October 2, 2015

the Prudent Speculator

588

Established in March 1977 • 30 Enterprise, Suite 210 • Aliso Viejo, California 92656 • 800.258.7786

While many will argue the credit should be attributed to someone other than Hall of Fame wide receiver Jerry Rice, we have long liked the quotation, "When you get in the end zone, act like you've been there before," as we do not celebrate wildly when the market averages rally and our portfolios score touchdowns. Likewise, we are not surprised or depressed when the indexes and our portfolios endure an inevitable rough patch, as punts, fumbles and interceptions are also part of the game.

> "Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation."
> —Vannevar Bush

Obviously, we are now in one of those turnover-filled periods as stocks just completed an ugly third quarter, with the S&P 500 shedding 6.4% on a total-return basis, and the Russell 3000 index dropping 7.3%. Value stocks like those that we have long favored suffered even worse performance, with the Russell 3000 Value index skidding 8.6%, compared to a 5.9% decline for the Russell 3000 Growth index. Believe it or not, the score for those two indexes for the first nine months of 2015 was even more of a rout as Value tumbled 9.1% and Growth dipped only 1.9%.

Clearly, there has been no shortage of penalty flags of late to cause consternation for investors. After all, commodity prices remained weak, pressuring the profit outlook for many companies in the Energy, Industrials and Materials sectors. The Chinese stock market gave back the lion's share of its recent gains, economic data out of the Middle Kingdom and elsewhere compelled forecasters to lower their projections for global GDP growth and the refugee crisis exploded across Europe. Also, folks fretted over the timing of the first interest rate increase from the Federal Reserve and then dumped stocks anew when Janet Yellen & Co. decided not to raise interest rates at the September FOMC Meeting, sparking additional worries about the health of the global and U.S. economies.

To be sure, the fact that the major domestic market averages had not suffered even so much as a 10% setback since 2011 has heightened the concern about the recent volatility, even as market history dating back to 1926 shows that corrections of that magnitude without an intervening 10% rebound have occurred 101 times, or once every eight months, on average. And the calendar hasn't helped either as the summer months are part of the seasonally less favorable time of year, with September and October the two worst performing months.

While we have taken the sell-off in stride, just as we did during far worse setbacks in 1987, 1990, 1998, 2000, 2001, 2002, 2003, 2008, 2009 and 2011, we have called a time-out or two in redeploying the proceeds of our recent sales, with cash balances in our managed account client portfolios currently at some of the highest levels we've seen in years. We are still heavily invested in stocks, of course, and we expect our elevated cash to be a temporary condition as we look to take advantage of some of the fire sales that have been occurring as traders stampede for the exits, while the seasonally favorable time of year is just around the corner.

We also like that dividend yields on our stocks (2.9% on average) have become even more attractive, especially with the yield on the 10-year U.S. Treasury now below 2%. We are braced for more scrimmages, but we believe the summer swoon has discounted much of the bad news to come on the earnings front, while we note that sentiment has become quite bearish. The latest reads on global manufacturing were dismal and the September jobs report was a big disappointment, likely keeping the Fed on hold and uncertainty high a while longer, but we think the U.S. economy will muddle along as consumers generally remain upbeat, helping to keep corporate profits healthy on average. Finally, we know that the markets have historically provided plenty about which to cheer, with U.S. equities returning 9% to 11% per annum, while supposedly sophisticated quarterbacks like hedge fund managers generally proved again this go round that the only problem with market timing is getting the timing right!

Chief Investment Officer
Al Frank Asset Management (AFAM)

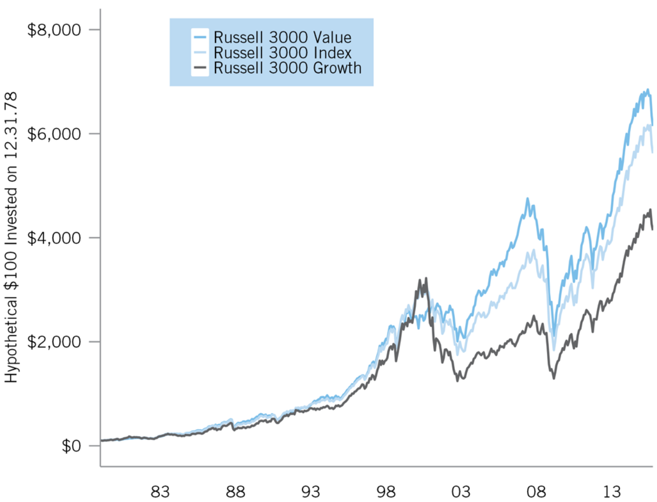
Graphic Detail

Benchmark Perspectives

While we long have been of the mind that it is tough to beat the benchmark if your portfolio *looks* like the benchmark, intrepid readers of *The Prudent Speculator* likely noticed last month that we added the Russell 3000 Value index to the performance comparison tables on the back page of the newsletter. Heretofore, we had listed only the broad-based Russell 3000 and S&P 500 indexes, the former more or less (we also consider ADRs of foreign companies) representing the universe of stocks from which we select and the latter long serving as the as-

