November 1, 2017

the Prudent Speculator

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We are always happy to see the calendar move past Halloween to the beginning of the seasonally favorable November - April time span (see this month's *Graphic Detail*). Of course, the historically less-friendly six months this time around witnessed the equity markets turn in handsome returns, capped by very nice gains in September and October, statistically the two worst months of the year. That said, we are well aware that Value stocks, like those that we have long championed, have lagged far behind Growth in the 2017 performance derby. Indeed, the broad-based Russell 3000 Growth index rallied 3.68% in October alone, versus a 0.68% advance for the Russell 3000 Value index, bringing the 10-month trouncing to a score of 24.87% to 8.46%. It has been the same year-to-date story for the S&P 500 (23.24% vs. 9.74%) and Russell 1000 Large Cap (25.39% to 8.70%) Growth and Value indexes.

> "The grass is always greener over the septic tank."
> —Erma Bombeck

With the understanding that there will always be something performing better in any given year (e.g. digital currency bitcoin is up 500%+ in 2017), we suspect that most long-time followers of *The Prudent Speculator* would have been thrilled if told at the start of the year that their broadly diversified portfolios of undervalued stocks would be in the green by double-digit percentages (see *Page 8*) when November rolled around. After all, our returns are beating the Value indexes by a not-insignificant margin, and they come on the heels of the high-teen percentage increases posted by the newsletter in 2016. And the gains have been achieved despite a number of horrific mass shootings and terrorist attacks, a series of catastrophic natural disasters, plenty of drama on the geopolitical stage and the constant tumult that has gripped Washington.

While we would argue that we are having a good year in the markets, all things considered, we think it helpful to examine the cause of the gulf in the Growth/Value returns. Believe it or not, two sectors, Information Technology and Consumer Discretionary, account for nearly 14 of the 16+ percentage-point lead for the Russell 3000 Growth index over the Russell 3000 Value. And within Info Tech, Facebook, Alphabet (Google) "A" and "C" shares, and Nvidia are among the largest contributors to return, while Amazon.com, Netflix, Priceline and Tesla are at the top of the charts in the Consumer space. We trust that few are surprised that we don't own any of these high-flyers, given their rich current valuation metrics, but as our long-time holding of stellar 2017 performers like **Apple** (AAPL - $166.24) and **Microsoft** (MSFT - $83.13) will attest, we never rule out buying any stock...at an undervalued price... and as of today, we might consider picking up Alphabet if it dropped below $925.

Obviously, there can be no assurance that Value will reassert its dominance any time soon, but we think it far better to remain disciplined in buying and holding inexpensive names (our portfolios boast P/E ratios in the 16 to 17 range and dividend yields in the 2.5% to 2.7% range) than in chasing hot overvalued stocks. This is especially true, in our view, given that annualized returns since 1927 for Value exceed Growth by 400 basis points, and considering that the difference in valuation (price to book) between Value and Growth today is at levels last seen in 2000, while interest rates appear poised to move higher. Recall that Value stocks appreciated significantly in 2000 and 2001 (and performed well during the Lost Decade from 1999-2009), following the bursting of the Tech Bubble, while periods of rising rates have more often than not led to Value outperformance.

Although we do not see a sustained market downturn on the horizon, given that improvements in the U.S. and global economies should lead to a continuation of healthy earnings growth, we cannot ignore downside risk. Sticking to our knitting, we wouldn't mind making money and coming in second in the near-term performance race, if we can be better positioned to weather the inevitable storms that the equity markets eventually always face.

Chief Investment Officer
Al Frank Asset Management (AFAM)

