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the Prudent Speculator

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"If you're an institutional investor, you probably got way too defensive in January, you suffered on the way down and you've suffered on the way up. The market may have recovered, but a lot of people haven't," conceded one prominent Wall Street U.S. equity strategist as a dramatic roller-coaster ride of a quarter came to a close. Hard to argue with that statement, given that the number of Bulls in the American Association of Individual Investors weekly sentiment survey dropped to 19.2% on February 10 (the fewest since March 5, 2009), right about the time the doom-and-gloom crescendo was most deafening, with the major market averages then down double-digit percentages on the year. Sadly, we know that many can't resist the urge to do something when the markets are falling, and with fear a powerful emotion, far more folks tend to press the sell button in times of turmoil.

> "Successful speculating is more a matter of character than mathematics, analysis or luck."
> —Al Frank

While there are never any guarantees that stock prices won't go lower still, we understand that 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. In fact, since we started publishing *The Prudent Speculator* more than 39 years ago, we have lived through 22 separate declines of more than the 13.3% setback suffered by the S&P 500 from 11.03.15 to 02.11.16.

We confess that we did not steer clear of any of those scary periods, yet our long-term newsletter performance numbers top the charts as we have always been positioned to participate in the inevitable recoveries, rebounds and Bull Markets. Though the evidence suggests that we are better than average stock pickers, the real value of what we do might be found in our repeated admonitions to stay the course and our constant reminders that the only problem with market timing is getting the timing right!

While we admit that the speed of the bounce off of the February lows has been faster than we anticipated and we have been a little slow in redeploying cash that has been raised from recent sales, we have been happy that Value stocks have finally enjoyed a little time in the sun.

Looking at the Q1 numbers, the broad-based S&P 500 and Russell 3000 indexes managed total returns of +1.35% and +0.96%, respectively, while the Russell 3000 Value index topped the Russell 3000 Growth index by a score of +1.64% to +0.33%. The biggest Sector contributors to the outperformance of Value were Energy, Utilities and Materials, while Health Care was a major drag on Growth. TPS Portfolio performed admirably, led by selections in Information Tech, Health Care, Consumer Discretionary, Consumer Staples and Materials, even as our stock picking in Energy, Financials and Industrials was a drag on returns.

As attention turns to Q2 and the balance of the year, we see little reason to alter our holdings or our Sector weights much, though the recent downturn in Financials has us looking at new names in that space. In terms of the equity markets in general, we respect that there are still plenty of headwinds (lackluster global economic growth, commodity price weakness, questionable corporate profit growth, threat of terrorism and an ugly domestic political process), so we expect to encounter more volatility, especially during Q1 earnings reporting season. However, with valuations reasonable on the stocks in our portfolios, interest rates extraordinarily low by historical standards, corporate balance sheets and income statements generally healthy, dividend payouts rising, yields on competing investments unattractive, economic data supporting a moderate U.S. growth outlook and Janet Yellen this past week again stating that the Fed will remain gradual in its removal of policy accommodation, we continue to believe it wise to be maintaining or adding to equity holdings.

And, we'll leave the market timing to others as we like Bernard Baruch's quotation, "Only liars manage to always be out during bad times and in during good times."

Chief Investment Officer
Al Frank Asset Management (AFAM)

Graphic Detail

Fund Ratings

Warren Buffett states, "In the business world, the rearview mirror is always clearer than the windshield." Not surprisingly, then, even though investors are constantly bombarded with the standard compliance warning that past performance is no guarantee of future performance, many can't help but chase the hottest asset class, sector or stock, often to their financial detriment.

And the same goes in the mutual fund realm as billions of dollars poured into Ken Heebner's CGM funds after he was dubbed America's Hottest Investor by *Fortune Maga-*

STAR RATINGS: TRAILING 3-YEAR RETURNS

Clearly, superb trailing three-year returns are critical for a mutual fund to land a coveted Morningstar 5-Star rating...

	1 Star	2 Stars	3 Stars	4 Stars	5 Stars
1994	2.6	4.8	7.0	10.2	16.2
1995	9.5	12.2	13.1	16.1	20.1
1996	5.1	9.5	13.1	16.0	19.5
1997	7.5	14.0	20.8	24.4	27.7
1998	0.5	6.9	16.1	20.7	27.1
1999	-1.1	9.3	16.5	25.2	37.9
2000	-3.1	4.2	9.3	14.5	25.3
2001	-6.1	-1.1	2.4	6.3	16.1
2002	-17.0	-13.3	-10.6	-6.3	0.1
2003	-8.5	-2.0	0.3	3.3	9.3
2004	2.3	6.1	8.3	10.9	15.3
2005	16.9	18.0	19.6	22.5	26.0
2006	10.0	12.1	13.6	16.0	18.0
2007	5.8	9.4	11.5	14.1	17.4
2008	-15.1	-11.5	-9.2	-6.7	-3.8
2009	-9.7	-6.7	-4.4	-2.1	0.6
2010	-7.5	-3.6	-1.7	0.5	3.7
2011	10.5	13.3	15.2	16.4	19.3
2012	4.2	7.7	9.1	10.5	12.4
2013	7.5	10.5	12.2	13.8	16.0
2014	11.0	14.7	16.1	17.7	20.1
2015	3.6	7.7	9.8	11.2	13.9
Average	1.3	5.5	8.5	11.6	16.3

