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the Prudent Speculator

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As *The Prudent Speculator* enters its 40th year of publication, commentary penned by our founder Al Frank near our 5th anniversary back in late-February 1982 seems germane today. With the equity markets and *TPS Portfolio* off to a miserable start that year in the face of sky-high interest and inflation rates, not to mention a nasty economic recession, Al wrote, "The overwhelmingly negative psychology today, fed by media reporting which seems to thrive on doom, gloom and disaster, inhibits rational valuations and future prospects. Our agriculture, our industry, our scientific and electronic capabilities, and most of all our ability to adjust and improve have been all but ignored in current stock market valuations."

"For 240 years it's been a terrible mistake to bet against America, and now is no time to start."
—Warren Buffett

Obviously, conditions are dramatically different today. Interest rates are near historic lows with the yield on the 10-Year U.S. Treasury at 1.84%, easing consumer and corporate borrowing costs while bolstering balance sheets. Meanwhile, inflation readings, which ticked up in January to arguably take deflation off of the table, are below the Federal Reserve's preferred 2.0% level, likely keeping Janet Yellen & Co. on an accommodative monetary policy path, despite generally healthy jobs numbers. Other domestic economic data, while nothing to shout about, continue to suggest that Fed forecasts offered back in December for GDP growth north of 2%, both this year and next, are not unreasonable. To be sure, economic growth overseas is not as strong as we'd like, but the latest admittedly lowered projections from the Organisation for Economic Co-operation and Development (OECD) still call for global GDP to rise 3.0% in 2016 and 3.3% in 2017.

Why, then, all the hand-wringing that contributed to a double-digit percentage plunge in the major market averages over the first six weeks of the year? Warren Buffett offered one explanation in the 2015 Berkshire Hathaway Letter to Shareholders: "It's an election year, and candidates can't stop speaking about our country's problems (which, of course, only *they* can solve). As a result of this negative drumbeat, many Americans now believe that their children will not live as well as they themselves do."

The Oracle of Omaha was quick to explain, "That view is dead wrong: The babies being born in America today are the luckiest crop in history. American GDP per capita is now about $56,000. As I mentioned last year that—in real terms—is a staggering six times the amount in 1930, the year I was born, a leap far beyond the wildest dreams of my parents or their contemporaries. U.S. citizens are not intrinsically more intelligent today, nor do they work harder than did Americans in 1930. Rather, they work far more efficiently and thereby produce far more. This all-powerful trend is certain to continue: America's economic magic remains alive and well."

To be sure, it is not as if everything is rosy, given the plunge in commodities and the ramifications for the banking system, not to mention the strength of the dollar and its impact on corporate profits. Then, there is the slowdown in China and its effect on global growth, along with heretofore untried forays by foreign central bankers into negative interest rate policy. And we can't forget the uncertainty about actions the Federal Reserve might take.

At the risk of sounding cavalier, there are always things to worry about and we think that the equity backdrop today is quite favorable, given reasonable valuations for many stocks, generous dividend yields relative to income available on competing investments, very weak recent investor sentiment readings and an economy that is likely to continue to muddle along. No doubt, pullbacks, corrections and even Bear Markets are always part of the game, but so too are periods like the last few weeks, in which the S&P 500 rebounded nearly 10% off of the 1810 level hit on February 11, even as the fears outlined above were hardly alleviated. Yet again, we have proof that the key to success with stocks is not to get scared out of them!

Chief Investment Officer
Al Frank Asset Management (AFAM)

Earnings Scorecard

Q4 Season

It was more of the same in the fourth quarter as dollar strength, commodity price weakness and lackluster domestic and global economic growth continued to hinder top- and bottom-line growth. Of course, Corporate America still managed to turn in decent Q4 EPS numbers relative to subdued expectations, even as sales figures did not compare as favorably. Data provider Bloomberg found that the number of companies in the S&P 500 that

