July 2, 2015

the Prudent Speculator 585

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What was shaping up to be a solid first half of 2015 for the U.S. equity markets and our portfolios (especially given the miserable returns on fixed income investments) ended with a sizable setback as the giant game of chicken that Athens seemingly has been playing with its creditors for the last five years finally appeared set to cook the country's goose. With Greece looking like it would default (and then actually failing to make a $1.6 billion euro debt repayment to the International Monetary Fund on June 30), the global financial markets struggled late in the month. U.S. stocks suffered their biggest losses of the year on June 29 as the S&P 500 endured its worst percentage decline (2.1%) since April 2014.

"No need to fear the wind if the hay is tied down."

—Irish Proverb

While we understand that 44-point plunges in the S&P are stomach-churning, some comfort can be taken knowing that since the end of 1927, there have been 770 separate trading days in which the S&P 500 has declined by 2% or more, yet the widely-followed index has soared from less than 18 at the end of 1927 to more than 2000 today. And on a total return basis, the S&P has gained approximately 9.3% per annum since 1927, showing that the secret to success with stocks is not to get scared out of them. It is interesting that while over half of the 2% declines took place in the dismal 1930s and the turbulent 2000s, there have actually been 57 such occurrences since the S&P put in its major bottom on March 9, 2009.

Certainly, we respect that equities have enjoyed a period of subdued volatility, so it is not surprising that fear levels moved higher as June ended, with many stock market pundits suggesting that a long-awaited correction is finally taking hold. But students of market history know that pullbacks, downturns and whatever one chooses to call big selloffs are a normal part of the investment process. In fact, data going back to the 1920s show that 10% corrections happen on average every 0.8 years, while Bear Markets take place every 3.1 years, so it is usually a safe bet to call for a market decline...even as we never seem to see any of those who claim to have avoided the big setbacks at the top of the long-term performance rankings.

Of course, lost in the Greek drama and the additional fretting about when the U.S. Federal Reserve will begin to raise interest rates is the observation that the S&P 500 actually inched up 1.23% on a total return basis over the first six months of 2015 and the Russell 3000 Index gained 1.94%, even as the venerable Dow Jones Industrials eked out only a 0.03% return. To be sure, it remained difficult for value-oriented folks as the Russell 3000 Value Index declined by 0.51%, while the Russell 3000 Growth Index advanced 4.33%, so we are pleased that our broadly diversified portfolios of undervalued stocks ended in the green.

The positive first half of 2015 notwithstanding, we suspect that near-term market volatility will remain elevated. After all, traders must balance the fact that Greece accounts for only 2% of European GDP, while much of its debt is no longer held by the private sector, with the knowledge that there is no playbook for an exit of a country from the euro, especially as a contagion could spill over to larger economies like Portugal, Spain and Italy.

Lots to worry about...as is always the case...but for those that share our lengthy time horizon, we will simply ride through the inevitable ups and downs, just as we have done for each of my 28 years with Al Frank. Our long-term faith is buoyed by the generous dividend yields and reasonable valuations of our portfolios, the significant divergence between Value and Growth stock performance in recent years, the very low interest rate environment that is likely to persist even as the Fed moves from a super- to very-accommodative monetary stance and the improving domestic economy. That said, we have raised modest amounts of cash in our portfolios via the sales of several of our fairly valued stocks, so we have some dry powder to deploy on new bargains should they be created.

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. 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 our benchmark index in order to ensure that we are comfortable in the over- or under-weighting 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 recent initial recommendations of leaf tobacco merchant **Universal Corp** (UVV—$57.28) in Consumer Staples and biotech titan **Gilead Sciences** (GILD—$117.08) in Health Care.

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. Indeed, there is a difference in the number of holdings between Millennium Portfolio (86) and PruFolio (90), while Buckingham and TPS Portfolios have been impacted by the usage (in years past) of margin leverage.

