January 4, 2016

the Prudent Speculator

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Certainly, we remain upbeat about the prospects of our broadly diversified portfolios of undervalued stocks in 2016 and beyond, but we confess to siding with the cynic in the Bill Vaughn quotation: "An optimist stays up until midnight to see the new year in. A pessimist stays up to make sure the old year leaves." Indeed, we are happy to see 2015 expire as the year was a major letdown for U.S. equities in general and Value strategies in particular.

> "Cheers to a new year and another chance for us to get it right."
> —Oprah Winfrey

True, the capitalization-weighted S&P 500 managed a meager 1.37% total return for 2015, but the average stock in the widely followed index lost 1.27%. Value-oriented investors would have been content with either of those numbers, given that the total return for the S&P 500 Value index (SVX) was -3.14% and the return for the S&P 500 Pure Value index (SPXPV) was -8.14%. Both of those indexes are subsets of the parent S&P 500, with membership determined across six factors: three-year change in earnings per share, three-year sales growth, one-year price momentum, price-to-earnings, price-to-sales and price-to-book value. The SVX represents approximately half of the S&P 500, with its constituents, not surprisingly, exhibiting lower scores on the Growth metrics and higher scores on the Value metrics, while the SPXPV holdings are limited to the 25% of stocks that are most Value-like.

Those miserable S&P returns are echoed by the more broadly based Russell 3000 benchmarks. While the flagship cap-weighted Russell 3000 index saw a 0.47% total return last year, that very modest gain masked a 4.84% setback suffered by the average holding. The performance gap between the Russell 3000 Value and Growth indexes (price-to-book value, projected earnings growth and historical sales growth are the determining factors) was vast, with the former posting a 2015 total return of -4.14% and the latter turning in a nice return of +5.09%.

Those numbers in mind, and the fact that legendary value investor Warren Buffett's Berkshire Hathaway lost 12.48% last year, we might argue that the average loss for our newsletter portfolios of -5.00% for 2015 was not unreasonable, but we are disappointed with our performance.

Clearly, our exposures to Energy, Materials and Industrials were major negatives, and we had some lousy stock selections, but we had expected a much better year for the overall U.S. equity market. After all, 2015 marked the third and historically best year of the four-year Presidential Cycle, while interest rates remained very low throughout the year, even as economic data improved somewhat. Also, given that 2014 and the preceding decade were sub-par for the majority of stocks, we had thought that we would see a potential performance catch-up, especially for Value strategies.

Of course, we did not predict that oil would plunge below $40, nor did we think that the strong dollar would be such a headwind to corporate profits. We did correctly believe that the Federal Reserve would remain highly accommodative, but we were surprised that stocks bucked the historical trend of performing well in the months before the initial hike in the Fed Funds rate that finally came last month. We were also perplexed that the significant downside volatility in the Chinese stock market was viewed as a 'told-you-so' in justifying the summer swoon in U.S. stocks, especially given that the Shanghai Composite index rebounded strongly in the latter part of the year to end 2015 with an 11.15% total return.

So we say good riddance to 2015, even as we respect that many worries remain. Looking ahead, we see no reason to alter our view that Value stocks are the place to be for long-term folks. Dividend yields are generous and valuations are reasonable for our portfolios, the Fed should remain friendly, given likely moderate economic growth, and potential returns on competing assets do not seem very compelling. We expect greater volatility in 2016, but returns on our portfolios near 10%, in line with the historical average for U.S. equities, would not be a surprise.

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, with the Russell 3000 Value index included as an additional reference point. 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 primary benchmark 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 stocks in Sectors like Financials, Health Care and Utilities.