Industry Group	Ticker	Company	12.15 Act EPS	12.14 Act EPS	12.15 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Autos & Components	GM	General Motors	1.39	1.19	1.20	5.04	5.48	5.4	152,356	153,318	0.6%
	GT	Goodyear Tire & Rubber	0.93	0.59	0.75	3.30	3.95	7.6	16,443	16,042	-2.4%
	HMC	Honda Motor	0.57	0.66	0.70	2.45	2.94	8.7	119,287	128,403	7.6%
Banks	BBT	BB&T	0.68	0.77	0.73	2.75	2.98	10.8	nmf	nmf	nmf
	CM	Canadian Imperial Bank	1.86	2.03	1.72	7.44	6.95	9.5	nmf	nmf	nmf
	FITB	Fifth Third Bancorp	0.41	0.42	0.40	1.60	1.58	9.7	nmf	nmf	nmf
	HSBC	HSBC Holdings PLC	0.64	0.41	0.55	4.28	2.70	11.8	nmf	nmf	nmf
	JPM	JPMorgan Chase	1.34	1.33	1.27	5.74	5.71	9.9	nmf	nmf	nmf
	KEY	KeyCorp	0.28	0.29	0.28	1.09	1.14	9.2	nmf	nmf	nmf
	ONB	Old National Bancorp	0.25	0.25	0.25	1.00	0.99	11.3	nmf	nmf	nmf
	PNC	PNC Financial Services Group	1.81	1.84	1.79	7.02	7.44	10.9	nmf	nmf	nmf
	WFC	Wells Fargo & Co	1.03	1.02	1.02	4.15	4.23	11.1	nmf	nmf	nmf
Capital Goods	ARII	American Railcar Industries	1.82	1.06	1.60	6.39	4.79	8.6	889	720	-19.1%
	CAT	Caterpillar	0.74	1.35	0.69	4.48	3.73	18.1	47,011	41,078	-12.6%
	CMI	Cummins	2.02	2.56	2.11	8.76	7.85	12.4	19,110	17,696	-7.4%
	DE	Deere & Co	0.80	1.12	0.71	5.44	4.00	20.0	28,004	23,198	-17.2%
	ETN	Eaton PLC	1.17	1.27	1.10	4.31	4.25	13.3	20,855	19,812	-5.0%
	FLR	Fluor	0.68	1.41	0.93	3.85	3.65	12.6	18,114	18,374	1.4%
	GE	General Electric	0.52	0.56	0.49	1.40	1.51	19.3	125,456	126,176	0.6%
	TPC	Tutor Perini	0.17	0.56	0.34	1.19	1.92	7.0	4,920	5,282	7.3%
	TRN	Trinity Industries	1.30	0.86	1.09	5.08	2.26	7.0	6,393	5,015	-21.6%
Commercial Services	MAN	ManpowerGroup	1.66	1.47	1.52	5.43	5.82	13.3	19,330	19,889	2.9%
	WM	Waste Management	0.71	0.67	0.68	2.57	2.80	20.0	12,961	13,257	2.3%
Consumer Dur & App	COH	Coach	0.68	0.72	0.66	1.76	2.02	19.3	4,238	4,582	8.1%
	MDC	MDC Holdings	0.46	0.41	0.51	1.34	2.07	10.7	1,909	2,380	24.7%
	WHR	Whirlpool	4.10	3.52	3.91	12.39	14.58	10.7	20,891	20,810	-0.4%
Consumer Services	RCL	Royal Caribbean Cruises Ltd	0.94	0.32	0.92	4.82	6.08	12.2	8,299	8,918	7.5%
Diversified Financials	BK	Bank of New York Mellon	0.68	0.58	0.64	2.86	3.02	11.7	nmf	nmf	nmf
	COF	Capital One Financial	1.67	1.68	1.61	7.51	7.70	8.5	nmf	nmf	nmf
	GS	Goldman Sachs Group	4.78	4.61	3.57	17.91	17.57	8.5	nmf	nmf	nmf
	SYF	Synchrony Financial	0.65	0.64	0.63	2.65	2.81	9.6	nmf	nmf	nmf
Energy	BHI	Baker Hughes	-0.21	1.44	-0.10	-0.47	-0.62	nmf	15,742	11,875	-24.6%
	BRS	Bristow Group	0.67	0.70	0.63	2.18	1.82	8.4	1,784	1,700	-4.7%
	ESV	Ensco PLC	0.92	1.68	0.73	4.49	2.27	3.8	4,063	3,097	-23.8%
	HAL	Halliburton	0.31	1.19	0.24	1.55	0.49	65.9	23,633	18,678	-21.0%
	HFC	HollyFrontier	-0.24	0.12	0.30	4.19	3.26	10.4	13,238	10,673	-19.4%
	NOV	National Oilwell Varco	0.23	1.69	0.44	2.75	-0.11	nmf	14,757	8,807	-40.3%
	RDS/A	Royal Dutch Shell PLC	0.58	1.04	0.56	3.39	2.21	20.5	264,960	180,717	-31.8%
	SFL	Ship Finance Int'l Ltd	0.58	0.39	0.67	2.24	2.13	6.1	407	442	8.6%
	TK	Teekay	0.41	0.42	0.31	0.94	1.01	7.9	2,450	2,530	3.2%
	XOM	Exxon Mobil	0.67	1.56	0.64	3.85	2.47	32.4	236,810	217,406	-8.2%
Food & Staples Retailing	WMT	Wal-Mart Stores	1.49	1.61	1.46	4.59	4.14	16.0	482,130	482,096	0.0%
Food Bev & Tobacco	ADM	Archer-Daniels-Midland	0.61	1.00	0.63	2.58	2.57	13.6	67,702	67,587	-0.2%
	TSN	Tyson Foods	1.15	0.77	0.89	3.53	3.99	16.2	39,708	37,266	-6.1%
Health Care Equip/Srvcs	ABT	Abbott Laboratories	0.62	0.71	0.61	2.15	2.15	18.0	20,405	20,482	0.4%
	AET	Aetna	1.37	1.22	1.21	7.71	7.94	13.7	60,337	62,562	3.7%
	CAH	Cardinal Health	1.30	1.20	1.26	4.87	5.56	14.7	112,422	126,953	12.9%
	MCK	McKesson	3.18	2.89	3.14	12.57	13.06	11.9	189,131	197,803	4.6%
	MDT	Medtronic PLC	1.06	1.01	1.06	4.27	4.79	16.2	28,570	29,423	3%
Household Products	KMB	Kimberly-Clark	1.42	1.35	1.43	5.76	6.12	21.3	18,591	18,346	-1.3%