PORTFOLIO WEIGHTINGS

Sector	Industry Group	Russell 3000	TPS	Buckingham	PruFolio	Millennium	Avg[1]
Consumer Discretionary		**13.4**	**13.6**	**15.1**	**14.3**	**13.6**	**14.1**
	Autos & Components	1.2	0.0	1.2	1.0	1.0	0.8
	Consumer Dur & App	1.7	3.3	2.1	3.3	3.0	2.9
	Consumer Services	2.2	0.0	2.1	1.2	2.2	1.4
	Media	3.6	4.2	3.9	4.2	1.0	3.3
	Retailing	4.7	6.2	5.8	4.6	6.4	5.8
Consumer Staples		**8.1**	**4.9**	**2.8**	**4.5**	**5.8**	**4.5**
	Food & Staples Retail	2.0	1.0	0.0	0.9	0.9	0.7
	Food Bev & Tobacco	4.4	2.8	2.8	2.5	4.0	3.0
	Household Products	1.7	1.1	0.0	1.1	0.9	0.8
Energy		**7.2**	**10.9**	**10.4**	**10.8**	**9.6**	**10.4**
Financials		**18.0**	**17.8**	**15.7**	**18.5**	**17.7**	**17.4**
	Banks	6.2	7.2	6.5	7.2	8.8	7.4
	Diversified Financials	4.8	4.1	3.5	4.7	1.4	3.4
	Insurance	3.0	3.8	3.7	4.7	5.2	4.3
	Real Estate	3.9	1.7	2.4	1.9	2.1	2.0
Health Care		**14.0**	**9.9**	**7.4**	**7.3**	**9.0**	**8.4**
	Health Care Equip/Srvcs	5.5	4.2	5.9	3.9	5.6	4.9
	Pharma, Biotech & Life Sci	9.7	3.7	3.0	4.3	2.0	3.2
Industrials		**11.4**	**11.9**	**12.4**	**11.0**	**11.7**	**11.7**
	Capital Goods	7.6	5.5	6.0	4.9	6.8	5.8
	Commercial Services	1.1	3.1	3.1	2.8	2.4	2.9
	Transportation	2.2	3.3	3.0	3.0	3.5	3.2
Information Technology		**19.0**	**21.0**	**21.0**	**22.9**	**21.4**	**21.6**
	Semis & Cap Equipment	2.4	2.9	1.2	2.3	2.7	2.3
	Software	10.5	5.2	4.9	4.8	7.2	5.5
	Technology Hardware	6.0	13.4	14.8	12.5	10.4	12.8
Materials		**3.5**	**5.9**	**6.5**	**6.0**	**6.1**	**6.1**
Telecom Services		**2.0**	**1.4**	**1.4**	**1.2**	**2.5**	**1.6**
Utilities		**2.9**	**1.1**	**0.9**	**1.0**	**2.3**	**1.3**
Cash		**0.0**	**4.1**	**5.1**	**5.3**	**2.2**	**4.2**

Russell 3000 and Newsletter Portfolios as of 06.30.15. [1]Average of the four newsletter portfolios. SOURCE: Al Frank using data from Russell Investments via Bloomberg

Graphic Detail

Performance Attribution

The following few paragraphs hardly do the subject justice, but the simple annual attribution reports displayed below help to better understand how our newsletter portfolios are performing relative to our Russell 3000 benchmark index. They allow us to gain 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).

Though Information Tech, Energy and Industrials (areas where we continue to find great value), which each had a larger weighting than the benchmark, were big negative contributors, TPS Portfolio outperperformed the Russell 3000 by 32 basis points during the first half of 2015. Strong selection in Financials and Telecom helped, while a significant underweight position in Health Care (there just are not a lot of bargains) hurt performance.

The return of Buckingham Portfolio was slightly weaker, but still essentially matched that of the Russell 3000, driven by many of the same negative and positive contributors as in TPS Portfolio. Poor selection in Information Technology, Energy and Industrials was mostly offset by favorable stock picking in Consumer Staples, Telecom and Consumer Discretionary. The sizable underweight position in Utilities boosted performance.

