July 3, 2017

the Prudent Speculator

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As our returns for June will attest, we like how the second quarter ended, even as the performance race for the first half of 2017 continued to be dominated by Growth stocks. Of course, given the omnipresent threat of terrorism, plenty of drama on the geopolitical stage, subdued economic data (Q1 U.S. GDP growth came in at a pedestrian 1.4%) and the dearth of anything of substance emerging from Capitol Hill, not to mention our unorthodox Commander in Chief, we are not unhappy with our year-to-date numbers, even as the S&P 500 and Russell 3000 indexes have enjoyed total returns of 9.34% and 8.93%, respectively. True, we accept that our performance will always be compared to that of the "market," but we note that the S&P 500 Value and Russell 3000 Value indexes advanced *only* 4.85% and 4.32%, respectively, over the first six months.

> "Asset valuations are somewhat rich if you use some traditional metrics like price earnings ratios."
> —Janet Yellen

As we look ahead, we respect that stocks always move in both directions, but we very much like what has been happening in regard to the Value vs. Growth competition. Obviously, the modest pullbacks in expensive tech darlings like Amazon, Facebook and Tesla have hurt the Growth benchmarks, but we've witnessed newfound interest in stock price fundamentals, with banks rallying on big dividend hikes and sizable share buyback announcements after passing the Federal Reserve Stress Tests.

And, for the first time in recent memory, valuation was actually cited as the headline rationale for a Wall Street analyst upgrade (construction giant **Fluor Corp** (FLR - $46.55)) and downgrade (Internet sensation Alphabet), while investors panned the Blue Apron initial public offering, given that the meal-kit maker has posted losses in each year since its inception in 2012, and the red ink has been rising. We also saw a $7 billion acquisition by a major private-equity player of a strong free-cash-flow generating retailer (**Staples** (SPLS - $10.15)), a $13.7 billion buyout offer by the aforementioned Amazon for a brick-and-mortar grocer (Whole Foods) and a $377 million investment by Warren Buffett in a battered real estate investment trust (STORE Capital), taking advantage of the June swoon in consumer-focused REITs.

Certainly, a short period of favorable return comparisons does not necessarily a trend make, but the renewed enthusiasm for Value stocks has also coincided with a sharp spike in global interest rates as central bankers around the world in late-June were busy signalling that they will be slowly winding down the unprecedented stimulus that has fueled the recent stages of the long-playing bond Bull Market.

European Central Bank President Mario Draghi said, "All the signs now point to a strengthening and broadening recovery in the euro area." Bank of England Governor Mark Carney added, "Some removal of monetary stimulus is likely to become necessary if the trade-off facing the MPC continues to lessen." And, the Federal Reserve explained, "The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate."

We realize that many fear that equities will retreat if interest rates rise, but this is not supported by the latest evidence (the Russell 3000 Value index gained 0.90% over the past five trading days as the yield on the 10-Year U.S. Treasury soared from 2.14% to 2.35%), not to mention more than six decades of market history. Obviously, anything can happen, but on average following the previous 17 times the Fed has initiated a rate-hiking cycle, Value has returned 14%+ per annum over each of the ensuing two, three and five years, versus annualized gains of 5.5% to 7.9% for Growth. Those numbers make sense to us as tighter monetary policy often coincides with better economic growth, which is hardly a negative for the health of corporate profits. And, greater confidence in the earnings outlook, combined with a more sober attitude toward stocks in general and still low interest rates by historical standards could be just what the Value doctor ordered.

Chief Investment Officer
Al Frank Asset Management (AFAM)

Graphic Detail

Sector and Industry Group Weightings

Time again to compare the current Sector and Industry Group weightings of our four newsletter portfolios to those of the broad-based Russell 3000 index, as well as the Russell 3000 Value index. The latter is germane in that our valuation metrics more closely resemble those of Value-oriented indexes. Of course, while we very much remain bottom-up stock pickers focused on the merits of individual companies, we also keep a watchful eye on the composition of the Russell 3000 in order to ensure that we are comfortable in the overweighting or underweighting of a particular Sector or Industry Group. Also, we are able to better focus our subjective reviews on the output of the objective new-idea generation screens that we run every day on areas in which we might desire additional exposure, be it to augment a sector with minimal ownership or to add to a particularly undervalued industry. Illustrative of this process are the initial recommendations of stocks this month in the Consumer Staples sector.