From 12.31.91 through 12.31.15 Best performers each year are the darkest in color. Mean total returns are calculated for all mutual funds with the indicated star rating and full performance history over the indicated time horizon. Funds were excluded only for the specific time periods that they did not have sufficient performance history. SOURCE: Al Frank using data from Bloomberg and Morningstar

STAR RATINGS: FORWARD 3-YEAR RETURNS

...but those top-ranked funds have on average performed worst over the next three years, with 1-Star funds (yes 1-Star!) performing best.

	1 Star	2 Stars	3 Stars	4 Stars	5 Stars
1994	13.1	19.6	23.4	22.6	21.4
1995	5.7	13.6	18.4	18.8	18.1
1996	14.3	16.1	18.4	18.9	20.1
1997	11.9	11.0	11.2	9.9	11.4
1998	8.7	7.5	5.0	2.2	0.5
1999	4.9	-3.0	-7.4	-13.5	-20.6
2000	17.3	6.7	1.4	-1.7	-3.8
2001	10.3	8.8	8.7	9.6	10.9
2002	21.3	21.7	20.2	20.3	20.8
2003	14.1	14.0	14.2	14.4	14.9
2004	12.2	12.0	12.2	12.1	12.9
2005	-8.0	-8.7	-8.8	-9.0	-9.6
2006	-4.0	-4.0	-4.2	-4.3	-4.1
2007	-0.8	-1.0	-1.2	-1.6	-2.2
2008	18.2	15.7	15.1	14.6	13.9
2009	8.7	9.2	9.1	9.3	9.2
2010	11.4	12.3	12.5	12.1	11.5
2011	15.4	16.4	16.1	16.3	15.0
2012	8.3	9.2	9.7	10.5	9.7
Average	9.6	9.3	9.2	8.5	7.9

From 12.31.94 through 12.31.15 Best performers each year are the darkest in color. Mean total returns are calculated for all mutual funds with the indicated star rating and full performance history over the indicated time horizon. Funds were excluded only for the specific time periods that they did not have sufficient performance history. SOURCE: Al Frank using data from Bloomberg and Morningstar

STAR RATINGS: TRAILING 5-YEAR RETURNS

Morningstar grades on a bell curve, so 10% of funds are in the 1- and 5-Star categories, 22.5% in 2- and 4-Star, and 35% in 3-Star.

	1 Star	2 Stars	3 Stars	4 Stars	5 Stars
1994	1.5	5.9	8.5	10.2	16.7
1995	9.1	13.8	15.5	17.3	23.0
1996	8.3	10.8	12.7	15.4	19.4
1997	8.1	12.5	15.9	17.9	20.4
1998	2.9	7.2	14.2	17.6	22.6
1999	5.5	12.8	18.6	24.3	31.2
2000	0.1	7.1	12.8	16.8	22.4
2001	-5.7	2.8	6.5	10.2	16.0
2002	-5.2	-2.9	-0.4	2.5	7.1
2003	-1.3	2.4	4.3	7.3	12.8
2004	-4.9	-1.0	2.2	6.0	11.2
2005	-1.7	2.0	4.9	8.4	12.6
2006	6.0	8.2	10.3	13.2	15.6
2007	11.5	14.9	16.8	19.4	22.5
2008	-5.6	-2.9	-1.0	1.1	3.1
2009	-1.1	0.6	2.3	4.2	5.8
2010	-0.3	2.1	3.7	5.7	7.2
2011	-5.5	-2.2	-0.2	1.5	4.1
2012	-4.4	-0.8	1.0	2.8	5.2
2013	13.1	16.2	17.7	19.4	22.2
2014	6.8	10.6	12.1	13.5	15.5
2015	2.7	6.0	7.9	9.2	11.7
Average	1.8	5.7	8.5	11.1	14.9

From 12.31.89 through 12.31.15 Best performers each year are the darkest in color. Mean total returns are calculated for all mutual funds with the indicated star rating and full performance history over the indicated time horizon. Funds were excluded only for the specific time periods that they did not have sufficient performance history. SOURCE: Al Frank using data from Bloomberg and Morningstar

STAR RATINGS: FORWARD 5-YEAR RETURNS

The top performers over the prior five years don't lose every ensuing long-term performance race, but the odds favor 1- and 2-Star funds.

