July 4, 2016

the Prudent Speculator

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With even the political experts unsure of the timing, mechanics and long-term ramifications of the June 23 decision by the people of the United Kingdom to *Leave* the European Union, only time will tell what sort of impact Brexit (assuming it actually happens) will have on the global economies and stock markets. To be sure, we understand that some have proclaimed the vote as a Bear Stearns or even Lehman Brothers moment, recalling two seminal events in the 2008 Financial Crisis, but the UK will remain a major global trading partner and paper losses suffered in the twin selloffs on June 24 and June 27 were almost completely recouped just four trading days later when stocks posted their sharpest gains in seven months.

> "The herd instinct among forecasters makes sheep look like independent thinkers."
> —Edgar Fiedler

Certainly, we do not intend to sound cavalier as we respect that other EU members will likely face *Exit* referendums in the not-too-distant future and the massive plunge in the pound and weakness in the euro have done little to help the currency headwinds afflicting many of the multinational corporations in which we are invested, but equities have been climbing a wall of worry since the dawn of capitalism. For example, just since the collapse of Lehman in September 2008, stocks have managed to post sizable gains despite the Flash Crash, the Japan Tsunami, the S&P U.S. Credit Rating Downgrade, Hurricane Sandy, the Fiscal Cliff and the Taper Tantrum. We've also survived Ebola, the Greek Debt Default and Fed Liftoff. And this year, the major market averages and our portfolios posted modest gains in the first six months, despite the Slowdown in China, Terrorist Attacks and Brexit. Through all of those worrisome events, not to mention the dozen of others that have occurred since *The Prudent Speculator* was first published in 1977, we have always endeavored to provide *valuable* perspective. After all, it doesn't matter how well our stock picks perform if readers are scared out of the markets and sitting in cash.

Sadly, the rise of low-cost Exchange Traded Funds (ETFs), 24/7 access to financial and portfolio information, and the ease of trading arguably have made it even more difficult for folks to stay disciplined in seeking to achieve their long-term investment objectives. In fact, the 2016 Quantitative Analysis of Investor Behavior study shows that over the last five years (through December 2015), holders of equity mutual funds earned an average annualized return of only 6.92%, compared to 12.57% for the S&P 500. Miserable market timing was mainly to blame, as it was for folks in fixed income funds, where per-annum returns were just 0.10%, versus a 3.25% return for the benchmark.

For long-term investors, we think there are strong reasons to be optimistic about the prospects for our stocks. Most important is the interest rate environment as options for income outside of equities are not very appealing, especially with the Federal Reserve likely to remain highly accommodative for the foreseeable future. Indeed, money market funds are yielding less than 0.25% today, compared to 5.0% and 6.0% at prior stock market peaks in 2007 and 2000, while the respective current yields on 10- and 30-year U.S. Treasuries of 1.44% and 2.23% pale in comparison to the 3.1% dividend yield on TPS Portfolio.

True, payouts on stocks are not guaranteed, but history shows that dividends have grown nicely over time, along with earnings. And with the estimate for Q1 GDP growth revised higher, the employment picture remaining relatively healthy and even the struggling manufacturing sector seeing improved metrics, we think that the U.S. economic backdrop continues to be supportive of corporate profits. Standard & Poor's now projects that bottom-up operating EPS for the S&P 500 will rise to $114.31 in 2016 and $134.05 in 2017, up from $100.45 in 2015.

Equities will remain volatile and investor sentiment is hardly bullish (a contrarian positive), but we never lose sight of the Lao Tzu quotation, "If you do not change direction, you may end up where you are heading."

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 the Russell 3000 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 initial recommendations of stocks this month in Sectors like Consumer Staples, Financials and Industrials.