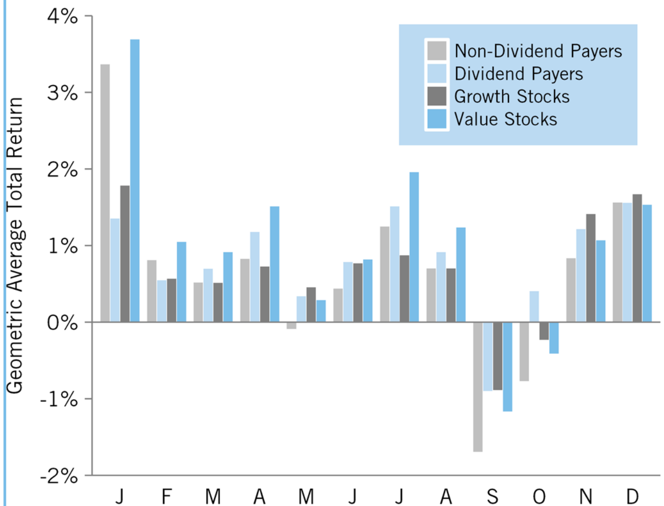
Graphic Detail

Seasonal Favoritism

While the equity markets enjoyed favorable returns during often scary September and October this time around, we are still pleased to see the calendar roll over to the seasonally favorable six months. Indeed, the period between Halloween and May Day has seen terrific performance, on average, in our newsletter portfolios over the past 27 years, not to mention stocks in general going as far back as 1929. Of course, the other six months of the year have been positive on average, including big gains in 2017, so we would not Sell in May and Go Away.

LONG-TERM MONTHLY PERF AVERAGES

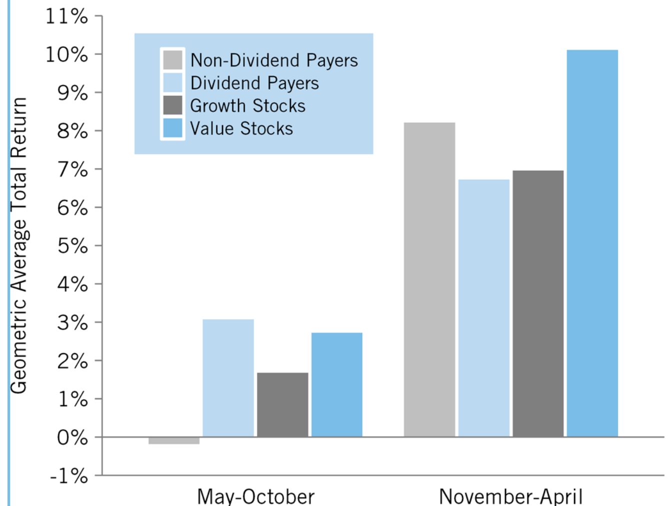
Both September and October this time around were nicely positive, bucking the historical odds.



From 12.31.28 through 12.31.16. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONALITY SINCE 1929

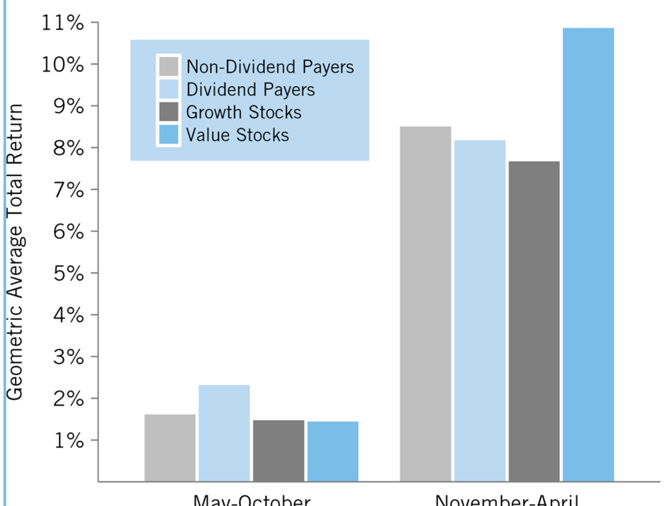
Nice to see that Value has won the performance spoils over the past nearly nine decades, no matter the time of year...



From 04.30.29 through 04.30.17. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONALITY SINCE 1990

...even as non-dividend payers have held a modest edge, long- and intermediate-term, over dividend payers from November-April.



From 04.30.90 through 04.30.17. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

NEWSLETTER PORTS' NOV-APR PERF

Though the winning streak was interrupted from 2007 through 2009, 25 out of 27 positive years makes for an interesting record.