	1 Star	2 Stars	3 Stars	4 Stars	5 Stars
1994	11.8	18.5	21.0	20.7	20.4
1995	9.9	11.8	14.5	14.9	15.7
1996	4.7	5.9	8.2	8.7	10.2
1997	2.0	0.5	0.2	-0.1	1.9
1998	10.4	9.5	5.1	2.3	0.6
1999	14.3	8.5	3.9	-0.8	-5.2
2000	16.7	10.5	5.9	3.3	2.0
2001	12.4	11.3	10.8	11.2	11.8
2002	18.3	18.3	17.2	17.4	17.4
2003	-0.6	-1.0	-0.7	-0.6	-0.4
2004	2.5	2.5	2.5	2.6	3.1
2005	3.5	4.0	3.9	4.1	3.9
2006	-0.4	-0.0	-0.1	-0.4	-0.5
2007	1.5	1.4	1.3	0.8	0.1
2008	20.3	18.4	17.8	17.4	16.6
2009	11.6	12.3	12.1	12.0	11.7
2010	6.4	7.9	8.1	7.8	7.3
Average	8.6	8.2	7.7	7.1	6.9

From 12.31.94 through 12.31.15 Best performers each year are the darkest in color. Mean total returns are calculated for all mutual funds with the indicated star rating and full performance history over the indicated time horizon. Funds were excluded only for the specific time periods that they did not have sufficient performance history. SOURCE: Al Frank using data from Bloomberg and Morningstar

zine in May 2008 and into Bruce Berkowitz's Fairholme Fund after he was named Morningstar's Fund Manager of the Decade in early 2010. After all, both funds were then top-rated (5 Stars) by Morningstar, given that each had enjoyed phenomenal performance. Alas, the key word is *had* as returns in the years since they were the toast of Wall Street have been very disappointing, to say the least, so much so that Morningstar now rates their funds 1 Star.

To be sure, not all top performers so quickly and dramatically lose their touch, but our study of Star ratings and subsequent performance since 1994 shows that on average investors are actually better off using Morningstar ratings as a contrarian indicator. While we concede to only looking at the numbers on an annual basis, and we accept that not all funds remained in business so as to have a forward return for the ensuing three and five years, the results are staggering as the analyses show that the best-performing funds on a trailing basis, on average, produced the worst returns going forward...and vice versa!

Now, that might not be so awful if investors simply stayed put in their funds, taking the good with the bad and ignoring the Star ratings, but history shows this not to be the case, despite what Don Phillips wrote in 2010. In *Star Wars, the Sequel*, the Managing Director of Morningstar said, "The Morningstar Rating for funds is a grade on past performance. Period. No one at Morningstar ever claimed that the Stars have predictive power or ever ran an ad telling investors to follow the Stars to riches."

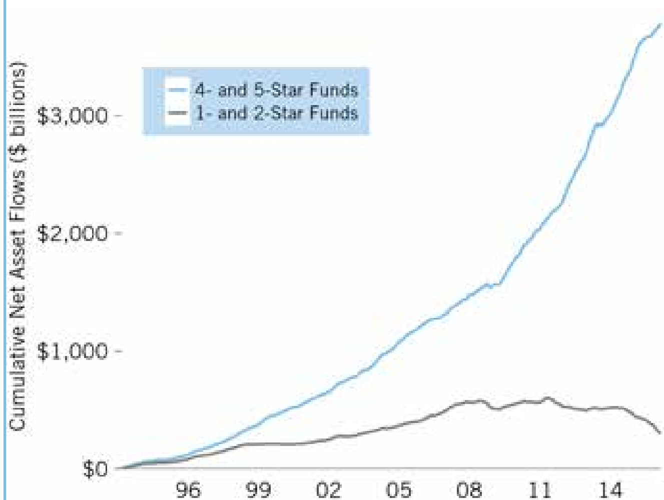
That may be true, but fund companies spend a ton of advertising dollars promoting their highly ranked products, with the marketing efforts obviously bearing plenty of fruit. Indeed, the historical data compiled by Morningstar itself shows that the top performers attract virtually all of the mutual fund inflows. Incredibly, since 1993, over $3 trillion has flowed into 4- and 5-Star funds, while virtually no net dollars have flowed into 1- and 2-Star funds.

