital-intensive projects, to express frustration with the current political situation. We think clarity with respect to the tax code and government spending going forward will provide a nice upside catalyst for industrial investment. Still, we found it odd the firm didn't ever point to US demand as particularly weak.

Process Management strength was driven primarily by oil and gas investment, power end markets, and chemicals. With oil prices relatively strong, we think refiners that are generating lots of cash will continue to invest in efficiency processes. Commercial & Residential Solutions slowed near the end of the quarter, but were fairly strong overall. From the company's comments and recent homebuilder results, we think residential construction in the US remains fairly robust.

Confirming what we've heard from several other firms, Emerson identified weakness in Asia as one of the major headwinds. Telecommunications and information end markets appear to be particularly weak, and the company noted that economic conditions in Australia, India, and China "deteriorated." Climate Technologies were also weak in Asia, as well as Europe, suggesting that commercial construction remains challenged.

Though we're never happy to see companies dealing with sluggish economic conditions, we continue to think Emerson is well positioned to benefit from a return to growth. The firm's balance sheet remains strong, and we think the company will have plenty of room to raise its safe dividend. We like shares at current levels and hold the name in the portfolio of our Dividend Growth Newsletter.

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.

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

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$67.00 - $111.00	HEALTHY	EXCELLENT / 6.9	EXCELLENT

FedEx Beats Estimates But Cuts Guidance

By Valuentum Analysts

International shipping giant FedEx (FDX--$0.56 annual payout; 0.7% dividend yield) reported slightly better-than-expected fiscal year 2013 first-quarter results, but the company reduced its full-year guidance range. Revenue grew 3% year-over-year to $10.8 billion, slightly better than consensus expectations. Earnings were also better than consensus estimates, falling just a penny from last year to $1.45 per share. We are sticking with our fair value estimate despite the lowered full-year outlook.

FedEx blamed sluggish economic growth due to weak end market demand as the main driver of weakness. However, its customers are also opting for slower and cheaper shipping methods. FedEx Express, the firm's largest segment, saw revenue grow just 1% year-over-year to $6.6 billion, while operating income fell 28% to $207 million. U.S. domestic volumes fell 5%, though revenue per package increased 2%. International results in the segment were slightly stronger, but the category carries lower margins, and the company did not collect as much revenue from fuel surcharges.

Meanwhile, FedEx Ground saw revenues jump 8% to $2.5 billion on 5% higher volume and increased average rates. Due to strength in e-commerce, operating income grew 9%, to $445 million. Freight revenues jumped 5% to $1.4 billion, with operating income more than doubling to $90 million, thanks to operating efficiency gains and solid volume growth. The firm is seeing cheaper shipping options surge in popularity as customers are becoming less willing to pay up for quick delivery. We think the change is in part a result of constrained consumer spending, but also represents a symptom of gains in corporate supply chain management. Companies are becoming better at shipping packages in a timely manner, reducing order lag and the need for premium shipping options.

Going forward, FedEx slashed its full-year earnings per share guidance to $6.20-$6.60 (excluding cost savings) from its previous range of $6.90 to $7.40, and well below the consensus estimate of $7.44. The firm also cut its second quarter guidance to $1.30-$1.45 per share, well below the $1.67 consensus estimate.

Please see *FedEx Beats Estimates...* on page 4

Darden Posts Decent Results Amid Fears of Slowdown

By RJ Towner

Casual dining firm Darden (DRI--$2.00 annual payout; 3.6% dividend yield) reported decent fiscal year 2013 first quarter results. Revenue grew 4.8% year-over-year to $2.03 billion, roughly in-line with consensus expectations. Earnings, adjusted for the acquisition of the Yard House, grew 10.3% year-over-year to $0.86 per share, slightly better than consensus estimates.

Olive Garden, Darden's largest segment, reported positive same-store sales growth of 0.3% during the quarter. Overall, sales in the segment surged 4.3% to $922 million as the count includes 40 net new restaurants. Though the restaurant is moving toward more value offerings as consumers remain constrained, Olive Garden is having a hard time recovering traffic, which fell 4.4% in June, 3.7% in August, and up just 0.1% in July. We think traffic will return in the fall, but we worry consumers may be opting to trade down to fast food dining options. However, the firm is focusing on containing costs, which has boosted overall profitability.

Red Lobster also experienced weakness, as same-store sales tumbled 2.6% during the quarter, though four new restaurants offset some of the weakness. Total sales fell 2.1% to $660 million. Traffic fell significantly during the summer months, down 8.7% in June and 8.3% during July, though pricing gains were able to offset some of the traffic declines.

Please see *Darden Posts Decent Results...* on page 7

International Growth Propels General Mills

By RJ Towner

Food manufacturer and marketer General Mills (GIS--$1.32 annual payout; 3.3% dividend yield) reported solid results for its first quarter of 2013. Revenue increased 5% year-over-year to $4.05 billion, in-line with consensus estimates. Adjusted earnings per share increased 3% year-over-year to $0.66, slightly better than consensus expectations. The firm reiterated its full-year non-GAAP earnings guidance of $2.65 per share.

The mature US segment was weak, with revenue falling 1%, on 2% lower volumes but 1% higher prices. Though we think the cereal business, which includes Cheerios, Raisin Bran, Lucky Charms, and Kix, is losing share to generics as well as lower carb offerings, other portions of the segment have been able to pick up the slack. Greek yogurt retail sales (sold under Yoplait) increased 85% year-over-year and the firm gained a full point of market share. We also think snacks, though facing backlash from obesity critics for items such as Gardetto's, is fairly well positioned with healthier brands like Fiber One and Nature Valley. Still, Gardetto's is better positioned than Frito-Lay (PEP), and the segment managed to post an operating profit of $575 million (2% lower than a year ago).

After acquiring the Yoplait International license, revenue in the International segment grew 27% (36% ex-currency) year-over-year to $1.09 billion, culminating in a 56% gain in operating profit ($126 million). Europe grew 51%, Canada 28%, and Asia-Pacific and Latin America both increased over 20% (currency neutral). We're not surprised that the firm's strong brand portfolio continues to be a hit overseas, as emerging-market consumers become more time-strapped and desire greater convenience. Though virtually every company has addressed the country negatively, General Mills mentioned solid growth in China on its conference call, with Haagen-Dazs leading the sales gains. We're optimistic about the ability for these gains to continue, especially since ice cream, for example, is a relatively cheaper expenditure than Nike (NKE) shoes or Ralph Lauren (RL) shirts.

The Bakery and Foodservice segment saw revenue fall 2% year-over-year as a result of lower pricing. Still, operating profit grew 10% to $68 million thanks to lower input costs. Although we expect input prices, namely corn, will be higher through the course of the firm's 2013 fiscal year, the company believes it won't materially harm profitability, as it only accounts for 5%-10% of input costs. Yet, management admitted it could negatively impact profits in fiscal year 2014, if trends continue.

In spite of solid results and good costs controls, we believe shares of General Mills are fairly valued at this time. With a Valuentum Buying Index score of 4 and poor prospects for dividend growth, we do not think the firm is a very compelling candidate for the portfolio of our Dividend Growth Newsletter.

***FedEx Beats Estimates…* from page 3**

However, the firm expects a net rate hike of 3.9% in hopes that better pricing will offset lower expected volumes. FedEx expects economic growth to deteriorate, though we're not convinced macroeconomic growth will remain materially weak for any extended period of time. Management noted that exports have fallen faster than GDP during the past few months, and they think oil prices will continue to rise, pressuring profits.

After considering the high level of uncertainty in the global economy, a possible temporary shift in consumer behavior toward cheaper shipping options, and rising input costs, we think FedEx remains fairly valued at this time. We prefer peer UPS (UPS) as it relates to dividend growth potential, but that company remains on our watch list (and not in portfolio), as well.

Our Dividend Growth Portfolio

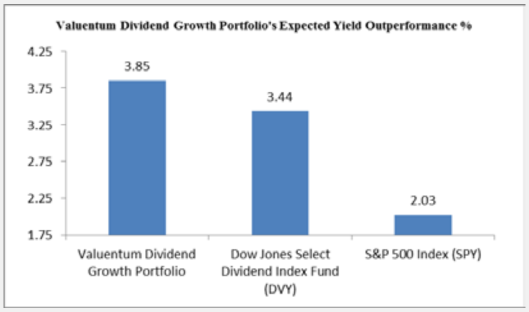
Expected Yield	Benchmark Yield	Outperformance
3.85%	3.44%	0.41%
Portfolio Return	**Benchmark Return**	**Outperformance**
8.1%	10.2%	-2.1%

Portfolio Inception Date: January 1, 2012

DIVIDEND GROWTH PORTFOLIO -- as of September 28, 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	33.39	6,744.78	6.2%	355.52
Chevron (CVX)	12/30/2011	106.40	56	5,965.40	116.56	6,527.36	6.0%	201.60
ConocoPhillips (COP)	12/30/2011	72.87	89	6,492.43	57.18	5,089.02	4.7%	234.96
Emerson Electric (EMR)	12/30/2011	46.59	97	4,526.23	48.27	4,682.19	4.3%	155.20
Energy Transfer (ETP)	12/30/2011	45.85	142	6,517.70	42.57	6,044.94	5.6%	508.36
Hasbro (HAS)	12/30/2011	31.89	220	7,022.80	38.17	8,397.40	7.8%	316.80
Intel (INTC)	12/30/2011	24.25	289	7,015.25	22.66	6,548.74	6.1%	260.10
Johnson & Johnson (JNJ)	12/30/2011	65.08	107	6,970.56	68.91	7,373.37	6.8%	261.08
Kinder Morgan (KMP)	12/30/2011	84.95	65	5,528.75	82.50	5,362.50	5.0%	319.80
Medtronic (MDT)	12/30/2011	38.25	157	6,012.25	43.12	6,769.84	6.3%	163.28
Microsoft (MSFT)	12/30/2011	25.96	308	8,002.68	29.76	9,166.08	8.5%	283.36
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	69.36	7,282.80	6.7%	236.25
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	29.05	6,913.90	6.4%	342.72
Phillips 66 (PSX)	5/1/2011	Spin Off	44	Spin Off	46.37	2,040.28	1.9%	35.20
Republic Services (RSG)	12/30/2011	27.55	236	6,508.80	27.51	6,492.36	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		5,452.50	5.0%	4,166.79
Dividend Growth Portfolio				100,000.00		**108,117.13**	100.0%	**3.85%**
Benchmark: Dow Jones Select Dividend Index (DVY)				100,000.00	57.68	**110,189.70**		**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 September 28, 2012. Cost basis includes commissions. Results include divdends, but no interest received on cash balance.



