April 4, 2017

the Prudent Speculator 606

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While March ended modestly in the red and Q2 is not off to the best of starts, the equity markets generally enjoyed solid gains in Q1 2017, with the Dow Jones Industrial Average and S&P 500 posting respective total returns of 5.19% and 6.07%. Though Value was the victor in 2016, Growth topped the charts in Q1, thanks to strong advances in Information Technology and Consumer Discretionary stocks (ex. Apple, Facebook and Amazon.com), and lackluster returns for many companies in the Financial, Energy and Telecom sectors.

Indeed, benchmarks focused on stocks with inexpensive valuation metrics and higher dividend yields, like those that we have long championed, generally lagged behind the broad-based U.S. market measures in terms of total returns by about 250 basis points, while more-expensive, lower-dividend-paying and faster-growing companies attracted much greater investor interest. In fact, the Russell 3000 Value Index advanced *only* 2.99%, compared to an 8.63% total return for the Russell 3000 Growth Index and a 5.74% total return for the Russell 3000 Index. This granularity in mind, we are relatively pleased that our broadly diversified portfolios of undervalued stocks had Q1 returns in the 4% to 5% range, even as we respect that we did not match the S&P 500, the primary U.S. equity benchmark.

Of course, given that major market averages sport price metrics that are on the rich end of the historical norms, we very much like how the valuations of our portfolios stack up against an index like the Russell 3000. For example, per consolidated analytics from Bloomberg, TPS Portfolio trades for 17.7 times trailing-12-month earnings, 14.4 times next-12-month earnings, 1.8 times book value and 1.1 times sales, versus respective multiples of 23.1, 18.3, 3.0 and 1.9 for the R3K. It is the same story when it comes to dividends as the yield on TPS Portfolio is 2.6%, compared to 2.0% for the R3K. And, we can't forget that market history from 1927-2016 shows that Value stocks have outperformed Growth stocks by more than 400 basis points per annum, while Dividend Payers have topped Non-Dividend Payers by nearly 200 basis points.

> "It does not so much matter what happens. It is what one does when it happens that really counts."
> —Laura Ingalls Wilder

As we look to Q2 and beyond, our crystal ball is as cloudy as ever when it comes to predicting short-term market movements, but we remain optimistic and think that double-digit percentage returns for the full year are achievable. Of course, we have to be realistic in our expectations, especially as the U.S. markets have not suffered much in the way of a pullback since the Election, while 10% corrections have occurred every 11 months on average over the past nine decades. There also remain plenty of potential negative catalysts on the geopolitical front, while we will shortly head into a Q1 earnings reporting season where expectations are running fairly high.

We are braced for an inevitable pick-up in market volatility, but we see no reason to alter our bullish long-term view. Interest rates remain extraordinarily low by historical standards, justifying elevated valuation multiples and adding to the appeal of the income offered by equities. To be sure, the Federal Reserve is likely to raise the Fed Funds rate a couple more times this year, but Janet Yellen & Co. have stated that they will maintain an accommodative stance toward monetary policy for the foreseeable future, while the long-term evidence suggests that Value Stocks and Dividend Payers have performed very well, especially on a relative basis, during periods when interest rates are increasing. And, the main reason that the Fed would hike rates is that the economy is improving, which is hardly a negative backdrop for corporate profit growth.

We can add that investor sentiment is hardly euphoric, mutual fund and ETF flows are still favoring fixed income and average Wall Street equity allocations are around the same levels seen in March 2009. As such, there are still plenty of bricks in the Wall of Worry that stocks have been climbing, so our "nerves of steel" are very valuable!

Chief Investment Officer
Al Frank Asset Management (AFAM)