2015 YTD PERFORMANCE ATTRIBUTION

	TPS Portfolio			Russell 3000			Attribution Analysis	
	Average	Total	Contribution	Average	Total	Contribution	Allocation	Selection
Sector	**Weight**	**Return**	**To Return**	**Weight**	**Return**	**To Return**	**Effect**	**Effect**
Consumer Discretionary	13.2	7.6	0.9	13.0	6.1	0.8	0.0	0.2
Consumer Staples	5.4	3.5	0.2	8.5	-0.4	0.0	0.1	0.2
Energy	11.4	-3.6	-0.4	7.3	-4.1	-0.3	-0.3	0.1
Financials	17.5	3.8	0.7	17.6	0.4	0.1	0.0	0.6
Health Care	8.8	12.5	1.1	14.6	11.4	1.6	-0.5	0.1
Industrials	11.4	-1.7	-0.2	11.2	-2.1	-0.2	0.0	0.1
Information Technology	22.0	-3.0	-0.6	19.2	1.9	0.3	0.0	-1.1
Materials	5.9	4.6	0.3	3.6	0.0	0.0	0.0	0.3
Telecom Services	1.2	43.4	0.4	2.0	3.6	0.1	0.0	0.4
Utilities	1.1	-5.9	-0.1	3.1	-10.6	-0.3	0.3	0.1
Cash	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total:		**2.3**	**Total:**		**1.9**	**-0.4**	**0.8**

	Buckingham Portfolio			Russell 3000			Attribution Analysis	
	Average	Total	Contribution	Average	Total	Contribution	Allocation	Selection
Sector	**Weight**	**Return**	**To Return**	**Weight**	**Return**	**To Return**	**Effect**	**Effect**
Consumer Discretionary	15.2	7.1	1.1	13.0	6.1	0.8	0.1	0.2
Consumer Staples	5.4	11.2	0.7	8.5	-0.4	0.0	0.1	0.6
Energy	10.8	-5.9	-0.6	7.3	-4.1	-0.3	-0.3	-0.2
Financials	15.9	2.3	0.4	17.6	0.4	0.1	0.1	0.3
Health Care	8.3	13.5	1.1	14.6	11.4	1.6	-0.5	0.2
Industrials	12.7	-2.7	-0.3	11.2	-2.1	-0.2	-0.1	-0.1
Information Technology	21.3	-3.1	-0.7	19.2	1.9	0.3	0.0	-1.1
Materials	6.7	0.4	0.0	3.6	0.0	0.0	-0.1	0.0
Telecom Services	1.2	43.4	0.4	2.0	3.6	0.1	0.0	0.4
Utilities	0.3	-6.3	-0.1	3.1	-10.6	-0.3	0.4	0.0
Cash	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Total:		**2.0**	**Total:**		**1.9**	**-0.3**	**0.4**

Russell 3000 and Newsletter Portfolios from 12.31.14 though 06.30.15. Holdings-based attribution using end-of-day account positions. Performance figures do not include fees or transaction costs. SOURCE: Al Frank using data from Russell Investments via Bloomberg

Recommended Stocks

In this space, we list each month 40 of our most attractively priced recommended stocks. All trade for significant discounts to our determination of long-term fair value and/or offer favorable risk/reward profiles. Note that, while we always seek substantial capital gains, we require lower appreciation potential for stocks that we deem to have more stable earnings streams, more diversified businesses and stronger balance sheets. The natural corollary is that riskier companies must offer far greater upside to warrant a recommendation. Further, as total return is how performance is ultimately judged, we explicitly factor dividend payments into our analytical work.