Sadly, whether Morningstar or other factors deserve the blame, investors have proved to be lousy timers with their mutual fund purchases and sales. Indeed, overall Investor Returns (per Morningstar) in funds over the past 1, 3, 5, 10 and 15 years lag Total Returns by a wide margin. And our calcs confirm conclusions reached by three prior studies: 1) DALBAR—Investor Returns for equity funds of 3.79% per annum over the 30 years ended December 2014, versus an average annual return of 11.06% on the S&P 500); 2) Hsu, Jason C. and Myers, Brett W. and Whitby, Ryan J., *Timing Poorly: A Guide to Generating Poor Returns While Investing in Successful Strategies*—Dollar Weighted Return in Equity Funds of 6.87% per year from 1991-2013, compared to a Buy & Hold Return of 8.81% per annum; 3) Morningstar—Asset Weighted Return for U.S. Equity Funds of 6.52% per annum for the 10 years ended December 2013, against an 8.18% Average Return.

The above in mind, we think the best advice is to find a strategy with a history of success (Value and Dividends, perhaps?) and stick with it through thick and thin!

STAR RATINGS: NET ASSET FLOWS

Despite Morningstar's assertion that its ratings have no predictive power, Stars are definitely the primary driver of mutual fund flows.



From 02.28.93 through 02.29.16. SOURCE: Al Frank using data from Morningstar

STAR RATINGS: INVESTOR & TOTAL RETURNS

No matter the Morningstar rating, ill-timed investor mutual fund buy and sell decisions generally have been hazardous to their wealth.

Type	1 Star	2 Stars	3 Stars	4 Stars	5 Stars	Avg.
1 Year Total Return	-7.7	-4.7	-2.1	-0.6	2.7	-2.0
1 Year Investor Return	-7.8	-5.2	-2.8	-1.5	1.7	-2.7
3 Year Total Return	4.8	7.6	9.9	11.5	14.3	10.1
3 Year Investor Return	5.1	7.4	8.9	10.3	11.2	9.0
5 Year Total Return	2.8	5.8	8.0	9.3	12.1	8.1
5 Year Investor Return	1.8	4.8	7.0	8.1	10.1	6.9
10 Year Total Return	3.3	4.6	6.1	7.0	9.1	6.2
10 Year Investor Return	1.4	2.6	4.6	5.8	8.6	4.8
15 Year Total Return	5.4	5.6	6.1	6.9	7.6	6.3
15 Year Investor Return	3.3	3.5	4.5	5.6	6.4	4.7

From 12.31.00 through 12.31.15. Simple average of returns by Morningstar rating. Includes mutual funds with more than $50 million of assets on 12.31.15. The funds must have total return and investor return data available to be counted in that period's average. Returns greater than 1 year have been annualized. Avg. is the simple average return for all of the funds in the time window. SOURCE: Al Frank using data from Morningstar

Recommended Stocks

In this space, we list each month 40 of our most attractively priced recommended 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. Further, as total return is how performance is ultimately judged, we explicitly factor dividend payments into our analytical work.

