

the Prudent Speculator 607

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It is always fascinating to read the rationalizations for why the financial markets gyrated this way or that, especially as copy often has to be rewritten when an early rally gives way to a setback or a big selloff is later reversed or stocks move wildly only to end about where they started. April offered a vivid illustration as it could be argued that equities fell on scary saber-rattling in North Korea, worrisome French Elections, an ominous American air strike in Syria and a disappointing 0.7% initial estimate of Q1 U.S. GDP growth. On the other hand, we could state that stocks rose on excellent first quarter earnings reports, generally favorable domestic economic data and a very aggressive tax reform plan proposed by the White House that would reduce the seven personal tax brackets to three (10%, 25% and 35%) and lower the corporate rate to 15%.

Of course, when all was said and done, April essentially went out like a lamb, with little in the way of overall change for the kind of Dividend Value stocks that we have long favored. True, the month ended a bit stronger for the broad-based Russell 3000 Index and S&P 500, which each returned a little more than 1%, but pundits would be hard-pressed to convey the exact whys and wherefores, though plenty of ink is always spilled in the endeavor.

After all, there is an innate need to explain something, with the psychologists suggesting that folks somehow can then claim expertise. It is said that this yields two very useful benefits: 1) Control—If I am an expert in something, then I understand it and can use that knowledge to control it. 2) Social Position—Expertise is a form of power, that leads to other people looking up to me. No doubt, coming up with a few reasons why stocks moved up or down (after the fact) does little to improve performance, even as we suppose it beats simply stating that there was more buying than selling pressure. And, we would be foolish to think that we can somehow control the equity markets, even as there is something to be said for the wisdom of knowing that dividend payers and stocks trading for inexpensive fundamental valuation metrics tend to be better performers in the fullness of time.

The need to explain in mind, we aren't surprised that most have labeled the handsome returns seen since the U.S. Election as the Trump Rally, despite the fact that the new President has yet to see any real pro-growth legislation pass, while there has been plenty of drama on the geopolitical front. Yes, as **JPMorgan Chase (JPM - \$86.50)** CEO Jamie Dimon said a few months back, "Animal spirits have been reawakened," but we might argue that the sizable advance over the last six months is as much anti-Clinton as it is pro-Trump. In fact, many supposed market experts were arguing that a Republican upset was likely

to lead to a plunge of even greater magnitude than the gains that have been posted, so the Trump Bump may make for a good headline, but it would be more accurate for the pundits to assert that rising stock prices simply are the result of an improving outlook for corporate profits.

Indeed, Standard & Poor's now projects that bottom-up operating earnings per share for the S&P 500 will climb to \$129.48 this year and to \$146.65 in 2018, versus \$106.26 in 2016. The 2.0% dividend yield on the S&P 500 (2.7% on TPS Portfolio), compared to a 2.3% yield on the 10-Year U.S. Treasury, is another very plausible explanation for the appeal of stocks. Also, the lack of equity investor optimism and the fascination with fixed income have been long-playing contrarian positives, with the markets having previously priced in a fair amount of bad news.

Now, none of this provides any assurance that stocks will move northward in the near-term, though for nine decades that has been the long-term direction. And, though Ben Franklin said, "Certainty? In this world nothing is certain but death and taxes," we would have to agree with those who are certain that real relief on the latter at the corporate level would further bolster equities.

"I am certain there is
too much certainty
in the world."
—Michael Crichton



Chief Investment Officer
Al Frank Asset Management (AFAM)

Graphic Detail

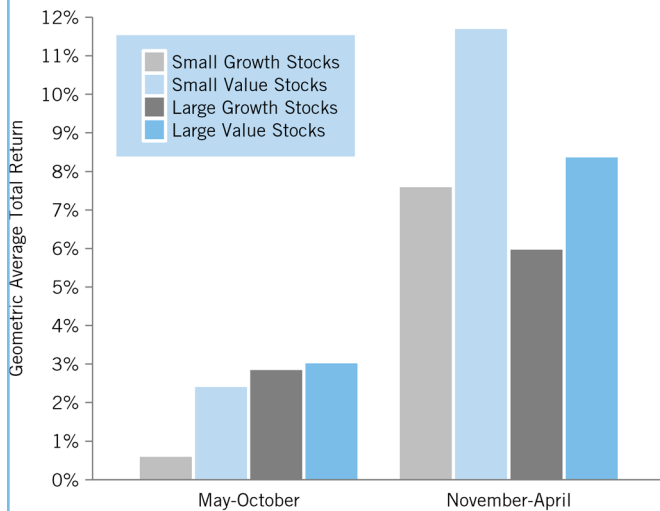
Seasonality

The November to April span this time around was terrific as the S&P 500 and Russell 3000 posted total returns of more than 13%, again illustrating the seasonal favoritism of those six months of the year. Of course, we respect that we are now headed into the less favorable

portion of the calendar, but we like that the historical data show that Dividend Payers and Value Stocks have enjoyed positive absolute returns, not to mention superb relative returns, during the May to October period. No reason, then, in our view to *Sell in May and Go Away*. ■

