



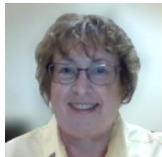
# The Sun Bulletin



## From the President

Hope you all have had a wonderful summer!

I am currently in Canada, seeing evidence of Fall as the trees begin to color around me. Back home it has been over 100 degrees, so I feel fortunate to be here. Although we in the west do not experience dramatic changes in season, there is still a comfort in the changes in our rhythms of life that come as summer ends and September rolls around.



As the saying goes "a change is as good as a rest", so enjoy the changes around you, and have a happy Fall!

*Linda Robins*

*President, Golden West Chapter*

## In this Edition:

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- Education
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- Book Review
- New Member(s)
- Volunteer Opportunities
- A Moment in History

Editor: Roxanne Brazell

## Chapter News

The August Board Planning meeting was chocked-full of ideas and topics to help us reach out to our fellow members.

This newsletter will be published three times a year.

- Fall between September/October
- Spring between January/February
- Summer in July or August

## Club Corner

Need an interesting Education Program at your investment club meeting? We're here to help! Golden West Chapter has many programs to share with you on most popular investing topics and tools. To arrange either a virtual or in-person presentation to your club, contact us at:

[contact@goldenwest.betterinvesting.net](mailto:contact@goldenwest.betterinvesting.net)

If you are interested in sharing a story, please email us at [contact@goldenwest.betterinvesting.net](mailto:contact@goldenwest.betterinvesting.net)



## Will Dividends Continue?

By Barry Defloff, Northern Lights Chapter

Investors may be looking at dividend yield to help augment returns in today’s market. Kinder Morgan, Inc. (KMI) currently (June 3rd, 2022) has a 5.56% yield and an up sloping price trend. They are in the Energy Sector, Oil & Gas Midstream Industry and is a large size company with an expected growth rate of 5-7%.

Anytime an investor is looking at dividend yield, they should also be looking at how safe and reliable those dividends are. Going to [finance.yahoo.com](https://finance.yahoo.com) and clicking on Historical Data one can see dividend payouts over time. KMI cut their dividends in January 2016 from .51 to .125 cents per share. The question is, will KMI cut their dividends again?

On the Analyze Growth and Quality screen in our SSGs (Stock Selection Guide), we are not seeing our hoped for up, straight, and parallel growth rates. However, I am more focused on the Valuation and Return screen regarding our question of dividend safety.