As of 02.29.16. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) from Bloomberg exceeded earnings expectations was 69.2%, compared to 19.5% that trailed forecasts and 11.4% that met projections. In Q4 2014, the Beat/Miss/Match figures were 74.5%/16.6%/8.8%. Of the 100 *Prudent Speculator* stocks presented below, 68% topped EPS estimates.

As always, investors were keenly focused on the forward outlook and management teams remained cautious in their guidance. Nevertheless, while Standard & Poor's presently projects that after declining 10.7% in 2015 to $100.89, compared to $113.01 in 2014, bottom-up operating EPS for the S&P 500 will rebound this year to $119.39. We take with many grains of salt the current very aggressive S&P estimate of $137.59 for 2017, but history shows that stock prices eventually follow earnings.

Industry Group	Ticker	Company	12.15 Act EPS	12.14 Act EPS	12.15 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Insurance	ALL	Allstate	1.60	1.72	1.35	5.21	5.43	11.7	nmf	nmf	nmf
	AXS	Axis Capital Holdings	1.23	1.18	1.13	4.02	4.24	12.7	nmf	nmf	nmf
	MET	MetLife	1.23	1.38	1.36	4.85	5.68	7.0	nmf	nmf	nmf
	PRU	Prudential Financial	1.94	2.12	2.30	10.04	9.68	6.8	nmf	nmf	nmf
	TRV	Travelers Cos	2.90	3.07	2.66	10.88	9.73	11.0	nmf	nmf	nmf
Materials	ABX	Barrick Gold	0.08	0.15	0.06	0.29	0.38	36.8	9,029	7,719	-14.5%
	AGU	Agrium	1.52	0.50	1.38	7.30	6.22	13.8	14,795	14,676	-0.8%
	AUY	Yamana Gold	-0.01	-0.02	-0.02	-0.08	-0.06	nmf	1,825	1,694	-7.2%
	CE	Celanese	1.25	1.28	1.24	6.05	6.36	9.5	5,674	5,652	-0.4%
	MOS	Mosaic	0.53	0.87	0.44	2.90	1.76	15.1	8,895	7,956	-10.6%
	NEM	Newmont Mining	0.04	0.17	0.13	1.00	0.62	41.7	7,729	7,372	-4.6%
	RYAM	Rayonier Advanced Materials	0.32	0.61	0.25	1.74	0.85	8.8	942	850	-9.8%
Media	CMCSA	Comcast	0.81	0.77	0.82	3.24	3.51	16.4	74,510	78,877	5.9%
	DIS	Walt Disney	1.63	1.27	1.45	5.51	5.83	16.4	54,318	56,857	4.7%
Pharma/Biotech/Life Sci	AMGN	Amgen	2.37	2.12	2.29	9.49	10.85	13.1	21,662	22,309	3.0%
	BIIB	Biogen	4.11	4.06	4.07	15.97	18.66	13.9	10,764	11,370	5.6%
	GILD	Gilead Sciences	3.18	2.37	2.99	11.92	12.24	7.1	32,639	31,666	-3.0%
	JNJ	Johnson & Johnson	1.44	1.27	1.42	6.20	6.52	16.1	70,074	71,454	2.0%
