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Disclaimer



This presentation is for informational purposes and is not an offer to sell. Any investment involves significant risks, and past market conditions may not resemble future market conditions.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT, DO NOT INVOLVE FINANCIAL RISK OR REFLECT ACTUAL TRADING BY ANY ACCOUNT UNDER ACTUAL MARKET CONDITIONS AND THEREFORE DO NOT REFLECT THE IMPACT THAT ECONOMIC AND MARKET FACTORS MAY HAVE HAD ON THE ADVISOR'S INVESTMENT DECISIONS FOR THAT ACCOUNT. NO REPRESENTATION IS MADE THAT CIMI'S PERFORMANCE WOULD HAVE BEEN THE SAME AS SUCH SIMULATED HAD CIMI BEEN IN EXISTENCE DURING SUCH TIME. ANOTHER LIMITATION IS THAT INVESTMENT DECISIONS REFLECTED IN THE SIMULATED RESULTS CANNOT COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK ON THE MANNER IN WHICH AN ACCOUNT WOULD HAVE BEEN MANAGED. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO AFFECT ACTUAL TRADING RESULTS. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL RESULTS AND THE ACTUAL RECORD SUBSEQUENTLY ACHIEVED. THE SIMULATED RESULTS DO NOT TAKE INTO ACCOUNT ENHANCEMENTS THAT MAY BE MADE TO THE PROPRIETARY COMPUTER MODELS OVER TIME. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKET IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY BE ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL SIMULATED PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. ALL RESULTS ARE GROSS OF ALL TRADING AND MANAGEMENT FEES

About Cambria

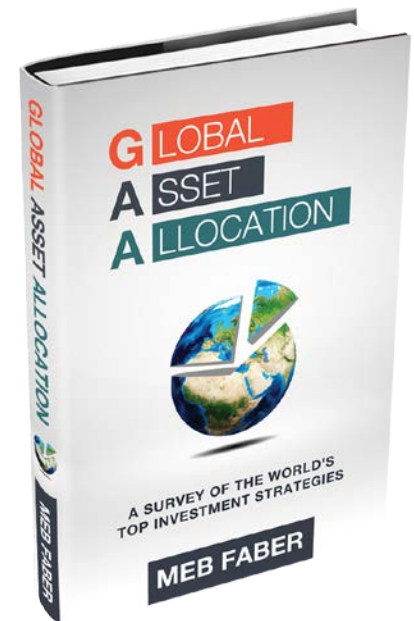
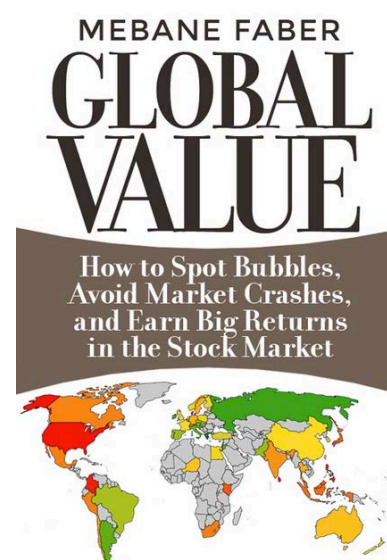
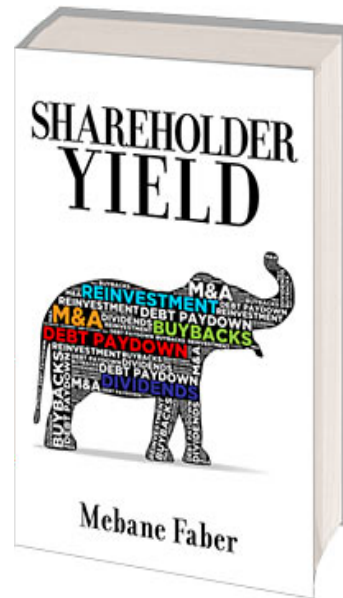
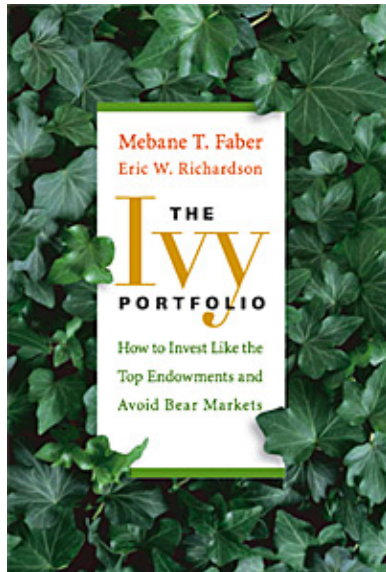


- SEC RIA founded 2006
- \$450+ million across
 - Individual accounts
 - Active and Passive ETFs
- Disrupt traditional high fee investing

