May 2, 2018

the Prudent Speculator

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Though the major market averages managed to post slight gains during April, ending a two-month losing streak, we trust that the action in 2018 has provided a vivid reminder that stock prices do not always go up. True, the S&P 500 enjoyed 15 straight months of positive returns following the 2016 Presidential Election, but market history shows that since 1926, that widely followed equity index has endured 413 months of red ink, versus 694 months that ended in the green. Yet, despite all of the ups and downs, rallies and corrections, and Bull and Bear Markets, the S&P 500 has enjoyed a return over the past 92 years of 10.1% per annum, illustrating the rewards available to investors able to stick with stocks for the long term.

> "I have loved the stars too fondly to be fearful of the night."
>
> — Galileo Galilei

Of course, keeping the faith is easier said than done, especially in today's sensationalistic media environment where breathless talking heads warn almost daily that doom is imminent. Indeed, just this year, investors have had to contend with *White House Drama*, *Rich Valuations*, *Volatility Spike*, *North Korea*, *Trade Wars*, *Increasing Inflation*, *Rising Treasury Yields*, *Fear of an Overheating Economy*, *Fear of the Next Recession* and *Fed Rate Hikes* to name just a few of the headlines that have undoubtedly caused consternation. To be sure, all of these issues remain outstanding, but that is nothing new as there are always disconcerting events that equities must overcome and the old adage that stocks often climb a wall of worry is hardly a myth. It is very much steeped in historical fact, given that despite all of the headwinds, Value Stocks have posted annualized returns of 13.4% and Dividend Payers have gained 10.6%, dating back to 1927.

That does not mean that the rough sledding endured thus far in 2018 won't continue as 5% setbacks happen more than twice a year on average, while 10% corrections have occurred every 11 months and 20% Bear Markets have taken place every 3.5 years. Needless to say, we are braced for additional downside volatility, but we very much like the Vannevar Bush quotation, "Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation."

Happily, as there are plenty of historical numbers readily available to crunch, reason and evaluation is at our fingertips. For example, Value Stocks have performed well (annualized returns of at least 10% on average) concurrent with and subsequent to rising inflation, 10-Year Treasury and Federal Funds rates. It's the same story when looking at an actual inflation rate in the 2.0% to 3.0% range and an actual Treasury yield in the 2.75% to 3.5% range, as Value Stocks have gained more than 17% on average over the ensuing 12 months.

We also can't forget that stocks are not simply vehicles for day traders to push up and down. Equities ultimately represent ownership in corporations that generally become more valuable as their earnings grow. And, bottom line comparisons have been sensational of late, with 79.8% of the S&P 500 members that have announced Q1 results thus far exceeding expectations. More importantly, a rebounding global economy, solid U.S. GDP growth and the benefits of the Tax Cuts and Jobs Act have led to significant strength in forward earning estimates. Despite worries by some about peak profits, Standard & Poor's projects (as of April 30) bottom-up operating EPS for the S&P 500 of $158.09 for 2018 and $173.45 for 2019, up sharply from $124.51 in 2017. No doubt, earnings per share will also be bolstered by stock buybacks, with JPMorgan estimating that S&P 500 companies will repurchase a record $800 billion shares this year, smashing the $519 billion spent last year.

Although we retain our long-term enthusiasm for equities, especially as dividend payouts have continued to rise (TPS Portfolio now yields 2.7%), we suspect that we may have to be a little more patient than usual this year. We can live with that as in the all-important P/E valuation calculation, the E has risen markedly for many a stock.

Chief Investment Officer
Al Frank Asset Management (AFAM)

