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the Prudent Speculator

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It seems especially tough to read the news these days. Just in the last week or so, there have been horrific terrorist attacks (England, Egypt, Afghanistan) and ugly racial incidents (Portland, Lebron James, Smithsonian), while major events in Washington (Comey Firing Aftermath, Paris Climate Agreement Fallout, Lack of Legislative Progress) do not inspire a great deal of confidence, no matter the political view.

Of course, at the risk of sounding insensitive or cavalier, U.S. equities generally have been able to take the negative headlines in stride. In fact, the Dow Jones Industrial Average and S&P 500 hit all-time highs as we went to press, providing yet another reminder that the secret to success in stocks is not to get scared out of them. Certainly, that does not mean that the markets are immune to geopolitical developments, and the big plunge on May 17 showed that prices can head south in a hurry, but those with long-term time horizons well understand that stocks have overcome far worse headwinds through the years than what we are presently enduring. Yes, the events happened long ago, but the S&P 500 (not including dividends or their reinvestment) has gained 4,277% since the Cuban Missile Crisis, 3,451% since President Nixon resigned and 883% since the Crash of '87. And, more recently, the S&P 500 price advance has been 139% since the 9/11 Terrorist Attacks, 116% since the 2010 Flash Crash, 47% since the 2013 Federal Reserve Taper Tantrum and 14% since the Trump Election Victory.

> "The world gets better every day – then worse again in the evening."
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> —Kin Hubbard

Though it is often said that stocks climb a wall of worry, in reality, as Warren Buffett long has stated, "Their fate is tied to business performance." Happily, via adding new customers, selling more to existing customers, making acquisitions and increasing prices (inflation), Corporate America has enjoyed handsome long-term top-line growth, while technological enhancements, productivity improvements and cost cuts have helped bolster bottom lines. And, most importantly, as detailed in this month's *Earnings Scorecard*, corporate profits of late generally have been healthy with the outlook for earnings growth over the balance of the year and into 2018 fairly upbeat.

The favorable view for net income is no doubt supported by a decent economic backdrop. Just this week, the Labor Department reported that the unemployment rate fell to 4.3% in May, the lowest since May 2001, even as a weaker-than-expected 138,000 new jobs were created, the Conference Board said that consumer confidence last month held steady at 117.9, near 20-year highs, and the Institute for Supply Management announced that its May ISM Manufacturing Index came in at very solid 54.9, with the new order component jumping to 59.5, a full two points better than the April reading.

That said, the economy is hardly booming, with Q1 GDP growth coming in at just 1.2% and the Federal Reserve still of the mind that the long-run GDP growth rate is in the 2% range. And, speaking of the Fed, while another interest rate hike is expected later this month, and then perhaps another bump before the end of the year, Janet Yellen & Co. would still be highly accommodative by historical standards, meaning that dividend yields on stocks should remain very appealing for the foreseeable future relative to the income available from bonds.

Also, we think it important to note that rising rates historically have been a positive for undervalued stocks like those we have long favored. Alas, it has been a tough year, relatively speaking, for Value-oriented strategies as poor returns in sectors like Energy and Financials, where many inexpensive companies reside, and the lack of elevated-valuation-multiple top performers like Alphabet, Amazon.com and Facebook have contributed to recent woes. Still, we have no trouble keeping the faith. Since 1927, Value has beaten Growth by a score of 13.5% per annum to 9.2%, while our modest tech-stock envy is tempered a bit by our (long-time) ownership of Apple and Microsoft.

Chief Investment Officer
Al Frank Asset Management (AFAM)

Earnings Scorecard

Q1 Season

Though real U.S. GDP in the first quarter was estimated by Uncle Sam to have grown at a lackluster 1.2% versus the preceding quarter and at a mediocre 2.0% on a year-over-year basis, earnings reporting season turned out to be very good, at least in regard to quarterly results relative to expectations. Unfortunately, investor reactions to the generally better-than-expected numbers were not always favorable, but we were happy to see data provider

