Growth At the Right Yield ™ Investing

A proprietary model and methodology for selecting dividend paying stocks

GARY Investing uses the analysis of a stock's expected yield and price, among other things, to time the purchase and sale of a stock position. GARY stands for Growth At the Right Yield ™, a trademark of Tell-tale Investment Advisors. GARY Investing is important as it aids in both the selection of quality companies and the timing of when to buy and sell the shares. GARY Investing replaces qualitative and subjective work, which is inconsistent over time, with the products of an extremely detailed and objective proprietary screen – allowing for a consistent methodology in any investing environment. Fundamental work, if done correctly, can hone the GARY process but a completely automated / algorithmic investment process is possible.

The GARY theory is that when the expected yield of a stock is higher than usual <u>and</u> the price of that stock is lower than usual, all other things being equal, one of two things will ultimately happen to drive the yield downward toward its historic mean. Either the share price will appreciate, as investors are turned on to that higher than average yield, pushing the yield down toward the historic mean… or the dividend per share will be "cut" by the company, also returning the yield to the mean (if not below it). In the latter case, the dividend being cut, the above average yield was a harbinger of the company's need to cut the dividend. With this in mind, if an investor can confirm the sanctity of the dividend and reasonably predict that it will not be cut, an investor can buy shares of a company's stock with a greater chance of appreciation than loss. The higher than average yield-at-cost, which the investor may or may not receive (depending on how long the GARY situation or period lasts) is bonus compensation for the investors for time and risk. GARY's primary goal is to play the arbitrage between a dislocated share price and an above average yield which periodically manifests in even the highest quality companies. A very close secondary goal is to collect a higher yield from the investment(s) than what investors can get from just about any equity index.

Tell-tale Capital has developed a comprehensive screen that ranks over 1,500 companies for consideration in our GARY portfolios by scoring dozens of characteristics as either positive or negative as they pertain to the GARY Theory. We use the product of our GARY screen to advise clients and manage portfolios directly.

Historical Examples of GARY in Action

From 2008 and 2009, the first years that Tell-tale's founders began using a GARY screen and managing GARY portfolios, we have selected two examples. These examples may be exaggerated as stocks, especially those in the financial sector, were significantly more volatile during and after the 2008 banking crisis. However, the extreme volatility of this period only helps illustrate the point. GARY Investing works in more temperate investing climates as well.

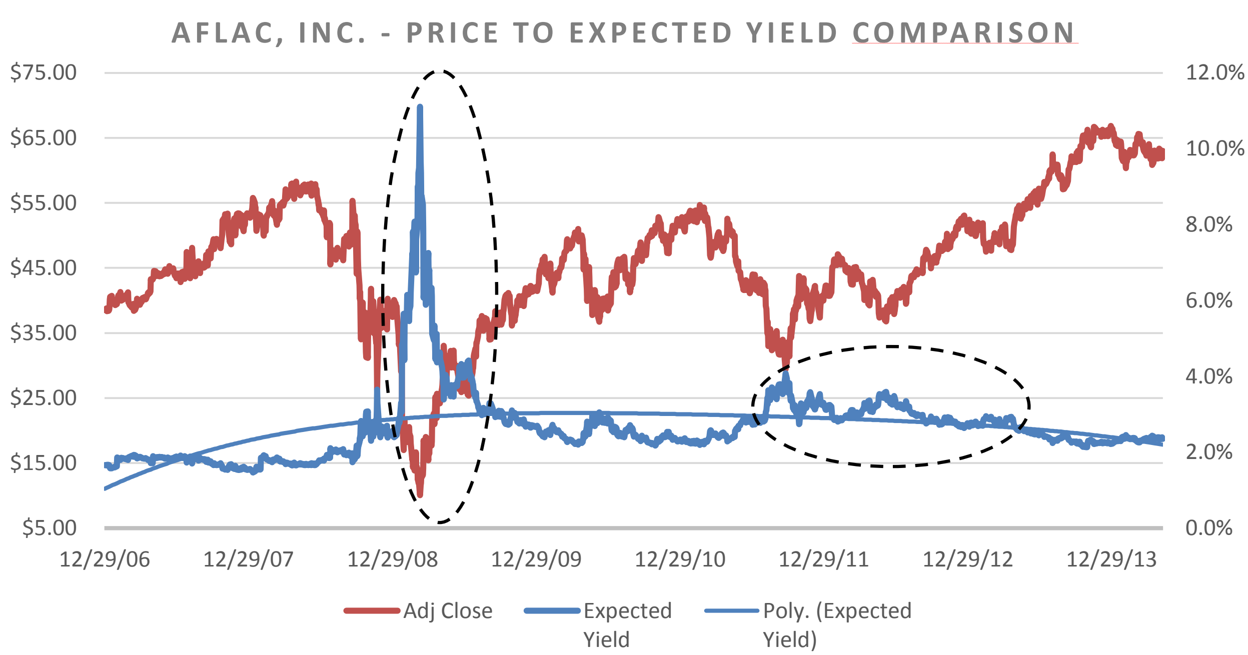
In early 2009, several "financials" ranked high on our GARY screen, two in particular were AFLAC, Inc. (AFL) and Synovus Financial Corp (SNV). It is this author's prerogative to choose companies from his home town of Columbus, GA. It is also a good pair of examples as one company sustained its dividend through a very tough period and the other company was eventually forced to drastically cut their dividend.

