June 1, 2018

the Prudent Speculator

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We suspect that most readers share our belief that time in the market trumps market timing, but we would hope that May's gyrations dispelled any lingering doubts. Indeed, short-term-oriented players must have thought they were sitting center court at Roland-Garros given all of the cross-currents that buffeted the markets.

For example, after a long-playing war of words between President Trump and Kim Jong Un that included frightening threats of nuclear strikes which caused several wobbles in the equity markets, plans began to take shape in April for a landmark United States-North Korean Summit that would occur on June 12 in Singapore. All seemed on track, and stock market fears about an escalation of tensions were more or less quelled, when the North Korean leader and South Korean President Moon Jae-in on April 27 signed an agreement which committed the two countries to a denuclearized peninsula and an official end to the Korean War. But, just a few weeks later, Pyongyang cut off talks with Seoul on May 15 and threatened to cancel the Singapore summit due to joint military exercises between the U.S. and South Korea. Then, nine days later, after a North Korean Minister called Vice President Mike Pence a "political dummy," President Trump officially backed out of the summit. However, the following day, he changed course and on June 1 it was actually announced that the meeting would take place. Stay tuned!

> "Today's headlines and history's judgment are rarely the same."
>
> — Condoleezza Rice

No doubt, trying to trade around North Korean developments generally has been hazardous to most folks' financial health, with it a similar story in regard to the flow of news related to trade negotiations. One day, the U.S. and China are apparently on course for a 'tit-for-tat' trade war that threatens to cripple the global economy and the next day proposed hefty tariffs are delayed or watered down as cooler heads prevail. And then, just days after U.S. Treasury Secretary Steven Mnuchin stated that any escalation in the trade dispute with the Middle Kingdom was "on hold," President Trump implemented new tariffs on steel and aluminum imports from Canada, Mexico and the European Union, prompting swift retaliatory pledges.

Yet, despite the often disconcerting news related to North Korea and trade, stocks generally posted gains during May, with the S&P 500 returning more than 2% and the Russell 3000 Value index gaining close to 1%. Those advances came even as new worries emerged. Incredibly, stock prices tumbled on May 29 and U.S. Treasury yields plunged due to fears about Italy's continued membership in the eurozone after Italian President Sergio Mattarella blocked the formation of a euroskeptic governing coalition the prior weekend, only to retrace much of those moves on May 30, even as there was hardly a fix for all that ails Rome. Seemingly at a loss to explain that sell-off and subsequent rally, one strategist said, "There's a lot that has to happen for that scenario [Italy leaving the euro] to play out. Tuesday didn't feel like a panic, it felt as though people wanted to make sure they weren't positioned incorrectly." So, somehow they positioned themselves correctly by bailing one day and buying the next?

Needless to say, we continue to think that the only problem with market timing is getting the timing right, so we believe that the right positioning for long-term investors is to simply ride through the fluctuations secure in the belief that our broadly diversified portfolios of undervalued stocks will prove rewarding in the fullness of time. Certainly, that does not mean that there won't be more scary headlines to come, so we are always braced for downside volatility, as was seen on May 31. However, we sleep well at night these days as investor sentiment is far from optimistic, interest rates are still very low by historical norms, the global economies are showing modest to moderate growth, corporate profits are poised to enjoy significant growth this year and next and equity valuations are far more reasonable after this year's churning.

Chief Investment Officer
Al Frank Asset Management (AFAM)

Earnings Scorecard

Q1 Season

Though the U.S. economy grew at a pedestrian 2.2% pace in the first quarter, company earnings reports generally were fantastic, no doubt bolstered by lower corporate tax rates. In fact, overall net profits for the S&P 500 increased by a whopping 22.0%, with adjusted EPS showing even better 26.5% growth, according to Bloomberg. As usual, investor reactions to the specific releases were not always positive, but we were happy to see Bloomberg cal-

