



Think Income and Growth Don't Exist in This Market? Think Again.

Are you having the following argument with yourself?

"I need an investment that's going to provide me not only income, but growth too. Unfortunately, investors have been piling into dividend funds for years now in their search for yield. I'm worried that this has left me few reasonably-valued opportunities. If I invest in a potentially overvalued dividend fund today and this 8-year bull market finally runs out of steam tomorrow, then I'm risking serious losses. On the other hand, keeping my money on the sidelines is returning me zero. Is there an answer?"

As I'm about to show you, yes, I believe there is an answer – and a good one. Income and growth are still possible, even in this market, though admittedly, harder to find.

How We Got Into This Predicament

We all know how we got here: the Fed's zero interest rate policy (ZIRP), and now the various negative interest rate policies (NIRP) around the globe, the ostensible end of a 30+ year bull market in bonds, one of the lengthiest bull markets in stocks in U.S. history... All of this has funneled billions of dollars into any investment even resembling an income play. Desperate, yield-hungry investors have picked over the markets, stretching valuations and depressing yields.

The result is that if you're looking for income and growth at reasonable values, you're finding yourself in a challenging market. So what can you do?

I humbly request you consider the Cambria Shareholder Yield ETF, (NYSE: SYLD).

For those unfamiliar, we've engineered SYLD to help investors get exposure to quality value stocks that are returning the most cash to shareholders via dividends and buybacks. This makes SYLD similar to some popular dividend ETFs, though the differences are profound enough to set SYLD apart, as you'll see momentarily. But given that I'm referencing a Cambria fund, I'd rather not try to sway anyone based on my own opinion. Instead, let's go straight to the numbers so that you can decide for yourself.

The Search for Income

Below we show the SEC 30-day dividend yields for SYLD, Vanguard Dividend Appreciation ETF (**VIG**), iShares Select Dividend ETF (**DVY**), Vanguard High Dividend Yield ETF (**VYM**), iShares Core High Dividend ETF (**HDV**), SPDR S&P Dividend ETF, SPDR S&P Dividend ETF (**SDY**), and the PowerShares Buyback Achievers ETF (**PKW**). We've placed them in descending order, with the values as of 3/31/17.

We chose five of these ETFs as they're the largest dividend funds as measured by assets under management according to ETFdb.com (as of the end of 2016). We included the sixth ETF (PowerShares Buyback Achievers – PKW) as its strategy includes a focus on share buybacks.

(For more information on these ETFs, please see the appendix.)

iShares Core High Dividend (HDV)	3.38%
iShares Select Dividend (DVY)	3.04%
Vanguard High Dividend Yield (VYM)	2.93%
SPDR S&P Dividend (SDY)	2.22%
Vanguard Dividend Appreciation (VIG)	2.08%
Cambria Shareholder Yield (SYLD)	1.63%
PowerShares Buyback Achievers (PKW)	1.13%

Past performance does not guarantee future results.

Although SYLD offers a healthy dividend at 1.63%, it's obviously near the bottom of this group. But remember, we've engineered SYLD to reflect total cash distributions to investors from dividends and buybacks. When management rewards investors with buybacks, we wouldn't see that value-transfer reflected in the dividend yield. Therefore, we shouldn't expect SYLD to be leading this category.

Further illustrating this point, note the ETF in last place with a dividend yield of 1.13% – the PowerShares Buyback Achievers ETF (PKW). As previously mentioned, like SYLD, PKW strategy targets companies repurchasing shares, not just dividend payers. According to its fact sheet, PKW targets U.S. securities that have effected a net reduction in shares, via buybacks, of 5% or more over the trailing twelve months.

This is a helpful illustration of the contrast between a “dividend yield” and a “combined dividend and buyback yield.”

Look again to PKW's dividend return. If you're an investor focusing exclusively on dividend yield, you'd think that PKW is returning just 1.13% cash to investors. But when we include the 5%-or-more buyback return that's a part of PKW's methodology, we realize that the actual, total cash distribution to investors is more like 6.13%.

With this perspective, we suddenly have a far more complete way of evaluating our investments.

Why Buybacks Should Be Considered

A pure income investor might look at the above and say, “Explain it away however you want, but I don't care about buybacks. After all, it seems like overconfident CEOs are always buying back stock at all sorts of prices, regardless of valuations. Plus, they throw lucrative stock options to management, so trying to include buybacks isn't worth it to me. I see far better dividend yields up there than what SYLD is offering, so I'm choosing one of them.”

It's a logical response, but let's challenge it.