3. PRICE EARNINGS HISTORY as an indicator of the future

CLOSING PRICE (06/02/22): 19.96      HIGH THIS YEAR: 20.19      LOW THIS YEAR: 15.01

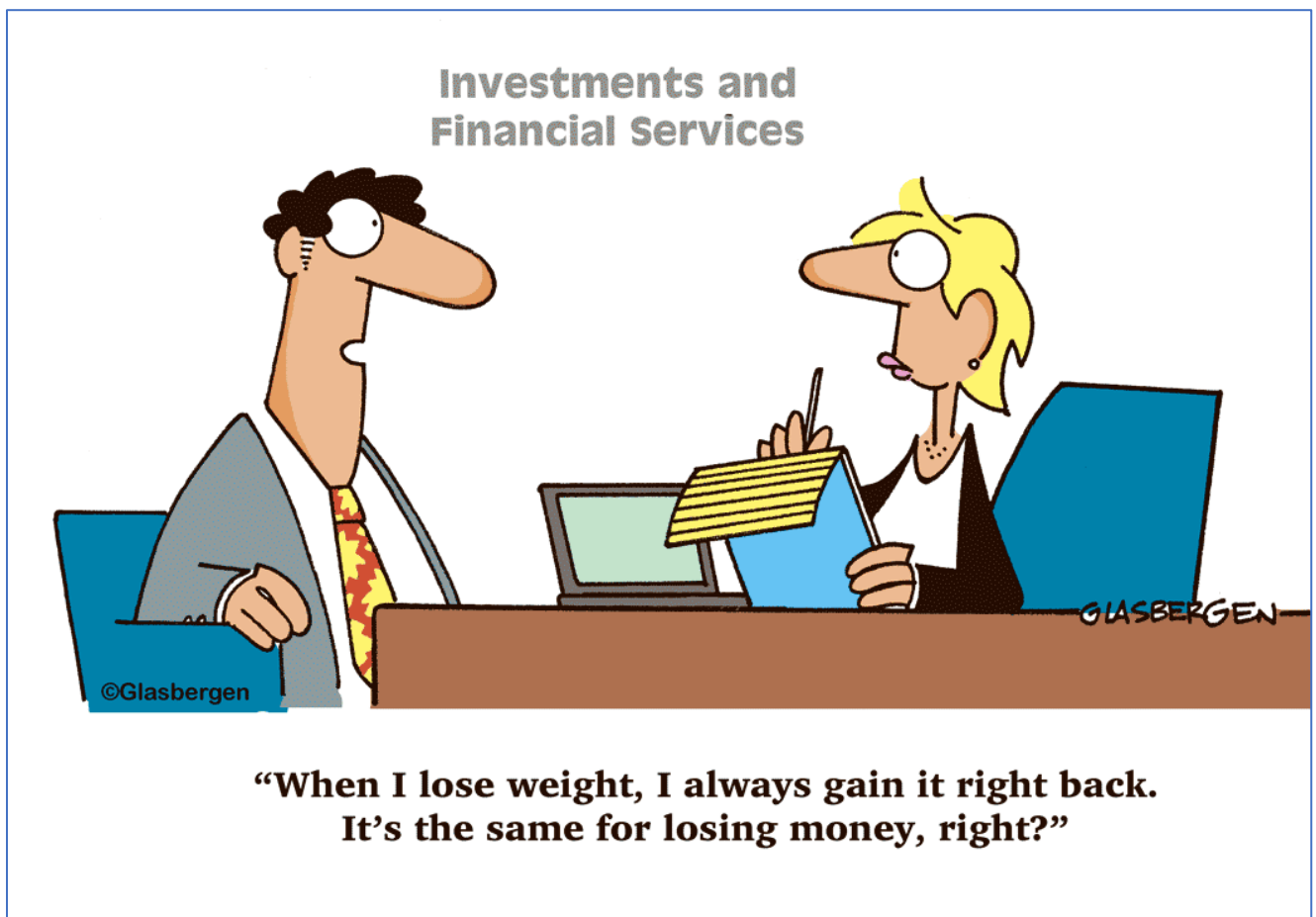
Year	A		B	C		D		E	F	G	H
	Price	Price	Price	Earnings	Price Earnings Ratio	Price Earnings Ratio	Price Earnings Ratio	Dividend	% Payout	% High Yield	
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100			
2017	23.0	16.7	0.01	2,301.0	1,668.0	0.50	5000.0%	3.0%			
2018	19.8	14.6	0.66	30.0	22.2	0.72	109.8%	5.0%			
2019	21.5	15.1	0.96	22.4	15.7	0.95	99.0%	6.3%			
2020	22.6	9.4	0.05	451.6	188.4	1.04	2076.0%	11.0%			
2021	19.3	13.5	0.78	24.7	17.3	1.07	137.6%	8.0%			
<b>AVERAGE</b>		<b>13.9</b>		<b>566.0</b>	<b>382.3</b>		<b>1484.5%</b>				
<b>CURRENT/TTM</b>			<b>0.45</b>			<b>1.11</b>	<b>246.7%</b>				
<b>AVERAGE PRICE EARNINGS RATIO: 474.1</b>				<b>CURRENT PRICE EARNINGS RATIO: 44.4</b>							

In section three of the SSG – we can look at a picture of % payout ratios — the percentage of earnings paid out as dividends — High payout numbers tells us something may be wrong with this picture.