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Sales	TBV[2]	EV/ EBITDA[3]	Debt/ TE[4]	Div Yld	Mkt Cap
Autos & Components	GM	General Motors	31.43	44.96	6.2	0.3	1.4	2.9	128%	4.8%	48,543
	HMC	Honda Motor	27.34	36.85	11.8	0.4	0.8	8.3	61%	2.3%	49,524
Banks	BBT	BB&T	33.27	47.11	12.1	nmf	1.7	nmf	nmf	3.2%	25,966
	FITB	Fifth Third Bancorp	16.69	26.78	10.4	nmf	1.0	nmf	nmf	3.1%	13,082
	HSBC	HSBC Holdings PLC	31.12	51.00	7.3	nmf	0.8	nmf	nmf	8.2%	122,906
	KEY	KeyCorp	11.04	18.08	10.1	nmf	1.0	nmf	nmf	2.7%	9,225
	ONB	Old National Bancorp	12.19	18.08	12.2	nmf	1.6	nmf	nmf	4.3%	1,394
	PNC	PNC Financial Services	84.57	114.94	12.0	nmf	1.3	nmf	nmf	2.4%	42,378
	WFC	Wells Fargo & Co	48.36	63.84	11.7	nmf	1.7	nmf	nmf	3.1%	244,568
Capital Goods	TRN	Trinity Industries	18.31	36.78	3.6	0.4	1.0	3.2	110%	2.4%	2,799
Consumer Dur & App	MDC	MDC Holdings	25.06	39.96	18.6	0.6	1.0	17.1	74%	4.0%	1,228
Diversified Financials	COF	Capital One Financial	69.31	97.92	9.2	nmf	1.3	nmf	nmf	2.3%	35,977
	GS	Goldman Sachs Group	156.98	219.93	8.8	nmf	1.0	nmf	nmf	1.7%	69,253
Energy	BRS	Bristow Group	18.92	37.79	8.7	0.4	0.5	10.3	81%	1.5%	661
	HFC	HollyFrontier	35.32	55.18	8.4	0.5	2.3	4.8	39%	3.7%	6,237
	NOV	National Oilwell Varco	31.10	40.07	11.3	0.8	2.1	38.1	71%	5.9%	11,687
	RDS/A	Royal Dutch Shell PLC	48.45	72.29	12.6	0.3	1.1	9.5	34%	6.6%	195,753
	SFL	Ship Finance Int'l Ltd	13.89	19.13	6.2	3.2	1.0	10.6	117%	13.0%	1,298
	TK	Teekay	8.66	22.77	9.2	0.3	1.0	9.3	997%	2.5%	628
	TNP	Tsakos Energy Navigation	6.18	15.25	3.7	0.9	0.4	6.6	80%	5.2%	540
	TOT	Total SA	45.42	68.88	9.8	0.8	1.3	7.7	49%	4.9%	111,461
Health Care Equip/Srvcs	MCK	McKesson	157.25	241.88	12.5	0.2	nmf	9.7	nmf	0.7%	35,945
Insurance	MET	MetLife	43.94	78.95	9.1	nmf	0.9	nmf	nmf	3.4%	48,188
	PRU	Prudential Financial	72.22	108.39	7.2	nmf	0.8	nmf	nmf	3.9%	32,086
Materials	MOS	Mosaic Co	27.00	49.24	9.3	1.1	1.2	6.0	48%	4.1%	9,518
Pharma/Biotech/Life Sci	AMGN	Amgen	149.93	213.98	15.8	5.2	nmf	10.7	nmf	2.7%	112,761
	BIIB	Biogen	260.32	436.44	16.3	5.3	21.7	10.4	249%	0.0%	56,925
	GILD	Gilead Sciences	91.86	146.71	7.7	3.8	17.5	5.2	298%	1.9%	124,437
	MRK	Merck & Co	52.91	60.01	14.7	3.7	33.7	12.0	550%	3.5%	146,839
	PFE	Pfizer	29.64	41.90	13.5	3.8	nmf	11.7	nmf	4.0%	183,298
	SNY	Sanofi	40.16	61.01	12.5	5.0	14.3	11.9	203%	3.3%	105,170
Real Estate	ANH	Anworth Mortgage Asset	4.66	6.80	8.0	nmf	0.7	nmf	nmf	12.9%	454
Semis & Cap Equipment	INTC	Intel	32.35	40.87	13.7	2.8	3.3	6.3	43%	3.2%	152,821
Software & Services	MSFT	Microsoft	55.23	61.22	20.5	5.0	8.0	16.9	74%	2.6%	436,831
Technology Hardware	CSCO	Cisco Systems	28.47	36.73	14.2	2.9	4.3	7.5	64%	3.7%	143,264
	ERIC	LM Ericsson	10.03	15.02	13.9	1.1	1.9	7.1	25%	2.8%	33,088
	GLW	Corning	20.89	31.19	14.8	2.5	1.6	10.1	27%	2.6%	22,974
	JBL	Jabil Circuit	19.27	34.73	9.9	0.2	2.3	4.1	115%	1.7%	3,672
	STX	Seagate Technology PLC	34.45	53.91	10.7	0.8	nmf	7.7	nmf	7.3%	10,212
Transportation	CSX	CSX	25.75	34.26	12.8	2.1	2.1	7.1	92%	2.8%	24,651

As of 03.31.16. N/A=Not applicable. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Enterprise value-to-earnings before interest taxes depreciation and amortization. [4]Tangible equity. SOURCE: Al Frank using data from Bloomberg

Portfolio Builder

Research Team Favorites

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.

As for the "in which" part, readers should know we discriminate among potential investments primarily by their relative valuation metrics and our assessments 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 or that of 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.

Each month in this column, we suggest to readers a group of ten stocks with which to populate portfolios. The list could serve as a portfolio foundation for new investors or as a pick-list for folks already maintaining well-diversified holdings. While other themes may be featured over time, our ongoing consolidation program has created opportunities (i.e. proceeds of sales) to simply add stocks each month to our newsletter portfolios.

Note that we are in no way suggesting that these stocks replace those featured in prior months as we will always issue a *Sales Alert* should we choose to exit a position.

