November 2, 2016

the Prudent Speculator 601

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Given that our benchmark Russell 3000 index dropped by 2.16% last month, it is hard to argue with Mark Twain who said, "October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February." After all, November is also off to a poor start as well with billionaire investor Mark Cuban spooking many investors by telling CNBC TV that he has put on the biggest hedge he has ever had due to the resurgence of Donald Trump in the polls. The latest survey from *ABC News/Washington Post* saw the Republican take a one percentage point lead over Hillary Clinton in the race for the Oval Office, with most investors seemingly favoring the perceived status quo of a Clinton White House over the unknown that is Trump.

> "The future is no more uncertain than the present."
> — Walt Whitman

Certainly, the shocking Brexit result taught us that anything can happen when the voters go to the polls, and we respect that the markets might suffer a sharp initial downturn were Mr. Trump to pull off the upset, but we will be happy to see the nasty presidential campaign come to an end. We do not mean to suggest that all will be rosy on the political scene once the election is decided, and we realize that investor worries are likely to shift to the important December FOMC meeting, but the ugly vitriol of the presidential battle has obscured developments that might have been expected to send stock prices higher.

First and foremost, we generally have had favorable news on corporate profits. Indeed, Q3 numbers have been solid, with Bloomberg reporting that of the 348 S&P 500 members to have announced results as of November 1, 71.8% have exceeded expectations, versus 20.7% that have lagged analyst forecasts. To be sure, profits usually top projections, but the Beat/Miss score a year ago was 69.5%/21.9%. More importantly, given all of the talk of an earnings recession, Bloomberg calculates that adjusted Q3 EPS for the S&P 500 are likely to come in at $30.95, 3.7% better than the $29.83 posted in the same period a year ago. And net Q3 EPS are estimated to climb by 12.6%, rising to $26.88 from $23.88 in 2015.

Though management guidance for the most part was cautious and more than a few stocks were taken to the woodshed by disappointed investors, the outlook for earnings going forward is relatively upbeat. Standard & Poor's forecasts that bottom up operating EPS for the S&P 500 will grow to $109.93 this year, up from $100.45 in 2015, with $131.11 the present very aggressive estimate for 2017.

Given that there has been progress on the economic front, led by stronger-than-expected Q3 GDP growth of 2.9%, it is not unreasonable to expect improved income statements from Corporate America. Also, the latest reads on the factory sector were better than anticipated as the Markit manufacturing purchasing managers index rebounded in October to 53.4, its highest level in a year, while the ISM PMI report outpaced estimates, inching up to 51.9 last month from 51.5 in September. And consumer spending, thanks in part to healthy auto sales, rose 0.5% last month, while the latest initial jobless claims tally of 258,000 was near the all-time low.

We have also witnessed a significant pickup in merger and acquisition activity, with record transaction volume in October, including **Qualcomm's** (QCOM - $67.09) $47 billion purchase of NXP Semiconductor, **AT&T's** (T - $36.37) $108 billion union with Time Warner and **General Electric's** (GE - $28.49) $32 billion hook-up with **Baker Hughes** (BHI - $54.46). A bit more optimism in the executive suite, reasonable valuations for many target companies and near-record-low borrowing costs would argue for a continuation of the deal-making.

No doubt, we are braced for near-term volatility, but we can't help but find equities to be attractive, especially as dividend payouts on our long-term-oriented portfolios are actually in line with yields on the 30-Year U.S. Treasury.

Chief Investment Officer
Al Frank Asset Management (AFAM)