LONG-TERM VALUE VERSUS GROWTH

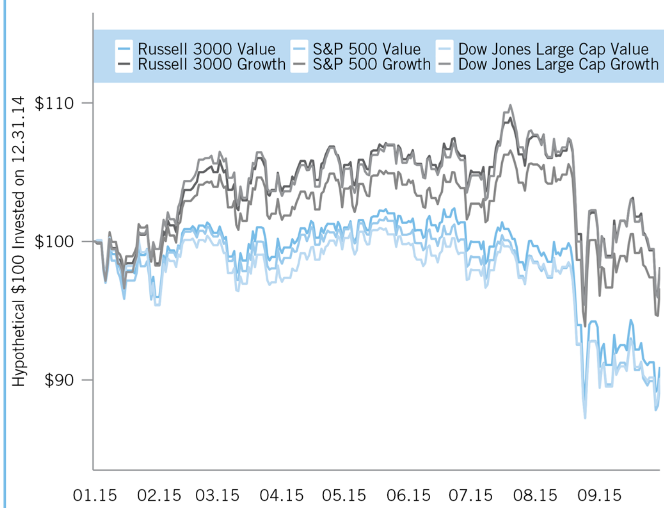
Dating back almost to the inception of *The Prudent Speculator* in 1977, Russell data shows that Value leads the long-term race.



From 12.31.78 through 09.30.15. SOURCE: Al Frank using data from Bloomberg

2015 VALUE VERSUS GROWTH

It has been a dramatically different story through the first three quarters of 2015, no matter the Value vs. Growth data provider.



From 12.31.14 through 09.30.15. SOURCE: Al Frank using data from Bloomberg

INDEX PERFORMANCE

Plenty of dispersion in performance numbers across the indexes, but our returns more closely resemble those of the Value indexes.

		Total Return			
Index	**YTD**	**3-Year**	**5-Year**	**10-Year**	**Incep***
Dow Jones Industrial Avg.	-7.0%	9.3%	11.4%	7.2%	8.4%
S&P 500	-5.3%	12.4%	13.3%	6.8%	8.8%
Russell 3000	-5.5%	12.5%	13.3%	6.9%	9.2%
Russell 3000 Value	-9.1%	11.4%	12.1%	5.7%	8.7%
Russell 3000 Growth	-1.9%	13.5%	14.4%	8.0%	9.6%
Dow Jones Large Cap Value	-7.9%	10.7%	12.5%	6.0%	8.2%
Dow Jones Large Cap Growth	-1.0%	12.6%	14.1%	7.4%	8.7%
Dow Jones MidCap U.S. Value	-5.2%	14.6%	12.3%	5.2%	9.0%
Dow Jones MidCap U.S. Growth	-4.5%	14.2%	14.1%	8.2%	11.6%
Dow Jones Smallcap Value	-11.8%	9.0%	8.1%	3.7%	7.5%
Dow Jones Smallcap Growth	-5.9%	12.6%	13.2%	7.6%	11.1%
Buckingham	**-8.8%**	**10.7%**	**10.9%**	**4.1%**	**11.8%**
Millennium	**-9.4%**	**11.1%**	**11.7%**	**4.8%**	**11.0%**
PruFolio	**-8.4%**	**10.5%**	**12.5%**	**5.9%**	**12.4%**
TPS	**-8.1%**	**12.3%**	**12.2%**	**6.0%**	**14.4%**
Newsletter Portfolio Average	**-8.7%**	**11.1%**	**11.8%**	**5.2%**	**12.4%**

As of 09.30.15. *The common inception for the four newsletter porfolios is 01.31.03. The index performance also begins on that date. SOURCE: Al Frank using data from Bloomberg

INDEX METRICS

Our portfolios sport average valuations that are less expensive than even the Value indexes, not to mention the S&P and Russell 3000.