During late 2008, Both AFLAC and Synovus shares exhibited high GARY scores which suggested, among other things, the expected yield was above its own historic average, the stocks' current price was closer to recent lows than highs, that the dividends per share had been growing without too much standard deviation, and that insiders owned a meaningful amount of the shares. While we will not show you the GARY screen and all the company and stock characteristics we track, charts of price to expected yield can serve as a graphical example.

What Happens in GARY Investing When Dividends Are Sacrosanct

AFLAC, Inc. (AFL) has exhibited GARY-supported ownership periods at least twice in the last ten years. We use ovals to indicate these periods on all the following charts. Notice that the ovals highlight periods on the charts when the expected yield on the company shares was above average.

Chart 1: AFLAC, Inc.'s Two GARY Periods



Source: Tell-tale Capital Corp.

Oval one starts when the expected yield on ALF shares pushes through 3% in early 2009. It ends only nine months later as a soaring share price drives the expected yield back below 3%. Oval two begins in late 2010 and the ownership period is a good bit longer but still rewarding. The second period

(2010/2011) was not marked by any crisis to mention and suggests that GARY investing works in more moderate climates as well. During both periods, management held the line on dividends, which is especially impressive during the 2008/2009 crisis. Management even raised the dividend twice during the second period. Discussion of the two GARY periods, and how important the sanctity of the dividend is, follows.

AFLAC Inc. (AFL) – The 2009 GARY Oval

Oval one starts when the expected yield on ALF shares pushes through 3% in early 2009. - this expected yield is a "break above" the polynomial average. This happens on January 20th, 2009 when shares close at $29.06 and the expected yield is 3.3%. That expected yield is calculated as $0.96 divided into $29.06 which is the last announced dividend per share annualized and then divided into the closing price.

It is at this point that a GARY buy signal has been created and investors should consider buying shares, but first waiting for the expected yield to peak. A yield peak is indicated by three days of consecutively lower expected yields at close (as good and as arbitrary as any signal in trading).

Table 1: AFL Shares – Yield and Price

Date	Expected Yield	Adj Close	
10/16/09	2.8%	$ 40.27	
10/15/09	2.8%	$ 40.62	Sell date after break below average yield
10/14/09	2.7%	$ 40.90	
10/13/09	2.8%	$ 40.22	
10/12/09	2.8%	$ 40.72	
...	...	...	
03/16/09	8.5%	$ 13.14	
03/13/09	8.8%	$ 12.79	Purchase date after peak yield confirmation
03/12/09	8.6%	$ 13.09	
03/11/09	9.4%	$ 11.95	
03/10/09	9.7%	$ 11.60	
03/09/09	11.1%	$ 10.08	Peak yield not yet confirmed
03/06/09	9.5%	$ 11.79	
03/05/09	9.4%	$ 11.96	
...	...	...	
01/22/09	4.8%	$ 19.83	
01/21/09	3.1%	$ 31.41	
01/20/09	3.3%	$ 29.06	Break above average yield
01/16/09	2.8%	$ 34.47	
01/15/09	2.9%	$ 33.48	

Source: Tell-tale Capital Corp and Yahoo Finance

AFLAC's expected yield peaks on March 9th, 2009 and the peak is confirmed on March 12th. GARY investors would have bought the next day, if they believed the dividend was sacrosanct, on March 13th. It is worth pointing that it took over a month for the expected yield to truly peak after it broke through the mean yield.