	TPS	Millennium	PruFolio	Buckingham	Average
90–91	117.29%				117.29%
91–92	26.53%				26.53%
92–93	39.91%				39.91%
93–94	12.23%				12.23%
94–95	16.75%				16.75%
95–96	28.50%				28.50%
96–97	27.13%				27.13%
97–98	23.49%				23.49%
98–99	23.77%				23.77%
99–00	50.96%				50.96%
00–01	6.83%	29.14%			17.99%
01–02	56.45%	38.67%	41.77%		45.63%
02–03	10.78%	4.74%	17.99%		11.17%
03–04	12.62%	10.37%	18.23%	6.93%	12.04%
04–05	11.06%	10.42%	2.39%	10.77%	8.66%
05–06	19.00%	15.88%	18.39%	20.08%	18.34%
06–07	11.07%	11.78%	13.98%	16.10%	13.23%
07–08	-12.87%	-12.89%	-10.59%	-13.94%	-12.57%
08–09	-4.24%	-2.03%	-3.26%	-5.64%	-3.79%
09–10	23.15%	26.28%	19.53%	23.78%	23.19%
10–11	19.21%	18.91%	20.04%	18.13%	19.07%
11-12	11.48%	10.47%	11.48%	10.77%	11.05%
12-13	17.98%	16.74%	14.99%	16.98%	16.67%
13-14	9.62%	9.62%	8.73%	8.46%	9.11%
14-15	3.46%	1.99%	4.47%	3.10%	3.26%
15-16	1.29%	2.29%	0.73%	-0.61%	0.93%
16-17	17.40%	16.53%	15.90%	17.41%	16.81%
SOURCE: Al Frank				**Geometric average**	**19.61%**

Graphic Detail

Presidential Cycle

We must always be careful about drawing significant conclusions from a small number of data points, but it is interesting to look at equity market returns in each of the four calendar years of the Presidential Cycle. Given that the Commander in Chief often makes tough choices early on, while doing everything possible to spur the economy late in the four years to ensure personal or party re-election, we suppose that it should not be a big surprise that equities in general have not performed as well on average in the first couple of years of the presidency and much better on average over the last two years.

Of course, the current presidency thus far has been anything but ordinary, yet the 20.4% price appreciation for the S&P 500 since Election Day 2016 has been terrific, especially as so many supposed market experts were predicting that a Trump Victory would lead to big losses in the equity markets. We'll see what 2018 brings, but nine decades of market history shows that the S&P has managed only a sub-par geometric average annual return of 7.3% in the second calendar year of the Presidential Cycle. Still, those opting for a little more granularity in their investing have seen Value Stocks nearly double the year-two geometric return of Growth Stocks, with an even greater magnitude of outperformance enjoyed by Dividend Payers over Non-Dividend Payers.

Certainly, we recognize that past performance is no guarantee of future performance or even profitability, and we note that Growth beat Value in 2010 and 2014, so though we remain optimistic in our market view, we have to expect more tempered gains in the year ahead.

PRESIDENTIAL OUT OF THE GATE PERF

The rally since the Trump Victory has been sensational, but it ranks only seventh best of post-Election near-one-year returns since 1928.

President Elected	Election No.	Election Date	S&P Price Return
Harry Truman	40	11.07.44	28.5%
William Jefferson Clinton	53	11.05.96	28.1%
John F. Kennedy	44	11.08.60	24.5%
Franklin D. Roosevelt	37	11.08.32	23.8%
George H. Bush	51	11.08.88	23.7%
Barack Obama	57	11.06.12	23.0%
Donald Trump	**58**	**11.08.16**	**20.4%**
William Jefferson Clinton	52	11.03.92	11.4%
Ronald Reagan	50	11.06.84	11.4%
Lyndon B. Johnson	45	11.03.64	8.5%
Herbert Hoover	36	11.06.28	7.3%
George W. Bush	55	11.02.04	6.8%
Barack Obama	56	11.04.08	3.0%
Dwight D. Eisenhower	42	11.04.52	-0.2%
Harry Truman	41	11.02.48	-4.0%
Richard M. Nixon	47	11.07.72	-5.0%
Ronald Reagan	49	11.04.80	-5.5%
Richard M. Nixon	46	11.05.68	-5.7%
James E. Carter	48	11.02.76	-10.4%
Dwight D. Eisenhower	43	11.06.56	-13.7%
Franklin D. Roosevelt	39	11.05.40	-14.9%
George W. Bush	54	11.07.00	-26.0%
Franklin D. Roosevelt	38	11.03.36	-28.1%
Average			**4.6%**

Price returns are calculated from the day after the presidential election through October 31 of the following year. SOURCE: Al Frank using data from Bloomberg, Professors Eugene F. Fama and Kenneth R. French and https://www.thegreenpapers.com/Hx/PresidentialElectionEvents.phtml