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 3K	Russell 3K Value	TPS	Buckingham	PruFolio	Millennium	Avg[1]
Consumer Discretionary		**13.5**	**5.6**	**12.9**	**15.8**	**14.2**	**10.8**	**13.5**
	Autos & Components	1.1	1.4	0.0	2.6	1.1	1.1	1.2
	Consumer Dur & App	1.6	1.0	3.4	1.9	3.1	2.8	2.8
	Consumer Services	2.3	0.8	0.0	2.1	1.7	2.1	1.5
	Media	3.1	1.2	4.2	3.9	4.2	1.0	3.3
	Retailing	5.2	1.2	5.4	5.3	4.2	3.9	4.7
Consumer Staples		**8.8**	**6.7**	**5.5**	**3.0**	**4.9**	**6.1**	**4.9**
	Food & Staples Retail	2.1	1.8	0.9	0.0	0.9	0.8	0.6
	Food Bev & Tobacco	4.9	2.6	3.1	3.0	2.6	4.1	3.2
	Household Products	1.8	2.3	1.4	0.0	1.4	1.2	1.0
Energy		**5.9**	**11.6**	**8.7**	**8.5**	**8.8**	**7.9**	**8.5**
Financials		**18.1**	**31.4**	**19.7**	**17.1**	**19.1**	**18.8**	**18.7**
	Banks	6.2	12.6	8.4	7.5	7.3	9.9	8.3
	Diversified Financials	4.7	7.2	4.3	3.3	4.4	1.2	3.3
	Insurance	3.0	5.7	3.8	3.7	5.2	5.4	4.5
	Real Estate	4.2	5.8	3.1	2.6	2.2	2.4	2.6
Health Care		**14.8**	**11.4**	**9.4**	**11.7**	**9.3**	**11.0**	**10.4**
	Health Care Equip/Srvcs	5.2	4.2	3.5	6.9	3.3	5.0	4.7
	Pharma, Biotech & Life Sci	9.6	7.2	6.0	4.8	6.1	6.0	5.7
Industrials		**10.7**	**10.5**	**12.1**	**11.3**	**12.6**	**11.9**	**12.0**
	Capital Goods	7.5	8.5	5.9	5.3	7.1	6.2	6.1
	Commercial Services	1.1	1.0	3.4	3.5	3.1	2.7	3.2
	Transportation	2.1	1.0	2.8	2.5	2.4	3.0	2.7
Information Technology		**19.9**	**11.5**	**18.2**	**19.8**	**20.2**	**19.4**	**19.4**
	Semis & Cap Equipment	2.4	2.7	1.7	1.5	1.4	2.6	1.8
	Software	12.0	4.5	3.8	4.0	4.7	5.6	4.5
	Technology Hardware	5.5	4.3	12.7	14.3	14.2	11.2	13.1
Materials		**3.1**	**2.7**	**4.6**	**5.2**	**4.3**	**4.9**	**4.7**
Telecom Services		**2.2**	**2.4**	**1.6**	**2.7**	**1.4**	**2.7**	**2.1**
Utilities		**3.1**	**6.3**	**3.6**	**2.1**	**1.1**	**2.5**	**2.3**
Cash		**0.0**	**0.0**	**3.7**	**2.9**	**4.1**	**4.1**	**3.7**

Russell 3000, Russell 3000 Value and Newsletter Portfolios as of 12.31.15. [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 the Russell 3000 index (R3K), with the Russell 3000 Value index (R3KV) also included for additional color. 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).

For example, TPS Portfolio was hurt by a heavy allocation to Energy and Materials, as well as an underweight position in Health Care and Consumer Staples. Of course, poor stock picking played a bigger part in the 2015 underperformance versus the R3K, with miserable selection registered in the Information Technology, Industrials and Consumer Discretionary Sectors.

Comparing Buckingham Portfolio to the R3KV shows similar-in-magnitude weakness in our overall allocation decisions, with differing positive and negative Sector contributions, most noticeably in Energy. Our selection within Consumer Discretionary was actually a big plus versus the R3KV, while our choices in Industrials and Materials were even more of a drag on relative performance, even as our overall stock picking was not a large detriment.

