DSR PREMIUM NEWSLETTER

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APRIL 21ˢᵗ, 2023

Dear DSR member,

It is with great pleasure that we present our weekly premium newsletter which is an important component of your subscription to Dividend Stocks Rock.

You may benefit from viewing our video explaining the differences between the Buy List, our ratings, and our portfolio models. You can retrieve this information in the Videos section of the website.

Referral

Feel free to share our ideas with your friends or associates who may benefit from this information. **We would personally consider any referrals you make on our behalf to be the ultimate compliment for our efforts.**

DIVIDEND STOCKS ROCK
INVEST WITH CONVICTION, ENJOY YOUR RETIREMENT

THE DSR STOCK FILTER

This newsletter will be short in words, but powerful in images. The idea of showing you how to build stock filter pre-sets came from members asking me about my "DSR Rockstar list". Since the stock screener is one of the most used and loved tools at DSR, I want to help you build your own pre-sets to take full advantage of this powerful tool. I would like to thank Alan who was amongst the DSR members who reached out to me to ask for a "stock filter newsletter". If you are a DSR PRO member, you can even save these settings for later research!

How stock filters can help you

Stock filters can help you narrow down your research within just a few clicks. There are so many companies and so many investment opportunities that one person cannot see and research them all. By using a stock filter, you can focus on real opportunities for you according to your goals (finding undervalued stocks, safe dividend payers, high-yield stocks, low-yield, high-growth stocks, etc.).

I personally love using the DSR stock screener when I'm looking to buy a new stock. I use "5-minute" filter types to accelerate my research. But I also use it to identify which earnings announcements are coming-up and to perform a quick sector review. Those premade screenings are explained later in this newsletter. But first, keep in mind that stock filters aren't perfect, and you can't just buy any names from a list without performing further research.

Stock filter flaws

Stock filters are powerful tools helping you save time and highlight great companies based on specified financial metrics. However, building a list of companies meeting specific requirements doesn't mean it only includes top-notch stocks (even the rockstar list!). Stock filters show several flaws:

Metrics limited: There is a limit to what numbers can tell you about a stock. Some numbers are great, but they require the right context and analysis. For example, looking for stocks with a low PE ratio could also lead you to find companies that are deeply struggling and where the market has abandoned ship (for good reasons). For example, Annaly Capital Management (NLY) shows a PE ratio of 3.87 but has recently cut its dividend for the third time in the past 5 years.

Based on the past: I love using the dividend triangle metrics (5-yr revenue, EPS, and dividend growth) as a good foundation for most of my research. However, the stock filter only provides me with a picture of the past (what happened in the past 5 years), but no indication of what will happen in the future.

Lack of context (bad numbers): If you filter by payout ratio and set a maximum to 80% for the sake of finding safe dividend payers, you will miss stocks like Brookfield Infrastructure, AbbVie, Granite REIT, Telus, etc. Interestingly, all those companies are known for their dividend growth policy. A better understanding of the calculation of the payout ratio and its context would teach you to not base your decision solely on this percentage.