If payout ratios reach unsustainable levels, at some point these companies will have to slow down their payout growth. Or worse, cut or suspend the dividend entirely. A consistently high payout ratio may mean the company doesn’t have favorable places to invest its money for future growth of earnings and dividends. It may also mean the dividend is not as secure as a dividend of a company with a low payout ratio. We like to see payout ratios of less than 75%. Payout ratio should be analyzed in conjunction with the dividend yield. When considering just

these two metrics, a high dividend yield and a low payout ratio would be the optimum. Distributable cash flow (DCF), the measure of cash flow we use to determine whether the dividend is safe, is forecast to decline from \$5.5 billion in 2021 to \$4.9 billion in 2022 according to Marc Lichtenfeld. The \$4.9 billion should still easily cover the projected \$2.5 billion in dividends being paid out this year. But we never want to see cash flow decreasing. We can see Free Cash Flow/Share and Total Debt by selecting those items to be graphed in the Analyze Growth and Quality screen.

If it's the beginning of a trend, it can put the payout in jeopardy down the road. The cash flow decline is not a major concern on its own at this point. But that issue, combined with a heavy debt load and a history of lowering the dividend, means that Kinder Morgan might cut its dividend in the next year or so. Are your dividend stocks earning their potential?



<p><b>Test your Knowledge</b></p>	<p>1. Which describes the percentage rate of return for an investment?</p> <p style="text-align: center;">a. load      b. expense ratio      c. yield      d. principal</p> <p style="text-align: center;"><u><a href="#">(The answer will be included in the next newsletter)</a></u></p>
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## MARK YOUR CALENDARS!

October 13 5:30-6:45pm	Investment Club Workshop: The Complete Guide to Portfolio Management for Investment Clubs	This fast-paced class will cover portfolio management and diversification.	For more info and to Register click <a href="#">HERE</a> .
October 17 5:30-6:30pm	BetterInvesting's SSGPlus Stock Analysis Tool Tutorial	Join this session to learn how SSGPlus can take your stock studies to the next level.	For more info and to Register click <a href="#">HERE</a> .
November 4 December 2 January 6 5:30-6:30 pm	First Friday "Happy Hour" (monthly)	Stop by this casual gathering of fellow investors and chapter directors. We will start off with a discussion of Portfolio Management and SSG Stock Review, then open to your questions.	For more info and to Register click <a href="#">HERE</a> .
November 5 December 3 January 7 9-11:15 am	Orange County Model Investment Club (monthly)	Education: Morningstar Financials; Portfolio Review; Q4 APPL, FFIN; Small Company Stock Study. 1 <sup>st</sup> Saturday of the month.	Register <a href="#">HERE</a>
October 8 November 12 December 9 January 13 10:30am-12:30pm	SoCAL Model Investment Club (monthly)	Education: Morningstar Financials; Portfolio Review; Q4 APPL, FFIN; Small Company Stock Study. 2 <sup>nd</sup> Saturday of the month.	Register <a href="#">HERE</a>

### **Member Perk! *Why Join an Investment Club?***

"An investment club is a group of people who pool their money to make investments. Usually, investment clubs are organized as partnerships and, after the members study different investments, the group decides to buy or sell based on a majority vote of the members. Club meetings may be educational and each member may actively participate in investment decisions." -- [US Securities & Exchange Commission](#).



So, why do almost 80% of BetterInvesting members belong to one (or more) BI investing clubs? Club members want to learn how to identify quality companies and properly assess the company's sales and earnings to form an informed opinion of the company's future potential. They want to learn the key skill of evaluating management's ability to continue growing the company and making money for them as owners. They want to learn about and apply a rational, proven process for buying (and selling) stocks. As their stock holdings grow in numbers of names and values members want to learn how to create and manage a portfolio of solid, high quality growth companies, re-invest dividends and make money. Your membership in Better Investing can help you gain financial independence.

