Market Commentary Monday, June 20, 2022

June 20, 2022

EXECUTIVE SUMMARY

Volatility – Another Awful Week for Equities
Dividends – Total Return, not Price Return, Tells the Full Story
Bear Markets – Four 20% Setbacks for the Average Stock: 2022, 2020, 2018 & 2015/16
Buffett – Words and Actions from the Oracle of Omaha
Econ Data – Numbers not Great; But Not Recessionary Either
Fed – 75 Basis-Point Interest Rate Hike; Updated Economic Projections
Corporate Profits – Analyst Estimates Rising, Not Falling
Sentiment – Be Greedy When Others are Fearful
Stock News – Updates on Semiconductors, TFC, FDX, ORCL, JBL & KR

Market Review

And here we thought the first full trading week of June was bad. Continuing the ugly run of late, the market averages plummeted again over the latest week,…

THE PRUDENT SPECULATOR

UGLY TRADING WEEK: S&P 500 PLUMMETS FOR THE SECOND STRAIGHT WEEK

Rare are huge one-week plunges of more than 5.75% for the S&P 500, but the popular market gauge skidded 5.79% for the five trading days ended June 17, 2022, the 93rd worst weekly showing since 1928.

Down < -5.79%

	1920's	1930's	1950's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		5	2	1	0	1	1	0	1	1	3	15
Years Ending in 1		6	2	0	0	0	0	0	2	2	0	12
Years Ending in 2		11	0	0	1	0	0	0	2	0	1	15
Years Ending in 3		5	0	0	0	0	0	0	0	0		5
Years Ending in 4		2	0	0	0	4	0	0	0	0		6
Years Ending in 5		0	0	0	0	0	0	0	0	0		0
Years Ending in 6		0	0	0	0	0	1	0	0	1		2
Years Ending in 7		6	0	0	0	0	3	0	0	0		9
Years Ending in 8	1	6	1	0	0	1	0	0	5	2		16
Years Ending in 9	5	3	0	0	0	1	1	1	2	0		13
Totals	6	44	5	1	1	7	6	1	12	6	4	93

From 1.31.28 through 6.17.22. Months of index price decreases of greater than or equal to 5.79%. SOURCE: Kovitz using data from Bloomberg

Up > 5.79%

	1920's	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		1	1	0	0	1	1	0	1	0	3	8
Years Ending in 1		4	0	0	0	0	1	0	1	2	0	8
Years Ending in 2		9	0	0	1	0	3	0	1	0	2	16
Years Ending in 3		11	0	0	0	0	0	0	1	0		12
Years Ending in 4		2	0	0	0	3	1	0	0	0		6
Years Ending in 5		0	0	0	0	0	0	0	0	0		0
Years Ending in 6		0	0	0	0	0	0	0	0	0		0
Years Ending in 7		1	0	0	0	0	1	1	0	0		3
Years Ending in 8	1	7	1	0	0	0	0	1	2	0		12
Years Ending in 9	4	1	0	0	0	0	0	0	5	0		10
Totals	5	36	2	0	1	4	7	2	11	2	5	75

From 1.31.28 through 6.17.22. Days of index price increases of greater than or equal to 5.79%. SOURCE: Kovitz using data from Bloomberg

…with the S&P 500 breaching the Bear Market threshold,…

THE PRUDENT SPECULATOR

MARKET OF STOCKS – INDEXES CAN HAVE WIDE DISPERSION IN RETURNS

After flirting with an 'official' Bear Market (down 20% on a closing basis), the S&P 500 ended the latest week below that mark as traders fretted about the War in Ukraine, comments from the Federal Reserve, disappointing economic statistics and weaker-than-expected corporate profit announcements. While there are no awards for the sizable losses on Value this year, inexpensive stocks have held up much better than Growth, not unlike in the aftermath of the Bursting of the Tech Bubble in 2000.

Total Returns Matrix

MARKET OF STOCKS

2000	2001	Last Week	YTD	Last 12 Months	Since 10.31.20	Last 2 Years	Since 3.23.20	Last 3 Years	Last 5 Years	Name	Symbol
-4.85	-5.44	-4.73	-16.91	-9.88	16.53	19.04	68.23	22.00	56.03	Dow Jones Industrial Average	DJITR Index
1.01	-10.21	-6.55	-16.89	-12.02	17.81	22.20	69.48	18.80	36.02	New York Stock Exchange Composite	NYA Index
-39.18	-20.81	-4.76	-30.71	-23.18	0.21	10.61	60.16	41.30	84.22	Nasdaq Composite Index	CCMP Index
-22.43	-9.23	-6.87	-32.56	-34.70	-10.80	-2.10	44.35	1.76	22.35	Russell 2000 Growth	RU20GRTR Index
22.83	14.02	-7.89	-18.11	-17.46	35.25	43.89	97.40	21.51	25.96	Russell 2000 Value	RU20VATR Index
-3.02	2.49	-7.43	-25.37	-26.33	10.26	19.42	70.55	12.81	26.24	Russell 2000	RU20INTR Index
-11.75	-20.15	-6.42	-33.42	-29.73	-10.78	-2.23	47.96	11.42	47.07	Russell Midcap Growth Index Total Return	RUMCGRTR Index
19.18	2.33	-7.87	-17.90	-10.77	25.72	31.90	92.16	21.57	32.57	Russell Midcap Value Index Total Return	RUMCVATR Index
8.25	-5.62	-7.42	-23.46	-17.71	11.80	19.56	77.18	20.59	42.83	Russell Midcap Index Total Return	RUMCINTR Index
-22.42	-19.63	-5.16	-30.45	-20.16	1.61	12.20	63.04	37.49	82.97	Russell 3000 Growth	RU30GRTR Index
8.04	-4.33	-6.68	-15.40	-9.10	25.63	28.37	75.60	21.41	36.28	Russell 3000 Value	RU30VATR Index
-7.46	-11.46	-5.95	-23.35	-14.78	12.90	20.33	70.33	30.95	60.39	Russell 3000	RU30INTR Index
9.64	-0.39	-6.86	-19.03	-10.74	25.09	30.26	89.15	31.42	55.23	S&P 500 Equal Weighted	SPXEWTR Index
-9.10	-11.89	-5.75	-22.33	-11.68	15.17	21.66	70.12	33.70	65.20	S&P 500	SPXT Index
-22.08	-12.73	-4.93	-29.73	-16.62	5.93	15.46	65.77	37.00	81.65	S&P 500 Growth	SPTRSGX Index
6.08	-11.71	-6.48	-14.07	-6.96	25.38	26.42	70.49	25.86	43.49	S&P 500 Value	SPTRSVX Index
3.18	1.57	-1.36	-14.80	-16.25	-16.22	-13.82	-8.70	-9.00	-3.97	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
11.63	8.44	-0.92	-11.48	-11.15	-11.87	-11.40	-7.26	-3.22	2.73	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index

As of 06.17.22. Source Kovitz using data from Bloomberg

…and prompting prominent press to put forth supposedly "educational" prose that left out the incredibly important fact that dividends account for a substantial proportion of total return on stocks.

THE PRUDENT SPECULATOR

MISSING THE WHOLE STORY: FOLKS MUST WATCH OUT FOR HALF-TRUTHS

The New York Times

What Happens When Stock Markets Become Bears

Steep downturns of stocks by 20 percent or more are relatively rare, but how long they last could portend damage — for you and the economy.

Most Americans are exposed to the stock market through their retirement accounts. During steep downturns in the markets, the conventional wisdom for younger workers has often been to do nothing, in part because the markets tend to rise again eventually.

But sometimes stocks can take years to return to their previous levels or reach new highs. – *New York Times* 06.14.22

The New York Times
S&P 500 Bear Markets Total Return

Peak Date	Trough Date	New High Date	Peak to Trough TR	Peak to New High TR	Trough to New High TR
6/15/1948	6/13/1949	9/22/1954	-15.5%	194.4%	248.3%
6/15/1948	6/13/1949	1/9/1950	-15.5%	17.9%	39.5%
7/15/1957	10/22/1957	9/24/1958	-19.8%	5.5%	31.6%
12/12/1961	6/26/1962	9/3/1963	-26.9%	6.1%	45.1%
2/9/1966	10/7/1966	5/4/1967	-20.2%	4.6%	31.1%
11/29/1968	5/26/1970	3/6/1972	-32.6%	12.5%	66.9%
1/11/1973	10/3/1974	7/17/1980	-44.8%	42.2%	157.6%
11/28/1980	8/12/2002	11/3/1982	-20.2%	12.9%	41.4%
8/25/1987	12/4/1987	7/26/1989	-32.8%	7.6%	60.1%
3/24/2000	10/9/2002	5/30/2007	-47.4%	12.8%	114.3%
10/9/2007	3/9/2009	3/28/2013	-55.2%	13.2%	152.9%
2/19/2020	3/23/2020	8/18/2020	-33.8%	1.1%	52.7%
1/3/2022	6/16/2022		-23.0%		
Averages (Excluding Half Truth):			-31.0%	12.4%	72.1%

Source: Kovitz Investment Group using data from Bloomberg & The New York Times

The duration of the 12 bear markets since the World War II era … **… and how long it took to recover from them.**

Notes: The durations are measured in calendar days. For bear markets before 1948, the S&P 500 did not pass its record from the depression era before the next downturn began. · Sources: Yardeni Research; Refinitiv; New York Times analysis of S&P 500 data · By Karl Russell

We suspect that these days most folks turn a skeptical eye toward what is offered in the press, but we find it frustrating that sensationalistic financial stories sometimes leave out very important facts, while warnings usually come fast and furious after (not before) a major market decline. For example, it is amazing that a reputable publication would focus only on price return, omitting dividends and their reinvestment (i.e. total return) from historical performance discussions of stocks, as a price index getting back to even does not mean that an investor made no money. And there was a half-truth in the first entry of the How Long It Takes to Recover graphic to the left as the S&P 500 reclaimed its June 15, 1948, peak on January 9, 1950, even as its September 16, 1929, all-time high was not eclipsed until September 22, 1954.

Of course, it isn't the first and won't be the last time that journalists ignore dividends as they often warn investors that it took 25 years to get even (it most decidedly did not!) after the Great Depression,…

THE PRUDENT SPECULATOR

MISSING THE WHOLE STORY: DOW WENT NOWHERE FROM 1929 to 1954

Illustrating that index values tell only part of the story, the Dow Jones Industrial Average actually lost ground over a 25-year time span from the beginning of 1929 to the beginning of 1954, yet the total return on stocks ranged from 4.02% to 8.32% PER YEAR, with Large Caps annualized return coming in at a respectable 5.90% per annum! The reason for the difference between the price-return-only Dow measure and the actual returns investors might have earned is dividends and their reinvestment.

Annualized Total Returns	
25 Years	
12.31.28 - 12.31.53	
FF Value	8.32%
FF Growth	5.64%
FF Divs	6.03%
FF No Divs	4.02%
FF Large Company	5.90%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French

…or that stocks treaded water or worse (Value had slightly above average returns during the period) from 1965 – 1981.

THE PRUDENT SPECULATOR

MISSING THE WHOLE STORY: DOW WENT NOWHERE FROM 1966 TO 1982

Incredibly, the Dow Jones Industrial Average actually lost ground over a 16-year time span from the beginning of 1966 to the beginning of 1982, yet the total return on Value stocks was a superb 13.39% PER YEAR. Obviously, stock picking mattered as Large Company annualized return was *only* 5.95%, though Non-Dividend Payers outperformed Dividend Payers by more than one percent per year. Despite losing nearly 10% of its price, the Dow's total return during the period was 3.94% per annum.

Annualized Total Returns	
16 Years	
12.31.65 - 12.31.81	
FF Value	13.39%
FF Growth	7.35%
FF Divs	7.29%
FF No Divs	8.44%
FF Large Company	5.95%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French

To be sure, not everyone reinvests dividends in the same or other stocks, so we understand that many investors did not achieve the total returns detailed in the three preceding charts. However, just as rent would not be ignored on real estate or a coupon dismissed in evaluating a bond, dividends are very much a part of the investment equation,…

THE PRUDENT SPECULATOR

DIVIDENDS HAVE GROWN OVER TIME

Dividends are never guaranteed, but Corporate America has a history of raising payouts. Believe it or not, per share dividends for the S&P 500 inched up in 2020, despite the pandemic and associated economic turmoil, while *TPS* picks Target, Oracle and FedEx and Caterpillar all hiked their payouts in the past two weeks.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2022 (as of 6.15.22)	2022 YTD	196	5	5
2021	353	19	4	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22
Source: Standard & Poor's.				

S&P 500 DIVIDENDS PER SHARE	
2023 (Est.)	$69.68
2022 (Est.)	$64.80
2021	$60.54
2020	$58.95
2019	$58.69
2018	$53.86
2017	$50.47
2016	$46.73
2015	$43.49
2014	$39.44
2013	$34.99
2012	$31.25
2011	$26.43
2010	$22.73
2009	$22.41
Source: Bloomberg. As of 06.17.22	

…and are a big reason why stocks have proven to be a very rewarding investment over the years, despite the inevitable volatility that must be endured.