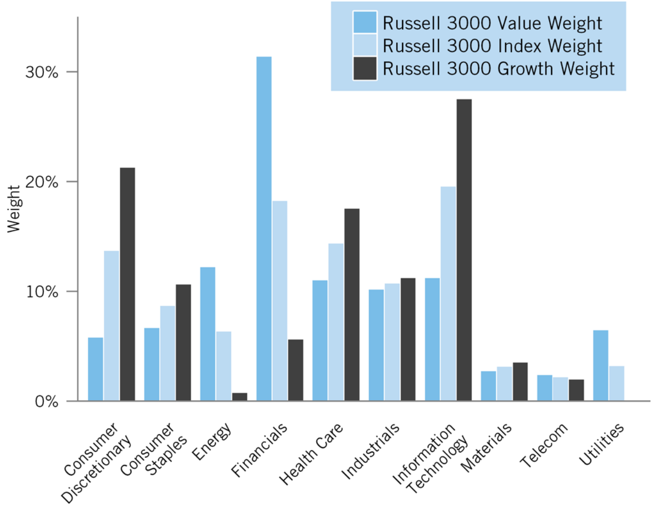
Index	**Price/ Earnings**	**Price/ Sales**	**Price/ Book Val**	**Dividend Yield**
Dow Jones Industrial Avg.	14.2	1.6	2.8	2.6%
S&P 500	17.0	1.7	2.6	2.3%
Russell 3000	18.4	1.6	2.4	2.1%
Russell 3000 Value	15.7	1.3	1.6	2.7%
Russell 3000 Growth	22.1	1.9	4.1	1.6%
Dow Jones Large Cap Value	14.8	1.6	2.1	3.2%
Dow Jones Large Cap Growth	22.3	2.5	4.6	1.2%
Dow Jones MidCap U.S. Value	16.5	1.2	1.7	2.9%
Dow Jones MidCap U.S. Growth	27.1	2.0	4.3	0.8%
Dow Jones Smallcap Value	16.1	0.9	1.3	3.7%
Dow Jones Smallcap Growth	36.6	1.3	3.4	0.7%
Buckingham	**14.2**	**0.8**	**1.4**	**3.0%**
Millennium	**14.2**	**0.9**	**1.4**	**3.1%**
PruFolio	**13.9**	**0.8**	**1.4**	**2.8%**
TPS	**14.5**	**0.8**	**1.4**	**2.8%**
Newsletter Portfolio Average	**14.2**	**0.8**	**1.4**	**2.9%**

As of 09.30.15. Using a sector-based ETF (SPY) as proxy for Standard & Poor's 500. SOURCE: Al Frank using data from Bloomberg set management industry standard. Of course, some may wonder what took us so long, given that we forever have espoused a value-oriented investment approach. After all, we find the buying of businesses at bargain prices to be logical, while more than eight decades of market history, per data from Professor's Fama and French, show that Value has outperformed Growth by a per-annum score of 13.5% to 9.1% from 1927 through 2014.

To be sure, our average metrics are very inexpensive and far more like those of the Russell 3000 Value index, but our sector exposures look much more like those of the Russell 3000 (or S&P 500) as we find plenty of value in Technology stocks and we do not desire such a massive weighting in Financials. As such, we think it reasonable to consider both the Russell 3000 Value index and the Russell 3000 when evaluating our relative performance.

RUSSELL INDEX WEIGHTS

Consumer Discretionary, Energy, Financials and Technology are sectors with large differences between the various Russell indexes.



As of 09.30.15. SOURCE: Al Frank using data from Bloomberg

YTD RUSSELL 3000 ATTRIBUTION

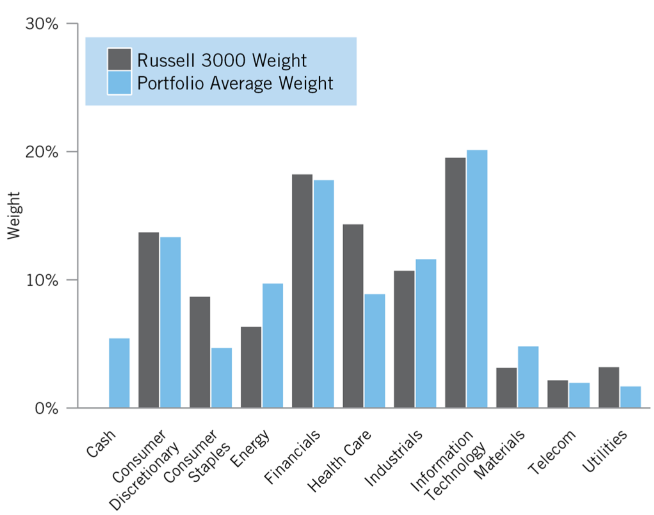
The weights in Energy, Industrials and Technology are not that large, but the trio account for 60%+ of Value's miserable YTD return.