There is a great deal of art accompanying the science of portfolio construction and Sector and Industry Group weightings are always used as a guide and not as the gospel. Over time, the gaps have narrowed, but inevitably there will be dispersion across the newsletter portfolios due to the timing of purchases and modest differences in the names held, but the same desire for broad diversification has always been pervasive.

PORTFOLIO WEIGHTINGS

Sector	Industry Group	Russell 3K	Russell 3K Value	TPS	Buckingham	PruFolio	Millennium	Avg[1]
Consumer Discretionary		**12.6**	**7.2**	**14.5**	**14.4**	**14.8**	**13.4**	**14.3**
	Autos & Components	1.0	1.0	2.1	2.2	2.7	2.6	2.4
	Consumer Dur & App	1.4	1.3	3.9	2.4	4.8	3.1	3.5
	Consumer Services	2.3	0.9	1.3	1.8	1.4	1.7	1.6
	Media	2.9	2.4	4.0	3.7	3.9	1.9	3.4
	Retailing	5.0	1.6	3.2	4.4	2.1	4.0	3.4
Consumer Staples		**8.0**	**8.8**	**3.9**	**2.6**	**4.6**	**3.7**	**3.7**
	Food & Staples Retail	1.7	2.3	0.9	0.7	1.8	0.8	1.0
	Food Bev & Tobacco	4.7	4.2	1.8	1.9	1.7	2.0	1.8
	Household Products	1.7	2.3	1.2	0.0	1.1	0.9	0.8
Energy		**5.6**	**10.2**	**6.7**	**7.3**	**6.1**	**6.1**	**6.5**
Financials		**14.9**	**25.9**	**20.1**	**21.3**	**21.0**	**19.7**	**20.5**
	Banks	6.9	13.0	9.5	11.8	9.8	10.9	10.5
	Diversified Financials	5.1	8.2	5.3	4.6	4.9	3.7	4.6
	Insurance	3.0	4.7	5.4	4.8	6.2	5.1	5.4
Health Care		**14.0**	**13.6**	**13.4**	**12.6**	**11.0**	**11.2**	**12.1**
	Health Care Equip/Srvcs	5.7	5.2	5.7	5.9	5.3	4.7	5.4
	Pharma, Biotech & Life Sci	8.3	8.4	7.8	6.8	5.7	6.5	6.7
Industrials		**10.8**	**8.9**	**13.1**	**12.2**	**10.6**	**13.8**	**12.4**
	Capital Goods	7.7	6.8	7.2	8.0	7.5	7.3	7.5
	Commercial Services	1.0	0.7	2.2	2.0	1.9	1.1	1.8
	Transportation	2.2	1.4	3.7	2.3	1.2	5.5	3.1
Information Technology		**21.4**	**8.2**	**16.3**	**15.7**	**18.0**	**19.9**	**17.5**
	Semis & Cap Equipment	3.4	2.3	1.3	1.9	2.2	3.3	2.1
	Software	12.7	2.7	3.9	3.9	4.6	6.4	4.7
	Technology Hardware	5.3	3.2	11.1	9.9	11.2	10.3	10.6
Materials		**3.4**	**2.8**	**5.3**	**5.3**	**6.2**	**6.3**	**5.8**
Real Estate		**4.1**	**5.5**	**1.5**	**0.5**	**0.0**	**1.0**	**0.8**
Telecom Services		**2.0**	**2.9**	**1.8**	**1.8**	**2.5**	**1.7**	**2.0**
Utilities		**3.2**	**6.2**	**1.1**	**0.9**	**1.0**	**1.0**	**1.0**
Cash		**0.0**	**0.0**	**2.1**	**5.4**	**4.3**	**2.2**	**3.5**

