

the Prudent Speculator

Established in March 1977 • 85 Argonaut, Suite 220 • Aliso Viejo, California 92656 • 877.817.4394

In honor of her recent entry into the equity fraternity, we have built for actress Mila Kunis a diversified listing of two dozen of our most attractively priced stocks. All trade for significant discounts to our determination of long-term fair value and/or offer favorable risk/reward profiles. Note that while we always seek substantial capital

gains, we require lower appreciation potential for stocks that we deem to have more stable earnings streams, more diversified businesses and stronger balance sheets. The natural corollary is that riskier companies must offer far greater upside to warrant a recommendation. And we can add that each of the 24 pays a dividend.

THE MILA KUNIS PORTFOLIO

Symb	Company	Price	Target Price	Price Multiples			EV/ EBITDA ²	Debt/ TE ³	Div Yld	Mkt Cap	Industry Group
				EPS	S	TBV ¹					
AAPL	Apple	452.08	686.31	10.3	2.6	3.5	4.8	0%	2.3%	424,529	Technology Hardware
ADM	Archer-Daniels-Midland Co	33.01	49.07	14.6	0.2	1.2	10.0	35%	2.3%	21,740	Food Bev & Tobacco
AET	Aetna	50.03	79.80	9.7	0.4	4.9	5.2	192%	1.6%	16,410	Health Care Equip/Srvcs
BHI	Baker Hughes	44.95	73.42	14.0	0.9	2.0	6.3	38%	1.3%	19,860	Energy
CAT	Caterpillar	86.94	132.20	10.1	0.9	8.7	5.3	422%	2.4%	56,950	Capital Goods
CTB	Cooper Tire & Rubber Co	28.09	40.05	8.2	0.4	3.0	3.7	57%	1.5%	1,775	Autos & Components
CWT	California Water Service	19.73	26.32	17.2	1.5	1.8	9.6	105%	3.2%	827	Utilities
DO	Diamond Offshore Drilling	68.39	95.91	13.7	3.2	2.1	7.1	33%	5.1%	9,508	Energy
FCX	Freeport-McMoRan	33.24	61.96	10.5	1.8	1.8	5.1	20%	3.8%	31,562	Materials
FL	Foot Locker	32.21	41.29	12.5	0.8	2.2	5.5	6%	2.5%	4,855	Retailing
GD	General Dynamics	69.74	95.86	10.6	0.8	nmf	17.5	nmf	2.9%	24,689	Capital Goods
GLW	Corning	13.18	21.30	10.2	2.4	1.0	6.8	17%	2.7%	19,406	Technology Hardware
INTC	Intel	21.18	29.60	9.5	2.0	3.0	4.3	37%	4.2%	104,756	Semis & Cap Equipment
MSFT	Microsoft	28.32	37.67	11.1	3.3	4.4	6.3	20%	3.2%	237,173	Software & Services
NEM	Newmont Mining	40.38	71.28	15.5	2.0	1.5	6.7	47%	4.2%	20,115	Materials
NSC	Norfolk Southern	76.02	98.46	14.2	2.2	2.4	7.9	86%	2.6%	23,910	Transportation
NTT	Nippon Telegraph	21.92	45.03	9.2	1.0	1.0	3.6	62%	4.1%	58,009	Telecom Services
PRU	Prudential Financial	59.60	94.18	9.7	0.3	0.8	nmf	72%	2.7%	27,714	Insurance
SFL	Ship Finance Int'l Ltd	16.45	19.87	9.2	4.4	1.4	14.2	168%	9.5%	1,402	Energy
TMO	Thermo Fisher Scientific	77.57	103.62	15.7	2.2	nmf	13.4	nmf	0.8%	27,741	Pharma/Biotech/Life Sci
TOT	Total SA	50.22	83.21	7.1	0.5	1.5	3.4	37%	5.5%	118,817	Energy
WFC	Wells Fargo & Co	37.44	50.09	11.0	2.2	1.8	nmf	114%	2.7%	197,342	Banks
WM	Waste Management	37.93	45.82	18.2	1.3	nmf	8.4	nmf	3.8%	17,645	Commercial Services
WMT	Wal-Mart Stores	72.99	90.31	14.5	0.5	4.4	8.2	74%	2.6%	244,169	Food & Staples Retailing

As of 03.20.13. N/A=Not available. nmf=Not meaningful. ¹Tangible book value. ²Enterprise value to earnings before interest, taxes, depreciation and amortization. ³Tangible equity. SOURCE: AI Frank using data from Bloomberg

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Principles of Investing with *the* Prudent Speculator

1 Understand our value investment philosophy

While picking great stocks is important, we think a more influential contributor to long-term gains is our strict strategy of building broadly diversified portfolios of what we believe are undervalued stocks and holding them for their long-term appreciation.

For more detailed information regarding the Al Frank philosophy of value investing, please visit alfrank.com and theprudentspeculator.com.

2 Diversify! Diversify! Diversify!

The Prudent Speculator follows an approach to investing that focuses on broadly diversified investments in undervalued stocks for their long-term appreciation potential. Does that mean we build portfolios of 20 stocks...30...? More like 50 and up. We like stocks. And we like a lot of 'em. We don't rely nearly as much on "how many" as we do "in which", but we tend to invest in far more names than most. This expansive diversification, we find, potentially serves us well in two ways: we can further minimize the risk of individual stock ownership, while maximizing the likelihood of finding the truly big winners among the undervalued masses.

A complete list of our past recommendations is available at theprudentspeculator.com.

3 Be patient. Invest for the long term

Our philosophy is geared towards long-term investing. With each recommendation, readers should know that we are seeking significant capital appreciation and any gains, while never guaranteed, generally take time to accumulate. Too, returns tend not to be of the 'straight up from here' sort...takes a special dose of patience to ride the ups and downs of the typical value stock.

4 Don't be deterred by adverse market swings

Reinforcing Rule #3, subscribers should remember that our recommendations sometimes experience great losses early on. Through thick and thin, however, we stand by the companies we choose because we have seen over time that our winners have typically won far more than our losers have lost, with early returns rarely indicative of long-term performance.

5 Understand how we value stocks

We discriminate among potential investments by relative valuation metrics and our assessment of stock-specific risk. We buy only those stocks we find undervalued along several lines relative to their own trading history, those of their peers, a particular universe or the market in general. The prices at which we'll buy and sell stocks incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal 3-to-5-year investing time horizon.

6 Sell Discipline

We purchase undervalued stocks that offer significant upside potential relative to their downside risk. We then hold each company until it meets or exceeds its target price; until our research finds a candidate with more attractive risk/reward attributes; until the stock's evolved risk/reward profile fails to justify continued ownership or until the stock develops trading characteristics (e.g. sustained or increasingly weak liquidity) not suitable for continued ownership.

7 Read our Market Commentary

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