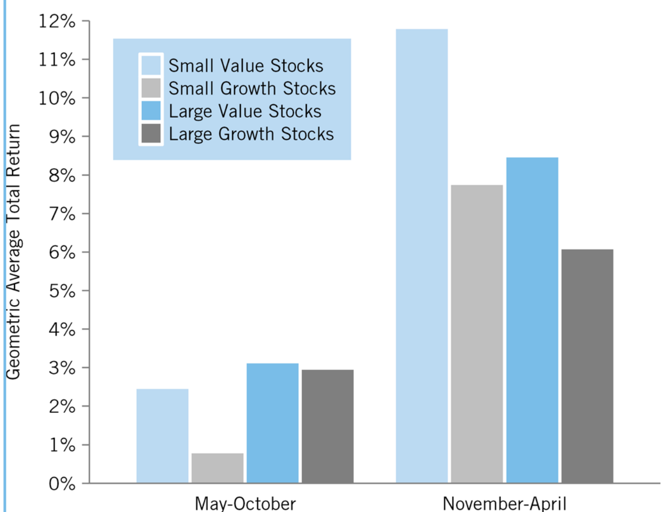
Graphic Detail

Seasonality

The November to April span this time around was OK, as the S&P 500 and Russell 3000 posted total returns near 3.8%, which was below the long-term norm for the seasonally favorable six months of the year. As such, some may be concerned that we now enter the less favorable portion of the calendar, but we like that the historical data show that Dividend Payers and Value Stocks have enjoyed positive absolute returns, not to mention superb relative returns, during the May to October period. No reason, then, in our view to *Sell in May and Go Away*.

SEASONAL VALUE VS. GROWTH

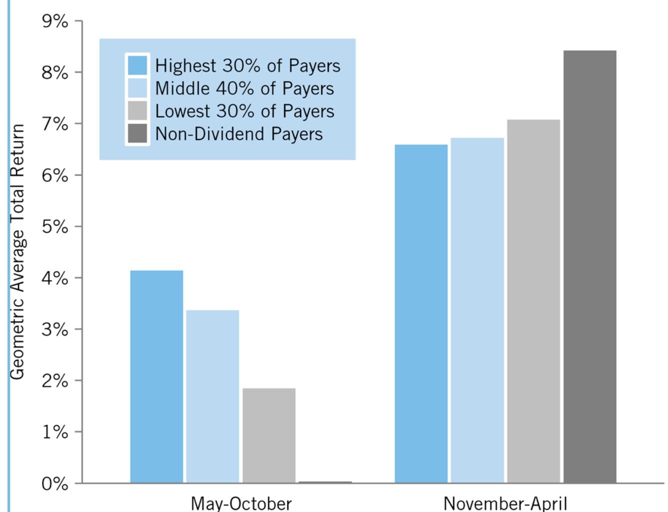
Gains have not been as strong starting this time of year, but Value has won the long-term returns race no matter the season…



From 04.30.28 through 10.31.17. Geometric average. SOURCE: AFAM Capital using data from Professors Eugene F. Fama and Kenneth R. French

SEASONAL DIV VS. NON-DIV PAYERS

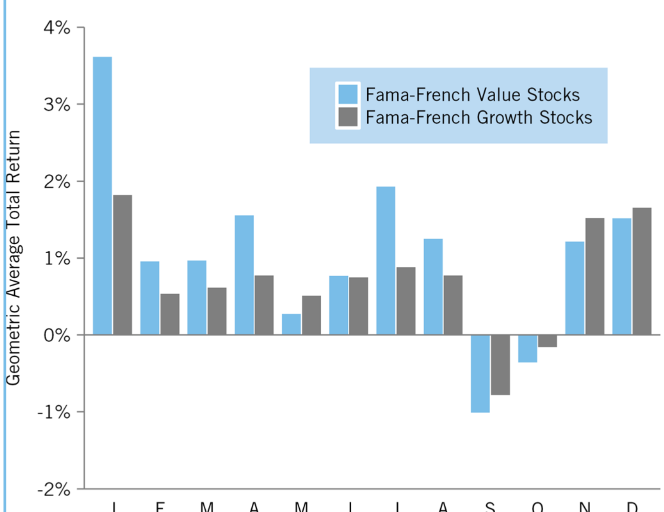
…and the historical outperformance of Dividend Payers during the seasonably less favorable six months has been striking.



From 04.30.28 through 10.31.17. Geometric average. SOURCE: AFAM Capital using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY VALUE VS. GROWTH

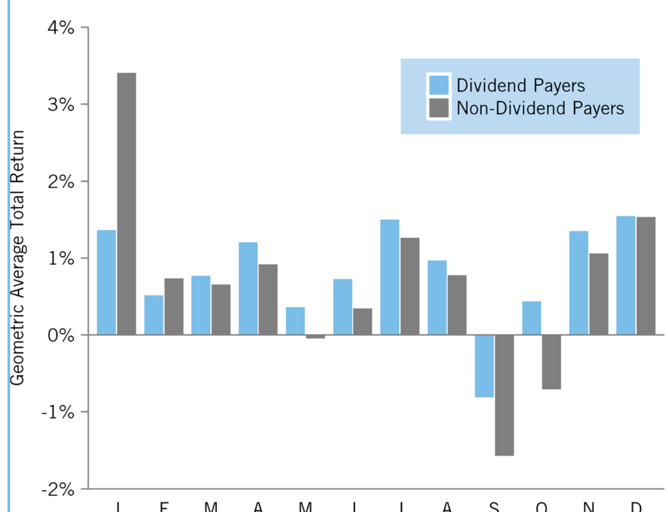
Sell Labor Day and Buy Halloween might be a better slogan as September and October are the only down months on average…