Russell 3000, Russell 3000 Value and Newsletter Portfolios as of 06.30.17. [1]Average of the four newsletter portfolios. SOURCE: Al Frank using data from Russell Investments via Bloomberg

Graphic Detail

Performance Attribution

The following two paragraphs hardly do the subject justice, but the simple attribution displayed below (numbers are computed via a Bloomberg report and differ modestly in terms of portfolio-level total return from our Advent (portfolio accounting)-calculated figures shown on Page 8) helps to better understand how TPS Portfolio is performing relative to the Russell 3000 (R3K) and Russell 3000 Value (R3KV) indexes. They allow us to gain more insight into the impact of our investment decisions as we are able to see which market Sectors contributed the most (or least) to performance and how much of the performance difference can be attributed to allocation (Sector weighting), versus selection (stock picking).

Depending upon the benchmark, TPS Portfolio had a modestly disappointing (versus the R3K) or very good (versus the R3KV) first half of 2017, even as our stock picking in Energy and Industrials had a positive effect in both comparisons. Interestingly, our Consumer Discretionary and Information Technology exposures were sizable negatives against the R3K (we don't own consumer powerhouse Amazon, nor high-flying tech names like Facebook, Netflix and Google), but those Sectors actually accounted for the majority of our overall outperformance against the 'FANG'-less R3KV. We also benefitted against the Value benchmark from a sizable underweight position in Energy and a big overweight holding in Info Tech.

2017 YTD PERFORMANCE ATTRIBUTION

	TPS Portfolio			Russell 3000			Attribution Analysis	
Sector	**Average Weight**	**Total Return**	**Contribution To Return**	**Average Weight**	**Total Return**	**Contribution To Return**	**Allocation Effect**	**Selection Effect**
Consumer Discretionary	15.3	7.3	1.2	12.7	11.1	1.4	0.1	-0.6
Consumer Staples	4.0	5.0	0.2	8.3	7.2	0.6	0.1	-0.1
Energy	6.5	-6.5	-0.4	6.1	-13.8	-1.0	0.0	0.6
Financials	19.5	6.2	1.2	15.0	6.0	0.9	-0.1	0.0
Health Care	11.8	16.0	1.8	13.4	17.0	2.2	-0.1	-0.1
Industrials	13.4	13.4	1.8	10.8	8.5	0.9	0.0	0.6
Information Technology	18.4	10.4	1.9	21.0	16.5	3.3	-0.1	-1.1
Materials	5.6	4.5	0.3	3.4	9.1	0.3	0.0	-0.3
Real Estate	0.7	9.3	0.1	4.0	5.2	0.2	0.2	0.0
Telecom Services	1.9	0.0	0.0	2.2	-9.5	-0.2	0.1	0.2
Utilities	1.1	7.0	0.1	3.1	8.5	0.3	0.0	0.0
Cash	1.9	0.3	0.0	0.0	0.0	0.0	-0.3	0.0
	Total:		**8.1**	**Total:**		**8.9**	**-0.2**	**-0.7**

	TPS Portfolio			Russell 3000 Value			Attribution Analysis	
Sector	**Average Weight**	**Total Return**	**Contribution To Return**	**Average Weight**	**Total Return**	**Contribution To Return**	**Allocation Effect**	**Selection Effect**
Consumer Discretionary	15.3	7.3	1.2	5.0	5.6	0.3	0.1	0.3
Consumer Staples	4.0	5.0	0.2	8.0	8.8	0.7	-0.2	-0.2
Energy	6.5	-6.5	-0.4	11.6	-13.6	-1.8	1.1	0.5
Financials	19.5	6.2	1.2	27.0	5.3	1.4	0.0	0.2
Health Care	11.8	16.0	1.8	10.4	16.0	1.5	0.2	0.0
Industrials	13.4	13.4	1.8	10.3	6.9	0.7	0.1	0.8
Information Technology	18.4	10.4	1.9	9.5	9.7	0.9	0.5	0.1
Materials	5.6	4.5	0.3	3.0	5.3	0.2	0.0	-0.1
Real Estate	0.7	9.3	0.1	5.1	2.9	0.1	0.1	0.0
Telecom Services	1.9	0.0	0.0	3.3	-9.5	-0.3	0.2	0.2
Utilities	1.1	7.0	0.1	6.2	8.5	0.5	-0.2	0.0
Cash	1.9	0.3	0.0	0.0	0.0	0.0	-0.1	0.0
	Total:		**8.1**	**Total:**		**4.2**	**1.9**	**2.0**