PRESIDENTIAL SECOND YEAR PERFORMANCE

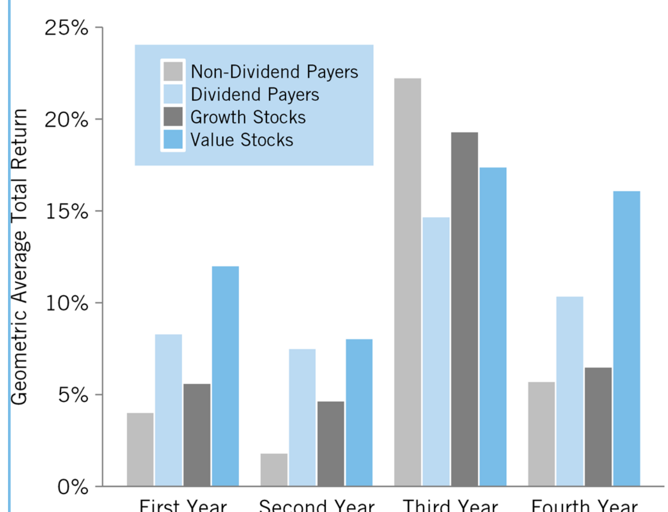
There have been some very difficult second years, like 1974 and 2002, but we like how Value and Dividend Payers compare overall.

President	Year	Value	Growth	Divs	No Divs	S&P
Hoover	1930	-43.6%	-31.6%	-31.2%	-49.0%	-24.9%
Roosevelt	1934	-4.7%	23.0%	6.1%	-7.6%	-1.4%
Roosevelt	1938	27.1%	39.5%	30.7%	35.7%	31.1%
Roosevelt	1942	35.6%	15.9%	20.2%	35.6%	20.3%
Truman	1946	-7.7%	-10.7%	-5.6%	-24.3%	-8.1%
Truman	1950	54.2%	27.2%	31.3%	55.8%	31.7%
Eisenhower	1954	70.5%	44.9%	53.5%	59.2%	52.6%
Eisenhower	1958	72.1%	58.2%	49.6%	60.8%	43.4%
Johnson	1962	-6.3%	-15.6%	-8.1%	-21.6%	-8.7%
Johnson	1966	-9.1%	-8.1%	-10.1%	-0.4%	-10.1%
Nixon	1970	8.8%	-13.8%	3.8%	-32.0%	4.0%
Ford	1974	-20.8%	-30.7%	-23.6%	-38.7%	-26.5%
Carter	1978	12.8%	12.8%	7.9%	28.3%	6.6%
Reagan	1982	34.1%	20.7%	21.6%	14.0%	21.4%
Reagan	1986	18.2%	8.5%	18.2%	2.1%	18.5%
Bush H.	1990	-18.6%	-9.2%	-4.2%	-17.1%	-3.2%
Clinton	1994	-3.1%	-2.4%	0.0%	0.4%	1.3%
Clinton	1998	9.2%	17.1%	23.0%	33.3%	28.6%
Bush W.	2002	-20.4%	-27.4%	-16.3%	-30.9%	-22.1%
Bush W.	2006	24.2%	10.1%	15.3%	12.1%	15.8%
Obama	2010	17.1%	22.5%	15.2%	22.6%	15.1%
Obama	2014	7.9%	9.6%	12.2%	9.9%	13.7%
Geo. Average		**8.4%**	**4.8%**	**7.8%**	**1.9%**	**7.3%**

SOURCE: Al Frank using data from Ibbotson Associates and Professors Eugene F. Fama and Kenneth R. French

PRESIDENTIAL CYCLE PERF BY YEAR

Value has outperfomed Growth in three of the four Presidential Cycle periods, while Dividend Payers have a wide lead in second years.



From 12.31.28 through 12.31.16. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

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.