From 12.31.27 through 02.28.18. Geometric average. SOURCE: AFAM Capital using data from Professors Eugene F. Fama and Kenneth R. French

MONTHLY DIV VS. NON-DIV PAYERS

…while Dividend Payers over the last 90 years have won the spoils in all but two months and had a positive return in the spookiest.

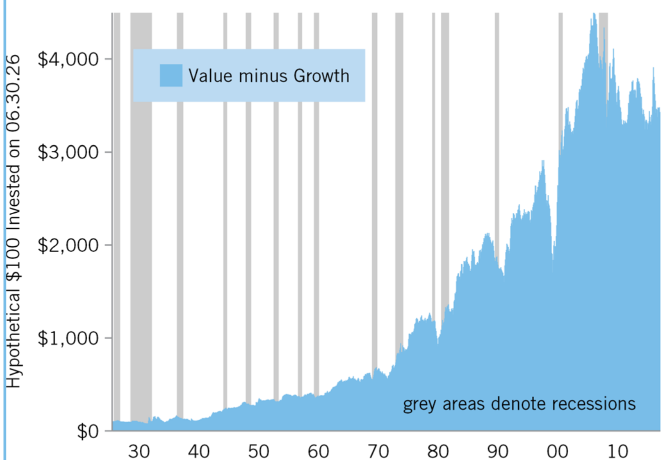


From 12.31.27 through 02.28.18. Geometric average. SOURCE: AFAM Capital using data from Professors Eugene F. Fama and Kenneth R. French

Though Value enjoyed a big win in the returns race versus Growth as recently as 2016, we concede that it has been a tough relative slog for inexpensively priced stocks so far this year and in 2017. Of course, we also realize that we are now in a period where Growth has outperformed Value for the past five and ten years, which we think adds to the going-forward appeal of buying stocks trading for lower multiples of earnings, sales and book value. After all, history shows that while Growth may win more than a few battles, Value has won the war.

THE RACE SINCE 1926

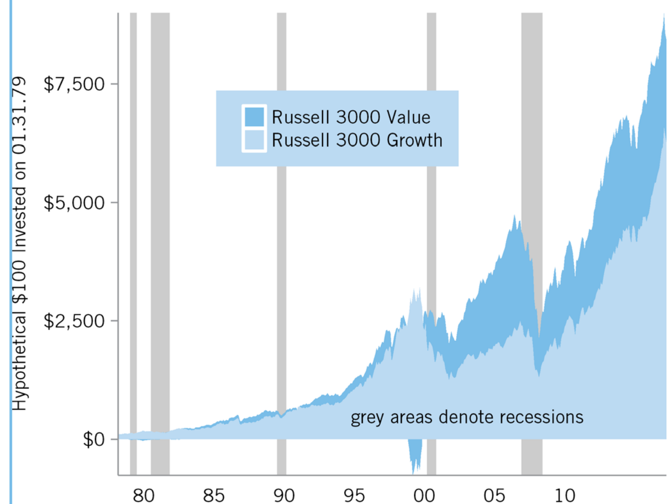
Returns on Fama/French Value stocks have trumped those of Growth stocks by a wide margin over the last nine-plus decades,...



From 06.30.26 through 02.28.18. Growth performance subtracted from Value performance each month. Value is 50% Small Value + 50% Large Value and Growth is 50% Small Growth + 50% Large Growth. SOURCE: AFAM Capital using data from Professors Eugene F. Fama and Kenneth R. French

THE RACE SINCE 1979

...with the story similar, though not quite as dramatic, using Russell's Value and Growth indexes over the last 39 years.



From 02.28.79 through 03.31.18. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

FAMA FRENCH ROLLING-PERIOD COMPARISONS

Value has underperformed 47% of the time on a one-month basis, but the longer the measuring stick, the greater the victory rate.