Industry Group	Ticker	Company	3.17 Act EPS	3.16 Act EPS	3.17 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Autos & Components	GM	General Motors	1.70	1.26	1.48	6.56	6.00	5.7	170,315	161,968	-4.9%
	GT	Goodyear Tire & Rubber	0.74	0.72	0.63	4.02	4.21	7.7	15,166	16,264	7.2%
Banks	BAC	Bank of America	0.42	0.20	0.35	1.58	1.88	11.9	nmf	nmf	nmf
	BBT	BB&T	0.74	0.69	0.73	2.94	3.18	13.1	nmf	nmf	nmf
	CM	Canadian Imperial Bank	1.98	1.81	1.91	8.19	7.91	9.9	nmf	nmf	nmf
	FITB	Fifth Third Bancorp	0.38	0.37	0.37	1.70	1.84	12.9	nmf	nmf	nmf
	ING	ING Groep NV	0.32	0.24	0.31	1.49	1.42	10.5	nmf	nmf	nmf
	JPM	JPMorgan Chase	1.62	1.41	1.52	6.26	6.87	12.0	nmf	nmf	nmf
	KEY	KeyCorp	0.32	0.24	0.28	1.20	1.43	12.2	nmf	nmf	nmf
	ONB	Old National Bancorp	0.27	0.25	0.25	1.10	1.05	15.0	nmf	nmf	nmf
	PNC	PNC Financial Services Group	2.06	1.62	1.84	7.81	8.38	14.2	nmf	nmf	nmf
	WFC	Wells Fargo	0.98	0.99	0.97	4.05	4.16	12.3	nmf	nmf	nmf
Capital Goods	ARII	American Railcar Industries	0.55	1.16	0.76	3.67	2.47	14.4	578	430	-25.6%
	BA	Boeing	2.01	1.74	1.91	7.55	9.87	19.0	92,915	92,990	0.1%
	CAT	Caterpillar	1.28	0.67	0.62	4.05	4.19	25.2	38,898	40,515	4.2%
	CMI	Cummins	2.36	1.87	1.81	9.03	9.57	16.5	17,807	18,667	4.8%
	DE	Deere & Co	2.15	1.56	1.63	5.08	6.49	18.9	27,156	26,406	-2.8%
	ETN	Eaton PLC	0.96	0.88	0.88	4.30	4.72	16.4	19,782	20,186	2.0%
	FLR	Fluor	0.57	0.85	0.67	3.24	2.67	16.8	19,448	20,071	3.2%
	GE	General Electric	0.21	0.21	0.17	1.50	1.78	15.4	119,343	130,501	9.3%
	TPC	Tutor Perini	0.27	0.31	0.29	1.87	2.47	10.5	5,005	5,491	9.7%
	TRN	Trinity Industries	0.30	0.64	0.29	1.90	1.18	21.6	4,278	3,624	-15.3%
Commercial Services	MAN	ManpowerGroup	1.09	0.98	1.12	6.42	6.92	14.7	19,824	20,319	2.5%
Consumer Dur & App	COH	Coach	0.46	0.44	0.44	2.11	2.29	20.2	4,509	4,726	4.8%
	MDC	MDC Holdings	0.43	0.19	0.36	2.25	2.57	13.1	2,501	2,680	7.2%
	WHR	Whirlpool	2.50	2.63	2.65	13.99	15.64	11.9	20,888	21,657	3.7%
Consumer Services	RCL	Royal Caribbean Cruises Ltd	0.99	0.57	0.92	6.51	7.36	15.0	8,587	8,735	1.7%
Diversified Financials	BK	Bank of New York Mellon	0.80	0.74	0.80	3.23	3.58	13.1	nmf	nmf	nmf
	COF	Capital One Financial	1.75	1.85	1.92	6.99	8.13	9.5	nmf	nmf	nmf
	GS	Goldman Sachs Group	4.23	2.68	5.34	18.32	19.39	10.9	nmf	nmf	nmf
	SYF	Synchrony Financial	0.61	0.70	0.73	2.62	2.78	9.6	nmf	nmf	nmf
Energy	BHI	Baker Hughes	-0.04	-0.44	-0.21	-1.39	0.49	111.9	9,433	10,235	8.5%
	HAL	Halliburton Co	0.04	0.07	0.03	-0.05	1.46	31.0	15,968	21,792	36.5%
	HFC	HollyFrontier	-0.12	-0.06	-0.13	0.48	1.86	12.9	11,597	12,705	9.6%
	NOV	National Oilwell Varco	-0.17	-0.06	-0.20	-0.96	-0.15	nmf	6,803	7,655	12.5%
	OII	Oceaneering Int'l	-0.04	0.29	-0.10	0.43	-0.07	nmf	2,109	1,919	-9.0%
	RDS/A	Royal Dutch Shell PLC	0.92	0.44	0.76	2.32	3.81	14.3	256,833	299,051	16.4%
	SLB	Schlumberger Ltd	0.25	0.40	0.25	1.00	1.77	39.4	28,184	31,720	12.5%
	TNP	Tsakos Energy Navigation Ltd	0.16	0.25	0.11	0.39	0.50	8.6	498	492	-1.2%
	TOT	TOTAL SA	1.01	0.68	0.97	3.71	4.49	10.5	136,496	150,293	10.1%
	XOM	Exxon Mobil	0.95	0.43	0.86	2.87	4.12	19.5	210,976	285,512	35.3%
Food & Staples Retailing	CVS	CVS Health	1.17	1.18	1.10	5.84	5.95	12.9	178,825	186,985	4.6%
	WMT	Wal-Mart Stores	1.00	0.98	0.97	4.35	4.40	17.9	487,511	498,197	2.2%
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	0.60	0.42	0.62	2.35	2.76	15.0	62,950	64,597	2.6%
	TSN	Tyson Foods	1.01	1.07	1.02	4.77	4.77	12.0	36,824	37,644	2.2%
Health Care Equip/Srvcs	ABT	Abbott Laboratories	0.48	0.41	0.43	2.27	2.55	17.9	22,303	26,586	19.2%
	AET	Aetna	2.71	2.30	2.35	8.62	8.95	16.2	62,626	61,700	-1.5%
	CAH	Cardinal Health	1.53	1.43	1.46	5.25	5.14	14.5	128,394	135,671	5.7%
	MCK	McKesson	3.42	3.17	3.00	12.93	12.15	13.4	198,533	205,424	3.5%
	MDT	Medtronic PLC	1.33	1.27	1.31	4.60	4.87	17.3	29,710	30,983	4.3%