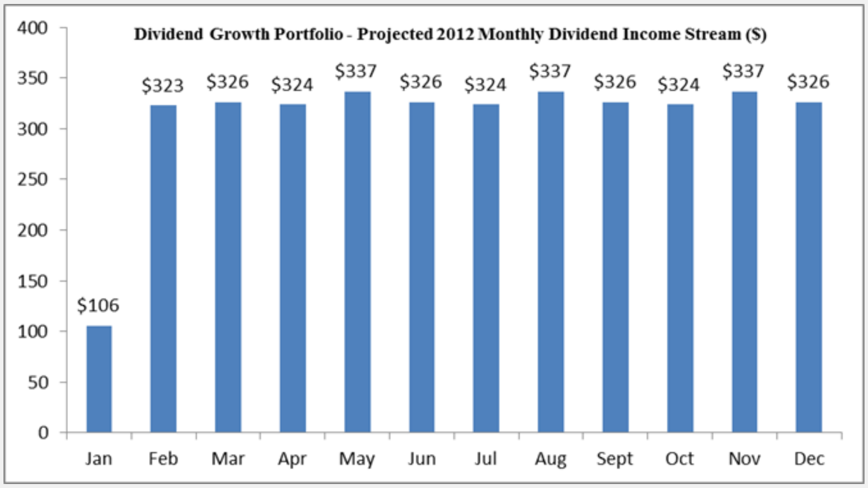
We expect our Dividend Growth portfolio to garner an income stream higher than that of the Dow Jones Select Dividend Index Fund (DVY) and the S&P 500 Index (SPY) in coming periods.

DIVIDEND GROWTH PORTFOLIO -- as of September 28, 2012

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	Div Growth	Fair Value	VBI Score	Price/Fair Value
Altria (MO)	1.76	5.27%	mid-Dec 2012	mid Jan 2013 (quart)	1.3	GOOD	EXCELLENT	$40.00	3	0.83
Chevron (CVX)	3.60	3.09%	mid-Nov 2012	early Dec 2012 (quart)	2.9	EXCELLENT	EXCELLENT	$123.00	6	0.95
ConocoPhillips (COP)	2.64	4.62%	mid-Oct 2012	early Nov 2012 (quart)	1.4	GOOD	EXCELLENT	$62.00	6	0.92
Emerson Electric (EMR)	1.60	3.31%	early Nov 2012	mid-Dec 2012 (quart)	1.9	GOOD	EXCELLENT	$53.00	6	0.91
Energy Transfer (ETP)	3.58	8.41%	early Nov 2012	Nov 2012 (quart)	1.4	GOOD	GOOD	$48.00	3	0.89
Hasbro (HAS)	1.44	3.77%	late Oct 2012	mid-Sep 2012 (quart)	1.6	GOOD	EXCELLENT	$49.00	6	0.78
Intel (INTC)	0.90	3.97%	early Nov 2012	early Dec 2012 (quart)	2.8	EXCELLENT	EXCELLENT	$35.00	9	0.65
Johnson & Johnson (JNJ)	2.44	3.54%	late Nov 2012	early Dec 2012 (quart)	2.6	GOOD	EXCELLENT	$90.00	9	0.77
Kinder Morgan (KMP)	4.92	5.96%	late Oct 2012	mid Nov 2012 (quart)	1.5	GOOD	GOOD	$85.00	6	0.97
Medtronic (MDT)	1.04	2.41%	early Oct 2012	late Oct 2012 (quart)	2.7	GOOD	EXCELLENT	$49.00	6	0.88
Microsoft (MSFT)	0.92	3.09%	mid Nov 2012	mid Dec 2012 (quart)	4.2	EXCELLENT	EXCELLENT	$46.00	9	0.65
Proctor & Gamble (PG)	2.25	3.24%	late Oct 2012	mid Nov 2012 (quart)	1.3	GOOD	EXCELLENT	$69.00	4	1.01
PP&L (PPL)	1.44	4.96%	early Dec 2012	early Jan 2012 (quart)	-0.5	VERY POOR	VERY POOR	$34.00	6	0.85
Phillips 66 (PSX)	0.80	1.73%	mid-Oct 2012	early Nov 2012 (quart)	UR	UR	UR	$49.00	5	0.95
Republic Services (RSG)	0.94	3.42%	late Dec 2012	mid Jan 2012 (quart)	1.3	GOOD	EXCELLENT	$35.00	9	0.79
Superior Industries (SUP)	0.64	3.74%	late Dec 2012	mid Jan 2012 (quart)	4.0	EXCELLENT	GOOD	$22.00	3	0.78

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 Altria (MO), Republic Services (RSG), PP&L (PPL), and Superior (SUP) to the tune of ~$298.



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.

Should GE Buy Joy Global?

By RJ Towner

According to Bloomberg, industrial conglomerate GE (GE--$0.68 annual payout; 3% dividend yield) is considering purchasing mining equipment maker Joy Global (JOY). Given the generally negative macroeconomic sentiment and bearish outlook on important global economies such as China, we think Joy Global's recent price decline could make it an attractive takeover candidate as GE looks to build its mining equipment business.

Though the near-term picture looks murky at best, we like the long-term dynamics of mining suppliers. We think the equipment providers are less sensitive to pricing than the miners themselves—as long as miners can make money selling resources, they will have to purchase mining equipment. However, as we've seen from our Best Ideas Newsletter holding Rio Tinto (RIO), spot prices can fluctuate wildly, materially impacting earnings.

It goes without saying that mining equipment firms perform better when spot prices are higher, but demand and expectations for future orders are more relevant for the equipment makers. Given the bullishness we've seen from Rio with regards to future demand in China and India, we're comfortable that basic materials demand, especially for iron ore will continue to rise over the next several decades.

Currently, the sentiment regarding economic growth, as well as mining demand is overly pessimistic since the developed world remains mired with heavy debt burdens and deleveraging. This has led to a precipitous decline in capital expenditures from the miners and declining earnings for Joy Global and Bucyrus (CAT). We'd love for GE to acquire mining equipment firms while prices are reasonable and sentiment is negative. GE currently makes a variety of industrial equipment including complex turbine engines, but we think it would be easier for the firm to gain a market presence via acquisitions rather than organic expansion, since the equipment makers already have customers and manufacturing infrastructure. In the make-versus-buy decision, buying seems like the better, higher return-on-investment route.

Joy Global currently trades at the low end of our fair value range, but we think a sale would require a decent sized premium to its current market price (likely at or around our point fair value estimate). Price is paramount to any acquisition's return, but we suspect the conglomerate could find some synergies and cost savings with any acquisition (especially in manufacturing equipment). It is also interesting to note that while companies like Kraft (KFT), Tyco (TYC), and ConocoPhillips (COP) have spun off parts so they can be separately valued, GE seems content to expand its product reach.

Though we view a possible take out of Joy Global and its valuation as interesting, we're not rushing to add more mining-derivative exposure to our Best Ideas portfolio at this time. On the other hand, we like GE's dividend and its payout growth possibilities (even after acquisitive activity), and we are strongly considering adding the industrial conglomerate's shares to our Dividend Growth Newsletter in the near future.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$40.00 - $66.00	HEALTHY	VERY POOR / 0.3	VERY POOR	3.85%

Darden Posts Decent Results…**from page 3**

However, traffic accelerated 4.9% during August, suggesting better pricing may lead to more favorable consumer attitudes. Like Olive Garden, lower costs helped increase profitability.

LongHorn Steakhouse experienced strong results through the entire quarter, with same-store sales up 3.6% during the period. The chain continues to add restaurants, leading to 12.7% sales growth. Unlike Darden's other restaurants, the steakhouse saw strong traffic through the summer months, as it advanced every month. Like Texas Roadhouse (TXRH), LongHorn benefits from a value offering and an exceedingly popular concept.

In addition to strong results from LongHorn, the Specialty Restaurants Group saw sales increase 26.4% year-over-year, mostly due to the inclusion of Eddie V's. The segment, which includes The Capital Grille, Bahama Breeze, Seasons 52, and soon Yard House serves a more affluent customer and should continue to outperform the rest of the firm. None of the group's concepts are mature at this point, so we think this will drive the lion's share of the firm's growth while it sorts out its issues at its core restaurants.

Going forward, the firm reiterated its fiscal year 2013 top-line guidance of 9%-10% revenue growth and same-store sales growth of 1%-2%. The company also reaffirmed its 5%-9% earnings growth guidance for the year. We're big fans of Darden's ability to generate cash, but we remain on the sidelines, as shares are fairly valued.

And while the firm pays an elevated dividend (annual yield north of 3.5% at current levels), we aren't crazy about its ability to raise its payout going forward. With McDonald's (MCD) better positioned to benefit from consumers flocking to value, Darden isn't our favorite restaurant stock at this time. We're not interested in adding the company to the portfolio of our Dividend Growth Newsletter at this time. We'd be more interested in McDonald's stock, but only at the right price.

