Five Value Stocks with Low Volatility

This week?s screen is for investors who think the outperformance of more conservative stocks will continue in the coming quarters. As we highlight below, Low Beta stocks and High Dividend Yielding stocks have been the best-performing stock factors year to date. This is not surprising with volatility running well above average. In such times investors seek safety in stocks that tend to be less volatile.

Relative Performance to SPY								
# trading days	10	20	20	20	60	60	60	
Dates:	03/28/22 - 04/11/22	02/28/22 - 03/28/22	01/31/22 - 02/28/22	01/03/22 - 01/31/22	10/11/21 - 01/03/22	07/19/21 - 10/11/21	04/26/21 - 07/19/21	YTD
Small Caps	-1.17%	-3.00%	3.99%	-4.87%	-7.62%	1.77%	-8.94%	-4.27%
Mid Cap 400	-0.57%	-2.46%	4.08%	-1.72%	-3.35%	1.75%	-8.59%	-0.91%
S&P 500	-0.01%	-0.06%	0.06%	-0.03%	0.07%	-0.05%	0.04%	-0.01%
Small Cap Value	-0.05%	-2.27%	4.58%	0.65%	-5.63%	4.01%	-7.49%	3.08%
Mid Cap Value	-0.10%	-2.01%	4.29%	1.10%	-4.05%	3.29%	-8.60%	3.30%
S&P 500 Value	2.77%	-1.27%	1.53%	3.70%	-3.57%	0.68%	-2.94%	6.64%
Low Beta [Low Vol.]	6.13%	0.09%	0.49%	1.98%	0.54%	-3.08%	1.31%	6.98%
High Dividend Yield	2.71%	-1.23%	1.48%	4.83%	-2.84%	0.54%	-2.39%	7.71%
Buyback Achievers	1.35%	-2.26%	2.29%	0.01%	-5.54%	3.74%	-2.38%	1.03%
Small Cap Growth	-0.41%	-3.41%	2.65%	-7.33%	-8.60%	-0.26%	-8.07%	-8.28%
Mid Cap Growth	-0.98%	-3.02%	3.95%	-4.50%	-2.58%	-0.30%	-8.45%	-4.85%
S&P 500 Growth	-2.69%	1.15%	-1.47%	-3.29%	3.21%	-0.57%	2.77%	-5.92%
Mega Cap Growth	-2.95%	0.71%	-2.32%	-3.77%	1.50%	-0.66%	2.27%	-7.53%
Momentum	-2.09%	1.39%	0.27%	-3.41%	-7.27%	4.02%	-6.65%	-4.19%
High Beta	-3.11%	-2.87%	4.54%	-1.31%	-2.65%	7.52%	-7.00%	-1.94%
Semiconductors	-10.62%	-1.27%	1.84%	-7.49%	15.64%	1.06%	-5.15%	-15.18%
"Disruptive Tech"	-7.26%	-9.25%	-3.62%	-16.41%	-21.92%	-8.29%	-9.94%	-29.36%
Equal Weight S&P 500	1.54%	-1.67%	2.06%	1.37%	-2.92%	1.57%	-2.83%	2.84%
Emerging Markets	1.67%	-7.69%	-1.37%	5.09%	-12.89%	-6.03%	-5.44%	-1.79%
Developed Markets	1.38%	-3.93%	0.30%	1.38%	-7.91%	-1.69%	-4.12%	-0.57%
EAFE	1.60%	-4.01%	-0.48%	1.56%	-8.02%	-1.21%	-4.58%	-0.96%
Precious Metals	6.18%	-5.77%	9.59%	8.89%	-10.08%	-9.99%	-4.55%	16.82%

Real Investment Advice

Our low volatility screen starts by using the holdings of Invesco?s Low Volatility ETF, SPLV. We then screen the ETF?s holdings to find those stocks with a solid value proposition.

Screening Criteria

We used the following screening criteria to pick out the better value stocks within the ETF?s holdings:

- Member of SPLV ETF
- P/E < 20 and Forward P/E < 18
- EPS Growth Expectations Next 5y > 0
- LT Debt/Equity < 1
- P/B < 3

Company Summaries (all descriptions courtesy of Zacks)

Aflac (AFL)

Aflac, Inc. is a Fortune 500 company, providing financial protection to more than 50 million people worldwide. When a policyholder or insured gets sick or hurt, Aflac pays cash benefits fairly, promptly, and often in one day for eligible claims, directly to the insured (unless assigned otherwise). American Family Life pioneered the introduction of a cancer policy after identifying the need to lift the financial burden of cancer patients and their families. For more than six decades, Aflac voluntary insurance policies have given policyholders the opportunity to focus on recovery, not financial stress.

Aflac?s stock is up over 10% this year and sitting at all-time highs. Like most insurance companies, AFL has low valuation ratios and a decent dividend yield. Because insurance is a necessity, AFL tends to be more recession-proof than most other companies. That said the shape of the yield curve and environment for investments is a determinant of its earnings.



