Valuentum Securities, Inc.

"From Value Through Momentum Investing"
Why Our Methodology Works
www.valuentum.com

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American Association of Individual Investors, Chicago Chapter

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About the Speaker

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

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Agenda

- What Is Valuentum Investing
- Stock Selection Methodology
- On Value Investing
  - Discounted Cash Flow Process
  - Forward Price/Earnings and PEG Ratios
- On Technical/Momentum Investing
  - Moving Averages, Money Flow Indices
  - Accumulation/Distribution; Upside/Downside Volume & Relative Strength
- Why Valuentum Investing Works
  - Was Warren Buffett A Valuentum Investor?
- Dividend Analysis
- Investment Research Services

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What Is Valuentum Investing

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.

-- Brian Nelson, President, Valuentum Securities, 2011

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But Why Do We Think This?

- Stock prices are determined by deep-pocketed institutional money-managers and corporations
- These buyers/sellers use a variety of tools to make a decision
- Understanding all of the tools that these buyers and sellers use to make decisions is vital to anticipating future stock prices
- Their tools center on:
  - Value (growth is a component of value)
  - Competitive Analysis (Buffett's moat, ROIC)
  - Momentum (including technical analysis)

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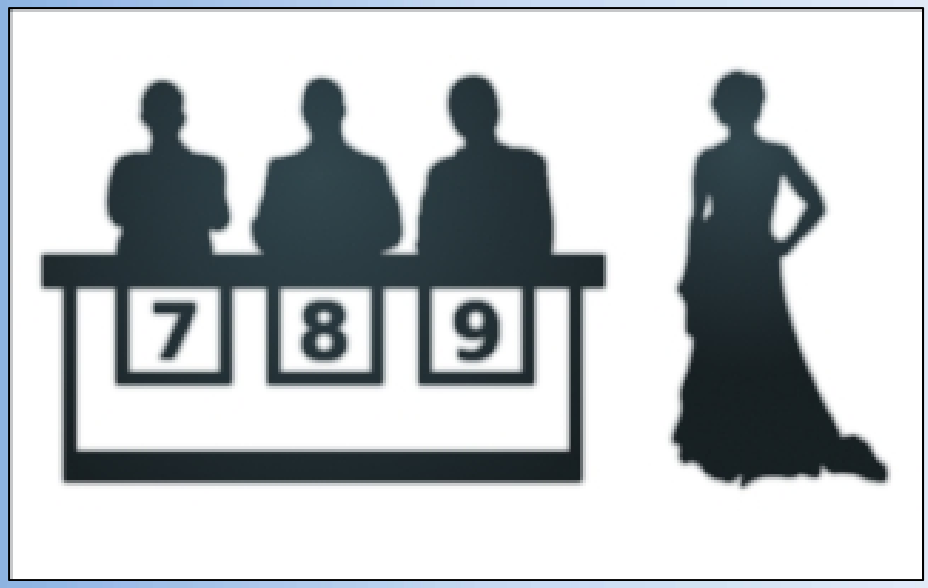
John Maynard Keynes' Beauty Contest



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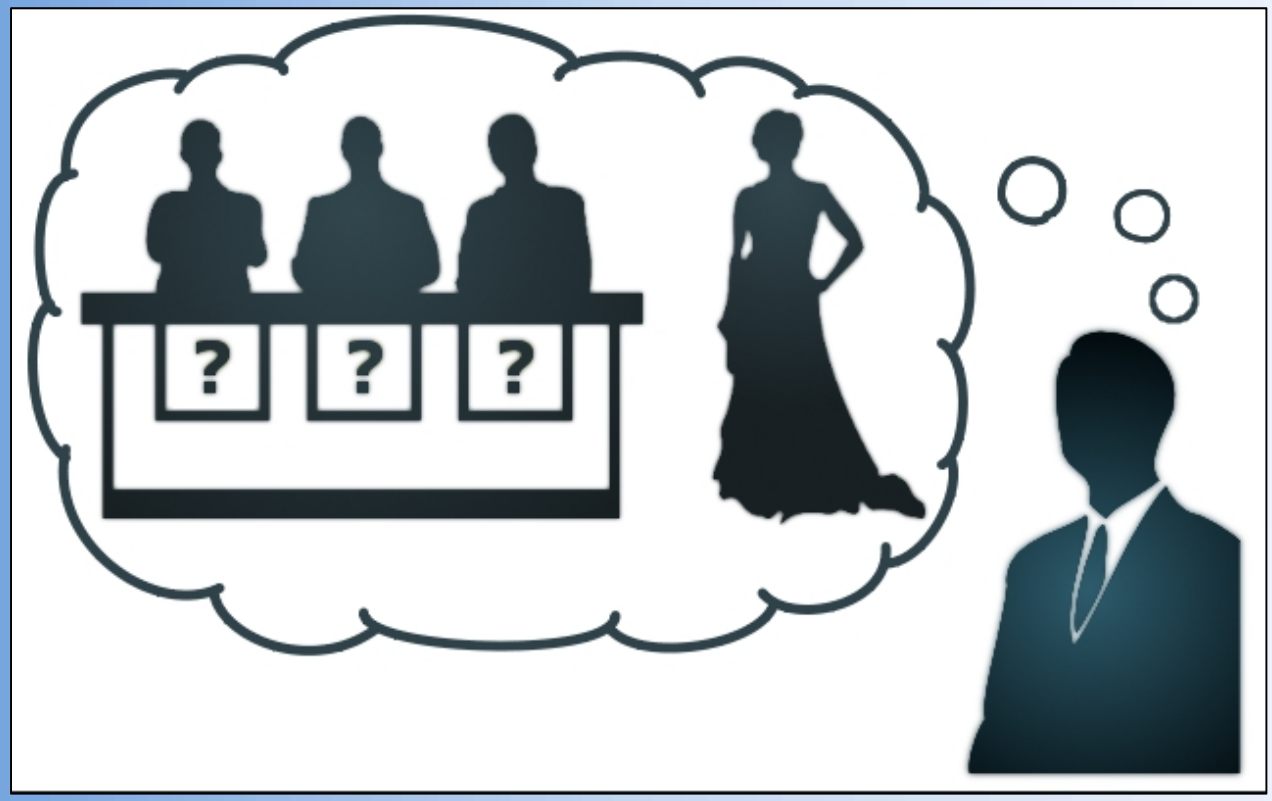
John Maynard Keynes' Beauty Contest



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The Valuentum Investor

- Not Value Investing – Benjamin Graham
- Not Growth Investing – T. Rowe Price, Jr.
- Not GARP Investing – Peter Lynch
- Not Momentum Investing – Richard Driehaus

- But "Valuentum" Investing
  - Finding technically-attractive growth stocks that are trading at deep discounts to intrinsic value and their peers.