Key Dividend Considerations	
Current Annual Dividend Yield	3.85%
Annual Dividends per Share	$2.00
Initial Annual Div's Paid, $10k Investment	$384.69
Dividend Track Record	HEALTHY
Dividend Safety	VERY POOR
Valuentum Dividend Cushion™	0.3
Dividend Growth Potential	VERY POOR
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
May-98	0.05	0.0	0.45	11.1%
May-99	0.05	0.0	0.66	7.6%
May-00	0.05	0.0	0.89	5.6%
May-01	0.05	0.0	1.06	4.7%
May-02	0.05	0.0	1.30	3.8%
May-03	0.08	60.0	1.31	6.1%
May-04	0.08	0.0	1.36	5.9%
May-05	0.08	0.0	1.78	4.5%
May-06	0.40	400.0	2.16	18.5%
May-07	0.46	15.0	2.53	18.2%
May-08	0.72	56.5	2.55	28.2%
May-09	0.80	11.1	2.65	30.2%
May-10	1.00	25.0	2.86	35.0%
May-11	1.28	28.0	3.41	37.5%
May-12	1.72	34.4	3.58	48.0%
May-13	***2.00***	***16.3***	***3.88***	***51.6%***
Jun-14	*2.24*	*12.0*	*4.40*	*50.9%*
Jun-15	*2.42*	*8.0*	*4.87*	*49.7%*
May-16	*2.49*	*3.0*	*5.30*	*47.0%*
May-17	*2.52*	*1.0*	*5.68*	*44.3%*

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.

The Risks of Mortgage REITs… from page 1

The firms in this industry generally are not subject to federal taxes on their taxable income to the extent that they annually distribute all of their taxable income to stockholders. As a result of this business structure, many firms have elevated distribution yields, but almost all of them generate a return on tangible equity that is less than our estimate of their respective cost of capital (generally 10%). Further, almost all constituents in the group have distribution payout ratios higher than 1, revealing a significant dependence on the healthy functioning of the capital markets for new funding, which cannot be guaranteed and at times can become prohibitively expensive.

Further, the reliance on debt to finance properties exposes residential REITs to the risk that their future cash from operations may at some point in the future be insufficient to make required payments of principal and interest. Leverage, the amount of debt exposed to variable interest rates and future free cash flow generation need to be monitored very closely (as REIT distribution requirements limit available cash on the balance sheet). The success of a mortgage REIT depends heavily on its ability to acquire assets (agency securities) at favorable spreads over borrowing costs, which can rise materially in the event that short-term interest rates increase or the market value of its investments decline (margin calls are also possible).

Our research indicates that the highest-yielding firms in the group have a tendency of having the greatest amount of leverage (as measured by total assets divided by total shareholders' equity), the most aggressive business models, and offer the greatest level of risk to investors. Generally speaking, we're uncomfortable with 'asset/equity' leverage levels above 6 for any constituent in the group, given the long-term threats of a rising interest rate environment, which could significantly impair operations should income be exceeded by the expense incurred to finance investments. Companies with this leverage profile include American Capital (AGNC), Annaly Capital (NLY), Apartment Investment (AIV), ARMOUR Residential (ARR), CYS Investments (CYS), New York Mortgage (NYMT), and Two Harbors (TWO). All things considered, the large distribution yields presented by some constituents in the group may not compensate investors for the tremendous risks inherent to their respective business models.

McDonald's Boosts Dividend 10%

By Valuentum Analysts

Restaurant powerhouse McDonald's (MCD--$3.08 annual payout; 3.4% dividend yield) announced it has raised its dividend 10% to $0.77 per quarter from $0.70 previously. We've long thought the firm was poised to grow its dividend, so this move comes as no surprise to us. Some have already declared CEO Don Thompson a failure, but we think the firm's recent weakness is more a result of better domestic competition and struggling global macroeconomic conditions than any management mishaps.

A 10% dividend increase is a sign of confidence from management, in our view, and we're big fans of the firm's 3.3% annual dividend yield at current levels. However, the firm isn't trading at a sufficient discount to our estimate of its fair value to justify a position in our Dividend Growth Newsletter at this time. But we'll continue to monitor developments as we certainly like its strong competitive position and dividend growth coverage.

Though its Valuentum Buying Index (our stock-selection methodology) score is only 4, we wouldn't hesitate to add the firm to either of our actively-managed portfolios on a significant market pullback that drives the VBI rating higher.

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
Buckeye Partners	BPL	7.9%	7	GOOD	1.4
Boardwalk Pipeline	BWP	7.5%	6	GOOD	1.8
Linn Energy	LINE	7.3%	6	GOOD	2.0
Omega Healthcare	OHI	7.1%	9	EXCELLENT	2.3
Alliance Resource Partners	ARLP	6.7%	6	EXCELLENT	1.3
AstraZeneca	AZN	6.2%	7	EXCELLENT	2.2
Holly Energy	HEP	6.0%	7	GOOD	1.3
Kinder Morgan	KMP	5.9%	6	GOOD	1.5
Universal Health Realty	UHT	5.8%	6	GOOD	2.3
Health Care REIT	HCN	5.0%	6	GOOD	2.7
Enterprise Product Partners	EPD	4.9%	6	EXCELLENT	2.3
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
Magellan Midstream	MMP	4.7%	6	EXCELLENT	1.8
Plains All American	PAA	4.7%	6	EXCELLENT	2.2
Dover Downs	DDE	4.7%	6	GOOD	1.3
Meredith	MDP	4.7%	6	EXCELLENT	1.3
Eli Lilly	LLY	4.6%	6	GOOD	1.7
Verizon Comm	VZ	4.5%	6	GOOD	2.0
NTT Docomo	DCM	4.5%	7	GOOD	2.3
Brookfield Infrastructure	BIP	4.5%	6	EXCELLENT	2.1
Vicor	VICR	4.4%	6	GOOD	2.4
Garmin	GRMN	4.4%	6	EXCELLENT	2.2
Realty Income Corp	O	4.2%	6	GOOD	1.9
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
Johnson & Johnson	JNJ	3.6%	9	EXCELLENT	2.6
Sysco	SYY	3.6%	6	GOOD	1.3
Mattel	MAT	3.5%	6	EXCELLENT	1.8
Raytheon	RTN	3.5%	6	EXCELLENT	2.2
Intel	INTC	3.4%	9	EXCELLENT	2.8
DuPont	DD	3.4%	6	GOOD	1.5
Northrop Grumman	NOC	3.3%	6	EXCELLENT	2.5
Chevron	CVX	3.3%	6	EXCELLENT	2.9
Republic Services	RSG	3.3%	9	EXCELLENT	1.3
Eaton	ETN	3.2%	6	EXCELLENT	1.5
Chicago Rivet	CVR	3.2%	6	EXCELLENT	3.4
Applied Materials	AMAT	3.2%	6	EXCELLENT	3.2
Abbott Laboratories	ABT	3.2%	6	EXCELLENT	2.3
Methode Electronics	MEI	3.1%	6	GOOD	2.4
Genuine Parts	GPC	3.1%	7	EXCELLENT	1.6

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$38.00 - $56.00	HEALTHY	EXCELLENT / 4.9	EXCELLENT

Microsoft Hikes Dividend, Signs Deal with RIM and More

By RJ Towner

Microsoft (MSFT--$0.92 annual payout; 3.1% dividend yield) hiked its quarterly dividend. The firm will pay out $0.23 per share per quarter, 15% higher than its previous dividend of $0.20 and now an annual yield of nearly 3% at current levels. The growth was slightly higher than we expected, but we still think the payout is incredibly safe and continues to have room to expand.

Microsoft also flexed some of its patent muscle, inking a licensing deal with beleaguered phone manufacturer Research In Motion (RIMM). The patent allows RIM to use the Extended File Allocation Table (exFAT) for some Blackberry devices. In less technical terms, the patent relates to technology for retrieving large audiovisual files from flash storage devices. The firm is engaged in deliberations for patent violations with Motorola Mobility (GOOG) and has shown a willingness to monetize its intellectual portfolio. We don't think this will materially add to revenue, but we're always fans of low-cost revenue streams.

In addition to inking a patent deal, Microsoft unveiled pricing for Office 2013. As we've mentioned previously, Office is a cash cow for the company, and the new iteration looks to capitalize on a subscription model. The firm will offer a home version, with use available on five devices, for $100 annually, and it will no longer offer discounts on multiple licenses for any version of Office (student, business, professional). The cost of single Home & Student licenses will now be $140, a 17% increase over Office 2010. Under this new pricing regime, we think the firm will be able to substantially increase the revenue generated over the lifetime of Office 2013. Plus, the software will work on certain smartphones and tablets, making the integrated offering extremely attractive to enterprises and individuals looking to boost productivity.

Some leadership changes were also announced, as board member and Merck (MRK) CEO Raymond Gilmartin will retire from the board of the directors. Though Gilmartin has been a member of the board for 11 years, we do not view the move as material to the company's fortunes. In other news, the firm hired CBS (CBS) executive Nancy Tellem. Tellem was formerly the head of CBS Network Television Entertainment Group, and she will be in charge of leading a newly-created production studio in Los Angeles that will develop original content for Microsoft's entertainment department, namely Xbox LIVE. Considering the incredibly popular shows during her tenure, including "Everybody Loves Raymond", various "CSI's", and "Survivor," as well as the fact she's a member of the Broadcasting & Cable Hall of Fame, we think Tellem has an eye for potential hits and should be given freedom to create unique content for Xbox. We're not sure what's in store for the studio, but we're confident it will help add value to the Xbox LIVE network.

Internationally, the European Union is bringing an anti-trust complaint against the tech giant for allegedly not giving 10% of users browser options on service updates. Anti-trust legislation is nothing new for Microsoft, as it faced serious legal costs and fines in the United States around the turn of the century and has faced several billions of dollars in fines from the EU over the past few years. Given the proliferation of mobile computing, we're a bit confused at the timing of the complaint, but we doubt it will materially impact the firm's earnings. It's a difficult claim to take seriously given the increased technological awareness of the average person, and the easy accessibility of competing browsers.

