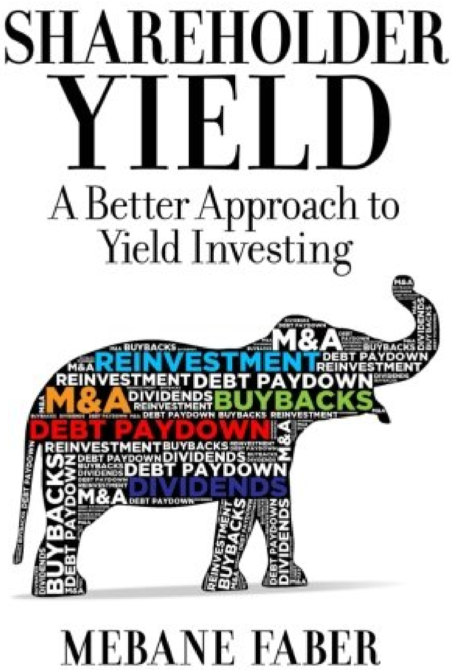
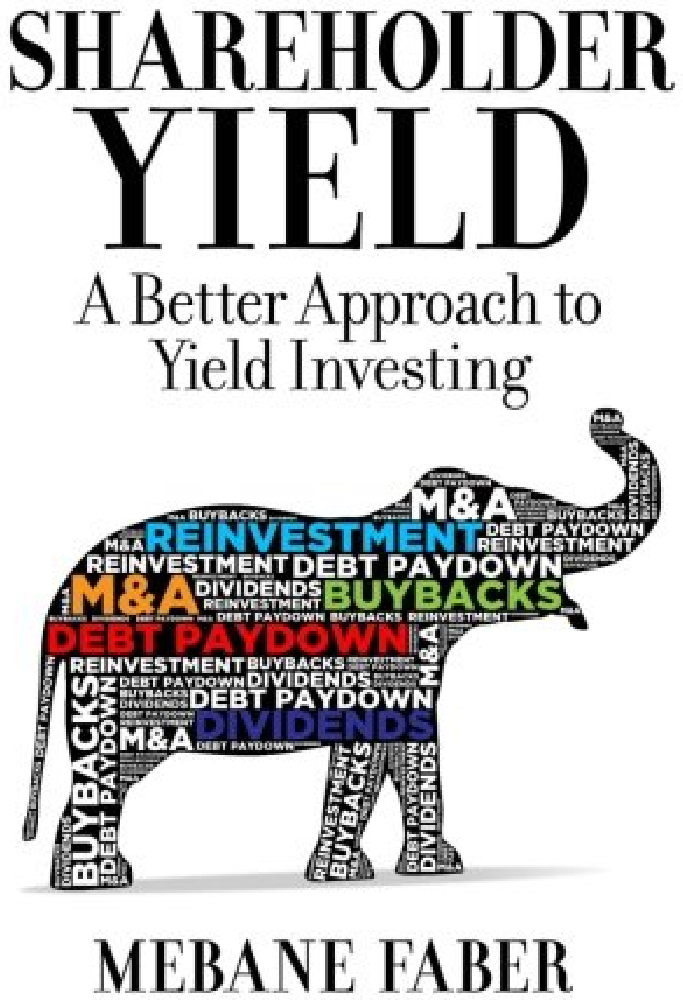
SHAREHOLDER YIELD: A BETTER APPROACH TO DIVIDEND INVESTING BY MEBANE FABER

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A Better Approach to
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By reviewing *Shareholder Yield: A Better Approach To Dividend Investing By Mebane Faber*, you could understand the expertise as well as things even more, not only regarding just what you get from individuals to individuals. Schedule Shareholder Yield: A Better Approach To Dividend Investing By Mebane Faber will certainly be more trusted. As this Shareholder Yield: A Better Approach To Dividend Investing By Mebane Faber, it will really provide you the smart idea to be successful. It is not just for you to be success in certain life; you can be successful in everything. The success can be started by knowing the basic expertise and also do activities.

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Shareholder Yield: A Better Approach to Dividend Investing shows step-by-step how to find returns in a low yield world. Investors have flocked to dividend stocks in search of yield; however, fewer companies are paying out less in dividends due to legal, tax, and structural changes in the US markets. Dividend payments are only one use of a company’s free cash flow; other uses of cash include: share repurchases, debt paydown, reinvestment in the business, and mergers and acquisitions. Consequently, investors in the 21st century must look to all of the direct and indirect ways in which companies distribute their cash to shareholders, a metric commonly referred to as “Shareholder Yield”. In this book, we analyze portfolios based on the various cash flow metrics and find that portfolios of companies with high shareholder yields outperform both broad market indices and high dividend yield portfolios by a substantial margin. With all of the uncertainty in the markets today, Shareholder Yield helps the reader answer one of the most often asked question in investing today - "Where do I find yield"?

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- 58 pages

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100 of 105 people found the following review helpful.
Illuminating and unworkable, maybe.
By Timothy Parker
I'm just an average retail investor, not the sophisticated financial analyst that the author is, so I might have some things wrong here. But, here goes..