	MRK	Merck & Co	0.93	0.87	0.91	3.60	3.70	13.6	39,498	39,533	0.1%
	PFE	Pfizer	0.53	0.54	0.52	2.20	2.26	13.1	48,851	52,322	7.1%
	SNY	Sanofi	0.72	0.87	0.71	3.14	3.04	13.0	38,696	41,892	8.3%
Real Estate	ANH	Anworth Mortgage Asset	0.14	0.14	0.14	0.58	0.60	7.9	nmf	nmf	nmf
	GEO	GEO Group	0.59	0.52	0.56	1.97	2.04	14.3	nmf	nmf	nmf
	RYN	Rayonier	0.09	0.09	0.06	0.40	0.36	60.6	nmf	nmf	nmf
Retailing	AEO	American Eagle Outfitters	0.42	0.36	0.42	1.09	1.14	13.4	3,522	3,590	2.0%
	KSS	Kohl's	1.58	1.83	1.55	4.03	4.12	11.3	19,204	19,197	0.0%
	PETS	PetMed Express	0.24	0.24	0.24	1.00	1.03	16.0	229	230	0.4%
	TGT	Target	1.52	1.50	1.54	4.70	5.29	14.8	73,785	71,572	-3.0%
Semis & Cap Equipment	DIOD	Diodes	0.14	0.38	0.06	0.87	0.98	19.6	849	962	13.3%
	INTC	Intel	0.74	0.72	0.64	2.37	2.54	11.7	55,355	60,351	9.0%
Software & Services	CA	CA Inc	0.52	0.49	0.58	2.01	2.46	11.9	4,039	4,025	-0.4%
	IBM	Int'l Business Machines	4.84	5.81	4.81	14.93	13.51	9.7	81,742	77,971	-4.6%
	MSFT	Microsoft	0.78	0.77	0.71	2.69	2.83	18.0	88,084	94,448	7.2%
Technology Hardware	AAPL	Apple	3.28	3.06	3.23	9.42	9.20	10.5	234,988	229,999	-2.1%
	AVX	AVX	0.17	0.23	0.17	0.77	0.72	16.3	1,207	1,213	0.5%
	BHE	Benchmark Electronics	0.45	0.43	0.41	1.62	1.59	13.6	2,541	2,575	1.3%
	BRCD	Brocade Comm Systems	0.24	0.20	0.24	0.85	1.04	9.5	2,262	2,298	1.6%
	CSCO	Cisco Systems	0.52	0.48	0.54	2.01	2.30	11.4	49,589	49,097	-1.0%
	ERIC	LM Ericsson	0.29	0.23	0.29	0.71	0.71	12.9	29,291	28,725	-1.9%
	GLW	Corning	0.34	0.45	0.32	1.41	1.41	13.0	9,111	9,695	6.4%
	IM	Ingram Micro	1.01	0.98	1.04	2.66	3.20	11.2	43,026	44,718	3.9%
	LXK	Lexmark Int'l	1.16	1.11	1.09	3.51	3.63	8.6	3,551	3,518	-0.9%
	QCOM	Qualcomm	0.90	1.21	0.91	3.54	4.31	11.8	23,957	22,836	-4.7%
	STX	Seagate Technology PLC	0.82	1.35	0.71	3.21	3.44	9.1	12,168	11,332	-6.9%
Telecom Services	T	AT&T	0.63	0.55	0.63	2.69	2.84	13.0	146,801	168,059	14.5%
Transportation	CSX	CSX	0.48	0.49	0.46	2.01	1.83	13.2	11,811	11,184	-5.3%
	NM	Navios Maritime Holdings	-0.30	-0.22	-0.29	-1.09	-1.43	nmf	481	459	-4.6%
	NSC	Norfolk Southern	1.30	1.64	1.24	5.28	5.36	13.7	10,511	10,130	-3.6%
Utilities	DUK	Duke Energy	0.87	0.86	0.91	4.53	4.68	15.9	23,459	24,176	3.1%
	ETR	Entergy	1.58	0.75	1.45	5.99	5.05	14.3	11,513	12,470	8.3%