Overall, we still fundamentally like Microsoft going into the much anticipated Windows 8 release. With an annual dividend yield of nearly 3%, a substantial cash hoard, and several upside catalysts, we think the firm is an extremely attractive investment.

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 Oct 1, 2012 (interim session)

Company Name	Yrly Div's Paid ($) / Shr	Div Yield %	Div Cushion™	Div Safety	Div Growth	Fair Value	VBI Score	Price/Fair Value	Interim ($)
ADP (ADP)	1.58	2.69%	2.8	EXCELLENT	EXCELLENT	$53.00	6	1.11	58.69
Analog Devices (ADI)	1.20	3.03%	2.9	EXCELLENT	EXCELLENT	$40.00	6	0.99	39.63
Boeing (BA)	1.76	2.50%	3.1	EXCELLENT	GOOD	$78.00	3	0.90	70.43
Chicago Rivet (CVR)	0.60	3.24%	3.4	EXCELLENT	EXCELLENT	$20.00	6	0.93	18.51
Coca-Cola (KO)	1.02	2.66%	1.9	GOOD	EXCELLENT	$35.00	3	1.10	38.41
Colgate-Palmolive (CL)	2.48	2.29%	1.7	GOOD	EXCELLENT	$86.00	6	1.26	108.40
Collectors Universe (CLCT)	1.30	9.23%	UR	UR	UR	UR	UR	UR	14.09
Deere (DE)	1.84	2.21%	1.6	GOOD	EXCELLENT	$93.00	3	0.90	83.25
DuPont (DD)	1.72	3.39%	1.5	GOOD	GOOD	$64.00	6	0.79	50.74
Eaton (ETN)	1.52	3.18%	1.5	GOOD	EXCELLENT	$48.00	6	0.99	47.74
Exxon Mobil (XOM)	2.28	2.47%	2.1	GOOD	EXCELLENT	$74.00	6	1.25	92.36
General Dynamics (GD)	2.04	3.04%	2.5	GOOD	EXCELLENT	$72.00	7	0.93	67.21
Genuine Parts (GPC)	1.98	3.25%	1.6	GOOD	EXCELLENT	$56.00	7	1.09	60.92
H&R Block (HRB)	0.80	4.57%	3.0	EXCELLENT	EXCELLENT	$21.00	7	0.83	17.49
Harris (HRS)	1.48	2.91%	1.6	GOOD	EXCELLENT	$64.00	5	0.80	50.91
Honeywell (HON)	1.49	2.44%	2.6	GOOD	EXCELLENT	$62.00	7	0.98	60.99
IBM (IBM)	3.40	1.61%	3.5	EXCELLENT	EXCELLENT	$210.00	3	1.01	211.18
Eli Lilly (LLY)	1.96	4.08%	1.7	GOOD	GOOD	$50.00	6	0.96	47.99
Linn Energy (LINN)	2.90	6.99%	2.0	GOOD	GOOD	$54.00	6	0.77	41.50
Lockheed Martin (LMT)	4.00	4.28%	1.5	GOOD	EXCELLENT	$79.00	5	1.18	93.40
Lorillard (LO)	6.20	5.28%	1.3	GOOD	EXCELLENT	$118.00	4	1.00	117.42
Mattel (MAT)	1.24	3.49%	1.8	GOOD	EXCELLENT	$33.00	6	1.08	35.49
McDonalds (MCD)	3.08	3.34%	1.3	GOOD	EXCELLENT	$95.00	4	0.97	92.27
Molex (MOLX)	0.88	3.36%	2.1	GOOD	EXCELLENT	$24.00	3	1.09	26.21
Merck (MRK)	1.68	3.69%	2.1	GOOD	GOOD	$38.00	6	1.20	45.55
Northrop Grumman (NOC)	2.20	3.28%	2.5	GOOD	EXCELLENT	$69.00	6	0.97	67.11
Olin Corp (OLN)	0.80	3.73%	1.3	GOOD	GOOD	$22.00	6	0.97	21.44
Owens & Minor (OMI)	0.88	2.93%	1.9	GOOD	EXCELLENT	$32.00	4	0.94	30.01
Paychex (PAYX)	1.28	3.87%	3.2	EXCELLENT	GOOD	$33.00	6	1.00	33.08
Phillip Morris (PM)	3.40	3.74%	1.3	GOOD	EXCELLENT	$73.00	3	1.25	90.92
Raytheon (RTN)	2.00	3.61%	2.2	GOOD	EXCELLENT	$55.00	6	1.01	55.42
St. Jude (STJ)	0.92	2.16%	2.5	GOOD	EXCELLENT	$49.00	4	0.87	42.65
Sysco (SYY)	1.08	3.41%	1.3	GOOD	GOOD	$33.00	6	0.96	31.66
Texas Instr (TXN)	0.84	3.04%	2.6	GOOD	EXCELLENT	$28.00	3	0.99	27.66
United Technologies (UTX)	2.14	2.71%	2.5	GOOD	EXCELLENT	$105.00	6	0.75	78.99
UPS (UPS)	2.28	3.14%	1.6	GOOD	EXCELLENT	$72.00	3	1.01	72.51
Verizon (VZ)	2.06	4.49%	2.0	GOOD	GOOD	$44.00	6	1.04	45.87

UR = Under Review

To access the dividend reports of companies on our watch list, please click the following link:

http://www.valuentum.com/articles/20120427

Energizer Energized By Cost Savings

By Valuentum Analysts

Battery maker Energizer (ENR--$1.60 annual payout; 2.1% dividend yield) announced that a recent self-examination has identified $175 million-$200 million in annual cost savings. The firm anticipates 75%-80% of the cost savings will directly lead to increased profitability while the rest will go towards investment in long-term growth opportunities. It expects to take a one-time charge no greater than 1.25x the gross savings.

The company wasn't too specific with respect to the cuts, but it did list the strategies as:

- Manufacturing facility rationalization, including support infrastructure, in the Household Products division;
- Reduction of the global workforce;
- Changes in Energizer's go-to-market strategies, including a streamlined international organization;
- Reduction in overhead spending; and
- Procurement savings.

Energizer expects some improvements in gross margins and SG&A, as well as increased cash flow. We suspect a combination of facility consolidation and layoffs will be the major drivers behind the cost savings. We're not surprised, since we've seen major cost savings initiatives from larger companies like Procter & Gamble (PG) and Johnson & Johnson (JNJ). With consumers still cash strapped, its major brands (Energizer, Playtex, Edge, Schick) have remained relevant but continue to struggle. We don't think consumer staples brands have the same pricing power they had prior to the recession, so profitability will have to be driven more by cost savings and efficiencies rather than price increases (at least in the near term).

We don't think Energizer's shares are too expensive at 12x forward earnings, and its 2.3% annual dividend yield isn't terrible. However, we don't think its yield is high enough to be included in the portfolio of our Dividend Growth Newsletter.

Valero Exiting the Retail Business

By Valuentum Analysts

Oil refiner Valero (VLO--$0.70 annual payout; 2.1% dividend yield) plans to exit the retail business by auctioning off its gas station and convenience stores segment. The segment consists of nearly 1,000 locations in the U.S. and nearly 800 in Canada. Bloomberg is reporting that the auction could fetch as much as $3.5 billion, as private equity firms and major convenience stores loom as the likely bidders.

We're actually a bit surprised by the move, but we think it has some interesting consequences. Traditionally, gas stations have provided a natural buyer and channel for refined gasoline, especially during times of weak demand. However, we think this move signals Valero's confidence that the refining business doesn't need the predictable earnings stream and distribution network of gas stations to balance its highly cyclical nature. Demand for petrochemicals, lower natural gas costs, and the resurgence of the domestic oil industry may be leading to higher trough period margins for the industry.

Though there aren't many synergies between running a refinery and running a convenience store, we like the ability to distribute gasoline through an established channel. We're also fans of the strong earnings that result from the convenience store business model. In other words, we're not very excited by its plans to pursue the auction.

We'll continue to monitor new developments, but at this time, we believe Valero's shares are fairly valued. Our favorite name in the space is Phillips 66 (PSX), which we received in the portfolio of our Dividend Growth Newsletter when it was spun off from ConocoPhillips (COP). We're becoming more bullish on the refinery business, but we still aren't ready to commit more capital to it at this time.

Amid Economic Uncertainty, Caterpillar Lowers Forecast...For 2015

By RJ Towner

Global mining and construction equipment manufacturer Caterpillar (CAT--$2.08 annual payout; 2.4% dividend yield) presented some interesting insights with respect to its own business as well as the global economy at the MINExpo conference.

The firm offered a tempered outlook on the global economy, citing the risk of recession. The firm expects some uncertainty as it relates to the fiscal cliff in the U.S. and expects European leaders to do the bare minimum to mitigate widespread depression across the Eurozone. However, Caterpillar sees conditions improving in Brazil and believes new policies in China will result in growth returning in late 2012 and early 2013. As a result, Cat's disaster-case earnings per share forecast in 2013 is $3.50.

Oddly, the firm reduced its 2015 earnings outlook to $12-$18 per share from $15-$20 per share. We understand the firm may be concerned about global economic growth, but we don't think the company needed to lower its long-term forecast. We think it's fair to say that it is near impossible to gauge where the economy will be in 2-3 years, even in the mining business where capital projects could take years to complete. Investors should certainly interpret this revision directionally as it relates to business conditions, but 2015 earnings are far from set in stone (as the wide range indicates).

