May 1, 2015

the Prudent Speculator

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Buy and patiently harvest a broadly diversified portfolio of undervalued stocks to be held for their long-term appreciation potential. That's our story and we're sticking to it, even though it's about as exciting to the financial press as watching the grass grow. Of course, the disciplined investment strategy espoused on these pages has delivered the best returns of any newsletter dating back to the inception of *The Hulbert Financial Digest* in June 1980.

But far more eyeballs are attracted to headlines like: *It's going to get ugly, says Dennis Gartman* or *Mario Gabelli: There's no margin of safety in stocks* or *Marc Faber: Stocks are about to fall 40%—at least!* Each of those stories received plenty of attention on CNBC Television's Web site as this missive was penned, even as the text of the articles tempered those sensational titles.

Mr. Gartman actually said, "It's not going to get ugly bad; it's not going to get ugly for a long period of time. I think it's going to get ugly swiftly and I think it's going to make a lot of people very nervous...but it's still a bull market," as he called for a near-term 5% to 8% correction. And Mr. Gabelli stated, "As we look into 2016, I'm [also] looking at the economy in Europe picking up. The American companies will do a lot better because of earnings in Europe coming into the U.S. The [U.S. stock] market is a function of earnings, and we're comfortable with that," before warning, "On balance there's no margin of safety. If something goes wrong, you'll have the volatility that you had [April 30]." Finally, Mr. Faber proclaimed, "The market is in a position where it's not just going to be a 10% correction. Maybe it first goes up a bit further, but when it comes, it will be 30% or 40% minimum!" Sounds pretty scary, but he went on to concede that he's not short the market yet, since he doesn't know how high stocks could go in the interim, before concluding, "I'm not interested to buy momentum, I'm interested to buy value."

We realize that the markets have not suffered a 10% correction (there have been 100 since 1928) in three years, much less a Bear Market decline of 20% since 2011 (in the average stock and many market averages) or 2009 (in the S&P 500), but we do not know when such events will occur. Neither do any of the supposed experts! Sure, it would be nice to sidestep the next big plunge, and the only thing that can be guaranteed is that there will be setbacks and downturns in the future, but we believe that far more money has been lost preparing for selloffs than has been lost in the selloffs themselves.

> "If everything is amplified, we hear nothing."
> —Jon Stewart

Certainly, we are braced for volatility, especially as we have just entered the seasonally less favorable time of the year, but we remain sanguine about equities in general and our less-expensive stock holdings in particular. We see little euphoria toward equities, given that domestic stock ETF and mutual fund flows are negative this year, while one of our favorite contrarian indicators, the AAII Sentiment Survey, is showing significantly less Bullishness than average. Also, Q1 earnings reports have been okay thus far, with Bloomberg reporting that 68.5% of companies have exceeded expectations, despite top-line challenges associated with weak commodity prices and the U.S. dollar strength. And solid corporate profits and healthy balance sheets have led to numerous dividend increases, pushing the yield on Buckingham Portfolio up to 2.6%, an income stream that compares nicely to yields on alternative investment choices.

The extraordinarily low interest rate environment continues to be a major reason for our optimism, even as we respect that the purveyors of doom-and-gloom point to the eventual increase in rates by the Federal Reserve as the straw that will break the camel's back. Of course, we lose little sleep over Janet Yellen & Co. as the economy must strengthen further for any hikes to occur and market history shows that stocks have performed fine pre- and post-liftoff, while the Fed states that it plans to keep interest rates well below normal for the foreseeable future.

Chief Investment Officer
Al Frank Asset Management (AFAM)