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Price Multiples Sales	Price Multiples TBV[2]	EV/ EBITDA[3]	Debt/ TE[4]	Div Yld	Mkt Cap
Banks	CM	Canadian Imperial Bank	73.72	96.95	8.1	nmf	1.8	nmf	nmf	4.7%	29,287
	HSBC	HSBC Holdings PLC	44.81	59.89	10.3	nmf	1.1	nmf	nmf	5.6%	174,902
Capital Goods	• ARII	American Railcar Ind	48.64	71.60	9.1	1.3	2.0	5.9	58%	3.3%	1,039
	CAT	Caterpillar	84.82	109.35	13.1	0.9	6.8	6.4	367%	3.6%	51,206
	FLR	Fluor	53.01	81.78	11.7	0.4	2.6	4.8	34%	1.6%	7,770
	GE	General Electric Co	26.57	34.85	16.2	1.9	10.5	14.9	788%	3.5%	267,717
Commercial Services	WM	Waste Management	46.35	55.65	19.0	1.6	nmf	8.5	nmf	3.3%	21,220
Consumer Dur & App	MDC	MDC Holdings	29.97	45.26	21.3	0.8	1.2	20.9	74%	3.3%	1,464
Energy	APA	Apache	57.63	101.81	15.4	1.8	1.0	nmf	53%	1.7%	21,732
	CHK	Chesapeake Energy	11.17	21.72	11.6	0.4	0.7	nmf	111%	3.1%	7,430
	ESV	Ensco PLC	22.27	42.17	3.4	1.1	0.6	nmf	72%	2.7%	5,218
	PGN	Paragon Offshore PLC	1.09	4.12	0.4	0.1	0.2	nmf	346%	0.0%	93
	RDS/A	Royal Dutch Shell PLC	57.01	83.38	8.7	0.2	1.0	4.6	24%	5.6%	180,046
	SFL	Ship Finance Int'l Ltd	16.32	20.88	11.3	4.5	1.3	13.2	134%	10.5%	1,522
	TDW	Tidewater	22.73	45.79	6.1	0.7	0.4	18.3	62%	4.4%	1,068
	TOT	TOTAL SA	49.17	77.64	10.4	0.7	1.3	5.8	48%	4.6%	117,799
	XOM	Exxon Mobil	83.20	102.17	12.5	1.1	2.0	8.5	7%	3.5%	347,868
Food & Staples Retailing	WMT	Wal-Mart Stores	70.93	93.07	14.2	0.5	3.9	7.6	74%	2.8%	228,434
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	48.22	60.40	14.4	0.4	1.9	8.7	36%	2.3%	29,914
Insurance	ALL	Allstate	64.87	81.90	11.6	nmf	1.4	nmf	nmf	1.8%	26,533
Materials	ABX	Barrick Gold	10.66	21.30	20.1	1.3	2.3	nmf	234%	1.9%	12,415
	AUY	Yamana Gold	3.00	7.05	nmf	1.8	0.6	nmf	32%	2.0%	2,825
	BHP	BHP Billiton Ltd	40.71	58.92	10.3	1.1	1.9	5.2	41%	6.1%	106,834
Pharma/Biotech/Life Sci	JNJ	Johnson & Johnson	97.46	117.06	16.3	3.7	13.9	10.5	78%	3.1%	270,261
Real Estate	ANH	Anworth Mortgage Asset	4.93	6.57	9.7	nmf	0.8	nmf	nmf	12.2%	517
	BMR	BioMed Realty Trust	19.34	28.18	19.1	nmf	1.3	nmf	nmf	5.4%	3,937
Retailing	KSS	Kohl's	62.61	84.69	14.6	0.6	2.1	6.2	77%	2.9%	12,389
Semis & Cap Equipment	INTC	Intel	30.42	40.23	12.8	2.6	3.5	5.7	30%	3.2%	144,289
Software & Services	IBM	Int'l Business Machines	162.66	227.16	9.7	1.8	nmf	8.7	nmf	3.2%	160,177
	MSFT	Microsoft	44.15	53.99	16.9	3.8	5.8	8.9	34%	2.8%	357,155
	ORCL	Oracle	40.30	52.24	16.7	4.6	21.4	9.7	489%	1.5%	174,744
Technology Hardware	AVX	AVX	13.46	19.18	14.3	1.7	1.2	5.6	0%	3.1%	2,262
	ERIC	LM Ericsson	10.44	16.35	19.2	1.2	3.1	9.2	24%	2.5%	34,328
	GLW	Corning	19.73	29.83	12.6	2.6	1.5	7.9	19%	2.4%	24,831
	QCOM	Qualcomm	62.63	90.77	13.4	3.7	3.3	8.5	0%	3.1%	102,097
	STX	Seagate Technology PLC	47.50	73.16	9.8	1.1	7.9	5.3	205%	4.5%	15,076
Transportation	CSX	CSX	32.65	39.28	16.5	2.5	2.9	8.4	85%	2.2%	32,258
	NM	Navios Maritime Holdings	3.72	7.10	nmf	0.7	0.4	10.4	185%	6.5%	388
Utilities	CWT	California Water Service	22.85	28.37	17.2	1.8	1.8	10.6	68%	2.9%	1,094
	ETR	Entergy	70.50	90.21	13.5	1.0	1.3	6.5	128%	4.7%	12,656