Why, perhaps, should you be willing to pay more attention to buybacks?

Without getting into too much detail, corporate share buybacks can be an effective way for managers to return profits to shareholders – similar to dividends – yet without triggering the taxable event that occurs with dividends. This means shareholders are receiving value, but it's subtler – generally camouflaged in the asset's market price, rather than the obvious dividend payment that appears in your brokerage account one day. But that doesn't mean the value isn't there, it's just in a different form. And at the end of the day, wouldn't you prefer the highest total return possible, regardless of the source of that return?

If you're still not convinced on the value of buybacks, consider famed investor, Warren Buffett's opinion. From his [1984 letter to Berkshire Hathaway shareholders](#):

“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.”

The key phrase for buybacks here is “intrinsic value.” If you are an overconfident CEO buying back overvalued shares, then you're destroying value. In such a case, the earlier objection to including buybacks is valid. Buybacks would in-deed be a detriment to total return.

But when a wise CEO buys back shares at great valuations that are below intrinsic value, to paraphrase Buffett's quote, “no alternative action benefits shareholders as much.”

Combining Dividend Yield with Buyback Yield

Now, just so you're not misunderstanding, this isn't an issue of choosing buybacks instead of dividends. It's not a competition.

We like dividends too; we just think an investor can do better by combining good dividend yields with good buyback yields, rather than by focusing on dividend yield alone. Think of these two returns as a broader, complementary “shareholder yield.”

We're confident this shareholder yield is a superior indicator of an investment's long-term potential. But we're not the only ones.

For instance, J.P Morgan writes, **“Across the range of definitions, we find the single best measure of Value is arguably Shareholder Yield, which combines the effects of Dividends, Buy-Backs & Net Issuance...”** (J.P Morgan, Value Everywhere, August 23, 2016.) Then there was the Societe Generale study reporting that, historically, a shareholder yield strategy had beaten the market in 17 of the previous 20 years, whereas a dividend yield strategy had beaten the market in only 9 of those years. (Societe Generale, Global Quantitative Research, October 9, 2014.) You'll find similar takeaways in various reports from other large financial institutions.

With all this in mind, let's look again at this same group of ETFs, this time on a total return basis instead of just dividend yield.

A Comparison of Total Returns

Below we compare the cumulative returns of SYLD with the same group of ETFs. The beginning date is 5/13/2013, which is the day on which we introduced SYLD to the market. Returns stop at 3/31/17, and are based on net asset value. The ETFs are ordered from highest to lowest return.

iShares Select Dividend (DVY)	58.0%
Cambria Shareholder Yield (SYLD)	57.1%
SPDR S&P Dividend (SDY)	54.4%
Vanguard High Dividend Yield (VYM)	54.0%
PowerShares Buyback Achievers (PKW)	51.3%
Vanguard Dividend Appreciation (VIG)	43.9%
iShares Core High Dividend (HDV)	41.1%

Source: Bloomberg. SYLD 1-year performance as of 3/31/17 at NAV: 19.2%. SYLD since-inception performance as of 3/31/17 at NAV: 57.1%. SYLD 1-year performance at market price (price return): 17.7%. SYLD since-inception performance at market price (price return): 36.0%. The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted.

Note that SYLD's total return of 57.1% is second highest in the entire group. Therefore, had you focused exclusively on dividend yield, you might have chosen, say, VIG or HDV with a higher yield – yet that would have meant your overall return would have been significantly lower.

But back to the counter-argument: “Your point is valid, but I still see that DVY has a higher total return than SYLD, and a higher dividend yield too. So why shouldn't I invest in it right now instead?”

Great question – and there's an equally great answer.

Looking at These Investments Through a “Value” Prism

One of the basic tenets of investing is that, all else being equal, the less you pay for an investment, the better your future returns should be. By that logic, the better the value at which we can purchase quality assets, the better positioned we should be for increased returns going forward.

Recall for a moment our earlier discussion of Warren Buffett and buybacks. Buffet believes buybacks are wonderful when they're effected at discounted valuations. He didn't say “all buybacks are great, all the time,” because they're not. If a CEO overpays for his shares, it's an unwise use of money, same as if you or I overpay for, say, a new car or a dishwasher.

The point is, valuation matters. With investing, the price which you pay for an asset has a significant influence on the return (or lack thereof) that you'll get.

With that in mind, let's return to our group of ETFs.

The chart below includes numerous common valuation metrics: the ratios of price-to-earnings, price-to-book, price-to-sales, and price-to-cash flow. We've re-included the dividend yield for perspective, highlighting the highest dividend yield (from HDV) as well as SYLD's total numbers.