As of 02.29.16. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) 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 EPS	Sales	TBV[2]	EV/ EBITDA[3]	Debt/ TE[4]	Div Yld	Mkt Cap
Autos & Components	GM	General Motors	29.44	46.07	5.8	0.3	1.3	2.7	128%	5.2%	45,470
	HMC	Honda Motor	25.71	36.85	11.1	1.0	1.7	nmf	61%	2.5%	46,572
Banks	• BAC	Bank of America	12.52	22.57	9.1	nmf	0.8	nmf	nmf	1.6%	129,277
	BBT	BB&T	32.16	47.11	11.7	nmf	1.6	nmf	nmf	3.4%	25,099
	FITB	Fifth Third Bancorp	15.26	26.78	9.5	nmf	0.9	nmf	nmf	3.4%	11,952
	HSBC	HSBC Holdings PLC	31.77	52.31	7.4	nmf	0.8	nmf	nmf	8.0%	125,087
	WFC	Wells Fargo & Co	46.92	63.84	11.3	nmf	1.7	nmf	nmf	3.2%	238,199
Capital Goods	• BA	Boeing	118.18	148.98	15.3	0.8	nmf	8.2	nmf	3.7%	78,295
	TRN	Trinity Industries	15.84	36.78	3.1	0.4	0.8	3.0	110%	2.8%	2,421
Consumer Dur & App	MDC	MDC Holdings	22.11	39.96	16.4	0.6	0.9	15.7	74%	4.5%	1,084
Diversified Financials	COF	Capital One Financial	65.73	97.92	8.8	nmf	1.2	nmf	nmf	2.4%	34,665
	GS	Goldman Sachs Group	149.53	220.99	8.3	nmf	0.9	nmf	nmf	1.7%	65,966
Energy	HFC	HollyFrontier	33.82	55.18	8.1	0.5	1.9	4.3	32%	3.9%	5,970
	NOV	National Oilwell Varco	29.27	40.07	10.6	0.7	2.0	36.2	71%	6.3%	11,000
	TNP	Tsakos Energy Navigation	5.92	14.04	3.9	0.9	0.4	5.8	100%	5.4%	517
	TOT	Total SA	44.71	68.88	10.1	0.8	1.3	8.1	52%	5.0%	109,718
Health Care Equip/Srvcs	ABT	Abbott Laboratories	38.74	51.93	18.0	2.8	9.5	14.1	98%	2.7%	57,073
	MCK	McKesson	155.62	241.88	12.4	0.2	nmf	9.6	nmf	0.7%	35,573
Insurance	MET	MetLife	39.56	76.01	8.2	nmf	0.8	nmf	nmf	3.8%	43,384
	PRU	Prudential Financial	66.09	105.74	6.6	nmf	0.8	nmf	nmf	4.2%	29,873
Materials	AGU	Agrium	85.93	121.54	11.8	0.8	3.5	7.9	133%	4.1%	11,873
	CE	Celanese	60.34	95.82	10.0	1.6	5.7	16.7	159%	2.0%	8,875
	MOS	Mosaic	26.65	49.24	9.2	1.1	1.2	6.0	48%	4.1%	9,395
Pharma/Biotech/Life Sci	AMGN	Amgen	142.28	213.98	15.0	4.9	64.7	10.4	1771%	2.8%	107,008
	GILD	Gilead Sciences	87.25	150.04	7.3	3.7	16.8	5.0	298%	2.2%	119,257
	JNJ	Johnson & Johnson	105.21	116.87	17.0	4.1	12.2	12.8	54%	2.9%	290,312
	MRK	Merck & Co	50.21	59.10	13.9	3.5	32.0	11.5	550%	3.7%	139,346
	PFE	Pfizer	29.67	41.90	13.5	3.7	nmf	11.7	nmf	4.0%	183,153
Real Estate	ANH	Anworth Mortgage Asset	4.70	6.80	8.1	nmf	0.7	nmf	nmf	12.8%	458
	GEO	GEO Group	29.04	33.78	14.7	nmf	13.0	nmf	nmf	9.0%	2,168
Semis & Cap Equipment	INTC	Intel	29.59	40.87	12.5	2.5	3.0	5.8	43%	3.5%	139,783
Software & Services	IBM	Int'l Business Machines	131.03	193.43	8.8	1.5	nmf	8.4	nmf	4.0%	125,904
	ORCL	Oracle	36.78	52.18	15.5	4.1	25.1	9.2	649%	1.6%	154,521
Technology Hardware	AAPL	Apple	96.69	142.10	10.3	2.3	4.5	4.7	45%	2.2%	536,106
	AVX	AVX	11.74	18.09	15.3	1.6	1.0	4.7	0%	3.6%	1,967
	CSCO	Cisco Systems	26.18	36.73	13.0	2.7	3.9	6.8	64%	4.0%	131,741
	GLW	Corning	18.30	31.19	13.0	2.2	1.4	9.1	27%	3.0%	20,365
	STX	Seagate Technology PLC	31.36	55.27	9.8	0.8	193.7	7.2	nmf	8.0%	9,296
Telecom Services	T	AT&T	36.95	43.39	13.7	1.5	nmf	7.5	nmf	5.2%	227,287
Transportation	CSX	CSX	24.14	34.26	12.0	2.0	2.0	6.8	92%	3.0%	23,250