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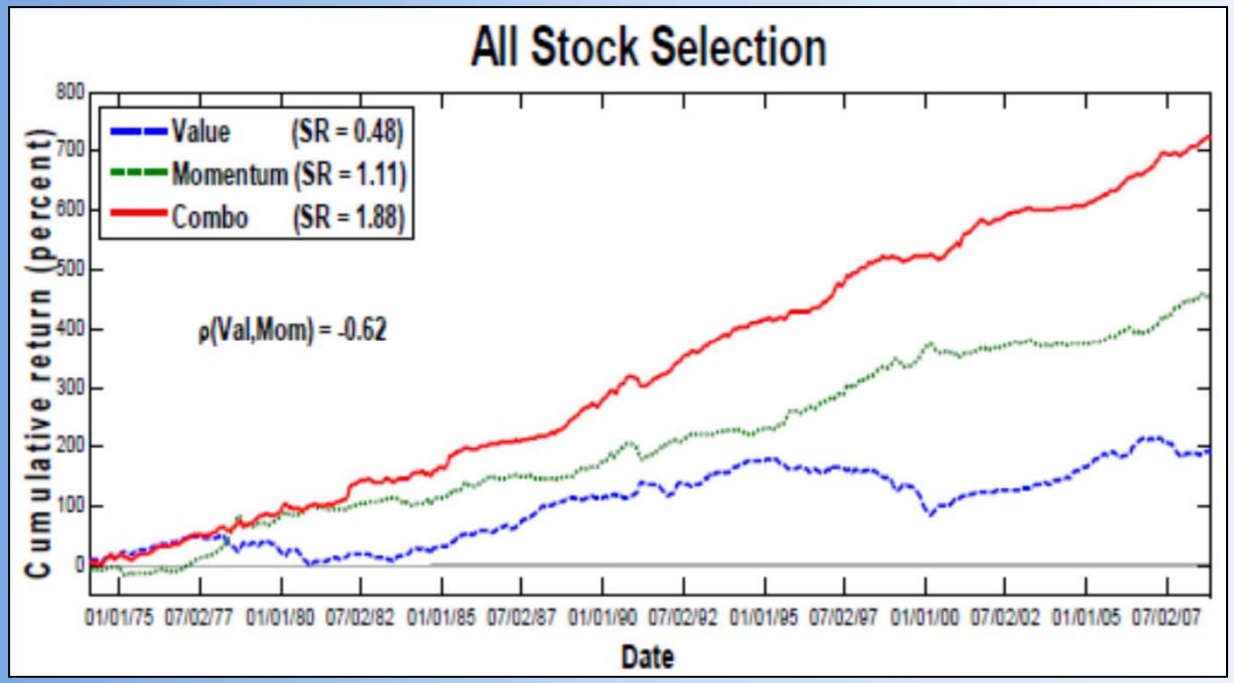
Historical Back-testing

- The benefits of a combined value-momentum portfolio have been well-documented in academic literature.



Source: Asness, et al (2009)

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How Valuentum Stocks in the DJIA Outperformed

- Our approach identified the best- and worst-performing portfolios (Jan 1995 - May 2012).

Momentum (LR - SR)	Value (LR - SR)	Combined (LR - SR)
321.0%	72.9%	426.7%

* LR = Long Return; SR = Short Return

Source: Nelson (2012)

Portfolio	Return
Valuentum Long Average	776.7%
Momentum Long Average	672.3%
Value Long Average	548.2%
Data Universe Average	511.8%
Data Universe Median	482.9%
Growth Long Average	475.3%
Weak Momentum Long Average	351.3%
Valuentum Short Average	350.0%

Source: Nelson (2012)

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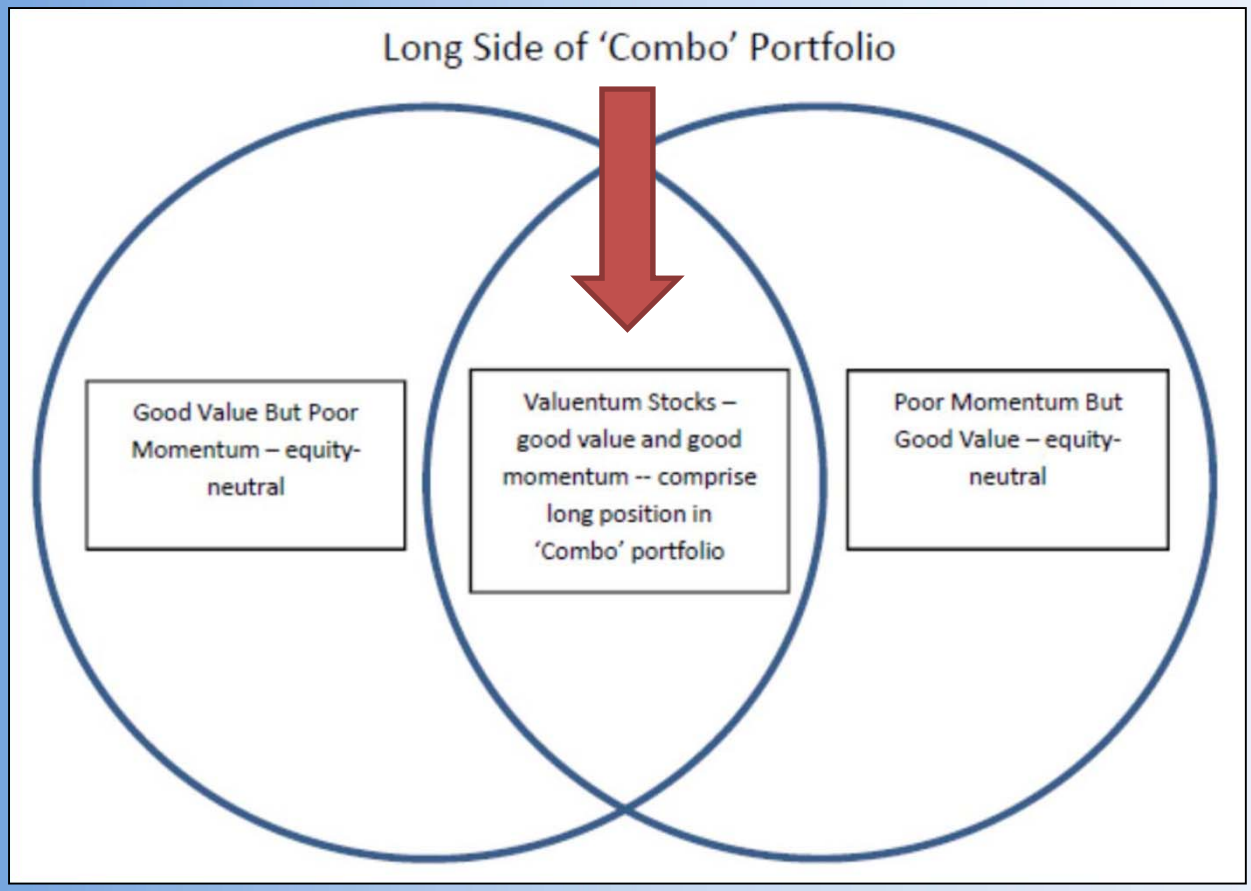
We Focus on the Sweet Spot



Source: Nelson (2012)