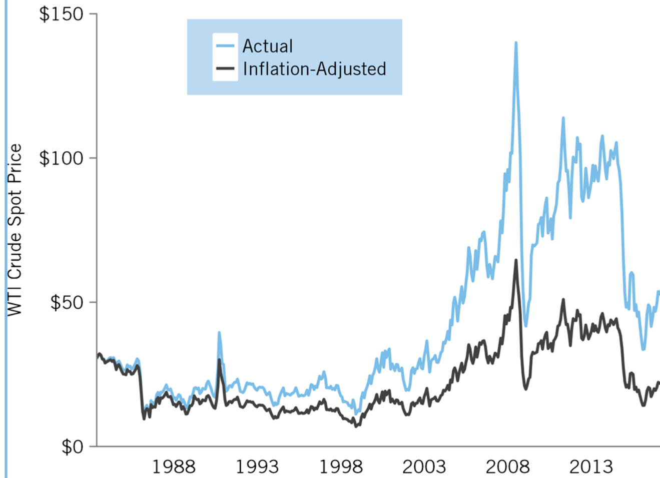
Graphic Detail

Sector Refresh: Energy

No doubt, the headlines suggest that there is no shortage of operational headwinds for the energy patch. Whether it is slow global economic growth impacting demand, crude supply gluts, OPEC's ability to stick together in cutting production, technological improvements in fracking rapidly increasing domestic oil supplies, natural gas prices plumbing new depths or regulatory/alternative energy threats, many seem to think that hydrocarbons are headed the way of the dinosaur. Of course, the energy markets seem to gyrate even more wildly than the

OIL PRICE HISTORY

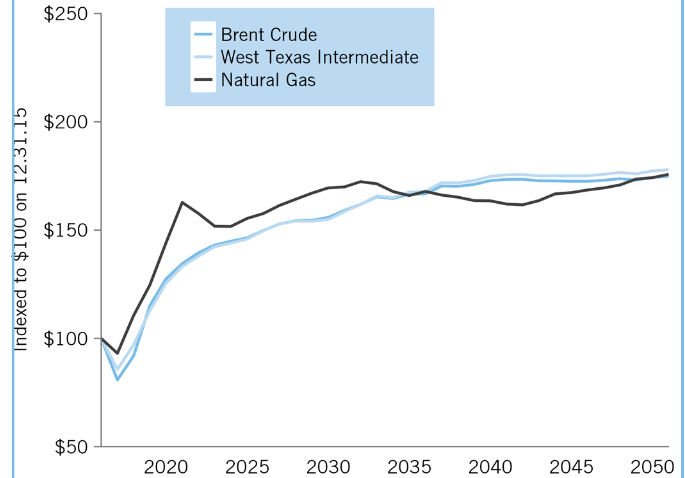
Oil prices have soared and plunged over the years, even as the inflation-adjusted cost of crude has been much less volatile.



SOURCE: Al Frank using data from Bloomberg

EIA OIL PRICE OUTLOOK

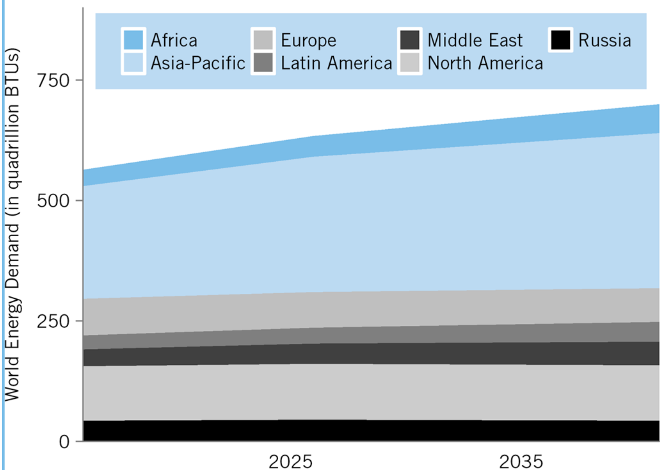
Current projections suggest a nice intermediate-term rebound, which would help our energy stocks, followed by steadier long-term prices.



SOURCE: Al Frank using estimate data from the Energy Information Administration (EIA)

WORLD ENERGY DEMAND BY REGION

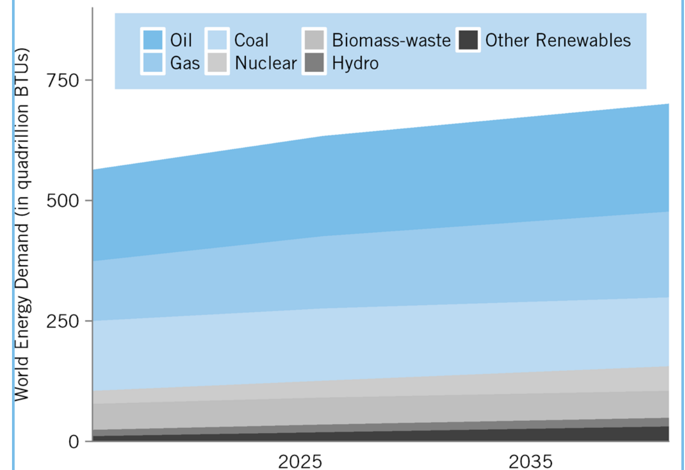
Emerging and frontier economies, especially in the Asia-Pacific region, should be the key drivers of future demand growth...