SEASONAL VALUE VS. GROWTH

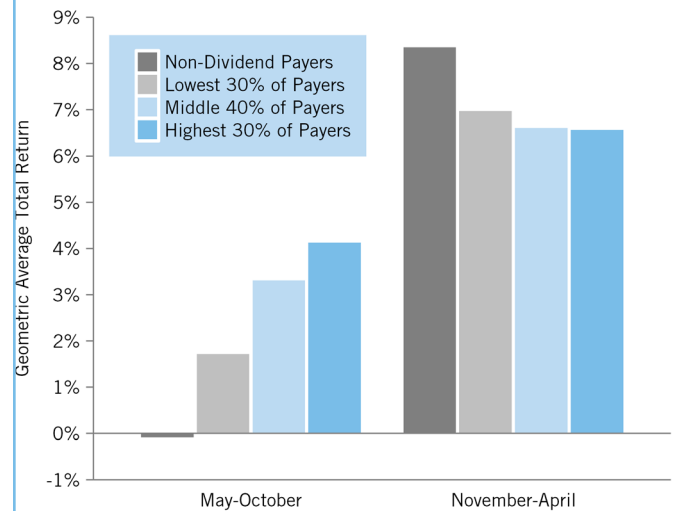
Gains have not been as strong starting this time of year, but Value has won the long-term returns race no matter the season...



From 04.30.28 through 10.31.16. Geometric average. SOURCE: AI Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONAL DIV VS. NON-DIV PAYERS

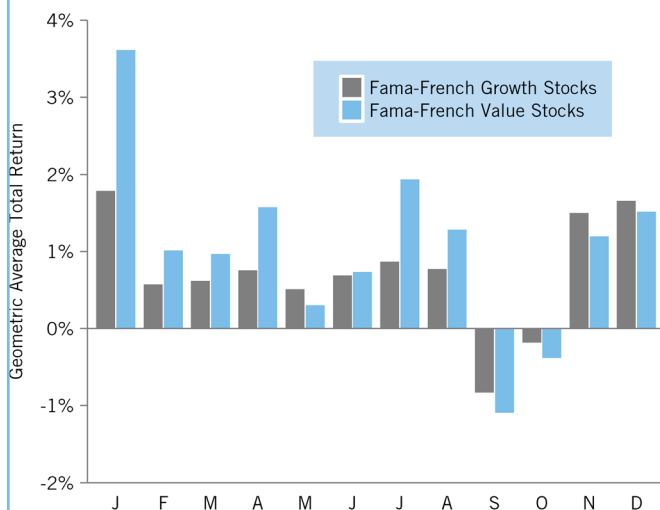
...and the historical outperformance of Dividend Payers during the seasonably less favorable six months has been striking.



From 04.30.28 through 10.31.16. Geometric average. SOURCE: AI Frank using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY VALUE VS. GROWTH

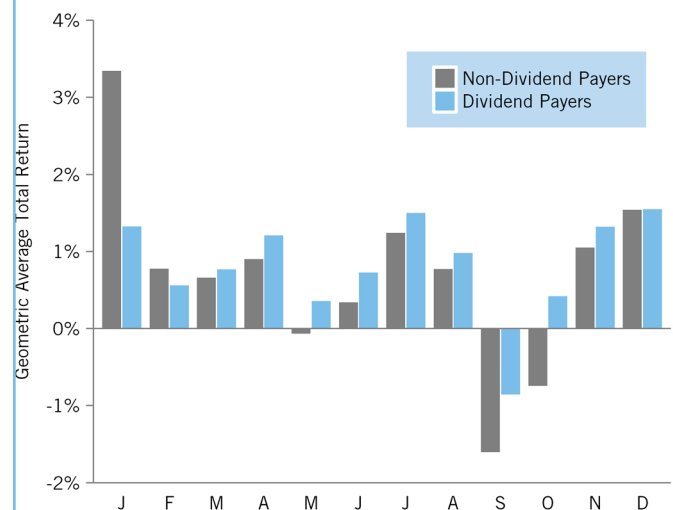
Sell Labor Day and Buy Halloween might be a better slogan as September and October are the only down months on average...