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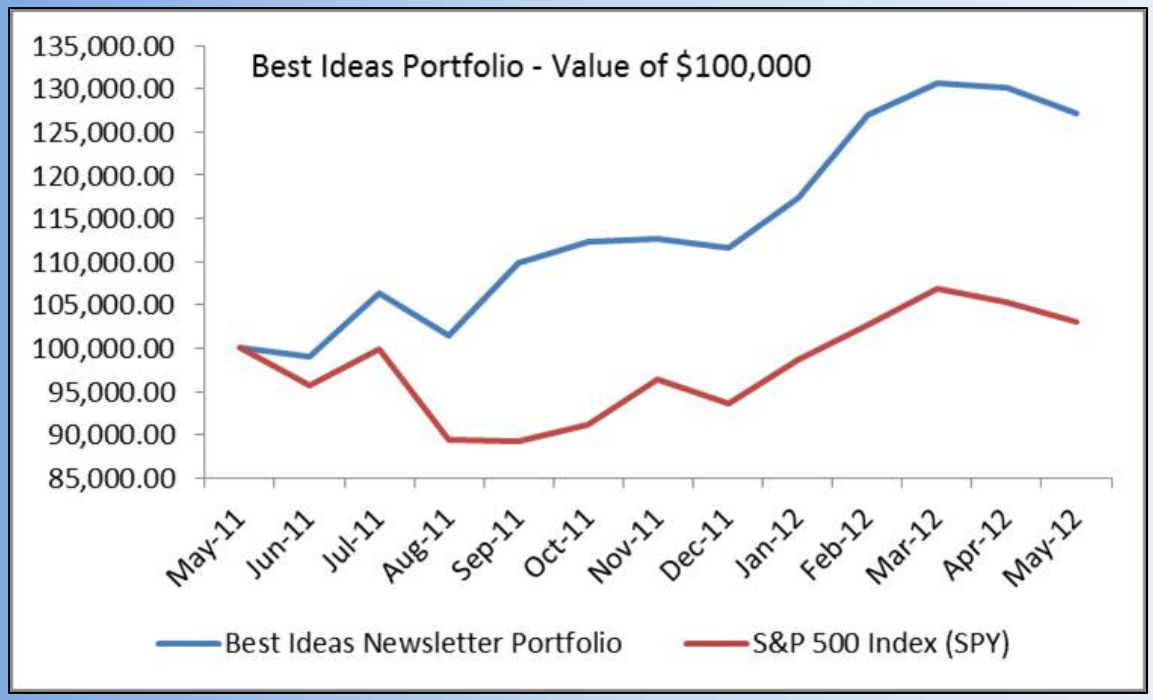
Empirical Evidence Reinforces Academia

- Our Best Ideas portfolio continues to outperform against a broad market benchmark…in a big way.



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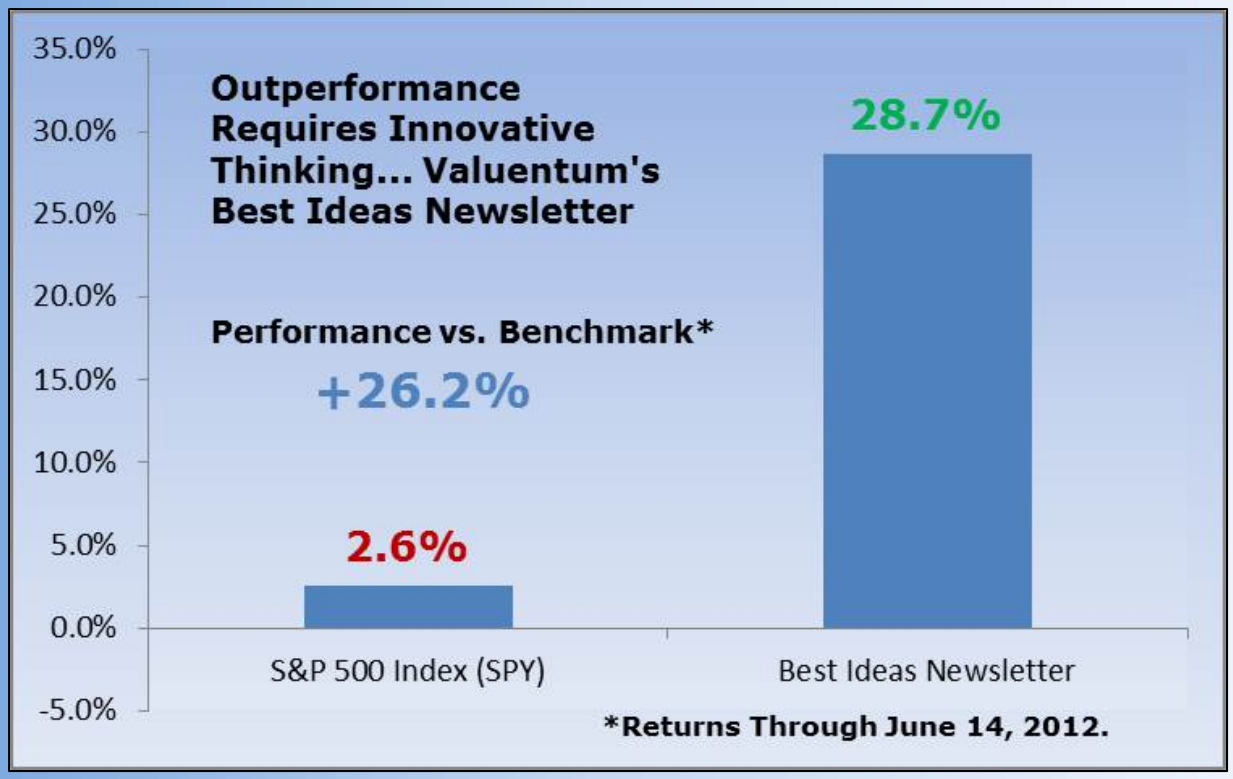
The Performance of Our Best Ideas Newsletter



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How Do We Identify Firms with Both Good Value and Good Momentum Characteristics?

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Our Valuentum® Buying Index™

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. 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.

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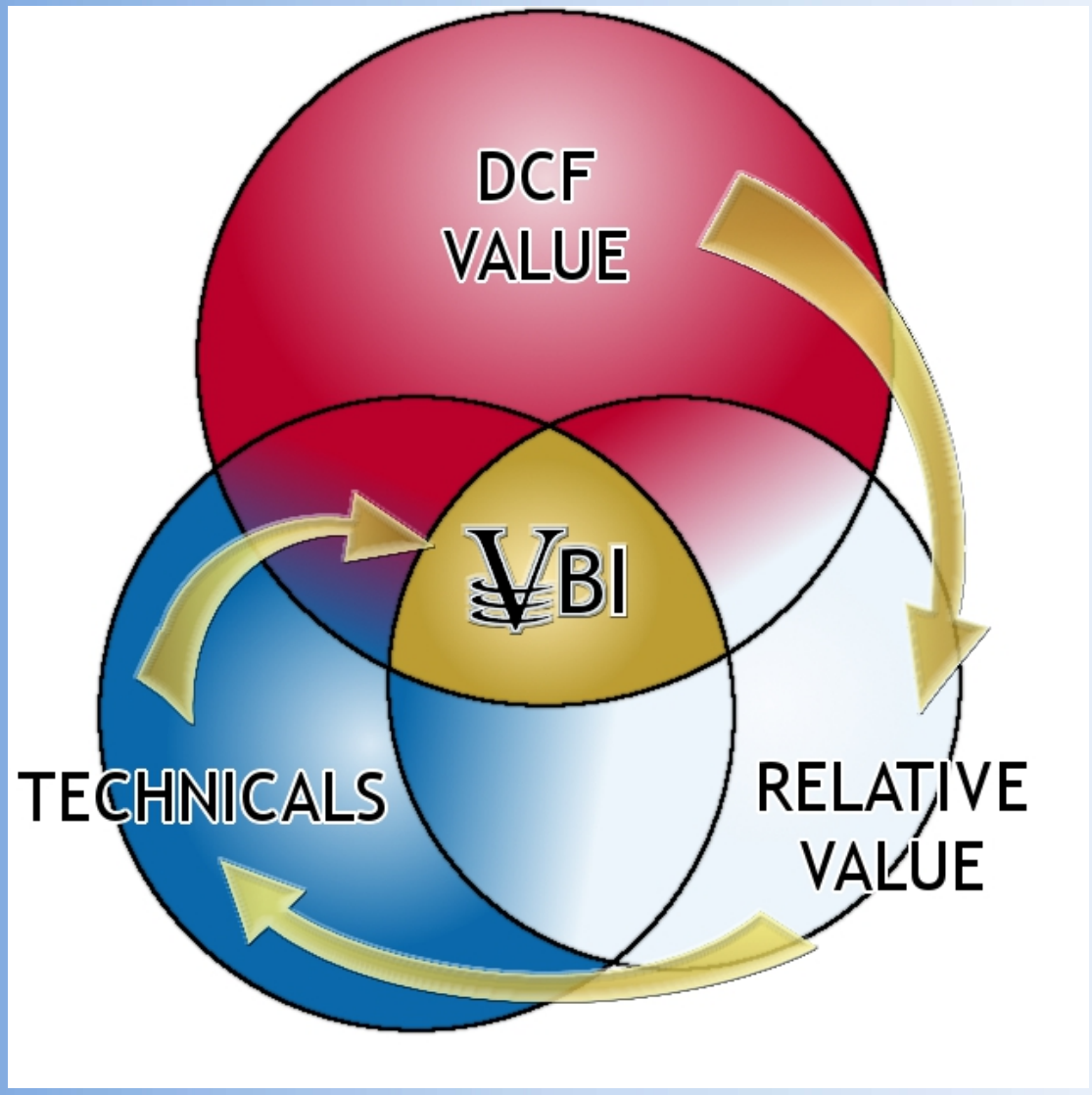