As of 05.31.17. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) from Bloomberg

Standard & Poor's calculate that the number of companies in the S&P 500 that exceeded earnings estimates was 74.1%, compared to 18.8% that trailed forecasts and 7.1% that met projections. In Q1 2016, those same Beat/Miss/Match figures were 72.3%/20.6%/7.03%. Of the 100 *Prudent Speculator* stocks presented in our Scorecard, 73% topped EPS estimates, while 22% lagged and 5% equaled.

Of course, management teams often were cautious in their outlooks and guidance, even as Standard & Poor's now projects that after climbing 5.8% in 2016 to $106.26, compared to $100.45 in 2015, bottom-up operating EPS for the S&P 500 will jump to $128.51 this year and to $145.80 in 2018. Analysts are often much too rosy in their views, but improving earnings aren't usually bad for stocks!

Industry Group	Ticker	Company	3.17 Act EPS	3.16 Act EPS	3.17 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Household Products	KMB	Kimberly-Clark	1.57	1.53	1.55	6.07	6.32	20.5	18,209	18,568	2.0%
Insurance	ALL	Allstate	1.64	0.84	1.06	5.70	6.46	13.4	nmf	nmf	nmf
	AXS	Axis Capital Holdings Ltd	0.59	1.07	0.84	4.02	4.64	14.1	nmf	nmf	nmf
	AZSEY	Allianz SE	0.44	0.53	0.41	1.70	1.79	10.8	nmf	nmf	nmf
	MET	MetLife	1.41	1.19	1.28	4.80	5.35	9.5	nmf	nmf	nmf
	PRU	Prudential Financial	2.79	2.18	2.64	9.75	10.63	9.9	nmf	nmf	nmf
	TRV	Travelers Cos	2.16	2.33	2.35	9.96	9.60	13.0	nmf	nmf	nmf
Materials	ABX	Barrick Gold	0.14	0.11	0.21	0.74	0.78	21.2	8,621	8,497	-1.4%
	AGU	Agrium	-0.07	0.07	-0.07	4.76	5.22	17.7	13,660	14,067	3.0%
	CE	Celanese	1.81	1.83	1.72	6.59	7.44	11.6	5,456	5,879	7.8%
	MOS	Mosaic	0.04	0.14	0.18	0.78	1.08	20.9	7,067	7,482	5.9%
	NEM	Newmont Mining	0.25	0.34	0.22	1.45	1.14	30.1	7,277	7,266	-0.2%
Media	CMCSA	Comcast	0.53	0.42	0.44	1.85	2.00	20.9	82,076	86,920	5.9%
	DIS	Walt Disney	1.50	1.36	1.41	5.77	6.17	17.5	55,539	58,036	4.5%
Pharma/Biotech/Life Sci	AMGN	Amgen	3.15	2.90	3.01	11.90	12.30	12.6	22,928	22,884	-0.2%
	BIIB	Biogen	5.20	4.79	4.97	20.64	20.65	12.0	11,533	11,524	-0.1%
	GILD	Gilead Sciences	2.23	3.03	2.29	10.76	7.82	8.3	29,101	23,686	-18.6%
	JNJ	Johnson & Johnson	1.83	1.68	1.77	6.83	7.13	18.0	72,174	76,681	6.2%