From 12.31.27 through 03.31.17. Geometric average. SOURCE: AI Frank using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY DIV VS. NON-DIV PAYERS

...while Dividend Payers over the last 89 years have won the spoils in all but two months and had a positive return in the spookiest.



From 12.31.27 through 03.31.17. Geometric average. SOURCE: AI Frank using data from Professors Eugene F. Fama and Kenneth R. French

Graphic Detail

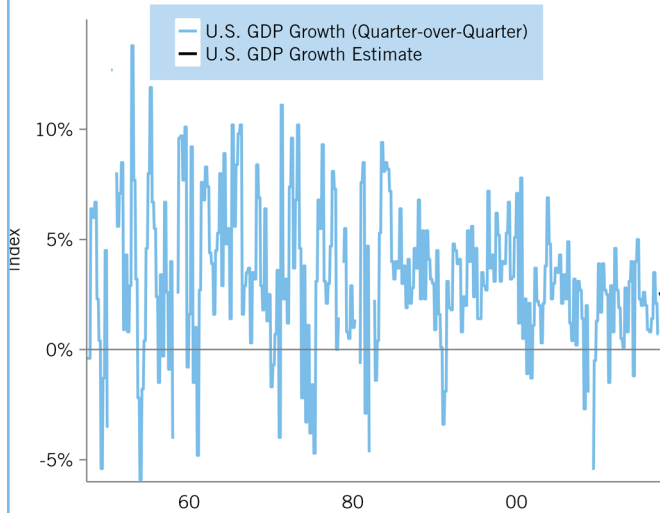
The Economy

Not too hot and not too cold remains the state of the U.S. economy as slowing auto sales, lackluster retail spending and an anemic Q1 GDP increase of 0.7% have been offset by a historically low unemployment rate, near-record-low jobless claims and other relatively

upbeat stats. True, tax cuts, infrastructure spending and regulatory relief are likely positive catalysts, but even the Federal Reserve's long-run forecast for GDP growth of 1.8% is an OK backdrop for corporate earnings, especially given the extraordinarily low interest rate climate. ■

GROSS DOMESTIC PRODUCT GROWTH

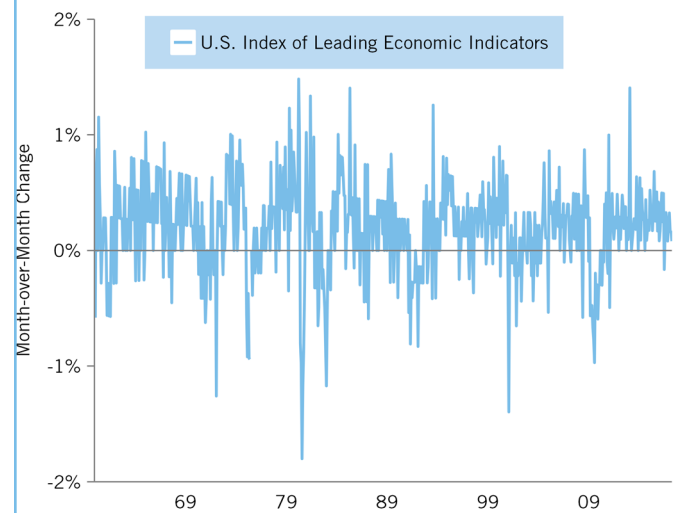
The first quarter has seen the weakest GDP growth rate in each of the last four years, and we expect the same to be true in 2017...



From 06.30.47, with Bloomberg GDP estimates through 12.31.17. SOURCE: AI Frank using data from Bloomberg

INDEX OF LEADING ECONOMIC INDICATORS

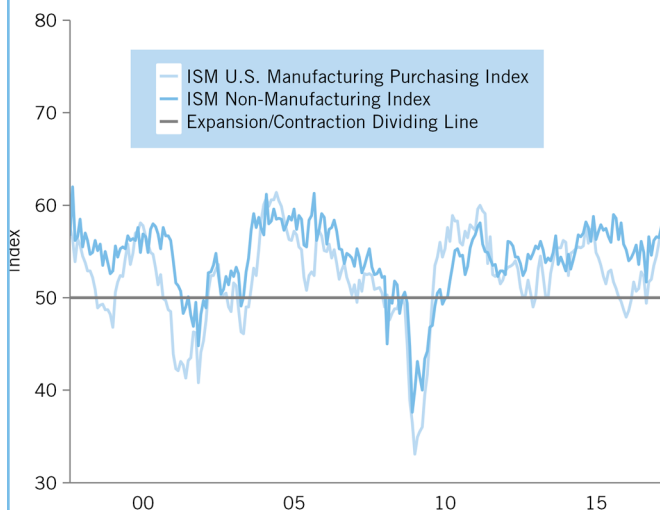
...as the Conference Board's composite measure of 10 forward-looking measures for March showed solid 0.4% growth.