Russell 3000, Russell 3000 Value and Newsletter Portfolios from 12.31.16 though 06.30.17. Holdings-based attribution using end-of-day account positions. Return figures do not include fees or transaction costs. Numbers may not sum due to rounding. SOURCE: Al 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.

				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	34.93	46.38	5.3	0.3	1.3	2.0	17.6	144%	4.4%	52,713
	GT	Goodyear Tire & Rubber	34.96	52.84	8.7	0.6	2.2	6.2	6.3	130%	1.1%	8,803
Banks	BBT	BB&T Corp	45.41	55.91	15.4	nmf	2.2	nmf	nmf	nmf	2.6%	36,844
Capital Goods	BA	Boeing	197.75	217.85	26.2	1.3	nmf	15.1	7.3	nmf	2.9%	119,358
	FLR	Fluor Corp	45.78	67.28	14.2	0.3	2.4	8.0	9.5	57%	1.8%	6,399
Consumer Dur & App	NKE	Nike	59.00	69.70	24.8	2.8	8.1	17.9	3.0	29%	1.2%	97,395
Diversified Financials	COF	Capital One Financial	82.62	103.95	11.8	nmf	1.4	nmf	nmf	nmf	1.9%	39,903
	GS	Goldman Sachs Group	221.90	261.83	12.1	nmf	1.3	nmf	nmf	nmf	1.4%	90,824
	SYF	Synchrony Financial	29.82	39.23	11.4	nmf	1.9	nmf	nmf	nmf	1.7%	24,184
Energy	HFC	HollyFrontier	27.47	37.12	56.9	0.4	2.5	49.1	3.4	115%	4.8%	4,872
	NOV	National Oilwell Varco	32.94	44.43	nmf	1.8	2.9	nmf	1.7	62%	0.6%	12,519
	SLB	Schlumberger Ltd	65.84	106.28	65.8	3.2	15.7	45.1	4.2	284%	3.0%	91,483
	TNP	Tsakos Energy Navigation	4.80	10.39	12.3	0.8	0.3	10.0	nmf	127%	4.2%	405
	TOT	Total SA	49.59	75.14	12.8	0.9	1.2	6.6	2.2	44%	4.4%	123,164
Food & Staples Retailing	• KR	Kroger	23.32	36.20	11.7	0.2	10.6	6.5	5.2	587%	2.1%	20,926
	• WBA	Walgreens Boots Alliance	78.31	120.83	16.1	0.7	17.2	12.9	7.8	295%	1.9%	83,799
Health Care Equip/Srvcs	ZBH	Zimmer Biomet	128.40	172.63	15.9	3.3	nmf	18.2	4.3	nmf	0.7%	25,891
Insurance	PRU	Prudential Financial	108.14	128.97	11.1	nmf	1.0	nmf	nmf	nmf	2.8%	46,392
Materials	MOS	Mosaic	22.83	41.11	29.4	1.1	1.0	13.0	3.9	47%	2.6%	8,014
Media	CMCSA	Comcast	38.92	45.73	21.0	2.2	nmf	9.1	5.6	nmf	1.6%	184,596
	DIS	Walt Disney	106.25	144.12	18.4	3.0	18.3	11.0	4.7	184%	1.5%	166,268
Pharma/Biotech/Life Sci	AMGN	Amgen	172.23	218.22	14.5	5.5	21.3	10.1	7.9	508%	2.7%	126,658
	GILD	Gilead Sciences	70.78	115.00	6.6	3.2	8.8	4.8	16.0	250%	2.9%	92,490
	MRK	Merck	64.09	74.60	17.0	4.4	38.0	17.4	3.9	508%	2.9%	175,297
	PFE	Pfizer	33.59	42.79	13.9	3.8	nmf	12.8	6.9	nmf	3.8%	200,460
	SHPG	Shire PLC	165.27	268.54	12.2	3.8	nmf	nmf	nmf	nmf	0.9%	50,007
Real Estate	• REG	Regency Centers	62.64	90.14	18.5	nmf	1.8	nmf	nmf	45%	3.4%	10,664
Retailing	AEO	American Eagle Outfitters	12.05	16.79	10.1	0.6	2.0	4.1	7.7	0%	4.1%	2,133
	DSW	DSW Inc	17.70	28.21	12.8	0.5	1.7	4.2	9.1	0%	4.5%	1,421
	FL	Foot Locker	49.28	83.89	10.3	0.8	2.5	4.9	7.4	5%	2.5%	6,471
	KSS	Kohl's Corp	38.67	54.27	10.0	0.4	1.3	4.8	18.2	89%	5.7%	6,593
	WSM	Williams-Sonoma	48.50	66.16	14.1	0.8	3.5	6.4	8.2	0%	3.2%	4,202
Semis & Cap Equipment	INTC	Intel	33.74	46.71	11.9	2.6	3.6	7.4	7.1	47%	3.2%	158,882
	QCOM	Qualcomm	55.22	72.06	11.1	3.5	3.9	10.3	6.9	48%	4.1%	81,584
Software & Services	IBM	Int'l Business Machines	153.83	190.00	11.3	1.8	nmf	11.2	8.2	nmf	3.9%	144,523
Technology Hardware	AAPL	Apple	144.02	163.90	16.9	3.4	6.0	8.5	6.9	67%	1.7%	750,897
	CSCO	Cisco Systems	31.30	36.82	13.0	3.2	4.7	8.3	8.1	85%	3.7%	156,502
Telecom Services	VZ	Verizon Communications	44.66	54.40	11.9	1.5	nmf	7.0	0.1	nmf	5.2%	182,185
Transportation	DPSGY	Deutsche Post AG	37.60	53.35	14.6	0.7	nmf	8.8	1.9	nmf	3.0%	45,633
Utilities	ETR	Entergy	76.77	83.25	11.4	1.3	1.8	30.2	-2.9	182%	4.5%	13,778