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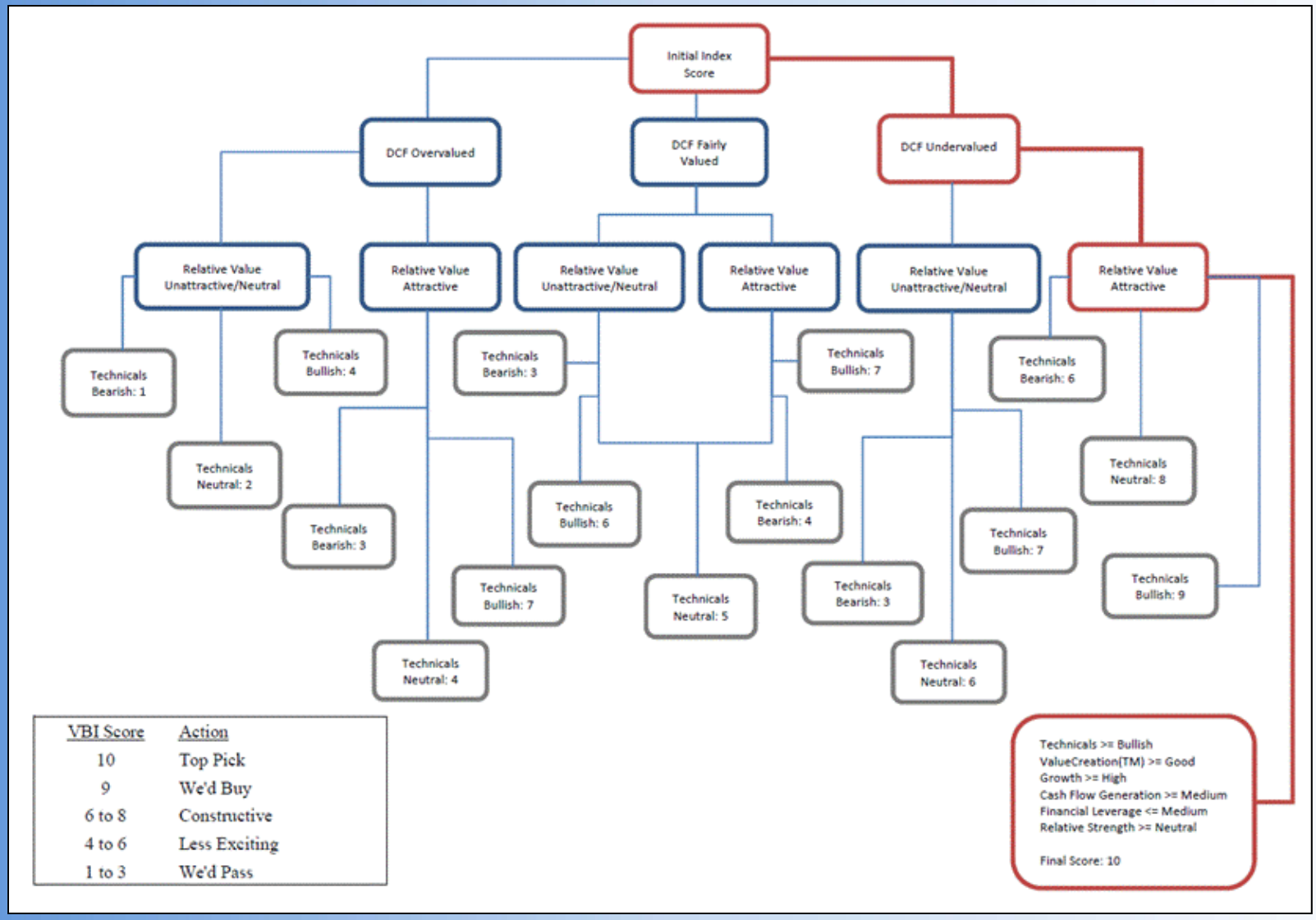

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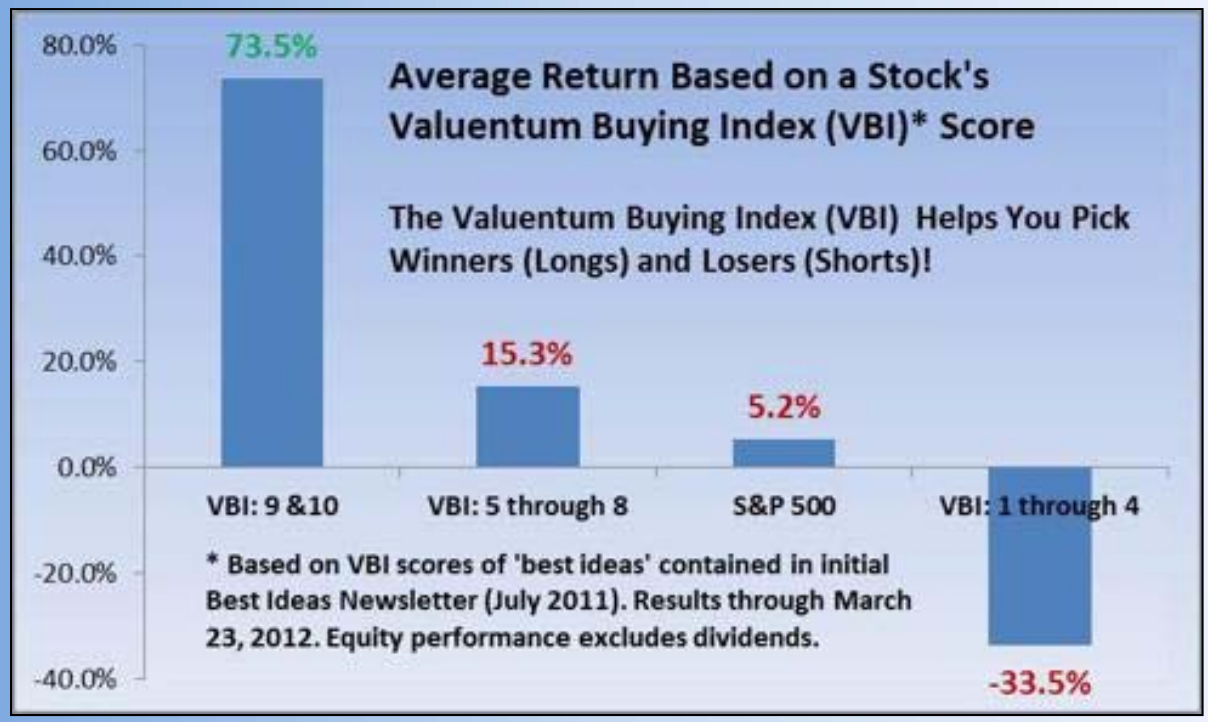
The Performance of Our Valuentum® Buying Index™