From 12.31.59 through 03.31.17. SOURCE: AI Frank using data from Bloomberg

ISM MANUFACTURING/NON-MANUFACTURING

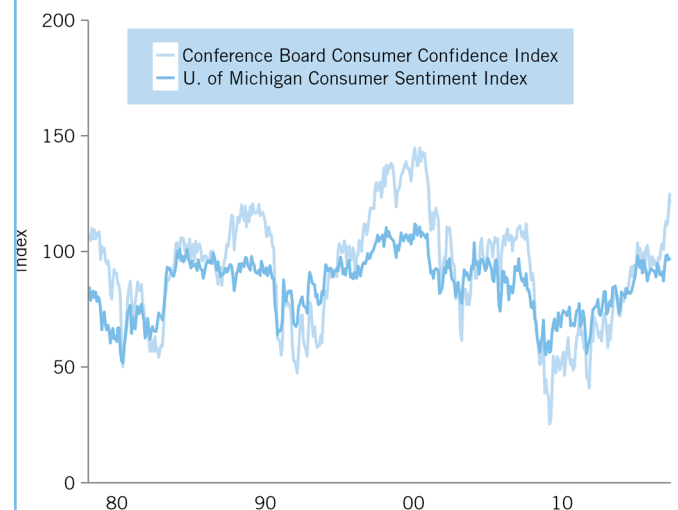
The ISM Manufacturing gauge pulled back to 54.8 in April, but that tally actually corresponds to a 3.6% annualized increase in GDP...



From 07.31.97 through 03.31.17. SOURCE: AI Frank using data from Bloomberg

CONSUMER CONFIDENCE/SENTIMENT

...while surveys of consumer optimism lately have been residing at levels heretofore not sustained in some 17 years.