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 TPS Portfolio (87) and the other three (each has 92), 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		**12.9**	**5.2**	**14.5**	**14.7**	**14.8**	**13.7**	**14.4**
	Autos & Components	1.0	1.2	2.2	2.1	1.8	1.7	1.9
	Consumer Dur & App	1.6	0.8	3.7	2.2	3.6	3.0	3.1
	Consumer Services	2.2	0.8	0.0	1.4	1.1	1.3	0.9
	Media	3.0	1.0	4.3	4.0	4.2	2.1	3.6
	Retailing	5.1	1.4	4.4	5.1	4.1	5.6	4.8
Consumer Staples		**9.4**	**8.7**	**4.8**	**2.4**	**4.7**	**5.8**	**4.4**
	Food & Staples Retail	2.1	1.7	1.1	0.0	1.0	0.9	0.7
	Food Bev & Tobacco	5.4	4.2	2.3	2.4	2.2	3.7	2.7
	Household Products	1.9	2.7	1.5	0.0	1.4	1.2	1.0
Energy		**6.8**	**13.0**	**7.8**	**7.9**	**8.0**	**8.0**	**7.9**
Financials		**17.4**	**28.7**	**17.3**	**17.0**	**17.4**	**17.7**	**17.3**
	Banks	5.5	10.7	7.3	9.4	6.5	9.7	8.2
	Diversified Financials	4.3	7.0	3.5	2.7	4.0	2.3	3.1
	Insurance	2.8	4.8	3.5	3.4	6.0	4.7	4.4
	Real Estate	4.7	6.1	3.2	1.6	1.0	1.0	1.7
Health Care		**14.2**	**10.8**	**9.3**	**13.6**	**11.2**	**10.6**	**11.2**
	Health Care Equip/Srvcs	5.4	3.7	3.5	6.5	4.5	3.9	4.6
	Pharma, Biotech & Life Sci	8.8	7.1	5.8	7.1	6.7	6.7	6.6
Industrials		**10.5**	**9.9**	**13.0**	**12.4**	**12.6**	**12.3**	**12.6**
	Capital Goods	7.5	7.4	6.2	7.3	7.4	6.3	6.8
	Commercial Services	1.1	0.6	3.1	2.9	2.9	2.2	2.8
	Transportation	1.9	1.9	3.6	2.3	2.3	3.9	3.0
Information Technology		**19.2**	**9.5**	**20.0**	**19.8**	**19.5**	**19.4**	**19.7**
	Semis & Cap Equipment	2.7	2.8	1.5	2.3	2.6	2.5	2.2
	Software	11.7	2.7	3.9	4.0	4.5	6.5	4.7
	Technology Hardware	4.8	4.1	14.6	13.6	12.4	10.4	12.8
Materials		**3.3**	**2.9**	**6.5**	**7.2**	**8.4**	**7.0**	**7.3**
Telecom Services		**2.7**	**4.0**	**2.4**	**2.4**	**1.0**	**2.3**	**2.0**
Utilities		**3.7**	**7.3**	**1.4**	**1.2**	**1.3**	**1.3**	**1.3**
Cash		**0.0**	**0.0**	**3.0**	**1.5**	**1.1**	**2.0**	**1.9**

Russell 3000, Russell 3000 Value and Newsletter Portfolios as of 06.30.16. [1]Average of the four newsletter portfolios. SOURCE: Al Frank using data from Russell Investments via Bloomberg

Graphic Detail

Performance Attribution

The following few paragraphs hardly do the subject justice, but the simple annual attribution reports displayed below help to better understand how our newsletter portfolios are performing relative to our primary benchmark, the Russell 3000 index (R3K). 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 modestly outperformed the R3K in the first half of 2016, thanks to an underweight position in Health Care and an overweight in Materials, along with favorable stock selection in Materials, Health Care, Info Tech and Consumer Staples. Performance was negatively impacted by a light weighting in Consumer Staples as well as subpar stock picking in Energy, Financials, Industrials and Consumer Discretionary.

Buckingham Portfolio's overall performance lagged the R3K, due in part to lower exposure relative to the benchmark (and TPS Portfolio) in Consumer Staples and Utilities, along with weaker stock picking in the same Sectors that hurt TPS Portfolio. Buckingham Portfolio also saw a positive selection effect (though not as great in overall magnitude) in the same four Sectors as benefitted our flagship newsletter portfolio.