Source: Better Investing.org

**BOOK IT!**

*Where the Money Is: Value Investing in the Digital Age*



Technological change is reshaping the economy in a way not witnessed since Henry Ford introduced the assembly line. A little more than ten years ago, only two of the ten most valuable publicly traded companies in the world were digital enterprises—today, they comprise eight of the top ten. This book is helpful to investors around the world are struggling to understand the Digital Age and how they can use the stock market to profit from it. The content ushers in a new era of modern value investing.

\*If you have a favorite book on investing you would like to review and recommend to your fellow investors, send your proposal to [contact@goldenwest.betterinvesting.net](mailto:contact@goldenwest.betterinvesting.net) and we will consider it for a future newsletter.

Welcome the following new members to the BetterInvesting family:

- |            |                |
|------------|----------------|
| Nick A     | Oak Hills CA   |
| Ramon M    | Long Beach CA  |
| Patricia R | Henderson NV   |
| Greg M     | Laguna CA      |
| Laurel M   | Redlands CA    |
| Lori S     | Victorville CA |
| Lloyd B    | Tustin CA      |
| Kimetra N  | Fontana CA     |



**We Love our Volunteers!**



The Golden West Chapter is run entirely by volunteer Directors, who give freely of their time and knowledge. The more volunteers we have, the more people we can reach and teach. If you are one of those people who want to learn more and like to help out, we want you as a director! We are always looking for individuals with administrative skills, organizational abilities, teaching skills or computer skills. This is a great opportunity to learn more about investing while spending time with a great group of folks. If you are interested, contact us at [contact@goldenwest.betterinvesting.net](mailto:contact@goldenwest.betterinvesting.net).

**\*\*\*We are offering individuals that would like to become a Golden West Chapter director the incentive of a FREE one-year BetterInvesting membership, including the SSGPlus online tools. \*\***

## History of Commodities Trading

Commodities trading is as old as civilization itself. Modern commodities trading typically refers to trading futures contracts, derivatives, and other financial products. In ancient history, however, commodities trading was as simple as trading wheat for copper (yes, just like in Settlers of Cataan).

Sumer is thought to be the world's oldest civilization. So, when we say that commodity markets were found in Sumer between 4500 and 4000 BCE, we're saying that commodities trading is as old as human civilization itself.

In Sumer (which is in modern day Iraq), citizens would use clay tokens sealed in a clay vessel as a medium of exchange for goats. Clay writing tablets indicated the number of clay tokens inside each sealed vessel, and the merchant would deliver the specified number of goats. The fact that the clay tablets included the amount, time, and date tells us that they were the earliest form of commodity futures contracts.

In other civilizations, we have similar examples where pigs, seashells, and other common items were used as "commodity money". Over the centuries, traders continuously improved on that system, eventually leading to gold and silver trading markets in classical civilizations.

Throughout history, there have been four main categories of commodities trading, including:

- **Energy Commodities** (crude oil, natural gas, and gasoline)
- **Metal Commodities** (gold, silver, and platinum)
- **Livestock and Meat Commodities** (pork bellies, live cattle, and feeder cattle)
- **Agricultural Commodities** (corn, soybeans, wheat, rice, cocoa, coffee, cotton, & sugar)

These have evolved into modern and future commodities that are traded today.

Source: bebusinessed, August 6, 2022



<https://www.betterinvesting.org/chapters/goldenwest>  
[contact@goldenwest.betterinvesting.net](mailto:contact@goldenwest.betterinvesting.net)

**About BetterInvesting** Since 1951, BetterInvesting has helped over 5 million people become better, more informed investors. You can learn more about the benefits of investment clubs by visiting [www.betterinvesting.org/clubs](http://www.betterinvesting.org/clubs) to sample many of our investment club resources, at no cost or obligation. The Heart of Illinois Chapter of BetterInvesting is the local resource for investment education about how to buy good stocks at the right price with the goal of doubling your portfolio value in five years by investing regularly, reinvesting dividends, and diversifying investments.

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