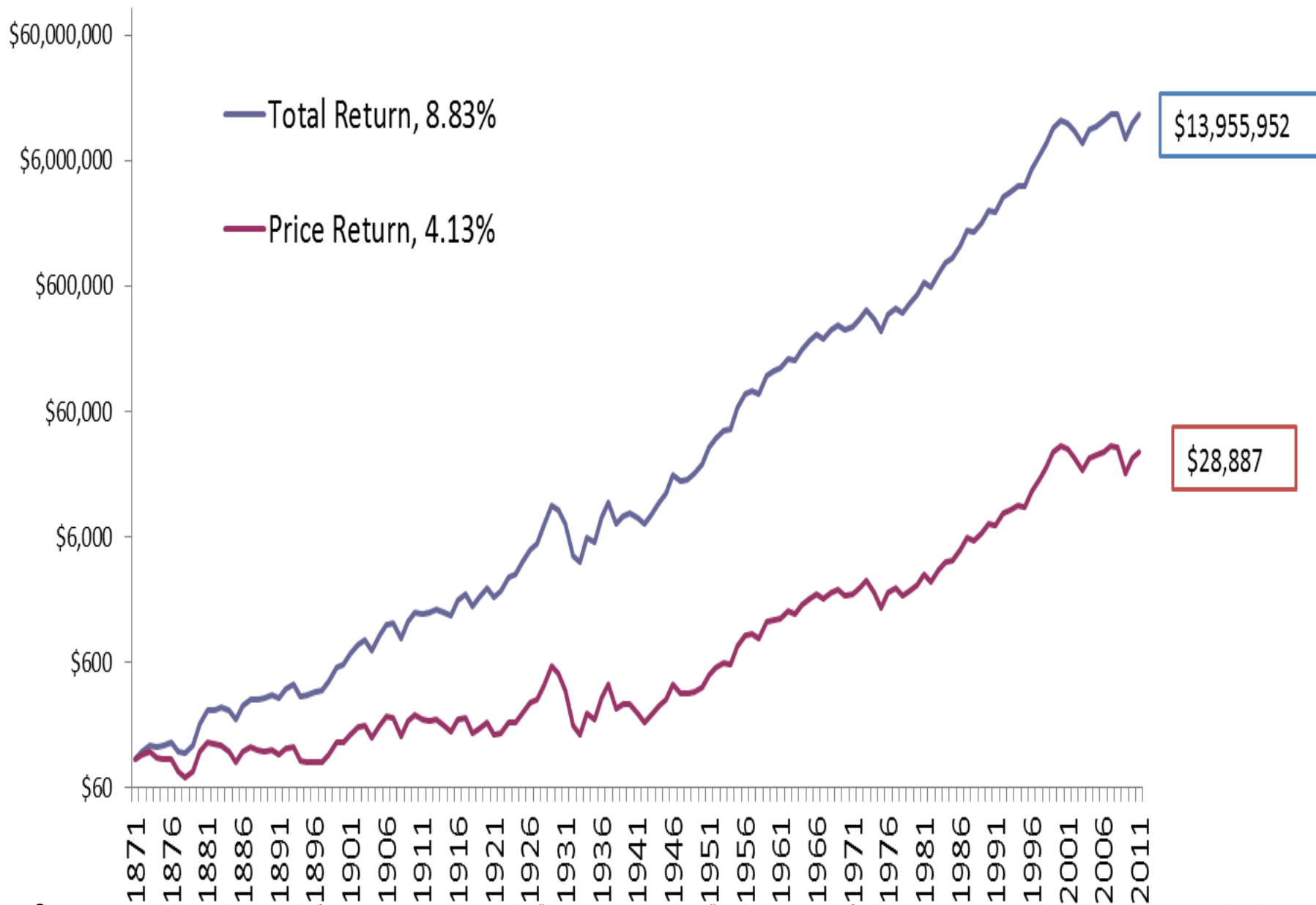


Blog: MebFaber
Work: CambriaFunds
Ideas: TheIdeaFarm

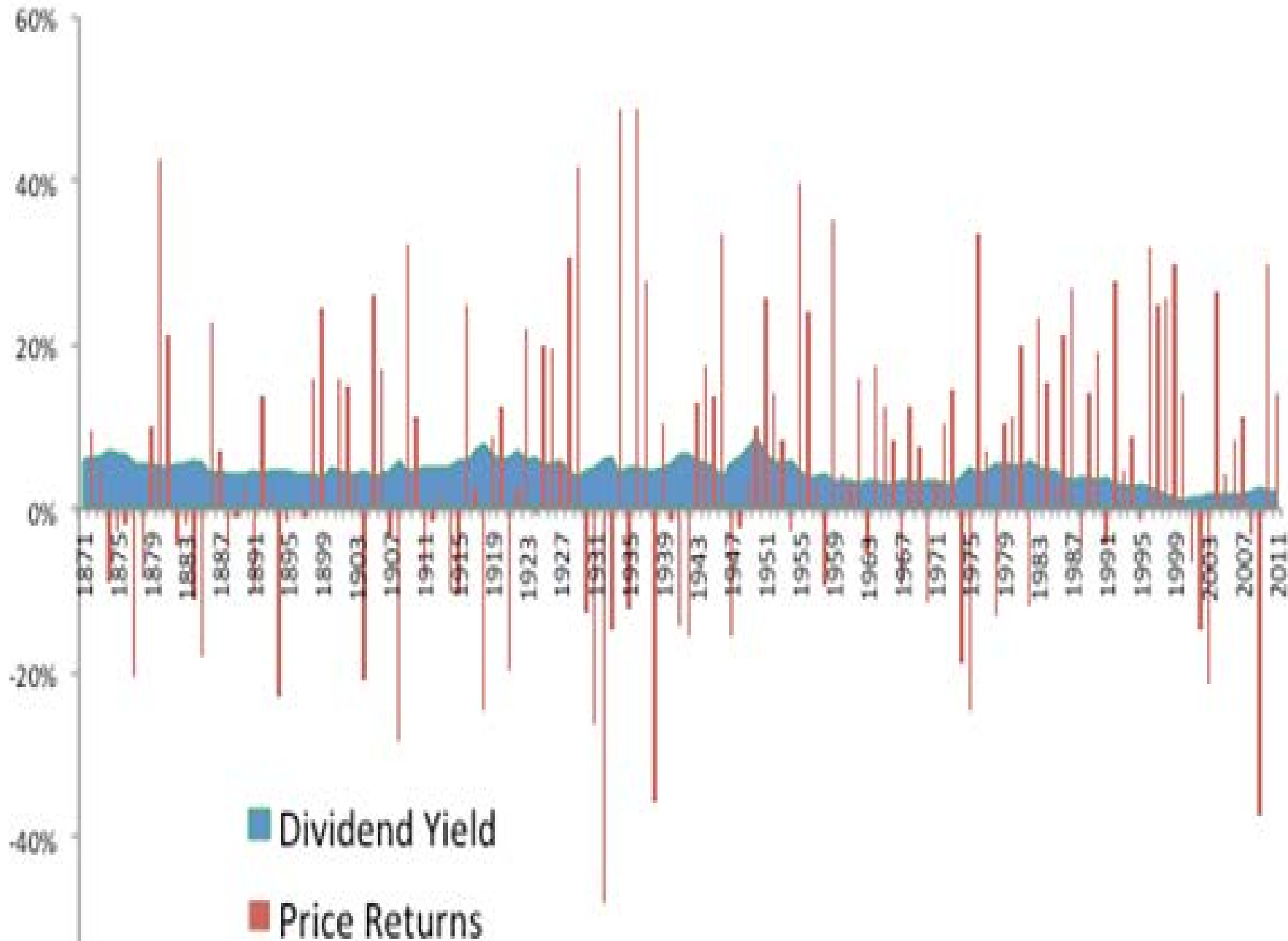
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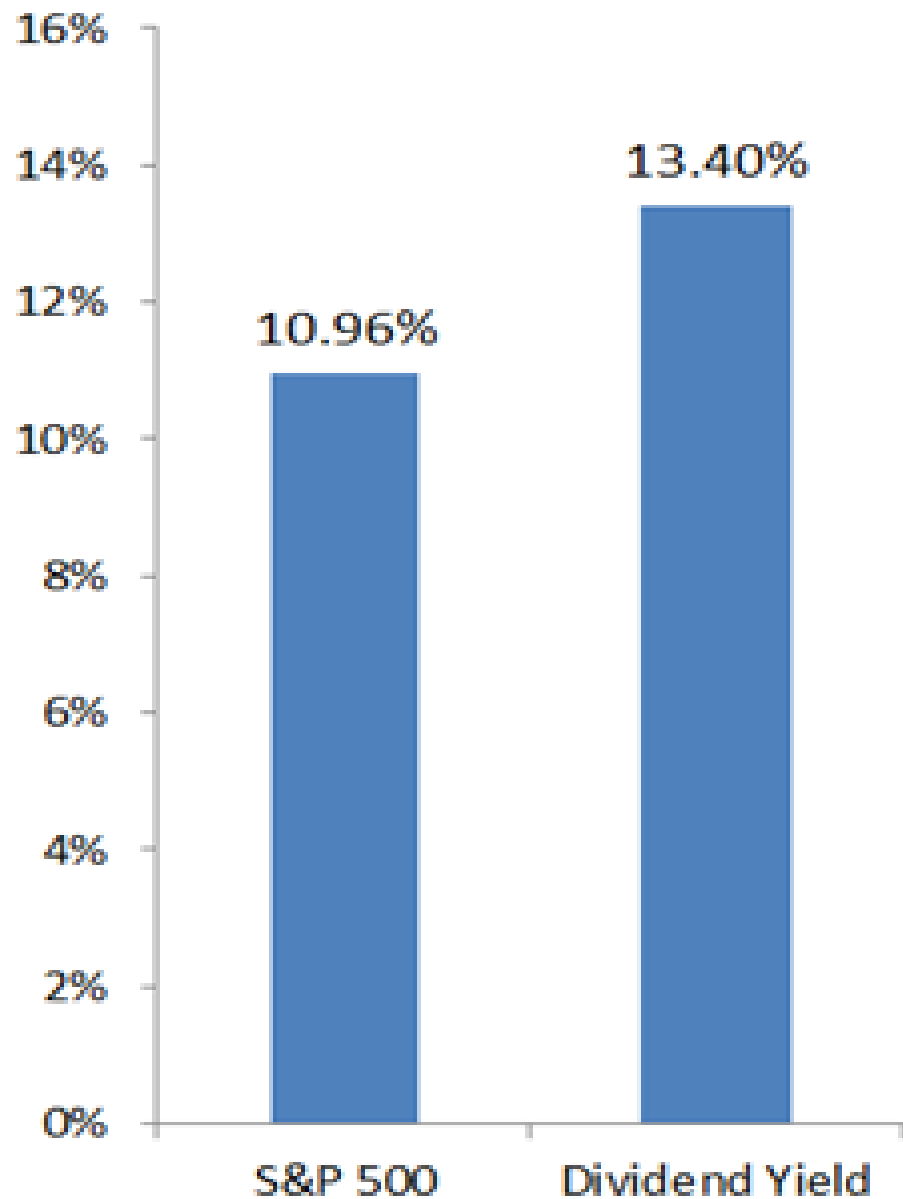


Source Source: Shiller, Author, Data before 1926 are based on Cowles "Common Stock Indexes". Index returns are for illustrative purposes only. Indices are unmanaged and an investor cannot invest directly in an index. Past performance is no guarantee of future results.



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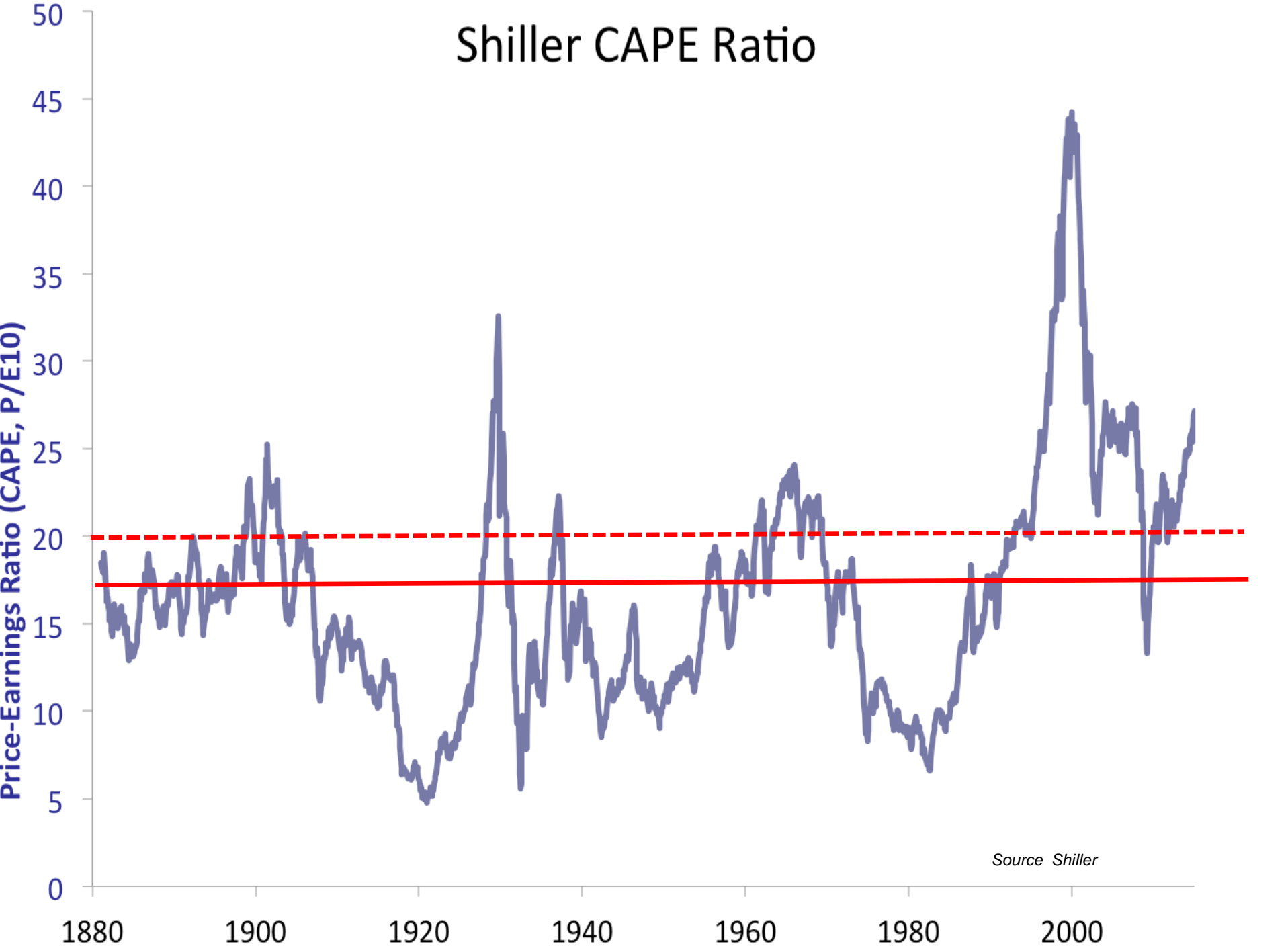
1982-2011