SOURCE: Al Frank using estimate data from Exxon Mobil

WORLD ENERGY DEMAND BY TYPE

...with oil and gas still representing the lion's share of production, even as renewables will earn a larger share of the pie over time.



SOURCE: Al Frank using estimate data from Exxon Mobil

equity markets as there has been plenty of volatility in oil and gas prices, with forecasts and actual weekly inventory numbers released by the U.S. Energy Information Administration (EIA) often serving as catalysts for quick spikes or plunges in the underlying commodities, not to mention the stocks of players in the energy sector.

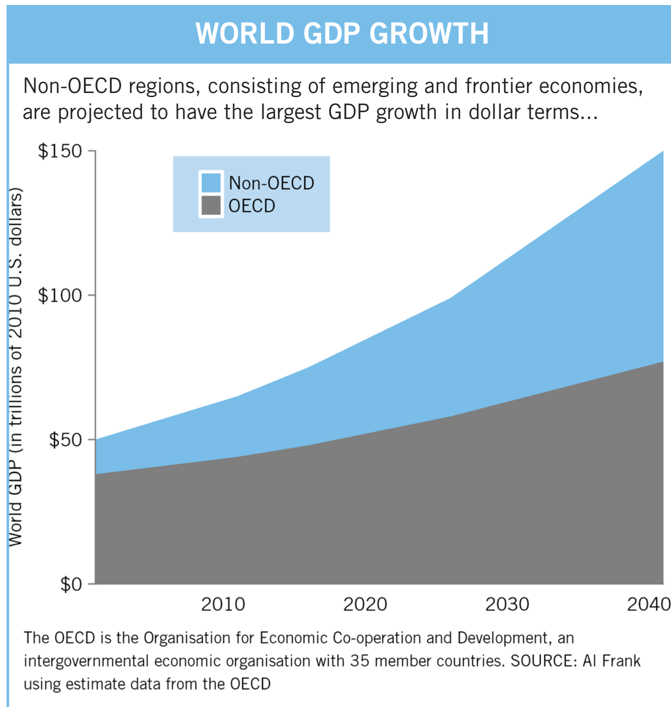
While some may have begun to conclude that stocks of companies that do business in the energy space have seen their best days, the EIA, International Energy Agency, World Energy Council, as well as OPEC and numerous global energy providing nations and corporations might disagree. Those groups and countless others forecast that global demand for oil, natural gas, energy alternatives and even coal will continue to rise for decades to come. To be sure, our allocation to the energy sector has ebbed and flowed over the years, but we remain believers in the long-term thesis that energy demand will continue to meaningfully climb, which should create attractive investment opportunities. That belief is rooted in the thought that global GDP is set to experience meaningful long-term increases, driven by emerging and frontier economies (which will likely provide the lion's share of an expected jump in the global population to more than 9 billion by 2040), as numerous regions around the world industrialize and come into the technological age.

In fact, estimates show the global middle class eclipsing 4.5 billion to 5 billion people between 2030 and 2040, with the socioeconomic expansion highlighted by Africa, India and China. The projected increases to standards of living should stoke energy demand as there will be additional automobiles on the world's roads, elevated industrial usage of energy to build out infrastructure in expanding communities, spikes in commercial activity to deliver goods and services, and a greater need for air travel.

We are always on the hunt for undervalued long-term opportunities in the energy sector, but nowadays we have been focused more on what we consider to be higher-quality names with diversified businesses, stronger balance sheets and broader customer bases. Yes, we forecast that oil demand will continue to grow, but natural gas and renewables will see the largest global growth of use on a percentage basis. Given that we cannot be certain of how the long-term mix of usage will shape up, we believe exposure to the major integrated (exploration & production, refining & marketing, gas, renewables & power and trading & transportation) companies provides access to multiple energy sources, with one of our favorites being **Royal Dutch Shell** (RDS/A - $52.85). As increased effectiveness and efficiency for removing oil and gas from the earth is critical, we think the well-established service providers, like **Halliburton** (HAL - $49.55) and **Baker Hughes** (BHI - $60.15), will remain attractive investment vehicles. Finally, for those looking for a greater risk/reward profile, offshore oil and gas service provider **Oceaneering Int'l** (OII – $26.74) could jump sharply when/if energy prices experience a material increase.