				Target	Price Multiples			EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	EBITDA[3]	Yield[4]	TE[5]	Yield	Cap
Autos & Components	GM	General Motors	42.98	55.11	6.9	0.4	1.7	2.9	8.5	184%	3.5%	61,049
	GT	Goodyear Tire	30.59	49.32	9.9	0.5	1.8	6.5	1.6	138%	1.8%	7,535
Banks	BAC	Bank of America	27.39	34.02	15.7	nmf	1.6	nmf	nmf	nmf	1.8%	285,695
	KEY	KeyCorp	18.25	24.18	13.8	nmf	1.8	nmf	nmf	nmf	2.1%	19,848
	ONB	Old National Bancorp	18.20	21.40	15.1	nmf	2.0	nmf	nmf	nmf	2.9%	2,467
Capital Goods	FLR	Fluor Corp	43.09	56.95	18.4	0.3	2.3	10.8	12.9	59%	1.9%	6,028
	SIEGY	Siemens AG	72.02	88.62	18.3	1.4	2.6	11.5	5.2	1238%	2.0%	122,434
Consumer Dur & App	WHR	Whirlpool	163.93	218.76	11.7	0.6	nmf	9.4	5.5	nmf	2.7%	11,780
Diversified Financials	COF	Capital One Financial	92.18	110.09	12.2	nmf	1.5	nmf	nmf	nmf	1.7%	44,587
Energy	SLB	Schlumberger	64.00	101.37	49.6	3.0	18.0	19.8	3.7	323%	3.1%	88,657
	TNP	Tsakos Energy Navigation	4.49	9.31	21.4	0.7	0.2	9.4	nmf	119%	4.5%	381
	TOT	Total SA	55.72	76.92	13.3	0.9	1.3	6.5	4.2	36%	4.4%	140,768
Food & Staples Retailing	CVS	CVS Health	68.53	120.94	11.7	0.4	nmf	7.7	13.3	nmf	2.9%	69,665
	KR	Kroger	20.70	34.75	10.8	0.2	9.3	6.0	7.4	663%	2.4%	18,413
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	40.87	50.18	17.2	0.4	1.7	12.5	5.9	48%	3.1%	22,857
Health Care Equip/Svrcs	ABT	Abbott Laboratories	54.23	61.10	22.5	3.7	4.9	21.1	3.7	123%	2.0%	94,222
	MCK	McKesson	137.88	206.08	11.3	0.1	nmf	5.0	9.4	nmf	1.0%	28,744
	ZBH	Zimmer Biomet Hldgs	121.62	173.07	14.9	3.2	nmf	16.7	4.7	nmf	0.8%	24,591
Household Products	KMB	Kimberly-Clark	112.51	143.28	18.4	2.2	nmf	11.6	5.4	nmf	3.4%	39,576
Insurance	• AXAHY	AXA SA	30.20	44.58	11.3	nmf	1.1	nmf	nmf	nmf	3.4%	73,257
	MET	MetLife	53.58	73.08	10.2	nmf	1.0	nmf	nmf	nmf	3.0%	56,851
Materials	AUY	Yamana Gold	2.61	5.01	nmf	1.8	0.8	nmf	-4.3	41%	0.8%	2,475
	MOS	Mosaic	22.34	41.06	21.9	1.1	0.9	10.4	0.6	44%	0.4%	7,842
Media	CMCSA	Comcast	36.03	44.95	17.9	2.0	nmf	8.3	7.2	nmf	1.7%	168,396
Pharma/Biotech/Life Sci	AMGN	Amgen	175.22	222.85	13.9	5.5	14.8	9.9	8.2	394%	2.6%	127,194
	MRK	Merck & Co	55.09	72.63	14.2	3.8	37.6	11.4	5.6	543%	3.4%	150,250
	SHPG	Shire PLC	147.63	257.92	10.2	3.0	1.4	14.3	6.9	nmf	0.6%	44,708
Real Estate	DOC	Physicians Realty Trust	17.38	25.33	16.4	nmf	1.5	nmf	nmf	nmf	5.3%	3,114
	KIM	Kimco Realty	18.16	26.02	11.8	nmf	1.8	nmf	nmf	nmf	6.2%	7,730
Retailing	FL	Foot Locker	30.08	65.99	6.7	0.5	1.4	2.7	10.3	5%	4.1%	3,730
	KSS	Kohl's	41.76	54.40	10.8	0.4	1.4	4.8	11.7	88%	5.3%	7,040
	TGT	Target	59.04	74.28	12.0	0.5	3.0	6.0	14.6	100%	4.2%	32,250
Semiconductors	QCOM	Qualcomm	51.01	63.09	11.0	3.3	3.6	10.8	5.0	93%	4.5%	75,294
Software & Services	IBM	Int'l Business Machines	154.06	195.74	11.3	1.8	nmf	11.8	7.9	nmf	3.9%	142,627
Technology Hardware	CSCO	Cisco Systems	34.15	37.08	14.3	3.5	5.0	9.3	7.5	76%	3.4%	169,103
	JBL	Jabil Inc	28.28	39.93	13.3	0.3	3.4	5.0	10.7	112%	1.1%	4,995
	STX	Seagate Technology PLC	36.97	45.91	9.0	1.0	nmf	7.5	10.5	nmf	6.8%	10,696
Telecom Services	T	AT&T	33.65	44.35	11.5	1.3	nmf	6.5	7.9	nmf	5.8%	206,611
Transportation	ALK	Alaska Air Group	66.03	103.58	9.0	1.1	5.7	5.4	8.8	166%	1.8%	8,147
	DPSGY	Deutsche Post AG	46.17	55.04	17.3	0.8	nmf	10.4	3.6	nmf	2.4%	56,034

As of 10.31.17. 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]Free cash flow yield. [5]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 to be undervalued along several lines relative to their own trading history, those of their peers or that of the market in general. Our Target Prices incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal three-to-five-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 we usually add the names to one of 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. And, until such time as we say sell, any of our 100+ recommended stocks should be viewed as a worthy purchase candidate.