This Month's Theme

Continuing to slowly deploy the cash in our newsletter portfolios, we will pick up $10,000 of **Fifth Third Bancorp** for Millennium Portfolio, while we will add $29,000 of **Jabil Circuit** to TPS Portfolio. In Buckingham Portfolio, we will buy $6,000 of **Amgen** and bring up the holdings in **Bristow Group** and **Total SA** to that amount. And, in Pru-Folio, we will add $20,000 of **MetLife** and raise our stake in **Goldman Sachs** to that level. We already hold a sufficient stake in **Ericsson**, **Intel** and **Pfizer** in all four accounts. We will transact on April 7.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AMGN	Amgen	Health Care	149.93	213.98
BRS	Bristow Group	Energy	18.92	37.79
ERIC	LM Ericsson	Information Technology	10.03	15.02
FITB	Fifth Third Bancorp	Financials	16.69	26.78
GS	Goldman Sachs Group	Financials	156.98	219.93
INTC	Intel	Information Technology	32.35	40.87
JBL	Jabil Circuit	Information Technology	19.27	34.73
MET	MetLife	Financials	43.94	78.95
PFE	Pfizer	Health Care	29.64	41.90
TOT	Total SA	Energy	45.42	68.88

As of 03.31.16. SOURCE: Al Frank using data from Bloomberg

Amgen (AMGN)

Amgen, one of the world's largest biotech companies with revenue of more than $20 billion, is engaged in the discovery, development and delivery of human therapeutics. The firm has a presence in more than 75 countries and its medicines treat cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illnesses. AMGN posted Q4 results that beat expectations and management maintained its full-year 2016 adjusted EPS guidance in the $10.60 to $11.60 range, putting the forward P/E ratio at 14 times the midpoint. We like that Amgen has been launching many products lately, including Repatha and Kyprolis, a tribute to the investment and productivity in its pipeline. In Repatha trials, the "bad" cholesterol-reducing drug also showed evidence of potentially reducing the risk of heart attacks and strokes. Management expects growth of the drug to be steady initially, and sees "breakaway potential" after the outcomes data comes available. We know drug pricing is an election year hot-button issue, but we are partial to Amgen's strong free cash flow generation, solid financial footing, generous 2.7% dividend yield and hefty $4.9 billion stock buyback authorization.

Bristow Group (BRS)

Bristow Group is a transportation company that provides helicopter services to the oil and gas industry. News of another helicopter crash outside of a commercial hub in Nigeria on Feb. 3 (with no fatalities, fortunately) and weaker-than-expected earnings a few days later pushed shares to the lowest point in more than a decade, although rising oil prices since then have led to a 50%+ rebound. Obviously, the collapse in commodity prices has taken a toll and the firm's cost-cutting efforts are not a panacea for a sustained low-price environment, but the company has diversified somewhat away from oilfield support, with more than 20% of revenue now derived from other industries like Search & Rescue. Management also made changes to its leasing strategy, likely saving $80 million by 2020. CEO Jonathan Baliff said, "The length and severity of this downturn is worse than initially expected, but that is why we have always kept lower levels of leverage and lower numbers of leased helicopters as part of our business model." While an eventual rebound in energy prices will increase interest in Bristow's services, we like that the consensus EPS projection for fiscal 2017 stands at $1.65, which analysts suggest will mark a trough.

LM Ericsson (ERIC)

LM Ericsson, a Swedish company, is a leading international supplier of network equipment and related services to telecom operators for the handling and transmission of voice and data. Although the space is competitive, we believe Ericsson is in a solid position to take advantage of the growth in the smartphone market. We think ERIC has differentiated itself by focusing on the performance and overall quality of its networks. Although wireless operator capital expenditures on equipment are often lumpy, given the uncertain timing of network project updates, we believe that ERIC's service business should steadily grow, providing a catalyst for more equipment sales. Given its expertise, there is reason to believe that ERIC will earn a sizeable chunk of the next-generation "5G" hardware upgrade spending as carriers begin transitioning to faster, more powerful equipment. Additionally, ERIC may benefit from the U.S. Commerce Department's move to block Chinese networking firm ZTE from purchasing equipment from American firms after ZTE was found to have plans to re-export to Iran. Ericsson maintains a solid balance sheet, strong cash flows and a 2.8% dividend yield.

Fifth Third Bancorp (FITB)

FITB is a diversified financial services company with $141 billion in assets, operating 1,254 full-service Banking Centers and 2,593 ATMs in the Midwest and Southeastern U.S. FITB operates four main businesses: Commercial Banking, Branch Banking, Consumer Lending and Investment Advisory. The firm has seemingly solid pricing power with considerable market share and a loyal client base in a number of its operating markets. We like that the company has made significant strides in risk management and has an improving balance sheet. We are constructive on FITB's willingness to move early as its industry changes. The bank has been selling, consolidating and closing some of its branches as more of its customers and prospects increasingly utilize online banking. FITB continued to whittle down its position in payment processor Vantiv, using the proceeds to repurchase 9.25 million shares over the last year. Management plans to continue its methodical divestment of this holding over time and use the proceeds to invest in the core business, buy back shares and cover the dividend. FITB trades for 10.4 times earnings and offers a 3.1% dividend yield.