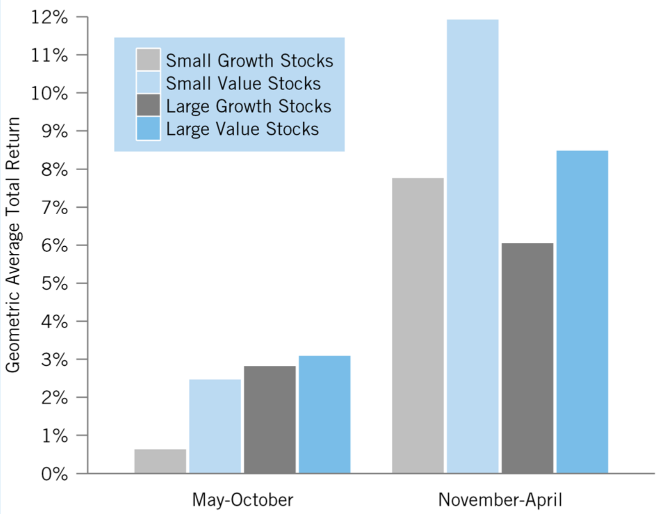
Graphic Detail

Seasonality

The relatively subdued market action over the past few months has largely silenced the *Sell in May and Go Away* chorus, but as November-April has been the statistically more attractive six months, we respect that we are now headed into the less favorable time of the year. Of course, the historical data displayed below shows that Dividend and Value stocks both have enjoyed positive returns during the seasonally weaker May-October period, while those six months in 2012, 2013 and 2014, saw respective gains of +2.1%, +11.1% and +8.2% in the S&P 500.

SEASONAL VALUE VS. GROWTH

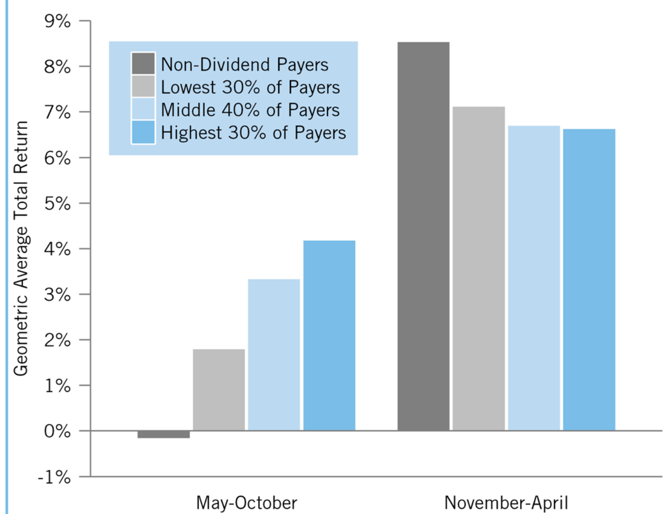
Gains have not been as strong starting this time of year, but Value has won the long-term returns race no matter the season...



From 04.30.28 through 10.31.14. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONAL DIV VS. NON-DIV PAYERS

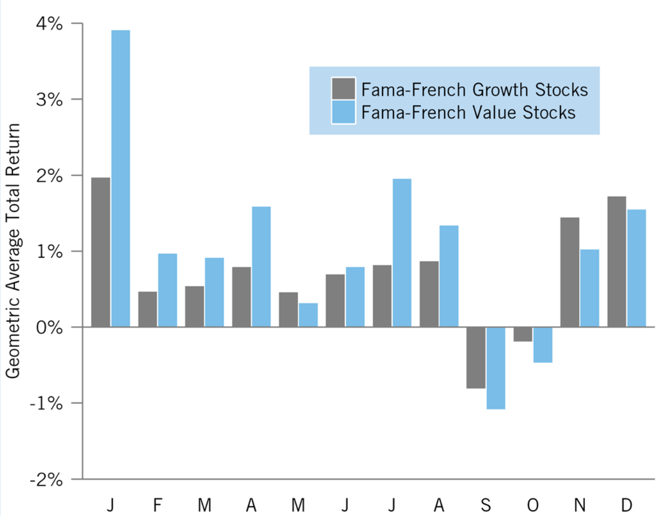
...and the historical outperformance of Dividend Payers during the seasonably less favorable six months has been striking.



From 04.30.28 through 10.31.14. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY VALUE VS. GROWTH

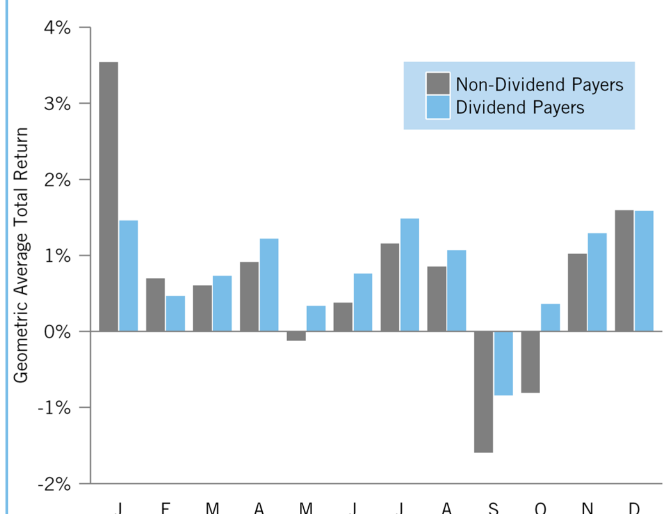
Sell Labor Day and Buy Halloween might be a better slogan as September and October are the only down months on average...