As of 06.30.17. 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

Still having a little cash to deploy in our newsletter portfolios, we will pick up $6,000 of **Kroger** in Buckingham Portfolio, $29,000 of **Walgreens Boots Alliance** in TPS Portfolio and $20,000 of **Regency Centers** in PruFolio. As is our custom, we will wait four trading days until July 10 to transact. Our Portfolio Builder selection also features seven other favorites that have not been discussed in this space in a while, but save for **National Oilwell** in Buckingham, where we have sufficient Energy exposure, we already own these stocks in all of our newsletter portfolios.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AAPL	Apple	Information Technology	144.02	163.90
BBT	BB&T Corp	Financials	45.41	55.91
GS	Goldman Sachs Group	Financials	221.90	261.83
GT	Goodyear Tire & Rubber	Consumer Discretionary	34.96	52.84
INTC	Intel	Information Technology	33.74	46.71
KR	Kroger	Consumer Staples	23.32	36.20
NOV	National Oilwell Varco	Energy	32.94	44.43
PFE	Pfizer	Health Care	33.59	42.79
REG	Regency Centers	Real Estate	62.64	90.14
WBA	Walgreens Boots	Consumer Staples	78.31	120.83

As of 06.30.17. SOURCE: Al Frank using data from Bloomberg

Apple (AAPL)