	Value Stocks	Growth Stocks	Diff.	Periods Val beat Growth	Ct. of Periods
1-Month	1.33%	0.95%	0.38%	53%	1101
3-Month	4.26%	2.99%	1.27%	58%	1099
6-Month	8.49%	6.01%	2.48%	60%	1096
1-Year	17.55%	12.38%	5.17%	63%	1090
3-Year	14.37%	9.94%	4.43%	73%	1066
5-Year	14.13%	9.61%	4.52%	79%	1042
10-Year	14.58%	9.74%	4.84%	87%	982
20-Year	15.54%	10.16%	5.39%	100%	862
30-Year	15.76%	10.26%	5.50%	100%	742

From 06.30.26 through 02.28.18. Rolling periods annualized for periods greater than one year. Value Stocks are 50% Small Value + 50% Large Value and Growth Stocks are 50% Small Growth + 50% Large Growth. SOURCE: AFAM Capital Using Data from Professors Eugene F. Fama and Kenneth R. French

RUSSELL ROLLING-PERIOD COMPARISONS

The Russell competition since 1979 is much closer over shorter time spans, but Value still holds a returns edge in every period.

	Value Stocks	Growth Stocks	Diff.	Periods Val beat Growth	Ct. of Periods
1-Month	1.04%	1.01%	0.03%	50%	470
3-Month	3.18%	3.11%	0.08%	49%	468
6-Month	6.47%	6.32%	0.15%	48%	465
1-Year	13.27%	12.90%	0.37%	50%	459
3-Year	12.24%	11.08%	1.16%	53%	435
5-Year	12.12%	10.76%	1.36%	52%	411
10-Year	11.24%	9.87%	1.37%	67%	351
20-Year	11.53%	9.82%	1.71%	94%	231
30-Year	11.16%	9.75%	1.42%	100%	111

From 1.31.79 through 03.31.18. Rolling periods annualized for periods greater than one year. SOURCE: AFAM Capital Using Data from Bloomberg Finance L.P.