From 12.31.27 through 12.31.14. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY DIV VS. NON-DIV PAYERS

...while Dividend Payers over the last 87 years have won the spoils in all but three months and had a positive return in the spookiest.



From 12.31.27 through 12.31.14. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

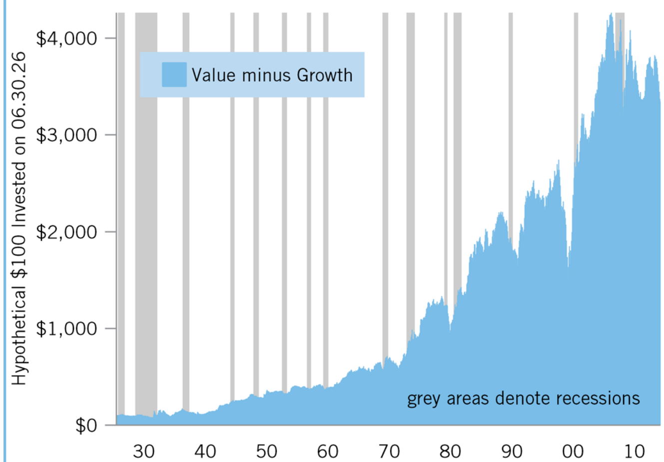
Graphic Detail

Value vs. Growth

Value stocks staged a nice comeback, relatively speaking, as April ended, but inexpensively priced companies have continued to endure subpar performance. Indeed, over the first four months of 2015, the Russell 3000 Value Index gained just 0.2%, compared to a total return of 4.3% for the Russell 3000 Growth Index. And data from Professors Fama and French show that in 2014, Growth stocks outperformed Value by a score of 9.0% to 5.7%. Of course, market history shows that while Growth may win more than a few battles, Value has won the war.

THE RACE SINCE 1926

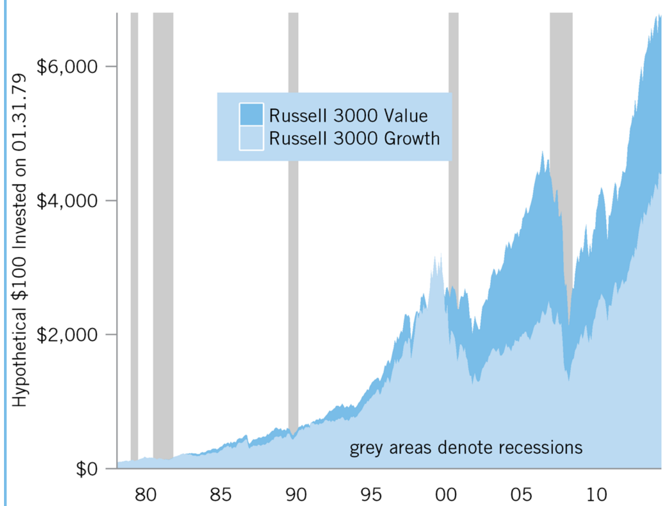
Returns on Fama/French Value stocks have trumped those of Growth stocks by a wide margin over the last nearly-nine decades...



From 06.30.26 through 03.31.15. Growth performance subtracted from Value performance each month. Value is 50% Small Value + 50% Large Value and Growth is 50% Small Growth + 50% Large Growth. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

THE RACE SINCE 1979

...with the story similar, though not quite as dramatic, using Russell's Value and Growth indexes over the last 36 years.



From 01.31.79 through 04.30.15. SOURCE: Al Frank using data from Bloomberg

FAMA FRENCH ROLLING-PERIOD COMPARISONS

Value has underperformed 46% of the time on a one-month basis, but the longer the measuring stick, the greater the victory rate.