2016 YTD 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	14.7	-0.7	0.0	13.4	0.5	0.1	0.0	-0.3
Consumer Staples	5.0	21.7	1.1	9.2	10.5	0.9	-0.2	0.6
Energy	8.2	-7.6	-0.7	6.3	14.7	0.9	0.2	-1.8
Financials	17.9	-6.4	-1.4	17.5	-1.1	-0.3	0.0	-1.0
Health Care	9.6	8.3	0.8	14.2	-1.4	-0.3	0.2	0.9
Industrials	12.1	1.8	0.2	10.8	6.4	0.7	0.0	-0.5
Information Technology	18.9	3.7	0.8	19.6	-0.4	-0.1	0.0	0.8
Materials	5.7	44.4	2.1	3.2	9.9	0.3	0.1	1.4
Telecom Services	2.5	26.3	0.5	2.4	23.4	0.5	-0.2	0.0
Utilities	2.9	21.8	0.6	3.4	23.7	0.7	0.0	0.0
Cash	2.3	0.0	0.0	0.0	0.0	0.0	0.2	0.0
	Total:		**4.1**	**Total:**		**3.6**	**0.4**	**0.0**

	Buckingham 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	15.3	-6.0	-0.9	13.4	0.5	0.1	-0.1	-1.0
Consumer Staples	2.6	27.8	0.7	9.2	10.5	0.9	-0.4	0.5
Energy	8.2	-15.1	-1.4	6.3	14.7	0.9	0.2	-2.4
Financials	16.8	-6.0	-1.1	17.5	-1.1	-0.3	0.0	-0.9
Health Care	12.2	3.1	0.5	14.2	-1.4	-0.3	0.1	0.6
Industrials	12.1	3.3	0.4	10.8	6.4	0.7	0.0	-0.3
Information Technology	19.7	1.2	0.4	19.6	-0.4	-0.1	0.0	0.3
Materials	6.2	39.5	2.1	3.2	9.9	0.3	0.2	1.5
Telecom Services	2.7	25.2	0.6	2.4	23.4	0.5	0.1	0.1
Utilities	1.3	21.8	0.3	3.4	23.7	0.7	-0.2	0.0
Cash	2.8	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
	Total:		**1.6**	**Total:**		**3.6**	**-0.1**	**-1.8**