Industry Group	Ticker	Company	03.18 Act EPS	03.17 Act EPS	03.18 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Autos & Components	GM	General Motors	1.43	1.70	1.24	6.29	6.32	6.8	140,487	145,508	4%
	GT	Goodyear Tire & Rubber	0.50	0.74	0.46	2.89	3.71	6.6	15,508	16,037	3%
	HMC	Honda Motor Co Ltd	0.56	0.47	0.56	5.30	3.68	8.6	138,650	141,960	2%
Banks	BAC	Bank of America	0.62	0.42	0.59	2.06	2.65	11.0	nmf	nmf	nmf
	BBT	BB&T	0.97	0.74	0.92	3.37	4.09	12.9	nmf	nmf	nmf
	FITB	Fifth Third Bancorp	0.57	0.38	0.48	2.03	2.50	12.2	nmf	nmf	nmf
	JPM	JPMorgan Chase	2.31	1.57	2.28	7.51	9.22	11.6	nmf	nmf	nmf
	KEY	KeyCorp	0.38	0.32	0.38	1.43	1.75	11.1	nmf	nmf	nmf
	ONB	Old National Bancorp	0.34	0.27	0.29	1.16	1.29	13.9	nmf	nmf	nmf
	PNC	PNC Financial Services Group	2.43	2.06	2.43	8.98	10.82	13.3	nmf	nmf	nmf
	WFC	Wells Fargo & Co	1.12	0.98	1.06	4.06	4.65	11.6	nmf	nmf	nmf
Capital Goods	ARII	American Railcar Industries	0.68	0.55	0.61	1.96	2.57	15.8	478	509	6%
	CAT	Caterpillar	2.82	1.28	2.12	8.42	10.87	14.0	48,499	54,606	13%
	CMI	Cummins	3.30	2.36	2.93	11.57	13.97	10.2	21,409	22,924	7%
	DE	Deere & Co	3.14	2.15	3.31	7.81	10.74	13.9	33,459	35,139	5%
	ETN	Eaton PLC	1.10	0.96	1.06	4.81	5.34	14.3	20,807	21,744	5%
	FLR	Fluor	0.56	0.57	0.76	1.76	3.03	16.1	19,509	18,680	-4%
	TPC	Tutor Perini	0.03	0.27	0.27	1.66	2.49	7.9	4,668	5,227	12%
	TRN	Trinity Industries	0.30	0.30	0.26	1.49	1.48	23.3	3,617	3,806	5%
Commercial Services	MAN	ManpowerGroup	1.72	1.09	1.64	7.60	9.24	9.7	21,800	23,607	8%
Consumer Dur & App	MDC	MDC Holdings	0.68	0.40	0.52	2.77	3.48	9.1	2,623	3,023	15%
	TPR	Tapestry	0.54	0.46	0.50	2.53	2.79	15.6	5,530	6,019	9%
	WHR	Whirlpool	2.81	2.50	2.97	14.09	16.48	8.8	21,378	21,568	1%
Consumer Services	RCL	Royal Caribbean Cruises Ltd	1.09	0.99	0.97	7.63	8.96	11.7	8,797	9,612	9%
Diversified Financials	BK	Bank of New York Mellon	1.15	0.80	0.96	3.97	4.27	12.8	nmf	nmf	nmf
	COF	Capital One Financial	2.65	1.75	2.32	8.66	10.20	9.2	nmf	nmf	nmf
	GS	Goldman Sachs Group	6.95	4.02	5.56	21.60	22.78	9.9	nmf	nmf	nmf
	SYF	Synchrony Financial	0.83	0.61	0.75	2.84	3.56	9.7	nmf	nmf	nmf
Energy	HAL	Halliburton	0.41	0.04	0.40	1.59	2.79	17.8	22,081	25,754	17%
	HFC	HollyFrontier	0.77	-0.12	0.38	3.28	5.69	13.6	15,299	16,919	11%
	NOV	National Oilwell Varco	-0.21	-0.17	-0.05	-0.45	0.44	93.3	7,358	8,494	15%
	OII	Oceaneering Int'l	-0.41	-0.04	-0.32	-0.45	-0.80	-29.8	1,892	1,842	-3%
	RDS/A	Royal Dutch Shell PLC	1.28	0.92	1.26	4.20	5.45	12.8	322,620	327,310	1%
	SLB	Schlumberger Ltd	0.38	0.25	0.37	1.63	2.33	29.5	31,375	35,366	13%
	XOM	Exxon Mobil	1.09	0.95	1.10	3.68	5.02	16.2	245,738	292,727	19%
Food & Staples Retailing	WMT	Walmart	1.14	1.00	1.12	4.55	4.78	17.3	505,491	517,390	2%
Food, Beverage & Tobacco	ADM	Archer-Daniels-Midland	0.68	0.60	0.49	2.52	3.26	13.4	61,366	62,756	2%
	TSN	Tyson Foods	1.27	1.01	1.31	5.79	6.54	10.3	39,997	41,086	3%
Health Care Equip/Srvcs	ABT	Abbott Laboratories	0.59	0.48	0.58	2.61	2.94	20.9	28,445	31,510	11%
	AET	Aetna	3.19	2.71	2.97	10.31	11.25	15.7	60,705	62,472	3%
	CAH	Cardinal Health	1.39	1.53	1.51	5.30	4.99	10.4	134,426	139,005	3%
	CVS	CVS Health	1.48	1.17	1.41	6.23	6.96	9.1	185,944	191,848	3%
	MCK	McKesson	3.49	3.42	3.56	12.64	13.37	10.6	208,357	216,692	4%
	MDT	Medtronic PLC	1.42	1.33	1.39	4.78	5.13	16.8	29,953	30,684	2%
	ZBH	Zimmer Biomet Holdings	1.91	2.13	1.89	7.81	7.76	14.4	7,864	8,040	2%
Household Products	KMB	Kimberly-Clark	1.71	1.57	1.69	6.37	6.99	14.4	18,507	18,862	2%
Insurance	ALL	Allstate	2.96	1.64	2.60	8.03	8.67	10.8	nmf	nmf	nmf
	AXS	Axis Capital Holdings Ltd	1.46	0.59	1.15	-2.34	4.59	12.4	nmf	nmf	nmf
	MET	MetLife	1.36	1.41	1.17	4.39	5.10	9.0	nmf	nmf	nmf