This Month's Theme

Cash is at relatively low levels in our newsletter portfolios, but we will pick up $10,000 of **Kimco Realty** in Millennium Portfolio and $20,000 of **AXA SA** in PruFolio. We will also double in size our small position of **Yamana Gold** in TPS Portfolio, adding approximately $8,000 to our overall modest gold-mining hedge. We will buy on November 7, waiting our usual four days to transact. We already have sufficient ownership in **Abbott Labs**, **Amgen**, **Comcast**, **Capital One**, **Cisco Systems**, **General Motors** and **Total SA**, so no additional purchases of those seven this month.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
ABT	Abbott Laboratories	Health Care	54.23	61.10
AMGN	Amgen	Health Care	175.22	222.85
AUY	Yamana Gold	Materials	2.61	5.01
AXAHY	AXA SA	Financials	30.20	44.58
CMCSA	Comcast	Consumer Discretionary	36.03	44.95
COF	Capital One Financial	Financials	92.18	110.09
CSCO	Cisco Systems	Information Technology	34.15	37.08
GM	General Motors	Consumer Discretionary	42.98	55.11
KIM	Kimco Realty	Real Estate	18.16	26.02
TOT	Total SA	Energy	55.72	76.92

As of 10.31.17. SOURCE: Al Frank using data from Bloomberg

Abbott Laboratories (ABT)

Abbott develops, manufactures and sells health care products and services with a portfolio of leading, science-based offerings in diagnostics, medical devices, nutritionals and branded generic pharmaceuticals. Despite rough sledding for many health care names, ABT has had strong stock performance in 2017 and reported solid Q3 results that beat estimates on both the bottom- and top-line (adjusted EPS of $0.66 on revenue of $6.83 billion). Looking ahead, management said recent acquisitions Alere and St. Jude Medical would be accretive to 2018 EPS by $0.05-$0.06 and $0.29, respectively, and noted that Abbott recently received FDA approval for a consumer version of its Freestyle Libre flash glucose monitor, with many analysts projecting this to be a $1 billion+ product. ABT also has received FDA approval of MRI-conditional labeling for its Ellipse implantable cardiac devices. Although financial flexibility will be challenged over the next few years while it folds in Alere and St. Jude, the combined firm and new product growth drivers should generate solid free cash flow which can be used to reduce debt and support the dividend. The yield is presently 2.0%.

Amgen (AMGN)

Amgen, one of the world's largest biotech companies with last-twelve-month revenue of $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. Q3 adjusted EPS ($3.27 vs. $3.11) were excellent, but shares pulled back on concern over slightly slowing sales in some of its top selling drugs, despite strong double-digit growth in many of its newer therapeutics. We thought the quarter was a good one, and continue to believe that AMGN's pipeline of products is under-appreciated. While growth of the potential cholesterol blockbuster Repatha wasn't as strong as hoped, we remain optimistic that a meaningful sales spike will eventually take place. We don't expect a large-scale stock repurchase until ex-U.S. cash can be repatriated at attractive tax rates, but we believe Amgen will continue to return capital through higher dividends and periodic share buybacks, as another strong quarter of free cash flow has left $41.4 billion of cash and marketable securities on the balance sheet. AMGN trades for less than 14 times NTM earnings estimates and yields 2.6%.

Yamana Gold (AUY)

Yamana is a gold producer, developer and explorer with assets in Central and South America. Despite the weakness in gold prices since early 2013, the company has maintained a focus on reliability, which includes the growth and protection of reserves, resources and production inputs, helping AUY get through a challenging operating environment. While the company struggled to turn a profit in the first half of 2017, it earned an adjusted $0.05 per share in Q3, cancelling out the losses for the year. We note that analyst EPS projections are $0.03 for Q4, $0.12 for 2018 and $0.23 for 2019. Despite the challenges, AUY has been working to achieve a leverage ratio below 1.5 (presently 2.0) by reducing long-term debt and liabilities from more than $5 billion in 2014 to $3.7 billion in Q3 2017. AUY expects gold production of 960,000 ounces, an increase from the original estimate of 920,000. We continue to like this gold miner as a hedge in a broadly diversified portfolio, and believe that AUY can build on its operational momentum.