Source Gray

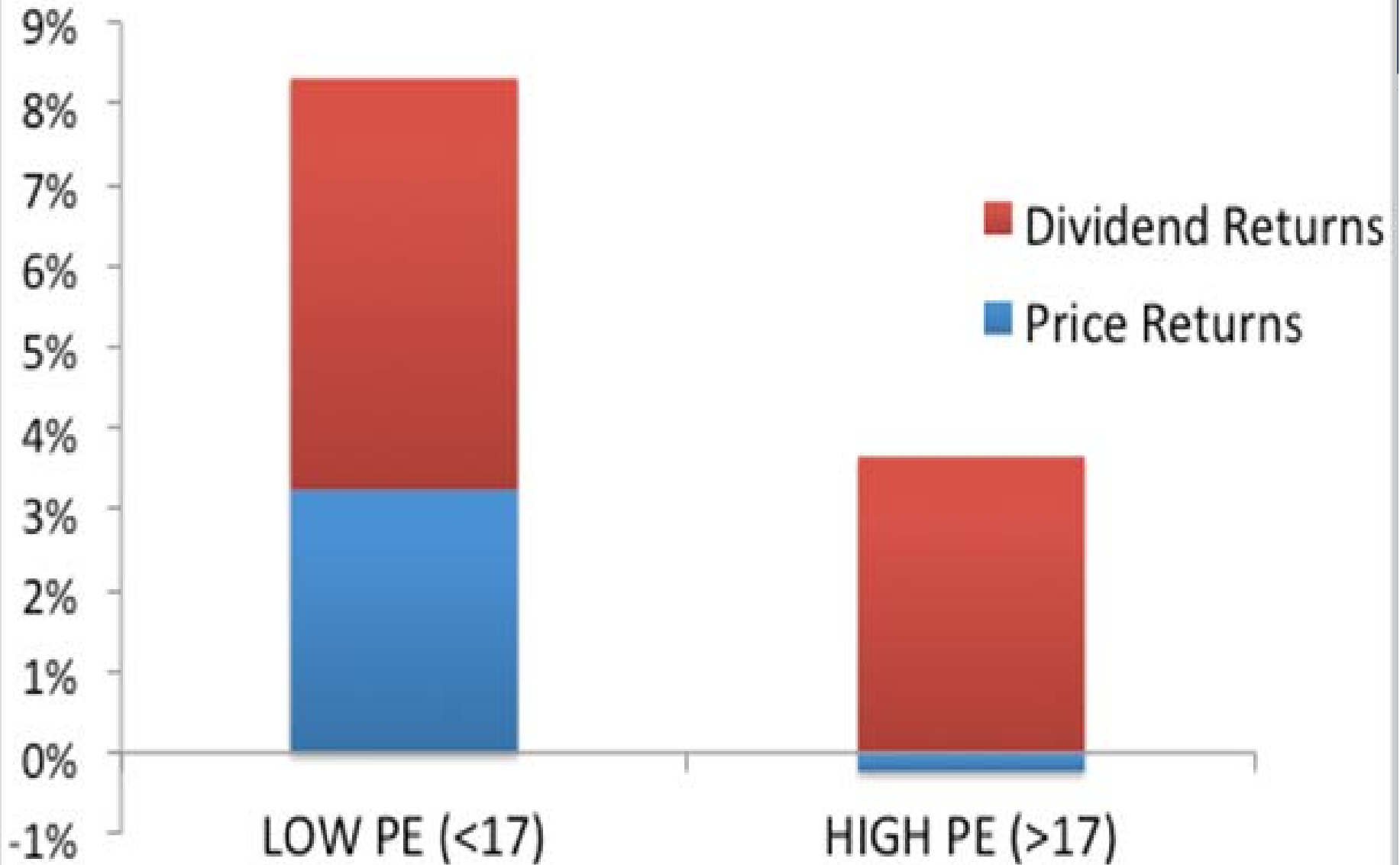


Shiller CAPE Ratio

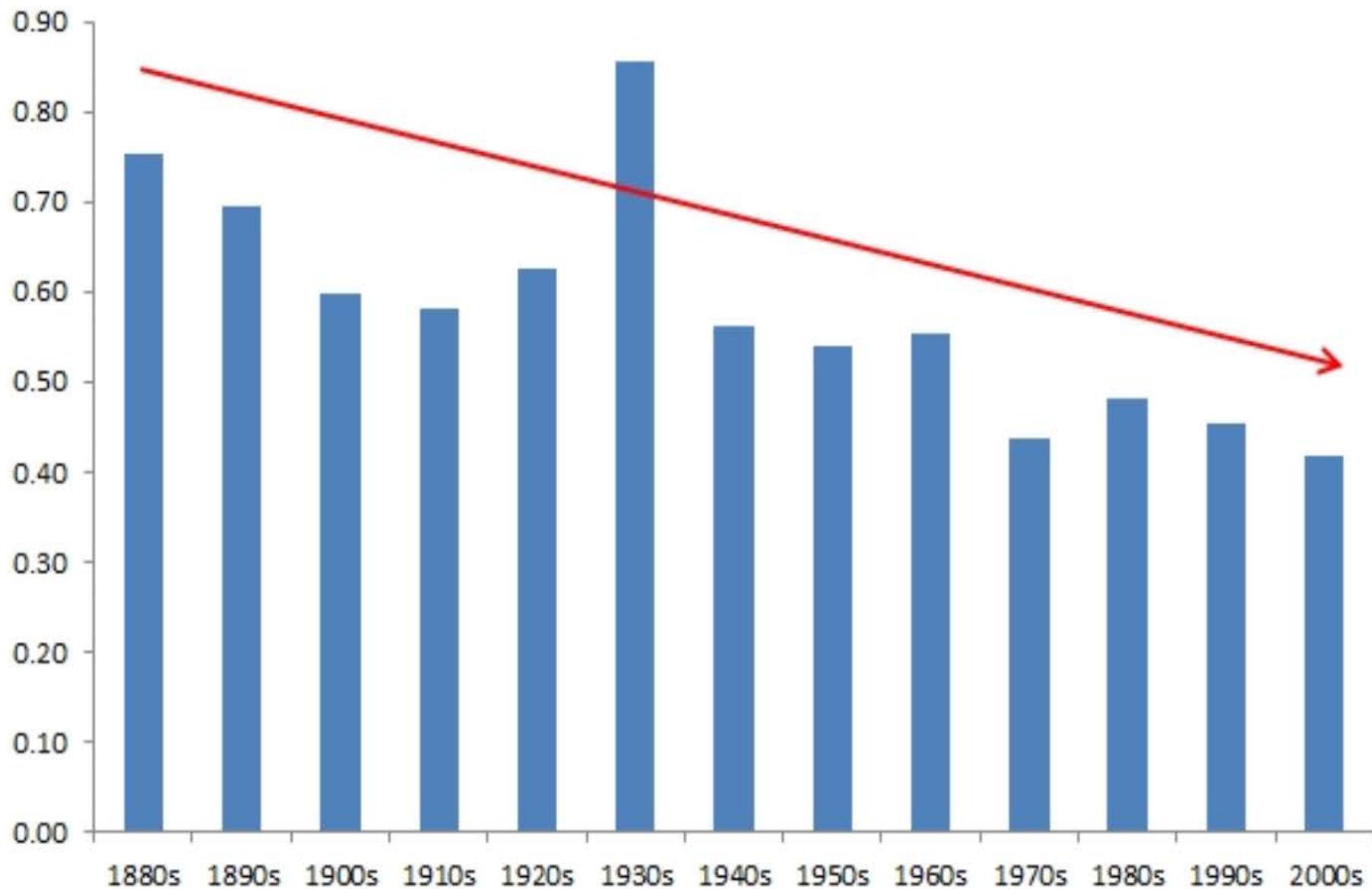


Source Shiller

Dividend and Price Contribution to Real Returns

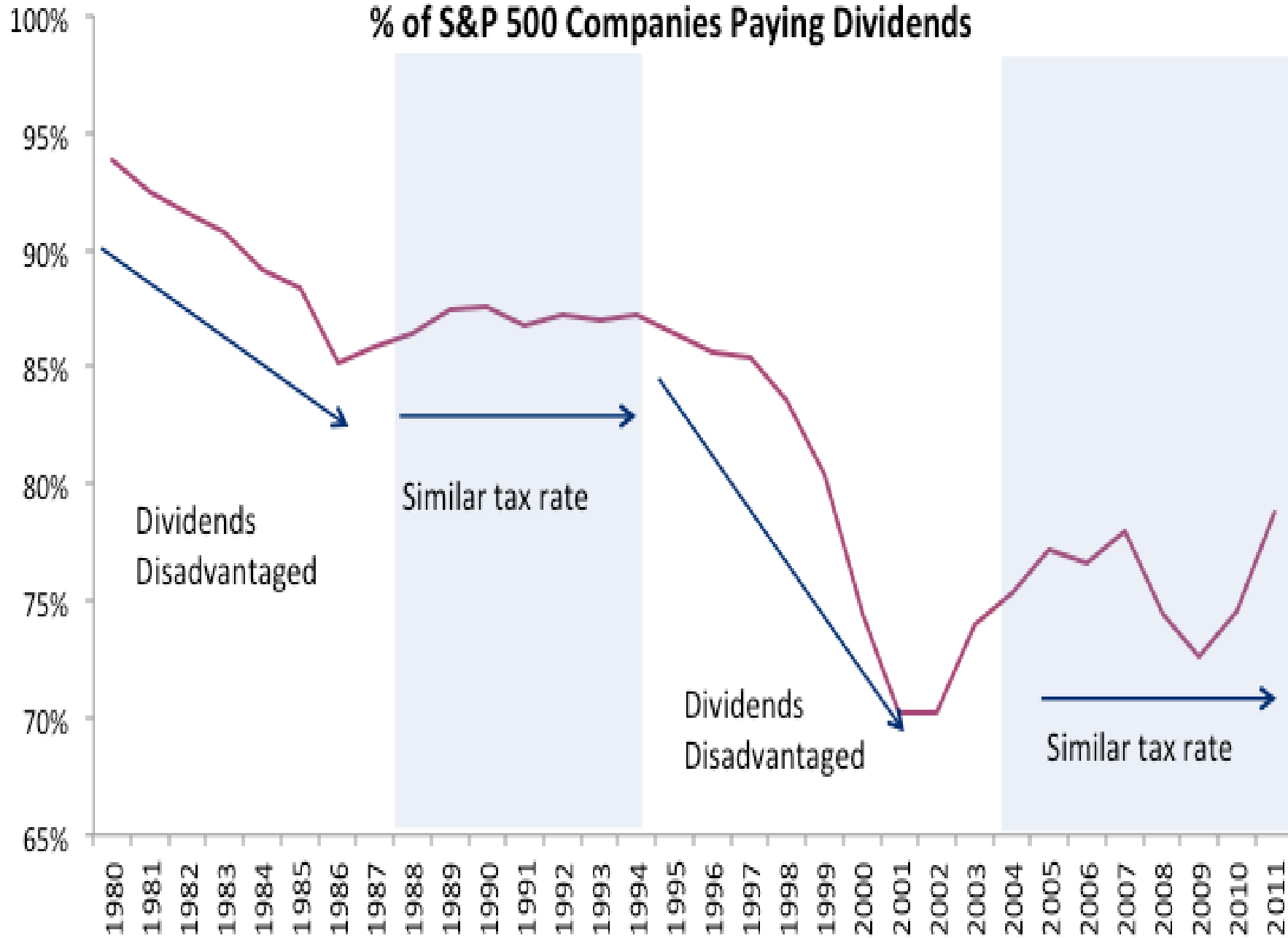


Payout Ratio

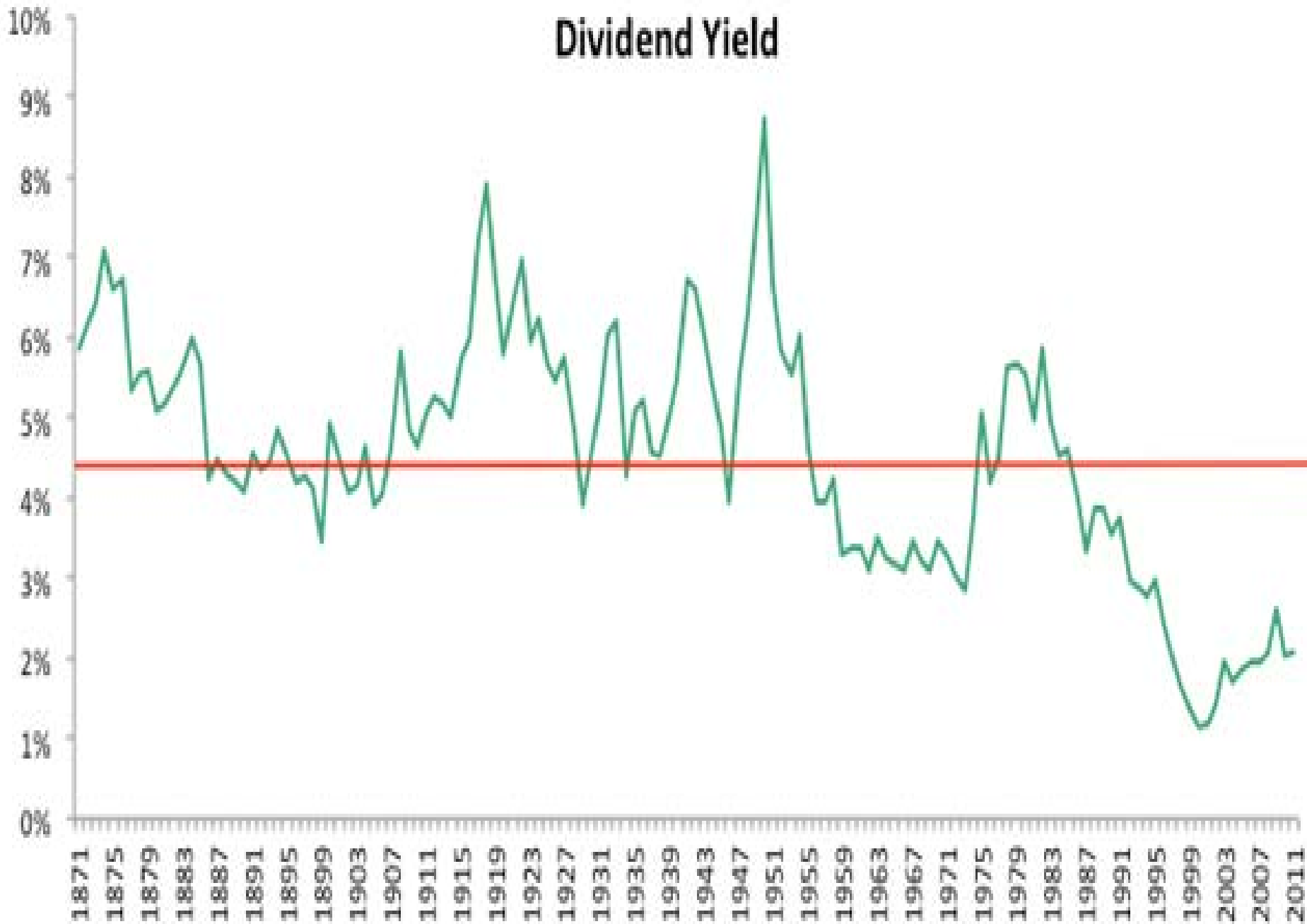


Source Shiller

% of S&P 500 Companies Paying Dividends



Dividend Yield

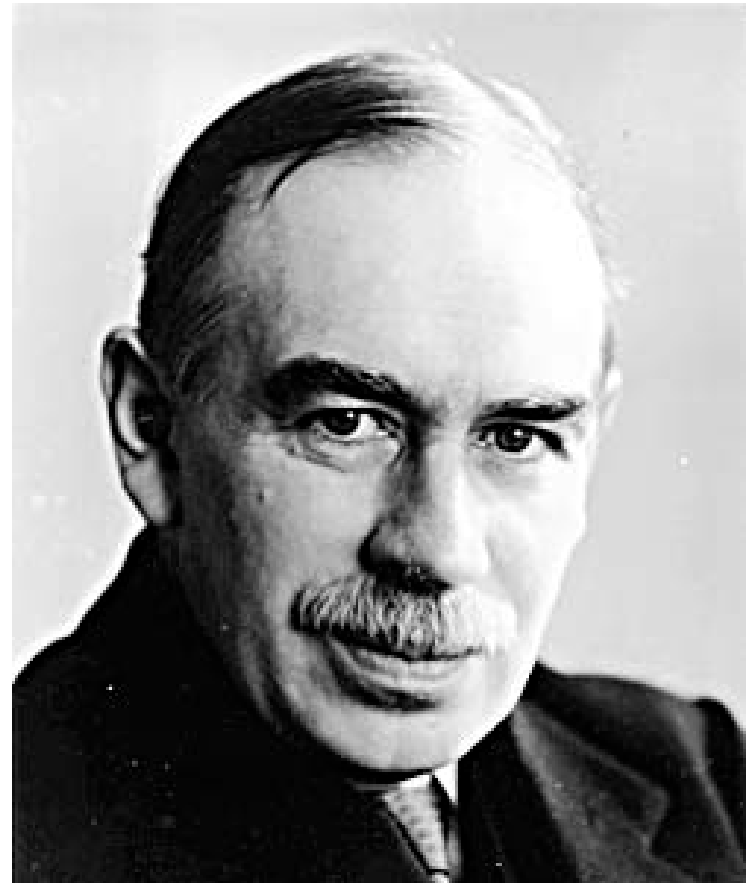


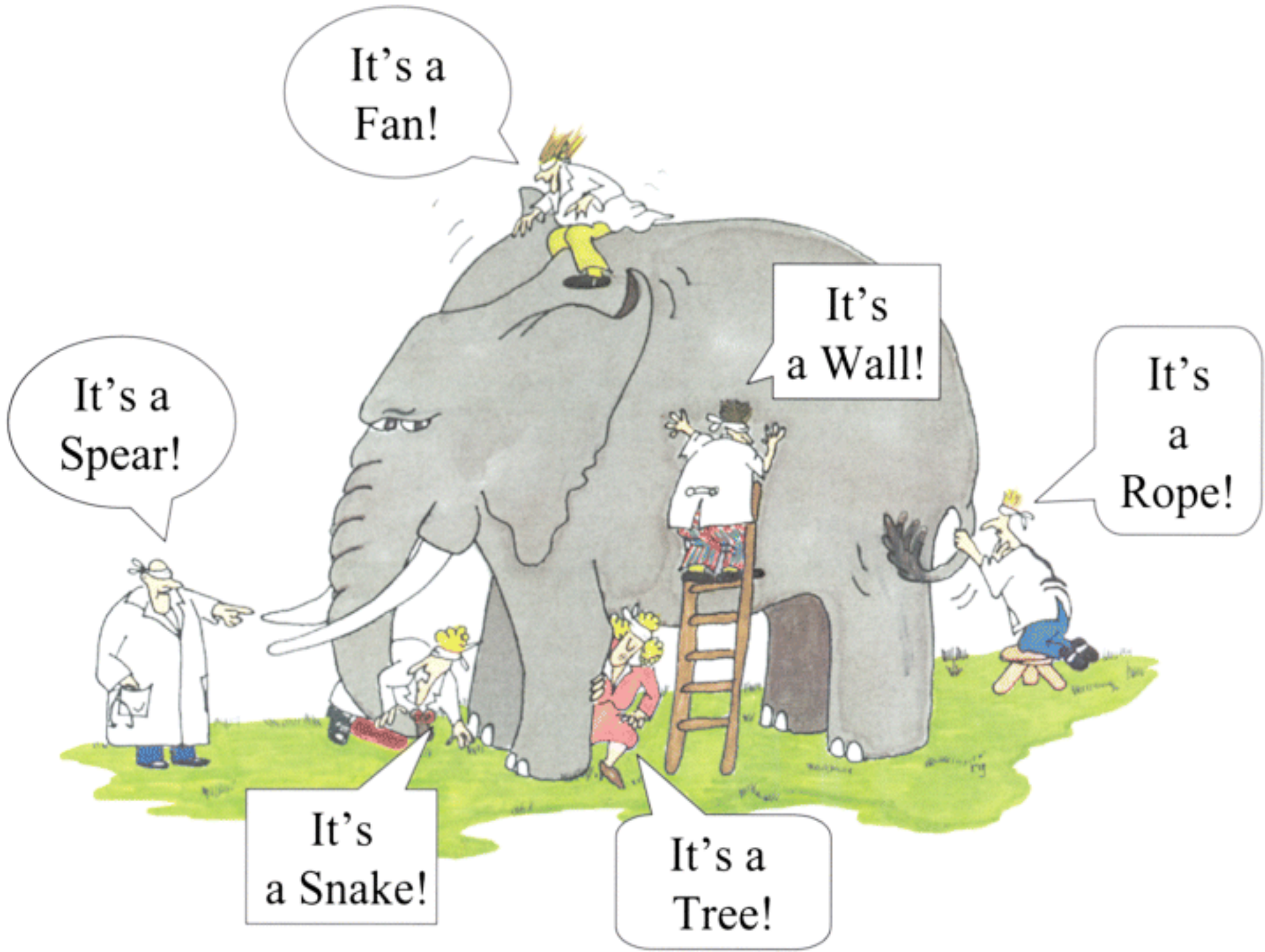
Source Shiller

Summary on Dividends

1. Dividends major contributor to total returns.
2. Dividends are stable.
3. Dividend portfolios have outperformed.
4. Dividends contribute more to total returns when valuations high.
5. ...but payouts and dividends yields declining...

When the facts
change, I change my
mind. What do you
do sir? - John
Maynard Keynes





It's a
Fan!

It's a
Spear!

It's
a Wall!

It's
a
Rope!

It's
a Snake!

It's a
Tree!