As of 05.31.18. Real Estate (REIT) companies use Funds From Operations (FFO) instead of EPS. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) from Bloomberg culate that the number of S&P 500 companies that exceeded earnings estimates was 78.3%, versus 15.4% that trailed forecasts and 6.3% that met projections. In Q1 2017, those same Beat/Miss/Match figures were 73.2%/19.8%/7.0%. The tally for our names was also very good. Of the 98 *Prudent Speculator* stocks presented in our Earnings Scorecard, 77.6% topped EPS estimates, 18.3% lagged and 4.1% equaled. Management teams continued to be relatively upbeat in their outlooks and guidance, and Standard & Poor's now projects that after climbing 17% in 2017 to $124.51, compared to $106.26 in 2016, bottom-up operating EPS for the S&P 500 will soar to $157.24 this year and to $174.47 in 2019. Analysts are often too rosy in their views, but improving earnings aren't usually bad for stocks!

Industry Group	Ticker	Company	03.18 Act EPS	03.17 Act EPS	03.18 Est EPS	TTM[1] EPS	NTM[2] Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
Insurance	PRU	Prudential Financial	3.08	2.79	2.98	10.87	12.36	7.8	nmf	nmf	nmf
Materials	ABX	Barrick Gold	0.15	0.14	0.13	0.75	0.76	17.4	8,171	8,054	-1%
	CE	Celanese	2.79	1.81	2.33	8.49	9.28	12.2	6,520	7,119	9%
	IP	Int'l Paper	0.94	0.60	0.89	3.94	5.28	10.1	23,017	23,666	3%
	MOS	Mosaic Co	0.20	0.04	0.28	1.26	1.62	17.0	7,765	9,773	26%
	NEM	Newmont Mining	0.35	0.25	0.33	1.56	1.58	24.7	7,506	7,786	4%
Media	CMCSA	Comcast	0.62	0.53	0.59	2.15	2.48	12.6	86,854	88,959	2%
	DIS	Walt Disney	1.84	1.50	1.70	6.38	7.32	13.6	56,916	59,841	5%
Pharma/Biotech/Life Sci	AMGN	Amgen	3.47	3.15	3.21	12.90	13.78	13.0	22,939	22,836	0%
	BIIB	Biogen	6.05	5.20	5.92	22.66	23.96	12.3	12,594	13,018	3%
	GILD	Gilead Sciences	1.48	2.23	1.66	8.09	6.29	10.7	24,690	21,056	-15%
	JNJ	Johnson & Johnson	2.06	1.83	2.00	7.53	8.25	14.5	78,693	82,011	4%
	MRK	Merck & Co	1.05	0.88	1.00	4.15	4.28	13.9	40,725	42,511	4%
	PFE	Pfizer	0.77	0.69	0.75	2.73	2.99	12.0	52,673	54,387	3%
	SHPG	Shire PLC	3.86	3.63	3.57	15.38	15.02	10.9	15,360	15,500	1%
	SNY	Sanofi	0.79	0.76	0.69	3.15	3.28	11.7	40,130	42,380	6%
Real Estate	DLR	Digital Realty Trust	1.61	1.50	1.57	6.21	6.64	16.2	nmf	nmf	nmf