	MRK	Merck & Co	0.88	0.89	0.83	3.77	3.89	16.7	39,929	40,234	0.8%
	PFE	Pfizer	0.69	0.67	0.67	2.41	2.57	12.7	52,598	53,015	0.8%
	SHPG	Shire PLC	3.63	3.20	3.34	13.53	15.04	11.5	13,260	15,291	15.3%
	SNY	Sanofi	0.76	0.74	0.68	3.17	3.17	15.6	38,416	40,409	5.2%
Retailing	AEO	American Eagle Outfitters	0.16	0.22	0.17	1.19	1.10	10.5	3,622	3,684	1.7%
	DSW	DSW	0.32	0.40	0.35	1.38	1.49	11.3	2,721	2,800	2.9%
	FL	Foot Locker	1.36	1.39	1.38	4.80	5.30	11.2	7,780	8,208	5.5%
	KSS	Kohl's	0.39	0.31	0.29	3.85	3.64	10.6	18,557	18,502	-0.3%
	SPLS	Staples	0.17	0.17	0.17	0.88	0.89	10.2	18,816	16,884	-10.3%
	TGT	Target	1.21	1.29	0.91	4.93	4.20	13.1	69,317	69,749	0.6%
	WSM	Williams-Sonoma	0.51	0.53	0.49	3.43	3.59	13.6	5,098	5,259	3.2%
Semis & Cap Equipment	DIOD	Diodes	0.14	0.12	0.07	0.78	1.13	22.7	956	1,021	6.8%
	INTC	Intel	0.66	0.54	0.65	2.84	2.86	12.6	60,481	59,909	-0.9%
	MRVL	Marvell Technology Group	0.24	0.01	0.21	0.84	1.14	15.1	2,431	2,401	-1.2%
	QCOM	Qualcomm	1.34	1.04	1.19	4.97	3.95	14.5	23,243	22,647	-2.6%
Software & Services	CA	CA	0.54	0.60	0.49	2.48	2.39	13.3	4,036	4,133	2.4%
	IBM	Int'l Business Machines	2.38	2.35	2.35	13.63	13.62	11.2	79,389	78,248	-1.4%
	MSFT	Microsoft	0.73	0.62	0.70	3.02	3.18	22.0	87,247	101,674	16.5%
	SYMC	Symantec	0.28	0.22	0.28	1.19	1.78	17.1	4,019	5,131	27.7%
Technology Hardware	AAPL	Apple	2.10	1.90	2.02	8.54	9.77	15.6	220,457	240,347	9.0%
	AVX	AVX	0.20	0.19	0.20	0.75	0.77	21.3	1,313	1,260	-4.0%
	BHE	Benchmark Electronics	0.34	0.26	0.26	1.46	1.49	21.7	2,328	2,368	1.7%
	CSCO	Cisco Systems	0.60	0.57	0.58	2.41	2.41	13.1	48,510	47,847	-1.4%
	ERIC	LM Ericsson	-0.27	0.10	0.03	-0.06	0.27	26.8	25,018	23,532	-5.9%
	GLW	Corning	0.39	0.28	0.35	1.68	1.75	16.6	9,718	10,223	5.2%
	STX	Seagate Technology PLC	1.10	0.22	1.08	4.16	4.57	9.5	11,019	10,710	-2.8%
Telecom Services	T	AT&T	0.74	0.72	0.74	2.86	2.95	13.1	162,616	163,579	0.6%
	VZ	Verizon Communications	0.95	1.06	0.96	3.76	3.75	12.5	123,623	122,701	-0.7%
Transportation	ALK	Alaska Air Group	1.05	1.45	1.01	6.93	8.06	10.8	6,333	8,279	30.7%
	DAL	Delta Air Lines	0.77	1.32	0.75	4.76	5.36	9.2	39,536	40,998	3.7%
	NSC	Norfolk Southern	1.46	1.29	1.36	5.79	6.45	19.2	10,043	10,565	5.2%
Utilities	ETR	Entergy	0.99	1.35	1.07	6.72	5.07	15.6	10,824	12,195	12.7%