The GARY sell signal occurs when the yield "breaks below" the 3% level and a yield trough is confirmed, which happens on October 14th, 2009 when shares closed at $40.90. Selling shares on 10/15 worked out to a 213% return, excluding the dividends received. Again, the expected yield can break below the average in only two ways; either shares move up in relation to the dividend or the dividend is "cut".

In the case of AFLAC's 2009 GARY period, the expected annual dividend was indeed sacrosanct and remained at $1.12 per year. Investors were able to hold shares, receiving this dividend and rather large yield, until the share price rose above $37.33 (a 3% yield). This upward move in share price was indicative of the price to yield arbitrage being closed.

Aflac Inc. (AFL) – The 2011 Gary Oval

Oval two starts when the expected yield on ALF shares again pushes through 3%, this time in late 2011. On October, 7th 2011, the expected yield on AFL shares peaks at 3.5%, the peak is confirmed on October 14th, by three consecutively lower yields, at 3.1%. Shares would have been bought on October 17th, 2011 at $37.09. This time, the holding period is much longer as the expected yield remains above historical averages until a break below a 3% expected yield is confirmed on December 18th, 2012. This expected yield remains above average in part because of two dividend increases of over 6% during the period. This correlation between share price and yield is exactly why companies endeavor to steadily increase their dividends.

With the break below the average yield confirmed, investors would have sold on December 19th, 2012 at $52.74. This worked out to a 62% return, excluding the dividends received.

Table 2: AFL Shares – Yield, Price and Expected Dividend

Date	Expected Yield	Adj Close	Expected Annual Dividend	
12/21/12	2.7%	$ 52.18	$ 1.40	
12/20/12	2.6%	$ 53.05	$ 1.40	
12/19/12	2.7%	$ 52.74	$ 1.40	Sell date after break below confirmed
12/18/12	2.6%	$ 52.98	$ 1.40	
12/17/12	2.7%	$ 52.45	$ 1.40	
…	…	…	…	
11/28/12	2.8%	$ 50.42	$ 1.40	
…	…	…	…	
11/16/12	2.9%	$ 48.89	$ 1.40	Break below not yet confirmed
…	…	…	…	
11/02/12	2.9%	$ 48.75	$ 1.40	Dividend increase
…	…	…	…	
10/31/11	3.1%	$ 42.17	$ 1.32	Dividend increase
…	…	…	…	
10/18/11	3.1%	$ 39.18	$ 1.20	
10/17/11	3.2%	$ 37.09	$ 1.20	Purchase date after Peak yield confirmation
10/14/11	3.1%	$ 38.63	$ 1.20	
10/13/11	3.2%	$ 37.68	$ 1.20	
10/12/11	3.2%	$ 37.99	$ 1.20	
10/11/11	3.3%	$ 36.45	$ 1.20	
10/10/11	3.3%	$ 36.06	$ 1.20	
10/07/11	3.5%	$ 34.26	$ 1.20	Peak yield not yet confirmed
10/06/11	3.4%	$ 35.76	$ 1.20	
…	…	…	…	
08/04/11	3.1%	$ 39.21	$ 1.20	Break above average yield