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	113.4%	995	27	3.4	3/23/2020	1/3/2022
17.5%	68.2%	583	39	2.3	3/23/2020	1/3/2022
15.0%	66.8%	566	45	2.0	3/23/2020	1/3/2022
12.5%	45.0%	340	72	1.3	3/23/2020	1/3/2022
10.0%	35.2%	246	99	0.9	3/8/2022	3/29/2022
7.5%	23.7%	149	158	0.6	3/8/2022	3/29/2022
5.0%	14.7%	73	310	0.3	5/19/2022	6/2/2022

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.0%	281	27	3.4	1/3/2022	6/16/2022
-17.5%	-30.2%	216	39	2.4	1/3/2022	6/16/2022
-15.0%	-28.3%	188	45	2.1	1/3/2022	6/16/2022
-12.5%	-22.8%	138	72	1.3	1/3/2022	6/16/2022
-10.0%	-19.6%	102	99	0.9	3/29/2022	6/16/2022
-7.5%	-15.5%	65	158	0.6	3/29/2022	6/16/2022
-5.0%	-10.9%	36	310	0.3	6/2/2022	6/16/2022

From 02.20.28 through 06.16.22. S&P 500 Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.2%	25.9%
Growth Stocks	9.6%	21.4%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.0%	29.3%
Long-Term Gov't Bonds	5.3%	8.6%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.2%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 04.30.22. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

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Alas, our friends in the media seem to be in the business of attracting eyeballs, rather than providing fair and balanced reporting. True, anything can happen going forward and returns on stocks have lagged bonds thus far in 2022, but those who decided that fixed income offered more risk than reward versus Value stocks over the past one, two, three, five and 10 years are today the ones who are much better off.

THE PRUDENT SPECULATOR

MISSING THE WHOLE STORY: SOME OF US HAVE BEEN INVESTING FOR YEARS

People with retirement accounts are keeping more of their assets in stocks now, as opposed to bonds or a mix of other investments. "There has been a growing complacency of people keeping most of their nest eggs in stocks," said Monique Morrissey, who specializes in retirement at the left-leaning think tank Economic Policy Institute. "There has been a fundamental misunderstanding — returns do not always average out."

The bigger issue, according to Ms. Morrissey, is that many people have gotten used to the stock market going up. That's not a guarantee — especially in the near term.

"It's not just the loss from January; it's what happens going forward," she said. "If you were counting on the amount that you have in your 401(k) to continually grow, well, then you may never get to what you had planned for." – *New York Times* 06.14.22

Certainly, we are not trying to downplay the equity market losses in 2022, but we are perplexed that the "I-Told-You-So" crowd seems to have forgotten how well stocks have performed over the last two, three, five and ten years, and that many supposedly safe fixed income investments have been a disaster this year and over the last two, three, five and even ten years. To be sure, nobody knows what the future will hold, but those who have eschewed stocks will find that the highlighted portion of the *New York Times* story resonates.

Total Returns Matrix

YTD	Last Year	Last 2 Years	Since 3.23.20	Last 3 Years	Last 5 Years	Last 10 Years	Name
-16.91	-9.88	19.04	68.23	22.00	56.03	196.41	Dow Jones Industrial Average
-16.89	-12.02	22.20	69.48	18.80	36.02	138.42	New York Stock Exchange Composite
-32.56	-34.70	-2.10	44.35	1.76	22.35	141.24	Russell 2000 Growth
-18.11	**-17.46**	**43.89**	**97.40**	**21.51**	**25.96**	**143.79**	**Russell 2000 Value**
-25.37	-26.33	19.42	70.55	12.81	26.24	146.87	Russell 2000
-33.42	-29.73	-2.23	47.96	11.42	47.07	190.03	Russell Midcap Growth Index Total Return
-17.90	**-10.77**	**31.90**	**92.16**	**21.57**	**32.57**	**176.57**	**Russell Midcap Value Index Total Return**
-23.46	-17.71	19.56	77.18	20.59	42.83	190.34	Russell Midcap Index Total Return
-30.45	-20.16	12.20	63.04	37.49	82.97	277.00	Russell 3000 Growth
-15.40	**-9.10**	**28.37**	**75.60**	**21.41**	**36.28**	**167.47**	**Russell 3000 Value**
-23.35	-14.78	20.33	70.33	30.95	60.39	223.07	Russell 3000
-22.33	-11.68	21.66	70.12	33.70	65.20	233.09	S&P 500
-14.80	**-16.25**	**-13.82**	**-8.70**	**-9.00**	**-3.97**	**0.09**	**Bloomberg Barclays Global-Aggregate Bond**
-11.48	**-11.15**	**-11.40**	**-7.26**	**-3.22**	**2.73**	**15.06**	**Bloomberg Barclays U.S. Aggregate Bond**

As of 06.17.22. Source Kovitz using data from Bloomberg

This is the case, even though the average stock currently is in a Bear Market,…

THE PRUDENT SPECULATOR

2022 BEAR MARKET – CORRECTION FOR VALUE; MAJOR BEAR FOR GROWTH

The average member of the Russell 3000 and NASDAQ Composite Indexes has tumbled deep into a Bear Market (down 20% or more), but the Value benchmarks, despite major red ink, have held up better relative to Growth.

2022 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
1/4/2022	6/16/2022	-27.26%	Russell 3000 Average Stock	11/22/2021	6/16/2022	-28.24%	NASDAQ Composite Average Stock
1/5/2022	6/17/2022	-19.75%	Dow Jones Industrial Average	11/22/2021	6/16/2022	-36.90%	S&P 500 Pure Growth Index
11/22/2021	6/16/2022	-34.83%	NASDAQ Composite Index	4/21/2022	6/17/2022	-16.98%	S&P 500 Pure Value Index
1/4/2022	6/16/2022	-25.32%	Russell 1000 Index	9/1/2021	6/16/2022	-37.88%	S&P 500 Communication Services
11/8/2021	6/16/2022	-33.24%	Russell 2000 Index	11/22/2021	6/16/2022	-38.81%	S&P 500 Consumer Discretionary
1/4/2022	6/16/2022	-25.50%	Russell 3000 Index	4/21/2022	6/16/2022	-16.92%	S&P 500 Consumer Staples Secto
1/4/2022	6/17/2022	-24.52%	S&P 500 INDEX	6/8/2022	6/17/2022	-21.30%	S&P 500 Energy Sector GICS Lev
11/22/2021	6/16/2022	-33.27%	Russell 1000 Growth Index	1/13/2022	6/16/2022	-26.93%	S&P 500 Financials Sector GICS
1/5/2022	6/17/2022	-18.32%	Russell 1000 Value Index	4/8/2022	6/16/2022	-17.48%	S&P 500 Health Care Sector GIC
11/8/2021	6/16/2022	-41.46%	Russell 2000 Growth Index	1/5/2022	6/17/2022	-21.83%	S&P 500 Industrials Sector GIC
11/8/2021	6/17/2022	-24.72%	Russell 2000 Value Index	12/28/2021	6/16/2022	-31.37%	S&P 500 Information Technology
11/22/2021	6/16/2022	-33.60%	Russell 3000 Growth Index	1/5/2022	6/17/2022	-20.57%	S&P 500 Materials Sector GICS
1/5/2022	6/17/2022	-18.51%	Russell 3000 Value Index	12/31/2021	6/16/2022	-26.37%	S&P 500 Real Estate Sector GIC
12/28/2021	6/16/2022	-32.25%	S&P 500 Growth Index	4/8/2022	6/17/2022	-16.60%	S&P 500 Utilities Sector GICS
1/5/2022	6/17/2022	-17.61%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source Kovitz using data from Bloomberg

…but the declines we have been seeing are not unusual as we need look back only to 2020,…

THE PRUDENT SPECULATOR

2020 BEAR MARKET – SOMETIMES EVERYTHING IS CRUSHED

We do not want to water down the magnitude of the current decline, but equities performed far worse in 2020 as COVID-19 became a pandemic and governments quickly responded with lockdowns that devastated the global economy.

2020 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
2/19/2020	**3/23/2020**	**-40.54%**	**Russell 3000 Average Stock**	**2/19/2020**	**3/23/2020**	**-34.03%**	**NASDAQ Composite Average Stock**
2/12/2020	3/23/2020	-38.40%	Dow Jones Industrial Average	2/19/2020	3/23/2020	-38.19%	S&P 500 Pure Growth Index
2/19/2020	3/23/2020	-32.60%	NASDAQ Composite Index	1/17/2020	3/23/2020	-51.78%	S&P 500 Pure Value Index
2/19/2020	3/23/2020	-36.23%	Russell 1000 Index	2/19/2020	3/23/2020	-31.26%	S&P 500 Communication Services
1/17/2020	3/18/2020	-43.66%	Russell 2000 Index	2/19/2020	3/18/2020	-36.94%	S&P 500 Consumer Discretionary
2/19/2020	3/23/2020	-36.66%	Russell 3000 Index	2/18/2020	3/23/2020	-26.15%	S&P 500 Consumer Staples Secto
2/19/2020	3/23/2020	-35.41%	S&P 500 Index	4/26/2019	3/18/2020	-65.24%	S&P 500 Energy Sector GICS Lev
2/19/2020	3/23/2020	-33.50%	Russell 1000 Growth Index	2/12/2020	3/23/2020	-43.93%	S&P 500 Financials Sector GICS
2/12/2020	3/23/2020	-39.57%	Russell 1000 Value Index	1/22/2020	3/23/2020	-24.47%	S&P 500 Health Care Sector GIC
2/19/2020	3/18/2020	-42.64%	Russell 2000 Growth Index	2/12/2020	3/23/2020	-27.66%	S&P 500 Industrials Sector GIC
1/17/2020	3/23/2020	-46.76%	Russell 2000 Value Index	2/19/2020	3/23/2020	-13.61%	S&P 500 Information Technology
2/19/2020	3/23/2020	-33.98%	Russell 3000 Growth Index	1/2/2020	3/18/2020	-38.12%	S&P 500 Materials Sector GICS
1/17/2020	3/23/2020	-39.97%	Russell 3000 Value Index	2/21/2020	3/23/2020	-21.17%	S&P 500 Real Estate Sector GIC
2/19/2020	3/23/2020	-33.35%	S&P 500 Growth Index	2/18/2020	3/23/2020	-17.66%	S&P 500 Utilities Sector GICS
2/12/2020	3/23/2020	-38.34%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source: Bloomberg

…and 2018,…

THE PRUDENT SPECULATOR

2018 BEAR MARKET – AVERAGE STOCK HIT VERY HARD

While many claim that the 2018 plunge does not count as a Bear Market, given that the S&P 500 did not fall more than 20% from its high on a closing basis, it did breach that threshold intraday AND all the Russell indexes and the Nasdaq Composite had official Bear setbacks.

2018 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
9/20/2018	12/24/2018	-24.58%	Russell 3000 Average Stock	8/28/2018	12/24/2018	-24.64%	NASDAQ Composite Average Stock
10/3/2018	12/26/2018	-19.44%	Dow Jones Industrial Average	8/29/2018	12/24/2018	-23.28%	S&P 500 Pure Growth Index
8/30/2018	12/24/2018	-23.89%	NASDAQ Composite Index	1/24/2018	12/26/2018	-25.36%	S&P 500 Pure Value Index
9/21/2018	12/26/2018	-20.46%	Russell 1000 Index	2/1/2018	12/24/2018	-22.90%	S&P 500 Communication Services
8/31/2018	12/24/2018	-27.28%	Russell 2000 Index	10/1/2018	12/24/2018	-23.88%	S&P 500 Consumer Discretionary
9/21/2018	12/26/2018	-20.91%	Russell 3000 Index	1/29/2018	12/26/2018	-18.12%	S&P 500 Consumer Staples Secto
9/21/2018	12/26/2018	-20.21%	S&P 500 Index	5/22/2018	12/26/2018	-32.25%	S&P 500 Energy Sector GICS Lev
10/1/2018	12/24/2018	-22.64%	Russell 1000 Growth Index	1/29/2018	12/26/2018	-27.13%	S&P 500 Financials Sector GICS
1/26/2018	12/26/2018	-20.64%	Russell 1000 Value Index	10/1/2018	12/24/2018	-16.90%	S&P 500 Health Care Sector GIC
8/31/2018	12/24/2018	-29.11%	Russell 2000 Growth Index	1/29/2018	12/26/2018	-25.86%	S&P 500 Industrials Sector GIC
8/27/2018	12/26/2018	-25.99%	Russell 2000 Value Index	10/3/2018	12/24/2018	-24.50%	S&P 500 Information Technology
10/1/2018	12/24/2018	-23.02%	Russell 3000 Growth Index	1/26/2018	12/26/2018	-26.58%	S&P 500 Materials Sector GICS
1/26/2018	12/26/2018	-20.69%	Russell 3000 Value Index	12/6/2018	12/24/2018	-12.83%	S&P 500 Real Estate Sector GIC
10/1/2018	12/24/2018	-21.34%	S&P 500 Growth Index	12/13/2018	12/24/2018	-9.20%	S&P 500 Utilities Sector GICS
1/26/2018	12/26/2018	-21.63%	S&P 500 Value Index				

…and 2015/2016 to see losses of comparable or even greater magnitude.