As of 05.31.17. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) 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			EV/ EBITDA[3]	FCF Yield[4]	Debt/ TE[5]	Div Yield	Mkt Cap
					EPS	Sales	TBV[2]					
Autos & Components	GM	General Motors	33.93	47.95	5.2	0.3	1.3	2.0	18.1	144%	4.5%	51,204
	GT	Goodyear Tire & Rubber	32.22	54.24	8.0	0.5	2.0	5.9	6.8	130%	1.2%	8,113
Banks	BBT	BB&T Corp	41.65	55.06	14.2	nmf	2.1	nmf	nmf	nmf	2.9%	33,794
	CM	Canadian Imperial Bank	78.07	96.80	9.8	nmf	2.0	nmf	nmf	nmf	4.9%	31,359
	PNC	PNC Financial	118.70	134.39	15.2	nmf	1.6	nmf	nmf	nmf	1.9%	57,439
Capital Goods	FLR	Fluor Corp	44.86	68.92	13.9	0.3	2.3	7.8	9.7	57%	1.9%	6,271
	GE	General Electric	27.38	36.39	18.3	2.0	nmf	24.7	-3.1	nmf	3.5%	237,767
Consumer Dur & App	NKE	Nike	52.99	70.82	23.4	2.6	7.1	16.0	3.3	28%	1.4%	87,474
Diversified Financials	GS	Goldman Sachs Group	211.26	257.47	11.5	nmf	1.2	nmf	nmf	nmf	1.4%	87,343
	SYF	Synchrony Financial	26.85	39.23	10.3	nmf	1.7	nmf	nmf	nmf	1.9%	21,776
Energy	HAL	Halliburton	45.19	60.84	nmf	2.5	6.0	nmf	-6.1	166%	1.6%	39,219
	HFC	HollyFrontier	23.90	37.12	49.5	0.4	2.2	45.0	4.0	115%	5.5%	4,239
	SLB	Schlumberger Ltd	69.59	109.65	69.6	3.4	16.6	47.3	4.0	284%	2.9%	96,694
	TNP	Tsakos Energy Navigation	4.27	10.39	10.9	0.7	0.3	9.8	nmf	127%	4.7%	360
	TOT	Total SA	52.30	75.14	13.9	0.9	1.3	7.1	2.1	44%	4.2%	129,885
Food & Staples Retailing	CVS	CVS Health	76.83	126.66	13.2	0.4	nmf	8.3	11.2	nmf	2.6%	78,274
Health Care Equip/Srvcs	CAH	Cardinal Health	74.29	95.96	14.2	0.2	nmf	9.2	2.6	nmf	2.5%	23,467
	MDT	Medtronic PLC	84.28	98.76	18.3	3.9	nmf	16.4	4.8	nmf	2.0%	115,370
Insurance	MET	MetLife	50.59	78.99	10.5	nmf	1.0	nmf	nmf	nmf	3.2%	54,431
	PRU	Prudential Financial	104.85	128.97	10.8	nmf	1.0	nmf	nmf	nmf	2.9%	44,981
Materials	ABX	Barrick Gold	16.54	23.35	22.4	2.2	2.7	6.2	7.8	106%	0.7%	19,282
	MOS	Mosaic	22.63	41.11	29.2	1.1	1.0	12.9	4.0	47%	2.7%	7,944
Media	DIS	Walt Disney	107.94	145.47	18.7	3.0	18.5	11.1	4.6	184%	1.4%	168,913
Pharma/Biotech/Life Sci	AMGN	Amgen	155.24	218.22	13.0	5.0	19.2	9.1	8.7	508%	3.0%	114,163
	GILD	Gilead Sciences	64.89	114.33	6.0	2.9	8.1	4.3	17.5	250%	3.2%	84,794
	MRK	Merck & Co	65.11	74.60	17.3	4.5	38.6	17.7	3.8	508%	2.9%	178,087
	PFE	Pfizer	32.65	42.79	13.5	3.7	nmf	12.5	7.1	nmf	3.9%	194,850
	SHPG	Shire PLC	172.72	276.96	12.8	4.0	nmf	27.5	nmf	nmf	0.9%	52,226
Real Estate	• KIM	Kimco Realty	17.54	27.41	13.4	nmf	1.7	nmf	nmf	nmf	6.2%	7,466
Retailing	DSW	DSW	16.83	30.08	12.2	0.5	1.6	4.0	9.5	0%	4.8%	1,351
	KSS	Kohl's Corp	38.43	58.97	10.0	0.4	1.3	4.8	18.3	89%	5.7%	6,624
	TGT	Target	55.15	82.39	11.2	0.4	2.8	5.7	15.2	103%	4.4%	30,427
	WSM	Williams-Sonoma	48.66	70.20	14.2	0.8	3.5	6.4	8.2	0%	3.2%	4,224
Semis & Cap Equipment	INTC	Intel	36.11	46.71	12.7	2.8	3.8	7.9	6.6	47%	3.0%	170,042
	QCOM	Qualcomm	57.27	73.91	11.5	3.6	4.1	10.8	6.6	48%	4.0%	84,613
Software & Services	IBM	Int'l Business Machines	152.63	190.00	11.2	1.8	nmf	11.1	8.2	nmf	3.9%	143,395
Technology Hardware	CSCO	Cisco Systems	31.53	36.82	13.1	3.2	4.8	8.4	8.0	85%	3.7%	157,652
	GLW	Corning	29.10	38.68	17.3	2.8	2.0	10.0	5.6	27%	2.1%	26,779
Telecom Services	VZ	Verizon Communications	46.64	54.40	12.4	1.5	nmf	7.2	0.1	nmf	5.0%	190,262
Transportation	• DPSGY	Deutsche Post	36.53	53.35	14.4	0.7	nmf	8.7	1.9	nmf	3.1%	44,334