From 01.31.78 through 04.30.17. SOURCE: AI Frank using data from Bloomberg

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	FCF Yield ⁴	Debt/ TE ⁵	Div Yield	Mkt Cap
Autos & Components	GT	Goodyear Tire & Rubber	36.23	54.24	9.0	0.6	2.3	6.3	6.2	130%	1.1%	9,123
	HMC	Honda Motor	29.10	38.21	9.4	0.4	0.9	7.2	6.7	62%	2.6%	52,713
Banks	BBT	BB&T Corp	43.18	55.06	14.7	nmf	2.1	nmf	nmf	nmf	2.8%	35,035
	ONB	Old National Bancorp	16.80	20.73	15.2	nmf	2.0	nmf	nmf	nmf	3.1%	2,274
Capital Goods	BA	Boeing	184.83	197.10	24.5	1.2	nmf	14.0	7.9	nmf	3.1%	111,560
	FLR	Fluor Corp	51.32	75.48	14.6	0.4	3.0	8.2	6.6	63%	1.6%	7,171
	GE	General Electric	28.99	36.91	19.3	2.1	nmf	26.9	-2.8	nmf	3.3%	252,466
Consumer Dur & Apps	MDC	MDC Holdings	31.01	43.07	15.4	0.7	1.2	13.6	6.9	73%	3.2%	1,601
	NKE	Nike Inc	55.41	70.82	24.4	2.7	7.4	16.7	3.2	28%	1.3%	91,469
Diversified Financials	ANH	Anworth Mortgage	5.86	6.38	10.7	nmf	1.0	nmf	nmf	nmf	10.2%	561
	COF	Capital One Financial	80.38	104.04	11.5	nmf	1.3	nmf	nmf	nmf	2.0%	38,800
	GS	Goldman Sachs	223.80	259.24	12.2	nmf	1.3	nmf	nmf	nmf	1.3%	93,459
Energy	HFC	HollyFrontier	28.14	40.29	51.9	0.5	2.2	25.5	2.5	96%	4.7%	5,012
	SLB	Schlumberger	72.59	109.65	72.6	3.6	17.3	49.2	3.8	284%	2.8%	100,862
	TOT	Total SA	51.17	75.14	13.9	0.9	1.3	7.1	2.1	44%	4.3%	127,050
Food & Staples Retailing	CVS	CVS Health	82.44	128.22	14.1	0.5	nmf	8.6	8.9	nmf	2.4%	85,391
Health Care Equip/Srvcs	MCK	McKesson	138.29	205.01	10.9	0.1	nmf	9.4	18.6	nmf	0.8%	29,325
	ZBH	Zimmer Biomet	119.65	172.63	14.8	3.1	nmf	17.5	4.5	nmf	0.8%	24,076
Insurance	PRU	Prudential Financial	107.03	126.24	11.7	nmf	1.1	nmf	nmf	nmf	2.8%	46,063
	TRV	Travelers	121.66	134.30	12.2	nmf	1.7	nmf	nmf	nmf	2.4%	33,994
Materials	ABX	Barrick Gold	16.72	23.35	22.6	2.3	2.7	4.9	7.8	106%	7.2%	19,492
	MOS	Mosaic	26.93	44.26	30.8	1.3	1.2	12.2	4.5	48%	2.2%	9,453
Media	CMCSA	Comcast	39.19	46.12	21.2	2.3	nmf	9.1	5.6	nmf	1.6%	185,876
	DIS	Walt Disney	115.60	146.98	20.5	3.3	21.4	12.2	4.1	174%	1.3%	182,792
Pharma/Biotech/Life Sci	AMGN	Amgen	163.32	218.22	13.7	5.2	20.2	9.5	8.3	508%	2.8%	120,105
	PFE	Pfizer	33.92	42.08	14.2	3.8	nmf	12.7	6.9	nmf	3.8%	201,998
	SHPG	Shire PLC	176.96	265.57	13.5	4.7	nmf	31.1	4.4	nmf	0.5%	53,483
Retailing	AEO	American Eagle	14.09	22.09	11.3	0.7	2.2	4.3	8.0	0%	3.5%	2,493
	KSS	Kohl's Corp	39.03	62.37	10.4	0.4	1.3	4.8	20.4	87%	5.6%	6,727
	TGT	Target	55.85	82.37	11.1	0.4	2.9	5.7	12.3	103%	4.3%	30,867
Semis & Cap Equipment	INTC	Intel	36.15	46.71	12.7	2.8	3.8	8.0	6.6	47%	3.0%	170,230
	QCOM	Qualcomm	53.74	73.91	10.8	3.4	3.8	9.9	7.1	48%	4.2%	79,397
Software & Services	IBM	Int'l Business Machines	160.29	192.95	11.8	1.9	nmf	11.5	7.9	nmf	3.7%	150,592
Technology Hardware	AVX	AVX Corp	16.91	18.91	22.5	2.2	1.5	8.5	5.8	0%	2.6%	2,837
	CSCO	Cisco Systems	34.07	36.98	14.3	3.5	4.9	9.3	7.2	87%	3.4%	170,618
	GLW	Corning	28.85	37.72	17.2	2.7	2.0	10.0	5.6	27%	2.1%	26,549
Telecom Services	VZ	Verizon Communications	45.91	54.81	12.2	1.5	nmf	7.1	0.1	nmf	5.0%	187,284
Transportation	DAL	Delta Air Lines	45.44	66.85	9.5	0.8	nmf	4.8	5.9	nmf	1.8%	33,423
	FDX	FedEx	189.70	234.43	16.7	0.9	6.2	9.9	-1.0	180%	0.8%	50,721
Utilities	ETR	Entergy	76.26	83.25	11.3	1.3	1.8	30.1	-2.9	182%	4.6%	13,739

As of 04.30.17. N/A=Not applicable. nmf=Not meaningful. ¹ =First-time recommendation. ²Tangible book value. ³Enterprise value-to-earnings before interest taxes depreciation and amortization. ⁴Free cash flow yield. ⁵Tangible equity.
SOURCE: AI Frank using data from Bloomberg

AFAM also offers private asset management services. To learn more, contact 512.600.1818 or visit afamcapital.com

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

Still having only modest cash to deploy in our newsletter portfolios, we will pick up \$20,000 of **Verizon Communications** in PruFolio on May 8. Our Portfolio Builder selection also features nine other favorites that have not been discussed in this space in a while. We already own these companies in one or more of the newsletter portfolios and readers should always be aware that the performance of *The Prudent Speculator* is based on the returns of TPS, Buckingham, Millennium and PruFolio, so any of our 100+ holdings should be viewed as a buy.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AMGN	Amgen	Health Care	163.32	218.22
ANH	Anworth Mortgage	Financials	5.86	6.38
AVX	AVX Corp	Information Technology	16.91	18.91
CMCSA	Comcast	Consumer Discretionary	39.19	46.12
ETR	Entergy	Utilities	76.26	83.25
GE	General Electric	Industrials	28.99	36.91
HMC	Honda Motor	Consumer Discretionary	29.10	38.21
ONB	Old National Bancorp	Financials	16.80	20.73
TOT	Total SA	Energy	51.17	75.14
VZ	Verizon Communications	Telecom Services	45.91	54.81