	Average Weight			Contribution		
Sector	**Value**	**3000**	**Growth**	**Value**	**3000**	**Growth**
Cons. Disc.	6.6%	13.1%	19.3%	-0.4%	0.2%	0.7%
Cons. Staples	6.7%	8.4%	10.1%	-0.5%	-0.1%	0.3%
Energy	11.2%	7.1%	3.2%	-3.3%	-1.7%	-0.1%
Financials	30.8%	17.8%	5.5%	-1.8%	-1.1%	-0.3%
Health Care	13.0%	14.8%	16.5%	0.3%	-0.3%	-0.8%
Industrials	10.3%	11.0%	11.7%	-1.0%	-1.1%	-1.2%
Info Tech	9.9%	19.1%	27.9%	-1.4%	-0.6%	0.2%
Materials	3.1%	3.5%	3.9%	-0.6%	-0.6%	-0.6%
Telecom	2.1%	2.1%	2.0%	-0.1%	-0.1%	-0.1%
Utilities	6.2%	3.0%	0.1%	-0.5%	-0.2%	0.0%
Total				**-9.4%**	**-5.6%**	**-1.9%**

As of 09.30.15. Contributions may not sum to index returns due to rounding. SOURCE: Al Frank using data from Bloomberg

RUSSELL 3000 SECTOR COMPARISONS

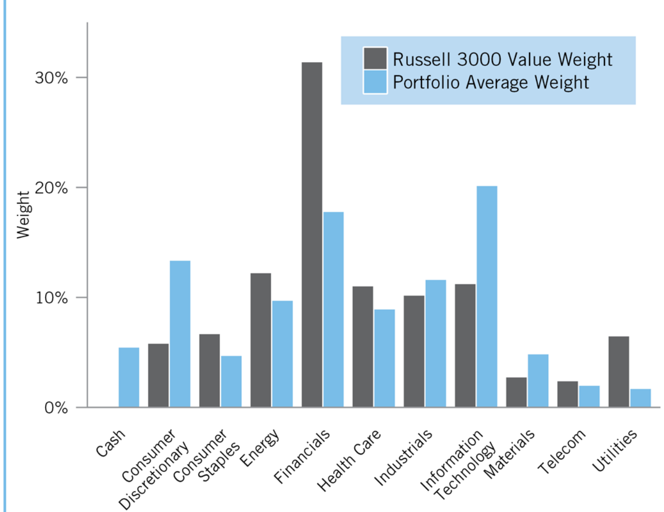
The sector weightings of our portfolios look more like those of the broad-based Russell 3000 index, our long-time benchmark.



As of 09.30.15. SOURCE: Al Frank using data from Bloomberg

RUSSELL 3000 VALUE SECTOR COMPARISONS

We have long liked the Info Tech sector and we are not comfortable with the 30% weight in Financials in the Russell 3000 Value index.



As of 09.30.15. 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.