It also appears the Bucyrus integration is going mostly as planned, but it hasn't been as accretive as the firm would have liked. Global mining capital expenditures could remain depressed for the next few years. As a consequence, the price paid for the Bucyrus acquisition might continue to look high, as near-term returns may be muted. And if GE (GE) scoops up Joy Global (JOY) at a reasonable price in the next several months, there will certainly be more rhetoric surrounding the deal price of Bucyrus. Regardless, we continue to like the long-term fundamental story of the mining industry, and we think Bucyrus will yield positive results in the years to come.

Though we agree the global economic growth forecast looks challenged, shares of Caterpillar are undervalued at current levels. The company has done a fantastic job managing costs, and we think the Bucyrus acquisition will be a long-term positive. We're keeping an eye on its dividend.

Key Dividend Considerations	
Current Annual Dividend Yield	2.53%
Annual Dividends per Share	$2.08
Initial Annual Div's Paid, $10k Investment	$253.44
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	2.3
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	LOW
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
Dec-97	0.45	0.0	2.19	20.5%
Dec-98	0.55	22.2	2.06	26.7%
Dec-99	0.63	14.5	1.32	47.7%
Dec-00	0.67	6.3	1.51	44.4%
Dec-01	0.69	3.0	1.16	59.5%
Dec-02	0.70	1.4	1.15	60.9%
Dec-03	0.71	1.4	1.57	45.2%
Dec-04	0.78	9.9	2.88	27.1%
Dec-05	0.91	16.7	4.04	22.5%
Dec-06	1.10	20.9	5.17	21.3%
Dec-07	1.32	20.0	5.37	24.6%
Dec-08	1.56	18.2	5.66	27.6%
Dec-09	1.68	7.7	1.43	117.5%
Dec-10	1.72	2.4	4.15	41.4%
Dec-11	1.80	4.7	7.40	24.3%
Dec-12	***2.08***	***15.6***	***9.64***	***21.6%***
Dec-13	*2.25*	*8.0*	*11.04*	*20.3%*
Dec-14	*2.43*	*8.0*	*11.63*	*20.9%*
Dec-15	*2.62*	*8.0*	*11.96*	*21.9%*
Dec-16	*2.83*	*8.0*	*11.98*	*23.6%*

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.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$29.00 - $43.00	HEALTHY	GOOD / 1.7	EXCELLENT

Sales Slip Walgreens

By RJ Towner

Pharmacy chain Walgreens (WAG--$1.10 annual payout; 3% dividend yield) reported mediocre fourth quarter results. Revenues shrank 5% year-over-year to $17.1 billion, slightly worse than the consensus expected. Earnings also declined, falling 4.5% to an adjusted total of $0.63 per share, which was slightly better than consensus expectations.

Though same-store sales only slipped 1.3% during the quarter, the other 3.7% of the decline in Walgreen's sales came from consumers switching to generic drugs from branded drugs. Prescription sales, due to the feud with Express Scripts (ESRX), were the major contributor of weakness, falling 8.1% year-over-year. Some of the downward velocity in prescription sales should moderate now that the two firms have come to an agreement, but we think the company will struggle to regain market share it lost to competitors like CVS (CVS). Though the company finally developed a loyalty card program, we've noticed pricing at Walgreens tends to be at a slight premium to CVS, which could help explain why comparable store traffic was down 3.2% during the quarter. As we've seen play out at Supervalu (SVU), pricing has been driving traffic, so non-value pricing simply doesn't work anywhere (but on the high end).

The company remains optimistic about its decision to purchase British pharmacy Alliance Boots, though we're not really big fans of the deal. We think it's distracting that Walgreens is focused on acquiring more growth instead of shoring up its core business, which is far from firing on all cylinders. Management continues to tout cost savings and synergies as a result of the deal, but they seem to be missing the big picture. The firm has taken on a substantial amount of debt to pay its dividend and acquire the stake in Alliance Boots, while profitability is clearly declining. The firm laid out targets for fiscal year 2016 that include $130 billion in revenue and operating cash flow of $8 billion. The cash flow forecast seems unrealistic, in our view, as the firm will likely need to sacrifice profitability to reacquire angry Express Scripts consumers.

Although the quarter wasn't that great, we still believe shares of the firm are fairly valued. We think the firm can raise its dividend, though we'd like its dividend growth potential even more if it hadn't acquired this stake in Alliance Boots. However, we see several metrics, including profitability and traffic declining, so we fear Walgreen's could struggle in the near- to intermediate-term. As a result, we won't be adding shares to the portfolio of our Dividend Growth Newsletter.

Key Dividend Considerations	
Current Annual Dividend Yield	3.05%
Annual Dividends per Share	$1.10
Initial Annual Div's Paid, $10k Investment	$305.39
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.7
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

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

Dividend Strength

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

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

Dividend Track Record HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Aug-97	NA	0.0	0.44	0.0%
Aug-98	0.12	0.0	0.54	22.2%
Aug-99	0.13	8.3	0.62	21.0%
Aug-00	0.13	0.0	0.76	17.1%
Aug-01	0.14	7.7	0.86	16.3%
Aug-02	0.14	0.0	0.99	14.1%
Aug-03	0.15	7.1	1.14	13.2%
Aug-04	0.17	13.3	1.32	12.9%
Aug-05	0.21	23.5	1.52	13.8%
Aug-06	0.26	23.8	1.72	15.1%
Aug-07	0.31	19.2	2.03	15.3%
Aug-08	0.38	22.6	2.17	17.5%
Aug-09	0.48	26.3	2.02	23.8%
Aug-10	0.59	22.9	2.12	27.8%
Aug-11	0.75	27.1	2.94	25.5%
Aug-12	***1.10***	***46.7***	***2.62***	***42.1%***
Aug-13	*1.38*	*25.0*	*3.11*	*44.2%*
Aug-14	*1.58*	*15.0*	*3.26*	*48.6%*
Aug-15	*1.77*	*12.0*	*3.38*	*52.3%*
Aug-16	*1.95*	*10.0*	*3.50*	*55.7%*

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.

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

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.

The Outperformance of Dividend Payers Over Time

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

(1) Forecast period for ConAgra, 2007 through 2011.
(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high
(3) Forecasts adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.

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

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.

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:

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
Royal Caribbean	RCL	Leisure	1.5%	VERY POOR	-9.3
Cablevision	CVC	Media - CATV	4.0%	VERY POOR	-9.3
Hess	HES	Refiners	0.7%	VERY POOR	-8.7
Peabody Energy	BTU	Industrial Minerals	1.4%	VERY POOR	-8.0
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	3.2%	VERY POOR	-5.5
Chesapeake	CHK	Independent Oil & Gas	1.7%	VERY POOR	-4.8
CONSOL Energy	CNX	Industrial Minerals	1.6%	VERY POOR	-4.4
Anadarko	APC	Independent Oil & Gas	0.5%	VERY POOR	-3.7
TAL Intl	TAL	Rental and Leasing	6.9%	VERY POOR	-3.6
Roundy's Inc	RNDY	Food Retailers	12.1%	VERY POOR	-3.2
Frontier Comm	FTR	Telecom Services - diversified	8.6%	VERY POOR	-2.4
Rock-Tenn	RKT	Paper Products	1.2%	VERY POOR	-2.1