The book is a fairly quick read though I did take the time to think about things as I went along and re-read sections to make sure I thought I understood it. The author's main point is that companies return value to shareholders through multiple means: dividends, share buybacks, debt paydown, and investments and aquisitions. He concentrates on the first three, but mentions and then drops the last one. He makes note that due to changes in a 1982 law, more companies are returning value to shareholders by share buybacks, which needs to be taken into account to get a fuller picture. Also, value is returned to shareholders in the paying down of debt, which increases shareholder claims on future earnings. I think I'm getting this right. I found this discussion to be quite illuminating and I started feeling that I really needed to be taking those aspects into account when choosing my purchases. I don't know why he first mentions shareholder returns due to investments and aquisitions and then goes completely silent about those. It left me wondering.

By the end of the book, I was looking forward to trying some of the screens that he suggested in the last chapter. I visited 3 of the, I believe, 4 websites that he said screened for shareholder yield (dividend yield + net buyback yield + net debt paydown yield.) First I went to the Turnkey Analyst website. They have a screener but it is completely opaque and certainly does not screen for Shareholder Yield by itself. Then I went to ValueInvesting.eu. That does have a Shareholder Yield (in name) screener but doesn't include the Net Debt Paydown Yield component. Furthermore it warns about the volatility inherent in the Net Buyback Yield. Hmmm. I then went to YCharts, which for $50 a month, you can play around with what they have. So much for the suggested screeners that I tried.

So I decided to try and evalute my companies based upon the Shareholder Yield concept. The shareholder dividend yield is easy. But how about the Net Buyback Yield? Some years a company might buy back shares, many years they don't. So how can I include the volatile nature of buybacks in my current valuation? Do I use a 10 year average? And what does that mean for what I should do right now? If a company just completed a buyback, do I now sell because I got those returns and I likely won't be getting any more Share Buyback returns for a while? Or do I use that information when evaluating new companies and try to time my purchases to just before a new share buyback starts? Furthermore, take Intel who is currently buying back shares; they borrowed billions to fund the buyback! How is that returning value? Do I limit my investments to only those companies that consistently buy back shares year after year, just like dividends? So I couldn't get this to work so well. Then I looked at debt paydown yield. I could make more sense there, but often companies would take on more debt, sometimes at the same time as they were paying down debt. And often companies take on new debt with no paydown. The author's concept of debt paydown includes the net change in paydown, but it didn't seem to include net increases in debt. If debt paydown is considered returning value to shareholders, shouldn't debt increases be considered taking value from shareholders? After all, a debt increase will *reduce* shareholder claims on future earnings. So it seemed I had to take into account new debt as taking shareholder value, which it didn't seem to me the author takes into account. But often the new debt was used to fund new investments and aquisitions. Now, investments and aquisitions were indeed mentioned, briefly, in the book as a means of returning shareholder value, but it was never incorporated into his final Sharehold yield formula. So I felt I had to extend his concept to take care of that. Well, the more I took all those things into account, the more it looked like his idea of Shareholder Yield ended up just being Free Cash Flow / Market Cap. Is that what this all boils down to? At least THAT would be something I could actually calculate and it does remain more consistent over time.

I'm sure the author would have some input on my comments, perhaps to set things straight. But that's what I got out of it. It certainly served the purpose of making me think more carefully about these things. But, so far, I have found the author's Sharholder Yield concept difficult to use to make better investment choices. In spite of that, I think this is a good book. Well written, an enhanced perspective of shareholder returns, definitly got me thinking and the ideas it contains are worth far more than the purchase price. If you are interested in value investing and are not already well familiar with these ideas, then I recommend you buy it, study it, and do what you can to incorporate the concepts into your own analyses. I'll be reading it again.

22 of 23 people found the following review helpful.
Recommended
By Manoj Padki
This is a review of Shareholder Yield: A Better Approach to Dividend Investing by Mebane Faber, a well-written book packed with information, more of a White Paper really, which took me less than an hour to finish.

It starts with a hilarious poem about the six wise men from Indostan, each of whom perceives one aspect of the elephant & mistakes it for the whole. (A very minor quibble: the story comes from the Jain tradition, not Hindu or Buddhist.)

The main conclusion of the book is that a portfolio consisting of stocks screened for high "Shareholder Yield" outperforms the markets (has a positive Alpha, in industry parlance) - without taking on additional risk (at least as measured by standard deviation of returns). Shareholder Yield is defined as the sum of three factors: dividend yield, net share buybacks (buybacks minus new stock issuance) and net debt pay-down. The author systematically walks us through each of these three factors and presents evidence that each factor individually adds Alpha to the portfolio. And to top it off, he presents evidence that combining the three factors outperforms each of the three individual factors.

The introduction quotes Warren Buffett that the main financial job of a CEO is allocating capital. That is the whole idea behind this book as well, from the perspective of an investor looking to outperform the market. The three aforementioned factors are the levers that a CEO has to return value to the shareholder by way of allocating capital.

The data presented are only from 1982 to 2012, a relatively short time-period for measuring the success of an investment strategy. This is mainly because a key law was changed in 1982, which led to share buybacks becoming more and more popular tools for capital allocators.

Overall the book is highly recommended for a short and concise presentation of a focused investment strategy.

6 of 6 people found the following review helpful.
Fresh way to look at investing
By Shep Buckman
Meb Faber is definitely continuing his fresh views on ways to invest. The Ivy Portfolio changed my views on long-term investing and this book has also made me see things in a new light. I'd always known that dividends make up the majority of returns over time, but it was interesting to see how this can be improved upon by adding share buybacks and other metrics. Definitely worth a read as shareholder yield is a subject gaining momentum on Wall Street as an "up and coming" strategy.

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