

# Zacks Earnings And Dividend Score

## Strategy Objective

The objective of the earnings and dividend score is to outperform a core benchmark on a risk-adjusted basis with minimal turnover by uncovering quality dividend paying companies.

## Methodology Summary

- » **The Earnings and Dividend Score** seeks to uncover the top stocks for inclusion and exclusion using a multi-factor model of financial ratios. These ratios seek to uncover dividend paying companies that not only have consistent and growing earnings and dividend track records, but also have a higher quality of earnings which can lead to a greater likelihood of continued earnings and dividend growth and risk adjusted returns

## Universe

- » **Top 3000 Market Cap Common Stocks**

## Earnings and Dividend Consistency Factor

- » **Consistent** – EPS and Dividend for 10 Years
- » **Growing** – EPS and Dividend for 5 Years
- » **Increasing** – Dividend for Last Quarter
- » **Breakout** – Recent EPS is better than the expected earnings from the growth rate

## Earnings Quality Factor

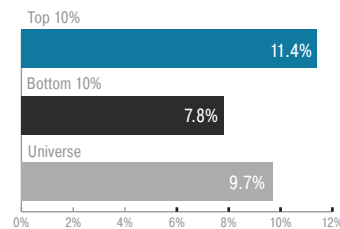
- » **Cash Flow Earnings Growing** – Cash Flow Growing for prior 5 years
- » **Cash Flow Earnings Greater Than Accrued Earnings** – Recent Cash Flow Earnings is greater than Accrued Earnings
- » **Return On Investment** – Return on Assets and Return on Equity increasing for prior 3 years
- » **Asset Turnover Increasing** – Asset Turnover increasing for prior 3 years

## Financial Highlights

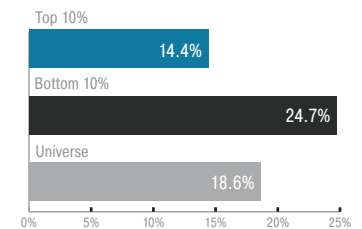
Simulated performance since 2005 the top 10% of companies outperformed with lower volatility while the bottom 10% of companies underperformed with higher volatility.

### Excess Performance

6/30/05 - 2/1/20



### Less Risk

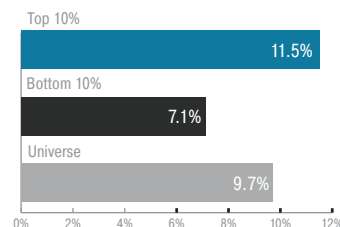


## Multi-Factor Overview

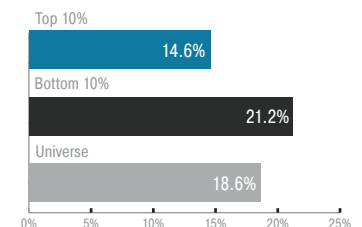
**Earnings and Dividend Consistency Factor** seeks to uncover companies that have stable long term earnings and dividend track records and have shown recent dividend increases.

### Excess Performance

6/30/05 - 2/1/20



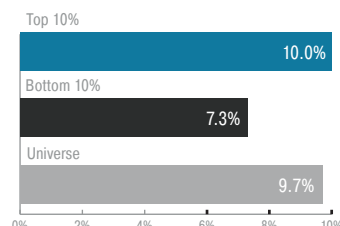
### Less Risk



**Earnings Quality Factor** seeks to uncover companies with improving operating efficiencies and cash flow earnings which then produce sustainable earnings growth and risk adjusted return.

### Excess Performance

6/30/05 - 2/1/20



### Similar Risk