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

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

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, Oct 1). The list below is an excerpt (page) from our quarterly *Dividend100* publication. 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 Style	Market Cap (USD - mil)	Dividend Yield	Price/Fair Value	VBI
Energy Transfer Partners	ETP	Oil & Gas Pipelines	MID-CAP VALUE	9,381.5	7.9%	0.94	3
Buckeye Partners	BPL	Oil & Gas Pipelines	MID-CAP CORE	4,760.1	7.9%	1.22	7
Boardwalk Pipeline	BWP	Oil & Gas Pipelines	MID-CAP VALUE	4,899.2	7.5%	0.94	6
Linn Energy	LINE	Independent Oil & Gas	MID-CAP BLEND	6,829.7	7.3%	0.73	6
Omega Healthcare	OHI	REIT - Healthcare	MID-CAP VALUE	2,403.2	7.1%	0.76	9
Atlas Pipeline	APL	Oil & Gas Pipelines	SMALL-CAP BLEND	1,714.9	7.0%	0.91	3
Alliance Resource Partners	ARLP	Industrial Minerals	MID-CAP BLEND	2,334.8	6.7%	0.71	6
DCP Midstream	DPM	Oil & Gas Pipelines	SMALL-CAP BLEND	1,786.7	6.4%	1.00	3
Strayer Education	STRA	Education Services	SMALL-CAP VALUE	773.7	6.2%	0.78	3
Holly Energy	HEP	Oil & Gas Pipelines	SMALL-CAP GROWTH	1,360.8	6.0%	1.15	7
Kinder Morgan	KMP	Oil & Gas Pipelines	LARGE-CAP BLEND	26,622.8	5.9%	0.96	6
EV Energy	EVEP	Oil & Gas Pipelines	SMALL-CAP GROWTH	1,803.2	5.8%	1.10	5
Universal Health Realty	UHT	REIT - Healthcare	SMALL-CAP GROWTH	538.7	5.8%	1.09	6
Lorillard	LO	Tobacco	LARGE-CAP VALUE	16,055.9	5.4%	0.98	4
Reynolds American	RAI	Tobacco	LARGE-CAP CORE	25,733.4	5.4%	1.13	3
Altria Group	MO	Tobacco	LARGE-CAP VALUE	67,988.2	5.3%	0.82	3
Health Care REIT	HCN	REIT - Healthcare	LARGE-CAP GROWTH	10,404.8	5.0%	1.15	6
Enterprise Product Partners	EPD	Oil & Gas Pipelines	LARGE-CAP CORE	44,525.6	4.9%	1.08	6
H&R Block	HRB	Personal Services	MID-CAP VALUE	4,941.8	4.8%	0.79	7
ConocoPhillips	COP	Major Oil & Gas	LARGE-CAP VALUE	76,248.9	4.8%	0.89	6
Magellan Midstream	MMP	Oil & Gas Pipelines	MID-CAP CORE	8,009.6	4.7%	1.06	6
Plains All American	PAA	Oil & Gas Pipelines	LARGE-CAP CORE	13,597.5	4.7%	1.04	6
Meredith	MDP	Media - advertising	SMALL-CAP VALUE	1,475.2	4.7%	0.88	6
Eli Lilly	LLY	Pharmaceuticals	LARGE-CAP VALUE	47,521.8	4.6%	0.85	6
Verizon Comm	VZ	Telecom Services - diversified	LARGE-CAP CORE	125,086.3	4.5%	1.00	6
Brookfield Infrastructure	BIP	Utilities	MID-CAP BLEND	5,439.2	4.5%	0.99	6
HCP	HCP	REIT - Healthcare	LARGE-CAP CORE	18,189.9	4.4%	1.11	5
Garmin	GRMN	Electrical Equipment	MID-CAP CORE	8,025.7	4.4%	1.00	6
Lockheed Martin	LMT	A&D Prime	LARGE-CAP CORE	31,447.5	4.3%	1.17	5
Realty Income Corp	O	REIT - Retail	MID-CAP CORE	5,210.4	4.2%	1.15	6
Western Gas	WES	Oil & Gas Pipelines	MID-CAP GROWTH	2,959.3	4.2%	1.05	4
Williams Co	WMB	Oil & Gas Pipelines	LARGE-CAP VALUE	17,311.2	4.1%	0.90	3
Merck	MRK	Pharmaceuticals	LARGE-CAP CORE	128,431.9	4.0%	1.09	6
Bristol-Myers Squibb	BMY	Pharmaceuticals	LARGE-CAP CORE	58,837.0	3.9%	1.15	6
Ventas	VTR	REIT - Healthcare	LARGE-CAP GROWTH	14,722.1	3.9%	1.10	6
Paychex	PAYX	Staffing Services	LARGE-CAP CORE	12,066.1	3.9%	1.01	6
Olin Corp	OLN	Chemicals - broad	SMALL-CAP VALUE	1,686.3	3.8%	0.95	6
Molex	MOLX	Electronic Suppliers	MID-CAP VALUE	4,064.3	3.8%	0.96	3
Philip Morris	PM	Tobacco	LARGE-CAP CORE	157,663.8	3.8%	1.23	3
Hasbro	HAS	Leisure	MID-CAP VALUE	5,227.3	3.8%	0.78	6
Superior	SUP	Auto Parts Suppliers	SMALL-CAP VALUE	467.1	3.7%	0.78	3
Procter & Gamble	PG	Household Products	LARGE-CAP VALUE	183,866.4	3.7%	0.89	4
Johnson & Johnson	JNJ	Household Products	LARGE-CAP VALUE	187,499.3	3.6%	0.75	9
Sysco	SYY	Food Retailers	LARGE-CAP VALUE	17,875.9	3.6%	0.92	6
Mattel	MAT	Leisure	LARGE-CAP CORE	12,459.6	3.5%	1.08	6
Raytheon	RTN	A&D Prime	LARGE-CAP CORE	20,441.6	3.5%	1.05	6
Diebold	DBD	Commercial Services	MID-CAP VALUE	2,153.7	3.4%	0.66	3
Intel	INTC	Broad Line Semiconductors	LARGE-CAP VALUE	142,471.6	3.4%	0.75	9
Computer Sciences	CSC	IT Services	MID-CAP CORE	3,678.4	3.4%	1.08	3
DuPont	DD	Chemicals - broad	LARGE-CAP VALUE	48,067.8	3.4%	0.80	6
Linear Technology	LLTC	Specialized Semi's	MID-CAP VALUE	7,006.4	3.3%	0.91	3
Northrop Grumman	NOC	A&D Prime	LARGE-CAP VALUE	18,678.5	3.3%	0.96	6
Chevron	CVX	Major Oil & Gas	MEGA-CAP VALUE	218,629.3	3.3%	0.89	6
Republic Services	RSG	Environmental Services	LARGE-CAP VALUE	10,146.1	3.3%	0.77	9
Eaton	ETN	Electrical Equipment - industrial	LARGE-CAP VALUE	16,152.7	3.2%	0.98	6
Best Buy	BBY	Specialty Retailers	MID-CAP VALUE	7,318.7	3.2%	0.69	3
Chicago Rivet	CVR	Auto Parts Suppliers	NANO-CAP VALUE	18.2	3.2%	0.94	6
Applied Materials	AMAT	Semi Equipment	LARGE-CAP VALUE	16,026.5	3.2%	0.86	6
Abbott Laboratories	ABT	Pharmaceuticals	LARGE-CAP VALUE	101,488.4	3.2%	0.84	6
Harris Corp	HRS	Communications Equipment	MID-CAP VALUE	5,399.0	3.1%	0.73	5
McDonald's	MCD	Restaurants	LARGE-CAP VALUE	93,194.6	3.1%	0.94	4
Methode Electronics	MEI	Electronic Suppliers	SMALL-CAP BLEND	335.3	3.1%	0.81	6
Genuine Parts	GPC	Specialty Retail - auto	MID-CAP CORE	9,957.8	3.1%	1.13	7
Dr Pepper Snapple	DPS	Beverages - nonalcoholic	MID-CAP CORE	9,684.1	3.1%	1.04	5
Owens & Minor	OMI	Medical Equipment	SMALL-CAP VALUE	1,782.6	3.1%	0.89	4
General Electric	GE	Conglomerates	MEGA-CAP VALUE	234,808.2	3.1%	0.82	7
Emerson Electric	EMR	Electrical Equipment	LARGE-CAP VALUE	39,408.1	3.1%	0.99	6
General Dynamics	GD	A&D Prime	LARGE-CAP VALUE	24,543.3	3.1%	0.93	7
Walgreen	WAG	Food Retailers	LARGE-CAP CORE	33,300.5	3.1%	1.00	7
KLA-Tencor	KLAC	Semi Equipment	MID-CAP VALUE	8,929.3	3.0%	0.78	6
Molson Coors	TAP	Beverages - alcoholic	MID-CAP VALUE	7,881.0	3.0%	0.98	6
United Parcel Service	UPS	Air Freight & Logistics	LARGE-CAP CORE	75,801.6	3.0%	1.06	3
Gentex	GNTX	Auto Parts Suppliers	MID-CAP VALUE	2,527.7	3.0%	0.83	3
Analog Devices	ADI	Integrated Circuits	LARGE-CAP CORE	12,468.1	3.0%	1.01	6
Crane Co	CR	Machinery & Tools	MID-CAP VALUE	2,159.8	3.0%	0.73	6
Microsoft	MSFT	Software	MEGA-CAP VALUE	265,302.1	2.9%	0.68	9
Cisco	CSCO	Networking Equipment	LARGE-CAP VALUE	103,000.2	2.9%	0.68	9
AVX Corp	AVX	Electronic Suppliers	SMALL-CAP VALUE	1,771.1	2.9%	0.74	3
Enbridge	ENB	Oil & Gas Pipelines	LARGE-CAP CORE	30,067.1	2.9%	1.23	6
Taiwan Semiconductor	TSM	Integrated Circuits	LARGE-CAP CORE	75,233.4	2.8%	1.04	6
Xilinx	XLNX	Specialized Semi's	MID-CAP VALUE	8,559.3	2.8%	0.90	3
Newmont Mining	NEM	Metals & Mining - gold	LARGE-CAP VALUE	25,542.7	2.8%	0.69	7
Compass Minerals	CMP	Chemicals - agriculture	MID-CAP VALUE	2,375.5	2.7%	0.90	3
Baxter Intl	BAX	Medical Instruments	LARGE-CAP VALUE	28,248.9	2.7%	0.78	4
Hewlett-Packard	HPQ	Computer Hardware	LARGE-CAP VALUE	41,645.0	2.7%	0.63	6
Automatic Data Processing	ADP	Staffing Services	LARGE-CAP CORE	28,798.6	2.7%	1.10	6
Flowers Foods	FLO	Food Products	MID-CAP CORE	3,245.4	2.7%	1.25	4
Insperity	NSP	Staffing Services	SMALL-CAP VALUE	644.3	2.7%	0.72	6
TE Connectivity	TEL	Electronic Suppliers	LARGE-CAP VALUE	13,989.9	2.7%	0.83	3
Men's Wearhouse	MW	Specialty Retail - clothes	SMALL-CAP VALUE	1,402.9	2.7%	0.73	4
Coca-Cola	KO	Beverages - nonalcoholic	LARGE-CAP CORE	178,731.6	2.7%	1.10	3
Johnson Controls	JCI	Auto Parts Suppliers	LARGE-CAP VALUE	18,772.2	2.6%	0.97	6
Illinois Tool Works	ITW	Machinery & Tools	LARGE-CAP VALUE	26,948.3	2.6%	0.94	4
Washington Post	WPO	Media - newspapers	MID-CAP CORE	2,955.0	2.6%	1.00	6
Simon Property	SPG	REIT - Retail	LARGE-CAP CORE	47,112.7	2.6%	1.11	6
Exxon Mobil	XOM	Major Oil & Gas	MEGA-CAP CORE	426,318.8	2.6%	1.18	6
United Technologies	UTX	Conglomerates	LARGE-CAP VALUE	74,765.7	2.6%	0.79	6
Rockwell Automation	ROK	Electrical Equipment - industrial	LARGE-CAP CORE	10,518.3	2.6%	1.03	6
Stanley Works	SWK	Machinery & Tools	LARGE-CAP VALUE	10,769.3	2.6%	0.76	5
Federal Realty	FRT	REIT - Retail	MID-CAP CORE	6,739.8	2.6%	1.25	5