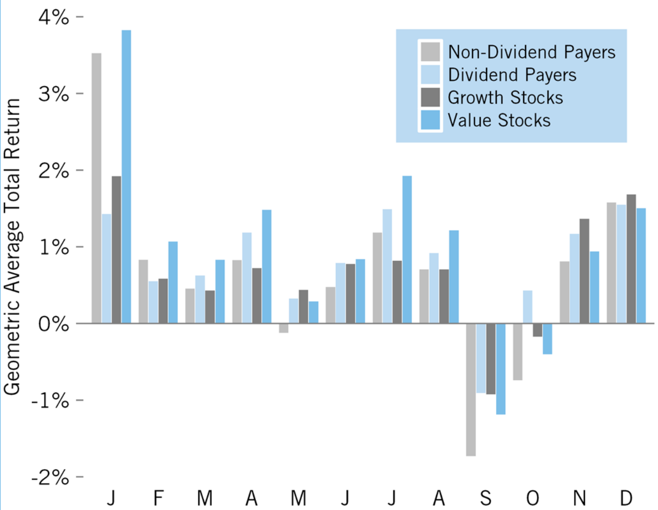
Graphic Detail

Seasonal Favoritism

With the equity markets enduring poor returns during often scary October and September also not providing much to write home about, we are pleased to see the calendar roll over to the seasonally favorable six months. Indeed, the period between Halloween and May Day has seen terrific performance, on average, in our newsletter portfolios over the past 26 years, not to mention stocks in general going as far back as 1929. Of course, the other six months of the year have been positive on average, so we won't Sell in May and Go Away.

LONG-TERM MONTHLY PERF AVERAGES

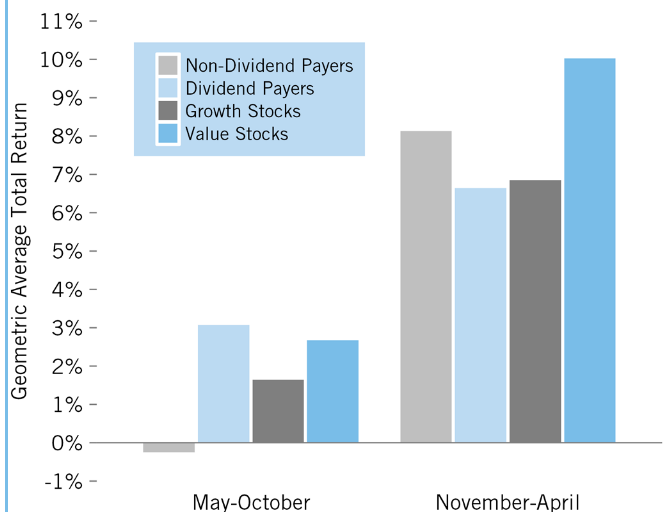
While September managed to top October this time around, neither month was favorable, as often has been the case historically.



From 12.31.28 through 12.31.15. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONALITY SINCE 1929

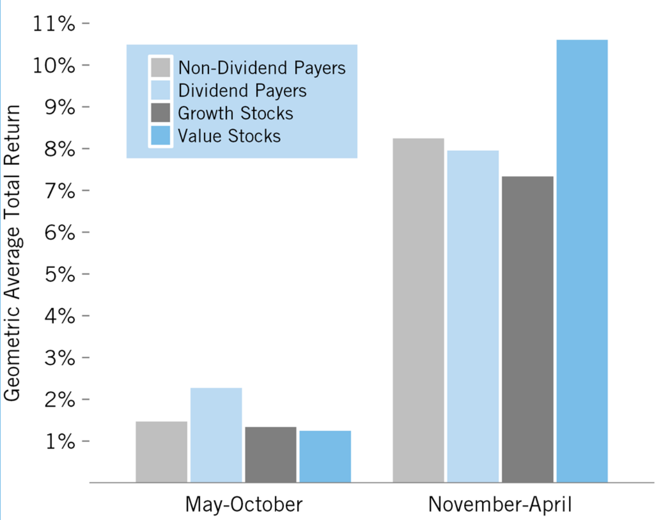
Nice to see that Value has won the performance spoils over the past eight decades, no matter the time of year...



From 04.30.29 through 04.30.16. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

SEASONALITY SINCE 1990

...even as non-dividend payers have held a modest edge, long- and intermediate-term, over dividend payers from November-April.



From 04.30.90 through 04.30.16. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

NEWSLETTER PORTS' NOV-APR PERF

Though the winning streak was interrupted from 2007 through 2009, 24 out of 26 positive years makes for an interesting record.