Major news outlets are again positing whether or not Apple is "doing too much" and are calling the company's valuation "epic." While sensational headlines are commonplace in the investing world, it seems strange that Apple's foundation of $250 billion in cash and 14.5 times price-to-forward-earnings ratio would be called anything other than attractive. With smartphone demand unlikely to abate anytime soon, Apple is projected to continue to grow earnings for the foreseeable future as it reaches into new geographies, including virtually untapped India. Moreover, the company produces phones over a broader price range and last year's Samsung Galaxy troubles offered another opportunity for Apple to reach a new demographic of consumers that might have previously been uninterested in AAPL's offerings. While iPhone is the largest contributor to revenue and profit, MacBooks and iPads round out the lineup and offer a seamless ecosystem. We believe that the recent tech-stock sell-off offers investors an opportunity to pick up a company with a terrific balance sheet, global income stream, reasonable valuation (1.7% yield) and plenty of growth potential.

BB&T Corp (BBT)

BB&T is one of the larger financial services holding companies in the U.S. with almost $221 billion in assets. The company operates 2,100 financial centers in 15 states and Washington, D.C., and offers a full range of consumer and commercial banking, securities brokerage, asset management, mortgage and insurance product services. We were pleased that BBT passed the Federal Reserve's Stress Test, with a capital plan that included a 10% increase in the dividend and a share buyback authorization of $1.88 billion approved. BBT also continues to experience a strong adoption rate of its customizable digital banking platform. We like the company's relatively conservative loan underwriting and its insurance operation that diversifies the revenue stream. While shares rebounded on the Stress Test news, they are still down on the year, and we think lighter regulation and/or interest rate increases should give the bank room to run. BBT yields 2.6%, not including the pending hike in the payout.

Goldman Sachs Group (GS)

Goldman is a global investment banking, securities and investment management firm with leading positions in M&A, equity underwriting and equity trading. The company also generates significant revenue from its investing, lending and Fixed Income/Current/Commodities businesses, while asset management is a major focus. Given continued interest rate challenges, we were not overly surprised by the latest quarter's results which were negatively impacted by weak FICC results. We were surprised however, by the negative stock price action as the company has a history of rebounding nicely from earnings disappointments. Goldman continues to maintain strong capital ratios and liquidity, and passed the Federal Reserve Stress Test, while the firm boasts a best-in-class franchise with premier market positioning across numerous business lines. The shares trade for less than 12 times NTM adjusted earnings expectations. We continue to like that GS enjoys embedded operating leverage and market share consolidation opportunities still abound.

Goodyear Tire & Rubber (GT)

Goodyear is a leading supplier of light vehicle tires, selling in two distinct markets: replacement and vehicle manufacturers. After reporting a first quarter 2017 that beat analyst expectations, the company has encountered a rough patch of road due in part to news from GM that the company expects revenue to decline because of a reduction in daily rental sales. While overall vehicle demand remains strong, we think that GT should be more sensitive to overall miles travelled than to new sales, given the company's aforementioned two-pronged market exposure. We feel that strong employment, rising wages and low fuel prices are conducive to folks travelling more and therefore using more of GT's tires. Further, we believe that in the long run, Goodyear should gain from higher demand in emerging markets, given the rise in new vehicle sales as more people move into the middle class. Management continues to focus on reducing expenses, strengthening the balance sheet and improving cash flow. GT trades for less than 9 times estimated earnings, while the company has had a solid free cash flow yield for the last few years.

Intel (INTC)

Intel, the leading global semiconductor manufacturer, supplies advanced technology solutions for the computing industry, including microprocessors, chipsets and motherboards. The company has been on a strong execution run, besting analyst earnings estimates for the past nine quarters amid a massive build-out of data center and enterprise storage centers around the world. Although Intel makes plenty of consumer-oriented products for a broad array of devices, a shift towards higher-end processors and an increase in capital expenditures should help the company stay well-ahead of the competition for the foreseeable future. We continue to hold that the Internet of Things offers a tremendous growth opportunity, and we are excited that 3D NAND production (a breakthrough solid-state storage configuration, which allows storage nodes to be stacked on a three-dimensional plane) in Dalian has begun. With a cautious outlook for PC consumption and a public spat between Qualcomm and Apple, we believe that the door could be open for additional Intel chip applications. We like the diverse revenue stream, low levels of debt and recently boosted 3.2% dividend yield.