THE PRUDENT SPECULATOR

2015/2016 BEAR MARKET – AVERAGE STOCK YES, CAP-WEIGHT INDEXES NO

Equity markets outside the U.S., led by China, suffered official Bear Markets in 2015/2016, and the average member of the Russell 3000 and NASDAQ Composite Indexes breached the 20% loss mark, but we suspect that most investors have forgotten about this sizable setback.

2016 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
6/23/2015	2/11/2016	-23.6%	Russell 3000 Average Stock	7/20/2015	2/11/2016	-23.7%	NASDAQ Composite Average Stock
5/19/2015	2/11/2016	-14.5%	Dow Jones Industrial Average	11/25/2015	2/11/2016	-16.1%	S&P 500 Consumer Discretionary
7/20/2015	2/11/2016	-15.3%	iShares Core US Growth ETF	7/22/2015	2/11/2016	-23.1%	S&P 500 Financials
6/23/2015	2/11/2016	-18.2%	iShares Core US Value ETF	11/3/2015	2/11/2016	-13.6%	S&P 500 Growth Index
7/3/2014	2/11/2016	-27.8%	MSCI ACWI Excluding U.S.	7/20/2015	2/11/2016	-17.9%	S&P 500 Health Care
7/20/2015	2/11/2016	-18.2%	NASDAQ Composite Index	5/21/2015	2/11/2016	-14.2%	S&P 500 Index
7/20/2015	2/11/2016	-14.5%	Russell 1000 Growth Index	2/20/2015	1/20/2016	-15.9%	S&P 500 Industrials
5/21/2015	2/11/2016	-15.4%	Russell 1000 Index	12/4/2015	2/9/2016	-15.2%	S&P 500 Information Technology
12/29/2014	2/11/2016	-17.6%	Russell 1000 Value Index	2/24/2015	1/25/2016	-28.1%	S&P 500 Materials
6/23/2015	2/11/2016	-29.1%	Russell 2000 Growth Index	3/20/2015	2/8/2016	-19.7%	S&P 500 Pure Growth Index
6/23/2015	2/11/2016	-26.4%	Russell 2000 Index	2/17/2015	2/11/2016	-24.0%	S&P 500 Pure Value Index
6/23/2015	2/11/2016	-23.6%	Russell 2000 Value Index	4/23/2013	8/25/2015	-17.4%	S&P 500 Telecommunication
7/20/2015	2/11/2016	-15.6%	Russell 3000 Growth Index	1/29/2015	9/4/2015	-17.9%	S&P 500 Utilities
6/23/2015	2/11/2016	-16.2%	Russell 3000 Index	5/21/2015	2/11/2016	-16.5%	S&P 500 Value Index
12/29/2014	2/11/2016	-18.0%	Russell 3000 Value Index	6/12/2015	1/28/2016	-48.6%	Shanghai Stock Exchange

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Obviously, every market downturn is different, with this one hitting truly speculative assets especially hard. Warren Buffett's quote, "Only when the tide goes out do you discover who's been swimming naked," seems very apt these days.

THE PRUDENT SPECULATOR

MARKET OF STOCKS – DOWNSIDE IN 2022 FAR GREATER FOR GROWTH

November 2, 2021

the Prudent Speculator

Established in March 1977 · 20 Enterprise, Suite 200 · Aliso Viejo, California 92656 · [illegible]

Social media powerhouse Facebook on Oct. 28 announced plans to change its corporate name to Meta Platforms...which ignited a 26% after-hours gain that day in Meta Materials, a small Nova Scotian specialty chemicals company. Never mind that Meta Materials has nothing to do with Facebook, with the financial press quick to point out that folks were buying the wrong stock. Of course, that seemingly important fact did not slow interest in the Canadian company as the stock price jumped 6% in trading on Nov. 1 with more than 19 million shares changing hands.

Lest readers think this is a once in a

"In a free society, one does not have to deal with those who are irrational. One is free to avoid them."
— Ayn Rand

We would not be surprised to see the major market averages suffer a sizable setback, especially as 10% corrections occur every 11 months on average, but we believe that we are prudently investing in businesses that trade for reasonable, if not inexpensive, valuation metrics. To be sure, we are playing in an entirely different sandbox, with many market players more excited by "meme" stocks, SPACs and more than a few profitless companies.

Of course, given that one of our core tenets is to seek to avoid permanent impairment of investment capital, we sleep much better at night knowing that TPS Portfolio

Russell 3000 Value Index

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	80.4%	865	7	2.9	3/23/2020	1/12/2022
15.0%	49.6%	447	14	1.7	3/23/2020	1/12/2022
10.0%	31.4%	252	26	0.9	6/26/2020	1/12/2022
7.5%	21.7%	147	47	0.6	3/8/2022	3/29/2022
5.0%	13.6%	69	96	0.3	5/19/2022	6/7/2022

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-32.1%	212	7	2.9	1/17/2020	3/23/2020
-15.0%	-24.6%	171	15	1.6	1/12/2022	6/17/2022
-10.0%	-18.7%	85	27	0.9	1/12/2022	6/17/2022
-7.5%	-14.3%	54	48	0.5	3/29/2022	6/17/2022
-5.0%	-10.2%	30	97	0.3	6/7/2022	6/17/2022

From 10.19.95 through 06.17.22. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

Total Returns Matrix

YTD	Since 10.31.21	Name	Symbol
-63.59	-74.90	Grayscale Bitcoin Trust BTC	GBTC Equity
-79.70	-83.96	Coinbase Global Inc	COIN Equity
-23.78	-23.24	iShares 20+ Year Treasury Bond ETF	TLT Equity
-53.93	-64.57	AMC Entertainment Holdings Inc	AMC Equity
-59.52	-79.44	Robinhood Markets Inc	HOOD Equity
-45.09	-51.05	VanEck Social Sentiment ETF	BUZZ Equity
-58.98	-67.74	ARK Innovation ETF	ARKK Equity
		MARKET OF STOCKS	
-16.91	-15.39	Dow Jones Industrial Average TR	DJITR Index
-16.89	-15.82	New York Stock Exchange Composite Index	NYA Index
-32.56	-35.57	Russell 2000 Total Return Growth Index	RU20GRTR Index
-18.11	**-17.68**	**Russell 2000 Total Return Value Index**	**RU20VATR Index**
-25.37	-26.89	Russell 2000 Total Return Index	RU20INTR Index
-33.42	-36.01	Russell Midcap Growth Index Total Return	RUMCGRTR Index
-17.90	**-15.40**	**Russell Midcap Value Index Total Return**	**RUMCVATR Index**
-23.46	-23.11	Russell Midcap Index Total Return	RUMCINTR Index
-30.45	-28.85	Russell 3000 Total Return Growth Index	RU30GRTR Index
-15.40	**-13.34**	**Russell 3000 Total Return Value Index**	**RU30VATR Index**
-23.35	-21.54	Russell 3000 Total Return Index	RU30INTR Index
-19.03	-16.20	S&P 500 Equal Weighted USD Total Return In	SPXEWTR Index
-22.33	-19.41	S&P 500 Total Return Index	SPXT Index
		BONDS	
-14.80	-15.16	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
-11.48	-11.44	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index

As of 06.17.22. Source: Kovitz using data from Bloomberg.

Of course, we understand that even Value stocks are risk assets and not immune to selling, but as the Oracle of Omaha states, "Assets, to have value, have to deliver something to somebody."

THE PRUDENT SPECULATOR

THIEL'S SOCIOPATHIC GRANDPA'S PRESCIENT (FOR SEVEN WEEKS) ON CRYPTO

CNBC

2022 BERKSHIRE ANNUAL MEETING

Warren Buffett gives his most expansive explanation for why he doesn't believe in bitcoin

PUBLISHED SAT, APR 30 2022·4:10 PM EDT | UPDATED MON, MAY 2 2022·12:51 PM EDT

"Whether it goes up or down in the next year, or five or 10 years, I don't know. But the one thing I'm pretty sure of is that it doesn't produce anything," Buffett said. "It's got a magic to it and people have attached magic to lots of things."

"If you said ... for a 1% interest in all the farmland in the United States, pay our group $25 billion, I'll write you a check this afternoon," Buffett said. "[For] $25 billion I now own 1% of the farmland. [If] you offer me 1% of all the apartment houses in the country and you want another $25 billion, I'll write you a check, it's very simple. Now if you told me you own all of the bitcoin in the world and you offered it to me for $25 I wouldn't take it because what would I do with it? I'd have to sell it back to you one way or another. It isn't going to do anything. The apartments are going to produce rent and the farms are going to produce food."

"Assets, to have value, have to deliver something to somebody. And there's only one currency that's accepted. You can come up with all kinds of things — we can put up Berkshire coins... but in the end, this is money," he said, holding up a $20 bill. "And there's no reason in the world why the United States government ... is going to let Berkshire money replace theirs."

Both Buffett and Charlie Munger have made hostile comments toward bitcoin in the past. Most famously, Buffett said bitcoin is "probably rat poison squared." Munger doubled down on that sentiment Saturday.

"In my life, I try and avoid things that are stupid and evil and make me look bad in comparison to somebody else – and bitcoin does all three," Munger said. "In the first place, it's stupid because it's still likely to go to zero. It's evil because it undermines the Federal Reserve System ... and third, it makes us look foolish compared to the Communist leader in China. He was smart enough to ban bitcoin in China."

Peter Thiel calls Warren Buffett a 'sociopathic grandpa from Omaha' and bitcoin's 'enemy No. 1'

PUBLISHED THU, APR 7 2022·5:32 PM EDT | UPDATED FRI, APR 8 2022·8:25 AM EDT

Jennifer Elias

KEY POINTS

- At a bitcoin conference in Miami, venture investor Peter Thiel presented a slideshow that included criticisms of financial opinion leaders who he says are trying to stop the cryptocurrency.
- Thiel called Warren Buffett a "sociopathic grandpa from Omaha."
- He also took aim at JPMorgan's Jamie Dimon and BlackRock's Larry Fink.

The New York Times

Cryptocurrencies Melt Down in a 'Perfect Storm' of Fear and Panic

A steep sell-off that gained momentum this week starkly illustrated the risks of the experimental and unregulated digital currencies.

By David Yaffe-Bellany, Erin Griffith and Ephrat Livni

May 12, 2022

The Crypto Party Is Over

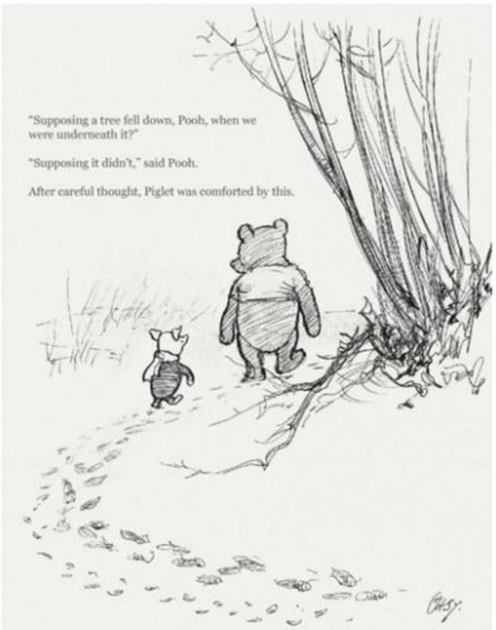
The cryptocurrency industry was built on swagger, enthusiasm and optimism. All three are in short supply these days, as losses and layoffs mount.

Happily, despite plenty of stiff headwinds through the years, equities in the fullness of time have delivered something, managing to overcome all prior disconcerting historical events, even without considering dividends.

THE PRUDENT SPECULATOR

THE SECRET TO SUCCESS IN STOCKS IS NOT TO GET SCARED OUT OF THEM

Ukraine has joined COVID-19, inflation, supply chain issues, rising interest rates and the Fed as bogeymen spooking investors, but history is filled with plenty of frightening events, yet equities have provided handsome rewards...for those who stick with them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	42237%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	24399%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	21918%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	8524%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	7962%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	9328%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	6770%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5179%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	3839%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	4771%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	3887%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5151%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3393%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	3641%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	2976%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2170%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1402%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1534%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1062%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	876%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	793%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	729%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	704%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	627%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	319%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	283%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	199%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	174%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	280%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	301%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	237%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	207%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	443%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**5040%**

As of 6.17.22. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

There are never any guarantees that the past is prologue, but we think that those who maintain or add to their equity exposure will be pleased in the years ahead,…

BUSINESS & FINANCE

 ••••• THE WALL STREET JOURNAL. Tuesday, May 17, 2022 | B1

S&P 4008.01 ▼ 0.39% S&P FIN ▼ 0.78% S&P IT ▼ 0.91% DJ TRANS ▼ 0.84% WSJ $ IDX ▼ 0.18% 2-YR. TREAS. yield 2.568% NIKKEI (Midday) 26601.03 ▲ 0.20% See more at WSJ.com/Markets

Buffett Buys Stocks as Markets Fall

By Akane Otani

The stock market's selloff has been bad news for most investors.