Cash Dividend

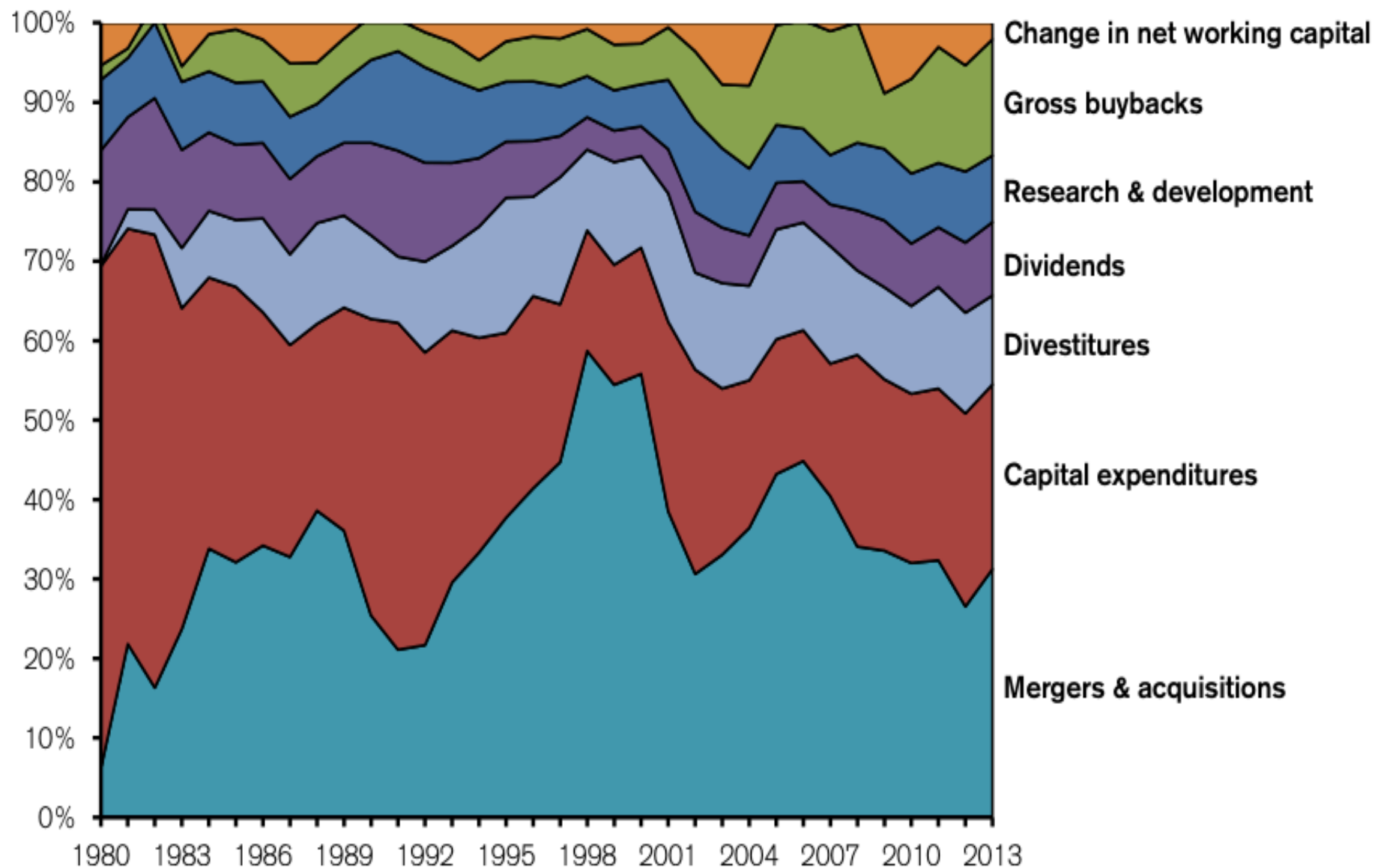
Buyback Stock

Pay Down Debt

Acquisition

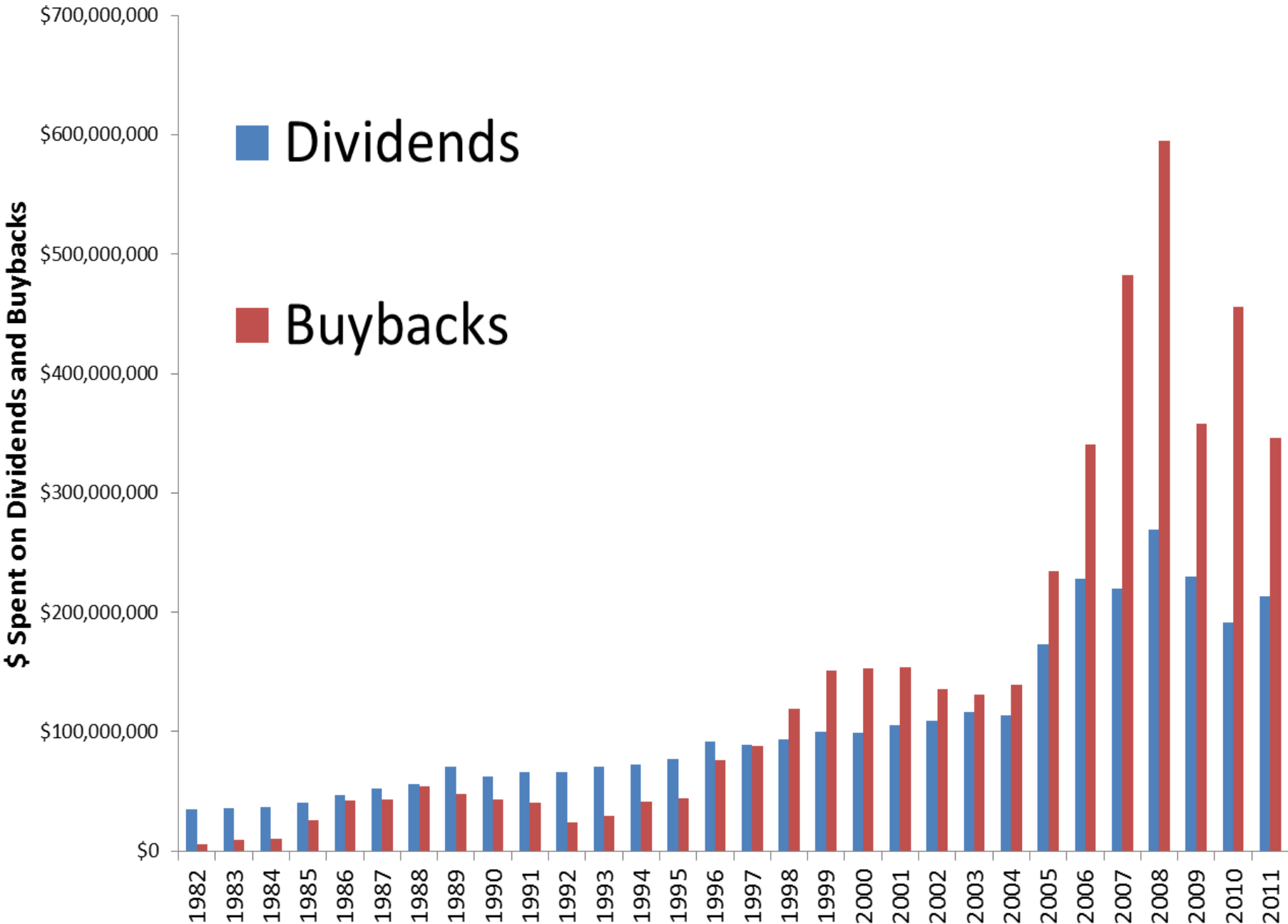
Reinvest in Business

Exhibit 5: U.S. Capital Deployment, 1980-2013



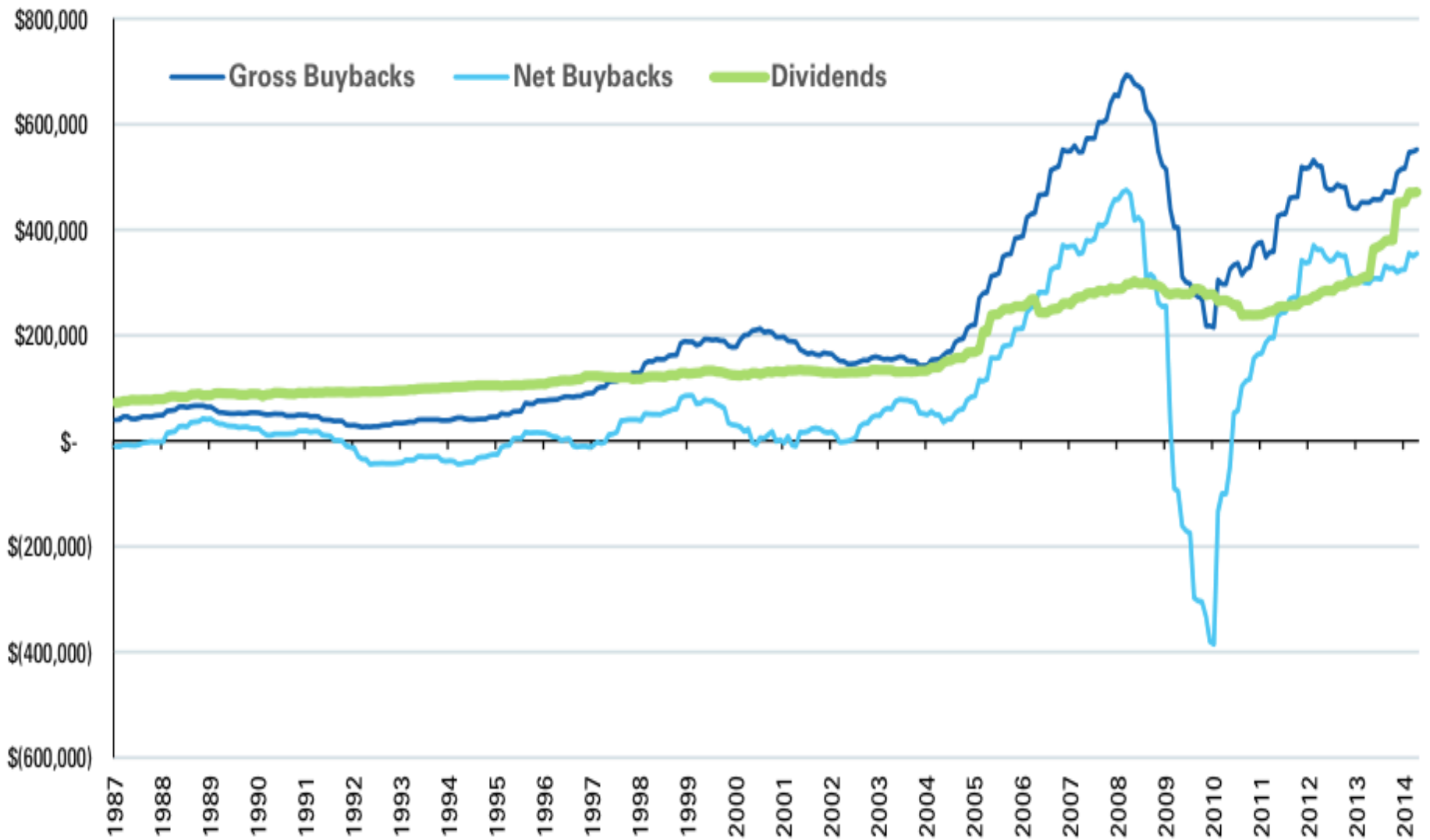
Source: Credit Suisse HOLT, Thomson Reuters DataStream.

Note: Data for R&D, capital expenditures, buybacks, and dividends exclude financial companies and regulated utilities; data for mergers & acquisitions and divestitures include all industries.



Source Damodaran

Figure 2: Dollar Value of Dividends and Buybacks (All U.S. Stocks)



Buffett



“When companies with outstanding businesses and comfortable financial positions find their shares selling far below intrinsic value in the marketplace, no alternative action can benefit shareholders as surely as repurchases.”

Buffett



Cash Dividends +

Net Buybacks +

=

Shareholder Yield

You have two choices...