2015 PERFORMANCE ATTRIBUTION

	TPS Portfolio			Russell 3000			Attribution Analysis	
Sector	**Average Weight**	**Total Return**	**Contribution To Return**	**Average Weight**	**Total Return**	**Contribution To Return**	**Allocation Effect**	**Selection Effect**
Consumer Discretionary	13.0	-2.6	-0.3	13.2	6.0	0.8	0.0	-1.1
Consumer Staples	5.3	9.0	0.5	8.5	5.7	0.5	-0.2	0.1
Energy	10.7	-22.2	-2.5	6.9	-23.2	-1.7	-0.9	0.1
Financials	17.8	-1.0	-0.3	17.9	-0.7	-0.2	0.0	-0.1
Health Care	8.5	10.7	0.9	14.6	7.1	0.9	-0.3	0.3
Industrials	11.9	-11.5	-1.5	11.0	-3.9	-0.4	0.0	-1.0
Information Technology	21.1	-2.9	-0.6	19.3	5.4	1.0	0.1	-1.6
Materials	5.5	-18.7	-1.1	3.4	-10.2	-0.3	-0.3	-0.5
Telecom Services	1.4	58.8	0.6	2.1	3.3	0.1	0.0	0.5
Utilities	1.4	-2.9	0.1	3.0	-5.0	-0.2	0.2	0.1
Cash	3.5	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
	Total:		**-4.2**	**Total:**		**0.5**	**-1.5**	**-3.3**

	Buckingham Portfolio			Russell 3000 Value			Attribution Analysis	
Sector	**Average Weight**	**Total Return**	**Contribution To Return**	**Average Weight**	**Total Return**	**Contribution To Return**	**Allocation Effect**	**Selection Effect**
Consumer Discretionary	15.5	2.4	0.3	6.4	-7.1	-0.4	-0.3	1.5
Consumer Staples	4.1	13.7	0.7	6.7	-2.5	-0.2	-0.1	0.9
Energy	10.3	-25.4	-2.8	11.5	-24.2	-3.2	0.5	-0.2
Financials	16.2	-3.4	-0.6	30.9	-0.9	-0.4	-0.5	-0.4
Health Care	9.3	13.2	1.0	12.5	7.8	1.1	-0.6	0.5
Industrials	12.2	-15.2	-1.9	10.4	-0.7	-0.1	0.1	-1.9
Information Technology	20.8	-5.8	-1.3	10.3	-4.9	-0.4	-0.2	-0.1
Materials	6.1	-26.8	-1.8	3.0	-13.3	-0.4	-0.3	-1.0
Telecom Services	1.8	58.9	0.6	2.2	4.1	0.1	0.0	0.5
Utilities	1.1	-4.4	-0.1	6.2	-5.0	-0.3	0.2	-0.1
Cash	2.7	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
	Total:		**-5.8**	**Total:**		**-4.2**	**-1.4**	**-0.3**

Russell 3000, Russell 3000 Value and Newsletter Portfolios from 12.31.14 though 12.31.15. Holdings-based attribution using end-of-day account positions. Return figures do not include fees or transaction costs. Numbers may not sum due to rounding. SOURCE: Al Frank using data from Bloomberg