	Value Stocks	Growth Stocks	Diff.	Periods Val beat Growth	Ct. of Periods
1-Month	1.34%	0.95%	0.39%	54%	1066
3-Month	4.28%	2.98%	1.31%	59%	1064
6-Month	8.54%	5.97%	2.57%	61%	1061
1-Year	17.71%	12.32%	5.38%	63%	1055
3-Year	14.48%	9.82%	4.66%	74%	1031
5-Year	14.13%	9.41%	4.72%	80%	1007
10-Year	14.84%	9.73%	5.11%	92%	947
20-Year	15.67%	10.23%	5.44%	100%	827
30-Year	15.85%	10.29%	5.56%	100%	707

From 06.30.26 through 03.31.15. Rolling periods annualized for periods greater than one year. Value Stocks are 50% Small Value + 50% Large Value and Growth Stocks are 50% Small Growth + 50% Large Growth. SOURCE: Al Frank Using Data from Professors Eugene F. Fama and Kenneth R. French

RUSSELL ROLLING-PERIOD COMPARISONS

The Russell competition since 1979 is much closer over shorter time spans, but Value still holds an edge in every period.

	Value Stocks	Growth Stocks	Diff.	Periods Val beat Growth	Ct. of Periods
1-Month	1.06%	1.00%	0.06%	50%	435
3-Month	3.26%	3.08%	0.18%	51%	433
6-Month	6.64%	6.28%	0.37%	49%	430
1-Year	13.66%	12.90%	0.77%	51%	424
3-Year	12.41%	10.89%	1.52%	57%	400
5-Year	12.05%	10.39%	1.66%	56%	376
10-Year	11.83%	9.98%	1.85%	74%	316
20-Year	12.15%	10.35%	1.80%	93%	196
30-Year	11.55%	9.81%	1.74%	100%	76