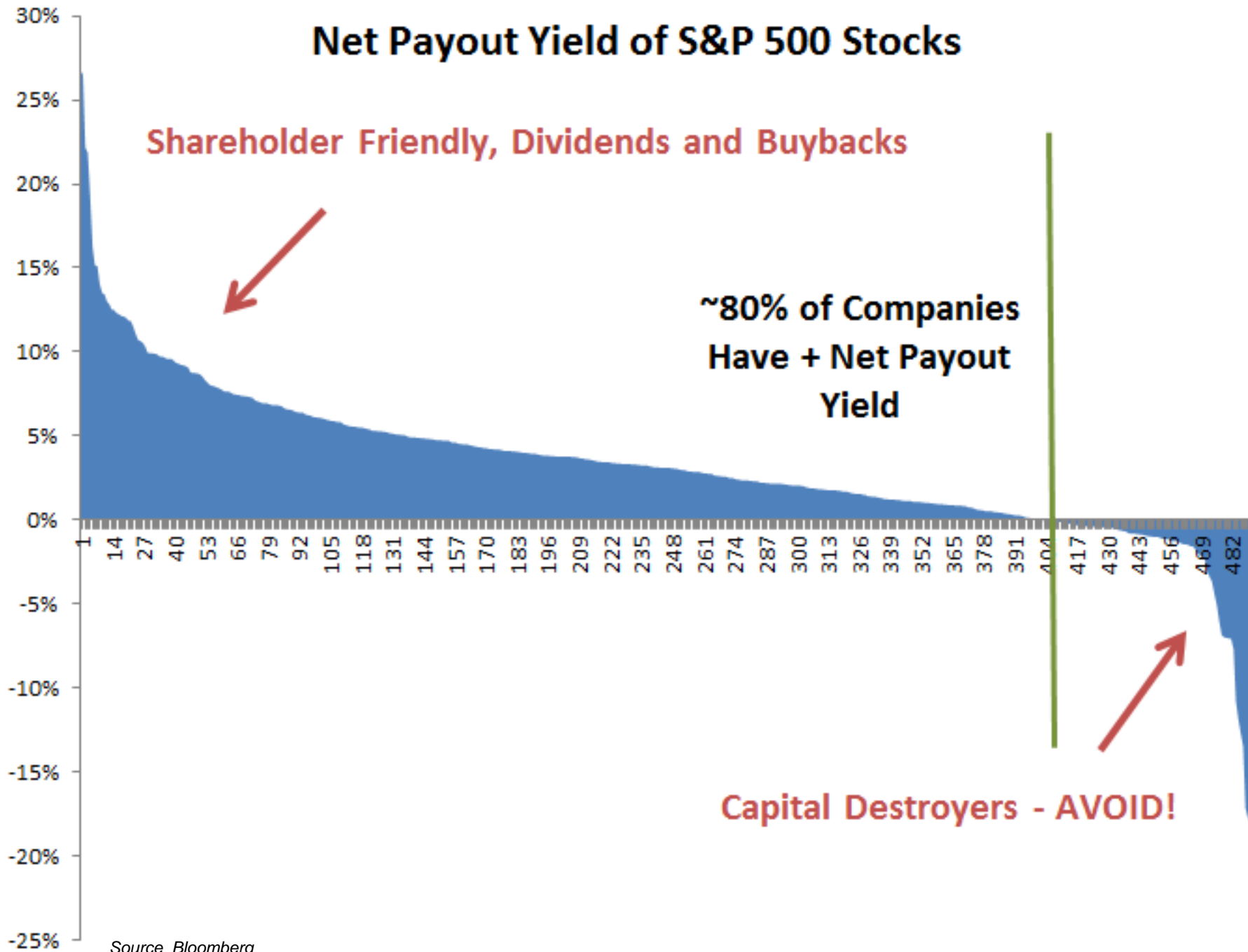


Net Payout Yield of S&P 500 Stocks

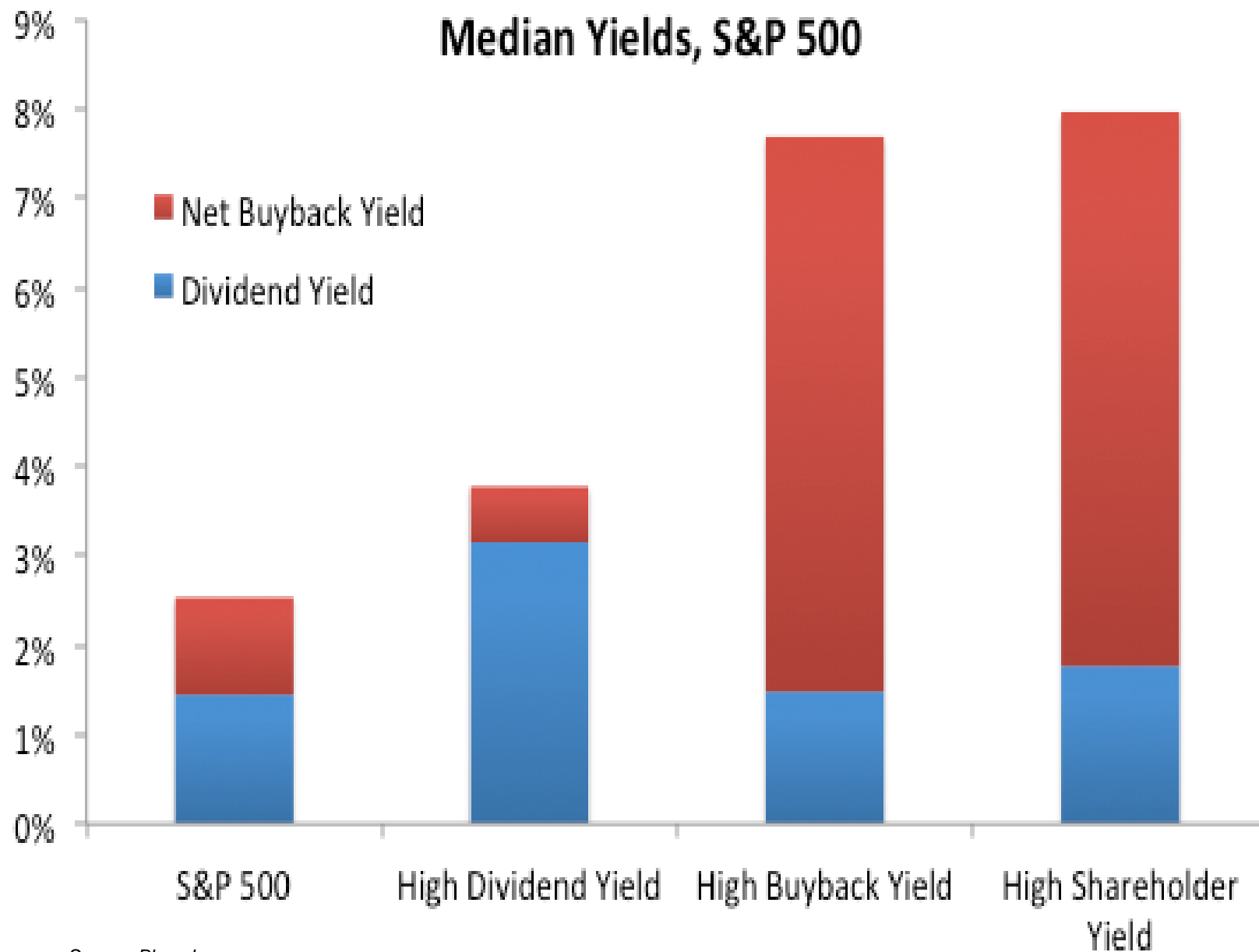
Shareholder Friendly, Dividends and Buybacks

~80% of Companies
Have + Net Payout
Yield

Capital Destroyers - AVOID!