Not for Warren Buffett and his team.

Mr. Buffett's Berkshire Hathaway Inc. has used the slump as an opportunity to increase spending on stocks, deploying tens of billions of dollars the past couple of months after ending 2021 with a near-record cash pile.

The Omaha, Neb., company bought 901,768 shares of Occidental Petroleum Corp. last week, according to a regulatory filing. The move makes Occidental, in which Berkshire began buying shares in late February, one of its 10 biggest holdings.

In the past few months, Berkshire has also boosted its stake in Chevron Corp., placed a merger-arbitrage bet on Activision Blizzard Inc. bought shares of HP Inc., Citigroup Inc. and Ally Financial Inc., and continued adding to its position in Apple Inc., which remained its biggest stockholding.

Meanwhile, it exited from its position in Wells Fargo & Co., formerly one of its top stock holdings and a part of the Berkshire portfolio since 1989.

Investors got a look at what Berkshire has been buying and selling when it filed what is known as Form 13-F with the Securities and Exchange Commission on Monday. The SEC requires all institutional investors that manage more than $100 million to file the form within 45 days of the end of each quarter. Because institutions must disclose their equity holdings on the form, as well as the size and market value of each position, investors often use 13-Fs to gauge how large money managers are playing the stock market.

Mr. Buffett, an adherent of value investing, has long advised that investors "be greedy when others are fearful." That philosophy was likely difficult to practice for much of the past two years, during which investors' mood largely seemed anything but fearful. Now, that the market is slumping, Berkshire is in a prime position to add to its mammoth stock portfolio, investors say.

"Cash is dry powder, and he has a lot of it," said Rupal Bhansali, chief investment officer for global equities at Ariel Investments, of Mr. Buffett. Ms. Bhansali manages Ariel's global mutual

Please turn to page B2

Crypto's Plunge Punishes Alternative Portfolios

By Gregory Zuckerman

Cryptocurrency prices are moving in lockstep with stocks and bonds like never before, punishing those who bought bitcoin and other digital assets in part to diversify their investment holdings.

The three-month correlation between the cryptocurrencies bitcoin and ether and the major U.S. stock indexes hit its highest level on record last week, according to Dow Jones Market Data. That level, between 0.67 and 0.78, is more than triple the average correlation between crypto and the S&P 500 from 2019 to 2021. A correlation of 1 suggests the markets are moving in lockstep, while 0 says they aren't related. The one- and two-month correlations are at record levels.

The day of that record correlation, bitcoin dropped 10% and the Nasdaq Composite Index fell more than 4%, marking its steepest three-day point decline on record. Though bitcoin and other digital assets have long been viewed as among the riskiest investments in markets, analysts and portfolio managers say the depth of crypto declines this year and their tendency to echo other riskier assets such as stocks potentially could limit their adoption by

The stock market's selloff has been bad news for most investors.

Not for Warren Buffett and his team.

Mr. Buffett's Berkshire Hathaway Inc. has used the slump as an opportunity to increase spending on stocks, deploying tens of billions of dollars the past couple of months after ending 2021 with a near-record cash pile.

…with the calendar a terrific long-term risk mitigation tool.

THE PRUDENT SPECULATOR

SAFETY OF PRINCIPAL: THE LONGER THE HOLD, THE LOWER THE RISK

Given that the most folks are investing for long-term objectives, we remain puzzled that so many continue to think about risk in terms of volatility of one-month returns. After all, while there is no assurance that past is prologue, the odds of losing money in Value Stocks or Dividend Payers is far lower over three-, five- and 10-year periods.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >0%	Count <=0%	Percent >0%
1 Month	719	419	63.2%
3 Months	770	366	67.8%
6 Months	805	328	71.1%
1 Year	825	302	73.2%
2 Year	930	185	83.4%
3 Year	964	139	87.4%
5 Year	966	113	89.5%
7 Year	1019	36	96.6%
10 Year	985	34	96.7%
15 Year	959	0	100.0%
20 Year	899	0	100.0%

DIVIDEND PAYERS

	Count >0%	Count <=0%	Percent >0%
1 Month	721	417	63.4%
3 Months	791	345	69.6%
6 Months	821	312	72.5%
1 Year	858	269	76.1%
2 Year	952	163	85.4%
3 Year	945	158	85.7%
5 Year	993	86	92.0%
7 Year	1013	42	96.0%
10 Year	984	35	96.6%
15 Year	959	0	100.0%
20 Year	899	0	100.0%

From 07.31.27 through 04.30.22. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

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All that said, we are well aware that traders are very worried that the U.S. is either in or soon will be in a recession,…

THE PRUDENT SPECULATOR

PLENTY OF DOOM & GLOOM TALK, BUT ODDS OF RECESSION 'ONLY' 31.5%

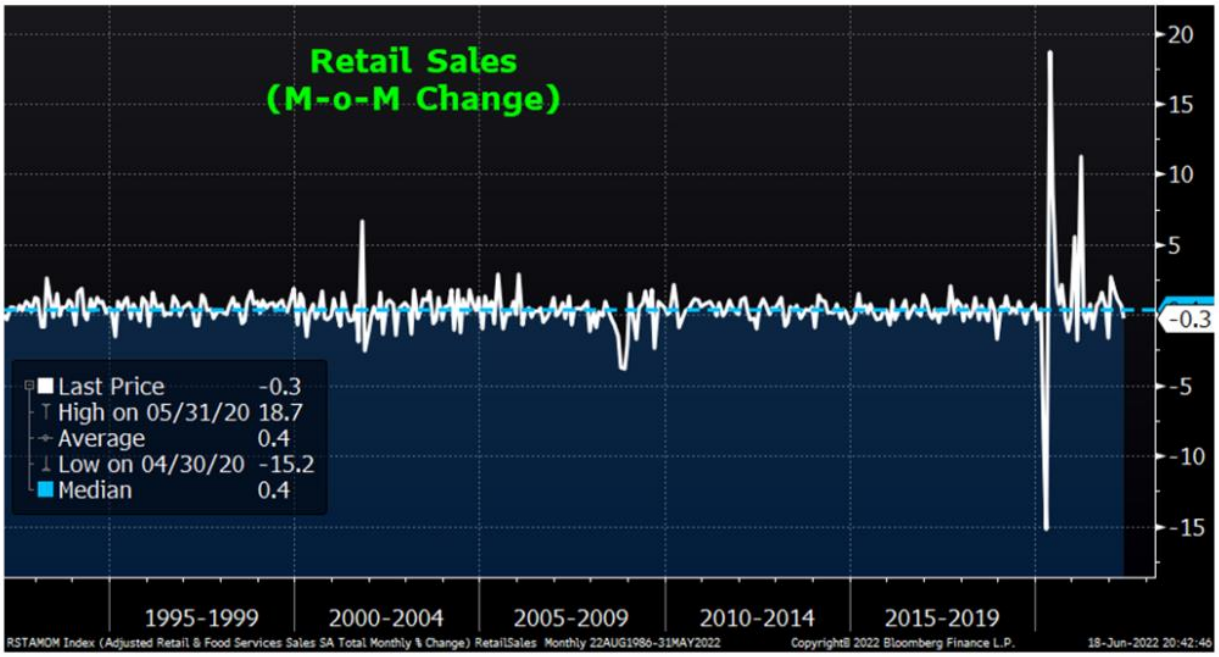
Certainly, the 1.5% contraction in Q1 2022 real (inflation-adjusted) GDP puts the economy half-way to the declaration of a recession, but the odds of such an event happening stand today at 31.5%, a figure that is elevated but the historical average probability has been 21.1%.

…especially given the latest batch of disappointing economic statistics on the strength of consumer spending,…

THE PRUDENT SPECULATOR

RETAIL SALES FALL, WITH INFLATION WEIGHING

April's gain was revised lower to 0.7%, down from the 0.9% advance initially reported, and retail sales for May dropped 0.3%, below estimates for a 0.1% rise, but retail sales excluding vehicles came in with a 0.5% advance, with bar and restaurant sales climbing 0.7%.



…the state of the manufacturing sector,…

THE PRUDENT SPECULATOR

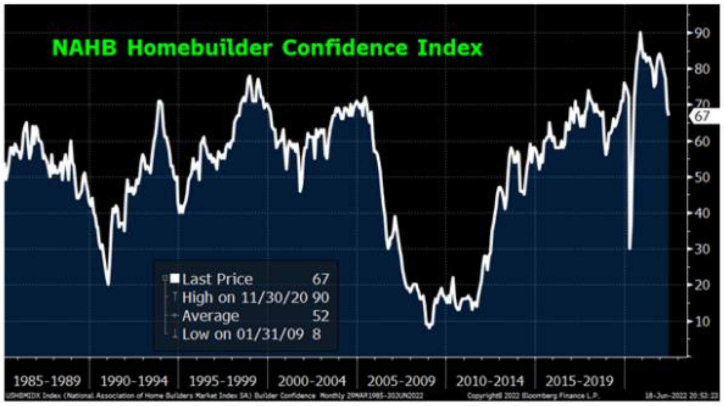
EAST COAST FACTORY ACTIVITY STUMBLES IN MAY

The Empire State gauge of manufacturing activity in the New York area rebounded in June to a weaker-than-expected minus 1.2, modestly below forecasts of 0.0. The Philadelphia Fed's May measure of manufacturing activity in the mid-Atlantic region came in well below expectations, falling to minus 3.3, down from 2.6 the month prior. No doubt, supply chain constraints and higher prices for inputs weighed on the numbers.

…and the health of the housing market.

THE PRUDENT SPECULATOR

HOUSING MARKET SLOWING DOWN, BUT STILL REASONABLY HEALTHY



The National Association of Home Builders' monthly confidence index for June was in line with forecasts, dipping to 67, down two points from May, but still well above the long-term average on the 35-year-old gauge. Worker shortages, high prices and rising mortgage rates were constraints, and ground was broken on fewer new homes last month, though the seasonally adjusted annual rate of 1.55 million units was elevated, even as building permits fell 7% in May.

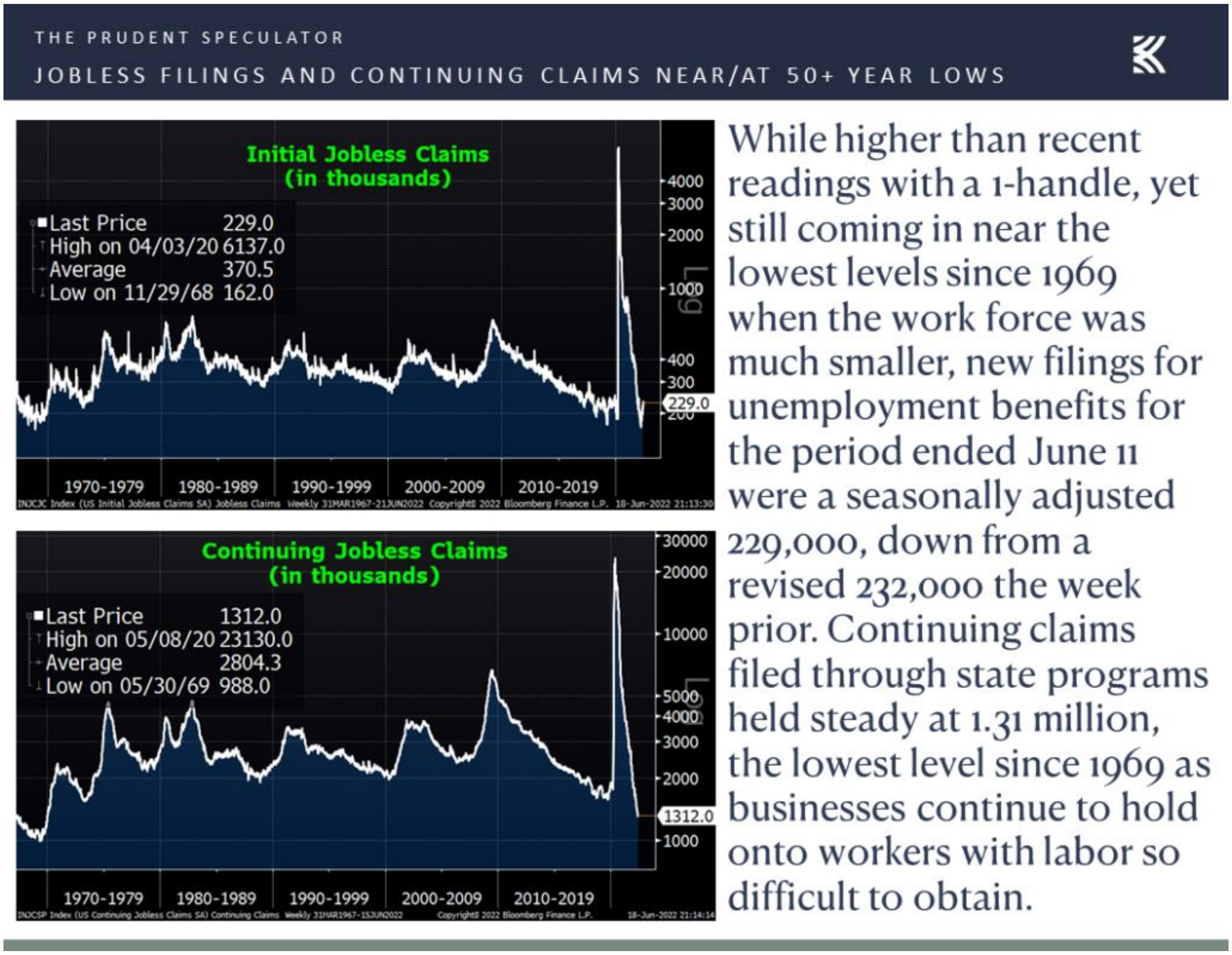
Of course, other numbers, while not great, held up reasonably well,…

THE PRUDENT SPECULATOR

SUBPAR ECONOMIC NUMBERS

The NFIB Small Business Index for May was roughly unchanged at 93.1, though the tally was the lowest in 25 months and was below the historical norm. NFIB said, "Small-business owners remain very pessimistic about the second half of the year as supply-chain disruptions, inflation and the labor shortage are not easing." Industrial production rose 0.2% in May, trailing projections of a 0.4% advance and falling from the April reading of a 1.4% gain, with capacity utilization of 79.0% coming in below expectations.