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On Value Investing

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The Value Trigger: DCF Analysis

Intrinsic value represents the conclusion to any and all stock research: What is the company worth? DCF valuation captures the expectations of a firm's competitive advantages, growth prospects, strategic endeavors, and any other qualitative factor. No other process does this. Putting to numbers a plethora of advanced fundamental items in arriving at a fair value estimate is the cornerstone--and the most critical component--of any stock research analysis. Without an in-depth intrinsic-value assessment, research is but a story that has no ending.

-- Brian Nelson, President, Valuentum Securities, 2011

- We believe that only through the flexibility of a DCF process can advanced fundamental thoughts be appropriately incorporated into a fair value estimate.

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Why Use DCF Analysis?

- The intrinsic value of any asset is based on the discounted future free cash flows generated by that asset.
- We believe the ability of firms to generate returns (ROIC) above their respective cost of capital (WACC) is the best way to assess shareholder value creation. A DCF process allows us to compare historical and projected ROIC with a firm's WACC.
- We need a baseline estimate of intrinsic value.
- Certain industry groups may become overvalued or undervalued as a whole. Estimating intrinsic value helps to mitigate pitfalls caused by relative value assessments within industry groups.

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Our DCF Process Explained

FILL OUT FORM IN YOUR FOLDER TO RECEIVE OUR DCF VALUATION MODEL LEARNING TOOL BY EMAIL FREE!

- We use a three-phase discounted cash-flow model.
- Our analysts form explicit forecasts for companies over the next five years, populating all financial statement items. This represents the first phase of our model.
- During the second phase of our process, return on new invested capital fades to a firm's weighted average cost of capital, as we assume competition eats into outsize returns.
- The third phase of our model is a standard perpetuity function.
- We discount these future cash flows by a firm's cost of capital and adjust for the company's capital structure and other items to arrive at an equity value for each firm.

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Our DCF Process Is Second to None

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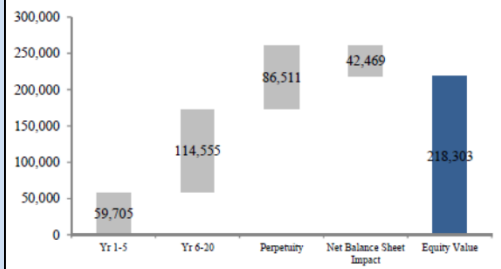
Valuation Assumptions	
In Millions of USD (except for per share items)	5-year Projections
Revenue CAGR %	4.3%
Avg. EBIT Margin %	5.8%
Avg. Cash Tax Rate %	32.2%
Earnings Before Interest CAGR %	3.6%
Earnings Per Share CAGR %	8.9%
Free Cash Flow to the Firm CAGR %	11.4%
Earnings before interest = Net operating profits less adjusted taxes	Long-term Projections
Phase II --> III FCFF CAGR %	2.8% (II) 3% (III)
Cost of Equity %	9.8%
After-tax Cost of Debt %	5.0%
Discount Rate (WACC) %	8.9%
Synthetic credit spread = 3%	Results
Phase I Present Value	59,705
Phase II Present Value	114,555
Phase III Present Value	86,511
Total Firm Value	260,772
Net Balance Sheet Impact	-42,469
Total Equity Value	218,303
Diluted Shares Outstanding	3,670.0
Fair Value per Share	$59.00

Enterprise Free Cash Flow	---------- Actual ----------		
Fiscal Year End:	1/31/2009	1/31/2010	1/31/2011
Earnings before Interest	13,122	16,105	16,767
+ Depreciation	6,739	7,157	7,641
- Capital Expenditures	11,499	12,184	12,699
- Change in Working Capital	-871	-2,659	1,030
- Acquisitions	738	0	202
Enterprise Free Cash Flow (FCFF)	8,495	13,737	10,477

In Millions of USD

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Wal-Mart and the break down to the firm's total equity value, which we estimate to be about 218.3USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our $59 per share fair value estimate.



In Millions of USD

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Next: Estimating an Appropriate Margin of Safety, Our ValueRisk™ Rating

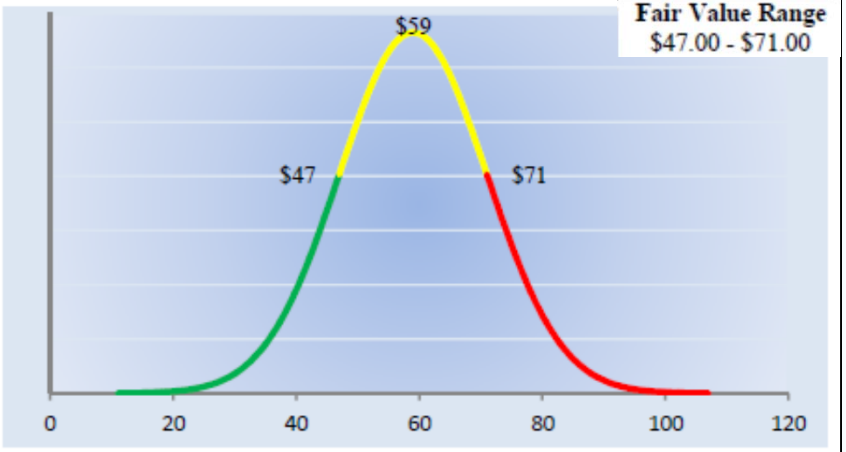
ValueRisk™	LOW
Wal-Mart receives a ValueRisk™ rating of LOW based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.	
Revenue Volatility	4.3%
Gross Margin Volatility	5.8%
Earnings (EBI) Volatility	12.9%
Cash Flow (FCFF) Volatility	46.6%
Fair Value Range	20.0%

The Fair Value Range sets the premium or discount on our estimate of the firm's fair value.

Upside and Downside Probabilities	
Probability (fair value < $0)	Less than 0.1%
Probability (fair value > 2x current share price)	0.00%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

Range of Potential Outcomes



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about $59 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future was known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRisk™ rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for Wal-Mart . We think the firm is attractive below $47 per share (the green line), but quite expensive above $71 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

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Why Use a Margin of Safety?

"If the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values."

-- Brian Nelson, President, Valuentum Securities, 2011

- We look for stocks that are trading at a discount to our estimate of their fair values and use our ValueRisk™ rating to set an appropriate margin of safety.
- The higher the volatility of key valuation drivers (like earnings and cash flow), the higher the ValueRisk™ rating and wider the margin of safety we assign to the stock.
- This ensures that we're buying stocks that are truly cheap--not only relative to their intrinsic value but also relative to the risks inherent to their business models.