	TPS	Millennium	PruFolio	Buckingham	Average
90–91	117.29%				117.29%
91–92	25.53%				25.53%
92–93	39.91%				39.91%
93–94	12.23%				12.23%
94–95	16.75%				16.75%
95–96	28.50%				28.50%
96–97	27.13%				27.13%
97–98	23.49%				23.49%
98–99	23.77%				23.77%
99–00	50.96%				50.96%
00–01	6.83%	29.14%			17.99%
01–02	56.45%	38.67%	41.77%		45.63%
02–03	10.78%	4.74%	17.99%		11.17%
03–04	12.62%	10.37%	18.23%	6.93%	12.04%
04–05	11.06%	10.42%	2.39%	10.77%	8.66%
05–06	19.00%	15.88%	18.39%	20.08%	18.34%
06–07	11.07%	11.78%	13.98%	16.10%	13.23%
07–08	-12.87%	-12.89%	-10.59%	-13.94%	-12.57%
08–09	-4.24%	-2.03%	-3.25%	-5.64%	-3.79%
09–10	23.15%	25.28%	19.53%	23.78%	22.94%
10–11	19.21%	18.91%	20.04%	18.13%	19.07%
11-12	11.48%	10.47%	11.48%	10.77%	11.05%
12-13	17.98%	16.74%	14.99%	16.98%	16.67%
13-14	9.62%	9.62%	8.73%	8.46%	9.11%
14-15	3.46%	1.99%	4.47%	3.10%	3.26%
15-16	1.29%	2.29%	0.73%	-0.61%	0.93%
				Geometric average	**19.71%**

SOURCE: Al Frank

Graphic Detail

Presidential Cycle

We must always be careful about drawing significant conclusions from a small number of data points, but it is interesting to look at equity market returns in each of the four years of the Presidential Cycle. Given that the Commander in Chief often makes tough choices early on, while doing everything possible to spur the economy late in the four years to ensure personal or party re-election, we suppose that it should not be a big surprise that equities in general have not performed as well on average in the first couple of years of the presidency and much better on average over the last two years.

Of course, though the broad-based S&P 500 has managed only a sub-par geometric average annual return of 7.1% in the first year of the Presidential Cycle, those opting for a little more granularity in their investing have seen Value Stocks more than double the return of Growth Stocks, with a similar magnitude of outperformance enjoyed by Dividend Payers over Non-Dividend Payers. Even more impressive, there have been 10 straight first years with double-digit percentage returns for Value stocks, while fantastic 30%+ returns were enjoyed by our four newsletter portfolios in the first years (2009 and 2013) of each of President Obama's terms.

Certainly, we recognize that past performance is no guarantee of future performance or even profitability, and we note that Dividend Payers suffered modest losses in 1981 and 2001. Still, market historians who are also *Prudent Speculator* followers should be thrilled to see the page turn to 2017, even as there is not a lot of excitement about any of the candidates for the White House.

PRESIDENTIAL FIRST YEAR PERFORMANCE

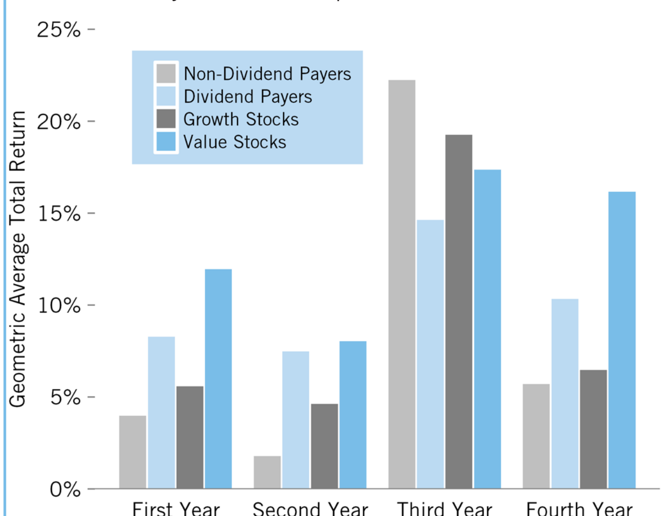
We have to go all the way back to Nixon to find the last time the first year of the presidency did not yield double-digit Value returns.