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples			EV/ EBITDA[3]	Debt/ TE[4]	Div Yld	Mkt Cap
					EPS	Sales	TBV[2]				
Autos & Components	GM	General Motors	30.02	44.17	7.0	0.3	1.6	2.8	135%	4.8%	47,552
Banks	CM	Canadian Imperial Bank	71.96	97.84	7.7	nmf	1.7	nmf	nmf	4.6%	28,590
	HSBC	HSBC Holdings PLC	37.88	59.36	9.0	nmf	0.9	nmf	nmf	6.6%	148,211
Capital Goods	ETN	Eaton PLC	51.30	84.21	10.8	1.1	nmf	9.3	nmf	4.3%	23,983
	FLR	Fluor	42.35	75.95	9.4	0.3	2.0	3.8	33%	2.0%	6,138
	TPC	Tutor Perini	16.46	31.04	10.1	0.2	1.1	6.8	113%	0.0%	808
	TRN	Trinity Industries	22.67	46.77	5.4	0.5	1.4	4.3	131%	1.9%	3,501
Consumer Dur & App	COH	Coach	28.93	47.91	15.1	1.9	4.7	9.1	52%	4.7%	8,028
	MDC	MDC Holdings	26.18	46.27	19.0	0.7	1.0	18.8	73%	3.8%	1,280
Diversified Financials	CS	Credit Suisse Group AG	24.03	43.19	9.9	nmf	1.1	nmf	nmf	3.1%	39,371
Energy	DO	Diamond Offshore Drilling	17.30	32.29	6.1	0.9	0.6	7.9	47%	2.9%	2,373
	RDS/A	Royal Dutch Shell PLC	47.39	83.83	8.3	0.2	0.8	4.6	27%	6.7%	150,629
	TNP	Tsakos Energy Navigation	8.13	14.01	7.1	1.3	0.5	7.5	106%	3.0%	710
	BRS	Bristow Group	26.16	58.91	8.6	0.5	0.6	8.2	60%	5.2%	914
Food & Staples Retailing	WMT	Wal-Mart Stores	64.84	89.31	13.3	0.4	3.4	7.2	70%	3.0%	207,873
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	41.45	61.22	13.0	0.3	1.7	8.3	39%	2.7%	25,241
Health Care Equip/Srvcs	QSII	Quality Systems	12.48	18.63	20.2	1.5	5.4	9.7	0%	5.6%	753
Insurance	MET	MetLife	47.15	79.77	7.9	nmf	0.9	nmf	nmf	3.2%	52,661
	PRU	Prudential Financial	76.21	115.93	7.6	nmf	0.9	nmf	nmf	3.0%	34,371
Materials	MOS	Mosaic	31.11	68.82	12.5	1.2	1.3	5.7	45%	3.5%	11,023
	CE	Celanese	59.17	93.79	9.6	1.5	4.1	10.9	114%	2.0%	9,073
Pharma/Biotech/Life Sci	AMGN	Amgen	138.32	206.92	16.4	5.1	nmf	11.7	nmf	2.3%	104,881
	GILD	Gilead Sciences	98.19	154.10	10.1	4.9	32.3	7.1	268%	1.8%	144,104
	JNJ	Johnson & Johnson	93.35	116.53	15.5	3.6	11.4	10.4	62%	3.2%	258,496
Real Estate	ANH	Anworth Mortgage Asset	4.94	6.79	8.7	nmf	0.8	nmf	nmf	12.1%	507
	BMR	BioMed Realty Trust	19.98	29.12	19.6	nmf	1.3	nmf	nmf	5.2%	4,067
Retailing	KSS	Kohl's	46.31	82.07	10.9	0.5	1.6	5.1	81%	3.9%	9,007
	SSI	Stage Stores	9.84	20.16	8.6	0.2	0.7	3.0	20%	6.1%	315
Semis & Cap Equipment	INTC	Intel	30.14	41.85	12.6	2.6	3.3	5.8	28%	3.2%	143,286
Software & Services	IBM	Int'l Business Machines	144.97	219.86	8.9	1.6	nmf	8.4	nmf	3.6%	142,002
	MSFT	Microsoft	44.26	54.66	16.6	3.8	6.1	12.1	48%	2.8%	353,991
	SYMC	Symantec	19.47	30.03	12.9	2.1	nmf	7.9	nmf	3.1%	13,321
Technology Hardware	AVX	AVX	13.09	19.25	14.4	1.7	1.2	5.6	0%	3.2%	2,199
	CSCO	Cisco Systems	26.25	36.87	14.1	2.7	4.1	7.5	65%	3.2%	133,538
	GLW	Corning	17.12	29.85	10.8	2.2	1.3	6.9	23%	2.8%	20,988
	STX	Seagate Technology PLC	44.80	68.88	9.9	1.0	7.5	5.2	234%	4.8%	13,297
Telecom Services	T	AT&T	32.58	41.03	13.0	1.5	nmf	10.0	nmf	5.8%	200,400
Transportation	CSX	CSX	26.90	38.99	13.4	2.1	2.3	7.2	88%	2.7%	26,463
	NM	Navios Maritime Holdings	2.49	6.04	nmf	0.5	0.4	12.9	215%	9.6%	260
Utilities	ETR	Entergy	65.10	88.28	13.2	1.0	1.2	6.4	124%	5.1%	11,687

As of 09.30.15. 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

Our managed account client portfolios generally holding several percentage points more cash than what we presently have in Buckingham Portfolio, TPS Portfolio, Millennium Portfolio and PruFolio, we will pass on additional purchases this month. Because we expect to have several new recommendations next month, we want to have a little dry powder available especially as Halloween marks the start of the seasonally favorable time of year. Of course, we already own this month's favored 10 stocks in one or more of our four newsletter portfolios.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
BMR	BioMed Realty Trust	Financials	19.98	29.12
CE	Celanese	Materials	59.17	93.79
CM	Canadian Imperial Bank	Financials	71.96	97.84
DO	Diamond Offshore	Energy	17.30	32.29
INTC	Intel	Information Technology	30.14	41.85
MET	MetLife	Financials	47.15	79.77
NM	Navios Maritime	Industrials	2.49	6.04
SYMC	Symantec	Information Technology	19.47	30.03
TNP	Tsakos Energy Nav	Energy	8.13	14.01
TRN	Trinity Industries	Industrials	22.67	46.77