WORLD GDP GROWTH

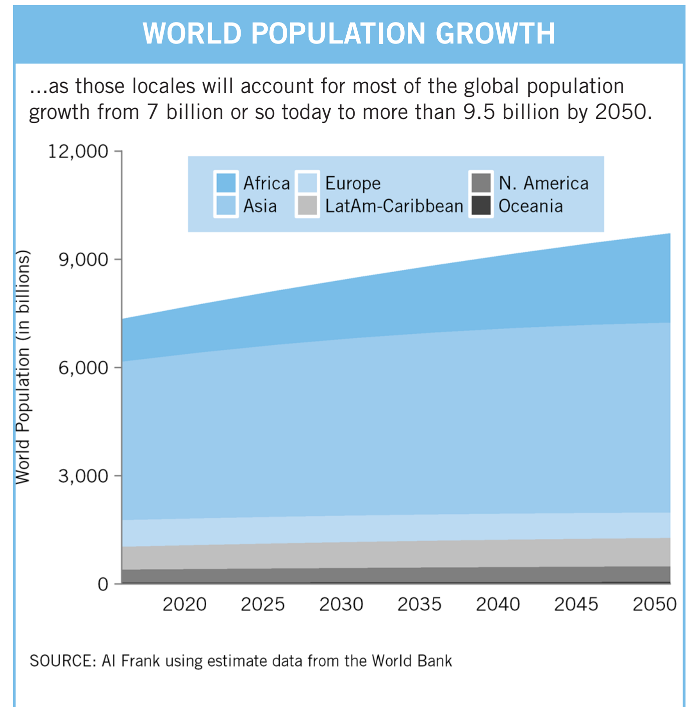
Non-OECD regions, consisting of emerging and frontier economies, are projected to have the largest GDP growth in dollar terms...



The OECD is the Organisation for Economic Co-operation and Development, an intergovernmental economic organisation with 35 member countries. SOURCE: Al Frank using estimate data from the OECD

WORLD POPULATION GROWTH

...as those locales will account for most of the global population growth from 7 billion or so today to more than 9.5 billion by 2050.