Russell 3000, Russell 3000 Value and Newsletter Portfolios from 12.31.15 though 06.30.16. 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	GM	General Motors	28.30	43.32	5.2	0.3	1.2	2.6	141%	5.4%	43,577
	GT	Goodyear Tire & Rubber	25.66	47.12	7.4	0.4	2.0	5.3	168%	1.1%	6,824
Banks	BAC	Bank of America	13.27	22.83	10.5	nmf	0.8	nmf	nmf	2.3%	136,308
	BBT	BB&T	35.61	47.63	12.9	nmf	1.8	nmf	nmf	3.4%	28,917
	• ING	ING Groep NV	10.33	15.68	8.9	nmf	0.8	nmf	nmf	7.4%	39,993
	KEY	KeyCorp	11.05	18.30	10.4	nmf	0.9	nmf	nmf	3.1%	9,308
	ONB	Old National Bancorp	12.53	17.50	12.5	nmf	1.6	nmf	nmf	4.2%	1,433
	PNC	PNC Financial Services	81.39	112.02	11.8	nmf	1.3	nmf	nmf	2.7%	40,640
	WFC	Wells Fargo	47.33	62.08	11.6	nmf	1.7	nmf	nmf	3.2%	240,297
Capital Goods	TRN	Trinity Industries	18.57	36.23	4.0	0.5	0.9	3.6	107%	2.4%	2,800
Commercial Services	MAN	ManpowerGroup	64.34	95.78	11.5	0.2	4.6	6.0	84%	2.7%	4,600
Consumer Dur & App	MDC	MDC Holdings	24.34	39.19	17.7	0.6	1.0	16.7	68%	4.1%	1,193
Diversified Financials	COF	Capital One Financial	63.51	95.91	8.6	nmf	1.1	nmf	nmf	2.5%	32,523
Energy	HFC	HollyFrontier	23.77	49.83	8.0	0.3	1.7	4.7	53%	5.6%	4,196
	SFL	Ship Finance Int'l	14.74	19.99	6.4	3.2	1.2	10.4	131%	12.2%	1,378
	TNP	Tsakos Energy Nav	4.69	13.10	3.1	0.7	0.3	5.9	89%	6.8%	410
	TOT	Total SA	48.10	70.07	11.8	0.9	1.3	10.3	46%	4.9%	120,401
Food & Staples Retailing	• CVS	CVS Health	95.74	148.54	18.3	0.6	nmf	10.9	nmf	1.8%	102,827
Health Care Equip/Srvcs	ABT	Abbott Laboratories	39.31	52.26	18.8	2.8	10.5	14.9	109%	2.6%	57,752
	CAH	Cardinal Health	78.01	105.11	15.3	0.2	nmf	9.6	nmf	2.3%	25,417
Insurance	• AZSEY	Allianz SE	14.40	21.43	8.4	nmf	1.1	nmf	nmf	4.2%	65,808
	MET	MetLife	39.83	77.29	8.7	nmf	0.7	nmf	nmf	4.0%	43,760
	PRU	Prudential Financial	71.34	103.96	7.6	nmf	0.7	nmf	nmf	3.9%	31,532
Materials	MOS	Mosaic	26.18	49.72	11.2	1.1	1.1	6.5	45%	4.2%	9,158
Media	DIS	Walt Disney	97.82	135.16	17.3	2.9	17.1	10.8	166%	1.5%	158,707
Pharma/Biotech/Life Sci	AMGN	Amgen	152.15	210.94	15.4	5.2	47.0	10.5	1319%	2.6%	114,298
	BIIB	Biogen	241.82	414.60	14.3	4.8	15.6	9.3	192%	0.0%	52,971
	GILD	Gilead Sciences	83.42	134.77	7.1	3.4	48.2	5.1	915%	2.3%	111,101
	SNY	Sanofi	41.85	58.93	13.2	5.4	14.9	13.0	nmf	3.2%	107,720
Real Estate	ANH	Anworth Mortgage Asset	4.70	6.77	8.2	nmf	0.8	nmf	nmf	12.8%	453
Retailing	FL	Foot Locker	54.86	85.54	12.5	1.0	3.0	6.5	5%	2.0%	7,423
	KSS	Kohl's	37.92	62.91	10.2	0.4	1.3	4.8	86%	5.3%	6,966
	TGT	Target	69.82	88.81	14.3	0.6	3.4	6.5	103%	3.2%	41,143
Technology Hardware	AAPL	Apple	95.60	128.82	10.6	2.3	4.3	4.7	57%	2.4%	523,642
	CSCO	Cisco Systems	28.69	37.32	14.3	2.9	4.4	7.6	74%	3.6%	144,302
	ERIC	LM Ericsson	7.68	13.40	10.7	0.9	1.4	5.5	25%	3.9%	25,501
	JBL	Jabil Circuit	18.47	33.09	11.3	0.2	2.2	3.9	112%	1.7%	3,529
	STX	Seagate Technology PLC	24.36	43.79	10.4	0.6	nmf	7.3	nmf	10.3%	7,271
Transportation	• ALK	Alaska Air Group	58.29	92.91	8.5	1.3	2.9	3.8	22%	1.9%	7,184
	DAL	Delta Air Lines	36.43	71.07	6.6	0.7	nmf	3.5	nmf	1.5%	28,109