…while the labor picture remains very robust,…



…and even the important Leading Economic Index resides not that far from all-time highs.

THE PRUDENT SPECULATOR

LEI DROPS BY 0.4% IN MAY, BUT STILL NEAR HISTORIC HIGH

"The Conference Board Leading Economic Index® (LEI) for the U.S. decreased by 0.4% in May 2022 to 118.3 (2016 = 100), following a 0.4% decline in April 2022. The LEI is now down 0.4% over the six-month period from November 2021 to May 2022. The U.S. LEI fell again in May, fueled by tumbling stock prices, a slowdown in housing construction, and gloomier consumer expectations. The index is still near a historic high, but the U.S. LEI suggests weaker economic activity is likely in the near term—and tighter monetary policy is poised to dampen economic growth even further."

We also note that Jerome H. Powell stated last week, "The American economy is very strong and well positioned to handle tighter monetary policy," when he and his colleagues at the Federal Reserve chose to hike interest rates by 75 basis points in order to combat very elevated inflation.

THE PRUDENT SPECULATOR

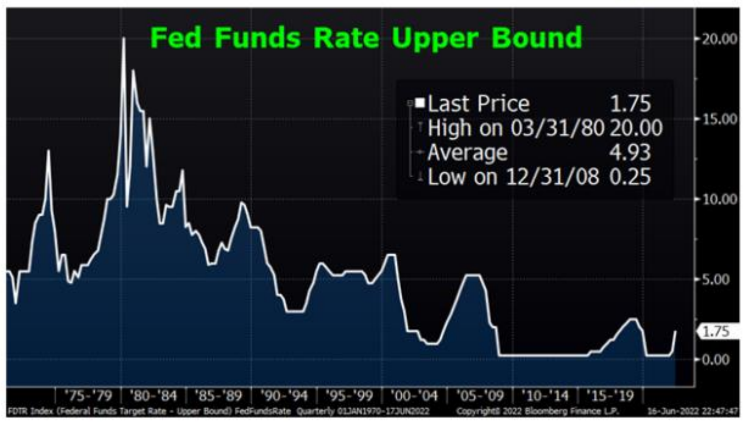
FED MOVING QUICKLY – INTEREST RATES STILL HISTORICALLY LOW

FOMC Participants' Fed Funds Rate Target Level
Number with each projection

Midpoint of Target Range	2022	2023	2024	Longer Run
4.500				
4.375		1		
4.250				
4.125		4	1	
4.000				
3.875	1	4	1	
3.750				
3.625	4	7	2	
3.500				
3.375	8	1	8	
3.250				
3.125	5		2	
3.000				2
2.875		1	2	
2.750				
2.625				
2.500				7
2.375				1
2.250			1	6
2.125			1	
2.000				1
1.875				

Source: Federal Reserve, June 15, 2022

Although the estimate for GDP growth this year has been pared to 1.7%, down from 2.8% in December, the Federal Reserve lifted its target for the Fed Funds rate by 75 basis points at the latest FOMC meeting. Jerome H. Powell & Co. now project that the Fed Funds rate will likely end the year at 3.5%, though this still would be below the historical average.



At the Press Conference that followed the FOMC decision on interest rates, the Fed Chair added:

Overall economic activity edged down in the first quarter, as unusually sharp swings in inventories and net exports more than offset continued strong underlying demand. Recent indicators suggest that real GDP growth has picked up this quarter, with consumption spending remaining strong. In contrast, growth in business fixed investment appears to be slowing, and activity in the housing sector looks to be softening, in part reflecting higher mortgage rates. The tightening in financial conditions that we have seen in recent months should continue to temper growth and help bring demand into better balance with supply. As shown in our Summary of Economic Projections, FOMC participants have marked down their projections for economic activity, with the median projection for real GDP growth running below 2 percent through 2024.

THE PRUDENT SPECULATOR

FED: HIGHER INFLATION AND FED FUNDS & LOWER GDP GROWTH EXPECTED

With the invasion of Ukraine by Russia, along with supply chain imbalances from the pandemic and broader price pressures adding to current and expected inflation numbers, Federal Reserve members have sharply increased their estimates for PCE inflation and their targets for the Fed Funds rate. The median inflation projection for 2022 now stands at 5.2% with the year-end forecast for the Fed Funds rate climbing to 3.4%, up from the prior 1.9% estimate offered in March.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2022

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2022	2023	2024	Longer run	2022	2023	2024	Longer run	2022	2023	2024	Longer run
Change in real GDP	1.7	1.7	1.9	1.8	1.5–1.9	1.3–2.0	1.5–2.0	1.8–2.0	1.0–2.0	0.8–2.5	1.0–2.2	1.6–2.2
March projection	2.8	2.2	2.0	1.8	2.5–3.0	2.1–2.5	1.8–2.0	1.8–2.0	2.1–3.3	2.0–2.9	1.5–2.5	1.6–2.2
Unemployment rate	3.7	3.9	4.1	4.0	3.6–3.8	3.8–4.1	3.9–4.1	3.5–4.2	3.2–4.0	3.2–4.5	3.2–4.3	3.5–4.3
March projection	3.5	3.5	3.6	4.0	3.4–3.6	3.3–3.6	3.2–3.7	3.5–4.2	3.1–4.0	3.1–4.0	3.1–4.0	3.5–4.3
PCE inflation	5.2	2.6	2.2	2.0	5.0–5.3	2.4–3.0	2.0–2.5	2.0	4.8–6.2	2.3–4.0	2.0–3.0	2.0
March projection	4.3	2.7	2.3	2.0	4.1–4.7	2.3–3.0	2.1–2.4	2.0	3.7–5.5	2.2–3.5	2.0–3.0	2.0
Core PCE inflation[4]	4.3	2.7	2.3		4.2–4.5	2.5–3.2	2.1–2.5		4.1–5.0	2.5–3.5	2.0–2.8	
March projection	4.1	2.6	2.3		3.9–4.4	2.4–3.0	2.1–2.4		3.6–4.5	2.1–3.5	2.0–3.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.8	3.4	2.5	3.1–3.6	3.6–4.1	2.9–3.6	2.3–2.5	3.1–3.9	2.9–4.4	2.1–4.1	2.0–3.0
March projection	1.9	2.8	2.8	2.4	1.6–2.4	2.4–3.1	2.4–3.4	2.3–2.5	1.4–3.1	2.1–3.6	2.1–3.6	2.0–3.0

Source: Federal Reserve, June 15, 2022

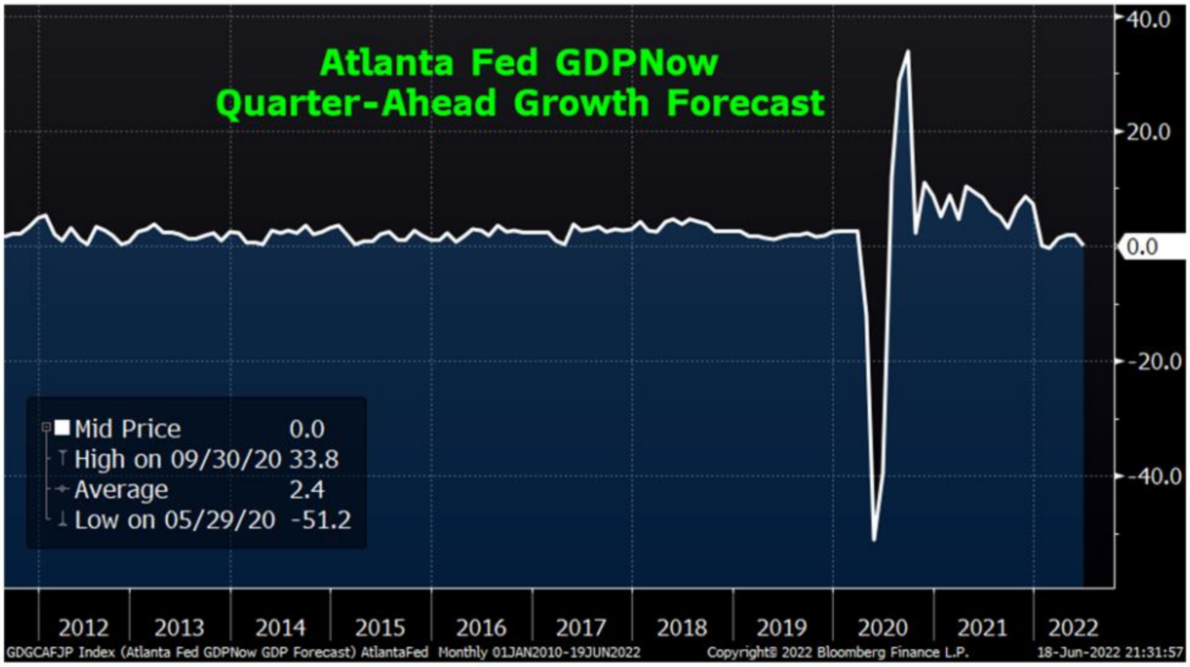
The labor market has remained extremely tight, with the unemployment rate near a 50-year low, job vacancies at historical highs, and wage growth elevated. Over the past three months, employment rose by an average of 408,000 jobs per month, down from the average pace seen earlier in the year but still robust. Improvements in labor market conditions have been widespread, including for workers at the lower end of the wage distribution as well as for African Americans and Hispanics. Labor demand is very strong, while labor supply remains subdued with the labor force participation rate little changed since January. FOMC participants expect supply and demand conditions in the labor market to come into better balance, easing the upward pressures on wages and prices. The median projection in the SEP for the unemployment rate rises somewhat over the next few years, moving from 3.7 percent at the end of this year to 4.1 percent in 2024, levels that are noticeably above the March projections.

While the latest Federal Reserve projections are not calling for a recession and Treasury Secretary Janet Yellen on Sunday said, “The recession that many Americans fear is coming is not at all imminent,” we realize that the odds of an “official” contraction have been growing,…

THE PRUDENT SPECULATOR

Q2 U.S. GDP GROWTH PROJECTION DECLINED AGAIN LAST WEEK

While Q1 2022 saw a 1.5% contraction in real (inflation-adjusted) GDP growth, as the Omicron variant, supply-chain difficulties, the war in Ukraine and inflation impacted the economy, the Atlanta Fed's current projection for Q2 2022 real GDP growth on an annualized basis stands at 0.0%.