	S&P 500	VIG	DVY	VYM	SDY	HDV	PKW	SYLD
P/E	19.53	20.85	18.36	17.94	20.65	18.40	15.29	14.56
P/B	2.73	4.04	2.30	2.63	3.02	3.21	2.13	1.75
P/S	2.04	1.68	1.52	1.99	1.73	2.17	1.29	0.98
P/CF	11.17	11.18	9.14	10.95	11.60	12.24	8.24	6.38
Div Yield*	2.14%	2.08%	3.04%	2.93%	2.22%	3.38%	1.13%	1.63%

Forward-looking based on historical data, as of 4/1/17. Source: Morningstar. Style and Market Cap Breakdown and Value and Growth Measures are calculated only using the long position holdings of the portfolio.

*ETF div yields are SEC 30 day yield as of 3/31/17. Source: individual fund companies.

SYLD trades at the lowest valuation of all ETFs in every single category. In many cases, the aggregate holdings in SYLD are significantly cheaper than those of the competing dividend funds.

And for any skeptics remaining, wondering about the extent to which valuation really matters, I'll point you to a report from O'Shaughnessy Capital Management. The group conducted research on the subject and concluded the following:

“While (dividend) yield is attractive in general, one of the most important lessons we’ve learned in the large cap market is that it becomes unattractive when expensive... ..if a company has a high yield but is also cheap, then it has outperformed the market by 3.29%, on average. But when a stock has a high yield and is trading at expensive multiples of earnings, sales, EBITDA, and free cash flow, it’s lost to the market by an average of 2.06% a year.”

(O'Shaughnessy Asset Management, The Myth of the Most Efficient Market, 2013.)

As we stand here today looking forward, SYLD offers the lowest valuation out of all of these ETFs. We'll let you draw your own conclusion as to what this might mean for future returns.

Yes, this is a challenging market for income investors, but it doesn't have to be an impossible market. Income, growth, and good values are still out there. If you haven't looked at SYLD in a while, maybe it's time.

Appendix

This paper was compiled to provide a framework to analyze the characteristics of Cambria's ETF, Shareholder Yield (NYSE: SYLD) relative to funds that seek to offer investors exposure to U.S. based companies with a focus on dividends, and/or U.S. based companies with a focus on share buybacks, when such Funds are available. The valuation data—at the time this report was written—reflects the fundamental data of Price/Earnings ratios, Price/Book ratios, Price/Sales ratios, Price/Cash Flow ratios, and dividend yield so that investors can compare the ETFs across the same metrics. All information is provided strictly for educational and illustrative purposes only.

No representation is being made that any investment will achieve performance that is similar to the returns shown above. The information provided should not be considered investment advice.

Below is more information on each of the referenced funds in this paper.

VIG (all info below from ETFDB 12/5/16)

Objective	This ETF is linked to the Dividend Achievers Select Index, which offers exposure to dividend paying large-cap companies that exhibit value characteristics within the U.S. equity market.	
Cost, Expenses, Sales Charges, Expense Ratio	0.10%	
Liquidity	AUM: \$22,222.1 M	Shares: 262.2 M
	1 Month Avg. Volume: 1,022,232	3 Month Avg. Volume: 812,008
Safety	There are risks associated with investing in VIG, including possible loss of principal.	
Guarantees or Insurance	There are no guarantees or insurance when investing in VIG.	
Fluctuation of Principal or Return	Because of its narrow focus, VIG may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.	
Tax Features	Before investing in VIG, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.	

DVY (all info below from ETFDB 12/5/16)

Objective	This ETF is one of several options available to investors looking to focus equity exposure on dividend-paying stocks; the underlying index screens the equity universe by factors such as dividend per share growth rate, dividend payout percentage rate, and dividend yield.	
Cost, Expenses, Sales Charges, Expense Ratio	0.40%	
Liquidity	AUM: \$16,420.1 M	Shares: 188.7 M
	1 Month Avg. Volume: 1,432,273	3 Month Avg. Volume: 1,106,905

Safety	There are risks associated with investing in DVY, including possible loss of principal.
Guarantees or Insurance	There are no guarantees or insurance when investing in DVY.
Fluctuation of Principal or Return	Because of its narrow focus, DVY may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.
Tax Features	Before investing in DVY, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.