As of 05.31.17. 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 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

Having proceeds of several May sales available, we will again pick up stocks for all of our newsletter portfolios this month. In TPS Portfolio, we will buy $29,000 of **Deutsche Post**, **Gilead Sciences** and **Kimco Realty**, while we will bring the positions in **Synchrony Fin'l** and **Tsakos Energy** up to that amount. We will add $20,000 of **Medtronic** to PruFolio, as well as $10,000 of **DSW Inc.** and **Mosaic** to Millennium Portfolio. In Buckingham Portfolio, we will purchase $6,000 of **Halliburton** and **PNC Financial**. We will wait four trading days, until June 8, to transact.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
DPSGY	Deutsche Post AG	Industrials	36.53	53.35
DSW	DSW Inc.	Consumer Discretionary	16.83	30.08
GILD	Gilead Sciences	Health Care	64.89	114.33
HAL	Halliburton	Energy	45.19	60.84
KIM	Kimco Realty	Real Estate	17.54	27.41
MDT	Medtronic PLC	Health Care	84.28	98.76
MOS	Mosaic Co	Materials	22.63	41.11
PNC	PNC Financial Services	Financials	118.70	134.39
SYF	Synchrony Financial	Financials	26.85	39.23
TNP	Tsakos Energy Nav	Energy	4.27	10.39

As of 05.31.17. SOURCE: Al Frank using data from Bloomberg

Deutsche Post AG (DPSGY)

Deutsche Post provides freight forwarding, international express parcel, mail delivery and supply chain services. The company delivers more than 64 million letters daily in Germany to more than 40 million customers, and its DHL express parcel service operates in more than 220 countries. DPSGY has a diversified revenue stream, with 31% coming from Germany, 30% from the rest of Europe and 39% from the rest of the world. Recently, the stock sold off after the company posted earnings per share that trailed analyst estimates due to some air and sea transport cost increases that were not able to be passed on to customers in the Global Freight Forwarding segment. Management remains optimistic, reiterating full-year guidance ($4.1 billion of revenue) and the year-2020 business improvement goals. We believe that DPSGY (which yields 3.1%) can benefit from the Amazon-style online shopping that hasn't taken over Europe yet. While it might not reach the level it has in the U.S., primarily because of different consumer behavior, a global marketplace of goods available at the click of a button is incredibly enticing.

DSW Inc. (DSW)

DSW is a leading branded footwear and accessories retailer that operates more than 500 stores in 42 states and Puerto Rico, sells products via e-commerce channels and supplies footwear to more than 375 leased departments for other retailers in the U.S. Along with many other brick-and-mortar retailers, DSW shares have been whacked over the past few years amid pressure from online retailers like Amazon and Wal-Mart. Fiscal Q1 2018 was disappointing, as the company trailed already-lowered analyst estimates for earnings despite slight improvement in total revenue. Nevertheless, DSW maintained its full-year EPS guidance range of $1.45 to $1.55, which assumes that sales will be at the low end of estimates. DSW believes that the sales environment will improve as the year progresses. While the near-term will remain trying, we believe the latest sell-off provides an attractive entry point. DSW has been investing in technology to strengthen its omni-channel business strategy, and we think there will be increased sales and profits over the long term. Also, newly announced cost cuts should be beneficial and we like the growing customer loyalty program. DSW yields 4.8%, while the balance sheet has no long-term debt.

Gilead Sciences (GILD)

Gilead is a biotech giant whose portfolio of products and pipeline of investigational drugs includes treatments for HIV/AIDS, liver diseases, cancer, inflammatory and respiratory diseases, and cardiovascular conditions. GILD shares are down more than 20% over the past year as worries about drug pricing and a possible replacement for the Affordable Care Act, along with concerns about the stabilization in the marketplace for its top-selling hepatitis C drugs have weighed on the stock. Although Q1 fell short of expectations on the top and bottom lines, we continue to be fans of Gilead, very much liking its $14 billion mountain of cash that allows it to buy back shares (7.9 million shares in Q1) and increase the dividend (current yield is 3.2%). Additionally, we believe that for the right opportunity and right price, Gilead would not hesitate to get involved in an acquisition in the coming quarters to augment its own drug pipeline and round out its product lineup. GILD trades at less than 9 times forward earnings estimates, while consensus EPS forecasts for each of the next three years exceed $7.00.