President	Year	Value	Growth	Divs	No Divs	S&P
Hoover	1929	-21.9%	-33.2%	-12.0%	-31.9%	-8.4%
Roosevelt	1933	126.7%	93.1%	69.8%	74.0%	54.0%
Roosevelt	1937	-45.9%	-42.2%	-34.0%	-49.3%	-35.0%
Roosevelt	1941	-3.4%	-14.6%	-12.1%	-16.3%	-11.6%
Truman	1945	59.5%	47.6%	38.3%	90.6%	36.4%
Truman	1949	19.8%	24.4%	21.2%	27.1%	18.8%
Eisenhower	1953	-7.2%	1.5%	-1.2%	-10.5%	-1.0%
Eisenhower	1957	-19.5%	-13.1%	-12.3%	-18.8%	-10.8%
Kennedy	1961	30.6%	23.6%	28.2%	17.1%	26.9%
Johnson	1965	32.1%	24.5%	13.0%	43.2%	12.5%
Nixon	1969	-20.9%	-11.7%	-10.8%	-24.9%	-8.5%
Nixon	1973	-16.3%	-34.4%	-16.3%	-40.0%	-14.7%
Carter	1977	11.8%	4.0%	-2.5%	10.4%	-7.2%
Reagan	1981	16.0%	-9.1%	-1.0%	-16.0%	-4.9%
Reagan	1985	32.2%	30.8%	33.6%	23.8%	32.2%
Bush H.	1989	23.2%	27.4%	29.7%	24.1%	31.5%
Clinton	1993	24.6%	5.6%	9.9%	16.9%	10.0%
Clinton	1997	33.5%	20.5%	34.7%	20.6%	33.4%
Bush W.	2001	11.1%	-6.9%	-2.8%	-21.1%	-11.9%
Bush W.	2005	11.0%	1.9%	6.6%	6.0%	4.9%
Obama	2009	28.6%	34.4%	23.0%	50.5%	26.5%
Obama	2013	39.5%	39.4%	33.9%	39.6%	32.4%
Geo. Average		**11.8%**	**5.5%**	**8.3%**	**4.0%**	**7.1%**

SOURCE: Al Frank using data from Ibbotson Associates and Professors Eugene F. Fama and Kenneth R. French

PRESIDENTIAL CYCLE PERF BY YEAR

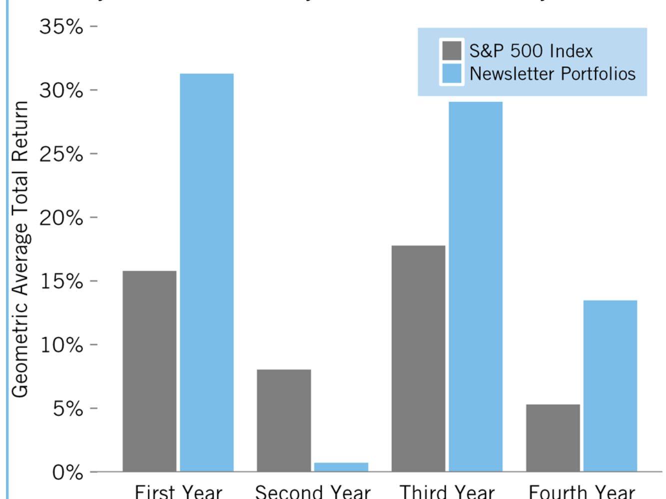
The first year historically has seen more muted returns, but Value and Dividend Payers have led the performance race.



From 12.31.28 through 12.31.15. Geometric average. SOURCE: Al Frank using data from Professors Eugene F. Fama and Kenneth R. French

PRESIDENTIAL CYCLE TPS PERFORMANCE

The most favorable of the four, our newsletter portfolios on average have very much loved the first year of the Presidential Cycle.



From 12.31.77 through 12.31.15. Newsletter Portfolios are represented by a simple four-portfolio average. Some may not be represented in all years. Geometric average. SOURCE: Al Frank