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/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	EBITDA[3]	Yield[4]	TE[5]	Yield	Cap
Autos & Components	GM	General Motors	36.74	54.65	5.8	0.4	1.8	2.5	13.1	244%	4.1%	51,783
	GT	Goodyear Tire & Rubber	25.11	46.40	8.7	0.4	1.5	6.1	3.2	140%	2.2%	6,022
Banks	ONB	Old National Bancorp	17.20	22.74	14.8	nmf	2.0	nmf	nmf	nmf	3.0%	2,617
Capital Goods	DE	Deere & Co	135.33	177.28	19.8	1.4	9.8	7.8	-2.2	590%	1.8%	43,818
	SIEGY	Siemens AG	63.44	92.60	14.0	2.1	16.5	10.2	nmf	501%	2.7%	107,848
Commercial Services	MAN	ManpowerGroup	95.72	143.72	12.6	0.3	5.2	7.6	1.5	40%	1.9%	6,332
Consumer Dur & App	MDC	MDC Holdings	29.01	48.93	11.7	0.6	1.2	11.6	3.9	78%	4.1%	1,631
	WHR	Whirlpool	154.95	228.70	11.0	0.5	nmf	9.9	2.9	nmf	3.0%	10,970
Consumer Services	RCL	Royal Caribbean Cruises	108.19	149.25	14.2	2.6	2.2	11.7	3.6	74%	2.2%	22,909
Diversified Financials	COF	Capital One Financial	90.62	119.02	10.5	nmf	1.5	nmf	nmf	nmf	1.8%	44,032
Energy	SLB	Schlumberger Ltd	68.56	103.71	42.1	3.0	36.7	34.2	3.6	523%	2.9%	94,965
	TNP	Tsakos Energy Nav	3.62	7.28	nmf	0.6	0.2	9.2	nmf	116%	5.5%	313
	TOT	Total SA	62.61	79.05	14.6	1.0	1.4	7.6	1.9	34%	4.1%	165,864
Food & Staples Retailing	CVS	CVS Health	69.83	131.92	11.8	0.4	nmf	8.0	8.5	nmf	2.9%	71,054
	WMT	Walmart	88.46	110.26	20.1	0.5	4.4	9.7	6.9	55%	2.4%	261,176
Health Care Equip/Srvcs	CAH	Cardinal Health	64.17	94.12	11.8	0.2	nmf	11.0	8.1	nmf	2.9%	20,195
	ZBH	Zimmer Biomet Hldgs	115.17	168.75	14.7	3.0	nmf	18.0	5.8	nmf	0.8%	23,401
Household Products	KMB	Kimberly-Clark	103.54	140.80	16.3	2.0	nmf	12.5	6.2	nmf	3.9%	36,170
Insurance	PRU	Prudential Financial	106.32	140.11	10.0	nmf	0.9	nmf	nmf	nmf	3.4%	44,854
Materials	IP	Int'l Paper	51.56	78.29	13.1	0.9	5.6	10.5	1.3	281%	3.7%	21,351
Media	CMCSA	Comcast	31.39	52.68	14.6	1.7	nmf	7.4	8.0	nmf	2.4%	144,445
Pharma/Biotech/Life Sci	AMGN	Amgen	174.48	222.17	13.5	5.0	nmf	9.9	8.6	nmf	3.0%	115,454
	BIIB	Biogen	273.60	453.11	12.1	4.6	10.8	8.6	8.5	111%	0.0%	57,732
	MRK	Merck & Co	58.87	76.90	14.8	4.0	84.8	15.3	2.8	1142%	3.3%	158,520
	SNY	Sanofi	39.32	57.72	12.2	4.7	17.4	12.4	nmf	nmf	3.9%	98,953
Real Estate	DOC	Physicians Realty Trust	14.94	22.82	14.4	nmf	1.1	nmf	nmf	nmf	6.2%	2,716
	KIM	Kimco Realty	14.51	21.64	9.6	nmf	1.4	nmf	nmf	nmf	7.7%	6,165
Retailing	LOW	Lowe's Cos	82.43	115.84	18.8	1.0	14.9	10.3	5.6	341%	2.0%	68,068
	WSM	Williams-Sonoma	47.80	74.01	13.1	0.8	3.3	6.1	7.8	25%	3.6%	3,980
Semis & Cap Equipment	COHU	Cohu Inc	21.40	32.20	13.9	1.7	3.0	10.6	5.5	2%	1.1%	611
	QCOM	Qualcomm	51.01	71.65	14.5	3.3	5.5	19.0	5.2	141%	4.9%	75,629
Software & Services	• GOOG	Alphabet Class C	1017.33	1505.25	21.5	6.0	5.0	17.9	3.0	3%	0.0%	706,988
	IBM	Int'l Business Machines	144.96	193.35	10.4	1.7	nmf	10.5	10.4	nmf	4.3%	133,069
	ORCL	Oracle	45.67	56.85	15.0	4.7	nmf	11.0	7.0	nmf	1.7%	186,439
Technology Hardware	AVX	AVX Corp	14.76	19.04	18.4	1.6	1.4	7.3	4.4	0%	3.1%	2,485
	GLW	Corning	27.02	39.87	16.4	2.2	2.3	10.3	0.1	50%	2.7%	22,436
	JNPR	Juniper Networks	24.59	37.13	11.7	1.7	5.9	7.2	11.9	147%	2.9%	8,582
Telecom Services	VZ	Verizon Communications	49.35	63.86	12.4	1.6	nmf	7.2	5.7	nmf	4.8%	203,914
Transportation	ALK	Alaska Air Group	64.93	110.14	11.4	1.0	5.9	5.6	4.3	151%	2.0%	8,012
	DPSGY	Deutsche Post AG	43.43	60.19	17.0	0.7	52.5	9.0	2.3	609%	2.6%	53,596

As of 04.30.18. 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: AFAM Capital using data from Bloomberg Finance L.P.

Portfolio Builder

Research Team Highlights

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 to be undervalued along several lines relative to their own trading history, those of their peers or that of the market in general. Our Target Prices incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal three-to-five-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 we usually add the names to one of 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. And, until such time as we say sell, any of our 100+ recommended stocks should be viewed as a worthy purchase candidate.

This Month's Theme

Still having only a modest amount of cash to deploy, we will pick up $29,000 of **Alphabet Class C** in TPS Portfolio and we will bring the ownership in Buckingham Portfolio up to $7,000 in **Alaska Air Group** and **Biogen**. We already have sufficient company and/or sector exposure in **AVX Corp**, **Comcast**, **Capital One Financial**, **General Motors**, **Kimco Realty**, **Total SA** and **Verizon Communications**, so no new newsletter portfolio purchases of those seven stocks are planned this month. As is our custom, we will wait four trading days, until May 8, to transact.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
ALK	Alaska Air Group	Industrials	64.93	110.14
AVX	AVX	Information Technology	14.76	19.04
BIIB	Biogen	Health Care	273.60	453.11
CMCSA	Comcast	Consumer Discretionary	31.39	52.68
COF	Capital One Financial	Financials	90.62	119.02
GM	General Motors	Consumer Discretionary	36.74	54.65
GOOG	Alphabet Class C	Information Technology	1017.33	1505.25
KIM	Kimco Realty	Real Estate	14.51	21.64
TOT	Total SA	Energy	62.61	79.05
VZ	Verizon Communications	Telecom Services	49.35	63.86