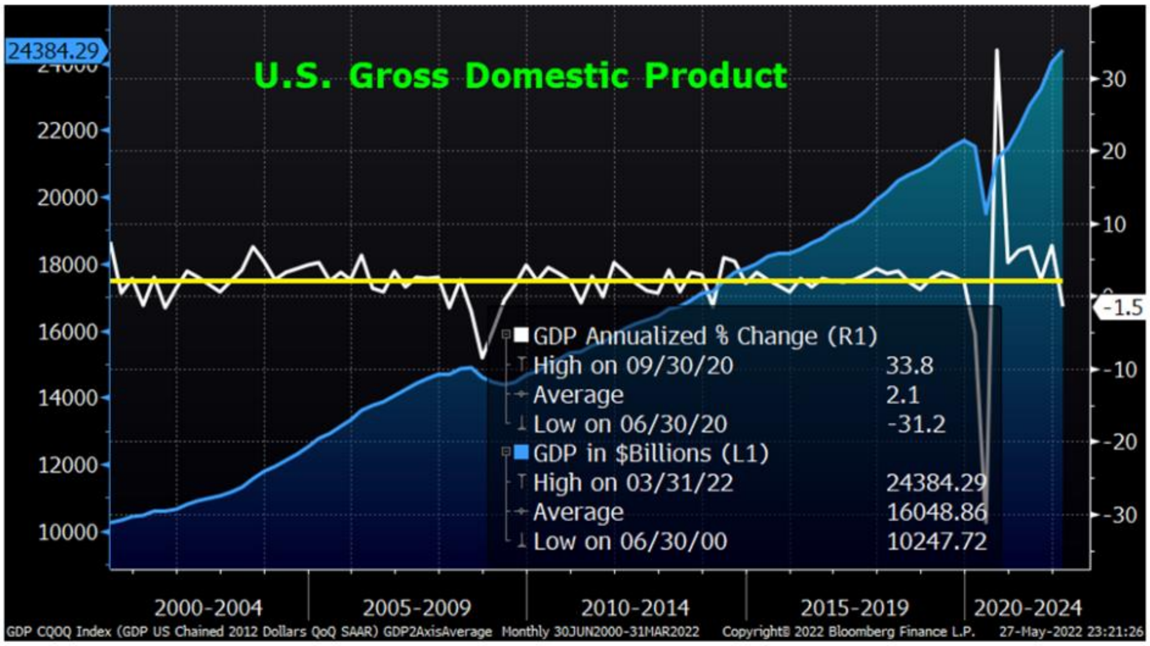


…but we can't forget that nominal (i.e. without adjusting for inflation) GDP growth has been very strong,…

THE PRUDENT SPECULATOR

HUGE 6.5% JUMP IN NOMINAL GDP, BUT REAL GDP CONTRACTS BY 1.4%

First quarter 2022 real (inflation-adjusted) domestic economic growth came in much weaker than expected at a 1.5% contraction on an annualized basis, even as the current-dollar nominal GDP figure of $24.4 trillion soared by 6.5% on an annualized basis to an all-time high.

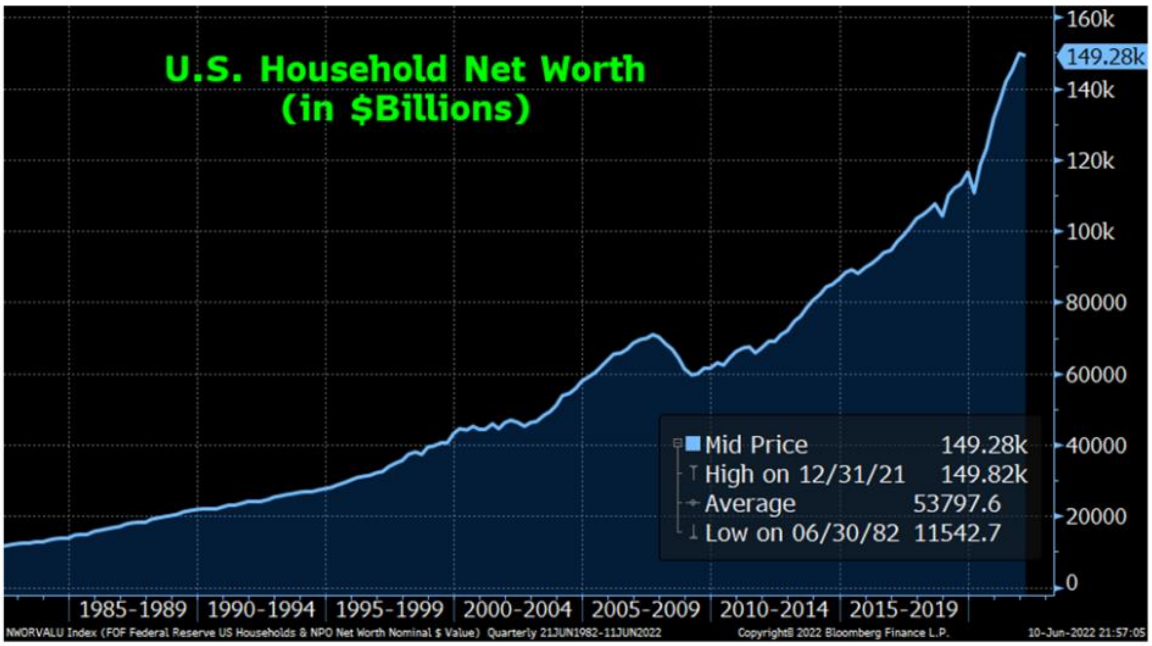


…while household balance sheets generally have headed into the economic slowdown in great shape.

THE PRUDENT SPECULATOR

CONSUMER BALANCE SHEETS BETTER OFF TODAY THAN PRE-PANDEMIC

While Q1 2022 did see a small decline to $149.3 trillion, down from $149.8 trillion in Q4 2021, as gains in home values could not offset declines in equity values, household balance sheets were in terrific shape, with net worth some $30 trillion above pre-pandemic levels.



We also note that stocks, especially Value, historically have been a terrific hedge against inflation…

THE PRUDENT SPECULATOR

EQUITY RETURNS AND 8%+ INFLATION – VALUE STOCKS THE PLACE TO BE

Inflation Rate >= 8.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	2.4%	10.4%	6.0%	25.1%	15.1%
Geometric Average	3.6%	1.8%	8.9%	4.6%	22.2%	12.8%
Median	3.8%	1.7%	6.7%	4.7%	17.7%	12.8%
Max	50.9%	32.9%	82.7%	60.8%	134.0%	64.2%
Min	-19.2%	-27.6%	-26.4%	-35.9%	-20.9%	-30.6%
Count	110	110	110	110	110	110

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 4.30.22.

Inflation Rate <8.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	3.1%	8.1%	6.1%	16.4%	12.3%
Geometric Average	3.1%	2.4%	6.2%	4.8%	12.3%	9.4%
Median	4.0%	3.5%	8.0%	6.2%	16.6%	12.8%
Max	200.5%	136.1%	244.7%	140.3%	357.8%	221.9%
Min	-43.1%	-40.4%	-56.1%	-47.0%	-71.3%	-64.8%
Count	1027	1027	1024	1024	1018	1018

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 4.30.22.

Inflation Rate >= 8.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.0%	2.9%	8.8%	6.4%	22.4%	17.0%
Geometric Average	3.5%	2.2%	7.7%	4.6%	21.1%	14.4%
Median	4.7%	2.6%	6.9%	6.3%	21.7%	21.2%
Max	39.6%	32.9%	63.0%	60.8%	60.2%	63.4%
Min	-16.5%	-27.6%	-26.4%	-35.9%	-20.9%	-30.6%
Count	63	63	63	63	63	63

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 04.30.22.

Inflation Rate < 8.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.8%	2.9%	7.7%	5.8%	15.7%	11.8%
Geometric Average	3.3%	2.4%	6.7%	4.9%	13.7%	9.9%
Median	4.1%	3.3%	8.1%	6.1%	17.2%	12.7%
Max	37.8%	32.5%	68.5%	49.8%	105.8%	93.6%
Min	-39.5%	-34.9%	-54.2%	-41.7%	-52.2%	-48.0%
Count	716	716	713	713	707	707

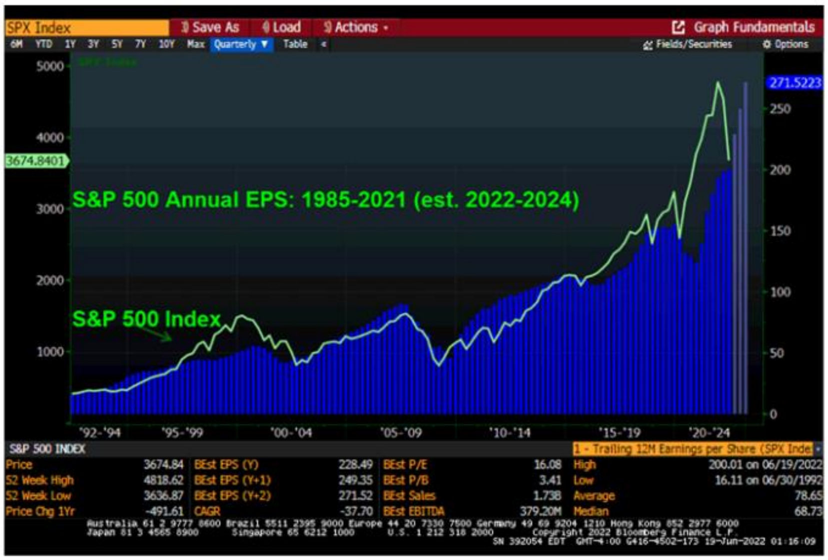
Source: Kovitz using data from Ibbotson Associates 03.31.57 - 04.30.22.

…while estimates for corporate profit growth have been rising, not falling, this year.

THE PRUDENT SPECULATOR

VERY GOOD EPS IN Q1 '22 AND '22/'23 ESTIMATES STILL REMAIN STRONG

Q1 earnings reporting season generally was terrific in terms of the results, even as many stocks sold off sharply on the news. And, while analysts are sometimes overly optimistic in their forecasts, EPS estimates for 2022, 2023 and 2024 call for significant growth versus 2021.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2023	$65.48	$248.41
9/30/2023	$63.66	$243.67
6/30/2023	$60.72	$239.33
3/31/2023	$58.55	$233.71
12/31/2022	$60.74	$224.54
9/30/2022	$59.32	$220.53
6/30/2022	$55.10	$213.23
3/31/2022	$49.38	$210.18
ACTUAL		
12/31/2021	$56.73	$208.21
9/30/2021	$52.02	$189.66
6/30/2021	$52.05	$175.54
3/31/2021	$47.41	$150.28
12/31/2020	$38.18	$122.37
9/30/2020	$37.90	$123.37
6/30/2020	$26.79	$125.28
3/31/2020	$19.50	$138.63
12/31/2019	$39.18	$157.12
9/30/2019	$39.81	$152.97
6/30/2019	$40.14	$154.54
3/31/2019	$37.99	$153.05
12/31/2018	$35.03	$151.60

Source: Standard & Poor's. As of 6.15.22

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We must always be braced for additional downside, especially as there are undoubtedly many folks who are having to unwind levered positions across numerous asset classes. However, we would argue that the plunge in stock prices this year has already priced in a deep recession and a sizable drop in corporate profits, neither of which is presently in the cards, while we take some comfort in what the historical return numbers show, on average, for Value stocks and real economic contractions.

THE PRUDENT SPECULATOR

EQUITY RETURNS AND RECESSIONS (PRE AND POST) – FAMA FRENCH VALUE

As the saying goes, the stock market (and economists) has predicted nine of the last five recessions, but the 15 prior instances of actual negative economic growth illustrate that long-term-oriented investors (on average) should stay invested (in Value, preferably) no matter what.