From 1.31.79 through 03.31.15. Rolling periods annualized for periods greater than one year. 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/	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	EBITDA[3]	TE[4]	Yld	Cap
Autos & Components	GT	Goodyear Tire & Rubber	28.37	45.86	10.1	0.4	2.5	5.9	200%	0.8%	7,656
Banks	CM	Canadian Imperial Bank	80.28	96.20	8.9	nmf	2.0	nmf	nmf	5.3%	31,887
	HSBC	HSBC Holdings PLC	49.63	58.15	11.4	nmf	1.2	nmf	nmf	5.0%	191,343
	ONB	Old National Bancorp	13.66	20.06	13.8	nmf	1.8	nmf	nmf	3.5%	1,608
Capital Goods	ETN	Eaton PLC	68.73	87.05	14.7	1.4	nmf	14.5	nmf	3.2%	32,104
	GE	General Electric	27.08	34.85	16.5	1.9	10.8	10.7	792%	3.4%	272,628
	TRN	Trinity Industries	27.09	50.84	7.1	0.7	1.9	5.1	160%	1.5%	4,197
Commercial Services	MAN	ManpowerGroup	85.33	102.24	16.2	0.3	4.4	8.2	28%	1.9%	6,682
Consumer Dur & App	MDC	MDC Holdings	26.84	42.97	16.9	0.8	1.1	18.6	74%	3.7%	1,311
Consumer Services	RCL	Royal Caribbean Cruises	68.06	85.94	20.1	1.9	2.0	13.6	101%	1.8%	14,967
Diversified Financials	GS	Goldman Sachs Group	196.42	222.18	10.2	nmf	1.3	nmf	nmf	1.3%	87,808
Energy	ESV	Ensco PLC	27.28	43.75	4.1	1.3	0.8	nmf	71%	2.2%	6,391
	HFC	HollyFrontier	38.78	56.01	13.9	0.4	2.5	9.4	35%	3.3%	7,569
	SFL	Ship Finance Int'l Ltd	15.76	19.91	11.8	4.5	1.3	13.7	134%	10.7%	1,470
	TDW	Tidewater	27.69	50.80	6.8	0.8	0.6	15.5	68%	3.6%	1,298
	TOT	Total SA	54.10	77.64	11.6	0.8	1.3	6.3	42%	4.2%	129,043
Food & Staples Retailing	WMT	Wal-Mart Stores	78.05	95.84	15.4	0.5	4.0	8.2	69%	2.5%	251,751
Food Bev & Tobacco	UVV	Universal Corp	47.03	65.13	14.2	0.5	1.0	9.1	23%	4.4%	1,064
Health Care Equip/Srvcs	AET	Aetna	106.87	126.38	15.1	0.6	14.7	8.3	310%	0.9%	37,319
	BAX	Baxter Int'l	68.74	94.24	13.9	2.2	17.2	11.5	351%	3.0%	37,362
Insurance	PRU	Prudential Financial	81.60	110.15	8.9	nmf	1.0	nmf	nmf	2.8%	37,061
Materials	AUY	Yamana Gold	3.82	7.36	nmf	2.2	0.7	nmf	32%	1.6%	3,596
	MOS	Mosaic	44.00	71.12	15.5	1.7	1.9	8.4	44%	2.5%	16,065
Media	CMCSA	Comcast	57.76	67.89	19.7	2.1	nmf	8.4	nmf	1.7%	145,194
Pharma/Biotech/Life Sci	AMGN	Amgen	157.91	200.69	20.1	5.8	nmf	13.9	nmf	2.0%	120,063
	GILD	Gilead Sciences	100.51	144.67	12.9	6.0	46.9	9.3	375%	1.7%	149,063
	JNJ	Johnson & Johnson	99.20	117.06	16.6	3.7	13.3	10.6	73%	3.0%	275,831
	SNY	Sanofi	50.55	67.03	17.0	7.1	50.8	10.0	558%	2.6%	133,910
Real Estate	ANH	Anworth Mortgage Asset	5.08	6.57	10.0	nmf	0.8	nmf	nmf	11.8%	540
	BMR	BioMed Realty Trust	20.75	28.18	20.5	nmf	1.4	nmf	nmf	5.0%	4,224
Retailing	SPLS	Staples	16.32	19.21	16.7	0.5	4.6	14.0	45%	2.9%	10,453
Software & Services	IBM	Int'l Business Machines	171.29	227.16	10.2	1.9	nmf	9.2	nmf	3.0%	168,675
Technology Hardware	AVX	AVX	13.77	19.18	14.6	1.7	1.2	5.8	0%	3.1%	2,318
	BHE	Benchmark Electronics	23.53	30.98	7.3	0.4	1.0	6.0	1%	0.0%	1,236
	GLW	Corning	20.93	29.83	13.3	2.7	1.6	8.5	19%	2.3%	26,556
	QCOM	Qualcomm	68.00	90.77	14.5	4.0	3.6	9.6	0%	2.8%	110,811
	STX	Seagate Technology PLC	58.72	73.16	12.1	1.4	10.1	6.6	205%	3.7%	19,280
Telecom Services	T	AT&T	34.64	39.87	14.3	1.4	nmf	9.4	nmf	5.4%	179,787
Transportation	NM	Navios Maritime Holdings	3.79	7.04	nmf	0.7	0.5	9.3	204%	6.3%	396
Utilities	ETR	Entergy	77.18	90.21	14.8	1.1	1.4	6.9	128%	4.3%	13,932

As of 04.30.15. N/A=Not applicable. nmf=Not meaningful. [1] ●=First-time recommendation. [2]Tangible book value. [3]Enterprise value-to-earnings before interest taxes depreciation and amortization. [4]Tangible equity. SOURCE: Al Frank using data from Bloomberg

Portfolio Builder

Research Team Favorites

The Prudent Speculator follows an approach to investing that focuses on ***broadly diversified*** investments in ***undervalued*** stocks for their ***long-term*** appreciation potential. Does that mean we build portfolios of 20 stocks…30…? More like 50 and up. We like stocks. And we like a lot of 'em. We don't rely nearly as much on "how many" as we do "in which," but we tend to invest in far more names than most. This expansive diversification, we find, potentially serves us well in two ways: we can further minimize the risk of individual stock ownership, while maximizing the likelihood of finding the truly big winners among the undervalued masses.

As for the "in which" part, readers should know we discriminate among potential investments primarily by their relative valuation metrics and our assessments of stock-specific risk. We buy only those stocks we find undervalued along several lines relative to their own trading history, those of their peers or that of the market in general. The prices at which we'll buy and sell stocks incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal 3-to-5-year investing time horizon.