As of 04.30.17. SOURCE: AI Frank using data from Bloomberg

Amgen (AMGN)

Amgen, one of the world's largest biotech companies with annual revenue of almost \$23 billion, is engaged in the discovery, development and delivery of human therapeutics. The firm has a global presence and its medicines treat cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illnesses. Despite better-than-expected Q1 adjusted EPS (\$3.15 vs. \$3.00), shares pulled back as investors didn't take well to a "miss" on revenue, as the company saw weakness in its Enbrel sales and its potential cholesterol blockbuster Repatha didn't show aggressive prescription growth. AMGN now expects EPS between \$12.00 and \$12.60 for full-year 2017. As far as Repatha goes, we believe that sales will accelerate as payer restrictions start to ease over the coming months. Given that data shows a 20% reduction in the risk of heart attacks, stroke and cardiovascular death, while achieving its primary goal of lowering bad cholesterol, we remain optimistic that a meaningful sales spike will eventually take place. We like the strong free cash flow generation, solid financial footing and willingness to return capital to shareholders via dividend increases (2.8% yield) and repurchases. AMGN trades for less than 14 times earnings.

Anworth Mortgage Asset (ANH)

Anworth is a REIT focused mainly on U.S. mortgage-backed securities (MBS) issued or guaranteed by an agency of the U.S. (Ginnie Mae) or a U.S. government-sponsored entity (Fannie Mae or Freddie Mac). Anworth's

core business produced solid adjusted Q1 EPS of \$0.15, versus the consensus analyst estimate of \$0.13. We appreciate management's efforts to diversify and plan for the long term via the ownership of 88 single-family residential rental properties located in southern Florida. ANH shares trade at 95% of its latest reported book value of \$6.09 per share, while yielding a massive 10.2%. True, the company must successfully navigate the potential for a more volatile interest rate environment, especially given that it employs significant leverage (which has decreased over the last few quarters, with the effective leverage ratio standing at 6.2 at the end of Q1), but management generally has proven adept thus far, supporting the dividend, while buying back stock at seemingly favorable times.

AVX Corp (AVX)

AVX, 73% owned by Kyocera of Japan, is a manufacturer and supplier of electronic components, including ceramic and tantalum capacitors for use in products that need to store energy. The company reported fiscal Q4 2017 EPS that came in slightly ahead of analyst expectations (\$0.20 vs. \$0.195 est.) despite a "uncertain and unpredictable" global economy. The company reported an increase in its order backlog, but shortages of solid-state drives, DRAM and LCDs for PCs have resulted in higher prices and reduced demand, which AVX sees as dampening hope for short-term growth in that market. Looking forward, AVX expects order activity to pick up next quarter in the 2.5% to 3.0% range, with the gross margin hovering around 21%. Kyocera will no longer use AVX as a distributor for certain components beginning in 2018, costing the company \$319 million of revenue (though the earnings hit is far less), but AVX expects to make it up with solid growth in the auto, medical and industrial segments. We believe that AVX will benefit as smartphone demand (expected to reach 1.8 billion shipments in 2018 according to Statista) keeps growing, especially as Chinese and Korean telecom manufacturers roll out next-generation 4G and 5G networks. We also like the buyback and 2.6% yield.

Comcast (CMCSA)

Comcast is a global media and technology company with two primary businesses, Comcast Cable and NBCUniversal. The former is one of the nation's largest video, high-speed Internet and phone providers to residential customers under the XFINITY brand and also provides these services to businesses. The latter operates news, entertainment and sports cable networks, the NBC and

Telemundo broadcast networks, television production operations, television station groups, Universal Pictures and Universal Parks and Resorts. Q1 saw CMCSA earn \$0.53 per share (\$0.44 est.), boosted by strong growth and customer metrics in the Cable segment and positive contributions from NBCUniversal. Comcast expects to benefit from strong television advertising demand for the Super Bowl, the Winter Olympics and the World Cup (on Telemundo) in the 2017-2018 season, while new attractions to its theme parks, including *Jimmy Fallon's Race through New York*, should result in additional visitors. We are also pleased that its recent DreamWorks acquisition is already positively contributing to EBITDA, and like that CMCSA is expanding its already-diversified income stream and augmenting its ample opportunities for organic growth.