Source: Tell-tale Capital Corp and Yahoo Finance

ALFAC's management,

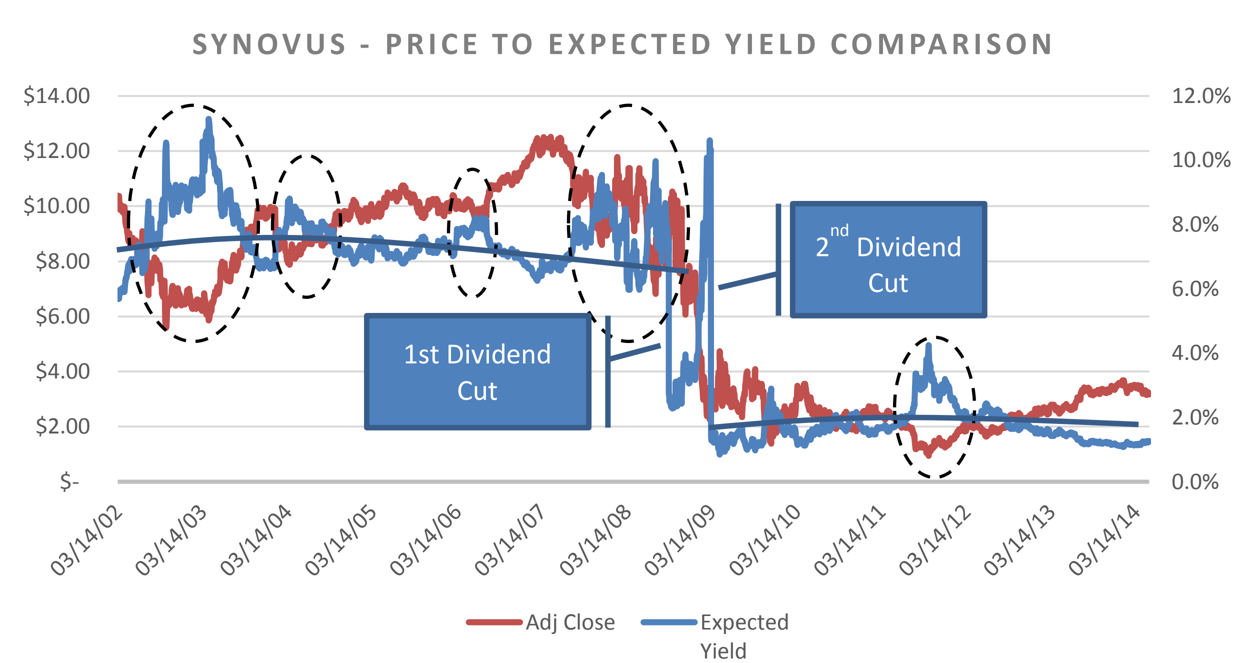
again and again, has supported the sanctity of its dividend making it a perfect candidate for GARY investing. However, given the certainty of the dividend and the fact that it has been battle-tested does imply that yield peaks will be less pronounced in the future as investors are less likely to allow shares to drop too far in relation to that dividend.

What Happens in GARY Investing When Dividends Can Not Be Sustained

Synovus Financial Corp. (SNV) is another example of GARY investing from the 2009 period but in this case the dividend could not be sustained and was "cut" once and ultimately "reset". By reset, we mean the act of reducing the yield to almost a notional level which allows management to focus on operations without too much concern for the cash flow a smaller dividend requires. Resetting a dividend does not permanently remove the shares from consideration in GARY investing, in fact, as long as there is still a dividend and expected yield to which to compare the price, it allows for a reset of consideration as well. In fact, Synovus is a good example of GARY investing because GARY analysis not only properly signaled the time to sell SNV shares in late 2008 but also indicated a new chance to buy shares, based on the new lower dividend and expected yield, in 2012.

A longer-term chart for SNV can be confusing as the company "cut" its dividend twice in a six month period (announced on 09/10/08 and 03/10/09). SNV's first dividend cut was part of an announced corporate overhaul and the second was really a prerequisite for taking federal aid. A meaningful reset of dividend expectations, as occurred on 03/10/09, essentially restarts a company's dividend history so breaking the chart into two sections at this point is practical. Breaking the price to expected yield chart into two periods makes discussing the GARY ovals easier as it establishes a more correlated expected yield for each period. Our GARY Screen actually rewards companies that bite the bullet so to speak and trigger a meaningful dividend cut or reset.