As of 09.30.15. SOURCE: Al Frank using data from Bloomberg

BioMed Realty Trust (BMR)

BMR is a REIT that owns, leases, manages and develops commercial spaces for life sciences tenants. BioMed currently owns or has interest in a portfolio of more than 18 million rentable square feet located primarily in the U.S., with stabilized occupancy rates above 90%. We believe the leasing side of the business will continue to benefit from favorable demographic trends and innovation within the life sciences industry. Additionally, we are encouraged by the relatively easy access to funding available to current and prospective clients, not to mention the continued efforts to increase the important academic research space. BioMed reported core funds from operations of $0.58 per share for Q2 (versus expectations of $0.54). After recent weakness in the shares, the stock strengthened on rumors that the REIT had garnered serious buyout interest from private equity firms. We think that the potential M&A activity helps put a reasonable floor beneath BMR's share price and we see BMR as a unique way to access the healthcare space, especially the often more volatile and pricey biotech segment. BioMed yields 5.2%.

Celanese (CE)

Celanese is a global producer of value-added industrial chemicals with a leading market position in products that comprise the vast majority of its sales. CE is one of the world's largest producers of acetyls and a top producer of polymers used in auto, consumer and industrial products. The company's sales are almost equally divided between

North America, Europe and Asia. We like that Celanese possesses proprietary technology that allows it to produce acetic acid at a lower cost than most of its competitors. We believe that CE can generate attractive revenue growth from further geographic expansion and new application development. Also, we are partial to its ongoing productivity initiatives, financing actions undertaken to strengthen the balance sheet and solid free-cash-flow generation that can support further share repurchases and dividend increases. Shares have been hit hard along with other Materials names, but its business is still solid. Management is projecting adjusted earnings per share between $5.70 and $6.00 for 2015. CE is trading at less than 11 times forward earnings estimates and yielding 2%.

Canadian Imperial Bank (CM)

Canadian Imperial Bank, often referred to as CIBC (note that the ticker is CM), is the fifth-largest Canadian bank by market capitalization, providing banking services through three operating segments: Retail and Business Banking, Wealth Management and Wholesale Banking. The retail market segment provides a full range of banking services and products to retail and small business customers. While the firm still faces operating headwinds, CM reported better than expected earnings for fiscal Q3, with capital markets and banking leading the way. That said, we were pleased to see that all of the bank's business segments demonstrated relative improvement. Management raised its dividend for the fourth consecutive quarter and announced plans to buy back 8 million shares (2% of the outstanding stock). CM also continues to consider acquiring asset managers in the "highly fragmented" U.S. market. We like that the Canadian government has kept the banking segment attractive by maintaining barriers to entry, which help protect attractive returns for CIBC and its big competitors. CM shares are off more than 15% in 2015 and are trading for less than 11 times forward earnings estimates, while yielding 4.6%.

Diamond Offshore (DO)

DO is a leader in offshore drilling, providing contract services to the energy industry around the globe. Although crude prices sank by nearly 25% in Q3, we like Diamond's long-term business prospects and the support it has from deep-pocketed parent Loews. Despite global floating-rig fleet utilization sinking to the lowest level in years, DO managed to secure new drilling contracts with new-build drillships in the Gulf of Mexico, including two that were delivered in Q3. Diamond Offshore should benefit from relatively decent day rates, operational efficiencies and long-term contracts (2019 and 2020), which are accomplishments in this difficult environment. DO also reduced its operating costs by trimming its corporate office headcount 20% and by dry-storing unchartered drilling rigs that come off contract. Though there seems to be no shortage of near-term operating hurdles, we see long-term global oil demand supporting an eventual rebound in the always-cyclical drilling industry. Diamond has discontinued its special per-share quarterly dividend of $0.75, but has maintained its $0.125 payout. The balance sheet is one of the strongest in the industry.

Intel (INTC)

Intel, the leading global semiconductor manufacturer, supplies advanced technology solutions for the computing industry, including microprocessors, chipsets and motherboards. The firm posted Q2 earnings per share of $0.55, topping expectations of $0.50, and sales of $13.2 billion. CEO Brian Krzanich explained that the company sees great value in purchasing Altera for about $17 billion: "We believe we can enhance Altera's base FPGA ARM-based business substantially. We plan to do this through our leadership in Moore's Law and our ability to execute designs using our tools and silicon more quickly, allowing us to continue to support and develop their ARM-based products. Integrating Altera's world-class technology with Intel architecture in the high-growth data center and Internet of Things (IoT) market segments will create new product categories and capabilities." We are also encouraged by the Altera acquisition and by the continuing growth in the IoT and Data Center segments. We like that Intel has a diversified revenue stream, low levels of debt and a 3.2% dividend yield.