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 6-Jul-2012

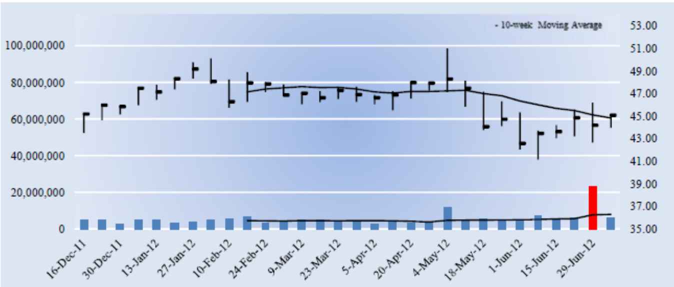
Energy Transfer Partners ETP FAIRLY VALUED

Buying Index™ 3 | Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$45.07	$36.00 - $60.00	HEALTHY	GOOD / 1.4	GOOD	7.94%

Energy Transfer Partners 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	7.94%
Annual Dividends per Share	$3.58
Initial Annual Div's Paid, $10k Investment	$794.32
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.4
Dividend Growth Potential	GOOD
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)	$9,382
Avg Weekly Vol (30 wks)	5,468
30-week Range (USD)	41.15 - 51
Valuentum Sector	Energy
Last Fiscal Year Revenue	6,850
Last Fiscal Year EPS	3.21
Last Fiscal Year EBITDA	1,686
Forward Revenue Growth (5-yr)	8.0%
Forward EPS Growth (5-yr)	-2.3%

Dividend Vitals

Current Annual Dividend Yield %	7.9%
Annual Dividends Per Share	3.58
Forward Dividend Payout Ratio	253.2%
3-yr Historical Dividend CAGR	0.0%
15-yr Historical Dividend CAGR	9.4%
3-yr Hist Median Div Payout Ratio	300.4%
15-yr Hist Median Div Payout Ratio	167.6%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,126.75	89.50
50	2,253.50	179.00
100	4,507.00	358.00
200	9,014.00	716.00
300	13,521.00	1,074.00
400	18,028.00	1,432.00
500	22,535.00	1,790.00
1,000	45,070.00	3,580.00
2,000	90,140.00	7,160.00
5,000	225,350.00	17,900.00
10,000	450,700.00	35,800.00
50,000	2,253,500.00	179,000.00
100,000	4,507,000.00	358,000.00

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

Dividend Safety / Cushion GOOD / 1.4

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Energy Transfer Partners scores a 1.4 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential GOOD

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. Energy Transfer Partners registers an GOOD rating on our scale, and we think the firm's annual dividend will be $4.35 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. Energy Transfer Partners registers a score of MEDIUM on our scale.

Dividend Track Record HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Aug-97	0.93	0.0	0.32	290.6%
Aug-98	1.00	7.5	0.52	192.3%
Aug-99	1.07	7.0	0.56	191.1%
Aug-00	1.13	5.6	0.33	342.4%
Aug-01	1.19	5.3	0.71	167.6%
Aug-02	1.27	6.7	0.13	976.9%
Aug-03	1.28	0.8	0.90	142.2%
Aug-04	1.38	7.8	1.73	79.8%
Aug-05	1.80	30.4	1.79	100.6%
Aug-06	2.00	11.1	3.15	63.5%
Aug-07	3.00	50.0	3.31	90.6%
Dec-08	3.38	12.5	3.74	90.2%
Dec-09	3.58	5.9	2.53	141.3%
Dec-10	3.58	0.0	1.19	300.4%
Dec-11	3.58	0.0	1.10	325.0%
Dec-12	***3.58***	***0.1***	***1.41***	***253.2%***
Dec-13	*3.76*	*5.0*	*2.26*	*166.2%*
Dec-14	*3.95*	*5.0*	*2.65*	*149.1%*
Dec-15	*4.14*	*5.0*	*2.85*	*145.5%*
Dec-16	*4.35*	*5.0*	*2.86*	*152.0%*

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 Energy Transfer Partners, please visit our website at www.valuentum.com

VALUENTUM

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 6-Jul-2012

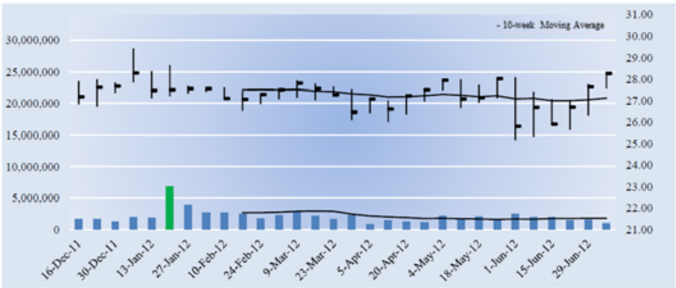
Boardwalk Pipeline BWP FAIRLY VALUED

Valuentum **Buying Index™** 6 | Valuentum **Value Rating**

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$28.27	$22.00 - $38.00	HEALTHY	GOOD / 1.8	GOOD	7.53%

Boardwalk Pipeline 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	**7.53%**
Annual Dividends per Share	**$2.13**
Initial Annual Div's Paid, $10k Investment	**$753.45**
Dividend Track Record	**HEALTHY**
Dividend Safety	**GOOD**
Valuentum Dividend Cushion™	**1.8**
Dividend Growth Potential	**GOOD**
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.

Company Vitals	
Market Cap (USD)	$4,899
Avg Weekly Vol (30 wks)	2,047
30-week Range (USD)	25.15 - 29.43
Valuentum Sector	Energy
Last Fiscal Year Revenue	1,139
Last Fiscal Year EPS	1.27
Last Fiscal Year EBITDA	655
Forward Revenue Growth (5-yr)	6.8%
Forward EPS Growth (5-yr)	2.4%

Dividend Vitals	
Current Annual Dividend Yield %	7.5%
Annual Dividends Per Share	2.13
Forward Dividend Payout Ratio	155.1%
3-yr Historical Dividend CAGR	3.0%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	192.7%
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	706.75	53.25
50	1,413.50	106.50
100	2,827.00	213.00
200	5,654.00	426.00
300	8,481.00	639.00
400	11,308.00	852.00
500	14,135.00	1,065.00
1,000	28,270.00	2,130.00
2,000	56,540.00	4,260.00
5,000	141,350.00	10,650.00
10,000	282,700.00	21,300.00
50,000	1,413,500.00	106,500.00
100,000	2,827,000.00	213,000.00

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

Dividend Safety / Cushion **GOOD / 1.8**

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. Boardwalk Pipeline scores a 1.8 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential **GOOD**

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. Boardwalk Pipeline registers an GOOD rating on our scale, and we think the firm's annual dividend will be $2.49 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. Boardwalk Pipeline registers a score of MEDIUM on our scale.

Dividend Track Record **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
Dec-05	0.00	0.0	1.00	0.0%
Dec-06	1.32	0.0	1.85	71.4%
Dec-07	1.74	31.8	1.74	100.0%
Dec-08	1.87	7.5	1.80	103.9%
Dec-09	1.95	4.3	0.88	221.6%
Dec-10	2.03	4.1	1.47	138.1%
Dec-11	2.10	3.4	1.09	192.7%
Dec-12	***2.13***	***1.4***	***1.37***	***155.1%***
Dec-13	*2.22*	*4.0*	*1.46*	*151.3%*
Dec-14	*2.30*	*4.0*	*1.48*	*155.9%*
Dec-15	*2.40*	*4.0*	*1.47*	*163.5%*
Dec-16	*2.49*	*4.0*	*1.43*	*174.0%*

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 Boardwalk Pipeline, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 6-Jul-2012

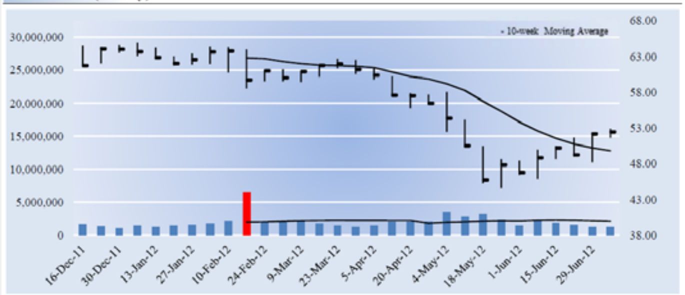
Buckeye Partners BPL FAIRLY VALUED

Buying Index™ 7 | Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$52.44	$29.00 - $57.00	HEALTHY	GOOD / 1.4	GOOD	7.91%

Buckeye Partners 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	**7.91%**
Annual Dividends per Share	**$4.15**
Initial Annual Div's Paid, $10k Investment	**$791.38**
Dividend Track Record	**HEALTHY**
Dividend Safety	**GOOD**
Valuentum Dividend Cushion™	**1.4**
Dividend Growth Potential	**GOOD**
Risk of Capital Loss	**MEDIUM**
ValueRisk™ (Equity Margin of Safety)	**HIGH**

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.

Company Vitals

Market Cap (USD)	$4,760
Avg Weekly Vol (30 wks)	1,982
30-week Range (USD)	44.55 - 64.95
Valuentum Sector	Energy
Last Fiscal Year Revenue	4,760
Last Fiscal Year EPS	1.20
Last Fiscal Year EBITDA	482
Forward Revenue Growth (5-yr)	4.4%
Forward EPS Growth (5-yr)	21.3%

Dividend Vitals

Current Annual Dividend Yield %	7.9%
Annual Dividends Per Share	4.15
Forward Dividend Payout Ratio	145.2%
3-yr Historical Dividend CAGR	4.6%
15-yr Historical Dividend CAGR	6.0%
3-yr Hist Median Div Payout Ratio	232.1%
15-yr Hist Median Div Payout Ratio	106.6%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,311.00	103.75
50	2,622.00	207.50
100	5,244.00	415.00
200	10,488.00	830.00
300	15,732.00	1,245.00
400	20,976.00	1,660.00
500	26,220.00	2,075.00
1,000	52,440.00	4,150.00
2,000	104,880.00	8,300.00
5,000	262,200.00	20,750.00
10,000	524,400.00	41,500.00
50,000	2,622,000.00	207,500.00
100,000	5,244,000.00	415,000.00

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

Dividend Safety / Cushion **GOOD / 1.4**

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Buckeye Partners scores a 1.4 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential **GOOD**

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. Buckeye Partners registers an GOOD rating on our scale, and we think the firm's annual dividend will be $4.85 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. Buckeye Partners registers a score of MEDIUM on our scale.