Recommended Stocks

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

				Target	Price Multiples			EV/	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	32.67	46.77	11.0	0.5	2.5	6.0	162%	0.9%	8,785
Banks	BBT	BB&T	37.81	49.96	13.3	nmf	1.9	nmf	nmf	2.9%	29,497
	HSBC	HSBC Holdings PLC	39.47	60.03	9.4	nmf	0.9	nmf	nmf	6.3%	155,392
	JPM	JPMorgan Chase	66.03	78.11	11.5	nmf	1.4	nmf	nmf	2.7%	243,065
	ONB	Old National Bancorp	13.56	20.19	13.2	nmf	1.8	nmf	nmf	3.5%	1,553
Capital Goods	CAT	Caterpillar	67.96	93.06	13.4	0.8	6.1	5.9	387%	4.5%	39,569
	CMI	Cummins	88.01	132.60	9.5	0.8	2.3	5.4	23%	4.4%	15,632
	ETN	Eaton PLC	52.04	80.12	11.8	1.1	nmf	9.7	nmf	4.2%	24,084
	TRN	Trinity Industries	24.02	47.25	5.2	0.6	1.4	4.1	121%	1.8%	3,672
Consumer Dur & App	COH	Coach	32.73	45.63	18.2	2.2	5.4	11.1	52%	4.1%	9,083
	MDC	MDC Holdings	25.53	43.33	18.9	0.7	1.0	18.3	72%	3.9%	1,248
Diversified Financials	COF	Capital One Financial	72.18	97.78	9.6	nmf	1.3	nmf	nmf	2.2%	38,403
Energy	HFC	HollyFrontier	39.89	62.92	8.8	0.5	2.4	6.3	32%	3.3%	7,296
	NOV	National Oilwell Varco	33.49	48.09	8.0	0.7	2.3	5.2	71%	5.5%	12,584
	TK	Teekay	9.87	26.90	10.4	0.3	1.2	9.6	959%	2.2%	716
	TNP	Tsakos Energy Navigation	7.92	14.68	5.3	1.2	0.5	6.4	100%	3.0%	692
	TOT	Total SA	44.95	72.88	9.7	0.7	1.3	10.0	48%	4.1%	109,615
Food & Staples Retailing	WMT	Wal-Mart Stores	61.30	80.07	13.0	0.4	3.1	7.0	71%	3.2%	196,276
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	36.68	54.21	12.4	0.3	1.5	8.5	40%	3.1%	21,888
Health Care Equip/Srvcs	AET	Aetna	108.12	141.62	14.3	0.6	10.8	7.6	225%	0.9%	37,701
Insurance	PRU	Prudential Financial	81.41	116.89	8.0	nmf	0.9	nmf	nmf	3.4%	36,553
Materials	AUY	Yamana Gold	1.86	4.50	nmf	1.3	0.4	8.5	30%	3.2%	1,761
	MOS	Mosaic Co	27.59	59.06	8.5	1.1	1.2	5.6	47%	4.0%	9,726
Media	DIS	Walt Disney	105.08	135.96	20.4	3.3	18.2	12.3	134%	1.4%	173,716
Pharma/Biotech/Life Sci	GILD	Gilead Sciences	101.19	155.03	9.1	4.6	25.2	6.5	378%	1.7%	145,833
	JNJ	Johnson & Johnson	102.72	115.60	17.0	4.0	11.7	11.9	58%	2.9%	284,220
	SNY	Sanofi	42.65	65.59	13.7	5.5	nmf	11.7	nmf	3.1%	111,370
Real Estate	ANH	Anworth Mortgage Asset	4.35	6.79	7.5	nmf	0.7	nmf	nmf	13.8%	435
	GEO	GEO Group	28.91	33.19	15.2	nmf	13.5	nmf	nmf	9.0%	2,158
Retailing	DSW	DSW	23.86	34.98	13.7	0.8	2.1	6.2	0%	3.4%	2,067
	KSS	Kohl's	47.63	77.32	11.1	0.5	1.7	5.3	84%	3.8%	9,041
Software & Services	IBM	Int'l Business Machines	137.62	206.94	8.7	1.6	nmf	8.4	nmf	3.8%	133,507
Technology Hardware	AAPL	Apple	105.26	148.94	11.4	2.5	5.3	5.4	48%	2.0%	586,859
	CSCO	Cisco Systems	27.16	36.21	13.8	2.8	4.2	7.5	66%	3.1%	137,841
	GLW	Corning	18.28	30.86	12.0	2.3	1.4	7.8	25%	2.6%	21,625
	JBL	Jabil Circuit	23.29	38.03	12.3	0.2	2.8	4.6	114%	1.4%	4,408
	STX	Seagate Technology PLC	36.66	63.06	9.8	0.9	15.2	5.2	576%	6.9%	10,963
Telecom Services	T	AT&T	34.41	42.80	13.2	1.5	nmf	10.5	nmf	5.6%	211,690
Transportation	NSC	Norfolk Southern	84.59	109.33	15.1	2.3	2.1	8.3	73%	2.8%	25,256
Utilities	ETR	Entergy	68.36	85.30	13.2	1.0	1.4	10.5	149%	5.0%	12,195