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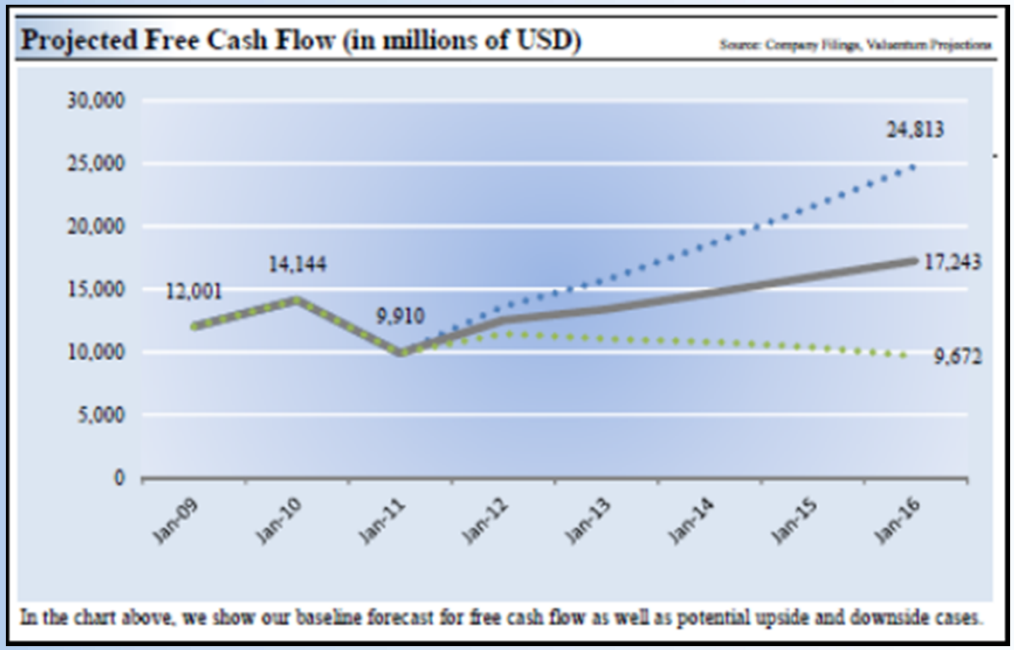
Why Use a Margin of Safety? -- continued

The value of scenario analysis cannot be overestimated in today's market environment. Understanding the upside and downside of every investment opportunity is critical to attaining outperformance while minimizing risk.

-- Brian Nelson, President, Valuentum Securities, 2011



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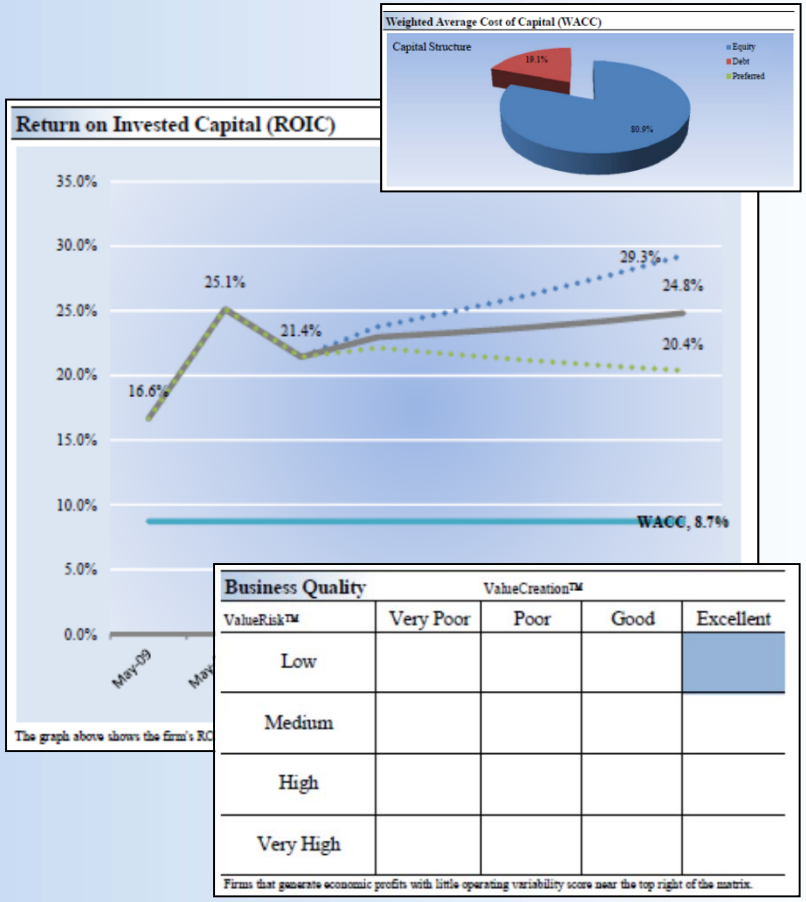
Next: A Focus on Economic Value (ROIC)

- We seek to identify firms that are earning at least their cost of capital, have done so for years, and are expected to do so long into the future.
- Our ValueCreation™ and ValueTrend™ ratings focus on the gap between ROIC and a firm's WACC, and the trend in this gap over time, respectively.
- Our Business Quality matrix provides evidence of the strength and sustainability of the competitive advantages of firms -- based on a cross section of their ValueCreation™ and ValueRisk™ ratings.



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Why ROIC? Isn't EPS Just as Good?

- Return on invested capital measures the return on the operating assets of a business. It considers the capital costs of generating the firm's earnings stream, and therefore represents a pure measure of a company's ability to generate economic value.
- Without considering the costs of the earnings growth achieved, investors fall short of judging whether the firm is actually creating value for them. Earnings growth at any price is a recipe for disaster.
- If a company's cost of acquiring capital (WACC) is 8%, we expect it to invest this capital in projects that generate returns (ROIC) well in excess of 8%. The bigger and more sustainable this ROIC-WACC spread is, the more valuable growth is to investors.

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Next: A Relative Value Assessment of Each Company Versus Its Peers

Relative Valuation	Forward P/E	PEG	Price / FV
General Dynamics	8.4	2.9	83.7%
Lockheed Martin	9.8	2.6	114.2%
Northrop Grumman	7.6	32.5	76.3%
Raytheon	8.5	2.7	113.5%
Peer Median	8.4		
Boeing	**14.1**		

Price / FV = Current Stock Price divided by Estimated Fair Val

Relative Valuation	Forward P/E	PEG	Price / FV
Campbell Soup	14.0	1.5	110.5%
Dean Foods	14.4	1.7	100.7%
Kellogg	14.3	2.6	110.9%
Kraft Foods	15.3	1.8	74.9%
	14.4	1.7	105.6%
	14.7	**2.0**	**101.8%**

Estimated Fair Value

Relative Valuation	Forward P/E	PEG	Price / FV
CSX Corp	13.3	1.5	102.2%
Kansas City Southern	23.3	2.3	115.9%
Norfolk Southern	14.0	1.8	106.6%
Union Pacific	15.6	1.8	107.2%
Peer Median	14.8	1.8	106.9%
Canadian National	**16.3**	**2.5**	**121.0%**

Price / FV = Current Stock Price divided by Estimated Fair Value

Company Metrics versus Peer and Industry Medi

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E	EPS	year	Forward EV/EBITDA	EBITDA	ward per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Eli Lilly	**6**	**8.7**		**9.9**	**NMF**	**5.5**	**6.1**	**-4.7%**	**55.5%**	**5.2%**	**90.3%**
Abbott Laboratories	6	11.4		10.5	1.6	7.6	7.0	10.5%	27.4%	3.6%	80.8%
Bristol-Myers Squibb	4	13.7		14.0	3.4	7.0	7.3	5.0%	-21.2%	4.2%	142.5%
Merck	6	9.0		9.4	1.9	4.7	4.7	63.5%	10.0%	4.9%	74.0%
Pfizer	9	8.6		9.1	1.4	5.6	5.7	14.0%	25.6%	4.1%	72.8%
Peer Median	6.0	10.2		10.0	1.8	6.3	6.4	12.2%	17.8%	4.1%	77.4%
Industry Median	6.0	9.0		9.9	1.8	5.6	6.1	10.5%	25.6%	4.2%	80.8%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.