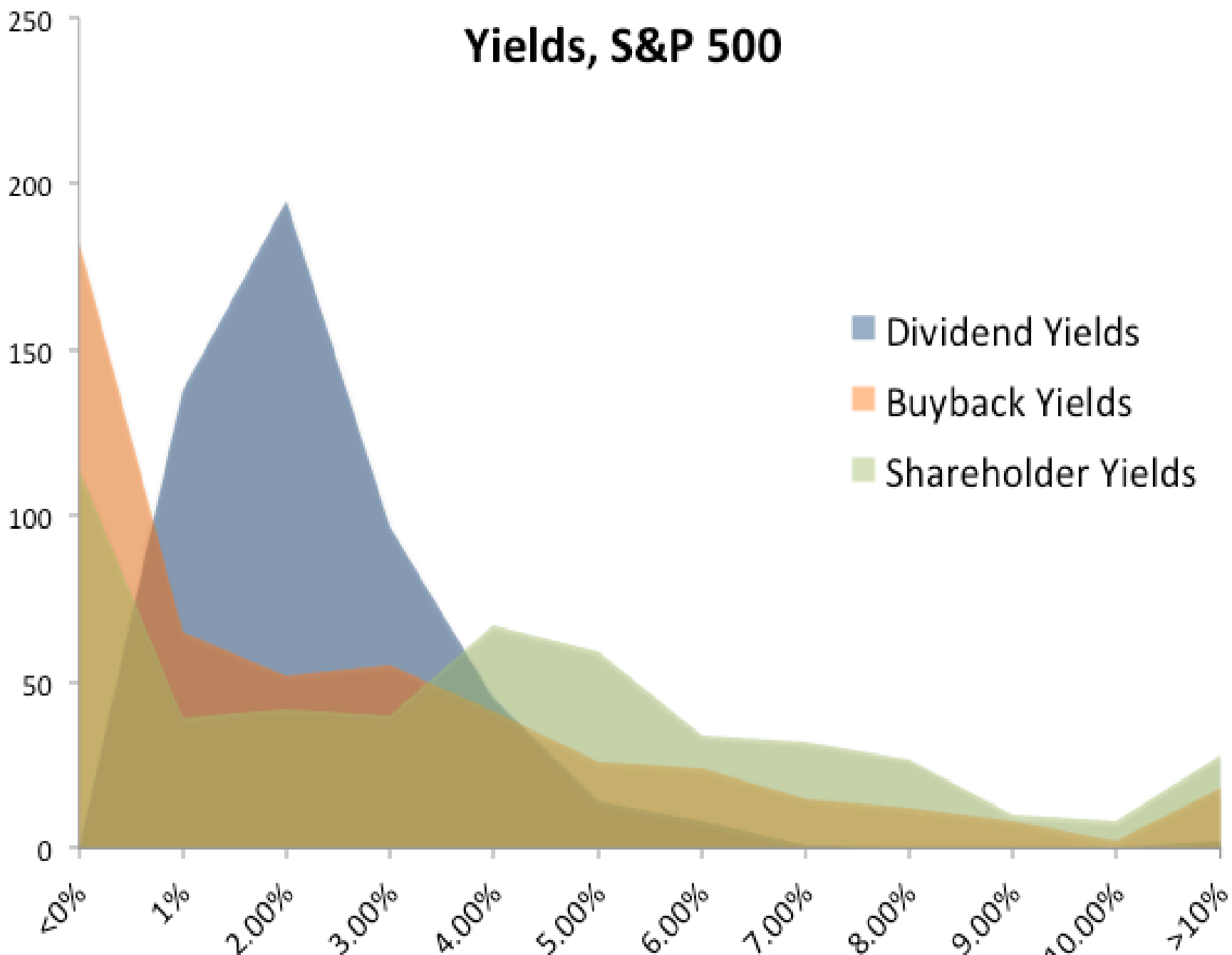


Median Yields, S&P 500

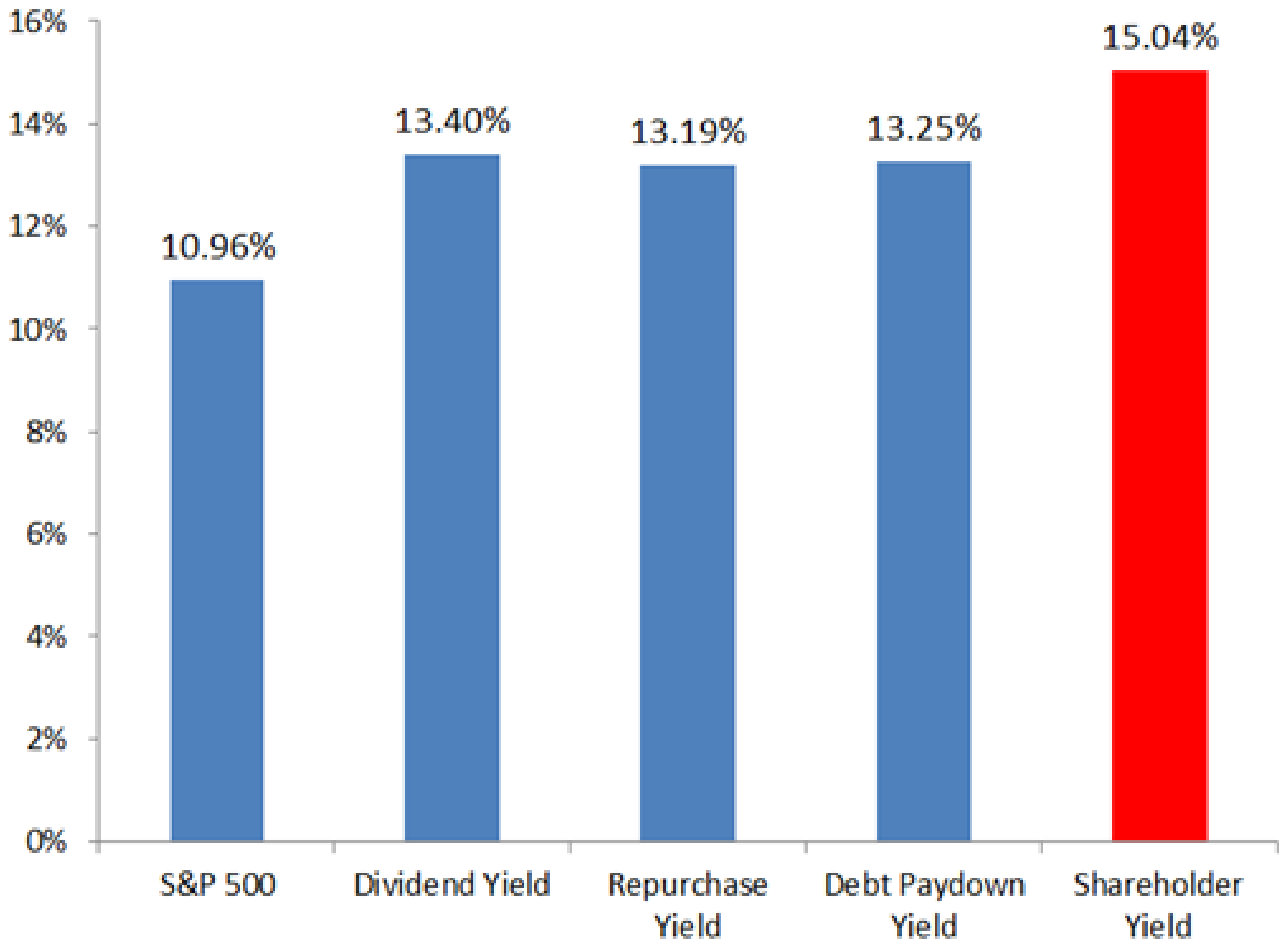


Source Bloomberg

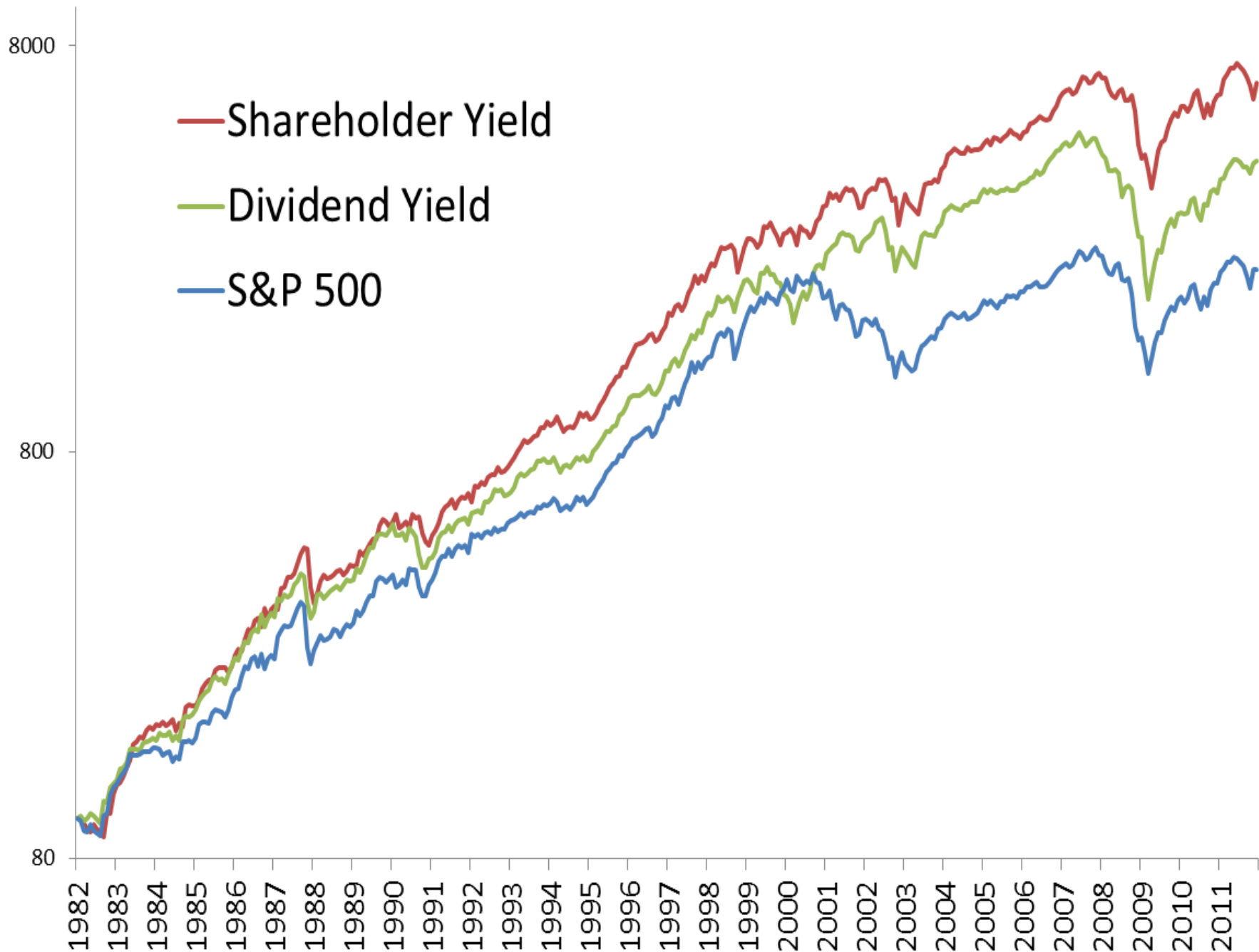
Yields, S&P 500



Source Bloomberg

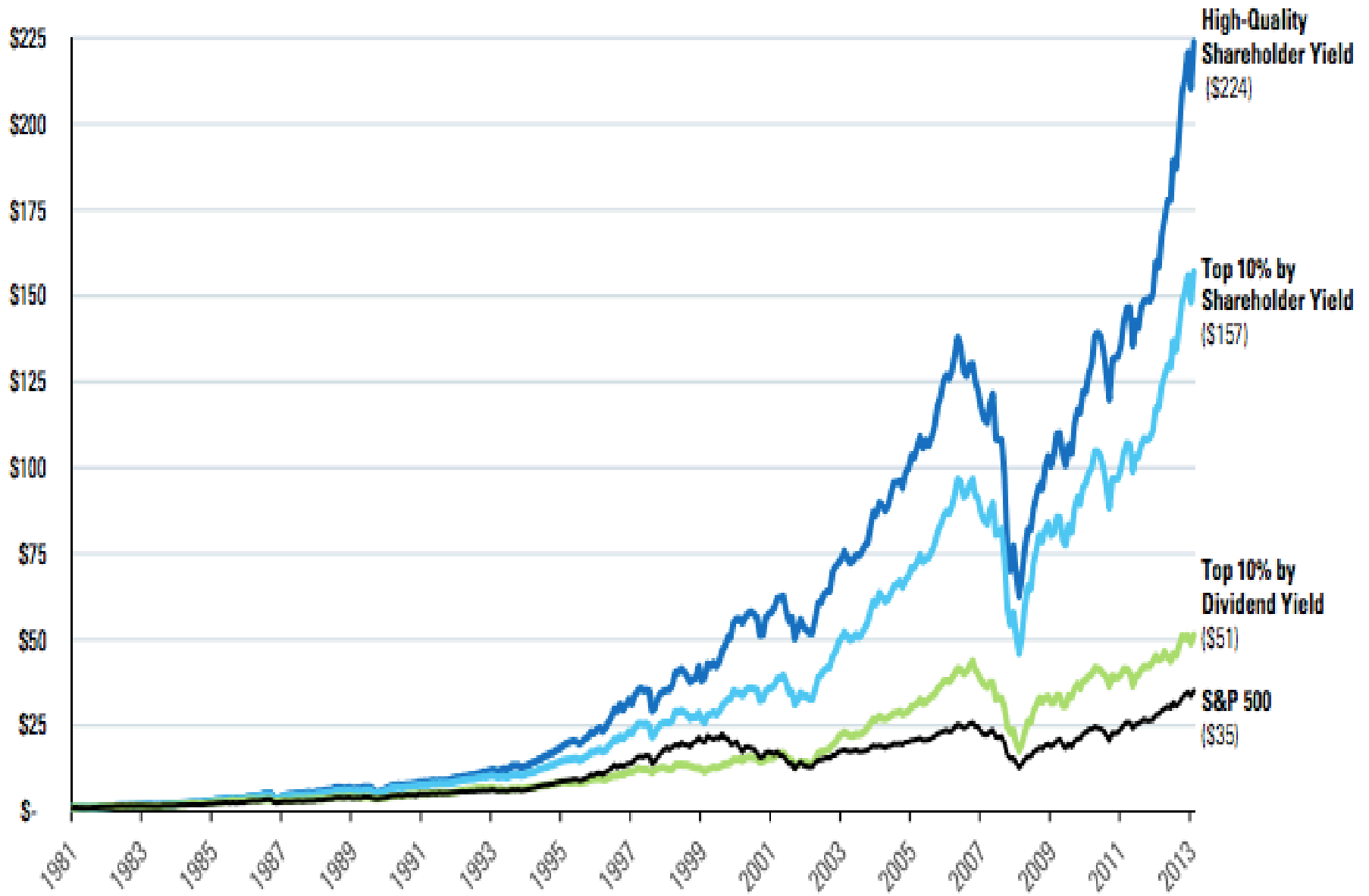


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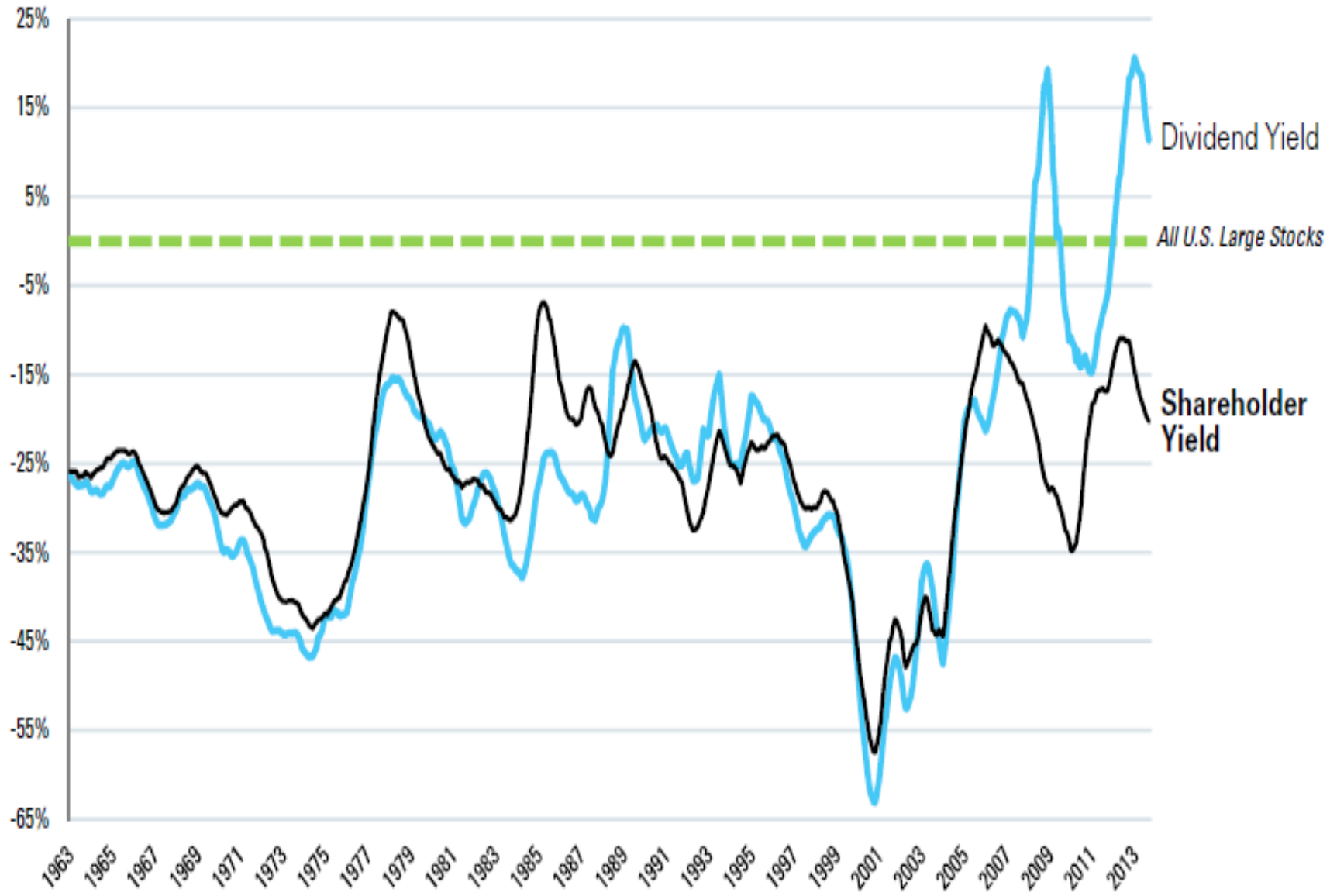
Source Gray

Figure 6: Growth of \$1 — Market vs. Yield Strategies



Source OSAM

Figure 4: Valuation Discount (Price-to-Earnings)—U.S. Large Stocks vs. Top Quintile Yield



Source: Compustat & OSAM calculations

Table 1* (1927–2012)