As of 06.30.15. 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

Noting that any stock that we own in our newsletter portfolios is fair game for purchase and choosing again to feature undervalued names that have not been discussed in a while in this space, we will pick up $29,000 of **American Railcar** in TPS Portfolio, $6,000 of **California Water** in Buckingham Portfolio and $20,000 of **Oracle** in PruFolio. We already hold sizable positions in **Archer Daniels**, **Allstate**, **CSX**, **HSBC**, **Kohl's**, **Waste Management** and **ExxonMobil** and/or maintain sufficient weightings in their industries/sectors. We will transact on July 9.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
ADM	Archer-Daniels-Midland	Consumer Staples	48.22	60.40
ALL	Allstate	Financials	64.87	81.90
ARII	American Railcar Ind	Industrials	48.64	71.60
CSX	CSX	Industrials	32.65	39.28
CWT	California Water Service	Utilities	22.85	28.37
HSBC	HSBC Holdings PLC	Financials	44.81	59.89
KSS	Kohl's	Consumer Discretionary	62.61	84.69
ORCL	Oracle	Information Technology	40.30	52.24
WM	Waste Management	Industrials	46.35	55.65
XOM	Exxon Mobil	Energy	83.20	102.17

As of 06.30.15. SOURCE: Al Frank using data from Bloomberg

Archer-Daniels-Midland (ADM)

Archer Daniels is one of the largest agricultural services companies in the world with more than $78 billion in net sales over the last year. ADM is in the business of converting agricultural harvest such as corn, wheat, soybeans and other products into basic ingredients for both consumer and industrial product manufacturers. Our optimism for ADM continues, as we remain confident that the longer-term global secular growth trends in agriculture are intact. We also like that management is working hard to strengthen its balance sheet, despite commodity prices doing the firm no favors, and to achieve 100 million euros of cost savings via synergies in the WILD Flavors and Specialty Ingredients segment. We believe ADM shares are attractively valued, currently trading for 14.1 times forward earnings estimates and yielding 2.3%.

Allstate (ALL)

Allstate is the largest publicly traded personal lines insurance company in the U.S., with about 12% of the market. Primarily a direct writer of a full array of property and casualty products (preferred, standard and nonstandard auto insurance and homeowners' insurance), ALL also offers life insurance and annuities. The firm's products are sold in North America by more than 11,000 exclusive Allstate agents as well as by independents, banks and insurance brokers. We like that ALL's auto insurance business continues to perform well and that the fundamentals in homeowners insurance are improving. Additionally, we are pleased that the firm continues to hone its strategy to provide unique offerings to numerous consumer segments (via Allstate, esurance, Encompass and Answer Financial). We remain confident that Allstate is well-positioned for the long term, thanks to its vast distribution network, scale and resulting cost advantages, pricing sophistication and product design. Additionally, we like that the company is actively buying back stock and that earlier this year it raised the dividend 12% (marking five consecutive years of increases). Allstate shares have a 1.8% yield and trade for less than 12 times earnings.

American Railcar Industries (ARII)

ARII is a designer and manufacturer of hopper and tank railcars. The company also leases, repairs and refurbishes railcars, provides fleet management services and designs and manufactures certain railcar and industrial components. Its primary customers include leasing companies, industrial shippers and railroads. Shares are down almost 40% since September as investors have grown concerned that the sharp drop in energy and commodity prices would ultimately derail new orders. While there are operating obstacles to overcome, we believe the sharp selloff is overdone. ARII recently reported record quarterly revenue and earnings, and the firm has an order backlog valued at $1.1 billion. The company sports a solid balance sheet and is benefitting from the growth in its lease fleet. Market softness will likely continue for a while, but we believe that customers will take a longer-term view toward shipping crude, while new regulations on oil transportation could drive demand as customers have to replace or retrofit older units. Additionally, we are pleased to see industry statistics showing strength in usage and increasing demand for a number of styles of freight cars, as overall U.S. rail shipping activity is solid. ARII currently trades at less than 9 times forward earnings projections and yields 3.3%.