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

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

This Month's Theme

Choosing to feature undervalued names that have not been discussed in this space for some time, we will add $20,000 of **Amgen** and **Royal Caribbean** to PruFolio, and we will buy $10,000 of **Comcast** and **Manpowergroup** in Millennium Portfolio. In Buckingham Portfolio, we will pick up $6,000 of **Entergy** and we will bring the ownership in **Goldman Sachs** up to that level. We already hold sufficient positions in **Aetna**, **Benchmark Electronics**, **Staples** and **Seagate** in the newsletter portfolios. As usual, we will wait four trading days until May 7 to transact.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AET	Aetna	Health Care	106.87	126.38
AMGN	Amgen	Health Care	157.91	200.69
BHE	Benchmark Electronics	Information Technology	23.53	30.98
CMCSA	Comcast	Consumer Discretionary	57.76	67.89
ETR	Entergy	Utilities	77.18	90.21
GS	Goldman Sachs Group	Financials	196.42	222.18
MAN	ManpowerGroup	Industrials	85.33	102.24
RCL	Royal Caribbean Cruises	Consumer Discretionary	68.06	85.94
SPLS	Staples	Consumer Discretionary	16.32	19.21
STX	Seagate Technology PLC	Information Technology	58.72	73.16

As of 04.30.15. SOURCE: Al Frank using data from Bloomberg

Aetna (AET)

Aetna is one of the largest managed care organizations, covering nearly 24 million members and focusing on three segments: Health Care, Group Insurance and Large Case Pension. The firm's Q1 results saw profits boosted by solid membership growth and moderating trends in medical costs. Adjusted earnings were $2.37 per share, higher than the $1.95 that analysts had anticipated. Bottom-line results were driven by increased revenue of $15.1 billion, behind projections of $15.5 billion for the period. Happily, the insurer raised its full-year 2015 earnings forecast to a range of $7.20 to $7.40 per share from a previous projection of at least $7.00. While there are sure to be a few operating potholes in the managed health care space, we think Aetna offers attractive long-term upside as it enjoys a healthy balance sheet, manageable health care costs and plenty of room to achieve management's 2018 goals of $80 billion in revenue and $10.00 in earnings per share. We also like the company's diverse product lines, relative pricing discipline, cost control initiatives and solid cash flow generation. AET shares are currently trading for 14.5 times forward earnings projections.

Amgen (AMGN)

Amgen, one of the largest biotechnology companies in the world with revenue in excess of $20 billion, is primarily engaged in the discovery, development and delivery of human therapeutics. The firm has a presence in more than 75 countries and its medicines treat cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illnesses. Its products typically address diseases for which the number of effective treatment options is limited. After reporting strong Q1 earnings, AMGN shares quickly pulled back with much of the Health Care sector, providing a terrific entry point, especially after management raised its guidance for full-year 2015 adjusted EPS to between $9.35 and $9.65. We like that Amgen is entering a period of heavy product launches, a tribute to the investment and productivity in its pipeline, including what should be a blockbuster launch of PCSK9 antibody Repatha. In testing, this cholesterol-reducing drug also showed evidence of potentially reducing the risk of heart attacks and strokes. Many believe Repatha could receive FDA approval in August. We are also partial to Amgen's strong free cash flow generation, solid financial footing and willingness to return capital to shareholders via dividend increases (2.0% yield) and share repurchases.

Benchmark Electronics (BHE)

Benchmark is an electronics device designer that performs contract work for original equipment manufacturers. Despite a challenging macroeconomic environment, the company earned $0.34 per share ($0.33 est.) on sales of $621 million ($634 million est.) in Q1. BHE benefitted from its diverse revenue stream and successful integration of acquisitions, although that was offset in part by softness in computer and telecom segment demand. Looking ahead, management sees significant opportunities in the medical and industrial segments, and expects Q2 earnings per share between $0.37 and $0.41 on revenue between $635 million and $665 million. We believe that BHE should continue to benefit from a lower cost of manufacturing, broad customer base and $1.6 billion backlog. A rarity amongst its peers, Benchmark has no long-term debt and $384 million in cash ($7.27 per share). While Benchmark does not pay a dividend, it has been working its way through the $100 million share repurchase program it started Q4 2014.