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]	FCF Yield[4]	Debt/ TE[5]	Div Yield	Mkt Cap
Autos & Components	GT	Goodyear Tire & Rubber	29.03	49.97	7.3	0.5	2.0	6.1	3.2	144%	1.4%	7,578
	HMC	Honda Motor	29.83	35.29	14.8	0.4	1.0	8.1	9.6	61%	2.6%	54,035
Banks	BBT	BB&T	39.20	49.86	13.8	nmf	1.9	nmf	nmf	nmf	3.1%	31,808
	PNC	PNC Financial Services	95.60	114.12	13.4	nmf	1.4	nmf	nmf	nmf	2.3%	46,653
Capital Goods	GE	General Electric	29.10	37.05	18.7	2.2	nmf	30.8	-1.0	nmf	3.2%	260,772
Consumer Dur & App	MDC	MDC Holdings	23.71	42.19	15.6	0.6	0.9	14.6	-6.1	67%	4.2%	1,163
	• NKE	Nike	50.18	71.77	24.0	2.5	7.1	16.2	2.6	17%	1.3%	83,571
	WHR	Whirlpool	149.82	214.18	10.8	0.5	nmf	8.0	4.7	nmf	2.7%	11,253
Consumer Services	CCL	Carnival	49.10	68.14	14.9	2.2	1.9	9.6	5.6	45%	2.9%	36,215
Diversified Financials	COF	Capital One Financial	74.04	95.87	10.1	nmf	1.3	nmf	nmf	nmf	2.2%	37,916
Energy	HFC	HollyFrontier	24.95	41.34	13.9	0.4	1.9	21.4	1.5	74%	5.3%	4,404
	NOV	National Oilwell Varco	32.10	43.08	nmf	1.5	2.3	nmf	9.0	62%	0.6%	12,124
	SFL	Ship Finance Int'l	12.65	18.00	5.6	2.7	1.0	8.8	-22.1	134%	14.2%	1,183
	TOT	Total SA	47.74	73.39	14.7	1.0	1.3	11.3	-3.5	48%	4.7%	120,709
Food & Staples Retailing	CVS	CVS Health	84.10	142.18	15.8	0.5	nmf	9.8	7.5	nmf	2.0%	89,669
Health Care Equip/Srvcs	ABT	Abbott Laboratories	39.24	50.96	18.1	2.8	10.5	14.4	2.9	110%	2.7%	57,683
	AET	Aetna	107.35	145.29	13.5	0.6	6.1	6.4	14.5	326%	0.9%	37,669
	MCK	McKesson	127.17	226.17	9.9	0.1	nmf	8.0	16.6	nmf	0.9%	28,751
Household Products	KMB	Kimberly-Clark	114.41	138.99	19.1	2.3	nmf	12.6	5.3	nmf	3.2%	40,977
Insurance	AZSEY	Allianz SE	15.53	21.02	10.0	nmf	1.2	nmf	nmf	nmf	3.9%	70,972
	MET	MetLife	46.96	71.78	12.1	nmf	0.8	nmf	nmf	nmf	3.4%	51,603
Materials	AUY	Yamana Gold	3.56	6.75	95.6	2.5	1.0	nmf	11.2	37%	0.6%	3,373
	MOS	Mosaic	23.53	43.28	17.4	1.1	1.0	8.1	5.3	46%	4.7%	8,240
Media	CMCSA	Comcast	61.82	81.64	18.2	1.9	nmf	8.1	6.1	nmf	1.8%	147,925
	DIS	Walt Disney	92.69	131.09	16.0	2.7	15.9	9.9	5.1	161%	1.5%	148,962
Pharma/Biotech/Life Sci	AMGN	Amgen	141.16	211.84	12.4	4.7	19.9	9.0	8.1	578%	2.8%	105,012
	GILD	Gilead Sciences	73.63	125.42	5.8	3.0	20.9	4.4	16.5	461%	2.6%	97,166
	MRK	Merck & Co	58.72	67.93	15.4	4.1	53.6	13.1	6.0	780%	3.1%	162,373
	PFE	Pfizer	31.71	42.22	13.0	3.7	nmf	11.9	6.9	nmf	3.8%	192,342
Retailing	AEO	American Eagle Outfitters	17.04	23.72	14.0	0.9	3.0	5.6	7.8	0%	2.9%	3,097
	KSS	Kohl's	43.75	65.05	11.3	0.4	1.5	5.4	16.3	86%	4.6%	7,857
	TGT	Target	68.73	85.76	14.0	0.6	3.5	6.5	7.5	107%	3.5%	39,510
Semis & Cap Equipment	INTC	Intel	34.87	42.17	13.1	2.9	4.1	8.2	6.5	59%	3.0%	165,249
Software & Services	IBM	Int'l Business Machines	153.69	191.42	11.4	1.8	nmf	10.6	10.2	nmf	3.6%	146,137
	ORCL	Oracle	38.42	51.04	14.6	4.2	22.6	9.6	7.9	759%	1.6%	157,739
Technology Hardware	AAPL	Apple	113.54	138.30	13.7	2.8	5.1	6.4	8.5	63%	2.0%	605,431
	CSCO	Cisco Systems	30.68	36.25	13.0	3.1	4.5	7.9	8.0	71%	3.4%	154,206
Telecom Services	T	AT&T	36.79	42.30	13.1	1.4	nmf	6.4	7.3	nmf	5.3%	226,332
Transportation	DAL	Delta Air Lines	41.77	65.37	7.4	0.8	nmf	3.7	12.9	nmf	1.9%	31,282
Utilities	ETR	Entergy	73.68	86.71	8.8	1.2	1.4	7.7	-7.2	143%	4.8%	13,187