Entergy (ETR)

Entergy, an integrated energy company primarily engaged in electric power production and retail distribution operations, owns and operates power plants with 30,000 megawatts of electric generating capacity, including 9,000 megawatts of nuclear power, making it one of the nation's leading nuclear generators. The utility delivers electricity to 2.9 million customers in Arkansas, Louisiana, Mississippi and Texas. In its recent earnings release, in which the company's \$0.99 per share result trailed estimates, the firm reiterated its full-year operating profit guidance of \$4.75 to \$5.35. While the company will wind-down its wholesale commodities business, we are quite constructive on its prospects for strong growth in its regulated base rates as ETR is in the early stages of a multi-year capital investment plan to modernize its generation fleet/grid. The capital spending program includes six new natural gas-fired plants and substantial investments in transmission and distribution. Moody's recently upgraded its debt issuer rating from Baa3 to Baa2, and Entergy is our only recommended utility stock. ETR yields 4.6%.

General Electric (GE)

GE is a highly diversified, global industrial corporation, with products and services that include power generation equipment, aircraft engines, locomotives, medical equipment, appliances and commercial leasing. In recent years, GE has been hard at work restructuring. In 2015, it split off its consumer finance arm and completed the purchase of French industrial firm Alstom. In 2016, it agreed to sell its appliances business to Haier and successfully petitioned to have its Systematically Important Financial

Institution designation removed, freeing up capital. The changes resulted in GE posting adjusted earnings per share of \$0.21 for Q1, besting the analyst consensus by \$0.04. While GE still faces operational challenges in some business lines as it evolves, we see the recent success of the core industrial business continuing, and we like the 7% overall organic order growth in Q1. We believe in the “new” GE and we think the company will generate substantial cash flow for long-term investors. GE yields 3.3%.

Honda Motor (HMC)

Honda is a global leader in the development, manufacturing and distribution of automobiles, motorcycles and power products. While Automobile revenue is nearly three quarters of Honda’s total, the segment contributed just over half of the operating income last quarter, with Motorcycles accounting for about 28%, despite representing only 12.1% of total revenue. In fiscal Q4 2017, Honda earned \$0.47 per share (vs. \$0.27 est.) and had sales of \$33.1 billion (vs. \$33.0 billion est.). Honda’s global auto sales for fiscal 2017 exceeded 5 million units (with 1.6 million coming from the U.S.), propelled by strong launches of redesigned Ridgeline and CR-V models. Auto sales in Japan and China also grew, while motorcycle sales in India eclipsed 5 million units for the first time. For fiscal 2018, Honda expects revenue to be near \$127 million, with EPS of at least \$2.60. We continue to like the geographically diverse revenue stream and are encouraged by Honda’s progress in emerging markets (including India and China) and modest opportunity for growth in North America. HMC has a forward P/E below 11 and a net yield of 2.6%.

Old National Bancorp (ONB)

With \$14.9 billion in assets and headquarters in Evansville, Indiana, ONB owns multiple financial services operations in Indiana, Wisconsin, Kentucky and Michigan. The company provides commercial and retail banking, trust, comprehensive wealth management, investments and brokerage services. We view Old National as a quality bank whose management balances a conservative culture with aspirations for growth. A focus on strengthening the firm’s risk profile, enhancing management’s discipline and achieving consistent quality earnings has continued to pay off, with the bank posting Q1 adjusted EPS of \$0.27 versus expectations of \$0.25. “With a 33% year-over-year increase in net income, strong commercial loan growth and well-controlled expenses, this was a strong Q1 for Old National and our stakeholders,” said Chairman and CEO

Bob Jones. “This performance demonstrates our continued focus on execution and our commitment to driving shareholder value.” ONB remains well capitalized with regulatory Tier 1 and Total Risk-Based capital ratios of 11.7% and 12.2%, respectively. The shares of this small-cap bank offer investors a dividend yield of 3.1%.