U.S. Recession Commencement (per NBER) & Equity Returns
S&P 500 and Fama/French Value Performance

Year Prior S&P 500 TR	Year Prior FF Value TR	Recession Start Date	1 Year S&P 500 TR	1 Year FF Value TR	3 Year S&P 500 TR	3 Year FF Value TR	5 Year S&P 500 TR	5 Year FF Value TR	10 Year S&P 500 TR	10 Year FF Value TR	To Present S&P 500 TR	To Present FF Value TR
51.9%	30.6%	August 1929	-32.6%	-32.0%	-73.5%	-65.1%	-71.1%	-61.7%	-58.0%	-48.4%	303020%	7691191%
18.2%	42.0%	May 1937	-39.3%	-55.8%	-33.2%	-55.0%	-32.5%	-44.7%	53.7%	140.3%	563117%	7280957%
26.3%	56.8%	February 1945	26.0%	42.0%	12.0%	28.6%	64.3%	75.6%	379.2%	469.5%	405852%	3545492%
4.0%	4.8%	November 1948	19.2%	12.2%	101.8%	109.3%	145.2%	130.8%	542.0%	586.7%	329652%	2567450%
3.1%	4.7%	July 1953	31.9%	25.4%	128.9%	118.2%	136.5%	138.6%	308.5%	385.1%	136206%	1075797%
-1.2%	-0.3%	August 1957	10.0%	16.6%	40.2%	55.8%	55.1%	79.0%	188.9%	421.8%	62545%	508225%
-2.4%	-6.3%	April 1960	24.2%	29.5%	41.7%	51.9%	92.4%	130.9%	107.7%	270.1%	47101%	343527%
-8.4%	-20.9%	December 1969	3.9%	8.7%	41.4%	39.8%	-11.3%	-7.6%	77.0%	264.4%	20274%	86989%
-15.2%	-19.4%	November 1973	-23.8%	-14.8%	20.8%	77.2%	23.7%	142.2%	182.3%	716.8%	17128%	76043%
20.6%	30.5%	January 1980	19.5%	12.5%	49.5%	81.1%	102.4%	183.6%	342.4%	480.0%	10738%	21990%
13.0%	23.2%	July 1981	-13.3%	-0.7%	34.0%	78.2%	127.9%	199.8%	343.5%	405.4%	8653%	17224%
6.5%	-7.2%	July 1990	12.7%	10.0%	38.2%	75.2%	83.2%	125.3%	407.4%	436.7%	2124%	3670%
-21.7%	22.3%	March 2001	0.2%	13.1%	1.9%	34.3%	21.4%	83.7%	38.3%	85.6%	436%	492%
5.6%	-8.0%	December 2007	-37.0%	-36.5%	-8.3%	-7.8%	8.6%	4.2%	125.8%	116.4%	277%	214%
8.2%	-9.6%	February 2020	31.3%	39.0%							45%	65%
7.2%	**9.5%**	**Averages**	**2.2%**	**4.6%**	**28.2%**	**44.4%**	**53.3%**	**84.3%**	**217.0%**	**337.9%**	**127144%**	**1547955%**

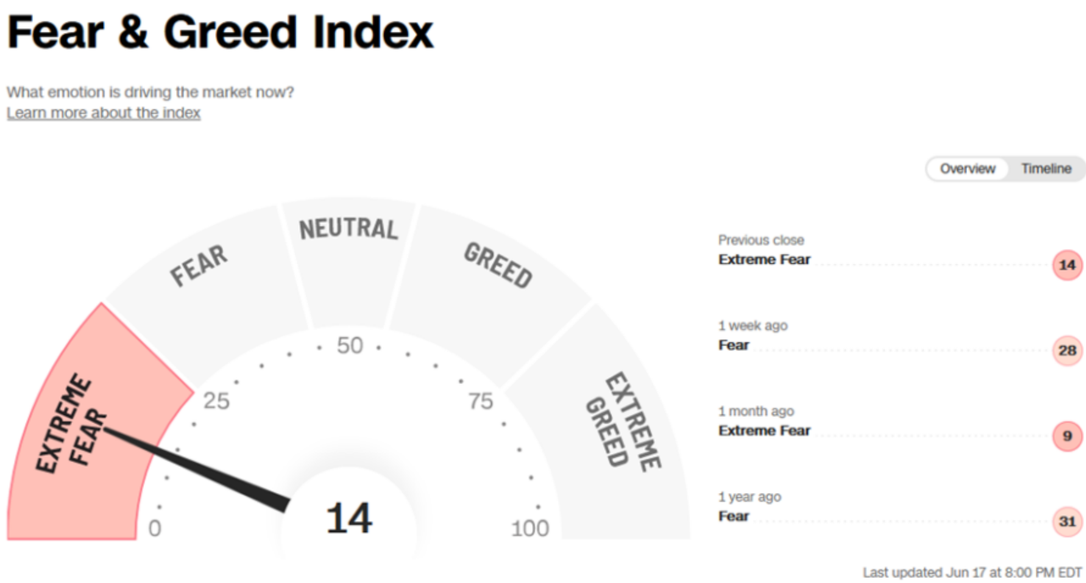
Through 4.29.22. TR = Total Return. FF Value = Value Weighted Book to Market Portfolios - Blend of Small Value and Big Value. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

So, as is always the case in times of turmoil, we are channeling Vannever Bush: "Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation."

THE PRUDENT SPECULATOR

FEAR & GREED INDEX…BE GREEDY WHEN OTHERS ARE FEARFUL

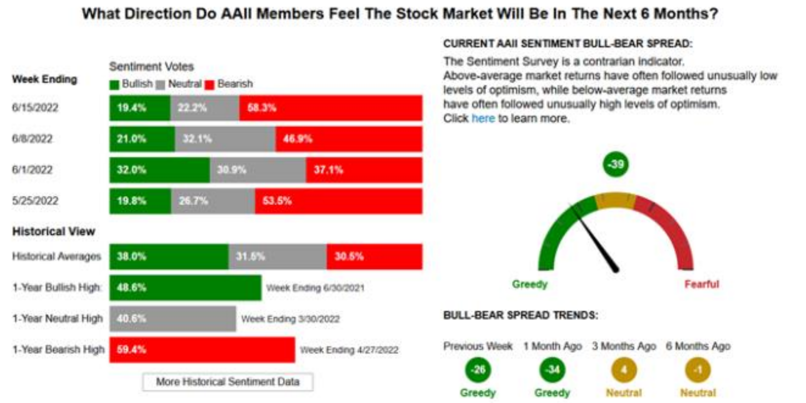
With the major averages well into Bear Market territory, folks are very scared. The *CNNMoney* Fear & Greed Index is deep into the Extreme Fear zone, though not as negative as a month ago. Only Market Volatility and Stock Price Strength are in Fear Territory of the seven Fear & Greed Indicators, with Market Momentum, Stock Price Breadth, Put and Call Options, Safe Haven Demand and Junk Bond Demand all flashing Extreme Fear.



Reason and evaluation suggest that now is a time to be very excited about the prospects for stocks going forward,…

THE PRUDENT SPECULATOR

MAJOR AAII CONTRARIAN BUY SIGNAL: BULL-BEAR SPREAD = -38.9



AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
	Below & Above Median Bull Bear Spread = 7.61										
BELOW	-54.0	7.6	909	0.24%	0.20%	1.16%	1.03%	3.48%	3.09%	6.80%	6.04%
ABOVE	7.6	62.9	909	0.17%	0.15%	0.54%	0.45%	1.99%	1.74%	4.73%	4.25%
	Ten Groupings of 1816 Data Points										
1	-54.0	-16.0	183	0.46%	0.39%	1.96%	1.73%	5.31%	4.78%	9.83%	8.65%
2	-15.9	-8.0	184	0.32%	0.29%	0.96%	0.82%	3.47%	3.08%	6.61%	5.81%
3	-8.0	-1.9	179	0.26%	0.23%	1.41%	1.31%	3.37%	2.98%	7.47%	6.82%
4	-1.9	3.0	198	0.13%	0.10%	1.03%	0.94%	2.94%	2.58%	6.05%	5.52%
5	3.0	7.6	165	0.00%	-0.03%	0.38%	0.27%	2.21%	1.95%	3.81%	3.27%
6	7.6	12.0	191	0.13%	0.11%	0.60%	0.49%	1.95%	1.71%	5.42%	5.02%
7	12.0	16.2	172	0.17%	0.15%	0.55%	0.45%	2.37%	2.11%	4.92%	4.38%
8	16.2	22.0	195	0.20%	0.18%	0.81%	0.74%	2.14%	1.88%	6.01%	5.60%
9	22.0	29.0	169	0.09%	0.07%	0.37%	0.29%	1.97%	1.69%	4.37%	3.77%
10	29.1	62.9	182	0.27%	0.25%	0.34%	0.27%	1.55%	1.33%	2.78%	2.34%

From 07.31.87 through 06.16.22. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed with a contrarian eye, so the tally of Bulls in the latest AAII Sentiment Survey coming in at 19.4% and the number of Bears residing at 58.3% is a major positive. The minus 38.9% Bull-Bear spread is one of the lowest ever and is in the most favorable (i.e. highest future returns) 1st decile of the weekly figures going back to 1987.

…though it definitely helps that we can focus on the very inexpensive valuation metrics and generous dividend yields of our broadly diversified portfolios of what we believe to be undervalued stocks.

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	11.4	10.1	0.9	2.1	2.8
ValuePlus	12.1	10.3	1.2	2.1	2.5
Dividend Income	11.1	10.4	0.8	1.9	3.3
Focused Dividend Income	12.6	11.3	1.0	2.3	2.9
Focused ValuePlus	11.7	11.6	1.2	2.3	2.7
Small-Mid Dividend Value	9.3	8.6	0.5	1.4	3.1
Russell 3000	19.4	16.2	2.0	3.4	1.7
Russell 3000 Growth	26.5	21.9	3.3	8.5	1.0
Russell 3000 Value	15.5	13.1	1.5	2.2	2.4
Russell 1000	18.7	16.2	2.2	3.5	1.7
Russell 1000 Growth	25.2	21.5	3.6	9.3	1.0
Russell 1000 Value	15.1	13.1	1.6	2.2	2.4
S&P 500 Index	18.4	16.1	2.3	3.7	1.7
S&P 500 Growth Index	21.2	19.2	4.0	6.7	1.0
S&P 500 Value Index	16.4	14.0	1.6	2.6	2.4
S&P 500 Pure Value Index	10.3	9.1	0.6	1.3	2.8

As of 06.18.22. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Stock Updates

Keeping in mind that all stocks are rated as a "Buy" until such time as they are a "Sell," a listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart offer updates on several of our stocks that had news out worthy of mention last week.

It has been a particularly tough period for stocks in the semiconductor industry, with the Philadelphia Semiconductor index (SOX) down 35% this year. This is the case even as last week, our old friend KLA Corp's Investor Day presentation included reaffirmed guidance, which was positive in our view given the major changes in the macroeconomic picture since April 28. Of course, it also helped that KLA boosted its dividend by 24% and set a $6 billion share buyback program, with the company's healthy balance sheet characteristic of most industry players.

Indeed, times have been very good in chip land as the World Semiconductor Trade Statistics (WSTS) organization calculated 26.2% growth in the global semiconductor market last year, with an updated forecast out last week calling for 16.3% growth this year to $646 billion. WSTS said it expects most major categories to see high teens year-over-year growth in 2022, led by Logic with 20.8% growth, Analog with 19.2% growth and Memory with 18.7% growth. For 2023, the global semiconductor market is projected to grow by 5.1% to $680 billion, driven by mid-single digit growth in the Logic and Analog categories.

Of course, growth is not assured, as a slowing worldwide economy and the Chinese COVID-19 lockdowns are not helping matters, while last week, Samsung, one of the world's largest chipmakers, supposedly asked suppliers to delay or reduce shipments of components, as demand for consumer-tech products such as TVs, appliances and mobile phones is expected to drop in the coming months due to soaring inflation and the potential for a recession. The negative story overshadowed **Qualcomm's** (QCOM – $120.99) positive news that the company 'won' a battle against a $1.05 billion EU antitrust fine. The fine was originally issued because the EU believed Qualcomm illegally paid **Apple** (AAPL -$131.56) for communication chip orders, diverting opportunity from rivals like **Intel** (INTC – $36.97). It's also interesting Qualcomm CEO Cristiano Amon voiced interest in joining a consortium to purchase UK's Arm Holdings after the semiconductor designer's deal with Nvidia fell apart. Qualcomm is one of Arm's biggest customers.

The prospect of an industry-wide slowdown in the near-term is a distinct possibility, especially as consumers are changing behavior in response to rising interest rates around the world. However, in the long run, we see semiconductor demand continuing to grow markedly and we think the recent stock selloff is very much overdone, with the four names in the chart below among our current favorites.

THE PRUDENT SPECULATOR

SEMICONDUCTORS – VALUE PRICED GROWTH STOCKS

AVGO Price: $498.65 Target: $668.99 P/E: 18.9 NTM P/E: 12.7

Broadcom Inc. designs, develops, and markets digital and analog semiconductors. The Company offers wireless RF components, storage adapters, controllers, networking processors, switches, fiber optic modules, motion control encoders, and optical sensors. Broadcom markets its products worldwide.

ANNUAL EPS

	#	Mean	Low	High	Y-o-Y Mean Growth
10/21 Y	28	$27.95	$27.80	$28.54	
10/22 Y	26	$36.91	$34.95	$38.80	32.1%
10/23 Y	26	$40.33	$38.80	$41.91	9.3%
10/24 Y	9	$42.27	$36.32	$45.01	4.8%
LTM		$32.23			
NTM		$39.33			

ANNUAL SALES ($millions)

	#	Mean	Low	High	Y-o-Y Mean Growth
10/21 Y	28	$27,401	$27,342	$27,457	
10/22 Y	25	$32,901	$32,279	$33,249	20.1%
10/23 Y	25	$34,904	$33,506	$36,629	6.1%
10/24 Y	8	$35,911	$32,869	$37,577	2.9%
LTM		$29,994			
NTM		$34,412			

LRCX Price: $419.46 Target: $737.75 P/E: 13.0 NTM P/E: 11.6

Lam Research Corporation manufactures, markets, and services semiconductor processing equipment used in the making of integrated circuits. The Company's products are used to deposit special films on a silicon wafer and etch away portions of various films to create a circuit design. Lam Research sells its products worldwide.