As of 10.31.16. 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]Free cash flow yield. [5]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

While our newsletter portfolios still have minimal cash, we will add $20,000 of first-time recommendation **Nike** to PruFolio this month. Our Portfolio Builder selection also features nine other favorites that have not been discussed in this space in some time. We already own these companies in one or more of the portfolios and readers should note that the performance of *The Prudent Speculator* is based on the returns of TPS, Buckingham, Millennium and PruFolio, so any of our 100+ holdings should be viewed as a buy until such time as we say sell.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AMGN	Amgen	Health Care	141.16	211.84
AUY	Yamana Gold	Materials	3.56	6.75
ETR	Entergy	Utilities	73.68	86.71
HMC	Honda Motor Co Ltd	Consumer Discretionary	29.83	34.14
INTC	Intel	Information Technology	34.87	42.17
KMB	Kimberly-Clark	Consumer Staples	114.41	138.99
MET	MetLife	Financials	46.96	71.78
NKE	Nike	Consumer Discretionary	50.18	71.77
PFE	Pfizer	Health Care	31.71	42.22
TOT	Total SA	Energy	47.74	73.39

As of 10.31.16. SOURCE: Al Frank using data from Bloomberg

Amgen (AMGN)

Amgen, one of the world's largest biotech companies with annual revenue of more than $22 billion, is engaged in the discovery, development and delivery of human therapeutics. The firm has a global presence and its medicines treat cancer, kidney disease, rheumatoid arthritis, bone disease and other serious illnesses. Shares recently dropped sharply, despite Q3 sales and adjusted EPS that beat consensus analyst estimates, as investors remained concerned about pricing pressures and potential competition from biosimilars. While we respect the political noise surrounding drug pricing, we expect some of it to dissipate post-election, and we note that the overdone selloff occurred despite the firm upping its full-year EPS to a range of $11.40 to $11.55. We are pleased with the operational progress AMGN continues to make and are also partial to its strong free cash flow generation, solid financial footing and willingness to return capital to shareholders via dividend increases (2.8% yield) and repurchases. Additionally, we are constructive on Amgen's new "bad cholesterol" potential blockbuster medication Repatha, which picked up some good news as Pfizer announced it was ending the development of a competing compound.

Yamana Gold (AUY)

Yamana is a gold producer, developer and explorer with assets in Central and South America. Despite the weakness in gold prices since early 2013, the company has maintained a focus on reliability, which includes the growth and protection of reserves, resources and production inputs, helping AUY make a modest recovery in the first two quarters of 2016. Although heavily invested in the precious yellow (production of 328,604 gold ounces for Q3 2016), Yamana is also a copper and silver miner. In Q3, the company produced 1.59 million ounces of silver and 29.6 million pounds of copper. Through reductions in administrative and exploration costs, AUY has further lowered its gold cash cost to $692 per ounce, with a total cost of sales per ounce of $1,038. While debt levels have increased over the last few years, only $149 million is due through 2018. Though gold prices have bounced from the lows at the end of last year, we are not banking on shattering the record spot price of $1,772.25 set in September 2012 anytime soon, but we continue to like this gold miner as a hedge in a broadly diversified portfolio, and believe that AUY can build on its 92% rebound since the beginning of the year.

Entergy (ETR)

Entergy is an integrated energy company primarily engaged in electric power production and retail distribution operations. Entergy owns and operates power plants with 30,000 megawatts of electric generating capacity, including more than 10,000 megawatts of nuclear power, making it one of the nation's leading nuclear generators. The utility delivers electricity to 2.8 million customers in Arkansas, Louisiana, Mississippi and Texas, while its nuclear plants are located in the northeast U.S. Shares are down more than 12% since late September as investors have sold utility stocks as interest rates have ticked up, while the disclosure that investment in its nuclear business would depress near-term earnings hasn't helped. Despite the coming capital allocation and the efforts to reduce the footprint of its more volatile wholesale commodity business, ETR still expects full-year 2016 operational EPS of $6.60 to $7.40. We can live with the near-term earnings hit, as nuclear power is appealing, given the potential for increasing environmental restrictions on coal-fired power plants and carbon dioxide emissions. Entergy yields 4.8%.

