

# Several Ultra Dividend Trades: CMCSA, BHP, HON, LOW, QCOM, CTRA, GIS, CC, AFL, BP, TM, NWL, WBS



Fernandez, Ramiro  
Manager

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On 02/15/2023, we implemented several trades based on recommendations from our research team to improve the portfolio's overall ranking, dividend yield, and sector exposures.

### Purchases:

[Comcast \(CMCSA\)](#) - Initiated a 2% position to diversify our communications exposure. Per Josh Hill's research, the company is generating significant cash flow which it is returning to shareholders via dividends and increased share repurchases. Ranks a 3 overall and yields 2.74%.

[BHP Group ADR \(BHP\)](#) - Initiated a 2% position in BHP, a world leader in the diversified resources industry. The company's profit margins consistently lead the peer group: the iron ore segment earns over 70% margins due to its high-quality mix and productivity. Aside from cyclical commodity exposure, secular growth drivers include battery materials used in electric vehicles. Dividend yield of 9.7% adds to the attraction of an Empirical ranking of 1 overall.

[Honeywell International Inc \(HON\)](#) - Initiated a 2% position. Honeywell, traditionally known for its aerospace and oil and gas prowess, has transformed into a software industrial with strong growth prospects and capital discipline. Ranks a 3 overall with a yield of 1.97%.

[Lowe's \(LOW\)](#) - Initiated a 2% position in a leading US retailer. While mortgage rates remain high compared to recent years, consumers are still spending on their homes. The company continues to make inroads with the "Pro" customer where they have lagged peer Home Depot. Ranks a 1 overall and sports a 1.85% dividend yield.

#### **Increases:**

[Qualcomm Incorporated \(QCOM\)](#) - We added 1%, bringing our QCOM position to just over 3% after recent quarterly results indicated the drawdown of excess smartphone inventory is nearly complete. We also like the company's long-term growth prospects outside of the smartphone business. Ranks a 2 overall and yields 2.20%.

[Coterra Energy \(CTRA\)](#) - Adding 1% to this primarily natural gas producer on the dip after gas prices fell to multi-year lows due to an unseasonably warm winter in the US and Europe.

[General Mills \(GIS\)](#) - Added 1% to our position after a pullback in Consumer Staples.

#### **Trims:**

Chemours Co (CC) - Trimmed position after outperformance from the September lows, and to make room in the Materials sector for purchase of BHP.

Aflac, Inc (AFL) - Reduced position after significant outperformance in 2022 and after recent earnings report highlighted weakness in Japan business line.

BP Plc (BP) - taking some profits after BP has narrowed the valuation gap between itself and US peers with a strategic shift re-emphasizing oil & gas and boosting shareholder returns in the form of a dividend increase and expanded share repurchase program.

#### **Sales:**

Toyota Motor (TM) - Selling after the new CEO announced a shift in strategy to develop an electric vehicle platform. We anticipate a multi-year ramp-up capital spending resulting in lower free cash flow. Consequently, we expect the stock will struggle during this transition.

Newell Brands (NWL) - Selling after a bounce to start the year. Company sales are still struggling as retailers keep lower levels of inventory of Newell's products. The market responded favorably to the company's cost-cutting announcement, and we are moving on now that the company must execute in an uncertain macroeconomic environment. In addition, the ranking has deteriorated to a "sell" rating of 9 overall.

Webster Financial (WBS)- Moving on after a 25%+ bounce off December lows. Our quantitative ranking system now ranks Webster as a "Sell" relative to other opportunities in the Financials

sector.