Goldman Sachs Group (GS)

Goldman is a global investment banking, securities and investment management firm with leading positions in M&A, equity underwriting and equity trading. The company also generates significant revenue from its investing, lending and FICC businesses, while the asset management business is a major focus. Given the interest rate challenges and widening U.S. high-yield spreads, we were pleased to see Q4 results come in substantially ahead of estimates, led by sequential operating income gains in the Investment Banking and Investment & Lending segments. The Investment Management arm grew to $1.25 trillion in assets under supervision. Goldman continues to maintain strong capital ratios and liquidity, while the shares trade for just 8.8 times earnings. The firm boasts a best-in-class franchise with premier market positioning across numerous business lines, while the company sports a solid balance sheet. And we like that GS enjoys embedded operating leverage and market share consolidation opportunities as a number of foreign and domestic competitors have been forced to restructure.

Intel (INTC)

Intel, the leading global semiconductor manufacturer, supplies advanced technology solutions for the computing industry, including microprocessors, chipsets and motherboards. The firm posted Q4 EPS of $0.74, topping expectations by 14%, and sales of $14.9 billion. Intel has been able to overcome a weak market for PCs by benefitting from a richer product mix, particularly with solid demand for the powerful 14-nanometer chips that power high-end mobile and gaming computers. It has also been floated my numerous outlets that Intel may be looking to serve as a second supplier for the next generation of iPhone modems. We remain cautiously optimistic that Intel will be able to elbow its way into the iPhone handset, and believe that the divestiture of its $1 billion venture capital unit will keep the company focused on its core product lines. Intel also stands to benefit from a breakthrough solid-state storage configuration, which allows storage nodes to be stacked on a three-dimensional plane. The company claims it's the first new memory technology in two decades. We are also encouraged by the recent Altera acquisition and the continuing growth in the IoT and Data Center segments. Intel has a diversified revenue stream, low levels of debt and a 3.2% dividend yield.

Jabil Circuit (JBL)

Jabil Circuit is an electronic manufacturing services provider that specializes in circuit boards for a variety of uses around the world. JBL earned an adjusted $0.57 per share on revenue of $4.4 billion, versus estimates of $0.60 and $4.5 billion in fiscal Q2. Shares plunged, however, after an unexpected slowdown of product demand from Apple, Jabil's largest customer, translated to a $150 million drop in DMS (Diversified Manufacturing Services) segment revenue. We continue to like JBL's product mix and believe that diversification that comes with the growth in the EMS (Electronics Manufacturing Services) segment will prove beneficial. We are also pleased that the strength of the U.S. dollar has had few adverse effects. We note that the consensus analyst EPS estimate for fiscal 2016 is $2.12, which translates to a P/E ratio of less than 10.

MetLife (MET)

MetLife is one of the largest U.S. life insurers and has become an increasingly significant global player. MET provides insurance, annuities and employee benefit programs, with leading market positions around the world. We were pleased to see that MET successfully challenged the Treasury Dept's classification that the company is a Systemically Important Financial Institution (SIFI). The summary judgment in favor of MetLife likely puts recently announced breakup plans on ice and will allow the firm to maintain lower capital ratios that should translate to a higher return on investment. Additionally, we believe its foothold in Asia was materially strengthened with its acquisition of ALICO. We see the international business as the growth engine, but realize that it may be hampered in the near term by the strength of the U.S. dollar. We are fond of MET's underwriting discipline and its position as the market leader in group life, where it provides insurance to 90% of the companies in the Fortune 100. We also like MET's increased focus on more traditional insurance sales. The company has a relatively strong capital position and recently completed a $1 billion share buyback. MET now trades for 9.1 times earnings and yields 3.4%.

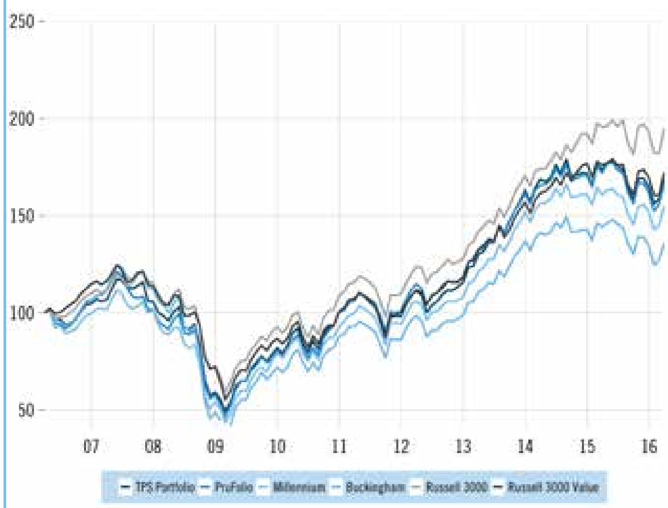
Pfizer (PFE)