CSX (CSX)

CSX is a global freight transportation company, moving cargo by railroad, intermodal, container and barge. The company battled decreasing coal volume and harsh winter weather in the first quarter, factors which were offset by cost saving initiatives, lower fuel costs and stronger pricing power. Although management expects a strengthening U.S. dollar to result in flat demand for the second quarter, we believe that CSX's strong East Coast network and broad spectrum of merchandise traffic will trickle down to earnings. We maintain that CSX is well-positioned for long-term growth and we like that management continues to cut costs ($200 million in efficiency savings targeted for 2015). The company is also working to improve on-time originations and arrivals, safety, dwell time in terminals and train velocity. CSX recently raised its quarterly dividend 13% to $0.18 per share and initiated a $2.0 billion share buyback program. Shares yield 2.2%.

California Water Service (CWT)

California Water Service is the third-largest investor-owned water utility in the United States. The company has six wholly-owned subsidiaries operating in California, Washington, New Mexico and Hawaii. Four of the six are regulated by state public utilities commissions. The non-regulated businesses leverage the company's expertise in operating water and wastewater systems and provide related utility services. CWT serves more than two million people, generates more than $600 million in annual revenue and owns in excess of $1.6 billion in gross utility plant assets. We are attracted to the water segment of the utility space, as we think that fresh water will continue to become an ever-more precious commodity. We note that CWT decouples utility rates, which removes the disincentive utilities have to encourage waste. This generally reduces the upside when water usage rises and insulates downside when usage falls (as it should with the recent restrictions in California). We believe CWT is inexpensive relative to its peers and that its management team possesses substantial operational expertise. The recent downturn in the stock price has CWT yielding 2.9%.

HSBC Holdings PLC (HSBC)

HSBC Holdings is one of the world's largest banking and financial services organizations, operating through an international network of 6,100 offices in 73 countries and territories. While HSBC has an unrivaled global footprint, we like that the company is undertaking a significant reshaping of its business portfolio in efforts to capture value from its presence around the world. We also like HSBC's exposure to higher economic growth markets, helping drive demand for its diversified products and services, from checking accounts and international trade services to wealth management. Additionally, we are constructive on management's recent decision to align itself to the world's largest trade and economic zones, shifting its business mix further towards Asia, as well as its focus on materially cutting costs and delivering a progressive dividend. HSBC trades at less than 11 times estimated forward 12-month earnings and yields more than 5%.

Kohl's (KSS)

Kohl's is a leading specialty department store with 1,164 stores in 49 states, offering moderately priced apparel, footwear, accessories and home goods. Its off-the-mall format distinguishes Kohl's from the majority of department store operators, with the convenience of this setup seemingly attractive to consumers. While the company still has room to expand into new and existing markets, we like that the majority of current stores are predominately new or remodeled. The Kohl's sales mix is well-diversified and the retailer has increased sales of higher-margin private and exclusive brands. Management continues to look for creative ways to drive new traffic and increase ticket levels, via key initiatives like localization of store assortments, expanded beauty offerings and its loyalty program. Kohl's has a solid balance sheet and generates robust free cash flow, which provides flexibility for expansion, investments in growth drivers such as Internet commerce, and the return of capital to shareholders. KSS trades for less than 14 times forward earnings projections and yields 2.9%.

Oracle (ORCL)

Oracle is a worldwide leader in software for enterprise information and database management. We believe that ORCL's partnership agreements with Salesforce, NetSuite and Microsoft will continue to prove extremely beneficial to the bottom line as they build on the Exadata platform. ORCL is the only major technology vendor that offers applications, infrastructure and a platform, all in one cloud—a meaningful competitive advantage as it allows a single cloud environment to be accessed, shared and used in a variety of ways. We were generally disappointed with recent Q4 results, although we understand that currency headwinds were a substantial contributing factor that ORCL has no control over. We believe that growth of IT spending in Europe and the Middle East will continue to be soft in the near term, while the Americas and Asia-Pacific can pick up some of the slack. Tremendous growth in the SaaS and PaaS segments should continue to drive the company forward, although near-term sales figures will probably be reduced due to currency, but we think that ORCL's strong balance sheet and superior products will help carry the company through these more difficult times. Oracle continues to aggressively buy back stock, maintains $3 per diluted share in net cash, sports a reasonably low forward P/E ratio of 14.9 and yields 1.5%.