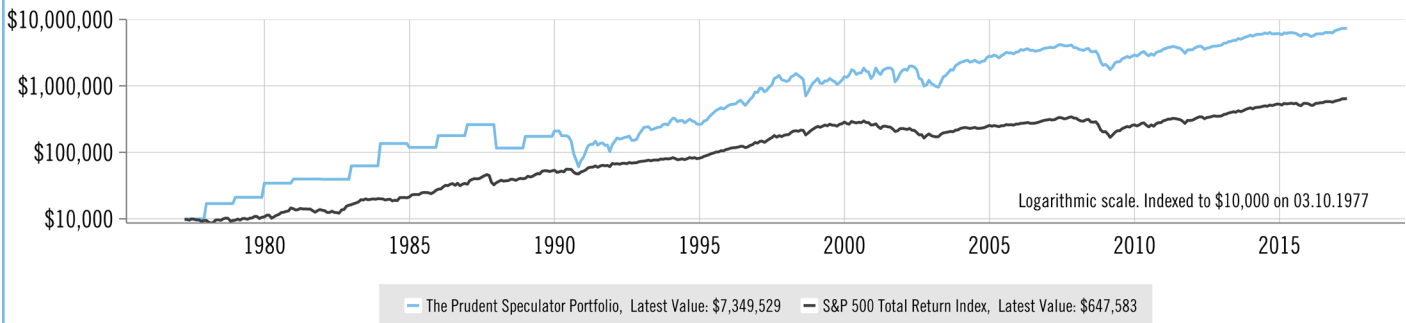
Total SA (TOT)

Total is one of the world’s largest integrated oil and gas companies, with operations in exploration & production, refining & marketing, and chemicals. Despite the hardships in the oil patch over the last few years, we find TOT to be attractive. Management continues to focus on cost control initiatives and the company has sizeable midstream and downstream operations that to a degree benefit from relatively lower oil prices. We also like that Total’s production costs are meaningfully lower than its large integrated peers and that those costs should continue to drop over the next few years. Almost half of Total’s production in 2020 is projected to come from long-plateau production projects like LNG, which should reduce decline rates and reinvestment necessary to maintain future production levels. We think Total is one of the better oil majors (Q1 EPS of \$1.01 exceeded expectations) and we are upbeat on a rebounding Europe, increasing firmwide growth potential, cost-cutting efforts, improving free cash flow generation and low breakeven levels. Respective consensus EPS estimates for 2017 and 2018 reside at \$3.81 and \$4.40, while the net dividend yield is 4.3%.

Verizon Communications (VZ)

Verizon is an integrated telecom company that provides voice and data services to wired and wireless customers. The company provides service to retail customers, businesses and the federal government. VZ shares have been beaten down since the beginning of the year on concerns that customer loss is accelerating and that the wireless data phone market is becoming a race to the bottom as far as profitability. We think that the tough competitive landscape concerns are largely priced in at this point, and believe that Verizon can continue to leverage its vast network to remain competitive over the long term in the wireless market. Although we aren’t betting on a big corporate tax cut, we are optimistic that there is potential for Verizon to benefit from even a small reduction, as the company pays in the 34% to 35% range currently. After the tumble, VZ trades with a current P/E of 12.2, below the 3-, 5- and 10-year averages, and a yield of 5.0%. ■

NEWSLETTER PORTFOLIO PERFORMANCE



	Apr	YTD	1-Year	3-Year	5-Year	10-Year	15-Year	Inception Date	Since Inception	Index Return	Index	
Newsletter Portfolios								Newsletter Portfolios				
Buckingham	0.53	5.20	20.15	5.88	11.63	3.47	NA	Buckingham	01.21.03	11.80	9.77	Russell 3000
Millennium	0.16	5.15	19.92	6.58	12.70	5.90	7.80	Millennium	12.31.99	9.50	5.32	Russell 3000
PruFolio	0.11	5.84	19.88	6.70	12.43	5.71	9.73	PruFolio	12.29.00	13.19	6.14	Russell 3000
TPS	0.14	5.51	20.64	7.24	13.64	6.30	9.11	TPS	03.10.77	17.90	10.97	S&P 500
Major Indexes								Since <i>The Prudent Speculator's</i> launch in March 1977, its 1,867 stock recommendations have returned, on average, an annualized 17.19%, not including dividends.				
Russell 3000	1.06	6.86	18.57	10.09	13.57	7.23	7.89					
Russell 3000 Value	-0.14	2.84	17.32	8.28	13.28	5.55	7.62					
S&P 500	1.03	7.16	17.91	10.47	13.67	7.15	7.61					
Dow Jones Indu. Avg.	1.45	6.71	20.90	10.82	12.44	7.64	7.77					

IMPORTANT INFORMATION

As of 04.30.17. All data are total returns, except for that of all recommended stocks, which exclude dividends. Data for periods greater than one year are annualized. The Dow Jones Industrial Average Index is a price-weighted average of 30 actively traded blue-chip stocks, primarily industrial, including stocks that trade on the New York Stock Exchange and NASDAQ. The Russell 3000 Index measures the performance of the largest 3,000 US companies and represents approximately 98% of the investable US equity market. 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. It is not possible to invest directly in an index. 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 AFAM's 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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