SOURCE: Al Frank using estimate data from the World Bank

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 recommendatio. 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	GM	General Motors	35.36	46.47	5.8	0.3	1.4	2.1	12.8	148%	4.3%	52,968
	GT	Goodyear Tire & Rubber	36.00	52.27	9.0	0.6	2.4	5.9	5.7	125%	1.1%	9,069
Banks	CM	Canadian Imperial Bank	86.21	96.70	10.9	nmf	2.2	nmf	nmf	nmf	5.9%	34,457
	ING	ING Groep NV	15.09	19.35	11.1	nmf	1.1	nmf	nmf	nmf	4.8%	58,526
Capital Goods	ARII	American Railcar	41.10	57.78	9.6	1.2	1.4	6.4	8.5	100%	3.9%	784
	BA	Boeing	176.86	193.40	24.3	1.1	nmf	13.9	7.1	nmf	3.2%	107,546
	FLR	Fluor	52.62	75.48	15.0	0.4	3.1	8.4	6.4	63%	1.6%	7,353
Consumer Dur & App	MDC	MDC Holdings	30.05	43.07	14.9	0.7	1.2	13.2	7.2	73%	3.3%	1,551
	NKE	Nike	55.73	70.82	24.6	2.7	7.5	17.4	2.9	28%	1.3%	92,204
Diversified Financials	ANH	Anworth Mortgage Asset	5.55	6.38	10.1	nmf	0.9	nmf	nmf	nmf	10.8%	532
	COF	Capital One Financial	86.66	106.05	12.2	nmf	1.5	nmf	nmf	nmf	1.8%	41,831
Energy	BHI	Baker Hughes	59.82	70.30	nmf	2.6	3.1	nmf	14.9	35%	1.1%	25,444
	HAL	Halliburton	49.21	60.02	nmf	2.7	6.1	nmf	-5.9	175%	1.5%	42,662
	OII	Oceaneering Int'l	27.08	45.33	35.4	1.2	2.5	9.4	8.6	74%	2.2%	2,661
	RDS/A	Royal Dutch Shell PLC	52.73	76.32	26.8	0.4	1.3	10.8	-2.2	51%	6.1%	222,239
Food & Staples Retailing	CVS	CVS Health	78.50	130.30	13.4	0.5	nmf	8.2	9.3	nmf	2.5%	81,310
	WMT	Wal-Mart Stores	72.08	83.75	16.6	0.4	3.6	7.8	9.2	64%	2.8%	218,619
Health Care Equip/Srvcs	AET	Aetna	127.55	144.16	15.5	0.7	7.7	8.7	7.7	328%	1.6%	44,859
	MCK	McKesson	148.26	213.49	11.7	0.2	nmf	9.9	17.4	nmf	0.8%	31,439
	ZBH	Zimmer Biomet	122.11	170.72	15.4	3.2	nmf	18.9	4.5	nmf	0.8%	24,571
Insurance	AZSEY	Allianz SE	18.53	23.92	10.7	nmf	1.5	nmf	nmf	nmf	3.3%	84,682
	PRU	Prudential Financial	106.68	126.24	11.7	nmf	1.1	nmf	nmf	nmf	2.8%	45,912
Materials	AGU	Agrium	95.55	118.34	19.5	1.0	3.8	10.4	7.2	125%	3.7%	13,203
Media	DIS	Walt Disney	113.39	146.98	20.1	3.2	21.0	12.0	4.2	174%	1.4%	179,298
Pharma/Biotech/Life Sci	AMGN	Amgen	164.07	216.94	14.1	5.3	24.9	9.9	7.8	623%	2.8%	120,830
	GILD	Gilead Sciences	67.92	117.01	5.9	2.9	10.2	4.4	17.5	301%	3.1%	88,788
	MRK	Merck	63.54	72.31	16.8	4.4	37.8	17.1	5.0	525%	3.0%	174,454
	SNY	Sanofi	45.25	56.29	14.9	6.3	17.1	14.1	5.6	263%	2.9%	116,959
Real Estate	DLR	Digital Realty Trust	106.39	118.75	18.6	nmf	5.3	nmf	nmf	nmf	3.5%	17,233
Retailing	AEO	American Eagle	14.03	22.09	11.2	0.7	2.2	4.4	8.0	0%	3.6%	2,557
	KSS	Kohl's	39.81	62.37	10.6	0.4	1.3	4.9	19.6	87%	5.5%	6,862
	TGT	Target	55.19	82.37	11.0	0.4	2.9	5.6	12.4	103%	4.3%	30,502
Semis & Cap Equipment	INTC	Intel	36.07	45.96	13.3	2.9	3.9	8.3	7.1	47%	3.0%	170,539
	QCOM	Qualcomm	57.34	77.23	12.3	3.6	3.8	9.5	6.5	45%	3.7%	84,694
Software & Services	IBM	Int'l Business Machines	174.14	193.00	12.8	2.1	nmf	12.5	8.0	nmf	3.2%	164,251
Technology Hardware	GLW	Corning	27.00	34.96	17.2	2.7	1.9	10.1	5.5	28%	2.3%	25,030
Telecom Services	T	AT&T	41.55	46.13	14.6	1.6	nmf	7.5	6.6	nmf	4.7%	255,679
Transportation	FDX	FedEx	195.15	226.27	17.2	0.9	6.4	10.1	-0.9	180%	0.8%	52,178
	NSC	Norfolk Southern	111.97	126.87	19.9	3.3	2.6	10.2	3.5	77%	2.2%	32,515
Utilities	ETR	Entergy	75.96	84.13	10.7	1.3	1.8	22.6	-8.3	188%	4.6%	13,685

As of 03.31.17. 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

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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

Still having just a smidge of cash to deploy in our newsletter portfolios, we will pick up $6,000 of **FedEx** in Buckingham Portfolio on April 10. Our Portfolio Builder selection also features nine other favorites that have not been discussed in this space in a while. We already own these companies in one or more of the newsletter portfolios and readers should always be aware 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.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AET	Aetna	Health Care	127.55	144.16
ARII	American Railcar	Industrials	41.10	57.78
COF	Capital One Financial	Financials	86.66	106.05
FDX	FedEx	Industrials	195.15	226.27
GLW	Corning	Information Technology	27.00	34.96
IBM	Intl Business Machines	Information Technology	174.14	193.00
ING	ING Groep NV	Financials	15.09	19.35
PRU	Prudential Financial	Financials	106.68	126.24
SNY	Sanofi	Health Care	45.25	56.29
WMT	Wal-Mart Stores	Consumer Staples	72.08	83.75