	DOC	Physicians Realty Trust	0.26	0.28	0.27	1.03	1.11	13.7	nmf	nmf	nmf
	KIM	Kimco Realty	0.37	0.37	0.36	1.55	1.44	10.7	nmf	nmf	nmf
	REG	Regency Centers	0.96	0.90	0.94	3.72	3.81	15.2	nmf	nmf	nmf
Retailing	AEO	American Eagle Outfitters	0.23	0.16	0.22	1.23	1.49	14.9	3,857	4,006	4%
	DSW	DSW Inc	0.39	0.32	0.37	1.60	1.67	14.3	2,821	2,785	-1%
	FL	Foot Locker	1.45	1.36	1.25	4.20	4.57	11.8	7,806	7,788	0%
	KSS	Kohl's	0.64	0.39	0.50	4.45	5.49	12.2	19,460	19,698	1%
	LOW	Lowe's Cos	1.19	1.03	1.22	4.55	5.60	17.0	69,119	72,774	5%
	TGT	Target	1.32	1.21	1.39	4.83	5.35	13.6	72,643	73,292	1%
	WSM	Williams-Sonoma	0.67	0.51	0.58	3.80	4.26	13.0	5,384	5,641	5%
Semis & Cap Equipment	COHU	Cohu	0.36	0.35	0.33	1.55	1.79	13.4	367	394	7%
	INTC	Intel	0.87	0.66	0.71	3.68	3.89	14.2	64,031	67,936	6%
	MRVL	Marvell Technology Group Ltd	0.32	0.24	0.31	1.28	1.38	15.6	2,441	2,486	2%
	QCOM	Qualcomm	0.80	1.34	0.70	3.53	3.12	18.7	22,605	22,165	-2%
Software & Services	CA	CA Inc	0.62	0.54	0.59	2.60	2.78	12.8	4,235	4,269	1%
	IBM	Int'l Business Machines	2.45	2.38	2.42	13.90	13.66	10.3	80,057	80,758	1%
	MSFT	Microsoft	0.95	0.73	0.85	3.51	4.00	24.7	105,880	117,837	11%
	SYMC	Symantec	0.46	0.28	0.39	1.68	1.56	13.3	4,846	4,827	0%
Technology Hardware	AAPL	Apple	2.73	2.25	2.64	10.81	12.48	15.0	247,417	265,852	7%
	AVX	AVX Corp	0.19	0.20	0.19	0.80	0.75	20.5	1,562	1,656	6%
	BHE	Benchmark Electronics	0.41	0.34	0.36	1.67	1.51	18.3	2,508	2,561	2%
	CSCO	Cisco Systems	0.66	0.60	0.65	2.51	2.79	15.3	48,619	50,509	4%
	GLW	Corning	0.31	0.39	0.30	1.65	1.82	14.9	10,241	11,115	9%
	JNPR	Juniper Networks	0.28	0.46	0.26	1.93	1.94	13.7	4,889	4,817	-1%
	STX	Seagate Technology PLC	1.46	1.10	1.33	4.55	5.78	9.8	10,755	11,321	5%
Telecom Services	NTTYY	Nippon Telegraph & Telephone	0.81	0.57	0.90	4.11	4.24	11.0	106,510	107,380	1%
	T	AT&T	0.85	0.74	0.88	3.16	3.44	9.4	159,219	158,268	-1%
	VZ	Verizon Communications	1.17	0.95	1.11	3.97	4.59	10.4	127,992	129,769	1%
Transportation	ALK	Alaska Air Group	0.14	1.05	0.12	5.72	5.50	11.1	8,016	8,580	7%
	DAL	Delta Air Lines	0.74	0.77	0.73	4.91	6.28	8.6	42,064	44,426	6%
	DPSGY	Deutsche Post AG	0.59	0.51	0.66	2.48	2.70	14.1	70,610	73,920	5%
	NSC	Norfolk Southern	1.91	1.48	1.77	6.93	8.83	17.2	10,693	11,272	5%