Too many stocks from the same sector: If you are looking for top performing companies the chances are that many top performers will all come from the "sector of the month". Each year, the economic environment benefits specific sectors. In other words, those companies will look good on "Prom night". This could lead to a lack of diversification since you may only select companies from the same sectors based on those financial metrics.
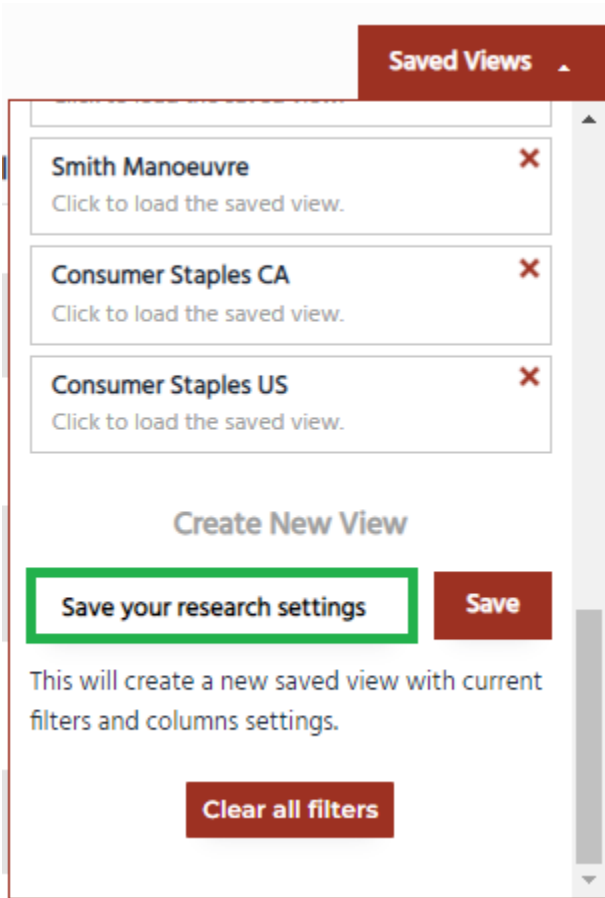
You could think of a growth-based filter applied in 2021-2022 giving you a large list of energy stocks but discarding many technology stocks. While the energy sector benefitted from expensive oil & gas prices to boost their earnings, many semiconductors reported weaker growth due to chip shortages.

Over-reliance on quantitative data at the expense of qualitative analysis. Stock filters can't give you context or additional information found in the stock card for example. It's a tool that should be part of your investment process, but it shouldn't be your only tool. You know what they say when you only have a hammer - everything looks like a nail. A good investment process should count on both quantitative and qualitative analysis.

Save your research settings.

All DSR members have access to the exact same stock filters. However, PRO members can save their research for future use. You can then refine your research process and save it for the next time you need intel to buy a stock. Once you are satisfied with the filters and columns in place, you simply hit the "saved views" button. You can create as many "views" as you want! When selected, the stock filter will show you the up-to-date results of your research based on the metrics and the minimum/maximum values you like.

I've divided the last section of this newsletter into two parts:

5-minutes filters: Those filters will take less than 5 minutes to setup and will instantly provide you with a long list of stocks.

Specific filters: Those filters will help you narrow down your choices to what you really want. They could require additional tweaks to make them specific to your needs.

You can use the same filters and save those views for the next time you are looking for rapid information!

5-MINUTE FILTERS

The idea here is to make a large list of potential stocks. We are talking about more than 100 candidates. You can then add a few metrics or get stricter filters (such as searching by sector) to accelerate your research.

Buy List

Metrics:

- Pro Rating: minimum 4
- Dvd Safety: minimum 3

Definition: This list gives you 258 results as of April 2023. That is the list of all stocks with a buy rating (4 or 5) and a decent dividend increase. We send this list to our PRO members quarterly.

Potential improvements: You can add several columns and download the Excel version ("export as csv" button). This will enable you to do a deep dive in quantitative data and search only amongst companies "liked" at DSR.

Sell List

Metrics:

- Pro Rating: minimum 1
- Pro Rating: maximum 2

Definition: This list gives you 162 results as of April 2023. That is the list of all stocks with a sell rating of 1 or 2. We send this list to our PRO members quarterly. You can use this list to identify falling knives or beaten-up stocks. If you are a risk taker, you might find something of interest in this list. Personally, I don't use it, but many members ask for it.

Potential improvements: Add several columns and download the Excel version ("export as csv" button).