Dividend Track Record **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	1.72	0.0	1.91	90.1%
Dec-98	2.10	22.1	1.92	109.4%
Dec-99	2.18	3.8	2.82	77.3%
Dec-00	2.40	10.1	2.38	100.8%
Dec-01	2.45	2.1	2.55	96.1%
Dec-02	2.50	2.0	2.64	94.7%
Dec-03	2.54	1.6	1.05	241.9%
Dec-04	2.64	3.9	2.75	96.0%
Dec-05	2.83	7.2	2.69	105.2%
Dec-06	3.03	7.1	2.64	114.8%
Dec-07	3.23	6.6	3.03	106.6%
Dec-08	3.43	6.2	3.13	109.6%
Dec-09	3.63	5.8	1.84	197.3%
Dec-10	3.83	5.5	1.65	232.1%
Dec-11	4.03	5.2	1.20	335.8%
Dec-12	***4.15***	***3.0***	***2.86***	***145.2%***
Dec-13	*4.32*	*4.0*	*3.42*	*126.1%*
Dec-14	*4.49*	*4.0*	*3.36*	*133.7%*
Dec-15	*4.67*	*4.0*	*3.26*	*143.1%*
Dec-16	*4.85*	*4.0*	*3.14*	*154.6%*

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 Buckeye Partners, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 7-Sep-2012

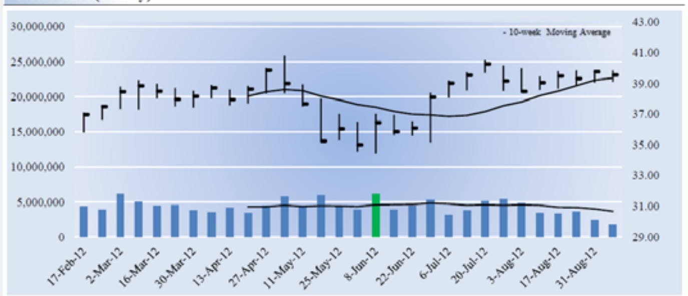
Linn Energy LINE FAIRLY VALUED

Buying Index™ 6 | Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$39.54	$30.00 - $78.00	HEALTHY	GOOD / 2	GOOD	7.33%

Linn Energy 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	**7.33%**
Annual Dividends per Share	**$2.90**
Initial Annual Div's Paid, $10k Investment	**$733.43**
Dividend Track Record	**HEALTHY**
Dividend Safety	**GOOD**
Valuentum Dividend Cushion™	**2.0**
Dividend Growth Potential	**GOOD**
Risk of Capital Loss	**MEDIUM**
ValueRisk™ (Equity Margin of Safety)	**VERY HIGH**

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)	$6,830
Avg Weekly Vol (30 wks)	4,260
30-week Range (USD)	34.43 - 40.8
Valuentum Sector	Energy
Last Fiscal Year Revenue	1,622
Last Fiscal Year EPS	2.54
Last Fiscal Year EBITDA	718
Forward Revenue Growth (5-yr)	29.4%
Forward EPS Growth (5-yr)	-7.3%

Dividend Vitals	
Current Annual Dividend Yield %	7.3%
Annual Dividends Per Share	2.90
Forward Dividend Payout Ratio	235.4%
3-yr Historical Dividend CAGR	4.8%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	-101.6%
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	988.50	72.50
50	1,977.00	145.00
100	3,954.00	290.00
200	7,908.00	580.00
300	11,862.00	870.00
400	15,816.00	1,160.00
500	19,770.00	1,450.00
1,000	39,540.00	2,900.00
2,000	79,080.00	5,800.00
5,000	197,700.00	14,500.00
10,000	395,400.00	29,000.00
50,000	1,977,000.00	145,000.00
100,000	3,954,000.00	290,000.00

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

Dividend Safety / Cushion **GOOD / 2**

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. Linn Energy scores a 2 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential **GOOD**

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. Linn Energy registers an GOOD rating on our scale, and we think the firm's annual dividend will be $3.52 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. Linn Energy registers a score of MEDIUM on our scale.

Dividend Track Record **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
Dec-04	0.00	0.0	-0.14	0.0%
Dec-05	0.00	0.0	-2.03	0.0%
Dec-06	1.15	0.0	2.47	46.6%
Dec-07	2.18	89.6	-5.29	-41.2%
Dec-08	2.52	15.6	7.23	34.9%
Dec-09	2.52	0.0	-2.48	-101.6%
Dec-10	2.55	1.2	-0.80	-318.8%
Dec-11	2.70	5.9	2.51	107.6%
Dec-12	***2.90***	***7.4***	***1.23***	***235.4%***
Dec-13	*3.05*	*5.0*	*1.79*	*170.3%*
Dec-14	*3.20*	*5.0*	*1.95*	*163.6%*
Dec-15	*3.36*	*5.0*	*1.93*	*173.5%*
Dec-16	*3.52*	*5.0*	*1.74*	*203.0%*

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 Linn Energy, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

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

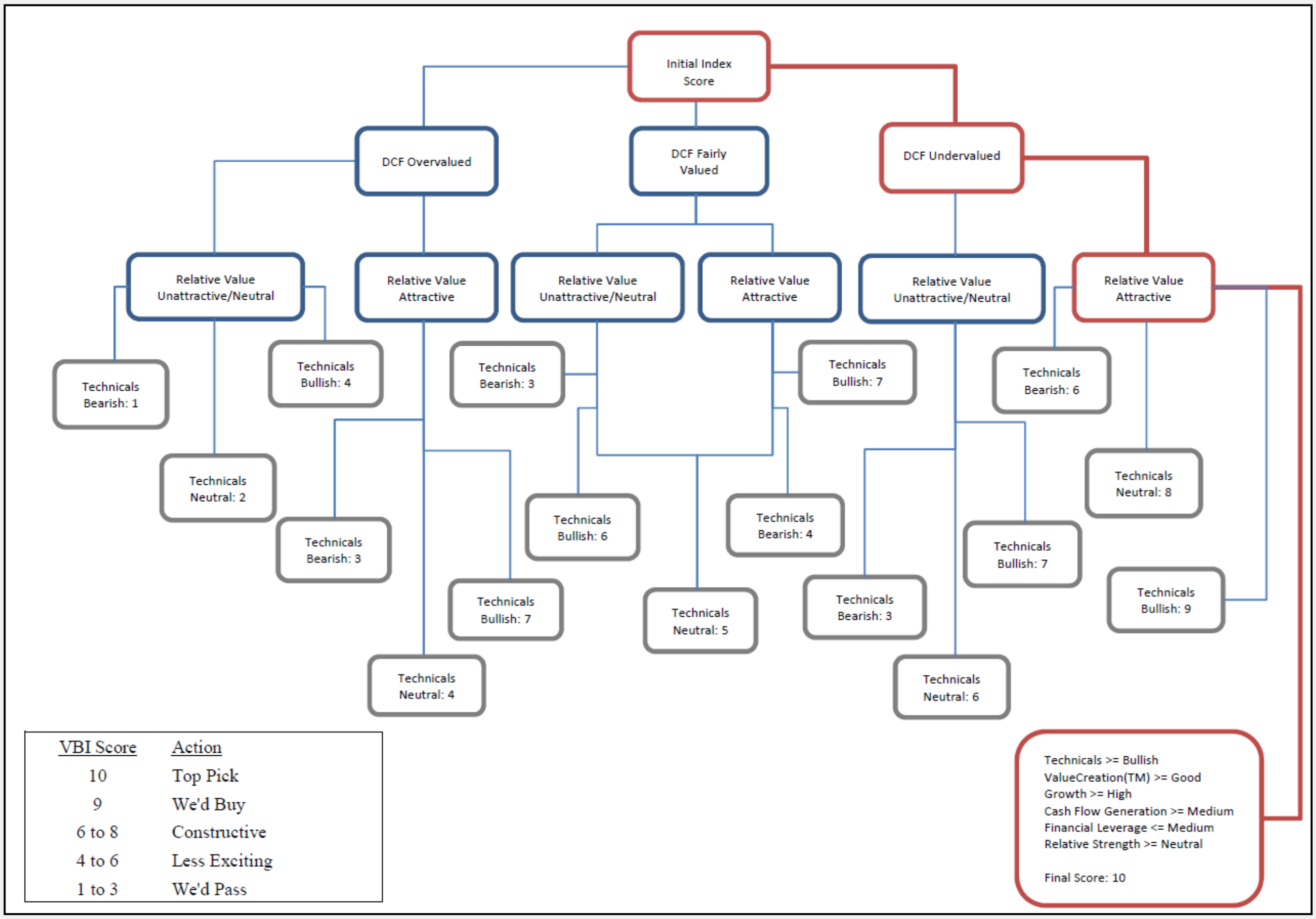
Once we have estimated a firm's intrinsic value on the basis of our discounted cash-flow process, determined if it is undervalued according to its firm-specific margin of safety bands, and assessed whether it has relative value versus industry peers, we then evaluate the company's technical and momentum 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.)



Valuentum Dividend Growth Newsletter: Volume 1, Issue 10

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).

For general information about Valuentum's products and services, please contact us at info@valuentum.com.