Comcast (CMCSA)

Comcast, a phone, high-speed Internet and television provider, finally ended its 14-month-long effort to purchase Time Warner Cable for $45.2 billion. Had it happened, executives argued that there would be great savings from operating efficiencies and economies of scale. From the beginning, there was heavy public and regulatory criticism, which led many to believe that this deal would not go through because the significant gain for Comcast would have been at the expense of customers. As a result, it wasn't a big surprise when the Justice Department effectively blocked the deal on April 24, causing the company to withdraw its offer. Though Comcast's empire-building is now on hold, we are pleased that it does not have to pay any breakup fees, while the company should not have trouble earning money and gaining customers as currently constructed, especially given its significant content ownership. We like that CMCSA has a well-diversified income stream, a dividend yield near 1.7% and ample opportunity for sustainable organic growth.

Entergy (ETR)

Entergy is an integrated energy company primarily engaged in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including more than 10,000 megawatts of nuclear power, making it one of the nation's leading nuclear generators. The utility delivers electricity to 2.8 million customers in Arkansas, Louisiana, Mississippi and Texas. Its nuclear plants are located in the northeast United States. Shares are down more than 10% this year, despite the company turning in an expectation-beating first quarter. ETR reported EPS of $1.68, versus estimates of $1.30. Management reconfirmed its 2015 EPS guidance of $5.10 to $5.90, with shares currently trading at 14 times the midpoint. While the firm faces relicensing headwinds for its New York-based Indian Point Energy Center, its regulated utilities are experiencing strong industrial sales growth driven by an industrial boom in the Mississippi Delta region. We also believe that the continued potential for environmental restrictions on coal-fired power plants and carbon dioxide emissions make the economics of ETR's nuclear power more appealing. ETR shares yield 4.3%.

Goldman Sachs Group (GS)

Goldman is a global investment banking, securities and investment management firm with leading positions in M&A, equity underwriting and equity trading. The company also generates significant revenue from its investing, lending and FICC businesses, while the asset management business is a major focus. We were pleased to see in its Q1 results that a number of areas of operation achieved multi-year highs, including Investment Banking which produced net revenue of $1.91 billion, the highest quarterly performance since 2007. Goldman continues to maintain strong capital ratios and liquidity. GS shares trade at 10 times earnings and we still think there is more upside available. The firm is a best-in-class franchise with premier market positioning across numerous business lines, while the company sports a strong balance sheet. And we like that GS enjoys embedded operating leverage and market share consolidation opportunities as a number of foreign and domestic competitors have been forced to restructure. Goldman shares yield 1.3%.

ManpowerGroup (MAN)

Manpower is the third-largest staffing firm in the world. It serves over 400,000 clients from 3,100 offices in 80 countries, recruiting more than four million people worldwide each year. The company offers varied services such as temporary staffing, permanent placement, workforce training and outplacement. Its global reach allows it to service almost any staffing need from multinational and local firms alike. While the firm endured significant currency headwinds and sluggish U.S. growth during Q1, MAN realized solid growth across all regions in Europe. In Q1, the company reported better than expected revenue of $4.5 billion and EPS of $0.83, versus projections of $0.79. Management guided Q2 EPS to between $1.21 and $1.29. We are constructive on the recovery in temporary employment in Europe and like the firm's broad geographic footprint, wide range of offerings, good expense management and strong balance sheet that sports no net debt. While global macro pressures remain, we believe MAN offers a solid risk/reward profile, and with the 63% boost to its quarterly dividend, the shares now yield 1.9%.

Royal Caribbean Cruises (RCL)

RCL is the world's second largest cruise company, operating 42 ships globally across its six brands: Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamara Club Cruises and CDF Croisières de France, as well as TUI Cruises through a 50% joint venture. The company will introduce eight more ships by the end of 2018, increasing the fleet to a total capacity of 130,900 berths. Although RCL reported favorable Q1 results, shares slid 15% after management reduced its full-year adjusted EPS guidance to a range of $4.65 to $4.85, even as the company said its Double-Double program of increasing the company's return on invested capital (ROIC) to double-digits and doubling 2014 EPS by 2017 is still on track. We are still fans of RCL and the overall prospects of the cruise industry, especially given favorable demographic trends. Despite currency and fuel headwinds, we believe that cost control and operational initiatives will make a difference in the firm's bottom line in the coming quarters. RCL trades at less than 15 times the midpoint of the 2015 full-year guidance.