Chart 2: Synovus Financial Corp's GARY Periods



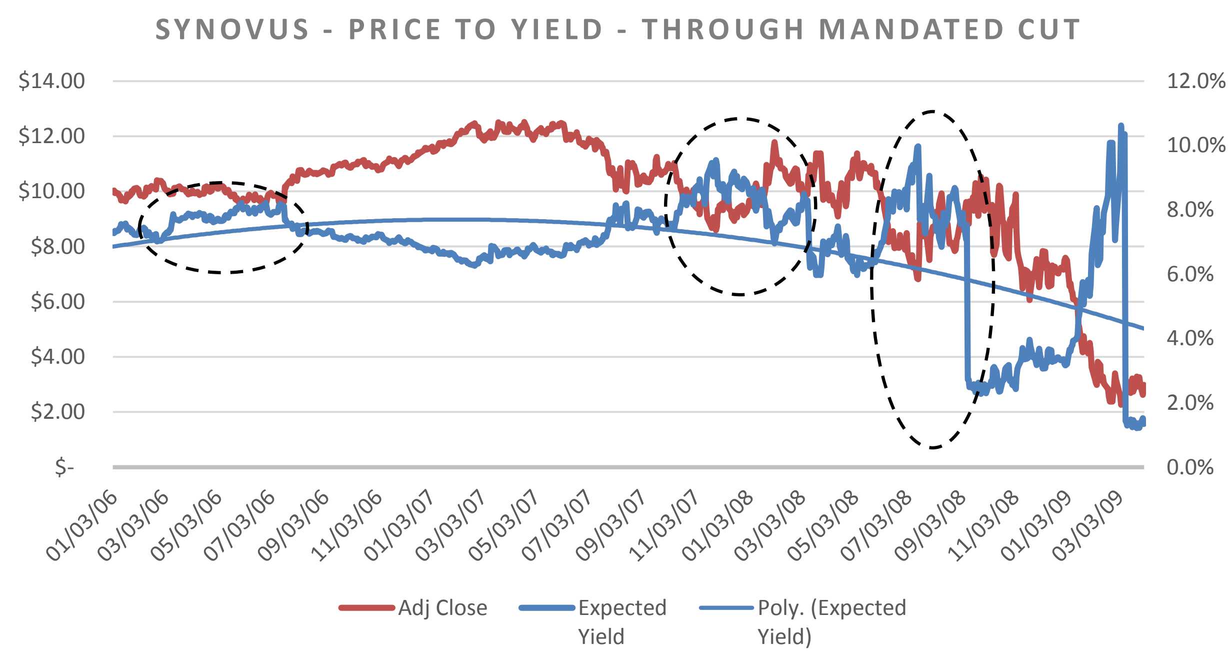
Source: Tell-tale Capital Corp.

Again, breaking this chart and the expected yield history into two distinct periods makes for better analysis.

Synovus Fin. Corp. (SNV) – GARY Sell Signal Curbs Losses

From 2006 through 2009 there are many GARY Periods where an above average yield may have attracted investors to SNV shares. The ovals that begin in 2006 and in 2007 would have generated positive returns and are typical GARY periods. We are more interested in the last period which ends with a dividend cut. As a dividend cut generally sends expected yield below the average, In GARY Investing they are an immediate sell signal.

Chart 3: Synovus Financial Corp's Pre Dividend Cuts



Source: Tell-tale Capital Corp.

In early May, 2008, the expected yield on SNV shares breaks above the trending average at roughly 6.5%. This upward yield movement "peaks" and is "confirmed", to use our GARY terms, on June 16th, 2008. A GARY investor would have bought shares on the 17th at $8.11 and an 8.4% yield, assuming the closing price for purchase.

The expected yield on SNV shares remains above average until the company "cuts" the dividend in conjunction with an announced company overhaul. Up to this point, GARY Investing was working as the price of SNV shares rose about 8% in three months – perhaps as other investors saw the high yield being offered. On September 10th, 2008, even if the investors agreed with the announced overhaul and the 65% dividend cut, GARY Investing calls for the immediate sale of shares as a dividend cut drops the expected yield well below average to 2.7%.

In this case GARY Investing continues to work as the sell signal gave investors plenty of time to sell shares before the share price corrected significantly. To explain, SNV shares actually rose in the next month beyond $10 a share due, in our opinion, to the cost savings of the announced overhaul and a smaller dividend. However, by March of 2009, when Synovus' management had to further reduce the dividend, to participate in the federal bailout of banks, shares were below $3.