VYM

(all info below from ETFDB 12/5/16)

Objective	This ETF is linked to the FTSE High Dividend Yield Index, which offers exposure to dividend paying large-cap companies that exhibit value characteristics within the U.S. equity market.	
Cost, Expenses, Sales Charges, Expense Ratio	0.10%	
Liquidity	AUM: \$16,392.8 M	Shares: 221.0 M
	1 Month Avg. Volume: 1,106,900	3 Month Avg. Volume: 898,667
Safety	There are risks associated with investing in VYM, including possible loss of principal.	
Guarantees or Insurance	There are no guarantees or insurance when investing in VYM.	
Fluctuation of Principal or Return	Because of its narrow focus, VYM may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.	
Tax Features	Before investing in VYM, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.	

SDY

(all info below from ETFDB 12/5/16)

Objective	This ETF is linked to the S&P High Yield Dividend Aristocrats Index, which offers exposure to dividend paying large-cap companies that exhibit value characteristics within the U.S. equity market.	
Cost, Expenses, Sales Charges, Expense Ratio	0.35%	
Liquidity	AUM: \$14,994.5 M	Shares: 176.1 M
	1 Month Avg. Volume: 1,043,082	3 Month Avg. Volume: 898,867
Safety	There are risks associated with investing in SDY, including possible loss of principal.	
Guarantees or Insurance	There are no guarantees or insurance when investing in SDY.	

Fluctuation of Principal or Return	Because of its narrow focus, SDY may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.
Tax Features	Before investing in SDY, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.

HDV (all info below from ETFDB 12/5/16)

Objective	This ETF from iShares tracks the Morningstar Dividend Yield Focus Index, which gives investors exposure to dividend paying large-cap companies that exhibit value characteristics within the U.S. equity market.	
Cost, Expenses, Sales Charges, Expense Ratio	0.08%	
Liquidity	AUM: \$6,189.1 M	Shares: 77.2 M
	1 Month Avg. Volume: 707,086	3 Month Avg. Volume: 510,682
Safety	There are risks associated with investing in HDV, including possible loss of principal.	
Guarantees or Insurance	There are no guarantees or insurance when investing in HDV.	
Fluctuation of Principal or Return	Because of its narrow focus, HDV may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.	
Tax Features	Before investing in HDV, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.	

PKW (all info below from ETFDB 12/9/16)

Objective	This ETF focuses in on companies that have bought back large numbers of shares in the past year. In order to be included, a company must have repurchased at least 5% of its outstanding shares in the past twelve months.	
Cost, Expenses, Sales Charges, Expense Ratio	0.68%	
Liquidity	AUM: \$1,400.0 M	Shares: 27.1 M
	1 Month Avg. Volume: 106,805	3 Month Avg. Volume: 102,848
Safety	There are risks associated with investing in PKW, including possible loss of principal.	
Guarantees or Insurance	There are no guarantees or insurance when investing in PKW.	
Fluctuation of Principal or Return	Because of its narrow focus, PKW may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.	
Tax Features	Before investing in PKW, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.	

SYLD

 (all info below from ETFDB 12/5/16)

Cost, Expenses, Sales Charges, Expense Ratio	0.59%	
Liquidity	AUM: \$129.1 M	Shares: 4.0 M
	1 Month Avg. Volume: 8,882	3 Month Avg. Volume: 510,682
Risks	<p>There are risks associated with investing in SYLD, including possible loss of principal. There is no guarantee that the Fund will achieve its investment goal. High yielding stocks are often speculative, high risk investments. The underlying holdings of the fund may be leveraged, which will expose the holdings to higher volatility and may accelerate the impact of any losses. These companies can be paying out more than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse effect on the stock price of these companies and the Fund's performance. International investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Narrowly focused funds typically exhibit higher volatility.</p> <p>The Fund is actively managed using proprietary investment strategies and processes. There can be no guarantee that these strategies and processes will produce the intended results and no guarantee that the Fund will achieve its investment objective. This could result in the Fund's underperformance compared to other funds with similar investment objectives.</p> <p>There is no guarantee dividends will be paid. Diversification may not protect against market loss.</p>	
Guarantees or Insurance	There are no guarantees or insurance when investing in SYLD.	
Fluctuation of Principal or Return	Because of its narrow focus, SYLD may be more volatile than broadly diversified funds, and generally result in greater price fluctuations than the overall market.	
Tax Features	Before investing in SYLD, investors should consult their own CPA or tax attorney to determine whether the investment is right for them.	

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expense before investing. This and other information can be found in the Fund's full or summary prospectus which may be obtained by calling 855-383-4636 (ETF INFO) or visiting our website at www.cambriafunds.com. Read the prospectus carefully before investing or sending money.

Investing involves risk, including the possible loss of principal.

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