Kroger (KR)

Kroger is one of the world's largest grocers, operating 2,792 supermarkets in 35 states with a total of 178.1 million square feet of retail space. In mid-June, grocery stocks plunged after Kroger issued a disappointing Q1 earnings report and news broke that Amazon had reached a deal to buy Whole Foods, making investors fearful that supermarkets were the next area of the already-fragile retail sector to feel the intense competitive pressure from the e-commerce titan. The Whole Foods deal has yet to be approved by shareholders, and even Kroger may still be a bidder for the upscale grocer. Certainly, competition has continued to intensify in the grocery biz, with German chains Lidl and Aldi having recently entered the fray, but the difficult backdrop was already well understood and had largely been discounted in our view. We also think that the last-mile of distribution remains the most challenging, and the purchase of stores by an online retailer is a major nod to the difficulty that Amazon is having getting everything to a shopper's doorstep. The number of failed home-delivery grocers is large, and we believe that plenty of shoppers will prefer to pick out their own rations for a long time still. We see KR's plunge as a buying opportunity, given a P/E ratio below 12 and a yield above 2%.

National Oilwell Varco (NOV)

National Oilwell is a global leader in the design, manufacture and sale of equipment and components used in oil and gas drilling and production operations. As with the rest of the oil patch, NOV has been under pressure, but we like that the company dominates the drilling equipment space, making nearly every component that goes into a drilling rig as well as the supplies and tools used in the drilling process. In nearly every product line in which it competes, NOV is either first or a close second in terms of market share. Management believes that the global oil supply and demand rebalance, paired with drastic expense reductions, has allowed the company to build an "escape velocity" for the next up cycle. Though we have little doubt that operating pressures will persist, we are comforted by a solid balance sheet, market leadership position and multi-billion dollar backlog. We still believe in long-term energy demand growth with the global population expected to expand from 7.5 billion to 9 billion and worldwide economic output more than doubling by 2040, and we think that NOV will survive the current energy sector depression and thrive during the next leg up.

Pfizer (PFE)

Pfizer is a global pharma giant focused on therapeutics for cardiovascular, metabolic, central nervous system, immunology, pain, infectious diseases, respiratory, oncology and other indications. While it is very difficult to forecast if the healthcare bill floating through Washington D.C. or some version of it will become law and replace the Affordable Care Act, it would seem that it would be modestly positive for Pfizer and its competitors while having a somewhat mixed impact on hospitals and managed care firms. We believe that Pfizer's pipeline remains solid, and note that recent new drug releases are beginning to make meaningful contributions to the bottom line. We also continue to like the potential for upside from capital allocation, business development and management's exploration of a longer-term split-up of the company. Backed by a solid balance sheet, Pfizer has shown a willingness to return capital to shareholders via buybacks and dividends. PFE yields 3.8% and trades for 13 times NTM earnings.