As of 02.29.16. 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

Proceeds from our recent **Tyson Foods** profit-taking adding to existing cash, we will pick up $10,000 of **Oracle** and **Tsakos Energy** for Millennium Portfolio, while we will add $29,000 of **Anworth Mortgage Asset** and **Honda Motor** to TPS Portfolio. In Buckingham Portfolio, we will buy $6,000 of **Bank of America** and **Boeing**, and in Pru-Folio, we will purchase $20,000 of **Agrium** and bring up the holdings in **AVX** and **CSX** to that amount. We already hold a sufficient stake in **Johnson & Johnson** in all four accounts. We will transact on March 8.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AGU	Agrium	Materials	85.93	121.54
ANH	Anworth Mortgage Asset	Financials	4.70	6.80
AVX	AVX	Information Technology	11.74	18.09
BA	Boeing	Industrials	118.18	148.98
BAC	Bank of America	Financials	12.52	22.57
CSX	CSX	Industrials	24.14	34.26
HMC	Honda Motor	Consumer Discretionary	25.71	36.85
JNJ	Johnson & Johnson	Health Care	105.21	116.87
ORCL	Oracle	Information Technology	36.78	52.18
TNP	Tsakos Energy Nav	Energy	5.92	14.04

As of 02.29.16. SOURCE: Al Frank using data from Bloomberg

Agrium (AGU)

Agrium is one of the largest retail suppliers of agricultural products and services in North America, South America, Europe and Australia, as well as a wholesale producer and marketer of all three major agricultural nutrients (nitrogen, potash and phosphates). Despite lower nutrient prices and overall headwinds in the commodity space, AGU recently reported better-than-expected earnings due in part to higher sales volume, a diversified business mix and lower costs in its wholesale operations. Though a difficult near-term operating environment will persist, we remain positive on the long-term prospects of AGU and its diversified business, as well as the long-term potential of agriculture in general. The decline of global arable land and population growth should force farmers to be more productive and should drive growth of crop inputs. We like that Agrium has extensive retail and wholesale operations, and is well-positioned throughout the agriculture value chain. AGU generates solid free cash flow and offers investors a yield of 4%.

Anworth Mortgage Asset (ANH)

Anworth is a mortgage REIT focused mainly on U.S. mortgage-backed securities (MBS) issued or guaranteed by an agency of the U.S. (Ginnie Mae) or a U.S. government-sponsored entity (Fannie Mae or Freddie Mac). Anworth's core business produced solid adjusted Q4 earnings of $0.15 per share. We continue to appreciate management's efforts to plan for the long-term success of the firm via the ownership of 88 single-family residential rental properties. This newer segment has been methodically expanding. Overall, we were pleased with the recent quarter and the direction of ANH, and we were happy to see book value ending the period at $6.25 per share. ANH shares are thus trading at just 75% of book value, while yielding a massive 12.8%. True, the company must successfully navigate volatile interest rate environments, especially given that it employs significant leverage (effective leverage ratio of 7.6 at the end of Q4), but management generally has proven adept thus far, supporting the dividend, while buying back stock at favorable prices… such as when it is trading below book value.