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Why is Relative Value Important?

- We assess a firm's relative value on the basis of its forward price-to-earnings ratio and its price-earnings-to-growth (PEG) ratio. If both of these measures are attractive relative to peers, we view the firm undervalued from a relative standpoint.
- By identifying firms that are trading at a significant discount based on our DCF process and are trading at a discount relative to its peer group, we gain conviction in our valuation analysis of the firm.
- We understand investors make decisions based on a relative-value process, and these decisions move the market. Armed with this knowledge, we hope to identify firms that are attractive to the entire value-investor community—DCF and relative value--to capitalize on increased buyer interest.

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Why Value Investing Alone Doesn't Work

Example 1: Hewlett Packard (HPQ)

- Analysis from a Star-Rating Firm Based in Chicago, as of Nov 22, 2011
  - Forward P/E: 6.5
  - DCF Value: $40
  - Star Rating: **5 stars**
  - Equivalent of Buy
- Analysis from Valuentum, as of Nov 11, 2011
  - Forward P/E: 5.6
  - DCF Value: $38
  - VBI Rating: 6
  - Constructive/**Less Exciting**
  - PEG Ratio was worst in peer group!

Image Source: BigCharts

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Why Value Investing Alone Doesn't Work

Example 2: Radio Shack (RSH)

- Analysis from a Star-Rating Firm Based in Chicago, as of Jan 27, 2012
  - Forward P/E: 8.6
  - DCF Value: $15
  - Star Rating: **4 stars (was 5 immediately prior)**
  - Equivalent of Buy
- Analysis from Valuentum, as of Oct 28, 2011
  - Forward P/E: 9.7
  - DCF Value: $18
  - VBI Rating: 3
  - **We'd Pass**
  - Technicals were very bearish!
  - Investors cannot ignore technical/momentum analysis.

Image Source: BigCharts

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On Momentum Investing

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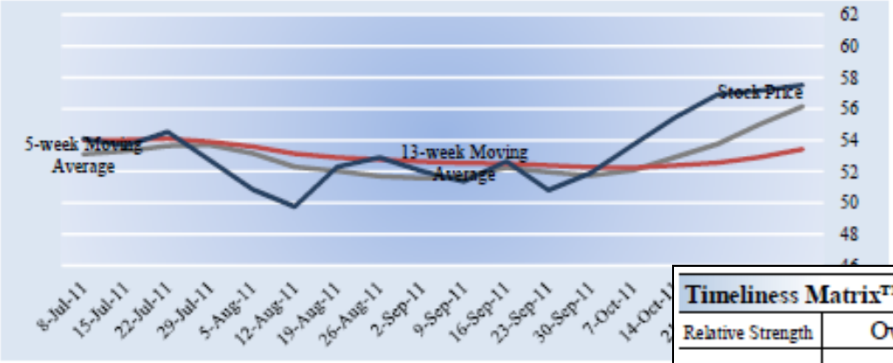
A Technical/Momentum Assessment

Technical Evaluation **BULLISH**



The firm's near-term moving average (5-week, grey line) and n
average (13-week, red line) are shown in the chart above. Typic
term moving average crosses a medium- or longer-term moving a
represents a bullish signal. If the short-term moving average crosse
often view this as bearish. Wal-Mart 's 5-week moving average
week measure, indicating a BULLISH trend. We'd grow wary of
should its 5-week moving average drop below its 13-week moving

Timeliness Matrix™ Equity Valuation

Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. Although Wal-Mart has outperformed the market during the past 13 weeks, we don't find its valuation compelling enough to initiate a position. We'd wait for a better entry point in the stock.

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Key Technical Indicators

- Moving Averages - Typically, when a shorter-term moving average crosses a medium- or longer-term moving average from below, it represents a bullish signal. If the short-term moving average crosses from above, traders often view this as bearish.
- Money Flow Index - The Money Flow Index (MFI) is an oscillator that uses price and volume to measure buying and selling pressure. Chartists often look for overbought (above 80) and oversold (below 20) levels to warn of unsustainable near-term price extremes.

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Key Technical Indicators, cont.

- Accumulation/Distribution - A heavy accumulation (buying) or distribution (selling) week often determines the future near-term direction of the firm's share price, as money managers continue to move in or out of the stock in the days and weeks ahead driving the stock up or down, respectively.
- Upside/Downside Volume - The level and trend of the Upside/Downside (U/D) volume ratio reveals whether institutional participation has been bullish or bearish as of late.

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Key Technical Indicators, cont.

- Relative Price Strength
  - Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors.

Timeliness Matrix™	Equity Valuation		
Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

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Isn't Technical/Momentum Analysis Voodoo?

- Technical analysis, or chart-reading, is in part a self-fulfilling prophecy. And we seek to capitalize on such market forces, but only after identifying the most undervalued, growth stocks that we expect to generate significant value for shareholders in the future.
- We believe our methodology—**as a whole**—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.
- With a technical analysis and momentum overlay, we increase the probability that our best ideas will realize their true intrinsic value, while minimizing downside risks and exposure to "falling knives."

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Why Momentum Investing Alone Doesn't Work

Example: Netflix (NFLX): VBI Rating of 1

- **Investors Cannot Ignore Valuation Analysis!**

- "Netflix's valuation is a significant market outlier, and we can find little substantiation for its current stock price"

  -- July 26, 2011, Valuentum Securities; *Netflix's Valuation: Completely Absurd, Significantly Overvalued*

Quote Source: http://seekingalpha.com/article/281777-netflix-s-valuation-completely-absurd-significantly-overvalued

Image Source: BigCharts

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Why Valuentum Investing Works

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Example 1: EDAC Tech (EDAC)

VBI Rating of 9

Image Source: BigCharts

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Example 2: Apple (AAPL)

VBI Rating of 10

Image Source: BigCharts

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Example 3: AMR Corp

VBI Rating of 1

Image Source: BigCharts

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Was Warren Buffett a Valuentum Investor?

- Mr. Buffett has invested in undervalued stocks that have generated significant outperformance over time.
- By definition, these stocks have had both good value and good momentum characteristics.
- The Oracle of Omaha's outperformance in part can be attributed to the Valuentum Style of Investing!