AXA SA (AXAHY)

AXA is an insurance company that provides life and non-life insurance, savings and pension products, and asset management services to more than 100 million customers. According to CFO Gerald Harlin, AXA is focused on top-line growth in the Health and Protection business, while the Life Insurance business remains an area that has room for improvement, particularly in Italy, Japan and Hong Kong. AXA grew EPS 5% overall in the first half of the year, with a 3% gain in Life & Savings, a 6% improvement in Property & Casualty and a 10% increase in Asset Management. Looking ahead, the company plans to keep a tight lid on expenses and acquisition costs in order to meet the stated underlying EPS growth rate target of 3% to 7% per annum for 2015 to 2020. We like that AXA maintains a solid balance sheet, which includes global investments that seek to lower risk and volatility via diversification, and it is a top scorer in our proprietary valuation algorithm. AXAHY has a solid yield (especially compared to many U.S. insurers) of 3.4%, while trading near book value and for a forward P/E ratio of around 10.

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. In Q3, CMCSA earned $0.52 per share ($0.50 est.), added new high-speed internet customers and enjoyed 7.7% growth in Theme Park revenue, driven by openings of *Minion Park* in Japan and *Volcano Bay* in Orlando. CEO Brian Roberts noted, "Adjusted EBITDA increased 5% despite the impact of the severe storms that affected our operations this year and the uneven comparison due to the Rio Olympics last year." We like that Comcast is expanding its already-diverse income stream and augmenting its ample opportunities for organic growth. CMCSA shares yield 1.7%.

Capital One Financial (COF)

Capital One is a diversified financial services company involved in the full spectrum of domestic and international credit card lending, auto lending, consumer installment lending, small business lending and deposit-taking activities. COF has $239 billion in deposits and $361 billion in total assets. Diversification into regional banking has been beneficial, reducing credit card lending cyclicality and adding stability to returns. The firm turned in a favorable Q3, reporting adjusted EPS of $2.42, versus expectations of $2.15, thanks to strong growth in receivables and stability in credit losses. Recent elevated net charge-offs (which still reside near historic lows) could tick higher, but we think solid card loan growth will more than offset this headwind. We like that COF continues to focus on managing risks, while improving efficiency even as it invests to grow and transform itself as banking goes digital. COF trades for 11 times NTM estimated earnings.

Cisco Systems (CSCO)

Cisco Systems is a leading tech company that specializes in Internet Protocol (IP)-based networking equipment for professional, telecom provider and residential use. In late October, CSCO announced that it reached an agreement to buy BroadSoft, a global provider of software that enables IP-based communication, for $1.9 billion. Rob Salvagno, head of M&A for CSCO, said, "Following the close of the acquisition, Cisco and BroadSoft will provide a comprehensive SaaS portfolio of cloud based unified communications, collaboration, and contact center software solutions and services for customers of all sizes." With more than 200 acquisitions now under its belt, we think that CSCO is well-versed on integration challenges and are bullish on the prospects for WebEx, CSCO's videoconferencing service that stands to benefit nicely from BroadSoft. In our view, CSCO continues to lead with its best-of-breed product pipeline and loyal customer base. We think that CSCO shares trade at a significant discount with a forward P/E ratio of 14 and a 3.4% dividend yield.

General Motors (GM)

Auto and truck maker General Motors saw strong sales in the latest quarter, boosted by replacements for vehicles destroyed in the disastrous hurricanes in Florida and Texas. GM posted EPS of $1.32 for Q3, 19% ahead of the analyst consensus. While SUV's and pickup trucks have been particularly popular of late for GM, the company remains focused on electric vehicles. Mark Reuss, a GM executive vice president said, "General Motors believes in an all-electric future. Although that future won't happen overnight, GM is committed to driving increased usage and acceptance of electric vehicles through no-compromise solutions that meet our customers' needs." The Bolt EV, which gets over 230 miles on a charge in its current form and is available now and costs less than $40,000, putting it in Tesla's territory (good luck scoring a Tesla Model 3 at that price anytime soon), will inspire two new electric offerings by 2019. While the competition is always fierce in the auto industry, we think that a solid balance sheet ($21 billion in cash and marketable securities), improving cost controls, healthy free cash flow and generous capital return initiatives make GM attractive. The stock now trades for 6.9 times earnings and yields 3.5%.