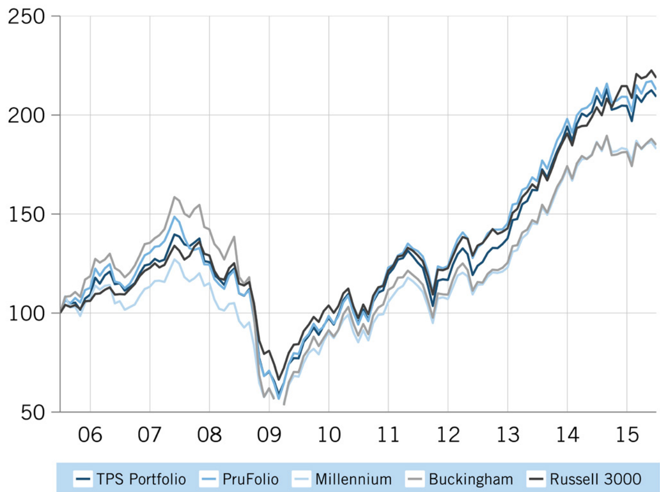
Waste Management (WM)

WM is the leading provider of comprehensive waste management services in North America. Through its subsidiaries, the company provides collection, transfer, recycling and resource recovery, and disposal services to residential, commercial, industrial and municipal customers. It is also a leading developer, operator and owner of landfill gas-to-energy facilities in the United States. WM has the largest network of recycling facilities, transfer stations and landfills in the industry (even receiving revenue in certain regions from competitors that have to use its landfills). While the company faces some near-term headwinds from unfavorable commodity prices in the recycling business and some pricing constraints, we believe that the firm's strategic execution initiatives will reward investors as pricing and volumes in WM's core business improve. WM generates attractive free cash flow, and received almost $2 billion of cash when it sold its Wheelabrator Technologies subsidiary at the end of 2014. We see the cash and cash flow giving management the ability to strengthen the balance sheet, reinvest in solutions that address the entire waste stream, buy back shares and increase the dividend. WM shares currently yield 3.3%.

Exxon Mobil (XOM)

While Exxon is the world's largest international integrated oil and gas company, and one of the most respected and recognizable global business names in the world, its stock has not been immune from the oil selloff as shares are down more than 20% since last summer. We don't expect operational challenges to go away anytime soon, but we believe they are not permanent in nature as we still subscribe to the long-term global-energy story that usage in emerging economies will continues to rise. We like that the company is well-run and that management is focused on operating fundamentals in this lower price environment. Additionally, XOM is the only player in the energy patch with a AAA credit rating and its fortress balance sheet and strong cash flow generation give it the financial flexibility to selectively invest in higher value products and, given the environment, potentially acquire assets on the cheap. We are constructive on XOM's cost control initiatives and the value that its upstream and downstream operations achieve due to a high level of integration. XOM shares presently yield 3.5%.

NEWSLETTER PORTFOLIO PERFORMANCE



	Jun	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	-1.61	1.95	-0.61	16.94	15.84	6.34
Millennium	-1.85	0.11	-1.91	16.98	16.50	6.22
PruFolio	-2.05	1.67	-0.45	16.90	17.69	7.84
TPS	-1.53	2.26	-0.15	19.11	17.15	7.66
Major Indexes						
Russell 3000	-1.67	1.94	7.29	17.74	17.54	8.14
S&P 500	-1.94	1.23	7.42	17.30	17.33	7.89
Dow Jones Industrial Avg	-2.06	0.03	7.21	13.77	15.41	8.31

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	12.42	9.74	Russell 3000
Millennium	12.31.99	9.51	4.79	Russell 3000
PruFolio	12.29.00	13.77	5.68	Russell 3000
TPS	03.10.77	18.29	10.96	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,833 stock recommendations have returned, on average, an annualized 17.30%, not including dividends.

As of 06.30.15. 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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