Honda Motor Co Ltd (HMC)

Honda is a global leader in the development, manufacturing and distribution of automobiles, motorcycles and power products. While Automobile revenue is nearly three quarters of Honda's total, the segment contributed just over half of the operating income last quarter, with Motorcycles accounting for about 26%, despite representing only 12.5% of total revenue. In fiscal Q2 2017, Honda earned $0.96 per share (vs. $0.58 est.) and had sales of $31.9 billion (matching the estimate). The earnings beat was due to new model introductions and full model changes of existing models, cost reduction efforts, a decline in quality related expenses and the impact of pension accounting treatment. We continue to like the broad and geographically diverse revenue stream and are encouraged by Honda's progress in emerging markets (including India and China) and modest opportunity for growth in North America. We believe that Honda is favorably positioned to benefit from solid worldwide auto sales and revenue growth in the Financial Services unit. HMC has a forward P/E ratio near 10 and a net yield of 2.6%.

Intel (INTC)

Intel, the leading global semiconductor manufacturer, supplies advanced technology solutions for the computing industry, including microprocessors, chipsets and motherboards. The firm posted Q3 EPS of $0.69, topping expectations by 3%, and sales of $15.8 billion. Intel estimated Q4 sales between $15.2 billion and $16.2 billion, lower than the consensus estimate, and a 63% gross margin, 0.3% better than consensus. Although there was some demand improvement in the Enterprise and Consumer PC segments in Q3, Intel expects manufacturers to maintain 'very lean' inventories over Q4. We believe that the Internet of Things continues to offer a tremendous growth opportunity, and are excited that the ramping up for 3D NAND (a breakthrough solid-state storage configuration, which allows storage nodes to be stacked on a three-dimensional plane) production in Dalian is ahead of schedule. The Programmable Solutions Group, formerly Altera, has also posted three straight quarters of year-over-year growth and looks to maintain the momentum. Intel has a diversified revenue stream and a 3.0% dividend yield.

Kimberly-Clark (KMB)

Kimberly-Clark manufactures tissue, personal care and healthcare products. Its global brands include: Huggies, Pull-Ups, Kotex, Kleenex, Viva, Scott, Depend and Poise. KMB has leading market share positions in some of the larger household product categories, while its focus on increasing its emerging market businesses has been and should continue to be an important long-term growth driver. While shares have slid more than 15% since midsummer as KMB navigates through a challenging operational environment, we like that the firm continues to focus on cost-control initiatives and that it should realize future pricing and margin improvements through product innovation and marketing. While near-term currency headwinds will prove difficult, long-term sales growth should be aided by expansion in non-traditional categories and deeper penetration into emerging economies to capitalize on rising incomes and birth rates within these regions. KMB generates solid free cash flow, which supports share repurchases and a 3.2% dividend yield.

MetLife (MET)

MetLife, a global provider of life insurance, annuities, employee benefits and asset management, serves 100 million customers in nearly 50 countries and holds leading market positions in the U.S., Japan, Latin America, Asia, Europe and the Middle East. While MET recently announced that it had parted ways with Snoopy and the Peanuts Gang in its ad campaigns, the bigger news from the firm was that it plans to separate a portion of its retail business (which will be called Brighthouse Financial) most likely via a spin-off. We are constructive on Brighthouse, as it will take a large chunk of MET's annuity business, the product line that we view as the most complex and volatile. We believe that the "new MetLife" will be a more stable generator of cash flow and that its substantial international operations will raise its growth profile, even as we realize that strength of the U.S. dollar is a near-term headwind. We are fond of MET's underwriting discipline and its position as the market leader in group life, where it provides insurance to 90% of the companies in the Fortune 100. With a solid capital position, MET trades at 9 times NTM earnings projections and yields 3.4%.

Nike (NKE)

Nike is a globally recognized designer and manufacturer of athletic footwear, apparel, equipment and accessories. The company sponsors hundreds of individual athletes (e.g. Michael Jordan, Roger Federer), teams (Chelsea, FC Barcelona) and colleges (University of Michigan). These elite sponsorships enhance Nike's brand image and allow for wider margins and higher price points than competitors. After posting estimate-beating earnings per share ($0.60 act. vs. $0.56 est.) for fiscal Q1 2017, shares sold off on concerns that future orders would not be as strong as expected and that increased competition from Under Armour and Adidas could hurt future sales. The nearly 20% YTD price drop allows us to recommend the high-quality stock for the first time. We suspect the near-term will be a bit bumpy as Nike is in the middle of a transition from sport-specific apparel to products that are part-athletic and part-leisure. The comfortable, versatile "athleisure" wear has tremendous potential and should eventually appeal to a wider variety of customers than sport-specific products. Nike also sports an excellent balance sheet with net cash and equivalents of $2.8 billion.