As of 12.31.15. 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

This month, we feature 10 stocks that were listed in our recently published 2015 Holiday Calendar of the top holdings of our managed account clients. Not surprisingly, we already own sufficient positions for our four newsletter portfolios in **Apple**, **Archer-Daniels-Midland**, **Aetna**, **Corning**, **HollyFrontier**, **JPMorgan**, **MDC Holdings** and **Norfolk Southern**. As the accounts do not yet hold the names, we will add $10,000 of **Walt Disney** to Millennium Portfolio and $20,000 of **Goodyear Tire** to PruFolio. We will wait four trading days until January 8 to transact.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AAPL	Apple	Information Technology	105.26	148.94
ADM	Archer-Daniels-Midland	Consumer Staples	36.68	54.21
AET	Aetna	Health Care	108.12	141.62
DIS	Walt Disney	Consumer Discretionary	105.08	135.96
GLW	Corning	Information Technology	18.28	30.86
GT	Goodyear Tire & Rubber	Consumer Discretionary	32.67	46.77
HFC	HollyFrontier	Energy	39.89	62.92
JPM	JPMorgan Chase	Financials	66.03	78.11
MDC	MDC Holdings	Consumer Discretionary	25.53	43.33
NSC	Norfolk Southern	Industrials	84.59	109.33

As of 12.31.15. SOURCE: Al Frank using data from Bloomberg

Apple (AAPL)

Technology giant Apple again impressed Wall Street with its results for fiscal Q4 2015, earning $1.96 per share ($1.88 est.) on revenue of $51.5 billion. In the past fiscal year, Apple sold 231 million iPhones, 55 million iPads and 21 million Macs, while the App Store crossed 100 billion downloads since launch in 2008. Additionally, Apple's balance sheet is flush with $150 billion of net cash and marketable securities. Apple Chief Executive Tim Cook noted, "We're making great strides in the enterprise market, announcing a new strategic partnership with Cisco in September, while furthering our progress with IBM and building our mobility partners program. We estimate that enterprise markets accounted for about $25 billion in annual Apple revenue in the last 12 months, up 40% over the prior year and they represent a major growth vector for the future." While we had some concerns last year that Apple was becoming over-reliant on iPhone for earnings, we are impressed that Apple Pay, Apple Watch and the rest of the Apple ecosystem have had outstanding traction with consumers. Apple shares trade for less than 12 times earnings, while yielding 2.0%.

Archer-Daniels-Midland (ADM)

Archer-Daniels is one of the largest agricultural processors and food ingredient providers in the world with more than $72 billion in net sales over the last year. ADM is in the business of converting agricultural harvest such as corn, wheat and soybeans into basic ingredients for both consumer and industrial product manufacturers. Though shares of ADM struggled mightily in 2015, our overall optimism continues as we remain confident that the longer-term global secular growth trends in agriculture are intact. We also note that the company continues to work to strengthen its balance sheet, despite commodity prices providing no favors. And we like that management is staying focused on ROIC, portfolio reshaping, long-term global demand trends and the return of cash to shareholders. Additionally, management indicated its comfort with EPS projections of $4.00 to $4.50 by fiscal 2017 or early 2018. ADM shares currently trade for 12 times forward earnings projections and carry a 3.1% yield.

Aetna (AET)

Aetna is one of the largest managed care organizations, serving an estimated 46.5 million people and focusing on three segments: Health Care, Group Insurance and Large Case Pension. The firm's Q3 results were again strong with adjusted earnings of $1.90 per share, higher than the $1.77 that analysts had anticipated. The insurer raised its full-year 2015 EPS forecast to a range of $7.45 to $7.55 from a previous projection of at least $7.20. Looking ahead, CEO Mark Bertolini said, "We are well-positioned across a number of major growth opportunities, including Medicare and Medicaid. We continue to work diligently on planning for the Humana integration, and we are excited about the value that the combination will create for consumers and shareholders." We like the company's diverse product lines, relative pricing discipline, cost control initiatives and solid cash flow generation. AET shares currently trade for 14 times forward earnings projections.

Walt Disney (DIS)

Despite the incredible numbers from *Star Wars: The Force Awakens*, the force has not been with shareholders of Walt Disney lately. Shares of the entertainment titan have tumbled more than 10% since November and the $1.5 billion in global box office revenue from Star Wars has yet to stem the tide, even as Disney paid *only* $4.1 billion for Lucasfilm and the Star Wars franchise in 2012. We are pleased that DIS has managed to mitigate many of the effects of cord-cutting, or switching away from paid cable television. CFO Christine McCarthy explained, "In fiscal 2016, ESPN does not have any major new sports rights contracts kicking in, so we expect total cable programming and production costs to be up low to mid-single-digits for the year." We are fans of the multi-platform nature of ESPN and believe that it can be a model for the delivery of other content. We maintain our view that Disney will continue to benefit from its diverse revenue stream, loyal fan base and solid portfolio of franchises. DIS has solid free cash flow and has returned a large chunk of cash to investors via share repurchases and dividends.