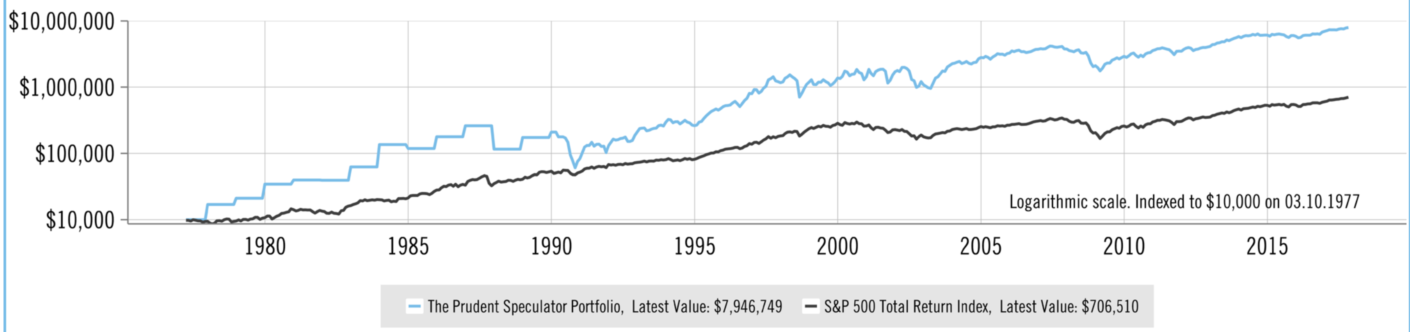
Kimco Realty (KIM)

Real estate investment trust (REIT) Kimco has interests in 507 U.S. open-air shopping centers, comprising 84 million square feet of leasable space across 34 states and Puerto Rico. KIM's high quality portfolio of assets is tightly clustered in major metro markets and carries a well diversified stable of tenants. Shares are off more than 25% in 2017 as investors have worried about shifts in consumer behavior and greater adoption of e-commerce disrupting tenant profitability. While we agree that there will be continued headwinds on this front, we think the downturn has been overdone. Hurricane Maria impacted 7 of KIM's properties in Puerto Rico (which represent 3% of company annual base rents), but the firm still turned in a solid Q3 that showed FFO per share of $0.39 (versus estimates of $0.37) and occupancy increased to 95.8%. KIM reaffirmed full year FFO guidance of $1.55 to $1.56 and the dividend was bumped up 4%. We continue to like that many of KIM's in-place leases are significantly below current market rents, giving the company a potential source of organic growth moving forward, and historically low levels of new shopping center supply should support operating performance. KIM currently yields 6.2%.

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. In Q3, Total took advantage of improving oil prices and strong demand for petroleum products, reporting an increase of 29% in underlying year-over-year profits. Upstream production grew 6% with project ramp-ups and portfolio additions in Qatar and the Barnett Shale. Hurricane Harvey had a net positive effect on the refining segment, as shutdowns hurt total refined volumes, but higher demand of petroleum products benefited margins. We like that Total's production costs are meaningfully lower than most of 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. Respective consensus EPS estimates (in U.S. dollars) for 2018 and 2019 reside at $4.27 and $4.61, while the net dividend yield is 4.4%.

NEWSLETTER PORTFOLIO PERFORMANCE



	Oct	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	0.99	12.68	25.00	7.89	13.21	3.88	NA
Millennium	0.79	12.09	23.32	8.30	14.01	6.79	11.60
PruFolio	0.69	12.26	23.12	8.36	13.17	6.98	12.75
TPS	1.34	14.11	26.27	9.34	14.91	6.80	14.59
Major Indexes							
Russell 3000	2.18	16.40	23.98	10.53	15.12	7.61	9.96
Russell 3000 Value	0.68	8.46	18.30	8.11	13.48	6.07	9.45
S&P 500	2.33	16.91	23.62	10.76	15.17	7.52	9.59
Dow Jones Indu. Avg.	4.44	20.58	32.07	13.18	15.12	8.15	9.79

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	11.91	10.07	Russell 3000
Millennium	12.31.99	9.66	5.66	Russell 3000
PruFolio	12.29.00	13.12	6.50	Russell 3000
TPS	03.10.77	17.89	11.06	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,877 stock recommendations have returned, on average, an annualized 17.33%, not including dividends.

IMPORTANT INFORMATION

As of 10.31.17. 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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