As of 04.30.18. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

Alaska Air Group (ALK)

Alaska Air provides passenger, mail and freight air service to more than sixty cities in three countries through its Alaska Airlines and Horizon Airlines subsidiaries. Its Virgin America brand is being phased out as ALK integrates the recently acquired assets into its operations. ALK operates a fleet of 154 Boeing 737 and 67 Airbus A320 single-aisle jets for mainline service, while Horizon operates 50 turboprops and 33 regional jets for feeder or thinner routes. Alaska shares have had a turbulent year, but caught a small updraft after reporting Q1 2018 EPS of $0.14 (vs. $0.12 est.) on in-line revenue of $1.83 billion. The company cut its capacity outlook for the year from 7.5% to 6.5%, a generally positive action for profitability as planes are likely to fly with more seats filled. Alaska begins taking deliveries next year of the fuel-efficient and highly capable 737 MAX, an aircraft we believe will afford the ability to right-size capacity on routes and increase profitability. We think that Alaska has done a solid job defending its market share in the Pacific Northwest by offering travelers low fares and a top-level customer experience. ALK trades for 11.4 times earnings, with strong EPS growth projected, as respective analyst forecasts for 2018, 2019 and 2020 presently stand at $5.33, $7.28 and $8.52.

AVX (AVX)

AVX, 72.5% owned by Kyocera of Japan, is a manufacturer and supplier of electronic components, including ceramic and tantalum capacitors for use in products that need to store energy. The stock skidded more than 10% last month, even as the company reported fiscal Q4 2018 EPS that matched analyst expectations ($0.19), despite a quarter that was "impacted by an acquisition [Ethertronics (passive and active antenna systems)] and several other moving parts." AVX saw longer lead times for product delivery, which the company says should reduce as more manufacturing capacity comes online, but noted that the "macroeconomic environment continues to be positive around the world with all the top 45 global economies showing growth." Prices of high-end smartphone handsets have started translating to longer replacement cycles, but AVX expects smartphone sales to grow in 2018. Carriers have started rolling out 5G mobile networks in select cities, with widespread availability expected around 2020. Management is optimistic that strong demand for sensor, control and antenna products will offset the revenue loss from its ending Kyocera product resale business. We like AVX's balance sheet (net cash of $5 per share, though the company continues to make acquisitions) and 3.2% yield.

Biogen (BIIB)

Biogen discovers, develops and delivers innovative therapies for the treatment of neurodegenerative diseases and autoimmune disorders, leading the $20+ billion global Multiple Sclerosis market with Avonex, Tysabri and Tecfidera. In its recent Q1 earnings, its MS franchise was hurt by an inventory drawdown (noting that ex-U.S. sales of MS meds remain solid). Newer spinal muscular atrophy drug Spinraza continued to build strength, benefiting from increasing reimbursement coverage in new global geographies (with at least 7 additional countries deciding on this in 2018). Q1 adjusted EPS hit $6.05 (versus estimates of $5.92) on revenue of $3.13 billion. We were pleased to see Biogen turn in strong free cash flow and we note that its cash and marketable securities are now above $7 billion, providing capital to grow via acquisition, or continue to heavily invest in its drug pipeline. Shares trade at 12 times earnings, with EPS currently projected to grow from $23.87 this year to $26.02 in 2019.

Comcast (CMCSA)

Comcast is a global media and technology company with two primary businesses, Comcast Cable and NBCUniversal. The former is one of the nation's largest video, high-speed Internet and phone providers to residential customers under the XFINITY brand and also provides these services to businesses. The latter operates news, entertainment and sports cable networks, the NBC and Telemundo broadcast networks, television production operations, television station groups, Universal Pictures and Universal Parks and Resorts. Q1 2018 saw CMCSA earn $0.62 per share ($0.59 est.), boosted by subscriber growth in the high-speed Internet business and positive contributions from NBCUniversal. Comcast also raised 23 billion GBP to fund its takeover of Sky, a U.K. pay-TV provider. CMCSA, which swooped in to try to steal the deal from Disney/Fox, says that the acquisition will enhance customer offerings through a strengthened content portfolio, benefit shareholders and allow for larger content investments. While its offer is better than that of Disney/Fox, the battle over Sky seems likely to continue. We like that CMCSA is expanding its already-diversified income stream and augmenting its ample opportunities for organic growth. Shares sport a recently increased 2.4% yield and a very reasonable 12.7 times NTM earnings multiple.