Corning (GLW)

Corning is the leading designer and manufacturer of glass and ceramic substrates found in liquid crystal displays, fiber-optic cables, automobiles and laboratory products. The company has five primary divisions: Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials and Life Sciences. Although shares have made a small recovery since the August lows, Corning continues to suffer from negative currency effects and margin concerns. Corning also announced in December that it will end its more than seven decade-long joint venture with Dow Chemical. Corning will give up its 50% stake in Dow Corning in exchange for $4.8 billion in cash and a 40% stake in Hemlock Semiconductor Group, a semiconductor manufacturer in the solar panel industry. GLW management expects the move to be "substantially tax-free." We continue to be fans of Corning's $10 billion business improvement plan and of the solid balance sheet which will soon become a whole lot stronger. We also like that management has taken advantage of recent stock market softness to pick up shares at depressed prices. GLW currently yields 2.6%, while the stock trades for 12 times trailing-12-month earnings.

Goodyear Tire & Rubber (GT)

Goodyear is a leading supplier of tires to the light and commercial vehicle markets. Tires are sold in two distinct markets, replacement and vehicle manufacturers. Goodyear is an iconic brand with industry leading products, distribution breadth and a consumer-centric focus. We like the global diversification of GT's revenue generation and believe that over the long run, Goodyear should gain from higher demand for tires in emerging markets, given the rise in new vehicle sales as more people move into the middle class. Nearer term, GT should benefit from continued strong demand in developed markets, an improving product mix, tailwinds from the decline in input prices (rubber, carbon black and oil) and consumers driving more and opting to replace worn tires after years of deferral. While currency headwinds remain, we like management's continued focus on reducing expenses, strengthening the balance sheet, improving cash flow and returning capital to shareholders. GT shares trade for less than 9 times forward earnings projections.

HollyFrontier (HFC)

Holly is one of the largest independent petroleum refiners in the U.S. Through five complex refineries (which process lower-cost heavy sour crude into a higher percentage of fuel), its subsidiaries produce and market gasoline, diesel, jet fuel, asphalt, heavy products and specialty lubricant products. HFC shares have been hit of late as the 40-year ban on U.S. crude exports is coming to an end, which will impact the appealing margins domestic refiners have been enjoying as the price differential between WTI and Brent is expected to shrink. While there will undoubtedly be some lost cost advantages, we do not believe they will be eliminated and when combined with other process advantages, we think HFC and its peers will retain a competitive advantage over many of their global peers. We also like that HFC owns a 39% stake in and receives meaningful cash distributions from high-quality logistics MLP, Holly Energy Partners. Finally, we are fond of the firm's strong competitive position and shareholder-friendly management. HFC trades at less than 10 times forward earnings estimates and currently yields 3.3%.

JPMorgan Chase (JPM)

JPMorgan is a leading global financial services firm and one of the largest banking institutions in the U.S. with about $2.4 trillion in assets. The firm operates in more than 60 countries and has many business divisions, including investment and corporate banking, asset management, retail financial services, commercial and consumer banking, credit cards and financial transaction services. Overall, JPM's risk management and diversified business platforms seem to be serving the company well. Additionally, we like that management is focusing on optimizing its balance sheet and managing its expenses, while working on building the business for the future. JPM's position of strength allows it to make transformational investments, deliver better experiences to customers and clients, and gain market share. The stock is trading for 11 times both trailing and next-twelve-month EPS estimates. We believe the firm's diversification, strong positioning in numerous areas, fortress balance sheet, return of capital to shareholders and adept leadership make JPM shares a core financial holding. JPM currently carries a dividend yield of 2.7%.