Rock Star List

Metrics:

- Pro Rating: minimum 3
- Dvd Safety: minimum 3
- EPS 5yr AGR: minimum 1
- Rev 5yr AGR: minimum 1
- Dvd 5yr AGR: minimum 5
- Chowder Rule: minimum 8

Definition: This list gives you 323 results as of April 2023. That is the list of all stocks with a decent rating (over 3) and a positive dividend triangle (positive revenue and earnings per share growth over the past 5 years and 5% annualized dividend growth rate). By combining our rating system to the dividend triangle, you have a powerful list of great dividend growers. I added the Chowder Rule to 8 to ensure I find a balance between growth and yield. The Chowder rule adds the stock yield to the company's 5-year dividend growth rate. For example, for a stock paying a 2% yield, it must increase its dividend by 6% annually to be on that list.

Potential improvements: Filter by sectors or by industry (aka sub-sector) for a more specific search. Going into "advanced filters" to add a minimum for the market cap (2000 = minimum $2B) can save you time by skipping small capitalizations (or just focusing on small caps!). You can also save time by selecting "DSR Popular" and get just the stocks that are followed quarterly by DSR.

SPECIFIC FILTERS

The previous section was all about volume. This last section is about specific results. We are tailoring our research to get very few options. The point is to save time and read a limited amount of stock cards to make our choices. **Proceed with caution: the more you add criteria, the more your research becomes data driven.** Never lose the economic and market context while researching a stock to buy.

High yield

Metrics:

- Pro Rating: minimum 3
- Dvd Safety: minimum 3
- Dvd Yield Fwd: minimum 4
- EPS 5yr AGR: minimum 1
- Rev 5yr AGR: minimum 1
- Dvd 5yr AGR: minimum 1
- Payout Ratio: maximum 125
- Cash Payout Ratio: maximum 125

Definition: This list gives you 93 results as of April 2023. That is the list of all stocks with a minimum yield of 4%, but with enough criteria to make sure the dividend is relatively safe (dividend safety + payout ratios). Again, further research will be required, but that's a good list to start with if you are looking to add income to your portfolio.

Potential improvements: Adding a maximum dividend forward yield of 6 and the Chowder Rule at 8-9 would ensure you don't select poor dividend growers.

Undervalued

Metrics:

- Pro Rating: minimum 3
- Dvd Safety: minimum 3
- Dvd Yield Fwd: minimum 1
- P/E: maximum 20
- Payout Ratio: maximum 125
- Cash Payout Ratio: maximum 125
- Value Score: minimum 50
- Chowder Rule: minimum 8

Definition: This list gives you 227 results as of April 2023. We obviously focus on the valuation with minimum ratings of 3. The reason why we use a minimum of 3 is to open the possibilities of stocks that could show an "okay rating" but with otherwise good metrics. It's not because we are not enthusiastic about a stock at DSR that you should automatically toss it. The Value score is powered by Refinitiv and gives a rating from 0 to 100. At 50, we want to find companies that are trading at a lower value than the average.

Potential improvements: In this case, if you add the dividend triangle minimum of 1 (revenue, EPS, and dividend growth), you will build a list of solid dividend growers trading at an interesting price.

Sectors & Industries

One thing I like to do is combine a research type (such as the Rockstar list or buy list) with a specific sector or industry (you can find all the industries in the "advanced filters"). This enables me to do a quick shortcut directly to a short list of stocks that could be interesting.

Other Specific screenings (Earnings date, Ex-Dividend dates, dividend frequency)

Did you know you can identify which stock will report its earnings or pay its dividend this week?

By using the earnings date or Ex-dividend dates, you can sort stocks and know when new information (or payments) will be available. Keep in mind that earnings dates are provided as an estimate and can vary.

The dividend frequency can also be used to find monthly payers (spoiler alert! There are 112 monthly paying stocks in the screener and most of them are REITs).

CONCLUSION

As you can see, the DSR stock screener is a powerful and flexible tool helping you perform your research. I like to use the screener to narrow down my research to 10-30 stocks. The next step is usually to go read the stock cards, put the numbers into more context and look for potential downsides. When you know more about the company's headwinds, you can then feel more comfortable adding it to your portfolio. As my good friend Peter says, "*Know what you own and why you own it!*".

Cheers,

Mike.