As of 03.31.17. SOURCE: Al Frank using data from Bloomberg

Aetna (AET)

Aetna is one of the largest managed care organizations, serving an estimated 46.7 million people. The firm's Q4 results were again solid with revenue of $15.7 billion, versus forecasts of $15.8 billion, and adjusted EPS of $1.63, compared to expectations of $1.44. AET shares are off their highs as the firm and its industry have been in the news quite a bit recently. First, the U.S. Department of Justice was successful in blocking Aetna's merger with Humana (which saw AET have to pay a $1 billion break-up fee). Second, the new administration in D.C. was unsuccessful in garnering the necessary votes to repeal the Affordable Healthcare Act and replace it with a plan that seemed to open more potential competitive doors for the likes of Aetna (which has proclaimed it will continue to step away from the current Act by withdrawing from 11 of the 15 states where it is presently a participant, due to meaningful financial losses). Despite these setbacks, we believe that the stock is attractively valued, and continue to like Aetna's diverse product lines, relative pricing discipline, cost control initiatives and solid cash flow generation. Also, we think management is shareholder friendly as evidenced by the recent doubling of the dividend and completion of a $3.3 billion accelerated buyback program.

American Railcar (ARII)

ARII is a designer and manufacturer of hopper and tank railcars. The firm also leases, repairs and refurbishes railcars, provides fleet management services and designs

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and manufactures railcar and industrial components. Despite better than expected Q4 adjusted earnings and revenue, shares are down more than 15% since late-February. While there is little doubt that ARII will continue to endure headwinds in the near-term, we like the operating adjustments the company has continued to make, and the relatively solid balance sheet it possesses. A potential large U.S. infrastructure investment program could be a catalyst for the firm's hopper railcars, while we believe that customers are beginning to take a longer-term view toward shipping crude, buoying future demand for ARII's tank cars. We like that the firm continues to generate attractive free cash flow, which supports the attractive 3.9% dividend yield and the remaining $164 million on its stock repurchase program (which would account for approximately 21% of outstanding shares at current prices). ARII trades with a forward P/E ratio of 14.

Capital One Fin'l (COF)

Capital One is a diversified financial services company involved in the full spectrum of domestic and international credit card lending, auto lending, consumer installment lending, small business lending and deposit-taking activities. Diversification into regional banking has benefited COF, reducing credit card lending cyclicality and adding stability to returns. A Q4 earnings miss and investor concerns about a "tick up" in credit losses have taken a toll on the stock recently, with shares down more than 10% since the top of March. Despite a bump up in net charge-offs (which still reside near historic lows), COF's data has shown solid card loan growth. We are attracted to the valuation, with the stock currently trading at less than 11 times the next-12-month earnings projection. And, we like the continued focus on improving cost management and overall operating effectiveness and efficiency. The purchase of GE's healthcare financing unit should also prove quite beneficial. COF shares currently yield 1.8%.

FedEx (FDX)

Memphis-based FedEx is the world's largest cargo airline and offers door-to-door package delivery services for consumers and businesses in more than 220 countries and territories. FedEx posted earnings per share of $2.35 for fiscal Q3 2017 (vs. $2.62 est.) on revenue of $15.0 billion (matching the estimate), but the company reaffirmed full-year adjusted EPS guidance of $11.85 to $12.35. FDX benefitted from record peak-season volumes and low-single-digit growth in domestic express package volume. FedEx also announced a 16-year express air transportation deal with the U.S. Postal Service and launched FedEx Fulfillment, a distribution service for small- and medium-sized businesses. The integration of TNT Express, a Dutch courier service that FedEx purchased last year to give it a huge footprint increase in Europe, remains on schedule with management expecting an operating income improvement between $1.2 billion and $1.5 billion by 2020. We believe investors should continue to focus on the positive long-term growth from e-commerce, a market that is expanding at 15% or so per annum, and the accretive margins actions currently being put in place. To be sure, giant FedEx customer Amazon has expanded into the delivery business, but FDX CEO Fred Smith explained, "They certainly have revolutionized the e-commerce world, and we're not sure what Amazon's going to do one way or another. But the FedEx system that consists of thousands of facilities has been decades in the making."