As of 06.30.16. 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

Redeploying cash generated by recent sales in our four newsletter portfolios, we will add $20,000 of **ING Groep** to PruFolio and $10,000 of **Alaska Airlines** to Millennium Portfolio. In TPS Portfolio, we will pick up $29,000 of both **Allianz SE** and **Biogen**, while in Buckingham Portfolio we will purchase $6,000 of **CVS Health** and bring the ownership up to that amount in **HollyFrontier**. We already have sufficient sector exposure and/or hold sizable positions in **Cisco Systems**, **Disney**, **Manpower** and **Ship Finance**. We will transact on July 11.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
ALK	Alaska Air Group	Industrials	58.29	92.91
AZSEY	Allianz SE	Financials	14.40	21.43
BIIB	Biogen	Health Care	241.82	414.60
CSCO	Cisco Systems	Information Technology	28.69	37.32
CVS	CVS Health	Consumer Staples	95.74	148.54
DIS	Walt Disney	Consumer Discretionary	97.82	135.16
HFC	HollyFrontier	Energy	23.77	49.83
ING	ING Groep NV	Financials	10.33	15.68
MAN	ManpowerGroup	Industrials	64.34	95.78
SFL	Ship Finance Int'l	Energy	14.74	19.99

As of 06.30.16. SOURCE: Al Frank using data from Bloomberg

Alaska Air Group (ALK)

Alaska Air Group provides passenger, mail and freight air service to more than sixty cities in three countries through its Alaska Airlines and Horizon Airlines subsidiaries. Alaska operates a fleet of 153 Boeing 737 jets for mainline service and Horizon operates 52 Bombardier Q400 Turboprops for feeder or thinner routes. In April, the company announced plans to acquire Virgin America for more than $4 billion, which will bring a slew of new routes to the Alaska network and 63 Airbus A320 family planes, with $225 million of synergies expected. While we think that Alaska paid a rich price, we believe that the company will be able to realize gains from Virgin's cross-country route network (a lucrative market) and strong presence at San Francisco Int'l Airport. Notwithstanding the advances that Delta has made in the Seattle market, we think that the combined entity will remain the premier airline in the Pacific Northwest, offering travelers low fares and a top-level customer experience. ALK currently trades for 8.5 times forward earnings and yields 1.9%.

Allianz SE (AZSEY)

Allianz is a 126-year-old global insurer and financial services firm with more than 85 million customers in 70 countries. Allianz is the world's largest property and casualty insurer, and its Global Investors arm (including bond manager Pimco) is one of the top 5 active asset managers worldwide with nearly 2 trillion euros of assets under management. The company is off to a decent start in 2016, with first quarter earnings per share of $0.53 well-ahead of the $0.40 consensus expectation. CEO Oliver Baete noted that the company is considering a share buyback to accompany the 4.2% net dividend yield, as AZSEY's growth trajectory is within the company's target and the Solvency II capital requirements are sufficiently covered. However, management is still treading carefully given the geopolitical events in Europe over the last few weeks. While investors have punished the stock this year, sending Allianz down some 20%, we think the high quality shares are very inexpensive, trading for less than 9 times estimated earnings and 1.1 times tangible book value.

Biogen (BIIB)

Biogen, a biotech titan with leading multiple sclerosis and hemophilia drugs, discovers, develops and delivers innovative therapies for the treatment of neurodegenerative diseases, hematologic conditions and autoimmune disorders. Biogen leads the $20 billion global MS market with Avonex and Tysabri, and the launch of Tecfidera should secure the firm's dominance for the next several years. The stock has been beaten down of late, along with shares of other biotech and pharma firms, amid concerns about the upcoming election and what the results might mean for drug pricing. Additionally, BIIB suffered a setback when one of its promising compounds didn't obtain the hoped-for results. Nevertheless, we think the 15% pullback since the top of June provides an attractive long-term buying opportunity as we continue to like Biogen's MS franchise, the prospects of its pipeline, its strong free cash flow generation and its willingness to aggressively buy back shares while investing in the future. With cash and marketable securities of almost $7 billion, BIIB also has the ability to grow via acquisition, while the shares trade for just 13 times estimated earnings.