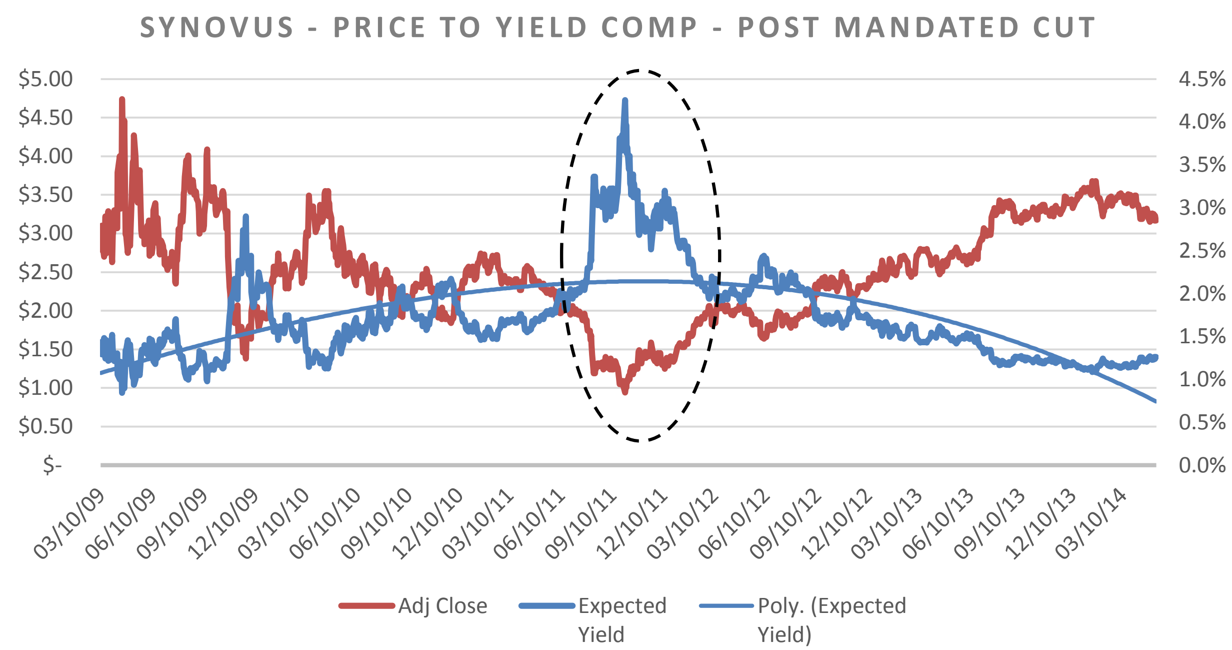
Table 3: SNV Shares – Historic Yield and Price

Date	Expected Yield	Price @ Close	Expected Annual DPS	
03/10/09	1.4%	$ 2.79	$ 0.04	
...	...	...	...	
09/25/08	2.3%	$ 10.53	$ 0.24	
...	...	...	...	
09/12/08	2.5%	$ 9.64	$ 0.24	
09/11/08	2.7%	$ 8.82	$ 0.24	
09/10/08	2.7%	$ 8.81	$ 0.24	Sell Signal after DPS Cut and Yield Breaks below
09/09/08	7.5%	$ 9.04	$ 0.68	
09/08/08	7.1%	$ 9.61	$ 0.68	
...	...	...	...	
06/18/08	8.6%	$ 7.94	$ 0.68	
06/17/08	8.4%	$ 8.11	$ 0.68	Purchase date after Peak confirmation on 06/16/08
06/16/08	7.9%	$ 8.56	$ 0.68	
06/13/08	8.0%	$ 8.46	$ 0.68	
06/12/08	8.1%	$ 8.38	$ 0.68	
06/11/08	8.3%	$ 8.16	$ 0.68	Peak yield but not confirmed
06/10/08	7.7%	$ 8.78	$ 0.68	
06/09/08	7.6%	$ 8.91	$ 0.68	
...	...	...	...	
05/12/08	6.2%	$ 10.95	$ 0.68	
05/09/08	6.5%	$ 10.47	$ 0.68	Break above average Yield
05/08/08	6.4%	$ 10.56	$ 0.68	

Source: Tell-tale Capital Corp and Yahoo Finance

We stress that often times quality companies and their management teams "reset" their dividends, or other liabilities for that matter. This second dividend cut was clearly a reset. In GARY Investing, that reset can be a great opportunity for a new yield average to be established and buy signals to emerge again. This definitely happened with Synovus. In July 2011, armed with a new yield average, investors could have participated in another GARY period generating a large total return while expected yield cycled above the average.