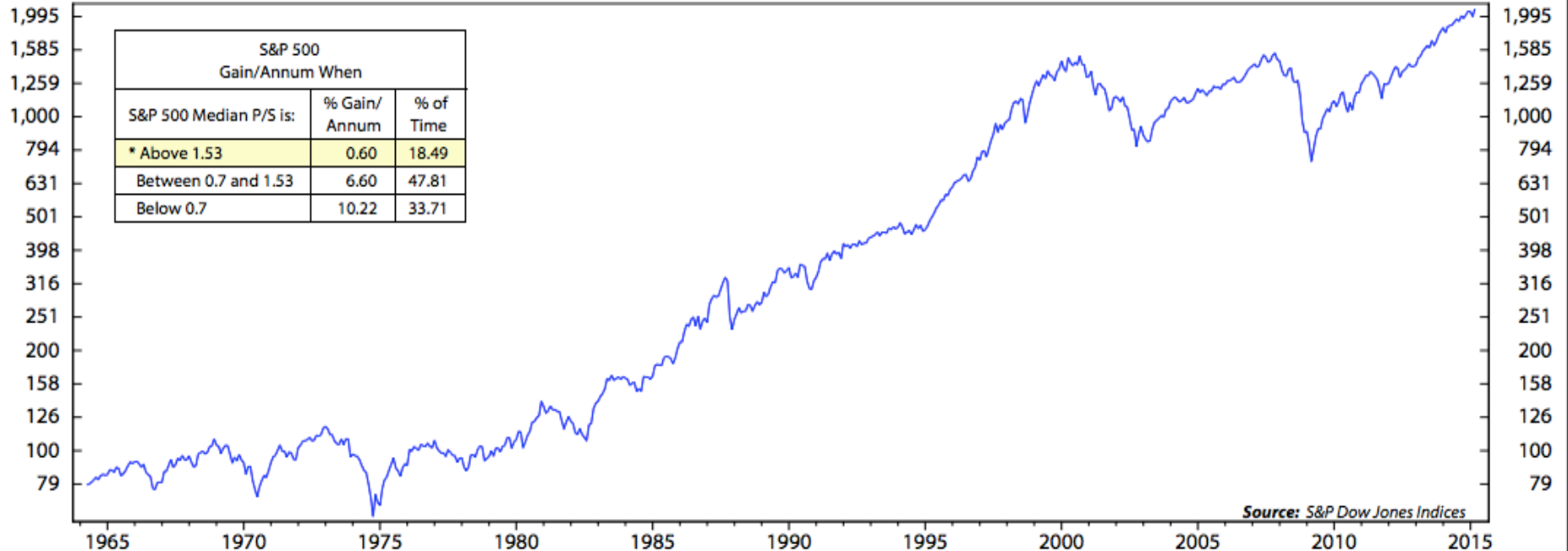
Start	End	Duration (Months)	10-Year UST Rate Change	10-Year UST Return	U.S. Market Return	Excess Return	
						U.S. Dividend Yield	U.S. Shareholder Yield
1/1/2009	12/31/2009	12	+1.60	-9.5%	40.9%	3.7%	2.2%
7/1/2005	6/30/2006	12	+1.21	-5.1%	15.8%	-2.7%	-2.9%
5/1/2003	5/31/2004	12	+1.29	-6.1%	32.2%	-5.2%	-2.3%
10/1/1998	1/31/2000	16	+2.24	-6.8%	35.8%	-31.2%	-21.5%
1/1/1996	3/31/1997	15	+1.34	-1.4%	10.6%	-1.3%	6.9%
4/1/1993	11/30/1994	20	+1.88	-1.8%	4.7%	-3.8%	2.4%
7/1/1989	8/31/1990	13	+1.04	2.0%	-11.7%	5.7%	3.9%
9/1/1986	9/30/1987	13	+2.68	-8.1%	21.8%	-16.3%	3.3%
5/1/1983	6/30/1984	14	+3.57	-3.0%	1.6%	6.4%	14.2%
9/1/1977	9/30/1981	49	+8.56	-2.1%	19.1%	-5.9%	1.8%
11/1/1971	9/30/1975	47	+2.61	2.3%	-3.7%	7.9%	7.2%
2/1/1965	5/31/1970	64	+3.76	1.0%	5.0%	2.0%	4.7%
6/1/1958	1/31/1960	20	+1.80	-4.0%	23.3%	2.3%	5.2%
5/1/1954	10/31/1957	42	+1.68	-1.5%	13.2%	0.9%	1.7%
1/1/1950	6/30/1953	42	+1.21	-1.1%	15.7%	2.4%	1.8%
12/1/1930	1/31/1932	14	+1.07	-4.2%	-45.9%	-6.7%	-4.2%
	Median	16	+1.74	-2.5%	14.4%	-0.2%	2.3%
	Average	25	+2.35	-3.1%	11.1%	-2.6%	1.5%

* Returns are annualized.

Source: CRSP, Global Financial Data, OSAM Calculations

Standard & Poor's 500 Index

Monthly Data 1964-03-31 to 2015-02-28 (Log Scale)



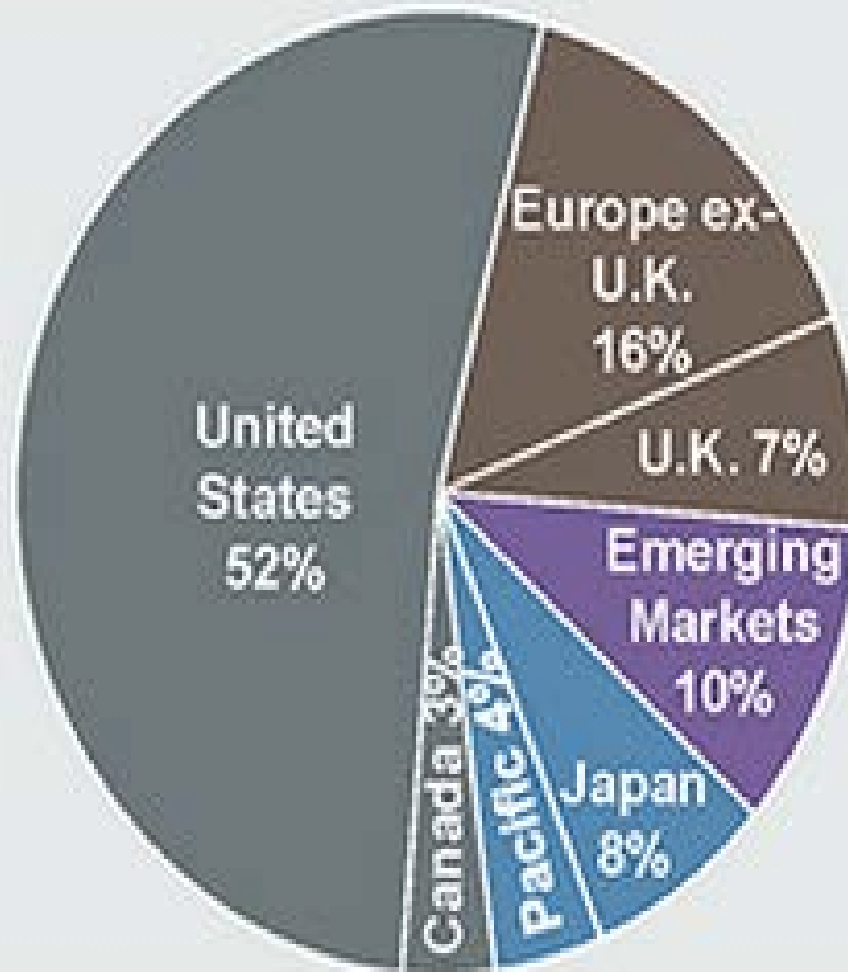
S&P 500 Gain/Annum When		
S&P 500 Median P/S is:	% Gain/Annum	% of Time
* Above 1.53	0.60	18.49
Between 0.7 and 1.53	6.60	47.81
Below 0.7	10.22	33.71



S&P 500 Median Price/Sales Ratio

Why This Matters (to You!)

Weights in MSCI All Country World Index % global market capitalization, float adjusted



Where are we now?



Greece	2	Mexico	22
Russia	5	Sweden	23
Hungary	6	Switzerland	23
Austria	8	Japan	26
Portugal	8	USA	27
Brazil	9	Philippines	28
Czech	10	Denmark	34

US VALUATION RANK



CAPE	40
CAPD	40
CAPB	40
CAPCF	39

Average 41/43



1. Dividends major contributor to total returns.
2. However, they are only one way a company uses its cash flow.
3. A more holistic measure of cash flows can results in superior portfolio performance.
4. Look global

CONTACT



WEBSITE

www.cambriafunds.com

PHONE

(310) 606-5555

BLOG

www.mebfaber.com

EMAIL

mf@cambriainvestments.com

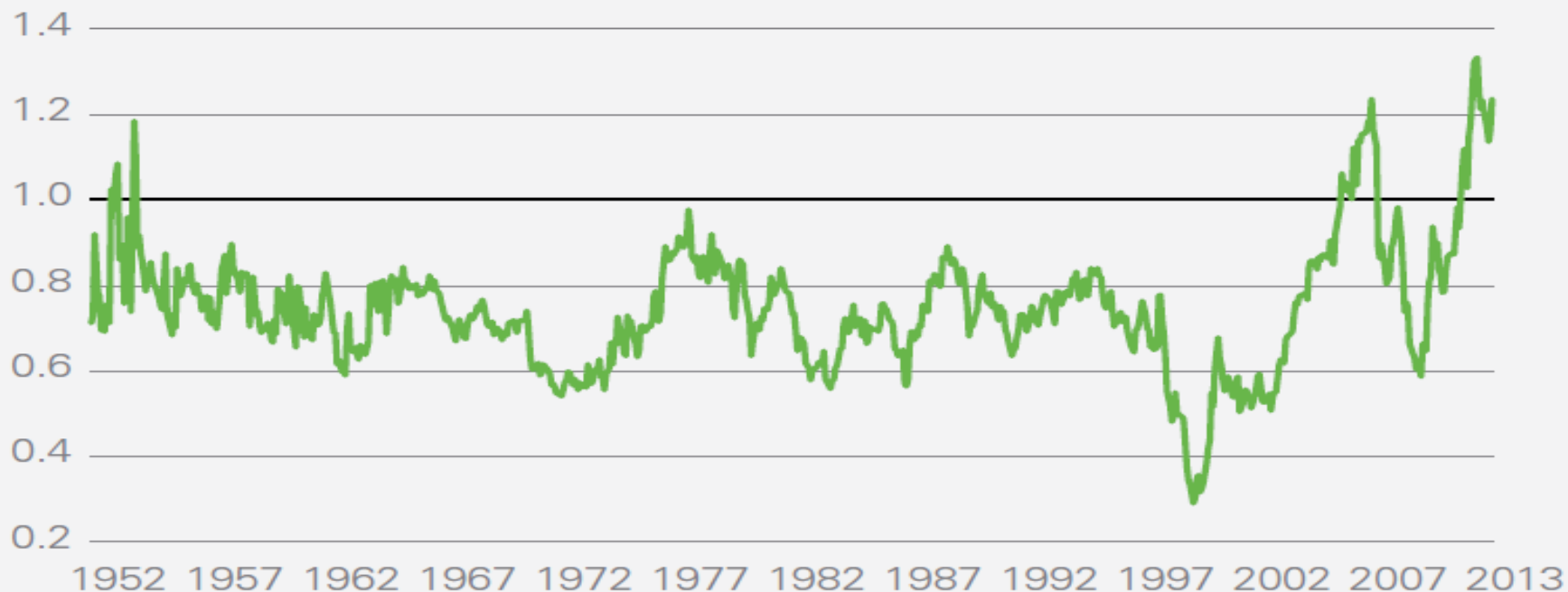


Two More Reasons to be Wary of High Dividend Stocks



“Safe” Income Stocks Are Expensive

Relative P/E of US High-Yielding Stocks from Defensive Sectors*



As of 31 March 2013

* US consumer staples, telecom services, and utilities stocks in the top quintile of dividend yield, relative trailing P/E ratios 1952 through March 2013, capitalization weighted. Data based on Empirical Research's proprietary universe.

Source: Empirical Research