A Young Warren Buffett

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Top 5 Ranked Valuentum Stocks*

- Google (GOOG)
- AAR Corp (AIR)
- Broadcom (BRCM)
- Cisco (CSCO)
- EDAC Tech (EDAC)

*As of October 8, 2012

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On Dividends

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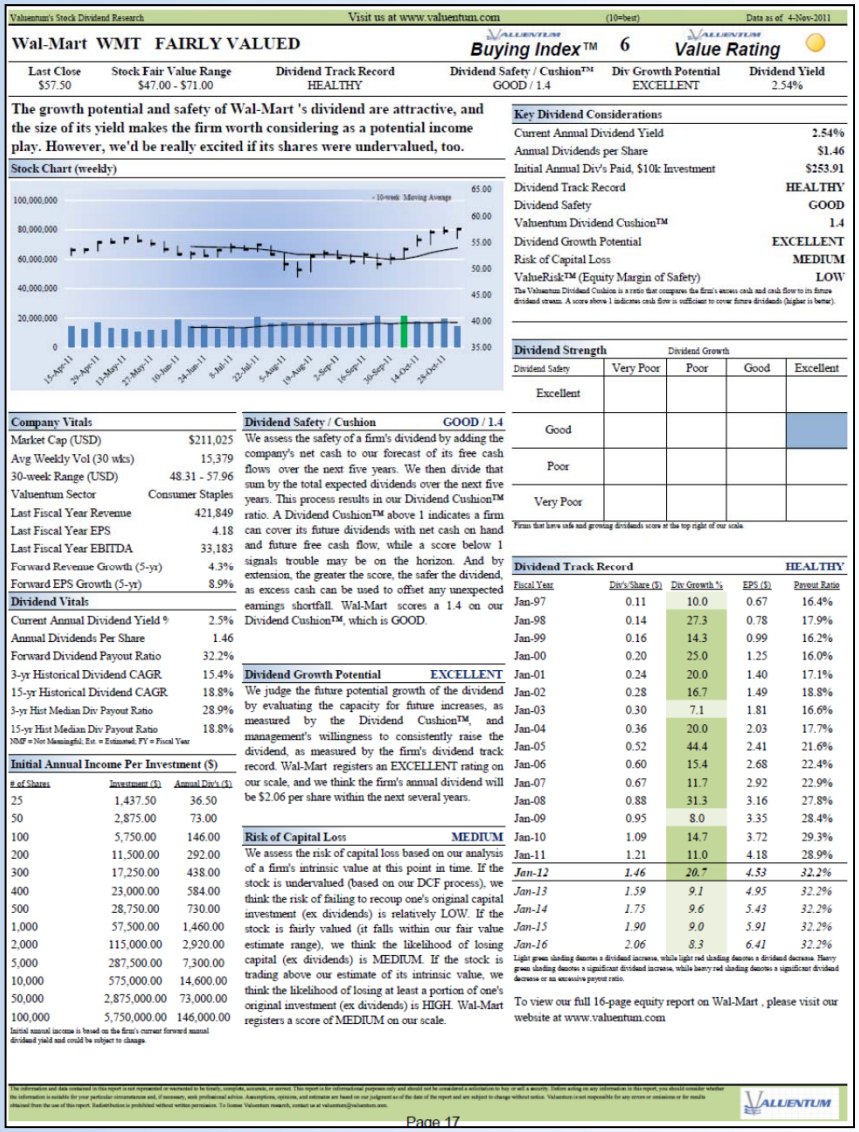
- Our Dividend Reports Assess the Growth and Safety of a Company's Dividend
- Our evaluation is forward-looking, insightful and systematically applied across our coverage universe



Valuentum's Stock Dividend Research — Visit us at www.valuentum.com — (10=best) — Data as of 4-Nov-2011

Wal-Mart WMT FAIRLY VALUED

Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$57.50	$47.00 - $71.00	HEALTHY	GOOD / 1.4	EXCELLENT	2.54%

The growth potential and safety of Wal-Mart 's dividend are attractive, and the size of its yield makes the firm worth considering as a potential income play. However, we'd be really excited if its shares were undervalued, too.

Stock Chart (weekly)

Key Dividend Considerations

Current Annual Dividend Yield	2.54%
Annual Dividends per Share	$1.46
Initial Annual Div's Paid, $10k Investment	$253.91
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.4
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

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

Dividend Strength

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

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

Company Vitals

Market Cap (USD)	$211,025
Avg Weekly Vol (30 wks)	15,379
30-week Range (USD)	48.31 - 57.96
Valuentum Sector	Consumer Staples
Last Fiscal Year Revenue	421,849
Last Fiscal Year EPS	4.18
Last Fiscal Year EBITDA	33,183
Forward Revenue Growth (5-yr)	4.3%
Forward EPS Growth (5-yr)	8.9%

Dividend Vitals

Current Annual Dividend Yield ®	2.5%
Annual Dividends Per Share	1.46
Forward Dividend Payout Ratio	32.2%
3-yr Historical Dividend CAGR	15.4%
15-yr Historical Dividend CAGR	18.8%
3-yr Hist Median Div Payout Ratio	28.9%
15-yr Hist Median Div Payout Ratio	18.8%

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

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,437.50	36.50
50	2,875.00	73.00
100	5,750.00	146.00
200	11,500.00	292.00
300	17,250.00	438.00
400	23,000.00	584.00
500	28,750.00	730.00
1,000	57,500.00	1,460.00
2,000	115,000.00	2,920.00
5,000	287,500.00	7,300.00
10,000	575,000.00	14,600.00
50,000	2,875,000.00	73,000.00
100,000	5,750,000.00	146,000.00

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. Wal-Mart scores a 1.4 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Wal-Mart registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.06 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. Wal-Mart registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jan-97	0.11	10.0	0.67	16.4%
Jan-98	0.14	27.3	0.78	17.9%
Jan-99	0.16	14.3	0.99	16.2%
Jan-00	0.20	25.0	1.25	16.0%
Jan-01	0.24	20.0	1.40	17.1%
Jan-02	0.28	16.7	1.49	18.8%
Jan-03	0.30	7.1	1.81	16.6%
Jan-04	0.36	20.0	2.03	17.7%
Jan-05	0.52	44.4	2.41	21.6%
Jan-06	0.60	15.4	2.68	22.4%
Jan-07	0.67	11.7	2.92	22.9%
Jan-08	0.88	31.3	3.16	27.8%
Jan-09	0.95	8.0	3.35	28.4%
Jan-10	1.09	14.7	3.72	29.3%
Jan-11	1.21	11.0	4.18	28.9%
Jan-12	*1.46*	*20.7*	*4.53*	*32.2%*
Jan-13	*1.59*	*9.1*	*4.95*	*32.2%*
Jan-14	*1.75*	*9.6*	*5.43*	*32.2%*
Jan-15	*1.90*	*9.0*	*5.91*	*32.2%*
Jan-16	*2.06*	*8.3*	*6.41*	*32.2%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an unsustainable payout ratio.

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

Page 17

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Predicting Dividend Cuts: The Valuentum® Dividend Cushion™

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 newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of w business travel, but dividend achieve highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in industry. Loss of investment-grade cr
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue ba $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business uni divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

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

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

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

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

Company Name	Dividend Cushion
Abbott Labs (ABT)	2.3
Coca-Cola (KO)	1.9
Family Dollar (FDO)	4.4
International Business Machines (IBM)	3.7
Johnson & Johnson (JNJ)	2.5
Merck (MRK)	2.5
Molex (MOLX)	2.5
Pepsi (PEP)	1.3
Proctor & Gamble (PG)	1.4
Wal-Mart (WMT)	1.4

Subscribe to Valuentum to monitor the Dividend Cushion of firms you own.

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Our Investment Research Services

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Investment Research Services

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

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

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Competitive Advantages of Valuentum's Approach

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

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