Archer-Daniels-Midland (ADM)

Archer Daniels Midland Company procures, transports, stores, processes, and merchandises agricultural commodities and products. Its operations are classified into three business segments: Oilseeds Processing, Corn Processing, and Agricultural Services. The Company processes oilseeds, corn, wheat, cocoa, and other agricultural commodities. It manufactures protein meal, vegetable oil, corn sweeteners, flour, biodiesel, ethanol, and other value-added food and feed ingredients. Archer-Daniels-Midland Company is headquartered in Decatur, Illinois.

ADM, like TSN and CAG, is in the food/agriculture business. However, ADM is at less risk of rising inflation because they are on the farming/production side of the business. While higher fertilizer and labor costs will impact them, they have been able to pass through higher expenses to its clients due to increasing commodity prices. Its current and forward P/E are about 18, which is at the higher end of the companies in this scan but still well below that of the S&P 500.



Assurant (AIZ)

Assurant Solutions offers a wide range of products that protect appliances, electronic devices, mobile phones and family finances through preneed insurance.

AIZ is also an insurer but of goods, not life, auto, or health, as many investors are more familiar with. As such, they are a little more susceptible to recessionary pressures. That said, they have grown faster than traditional insurance companies as there is less competition. As the graph below shows, the stock price has been on a tear this year despite market weakness.



Tyson Foods (TSN)

Tyson Foods, Inc. is the world?s largest processor and marketer of chicken, beef, and pork, the second-largest food company in the Fortune 500 and a member of the S&P 500. The company produces a wide variety of protein-based food products, which are marketed under the Powered by Tyson$^{(TM)}$ strategy. Tyson is the recognized market leader in the retail and foodservice markets it serves, providing products and service to customers throughout the United States and more than 80 countries.

TSN trades at a low P/E of 10 and an even more impressive P/S of .69. While certainly a value stock with low volatility, its margins are at risk in a sustained high inflationary environment. Gross profit margins have risen since the pandemic started, but we suspect they will be under pressure in the coming quarters.



Conagra Brands (CAG)

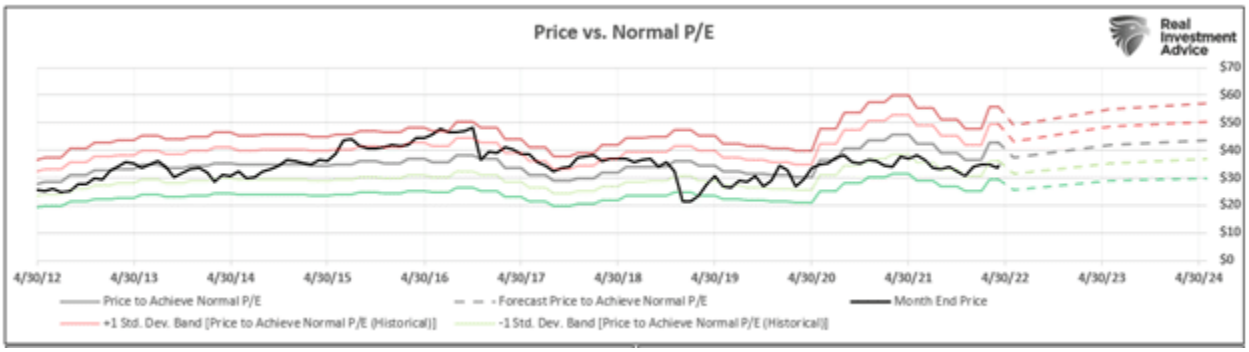
Conagra Brands, Inc. manufactures and markets packaged foods for retail consumers, restaurants and institutions. Its operating segment consists of Consumer Foods and Commercial Foods. The Company offers meals, entrees, condiments, sides, snacks, specialty potatoes, milled grain ingredients, dehydrated vegetables and seasonings, and blends and flavors. Its brands include Marie Callender s, Healthy Choice, Slim Jim, Hebrew National, Orville Redenbacher s, Peter Pan, Reddi-wip, PAM, Snack Pack, Banquet, Chef Boyardee, Egg Beaters, Rosarita, Fleischmann s and Hunts.

CAG has a forward P/E of 13 and a relatively high dividend yield of 3.57%. Unlike the other four stocks in this scan, CAG is below its all-time high and has not witnessed as much upward momentum in its price.



In our April 8, 2022, daily Morning Commentary, we wrote the following blurb on CAG:

?We share our model again to explore CAG?s valuation. The model estimates a fair value price based on P/E of $42, which is about 20% above its current share price. Zacks agrees as they model the price at 21.5% below fair value. Using P/S, CAG is close to fair value. With a P/E of 13 and a P/S of 1.5, it?s hard to argue CAG is pricey. The caveat to this analysis is the threat of sustained higher inflation and a weak economy. Such a stagflationary outlook will weigh on their profit margins, earnings, and likely the stock price.?



Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.