Chart 4: Synovus Financial Corp's Post Dividend Cut and Reset



Source: Tell-tale Capital Corp.

We note that most dividend analysis seems to be stubbornly focused on the length of dividend history. While this is obviously a nice characteristic, honoring dividend resets can direct investors to opportunities in less crowded stocks. Companies with long steady histories of dividends are often referred to as Dividend Aristocrats but limiting analysis solely to these companies is a mistake.

Fundamental Work to Confirm Product of the GARY Screen

GARY Investing can be completely rules driven relying only on a screen, which would remove any subjectivity from the decision. However, using fundamental and subjective research can improve the degree of confidence that a dividend is sacrosanct. This theoretically increases the chance that share price appreciation, and not dividend cuts, brings the expected yield back toward the historic mean and drives appreciation on the investment.

For example, research done in 2009, when AFL shares "screened", would have revealed that AFLAC, Inc. is one of few companies its size that gives the shareholders, not just the Board of Directors, a "say on pay". Not only is this executive pay up for shareholder approval but, the CEO, Dan Amos' pay is low relative to that of other CEOs of similar sized companies. While somewhat altruistic, this decision may have something to do with the fact that the Amos family maintains a large ownership of the company and can rely on dividend income in addition to W2 income, a fact that may influence decisions on whether or not a dividend is paid. In short, just reading a few articles, would have done much to increase a potential investor's confidence level in the dividend rate – even during the 2008/2009 financial crisis.

Mathematicians would argue that an objective score in the quantitative GARY Screen for "inside ownership" would effectively capture the significance of this ownership but it is not that simple (it never is). Consider the fact that AFLAC is the largest employer in a relatively small town and a large patron of the "city". Cutting a dividend would have personal and social impact on the executives of this company where they live and sleep. This quantitative work may be tough to ultimately prove, but we, at Tell-tale, believe in it and always try to back up the GARY Screen with subjective analysis of our GARY portfolio companies.

GARY in Practice

Tell-tale Investment Advisors has built and refined the GARY Screen over the last decade. The screen uses data valued by many schools of investment analysis: fundamental analysis, technical analysis, and even charting amongst others. There is no limit to the amount of quantitative analysis that can and should be done, especially if it can increase the probability that a companies' dividend is sacrosanct.

Our GARY Screen includes all dividend-paying public companies. We use our specific strategy to pick individual stocks, construct a portfolio of stocks for Separately Managed Accounts and LPs, and to act as a sub advisor to Institutional Accounts.

Growth At the Right Yield is a trademark of Tell-tale Investment Advisors.

About the Author and Tell-tale Investment Advisors

Frank Gristina, the author, is the creator of GARY Investing and the President of Tell-tale Investment Advisors. Frank has over twenty years of investment experience with both buy- and sell-side companies. Frank has received numerous awards for his work. In 2006 Frank was selected the #1 stock picker of all

Sell-side analysts (3,400) by Forbes.com/Starmine. Also in 2006, Frank ranked #2 of 87 analysts for the Specialty Retail category in the WSJ "Best on the Street" survey. In 2005, Frank ranked #2 of 21 analysts for the Advertising & Publishing category in the WSJ "Best on the Street" survey. In 2002, Frank received "honorable mention" for the Newspaper category in the annual II Survey.

In November 2010 by Frank Gristina and Thomas Landstreet founded Tell-tale Capital Corp, D/B/A Tell-tale Investment Advisors, to provide our clients an alternative to the "Hedge Fund" structure and pricing while still receiving active, educated portfolio management. We offer clients complete account transparency and liquidity with no lock-ups, exit gates or pass through of expenses. We funded our model portfolios, which reflect our client's portfolios, with a lion's share of our personal net worth. Tell-tale Investment Advisors also offers an LP structure for investors and sub advises other institutional investors.