Pfizer is a global pharma giant focused on discovering, developing and marketing drugs for cardiovascular, metabolic, central nervous system, immunology, pain, infectious diseases, respiratory, oncology and other indications. The company also boasts a consumer products division, which though smaller in size (7% of total revenue) provides nice cash flow. We believe that Pfizer's pipeline is solid, as evidenced by the recent and successful launches of Prevnar (pneumococcal bacteria), Eliquis (prevents blood clots for patients with irregular heartbeat or after surgery), Xeljanz (rheumatoid arthritis) and Ibrance (breast cancer), all of which are beginning to make solid contributions to the bottom line. We also continue to like the potential for upside from capital allocation, business development and management's exploration of a longer-term split-up of the company. Backed by a solid balance sheet, Pfizer returned more than $10 billion to shareholders in 2015 via buybacks and dividends, and expects to execute an accelerated share repurchase totaling $5 billion in the first half of 2016. PFE currently yields 4.0%.

Total SA (TOT)

Total is one of the world's largest integrated oil and gas companies. Its global businesses cover three segments: Upstream E&P, Downstream Refining and Marketing, and Chemicals. Despite the pounding global energy prices have taken since late-summer 2014, we view TOT as attractive due to its focus on having a solid balance sheet and healthy operations via continued execution of cost control initiatives, a slowing of capital expenditures (especially versus the 2007-2013 rate), positive operational and production momentum, and divestitures of non-core assets. Though one might expect the plunge in crude to lead to production issues, we believe that TOT could be hitting its production sweet spot over the next few years. We think the stock is compelling as respective consensus EPS estimates for 2016 and 2017 reside at $3.22 and $4.75, while the net dividend yield is nearly 5% and the latest quarterly results topped expectations.

NEWSLETTER PORTFOLIO PERFORMANCE



	Mar	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	6.54	0.84	-5.98	6.97	7.83	3.09
Millennium	6.99	2.10	-3.45	8.56	9.17	4.48
PruFolio	6.63	2.90	-3.29	7.92	9.36	5.22
TPS	6.45	2.57	-2.71	9.06	9.49	5.38
Major Indexes						
Russell 3000	7.04	0.96	-0.35	11.14	11.01	6.90
Russell 3000 Value	7.29	1.64	-2.06	9.09	9.96	5.59
S&P 500	6.78	1.35	1.77	11.81	11.57	7.01
Dow Jones Industrial Avg	7.22	2.20	2.08	9.29	10.27	7.54

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	11.07	9.12	Russell 3000
Millennium	12.31.99	8.81	4.54	Russell 3000
PruFolio	12.29.00	12.74	5.36	Russell 3000
TPS	03.10.77	17.79	10.78	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,854 stock recommendations have returned, on average, an annualized 17.05%, not including dividends.

As of 03.31.16. All data are total returns, except for that of all recommended stocks, which excludes dividends. Data for periods greater than one year are annualized. The Dow Jones Industrial Average (DJIA or Dow) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The Russell 3000 Index measure the performance of the largest 3,000 U.S. companies. The Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Standard & Poor's 500 Stock Index (S&P 500) is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. [1]The Russell 3000 Index lacks sufficient history to match that of Al Frank's TPS Portfolio. We therefore have shown the S&P 500 Index for comparison purposes. SOURCE: Al Frank using data from Bloomberg

TPS Portfolio is Al Frank's actual investment portfolio. Though not presently leveraged, it has been so in the past. Buckingham Portfolio is John Buckingham's actual investment portfolio. Though not presently leveraged, it has been so in the past. Millennium Portfolio is unleveraged and hypothetical. PruFolio is unleveraged and hypothetical.

All portfolio returns are calculated on a total return basis and reflect the reinvestment of dividends, if any, margin leverage and margin interest charges, trading costs and subscription costs. There are inherent limitations with in hypothetical or model portfolio results as the securities are not actually purchased or sold. They may not reflect the impact, if any, of material market conditions which could have has an impact on AFAMs decision making if the hypothetical portfolios were real. Hypothetical performance is shown for illustrative purposes only and should not be interpreted as an indication of performance of any AFAM portfolio. The use of leverage magnifies gains and losses and increases risk to a portfolio.

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