MetLife (MET)

MetLife is one of the largest U.S. life insurers and has become an increasingly significant global player. MET provides insurance, annuities and employee benefit programs, with leading market positions in the U.S., Japan, Latin America, Asia, Europe and the Middle East. We believe its footprint in Asia was materially strengthened with its acquisition of ALICO. We see the international business as the growth engine, but realize that it may be hampered in the near term by the strength of the U.S. dollar. We are fond of MET's underwriting discipline and its position as the market leader in group life, where it provides insurance to 90% of the companies in the Fortune 100. We also like MET's increased focus on more traditional insurance sales. The company has a relatively strong capital position and the board recently increased its authorized share buyback program to $1 billion. MET boasts a forward P/E multiple below 9 and a yield of 3.2%.

Navios Maritime (NM)

Navios is a global shipping and logistics company focused on the transport of dry bulk commodities. NM shares have been hit hard by the plunge in commodities, concerns about global growth and the likelihood of increased capacity. Following multi-year lows in Q1, dry bulk rates have recovered in Q2 and Q3, so we strongly believe that the sell-off has been overdone. We like that the company has decreased its daily cash breakeven level to mitigate the impact of low rates. We also are happy that the firm has decent contract coverage for its core fleet and ample dividend support from its affiliated publicly traded companies. Navios owns 20.1% of Navios Maritime Partners and 46.2% of Navios Maritime Acquisition (combined value above $4.00 per NM share), with NM expected to receive more than $48 million in dividend payouts from the pair over the next 12 months, easily covering the $25 million ($0.24 per share = a yield of 9.6%) in annual dividends. Finally, we like the majority ownership stake in a lucrative South American logistics provider, an entity poised to capitalize on that region's long-term expansion and the resulting increase in import/export activity.

Symantec (SYMC)

Symantec provides information security, storage and management solutions for consumers and businesses. In August, SYMC reached an agreement with Carlyle to sell its Veritas data backup business for $8 billion in cash. The move is part of a plan announced in October 2014 to split the company into two. The Veritas sale will give SYMC a healthy amount of cash to invest, in addition to returning extra money to shareholders (it will maintain its $0.15 quarterly dividend and the buyback program will be upped to $2.6 billion). We think the additional focus on the security business will be good for Symantec, as high-profile data breaches happen with alarming frequency and given the relative insecurity of mobile devices, such events offer a tremendous opportunity for Symantec to cement its position in the data security space. SYMC shares currently trade at a forward price-to-earnings ratio around 10 and have a 3.1% yield.

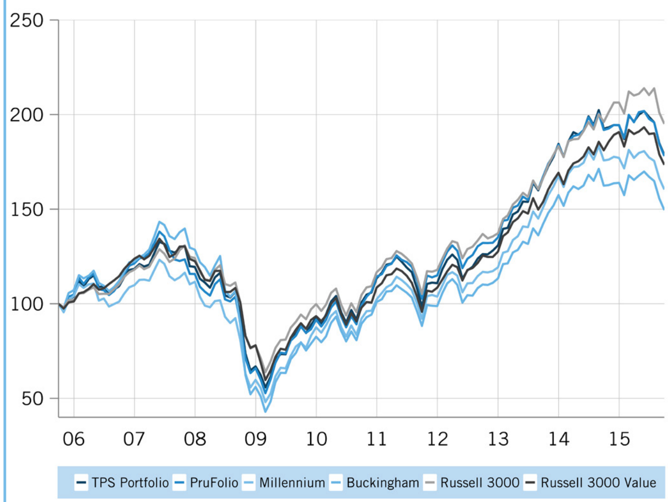
Tsakos Energy Navigation (TNP)

Tsakos Energy Navigation owns and operates a fleet of shipping tankers used in the transport of crude oil, petroleum products and other liquids. TNP has benefitted this year from stabilization within the industry, ample liquidity and the ability to fully fund projects before they come online. Management stated that it has not seen large vessel orders converted into tankers, which would have eroded TNP's pricing power. Demand growth has remained solid, boosted by OPEC production, and fleet utilization was 99.3% in Q2. We like that TNP continues to expand its relatively young tanker fleet and, in our view, maintains a healthy mix of long-term and short-term charter contracts that should make the company less sensitive to near-term market gyrations. We are pleased that Tsakos is now reaping the rewards from careful navigation of the difficult operating environment over the last few years. We appreciate that the company has maintained the same dedication to increasing shareholder value and returning capital through dividends and buybacks. Since 2002, the company has paid $10.06 per share in dividends (the IPO price was $7.50 per share), and the yield is currently 3.0%, while the trailing-12-month P/E ratio is 7.