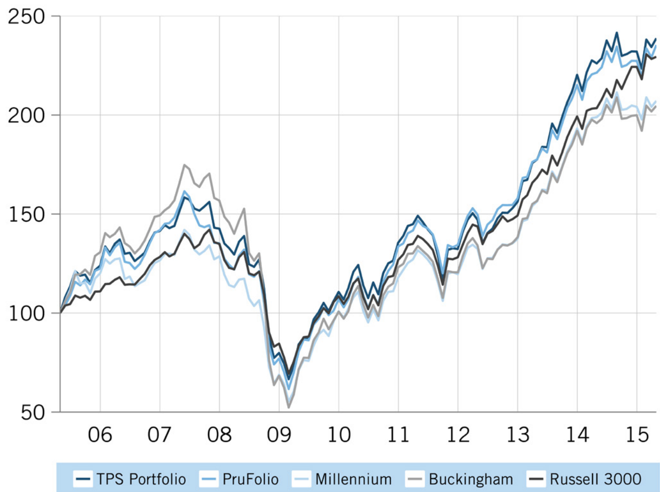
Staples (SPLS)

Staples is the world's largest office products company and one of the largest Internet retailers. In February, Staples announced plans to purchase competitor Office Depot for $6.3 billion. The deal, still subject to regulatory approval, would add about 2,200 OfficeMax and Office Depot stores to the SPLS portfolio. Management believes that more than $1 billion in cost savings can be achieved because the merger enhances the ability of SPLS to compete with online retailers, as well as with other brick and mortar stores. The operating environment has been tough for some time now, and Staples continues to close underperforming North American stores (169 in 2014 and 60 more planned for 2015). We continue to be constructive on the ongoing shift of resources towards Staples.com and believe the company will realize benefits from continued and forthcoming cost control initiatives, improved operational execution across the board and growth in new product categories. SPLS sports a 2.9% dividend yield.

Seagate Technology PLC (STX)

Seagate is a designer and manufacturer of disk and solid-state storage drives for enterprise and consumer applications. STX shares have been unloved so far in 2015, tumbling more than 20% between January and April, before regaining some ground as of late. Investors have been concerned that Seagate's new drives and high financial leverage could create difficulties down the road. Seagate has an effective duopoly with Western Digital in the conventional hard drive space, however the company doesn't have the same advantage with solid-state drives. SSDs are widely used in smart phones, laptop computers and quick-access enterprise data servers. In an effort to bridge the gap between the high cost per gigabyte of SSDs and the low cost of spinning drives, Seagate has been working hard to develop hybrid drives (SSHD), which theoretically offer the best of both worlds. Although Seagate buys its solid-state memory from Samsung, thus making it vulnerable to market price fluctuations, we believe that it can meet or exceed its goal to make SSHD shipments 80% of the total by 2019. Also likely to benefit from Windows 10 PC upgrades, we remain bullish on Seagate's future, and we like the 3.7% yield and the P/E ratio of 12.

NEWSLETTER PORTFOLIO PERFORMANCE



	Apr	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	1.40	2.35	4.44	15.11	12.48	7.42
Millennium	1.48	1.46	4.13	16.08	13.33	7.55
PruFolio	2.73	3.51	6.30	16.28	14.76	8.94
TPS	1.90	2.88	5.61	17.52	13.95	9.09
Major Indexes						
Russell 3000	0.45	2.26	12.73	16.87	14.33	8.66
S&P 500	0.96	1.92	12.97	16.72	14.32	8.32
Dow Jones Industrial Avg	0.45	0.78	10.11	13.29	12.99	8.53

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	12.64	9.91	Russell 3000
Millennium	12.31.99	9.72	4.87	Russell 3000
PruFolio	12.29.00	14.09	5.77	Russell 3000
TPS	03.10.77	18.40	11.03	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,832 stock recommendations have returned, on average, an annualized 17.35%, not including dividends.

As of 04.30.15. All data are total returns, except for that of all recommended stocks, which excludes dividends. Data for periods greater than one year are annualized. The Dow Jones Industrial Average (DJIA or Dow) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The Russell 3000 Index measure the performance of the largest 3,000 U.S. companies. The Standard & Poor's 500 Stock Index (S&P 500) is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. [1]The Russell 3000 Index lacks sufficient history to match that of Al Frank's TPS Portfolio. We therefore have shown the S&P 500 Index for comparison purposes. SOURCE: Al Frank using data from Bloomberg

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

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

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