Capital One Financial (COF)

COF is a diversified financial services company involved in the full spectrum of domestic and international credit card lending, auto lending, consumer installment loans, small business lending and deposit-taking activities. Diversification into regional banking has been beneficial, reducing credit card lending cyclicality and adding stability to returns. The firm turned in a favorable Q1 bottom-line, reporting adjusted EPS of $2.65, versus expectations of $2.32. That said, investors sold off shares over concerns about an increased tax rate and the potential influence of Fed stress tests on future buybacks and dividends. Interestingly, domestic credit card delinquencies normally push the share price one way or the other, but not this time, despite a 14 basis point decline in said reading (dropping to 3.57%). We continue to like that COF is focusing on managing risks, while improving efficiency even as it invests to grow and transform itself as banking goes digital. COF trades for 8.8 times estimated earnings.

General Motors (GM)

Auto and truck maker General Motors turned in an impressive Q1, including record earnings in China and from GM Financial. The company posted EPS of $1.43 for Q1, 15% ahead of the analyst consensus. CFO Chuck Stevens commented, "We were profitable in all operating segments. Our Q1 results were on plan and we remain confident in the full-year guidance we announced in January" (which was in 'the mid-six dollar range'). While the competition is always fierce in the auto industry, and there is definitely some increased input costs to battle, we continue to believe that GM is executing on its core business incredibly well despite ongoing macroeconomic volatility. We still like its solid balance sheet ($21 billion in cash and marketable securities), cost controls initiative, ability to generate free cash flow and generous capital return programs. The stock now trades for 6 times NTM earnings projections and yields 4.1%.

Alphabet Class C (GOOG)

Alphabet is a holding company that through its subsidiaries provides web-based search, advertisements, software, hardware and enterprise solutions. Alphabet controls many subsidiaries, including major Internet sites Google and YouTube, mobile device software Android, self-driving vehicle and drone delivery research firm Google X Lab, biotech research and development firm Calico, urban innovation organization Sidewalk Labs and broadband internet provider Google Fiber. While Alphabet earned 86% of its revenue from Google advertising last year, the number continues to steadily decline as the company adds other sources of income. We think GOOG has plenty of growth potential, while maintaining relatively reasonable valuation metrics (including a forward P/E of 24.6, with EPS expected to grow from $51.34 in 2018 to $58.03 in 2019 and to $67.92 in 2020) and a terrific balance sheet ($98 billion in net cash). While Alphabet doesn't pay a dividend, management reported last quarter that it will buy back $8.6 billion of Class C shares. On that note, given that the unlisted B shares, owned by founders Larry Page and Sergei Brin, and CEO Eric Schmidt, control the voting (10 votes per share), the rights associated with the A shares (GOOGL, 1 vote per share) have no meaningful value to us. Therefore, we would opt to take the $4 discount and buy the non-voting C shares (GOOG).

Kimco Realty (KIM)

Real estate investment trust (REIT) Kimco has interests in 475 U.S. open-air shopping centers, comprising 81 million square feet of leasable space concentrated mostly in top major metropolitan markets and housing a diversified stable of tenants. Shares have been on a roller coaster ride thus far in 2018 (down 20% YTD), but the stock did bounce back in late-April on the announcement of solid Q1 financial results. Kimco posted Q1 FFO per share of $0.39 (versus estimates of $0.36), while occupancy increased to 96.1%. The period saw same-store net operating income grow 2.6% year-over-year as new and renewing rents increased 8.1%. Management said it expects full year FFO to be between $1.42 and $1.46 per share. We are positive on KIM's continued progression of selling lower quality assets, mainly in the Midwest, and focusing on redevelopment and improving leasing volumes. While the retail environment is still evolving, it may be stabilizing for strip shopping centers, given vacancies were less than anticipated. KIM currently yields a hefty 7.7%.