Cisco Systems (CSCO)

Cisco Systems is a leading tech company that specializes in Internet Protocol (IP)-based networking equipment for professional, telecom provider and residential use. In fiscal Q3 2016, the company beat analyst expectations on the top and bottom lines despite the challenging macroeconomic backdrop. CSCO's emphasis on four main areas: Security, Collaboration, Data Center and Software Subscriptions has propelled the company forward. At a BofA Merrill Lynch Conference in June, VP of Sales Ishmael Limkakeng said, "I think we're in a great position in the market. We're excited about the traction we've had over the last couple of years with App Centric Infrastructure and 9000-series switches...We have to continue to innovate, but we're very happy with where we are in that position. I think the market is in a really interesting place for us." In our view, CSCO can lead with its great product pipeline and loyal customer base. We think that CSCO shares trade at a relative discount with a forward P/E ratio of 12 and a 3.6% dividend yield.

CVS Health (CVS)

CVS is the largest retail pharmacy chain in the U.S. with a network of more than 9,600 retail locations. CVS is also a leading provider of pharmacy benefits management (PBM) services through its Caremark franchise. We like the company's recent purchase of 1,600 pharmacies from discount retailing giant Target, as well as the acquisition of Omnicare, a drug and services provider to the long-term and specialty health care industries, believing both offer attractive long-term benefits to operations. With approximately 1.3 billion adjusted claims expected to be processed in 2016, CVS's PBM business has desirable scale that gives it supplier negotiating power. Additionally, as specialty drug spending continues to rise, we can see payers looking towards PBMs like CVS to help control spending on these products. Furthermore, we believe CVS will benefit from robust growth rates on pharmaceutical products due to favorable demographic trends as the U.S. population ages and from the expansion of medical insurance coverage to the previously uninsured. We like that CVS generates solid free cash flow which can be used to increase its dividend (the yield is currently 1.8%), buy back shares and invest in the growth of its businesses.

Walt Disney (DIS)

Disney is much more than Mickey and Minnie, as it operates one of the largest diversified media companies in the U.S. and is a global leader in producing branded family entertainment. Despite its most recent quarterly earnings miss, only the fourth such occurrence in the last decade, we are optimistic about Disney and its loyal and growing fan base. While concerns remain about ESPN and its ad revenue, 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 like that the Parks and Resorts segment has strongly rebounded and the opening of Disneyland Shanghai should yield additional momentum. While we know that Disney's recent string of movie hits (*Zootopia*, *The Jungle Book*, *Captain America: Civil War* and *Find-*

ing Dory) will be hard to maintain, we are constructive on its large library of content (we can't forget *Star Wars* and *Frozen)* with popular franchises and characters. DIS generates solid free cash flow and has a history of returning cash to investors, while the current P/E of 17.3 is below its historical averages and that of the market.

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 punished over the last year, falling more than 50% as refining margins have been squeezed and energy stocks have been woefully out of favor. The company must also contend with ethanol blending requirements at its refineries (ethanol is about $0.30 per gallon more expensive per gallon than MidCon crude) and seasonally weak gasoline crack spreads. However, with vehicle-miles traveled ticking up over the past months, management is encouraged by gasoline consumption that could cross the record of 9.3 million barrels per day. 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, shareholder-friendly management and strong balance sheet position. HFC trades at 11.3 times what should be trough forward earnings estimates and yields 5.6%.

ING Groep NV (ING)

ING is a Netherlands-based financial institution. Following the sale of its remaining stakes in its insurance operations, ING now operates as a pure bank with a European retail focus and maintains a global commercial banking business. Shares have been hit hard this year, down more than 24%, including a sharp selloff following the recent Brexit vote. We believe that the plunge has been overdone, providing an appealing long-term entry point. We like the divestment of its insurance businesses, allowing management to focus on growing and improving its well-established retail and commercial banks. We also think the firm has ample opportunity to move its offerings into higher growth neighboring markets. Additionally we like that ING has solid capital levels, including a Basel Tier 1 ratio in excess of 12.5%. Shares currently offer a net dividend yield north of 7%, with management aiming to pay a progressive dividend over time. ING shares currently trade for less than 9 times forward earnings estimates and below tangible book value.