Halliburton (HAL)

Halliburton is one of the world's largest providers of products and services to the energy industry. The company serves the upstream oil and gas industry throughout the life cycle of the reservoir, from locating hydrocarbons and managing geological data, to drilling and formation evaluation, well construction and completion, and optimizing production. Like others in the industry, HAL has been hit hard by the sustained low-oil-price environment. However, we still think that long-term exposure to the energy industry will prove quite profitable, especially when shares of a best-of-breed company like HAL can be purchased at a steep discount. Since scrapping the $28 billion merger deal with Baker Hughes last year, HAL has remained focused on reactivating rigs, expanding outside the U.S. land market and keeping up with customers as they invest to meet increased production targets. HAL currently yields 1.6%

Kimco Realty (KIM)

Real estate investment trust (REIT) Kimco is one of North America's largest publicly traded owners and operators of neighborhood and community open-air shopping centers. KIM owns interests in 517 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 are tightly clustered in major metro markets and carry a well diversified stable of tenants. Shares have been crushed over the last year, losing almost 40% as investors decided that continued shifts in consumer behavior and greater adoption of e-commerce will further disrupt tenant profitability, thereby impacting KIM's property performance. While we agree that there will be continued headwinds on this front, we think the sell-off is well overdone and has created an attractive long-term opportunity. 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. More importantly, perhaps, very few of Kimco's customers are closing stores, while the largest tenants TJX (3.5% of annual base rent) and The Home Depot (2.5% of ABR) are not exactly struggling. We like that KIM has maintained its full-year FFO guidance of $1.50 to $1.54 per share and that the shares currently offer a 6.2% dividend yield.

Medtronic PLC (MDT)

Medtronic is one of the largest healthcare equipment companies in the world, developing and manufacturing therapeutic medical devices for chronic diseases. MDT's acquisition of Covidien a few years ago has produced a stronger, more appealing company. Pairing MDT's diversified product portfolio aimed at a wide range of chronic diseases with Covidien's breadth of products for acute care in hospitals has strengthened the firm's position as a key partner for its hospital customers, which bolsters our optimism about the long-term growth prospects. We like that MDT has historically held around a 50% share in its core heart devices and is also a market leader in spinal products, insulin pumps, and neuromodulators for chronic pain, while owning an attractive pipeline of potential products for the treatments of atrial fibrillation, aortic stenosis and various neurological disorders. Medtronic has a solid financial position and generates healthy free cash flow. Consensus expectations for future adjusted EPS are $4.94, $5.42 and $5.89 for fiscal 2018, 2019 and 2020, respectively. MDT shares currently yield 2.0%.

Mosaic Co (MOS)

Mosaic is the largest producer of phosphate fertilizers in the world and is one of the leaders in the production of potash, feed ingredients and industrial products. Shares have fallen more than 30% since February on urea price weakness and earnings for Q1 that were well-below analyst estimates. CEO James O'Rourke noted that while the near term may present some challenges, "Mosaic is executing our strategy and managing cost and capital. And we are in excellent position to thrive as markets continue to improve." We like the potential of the firm's growing specialty fertilizer products (MicroEssentials) and believe there is plenty of long-term potential in the fertilizer markets. Higher crop yields become increasingly important as the global population expands, less farmable land is available and more people in emerging economies move up the socioeconomic ladder adding more protein to their diets (which requires more grains to feed the cattle, pigs, etc.). Profits seem to have hit a trough last year, and analysts estimate that MOS could almost double earnings per share by 2019. MOS yields 2.7%.

PNC Financial Services (PNC)

Created in 1983 via the merger of Pittsburgh National and Provident National, PNC has grown to become the 5th largest bank in the U.S. ranked by branches and 6th largest bank ranked by deposits, with more than $350 billion in assets. First-quarter results beat expectations handily, with adjusted EPS coming in at $2.06 (vs. $1.84 estimate). PNC continued to show respectable loan and deposit growth with strong overall credit quality, while lowering noninterest expenses. We are attracted to PNC as it is one of the more conservative players in the space, with a relatively strong balance sheet and tight expense controls. We think the firm's focus on organic loan growth is a very important value-added performance driver and we are optimistic about management's strategic plans to increase revenue. We understand that the continued low interest rate environment keeps pressure on the firm's net interest margin, but we like that PNC trades for 14 times forward earnings estimates and yields 1.9%.