ANNUAL EPS

	#	Mean	Low	High	Y-o-Y Mean Growth
06/21 Y	23	$26.80	$26.31	$27.40	
06/22 Y	25	$31.71	$31.24	$33.02	18.3%
06/23 Y	26	$38.21	$34.89	$42.50	20.5%
06/24 Y	16	$38.73	$29.72	$44.10	1.3%
LTM		$32.38			
NTM		$36.24			

ANNUAL SALES ($millions)

	#	Mean	Low	High	Y-o-Y Mean Growth
06/21 Y	20	$14,520	$14,481	$14,706	
06/22 Y	21	$16,801	$16,775	$16,851	15.7%
06/23 Y	24	$19,583	$18,088	$20,650	16.6%
06/24 Y	15	$19,223	$16,057	$20,774	-1.8%
LTM		$16,737			
NTM		$18,977			

MU Price: $55.75 Target: $125.27 P/E: 6.5 NTM P/E: 4.9

Micron Technology, Inc., through its subsidiaries, manufactures and markets dynamic random access memory chips (DRAMs), static random access memory chips (SRAMs), flash memory, semiconductor components, and memory modules.

ANNUAL EPS

	#	Mean	Low	High	Y-o-Y Mean Growth
08/21 Y	25	$6.00	$5.83	$6.25	
08/22 Y	33	$9.56	$8.89	$10.26	59.3%
08/23 Y	33	$12.50	$7.86	$18.00	30.7%
08/24 Y	12	$13.83	$5.18	$21.39	10.6%
LTM		$8.60			
NTM		$11.38			

ANNUAL SALES ($millions)

	#	Mean	Low	High	Y-o-Y Mean Growth
08/21 Y	28	$27,663	$27,619	$27,743	
08/22 Y	35	$33,654	$32,373	$34,858	21.7%
08/23 Y	34	$40,338	$32,101	$48,750	19.9%
08/24 Y	15	$43,329	$28,575	$51,488	7.4%
LTM		$31,169			
NTM		$38,051			

QCOM Price: $120.99 Target: $224.48 P/E: 11.1 NTM P/E: 9.3

Qualcomm Incorporated operates as a multinational semiconductor and telecommunications equipment company. The Company develops and delivers digital wireless communications products and services based on CDMA digital technology. Qualcomm serves customers worldwide.

ANNUAL EPS

	#	Mean	Low	High	Y-o-Y Mean Growth
09/21 Y	28	$8.24	$8.06	$8.37	
09/22 Y	26	$12.59	$11.65	$13.50	52.8%
09/23 Y	26	$13.20	$11.50	$15.89	4.8%
09/24 Y	10	$12.89	$9.97	$15.00	-2.3%
LTM		$10.91			
NTM		$12.97			

ANNUAL SALES ($millions)

	#	Mean	Low	High	Y-o-Y Mean Growth
09/21 Y	28	$32,989	$32,651	$33,285	
09/22 Y	30	$44,670	$43,159	$47,725	35.4%
09/23 Y	30	$48,245	$43,935	$54,859	8.0%
09/24 Y	12	$48,421	$39,577	$55,081	0.4%
LTM		$39,265			
NTM		$47,668			

It has been a brutal month and year for semiconductor, stocks, but while the chips may be down, valuations are today quite inexpensive, with well-below market multiples of forward earnings, and long-term prospects are still quite promising.

One of a handful of companies to end last Monday's brutal downturn in the green, **Truist Financial** (TFC – $46.29) gained as CFO Daryl Bible said at an industry conference that the bank's net interest margin ought to come in 11 basis points to 15 basis points higher than previously thought. Even as interest rates have climbed meaningfully, with more increases likely on the way, the bank says deposit costs have remained lower than expected (now 18 basis points vs. 25 exp.). The difference nets out to between $15 million and $20 million of net interest per month according to the CFO.

Mr. Bible attributes this to strong customer relationships with core (less rate sensitive) deposits representing about 70% of the book. He said, "I think really seriously is the density that we have, the long-term relationships that we have. We don't have to pay the highest rate anymore to really keep because we have all of our products and services, really have a really good digital product, a lot of other services. People have — so people want to bank with a purpose-driven company like Truist. And while we definitely are selective and protect some of our best clients. I think for overall, I don't think we have to pay the top rate to keep our clients and deposit funding is what you're seeing."

Truist has been stepping up its rate hedges in a measured way throughout recent quarters, bringing the loan book rate to about 2.8% overall. It also has seen mortgage loans stabilize after a big drop-off from refinancing in the past couple of years, even has higher rates reduce shopper's buying power.

When asked about how the current environment stacked against other challenging economic periods throughout his 13.5-year tenure as CFO, Mr. Bible said, "I would start with the Great Recession. Great Recession, we basically had an issue of people were diversified enough, and people were levered more. If you look at the banking system now, there's a much more liquidity, much more capital in the system. So, I start from that standpoint that we have a much better starting point from that. From where I see right now, I think the variability of what could happen is as wide as it's ever been. You could continue to have some growth in the economy, could slow down, could go into recession. You could have stagflation, which is something we haven't experienced in the last 30-plus years. So there's a lot of variability out there. You just have to be very disciplined in how you approach the market and how you manage the company."

While we mostly expect benign outcomes, we look forward to the Federal Reserve's imminent annual CCAR results, which ought to dictate bank share repurchase and dividend plans for the rest of the year. With the heavy lifting from the BB&T/SunTrust merger mostly in the rear view, we expect enhanced scale at the southeast regional bank to bear fruit in the quarters and years ahead. A 21% slide year-to-date presents shares for a forward P/E ratio near 9. The dividend is a juicy 4.1% and our Target Price is $74.

FedEx Corp (FDX – $229.90) announced last week a series of long-planned business and governance actions with the goal, as CEO Raj Subramaniam stated, to "continue creating long-term value for our stockholders." These actions include a 53% increase to the dividend (payable July 11) and the addition of two metrics to the firm's incentive compensation program for executives.

Under a cooperation agreement with activist investor D.E. Shaw, FedEx also will add two independent members to the board immediately with a third to be agreed upon at a later date. New board members include Amy Lane (A veteran of Merrill Lynch) and Jim Vena (who spent 40 years at Canadian Pacific Railway).

While we have liked FedEx's use of its free cash flow in recent years to grow, manage its debt load in its infrastructure-intensive business and make fleet changes, we are delighted to see excess cash come back in our direction. FDX rallied 14% on the news but remains more than a quarter below the pandemic high, even as the firm is expected to earn over $20 per share this fiscal year (compared to the $15.52 in 2019 prior to the pandemic), and more than $26 by fiscal 2025. Should FDX hit that $26+ mark, it will have navigated global trade headwinds and a tumultuous (at times) integration of Dutch courier TNT to nearly triple EPS over a decade, an impressive feat for a capital-intensive, macro-sensitive logistics company. After the bump, which CFO Michael Lenz says reflects the company's confidence in the trajectory of its business, the dividend yield is now 2.0% and our Target Price for FDX resides at $352.

While it was quite a roller-coaster ride, shares of **Oracle Corp** (ORCL – $67.72) managed to reclaim some ground in an otherwise miserable trading week after the software giant reported fiscal Q4 results and management suggested cloud sales could grow 30% in 2023.

Revenue from the cloud segment grew 19% in Q4, below the mid-double-digit rate guidance from last quarter, but the impressive result pushed Oracle's overall revenue 10% higher to $7.6 billion. With a lot of hype around cross-selling various products in the space, CFO Safra Catz stated, "Our technology helps make our customers modern, efficient and more productive. And they got to see that during the pandemic, and now it's very clear. Those customers are then becoming larger Oracle customers. Fusion customers are buying OCI. OCI customers are buying Fusion and NetSuite. Database customers are moving to autonomous on OCI. Industry vertical customers are going all in on Fusion. We have real momentum all around." The $1.54 of EPS for the quarter was nearly 12% higher than the analyst target, even as higher selling costs and R&D expanded operating expenses by 10%.

Also front and center was the closing Oracle's purchase of Cerner, a health technology concern. Speaking of the value-added capabilities Oracle intended to bring Cerner, Chairman and Co-Founder Larry Ellison said, "In health care, we're in the process of building a complete suite of applications for the entire health care ecosystem, starting with health care providers like hospitals and clinics. We're modernizing Cerner's clinical systems by adding capabilities like a voice user interface and applications like disease-specific AI models for cancer and other diseases. We're including an IoT device network to improve patient diagnostics and monitoring. We're adding administrative systems, including managing the incredibly complex contract workforce that hospitals have as doctors are not full-time employees nor are nurses. We are going to help recruiting, scheduling and paying those contract workers according to their contracts. Inventory at hospitals is enormously complicated. Inventories aren't in a central location…Managing that inventory is very complicated. We're adding RFID tags and maps on handheld phones to help people find what they're looking for quickly. For payers, including insurance companies and governments, we're automating payment authorization and billing systems. For pharmaceutical companies, we're integrating our clinical trial system directly into the hospital clinical system, making clinical trials easier to start and faster to complete."

Shares have indiscriminately, in our view, been sold off with the IT sector at large, sliding more than 30% since breaching $100 late last year, even as ORCL's P/E ratio is a third lower than the sector. We like that Ellison & Co. continue to win new business from major names like Citibank, PNC, Chubb, McDonald's, Tiffany and others, while management expects to do business in six new regions in fiscal 2023. With the pullback, the dividend yield is now 1.9% and our Target Price has been hiked to $113.

Inexplicably, by our way of thinking, shares of **Jabil Inc** (JBL – $53.61) skidded 10% last week, even as the electronics concern reported fiscal Q3 EPS that beat the consensus estimate ($1.72 vs. $1.62). Revenue also came in higher than the Street target, rising 15% year-over-year to $8.33 billion, driven by 23% growth in the firm's Electronic Manufacturing segment. In its other main segment, Diversified Manufacturing, management pinned an undershoot versus previous guidance on the prolonged shutdown in Shanghai, but says volumes are approaching normal levels for fiscal Q4.

Raising 2022 guidance for the third time since initiation last September, Jabil now anticipates $7.45 of EPS for the year on $32.8 billion of revenue. This compares with its previous EPS outlook of $7.25 and $32.6 billion of revenue.

Chief Financial Officer Michael Dastoor commented, “Across the majority of our end markets, demand has been extremely resilient and continues to outstrip supply across our business, particularly in end markets that continue to benefit from strong secular tailwinds, markets such as electric vehicles, personalized medicine and healthcare, clean and smart energy infrastructure, 56 infrastructure, cloud and semi- cap.”

Mr. Dastoor added, “Jabil is not only well-diversified, but also markedly more resilient due to our multi-year proactive efforts to diversify our business and align to tomorrow’s trends. As a result, we feel the outlook for our business is strong and anticipate demand to be resilient for the balance of this year and into FY’23.”

We continue to like the company’s strong execution, diverse business (which management has worked consistently to improve since 2016) and shareholder orientation. The company repurchased approximately 3.6 million shares for $203 million ($56 per share) in the most recent quarter, and has bought back 7.9 million shares for $475 million ($60 per share) for the fiscal year thus far. Trading for less than 7 times forward earnings estimates, JBL offers very inexpensive exposure to multi-year tailwinds that we still see in Cloud, 5G and the electrification of automobiles. Our Target Price has been increased to $88.

Kroger (KR – $46.20) said that it earned an adjusted $1.45 per share in Q1, beating the $1.32 expected by analysts, as overall sales grew nearly 8% year-over-year to $44.6 billion. Faced with carefully raising prices on select items to handle food inflation (which rose 10% in May from a year ago), the grocer managed costs in other areas to nearly double its operating profit over the prior year period even as gross margin compressed by 26 basis points excluding fuel. Kroger continues to leverage its partnership with automated warehouse designer Ocado, opening 2 new fulfillment centers (1 in Texas and another in Wisconsin).

CEO Rodney McMullen commented, “Our teams are focused on delivering a great customer experience with zero compromise. Rising inflation, as consumers rethinking their shopping and eating habits, while customers continue to cook more, we are seeing different shopping behaviors based on how individual customers are experiencing the current inflationary environment.”

Regarding Mr. McMullen added, “Turning to supply chain. Our 2022 business plan anticipated ongoing supply chain challenges. By planning ahead and focusing on staffing, technology and process efficiencies, we manage our costs effectively. By owning and operating a portion of our fleet, we better control and manage transportation costs despite diesel fuel cost headwinds. We were also proactive about forward buying and securing capacity for goods, resulting in better vendor rates. Through our supplier relationships, we saw sequential improvement in product availability. We are well positioned to adapt to the evolving environment, and we are cautiously optimistic in a broader supply chain recovery throughout the year.”

Management expects full-year identical revenue to grow between 2.5% and 3.5%, and raised its 2022 EPS guidance by $0.10 to between $3.85 and $3.95.

While shares have given back some of the rally from Q1, they are still a rare breed in 2022 with a positive performance so far year-to-date. Competition remains stiff in the grocery space, though we like that Kroger continues to remake itself and find ways to stand out from the crowd. Kroger has developed a competitive portfolio of house brands, particularly within the fresh category, and we appreciate the ballast that the stock has offered our portfolio through rocky times. KR now trades at 12 times NTM adjusted EPS projections and yields 1.8%. Our Target Price has been boosted to $64.