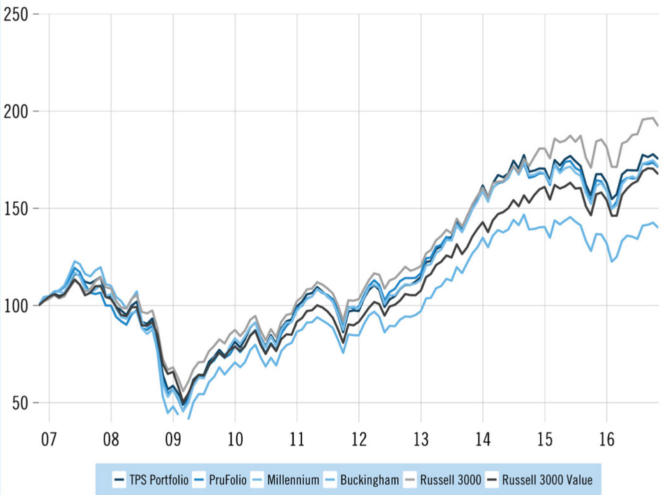
Pfizer (PFE)

Pfizer is a global pharma giant focused on therapeutics for cardiovascular, metabolic, central nervous system, immunology, pain, infectious diseases, respiratory, oncology and other indications. While Q3 results broadly met expectations, shares tumbled after Pfizer halted development of its PCSK9 inhibitor on the basis that it would not provide value to patients or shareholders. For 2016, PFE sees $2.38 to $2.43 in EPS, including a $0.04 charge for the drug discontinuation. We believe that Pfizer's pipeline remains solid, though the PCSK9 inhibitor was viewed as a growth driver over the intermediate term. Recent launches of Prevnar (pneumococcal bacteria), Xeljanz (rheumatoid arthritis) and Ibrance (breast cancer) are beginning to make meaningful contributions to the bottom line. We also continue to like the potential for upside from capital allocation, business development and management's exploration of a longer-term split-up of the company. Backed by a solid balance sheet, Pfizer returned more than $5 billion to shareholders via buybacks and dividends in the first three quarters (in addition to the $10.5 billion in 2015). PFE currently yields 3.8%.

Total SA (TOT)

Total is one of the world's largest integrated oil and gas companies, with operations in exploration & production, refining & marketing, and chemicals. Despite the recent hardships in the oil patch, we find TOT to be attractive. Management continues to focus on cost control initiatives and the company has sizeable midstream and downstream operations that to a degree benefit from relatively lower oil prices. We also like that Total's production costs are meaningfully lower than its large integrated peers and that those costs should drop even further over the next two years. We think that solid refining margins should provide good opportunities to sell or upgrade select downstream assets, and the relatively strong balance sheet continues to give management options. Respective consensus EPS estimates for 2017 and 2018 reside at $3.82 and $4.52, while the net dividend yield is 4.7% and the latest quarterly results topped expectations.

NEWSLETTER PORTFOLIO PERFORMANCE



	Oct	YTD	1-Year	3-Year	5-Year	10-Year
Newsletter Portfolios						
Buckingham	-1.88	5.92	2.33	3.33	10.47	3.42
Millennium	-1.85	7.85	6.04	4.68	11.66	5.54
PruFolio	-1.33	7.60	4.04	4.40	11.52	5.52
TPS	-1.40	7.43	4.65	5.00	12.60	5.78
Major Indexes						
Russell 3000	-2.16	5.84	4.23	8.12	13.35	6.75
Russell 3000 Value	-1.68	8.55	6.54	7.32	13.17	5.29
S&P 500	-1.82	5.87	4.50	8.83	13.56	6.70
Dow Jones Industrial Avg	-0.79	6.36	5.49	7.91	11.50	6.93

	Inception Date	Since Inception	Index Return	Index
Buckingham	01.21.03	10.97	9.09	Russell 3000
Millennium	12.31.99	8.84	4.67	Russell 3000
PruFolio	12.29.00	12.55	5.47	Russell 3000
TPS	03.10.77	17.64	10.74	S&P 500[1]

Since *The Prudent Speculator's* launch in March 1977, its 1,860 stock recommendations have returned, on average, an annualized 17.04%, not including dividends.

As of 10.31.16. 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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