AVX (AVX)

AVX, 72% owned by Kyocera of Japan, is a manufacturer and supplier of electronic components, including ceramic and tantalum capacitors for use in products that need to store energy. The company reported adjusted fiscal Q3 EPS of $0.17 on sales of $287 million, both figures near consensus estimates. CEO John Sarvis stated, "While we have seen some improvement in orders for our components and interconnect devices, our customers have remained cautious when ordering components for inventory in light of the market demand. We continue to be optimistic that the continuing evolution of new electronic devices will provide growth opportunities." We believe that AVX will benefit as smartphone demand, which is expected to make up 80% of the cell phone market in 2016, keeps growing, especially as Chinese and Korean telecom manufacturers roll out next-generation 4G and 5G networks. Additionally, we like that AVX returns cash to holders via a buyback program and 3.6% dividend yield.

Boeing (BA)

Boeing is a global aerospace titan that designs and manufactures commercial airplanes, as well as defense, space and security systems. We like that Boeing has a wide product range with a backlog of nearly 5,800 airplanes worth $432 billion, including the ever-popular 737, 787 Dreamliner and 777 families. In addition to its Commercial Aviation segment, BA's Defense, Space & Security segment contributes about one-third of revenue and has benefitted from long-term government contracts around the world, growing delivery volume and improving product mix. Although shares have since rebounded, BA dropped in February on news that the SEC is investigating its 747 and 787 Dreamliner accounting methods. While we have no reason to believe that the company has violated any laws, we think that the accounting methods for those programs may need to be updated to reflect present-day practices (BA is the last major manufacturer using program accounting, allowing it to spread enormous up-front airplane program costs over a number of years). As such, we might expect revisions to financial statements to result, but we think the share price drop this year from $144 discounts a lot of bad news, including the near-term production trim to 710-745 airframes that is reflective of new-model transitioning, rather than a dip in demand. BA trades for 15 times earnings and yields 3.7%.

Bank of America (BAC)

BAC is a world-leading financial institution, serving individual consumers, small and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. In the U.S., BAC serves 47 million customers via 4,700 retail financial centers, 16,000 ATMs, and online banking services with 32 million active users, including 19 million mobile users. We believe that BAC's long-term business advantages are much more clear now that many of its problems are seemingly behind it. From its large deposit base and consumer lending franchise to its "thundering herd" of Merrill Lynch's financial advisors and wealth managers, BAC has numerous opportunities to capitalize. We are constructive on the firm's cost-control programs and its expanding cross-selling opportunities to its customers. BAC shares currently trade at less than 85% of tangible book value per share and we think the firm is poised to increase its return of capital via share buybacks and increased dividends as it receives capital allocation sign-off from the Federal Reserve. With improving consumer credit quality and strengthening capital ratios, we do not believe the Fed approvals are a matter of if, but when.

CSX (CSX)

CSX is a global freight transportation company, moving cargo by railroad, intermodal, container and barge. The company has battled significant declines in coal revenue, which have been partially mitigated by growth in intermodal, automotive and mineral revenue, lower fuel costs and stronger pricing power. CSX expects the challenges in the coal business to persist throughout 2016, but the company should benefit from $200 million in efficiency savings and growth in automotive, mineral, waste and equipment shipments. 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 is working to improve on-time originations and arrivals, safety, dwell time in terminals and train velocity. CSX continues to chip away at its $2.0 billion share buyback program, while the stock yields 3.0%.

Honda Motor (HMC)

Honda is a global leader in the development, manufacturing and distribution of automobiles and power products. HMC has four main segments: Motorcycles, Automobiles, Financial Services and Power Products. While Automobile revenue is nearly three quarters of Honda's total, the segment contributed less than half of the operating income last quarter, with Financial Services accounting for about a third, despite representing only 11.7% of total revenue. Third quarter results were soft, as the company reported EPS of $0.57, below the analyst consensus estimate of $0.70, on $30 billion in sales, but we continue to like the firm's broad and geographically diverse revenue stream and are encouraged by its progress in emerging market regions and modest opportunity for growth in North America. While very unfortunate, we feel that the Takata airbag recall issues will not adversely affect the long-term performance of the company. We believe that HMC is favorably positioned to benefit from healthy worldwide auto sales and the revenue growth in the Financial Services unit. Honda has a forward-12-month P/E ratio below 10 and a net yield of 2.5%.