Trinity Industries (TRN)

Trinity is a diversified industrial company that owns market-leading businesses providing products and services to the transportation, chemical, energy and construction sectors. TRN has five principal business segments: the Rail Group, Railcar Leasing and Management Services Group, Inland Barge Group, Construction Product Group and the Energy Equipment Group. Shares have been cut in half over the last year as investor concerns over the sharp drop in energy prices and a lawsuit against its highway guardrail product took its toll (while litigation concerns remain, a second set of government-led tests said the TRN guardrails show no performance weakness). There are plenty of headwinds, but we think the sell-off is overdone as TRN currently sits on a company-wide backlog of business valued at $7.8 billion (with railcar orders accounting for $6.9 billion). Prolonged low oil prices would impact railcars, but we believe that TRN customers are taking 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. TRN shares are currently trading at an attractive forward earnings multiple of less than 5 and near book value, while offering a 2% dividend yield.

NEWSLETTER PORTFOLIO PERFORMANCE



	Sep	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	-3.92	-8.80	-7.95	10.71	10.85	4.10
Millennium	-3.54	-9.44	-8.75	11.14	11.74	4.84
PruFolio	-3.46	-8.44	-7.19	10.45	12.46	5.94
TPS	-3.35	-8.08	-7.20	12.28	12.17	5.98
Major Indexes						
Russell 3000	-2.91	-5.45	-0.50	12.53	13.28	6.91
Russell 3000 Value	-3.05	-9.06	-4.23	11.40	12.12	5.66
S&P 500	-2.47	-5.29	-0.62	12.39	13.33	6.80
Dow Jones Industrial Avg	-1.35	-6.95	-2.11	9.26	11.38	7.17

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	11.18	8.89	Russell 3000
Millennium	12.31.99	8.66	4.22	Russell 3000
PruFolio	12.29.00	12.72	5.05	Russell 3000
TPS	03.10.77	17.83	10.70	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,838 stock recommendations have returned, on average, an annualized 17.11%, not including dividends.

As of 09.30.15. 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 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. 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.

IMPORTANT DISCLOSURES

Nothing presented herein is, or is intended to constitute, specific investment advice or marketing material. Information provided reflects the views of Al Frank Asset Management (AFAM) as of a particular time. Such views are subject to change at any point and AFAM shall not be obligated to provide notice of any change. Any securities information regarding holdings, allocations and other characteristics are presented to illustrate examples of the types of investments or allocations that AFAM may have bought or pursued as of a particular date. It may not be representative of any current or future investments or allocations and nothing should be construed as a recommendation to follow any investment strategy or allocation. Any forward looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While AFAM has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in securities. Past performance is not a guarantee of future performance. Registration of an investment adviser does not imply any certain level of skill or training.

AFAM is an Investment Adviser, registered with the SEC, is notice filed in the State of CA and various other states, and serves as editor to The Prudent Speculator and the weekly e-mail updates; (TPS: ISSN 0743-0809). AFAM is sub-adviser to two proprietary mutual funds and serves as manager to separate managed accounts. Many of the securities contained within this newsletter mentioned are analyzed, recommended and transacted in by AFAM and/or its associated persons for client and personal accounts. It is also possible that AFAM and/or its associated persons may take a position in a security that is inconsistent with the recommendations provided in TPS or may purchase securities not mentioned in TPS without notice to its subscribers.

Past specific recommendations: Investment recommendations provided herein are subject to change at any time. Past and current recommendations that are profitable are not indicative of future results, which may in fact result in a loss. See prudentspeculator.com or contact AFAM at tps@alfrank.com for a list of all past specific investment recommendations. Performance and characteristics of AFAM portfolios and securities are subject to risks and uncertainties. The stocks selected for listing and discussion in the newsletter were based on proprietary analytical work performed by AFAM, and not based on performance, meaning that they are chosen irrespective of profits or losses. The securities presented do not represent all of the securities bought, sold or recommended.

Privacy: TPS periodically rents its mailing list to unaffiliated third-parties. Telephone marketing is prohibited. Subscribers who wish to have their names removed from the mailing list should contact TPS by e-mailing tps@alfrank.com.

Subscriptions: TPS is published monthly, with weekly e-mail updates, at the following rates: 1-year: $295; 2-years: $495. Subscriptions are not assignable. For subscribing, please contact us at tps@alfrank.com or call 800.258.7786.