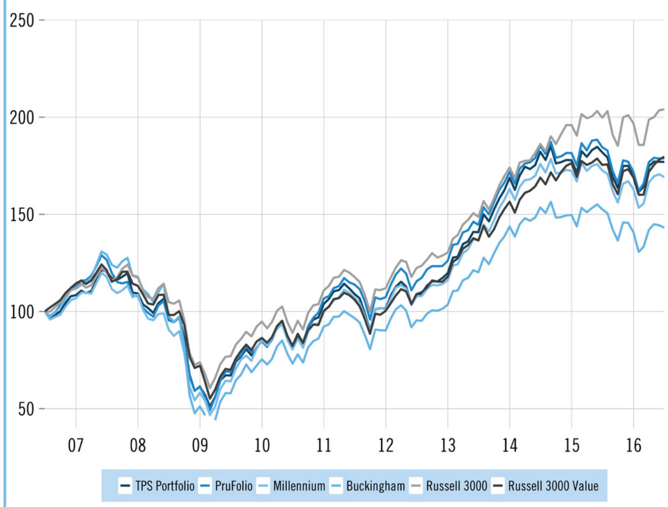
ManpowerGroup (MAN)

Manpower is the third-largest staffing firm in the world. It serves over 400,000 clients from 3,100 offices in 80 countries, recruiting more than four million people worldwide each year. The company offers varied services such as temporary staffing, permanent placement, workforce training and outplacement. Its global reach allows it to service almost any staffing need from multinational and local firms alike. While the company endured currency headwinds and sluggish U.S. growth during Q1, MAN realized good performance in Asia-Pacific and Latin America, reporting better than expected revenue of $4.6 billion and EPS of $0.98, versus projections of $0.93. Management guided Q2 EPS to between $1.47 and $1.55 and revenue growth between 3% and 5%. We are constructive on the recovery in temporary employment in Europe and like the firm's broad geographic footprint, wide range of offerings, good expense management and strong balance sheet that sports no net debt. While the Brexit news pushed shares down more than 20%, we believe that the near-term fears will pass and that MAN offers a solid risk/reward profile. With the recent boost to its quarterly dividend, the shares now yield 2.7%, while the P/E is 11.5.

Ship Finance Int'l (SFL)

Ship Finance primarily engages in the transportation of crude oil and oil products, dry bulk and containerized cargos, and in offshore drilling. The company maintains a fleet of more than 70 vessels, including 19 crude oil tankers (VLCC and Suezmax), 22 drybulk carriers, 22 container vessels, five offshore supply vessels and four drilling rigs. Despite difficulties in the energy markets over the last two years, tanker rates have held up relatively well. We are impressed that SFL has been able to navigate nicely through some turbulent operating waters (especially the collapse of dry-bulk shipping rates earlier in 2016), thanks to the diversity of its fleet and long-term nature of its charter contracts. SFL sports more than $4 billion of contracted fixed-rate revenue backlog. We also think that eventually investors will realize that lower oil prices are not a negative for the oil tanker business, especially if reduced prices fuel increased demand for crude and related products. In addition to the giant yield (12.2%), SFL trades for less than 7 times estimated earnings.

NEWSLETTER PORTFOLIO PERFORMANCE



	Jun	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	-0.88	1.59	-6.23	5.99	8.16	3.65
Millennium	-0.87	3.78	-1.99	7.35	9.54	5.40
PruFolio	0.04	4.00	-3.13	7.34	9.43	5.98
TPS	-0.04	3.87	-2.72	7.91	10.17	5.87
Major Indexes						
Russell 3000	0.21	3.62	2.13	11.12	11.60	7.39
Russell 3000 Value	0.83	6.28	2.41	9.58	11.10	6.03
S&P 500	0.26	3.84	3.98	11.65	12.09	7.42
Dow Jones Industrial Avg	0.95	4.31	4.50	8.99	10.42	7.66

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	10.92	9.15	Russell 3000
Millennium	12.31.99	8.78	4.63	Russell 3000
PruFolio	12.29.00	12.60	5.45	Russell 3000
TPS	03.10.77	17.70	10.78	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,855 stock recommendations have returned, on average, an annualized 16.99%, not including dividends.

As of 06.30.16. 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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