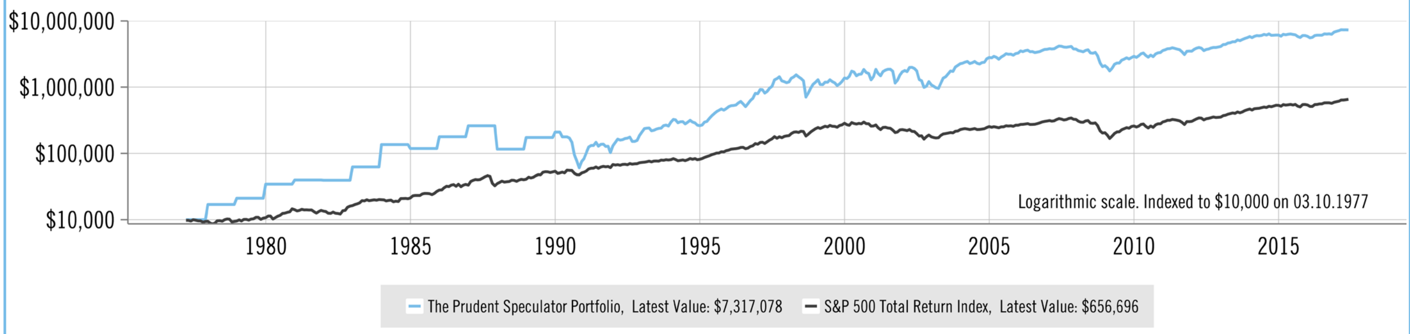
Synchrony Financial (SYF)

Synchrony, formerly GE Capital's retail finance business, provides a range of credit products through programs established with numerous regional and national retailers, local merchants, manufacturers, industry associations and healthcare providers. The company's success largely has been driven by its private-label credit business, which accounts for more than two-thirds of revenue and receivables. Synchrony performs the underwriting for the partners and retains the receivables while paying out rewards to retailers. This business has resulted in higher credit yields, interchange fees through its dual-use cards, and durable partner relationships, which has allowed SYF to generate high returns on equity. Shares are down almost 25% this year, however, as a weaker than expected Q1 bottom-line and an uptick in potential credit losses spooked investors, even as net-charge-off levels are still at the lower end of historic norms. We like that SYF continues to forecast better-than-expected loan growth and that the Board recently updated its capital return plan to include an increase to the quarterly dividend from $0.13 to $0.15 (which would boost the current yield of 1.9% to 2.2%) and a $1.64 billion share buyback program over the next year. SYF's forward P/E ratio is less than 10.

Tsakos Energy Navigation (TNP)

Tsakos Energy owns and operates a diverse and relatively modern fleet of marine tankers that transport crude oil, petroleum products and other liquids. We like that TNP saw utilization rates above 97% during Q1 and surprised investors with adjusted EPS of $0.16 (which was 40% above expectations). Management recently said it believes that with oil prices at attractive levels to stimulate global demand growth and a low order book environment, freight rates could strengthen, though they will always be volatile. With more than 75% of the company's fleet on long-term charters with minimum revenue of $1.4 billion and average charter employment of 2.5 years, we continue to believe that TNP's earnings potential, coupled with its solid balance sheet, is not reflected in the current price of the stock. TNP currently trades at less than 9 times NTM earnings estimates and yields 4.7%.

NEWSLETTER PORTFOLIO PERFORMANCE



	May	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	-1.20	3.93	19.16	5.06	13.37	2.77	NA
Millennium	-0.87	4.24	18.13	5.87	14.32	5.33	7.99
PruFolio	-0.22	5.61	19.88	6.18	14.07	5.21	9.91
TPS	-0.44	5.05	20.19	6.67	15.48	5.77	9.36
Major Indexes							
Russell 3000	1.02	7.96	17.68	9.67	15.26	6.95	8.05
Russell 3000 Value	-0.34	2.50	15.11	7.65	14.59	5.14	7.59
S&P 500	1.41	8.66	17.46	10.13	15.41	6.94	7.77
Dow Jones Indu. Avg.	0.71	7.47	21.16	10.65	13.96	7.23	7.81

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	11.63	9.79	Russell 3000
Millennium	12.31.99	9.40	5.35	Russell 3000
PruFolio	12.29.00	13.10	6.17	Russell 3000
TPS	03.10.77	17.85	10.98	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,868 stock recommendations have returned, on average, an annualized 17.18%, not including dividends.

IMPORTANT INFORMATION

As of 05.31.17. 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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