Corning (GLW)

Corning is the leading designer and manufacturer of glass and ceramic substrates found in liquid crystal displays, fiber-optic cables, automobiles and laboratory products. GLW reported EPS of $0.50 (vs. $0.44 est.) in fiscal Q4 2016 and had sales of $2.6 billion (vs. $2.5 billion est.). The company benefitted from record Gorilla Glass volume, "rapid adoption" of Gorilla Glass 5 and growth in the Optical Communications segment, while continuing to feel effects of price moderation in the Display Technologies business. We note that Gorilla Glass 5 is used on the front and back surfaces of the recently launched Samsung Galaxy S8 smartphone. The S8 improves upon the Galaxy S7 (the fire-prone device) and thus far has received broadly positive reviews in the media. Analysts estimate that Samsung will sell up to 60 million units, roughly equal to Galaxy S7 sales. Corning remains focused on its "Strategy and Capital Allocation" framework, which targets $26 billion to $30 billion in cash generation through 2019 and the return of more than $12.5 billion to holders, including $2 billion in 2017 via buybacks. GLW yields 2.3% and trades for less than 16 times estimated earnings.

Int'l Business Machines (IBM)

IBM is a leading provider of enterprise solutions, offering a broad portfolio of IT hardware, business and IT services, and a full suite of software solutions. Even though IBM battled currency and macroeconomic headwinds in 2016, strong cash flow helped the company ex-

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pand the reach of Watson (a question answering computing system), accelerate Cloud deployment and continue to solve "Cognitive + Cloud + Industry" business problems for customers. While overall top-line growth remains a challenge, IBM expects operating EPS of at least $13.80 in 2017. We are long-time fans of Big Blue and believe that the growth opportunity for the company's Strategic Imperatives is high. And Watson continues to impress with deployments in Health Care, Internet of Things and Financial Services. As IBM trades for 12.6 times forward EPS, while the company has $5.1 billion remaining on the current share repurchase plan and the yield is now 3.2%, we continue to find the stock to be undervalued.

ING Groep NV (ING)

ING, a Netherlands-based financial institution, operates as a pure bank with a European retail focus and maintains a global commercial banking business. Shares have been on a tear over the past year, rising more than 33% including dividends, only to be tripped up after news broke near the end of March that ING and certain company officers are under investigation by Dutch and U.S. authorities for violating laws related to corruption and money laundering. A Dutch newspaper posited that it is related to an Uzbekistan bribery case. While the outcome of the case is unknown, ING warned that any fines could be significant. That caveat notwithstanding, we think the firm has ample opportunity to move its offerings into higher growth neighboring markets and like that ING has solid capital levels, including a Basel Tier 1 ratio of 14.7%. Shares currently offer a 4.8% net dividend yield, with management aiming to pay a progressive dividend over time. ING shares currently trade for less than 9 times forward earnings estimates and near tangible book value.

Prudential Financial (PRU)

PRU is the second-largest life insurer in the U.S. with more than $1 trillion of assets under management. The company also has operations in Asia, Europe and Latin America. PRU provides insurance, investment management, brokerage services and other financial products. It ranks in the top three in terms of variable life assets, individual life in-force premiums and group life sales, earning top returns among traditional franchise life insurers. Although currency challenges and other operating headwinds persist, we like that the firm has consistently turned in attractive results from its international operations, and its overall execution has been solid over the last few years. Shares could see a further bump from a rollback in domestic governmental regulation and an increase in interest rates, while we like the strong capital base and history of returning cash to shareholders. The shares trade at less than 11 times estimated earnings and offer a 2.8% dividend yield.

Sanofi (SNY)