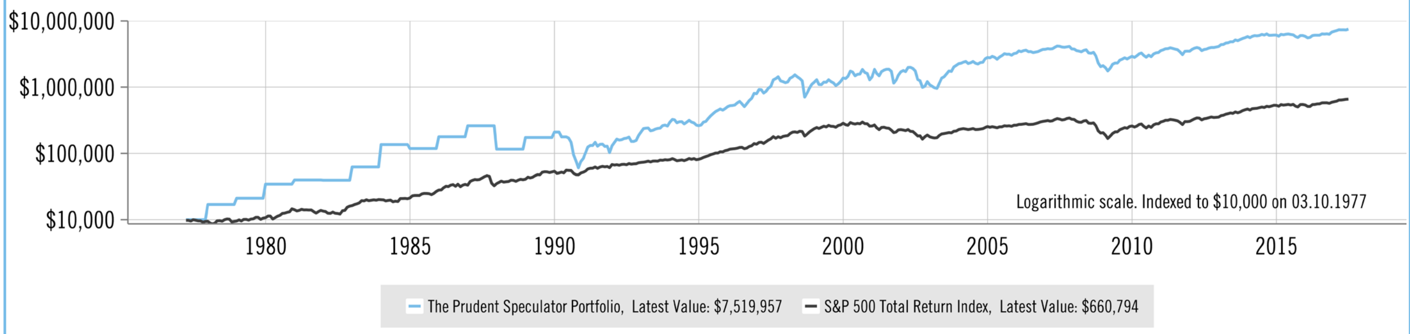
Regency Centers (REG)

Real estate investment trust (REIT) Regency Centers is a national owner, operator and developer of neighborhood and community shopping centers. The company's portfolio of 429 retail properties encompasses more than 59 million square feet, is primarily anchored by productive grocers and is located in affluent and in-fill trade areas in attractive metro areas. Like other retail REITs, REG has been hit hard over the last year, down almost 23%, with the news that Amazon would purchase Whole Foods not helping the cause. That said, Whole Foods is actually one of REG's top tenants, and with the placement and quality of many of Regency's properties, we would not be surprised to see it pick up more Whole Foods locations as Amazon would surely expand its footprint. REG recently closed its purchase of rival REIT Equity One and we believe the combined entity can take advantage of strong asset quality, a superior balance sheet and the ability to generate above average operating metrics. There will be more headwinds in the retail sector, but we think the REG sell-off has been overdone. Funds From Operations are expected to grow from $3.17 per share last year to $4.00 by 2019, and we like the well-covered 3.4% dividend yield.

Walgreens Boots Alliance (WBA)

WBA is the largest retail pharmacy across the USA and Europe, operating more than 13,000 stores in more than 25 countries. The company also owns one of the largest global pharmaceutical wholesale and distribution networks, with over 390 distribution centers delivering to more than 230,000 pharmacies, doctors, health centers and hospitals each year. Bowing to regulatory pressure, WBA just announced that it will give up its full-acquisition attempt of Rite-Aid, and will instead buy 2,186 locations. These stores will be added to a domestic network that already gives the company the ability to reach 75% of U.S. consumers. With the reduced cash outlay for Rite-Aid, WBA will add $5 billion to its stock buyback program. While its latest quarterly results also topped expectations, long-term, we believe WBA will benefit from robust growth rates on pharma products due to the aging of the U.S. and developed European country populations. WBA generates solid free cash flow and we expect the dividend payout (the yield is currently 1.9%) to continue to rise.

NEWSLETTER PORTFOLIO PERFORMANCE



	Jun	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	2.68	6.75	23.53	4.81	13.13	3.18	NA
Millennium	2.27	6.61	22.26	5.59	14.02	5.83	8.41
PruFolio	1.85	7.57	22.42	5.75	13.75	5.52	10.21
TPS	2.76	7.98	23.63	6.30	15.25	6.14	10.20
Major Indexes							
Russell 3000	0.90	8.93	18.50	9.10	14.58	7.25	8.65
Russell 3000 Value	1.77	4.32	16.19	7.31	13.88	5.58	8.11
S&P 500	0.62	9.34	17.89	9.61	14.62	7.18	8.34
Dow Jones Indu. Avg.	1.74	9.35	22.12	11.01	13.45	7.57	8.44

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	11.78	9.80	Russell 3000
Millennium	12.31.99	9.54	5.38	Russell 3000
PruFolio	12.29.00	13.11	6.20	Russell 3000
TPS	03.10.77	17.89	10.97	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,870 stock recommendations have returned, on average, an annualized 17.19%, not including dividends.

IMPORTANT INFORMATION

As of 06.30.17. 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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