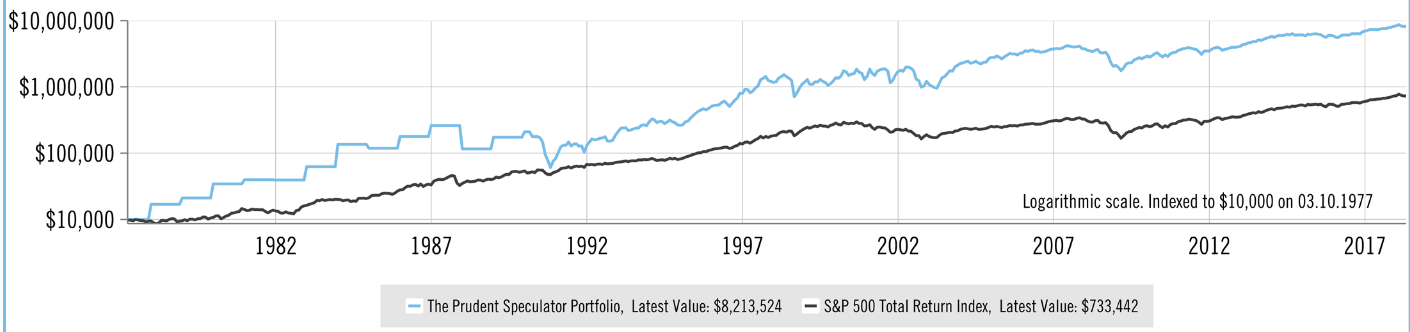
Total SA (TOT)

Total is one of the world's largest integrated oil and gas companies, with operations in exploration & production, refining & marketing, and chemicals. In Q1, Total took advantage of improving oil prices and strong demand for petroleum products, reporting an increase of 13% in underlying year-over-year adjusted profits. Upstream production grew 5%, driven by new start-ups and ramp-ups. The company increased its interim dividend by 3.2% (TOT now sports a net yield of 4.1%), repurchased issued scrip shares to offset dilution and started buying back previously issued scrip shares. We like that Total's production costs are meaningfully lower than most of its large integrated peers and that those costs should continue to drop over the next few years. Almost half of TOT's production in 2020 is projected to come from long-plateau production projects like LNG. Respective consensus adjusted EPS estimates (in U.S. dollars) for 2018 and 2019 currently reside at $5.02 and $5.21, up from $4.12 in 2017.

Verizon Communications (VZ)

Verizon is an integrated telecom company that provides voice and data services to wired and wireless retail, business and government customers. VZ shares stumbled out of the gate this year, but reclaimed some lost ground after the company reported Q1 2018 earnings per share of $1.17 (vs. $1.11 est.) on revenue of $31.8 billion (vs. $31.3 billion est.). Verizon reported 260,000 wireless and 66,000 Fios Internet net subscriber additions. VZ also reported that it has realized $200 million of the $10 billion, four-year goal for cumulative cash savings. We think that the tough competitive landscape concerns are largely priced in and that the just-announced Sprint/T-Mobile merger (which would create more pricing pressure) is unlikely to succeed due to regulatory concerns, and believe that Verizon can continue to leverage its vast network to remain competitive over the long term in the wireless market. VZ also boasts a forward P/E of 10.8 and a yield of 4.8%.

NEWSLETTER PORTFOLIO PERFORMANCE



	Apr	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	0.74	-1.55	11.96	8.39	10.71	5.92	11.58
Millennium	0.65	-1.57	10.54	8.89	11.34	8.67	11.53
PruFolio	0.54	-2.44	8.44	7.57	10.54	8.42	11.68
TPS	0.27	-1.77	11.83	9.33	11.94	8.65	14.06
Major Indexes							
Russell 3000	0.38	-0.27	13.05	10.20	12.75	9.13	9.88
Russell 3000 Value	0.43	-2.40	7.42	7.78	10.50	7.39	9.20
S&P 500	0.38	-0.38	13.26	10.56	12.95	9.01	9.55
Dow Jones Indu. Avg.	0.34	-1.63	18.09	13.44	12.96	9.39	9.96

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	12.36	9.99	Russell 3000
Millennium	12.31.99	9.61	5.72	Russell 3000
PruFolio	12.29.00	12.87	6.53	Russell 3000
TPS	03.10.77	17.74	11.02	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,883 stock recommendations have returned, on average, an annualized 17.28%, not including dividends.

IMPORTANT INFORMATION

As of 04.30.18. 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: AFAM Capital using data from Bloomberg Finance L.P.

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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