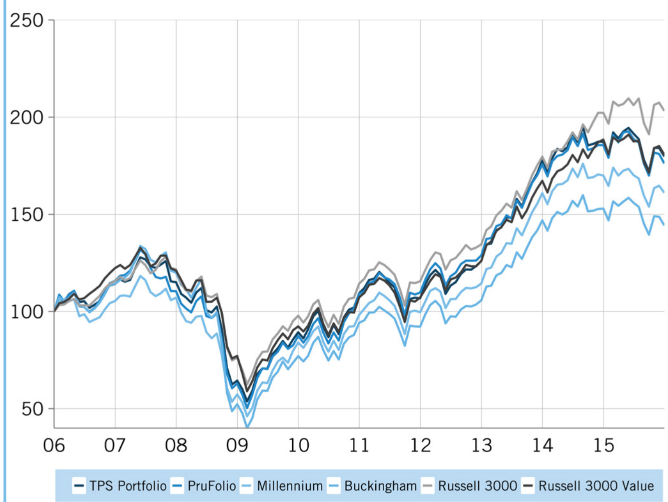
MDC Holdings (MDC)

MDC Holdings is a builder and seller of homes with operations in 11 states (including California, Colorado, Maryland, Virginia, Arizona and Florida) under the name Richmond American Homes, and also is an originator of mortgage loans and title agency services primarily to its home buyers. Shares of MDC have weakened since late summer, despite increased pricing power and a slowly improving macroeconomic environment in the U.S. that is bolstering the homebuilding industry. In fact, MDC announced that its backlog of orders had grown 49%, year-over-year, to $1.18 billion (the highest level since 2007). We see MDC as well-positioned to benefit from stability in consumer confidence and improved employment and we like that the firm is playing it relatively safe as it continues to reduce speculative inventory. In addition to its strong backlog, MDC sports a broad geographic footprint, successful cost control initiatives and a solid balance sheet, with ample liquidity that the company continues to smartly tap as it acquires land in attractive markets across the country. EPS estimates for 2016 and 2017 now stand at $2.17 and $2.60, respectively, and we like the generous 3.9% dividend yield.

Norfolk Southern (NSC)

Norfolk is a leading North American transportation provider, operating some 20,000 rail route miles in 22 states and the District of Columbia, serving every major container port in the Eastern U.S., and providing efficient connections to other rail carriers. The firm operates the most extensive intermodal network in the East and is a major transporter of coal, automotive and industrial products. Shares of NSC tumbled more than 20% in 2015 as volume gains in many segments weren't able to offset weakness in the Coal division and lower fuel surcharge revenue. While brisk operational headwinds are not going to disappear overnight, we think the inexpensive valuation creates an attractive entry point for long-term investors. Although the coal biz will most likely continue to struggle, trends in the majority of NSC's markets remain favorable and support rising traffic. We also maintain a favorable view on management's position to rebuff a non-friendly takeover by Canadian Pacific as we have yet to see a sufficient premium to compensate for the numerous regulatory hurdles. We like Norfolk's safety record and that it generates attractive free cash flow and maintains one of the more solid operating ratios in the industry. NSC trades for 15 times earnings and yields 2.8%.

NEWSLETTER PORTFOLIO PERFORMANCE



	Dec	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	-3.01	-5.67	-5.67	10.91	8.90	3.73
Millennium	-2.21	-5.23	-5.23	12.08	10.40	4.88
PruFolio	-2.70	-5.08	-5.08	10.98	10.06	5.83
TPS	-2.39	-4.00	-4.00	12.58	10.45	6.04
Major Indexes						
Russell 3000	-2.06	0.47	0.47	14.74	12.18	7.35
Russell 3000 Value	-2.41	-4.14	-4.14	12.76	10.98	6.09
S&P 500	-1.59	1.37	1.37	15.12	12.56	7.31
Dow Jones Industrial Avg	-1.52	0.21	0.21	12.66	11.30	7.75

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	11.24	9.22	Russell 3000
Millennium	12.31.99	8.83	4.54	Russell 3000
PruFolio	12.29.00	12.76	5.38	Russell 3000
TPS	03.10.77	17.84	10.82	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,849 stock recommendations have returned, on average, an annualized 17.11%, not including dividends.

As of 12.31.15. 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.

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