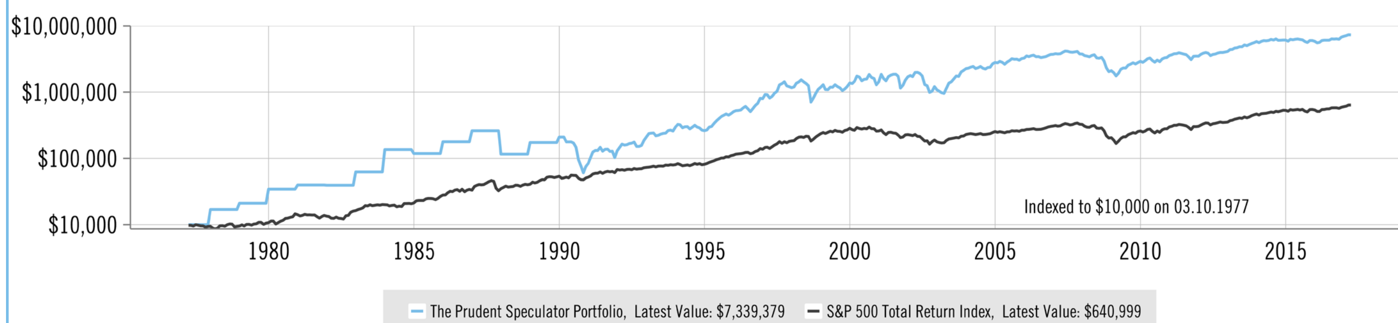
Sanofi is a global integrated health care company focused on Diabetes Solutions, Vaccines, Genzyme, Emerging Markets, Consumer Health Care, Animal Health and Other Innovative Products. Sanofi and partner Regeneron Pharmaceuticals, currently also battling Amgen in Federal Court over cholesterol drug Praluent (we eventually expect Amgen and Sanofi to settle their patent litigation), just achieved regulatory approval for Dupixent, a drug that treats severe forms of eczema. The drug is expected by some analysts to be a blockbuster with a $37,000 per year list price (though actual payments are usually lower), and an estimated 300,000 people in the U.S. suffering from the condition. While it seems likely that the diabetes franchise will continue to struggle in the near-term and the ongoing patent litigation with Amgen could have a materially adverse impact on one of its potential blockbusters, we believe that many investors underappreciate Sanofi's non-diabetes businesses and think that the strength from the rest of the company will provide plenty of opportunity for upside. SNY shares currently yield 2.9% on a net basis.

Wal-Mart Stores (WMT)

Retailing titan Wal-Mart conducts domestic operations under numerous store formats, and has a growing international footprint. Like other brick-and-mortar franchises, WMT continues to feel the pressure from e-tailers like Amazon. Happily, the company is fighting back. WMT launched free two-day shipping for orders above $35 with no membership fee (Amazon Prime is $99), purchased Jet.com, Hayneedle, Shoebuy and Moosejaw, and has focused heavily on selling consumer goods like diapers and toothpaste, rather than creating an Amazon twin selling everything under the sun. We also think the investments in staff, client experience and e-commerce will make a long-term difference in performance, and we continue to like the prospects for growth outside the U.S., as well as the differing store concepts here at home to capture additional grocery and urban market business. Thanks to healthy free cash flow generation, WMT regularly returns capital to owners via buybacks and dividends (yield = 2.8%).

AFAM also offers private asset management services. To learn more, contact 512.600.1818 or visit afamcapital.com

NEWSLETTER PORTFOLIO PERFORMANCE



	Mar	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	-0.64	4.64	21.93	5.39	10.91	3.96	NA
Millennium	-0.85	4.98	21.99	6.60	12.32	6.40	8.18
PruFolio	-0.10	5.73	21.25	6.80	11.93	6.12	9.56
TPS	-0.36	5.37	22.13	6.95	13.10	6.81	9.12
Major Indexes							
Russell 3000	0.07	5.74	18.06	9.75	13.18	7.53	7.43
Russell 3000 Value	-1.01	2.99	19.95	8.57	13.07	5.93	7.42
S&P 500	0.12	6.07	17.16	10.36	13.29	7.51	7.09
Dow Jones Indu. Avg.	-0.60	5.19	19.91	10.61	12.16	8.10	7.35

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	11.83	9.75	Russell 3000
Millennium	12.31.99	9.54	5.28	Russell 3000
PruFolio	12.29.00	13.25	6.10	Russell 3000
TPS	03.10.77	17.93	10.96	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,867 stock recommendations have returned, on average, an annualized 17.21%, not including dividends.

IMPORTANT INFORMATION

As of 03.31.17. All data are total returns, except for that of all recommended stocks, which exclude dividends. Data for periods greater than one year are annualized. The Dow Jones Industrial Average Index is a price-weighted average of 30 actively traded blue-chip stocks, primarily industrial, including stocks that trade on the New York Stock Exchange and NASDAQ. The Russell 3000 Index measures the performance of the largest 3,000 US companies and represents approximately 98% of the investable US equity market. 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. It is not possible to invest directly in an index. 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 AFAM's 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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