Johnson & Johnson (JNJ)

Johnson & Johnson is a leading global health care company that develops, manufactures and markets a diversified portfolio of pharmaceutical, medical device, diagnostic and consumer health products. We like that JNJ maintains a broad revenue stream, which helps insulate the firm from economic downturns and offers investors a defensive growth opportunity that pays a stable dividend. We also like the recent restructuring in its medical device business. Q4 saw the company exceed bottom-line expectations with EPS of $1.44, and generate in-line revenue despite currency headwinds of $17.8 billion. JNJ faces relatively few major patent losses over the next few years and the majority of its pharmaceutical offerings are specialty drugs, which frequently carry stronger pricing power. Further, due to favorable market demographics, we see long-term potential for the company's orthopedics business, as well as organic growth in emerging markets and healthy prospects for opportunistic expansion via acquisition. JNJ has a strong balance sheet and solid potential for a number of its compounds in clinical trials. We also like the 2.9% dividend yield.

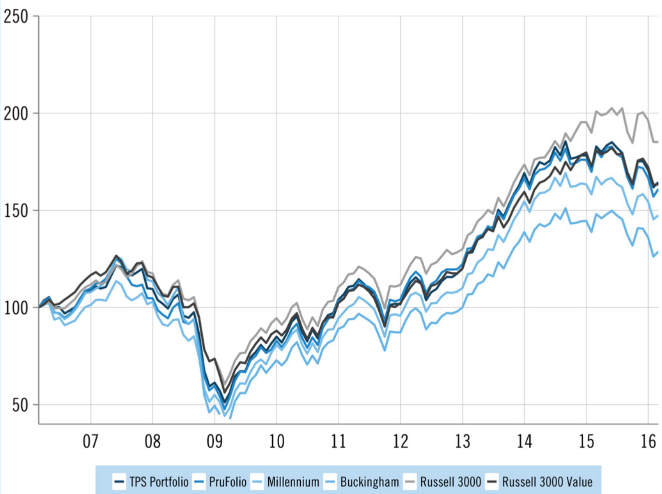
Oracle (ORCL)

Oracle is a worldwide leader in software for enterprise information and database management. ORCL is the only major technology vendor that offers one-stop shopping: applications, infrastructure and a platform—a meaningful competitive advantage as it allows a single Cloud environment to be accessed, shared and used in a variety of ways. In fiscal Q2, strength in the Asia-Pacific and European regions drove License segment sales to their first quarterly beat for nearly two years, while persistent currency headwinds lowered revenue by about 6%. Admittedly, Oracle may have to trudge through the Cloud transition a bit longer, but we believe that the company should benefit from growth opportunities in the SaaS and PaaS segments over the next product cycle. Although near-term sales figures will probably be reduced due to currency, 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 $2.88 per diluted share in net cash, sports a reasonably low forward P/E ratio of 14 and yields 1.6%.

Tsakos Energy Navigation (TNP)

Tsakos Energy owns and operates a diverse and relatively modern fleet of marine tankers essentially spread over every major class of ship. Its vessels transport crude oil, petroleum products and other liquids. We like that TNP has seen utilization rates above 97% the last few quarters, and we think that near-term rates will remain strong as low oil prices are a positive for demand. CEO Nikolas P. Tsakos said last month, "2016 will be a pivotal year in TNP's growth where our strong spot earnings, supported by the low levels of oil prices, and our fixed and flexible revenue contracts will further increase our revenues. However, this earnings capacity coupled with a strong and healthy balance sheet is not reflected in the performance of our stock and creates material dislocations between actual company fundamentals and our stock price." As such, Tsakos has recommitted to its buyback program and hiked the dividend by 33%. TNP now yields 5.4% and trades for 4 times estimated earnings.

NEWSLETTER PORTFOLIO PERFORMANCE



	Feb	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	2.06	-5.34	-13.03	6.37	6.51	2.56
Millennium	1.39	-4.57	-11.85	7.75	8.01	3.96
PruFolio	2.42	-3.50	-11.09	7.17	8.17	4.87
TPS	1.62	-3.65	-10.07	8.59	8.26	5.10
Major Indexes						
Russell 3000	-0.04	-5.68	-7.85	10.05	9.61	6.35
Russell 3000 Value	0.03	-5.26	-9.74	7.95	8.52	5.02
S&P 500	-0.13	-5.09	-6.20	10.74	10.12	6.44
Dow Jones Industrial Avg	0.75	-4.68	-6.55	8.14	8.94	6.92

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	10.61	8.62	Russell 3000
Millennium	12.31.99	8.40	4.12	Russell 3000
PruFolio	12.29.00	12.34	4.92	Russell 3000
TPS	03.10.77	17.64	10.62	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,852 stock recommendations have returned, on average, an annualized 16.96%, not including dividends.

As of 02.29.16. 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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