As of 05.31.18. Real Estate (REIT) companies use Funds From Operations (FFO) instead of EPS. N/A=Not applicable. [1]Trailing 12-month. [2]Next 12-months. nmf=Not meaningful. SOURCE: Al Frank using data (EPS Adjusted) from Bloomberg

Recommended Stocks

In this space, we list each month 40 of our most attractively priced recommended stocks. All trade for significant discounts to our determination of long-term fair value and/or offer favorable risk/reward profiles. Note that, while we always seek substantial capital gains, we require lower appreciation potential for stocks that we deem to have more stable earnings streams, more diversified businesses and stronger balance sheets. The natural corollary is that riskier companies must offer far greater upside to warrant a recommendation. Further, as total return is how performance is ultimately judged, we explicitly factor dividend payments into our analytical work.

				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	GT	Goodyear Tire & Rubber	24.43	46.40	8.5	0.4	1.5	6.0	3.3	140%	2.3%	5,859
Banks	• C	Citigroup	66.69	102.64	12.0	nmf	1.1	nmf	nmf	nmf	1.9%	170,055
	ING	ING Groep NV	14.63	22.20	9.7	nmf	1.0	nmf	nmf	nmf	4.4%	56,882
	• NYCB	NY Community Bancorp	11.59	14.93	16.2	nmf	1.5	nmf	nmf	nmf	5.9%	5,684
Capital Goods	CMI	Cummins	142.39	199.11	12.3	1.1	4.4	8.6	5.4	29%	3.0%	23,462
	SIEGY	Siemens AG	65.29	94.05	19.1	2.3	15.9	11.1	4.3	434%	2.6%	110,993
Commercial Services	MAN	ManpowerGroup	90.00	143.98	11.8	0.3	4.9	7.1	1.6	40%	2.2%	5,925
Consumer Dur & App	WHR	Whirlpool	144.75	224.91	10.3	0.5	nmf	9.5	3.1	nmf	3.2%	10,248
Consumer Services	RCL	Royal Caribbean Cruises	104.98	150.44	13.8	2.5	2.1	11.5	3.7	74%	2.3%	22,229
Diversified Financials	GS	Goldman Sachs Group	225.88	294.66	10.5	nmf	1.3	nmf	nmf	nmf	1.4%	88,617
	SYF	Synchrony Financial	34.63	52.07	12.2	nmf	2.1	nmf	nmf	nmf	1.7%	26,137
Energy	SLB	Schlumberger Ltd	68.67	104.89	42.1	3.0	36.8	34.2	3.6	523%	2.9%	95,117
	TOT	Total SA	60.65	80.32	14.5	1.0	1.4	7.6	2.0	34%	4.2%	161,239
	XOM	Exxon Mobil	81.24	98.03	22.1	1.4	1.8	11.7	4.2	11%	4.0%	343,957
Food & Staples Retailing	WMT	Walmart	82.54	108.04	18.1	0.5	4.3	9.2	7.4	64%	2.5%	243,698
Health Care Equip/Srvcs	CVS	CVS Health	63.39	128.08	10.2	0.3	nmf	7.2	7.6	nmf	3.2%	64,445
	MCK	McKesson	141.94	213.27	11.2	0.1	nmf	20.8	12.7	nmf	1.0%	28,679
	ZBH	Zimmer Biomet Hldgs	111.51	168.75	14.3	2.9	nmf	17.6	6.0	nmf	0.9%	22,667
Household Products	KMB	Kimberly-Clark	100.85	137.70	15.8	1.9	nmf	12.3	6.4	nmf	4.0%	35,230
Insurance	AZSEY	Allianz SE	20.67	28.99	10.8	nmf	1.5	nmf	nmf	nmf	3.4%	91,000
	PRU	Prudential Financial	96.84	140.52	8.9	nmf	0.8	nmf	nmf	nmf	3.7%	40,673
Materials	IP	Int'l Paper	53.50	78.29	13.6	1.0	6.7	10.8	1.3	326%	3.6%	22,154
Media	CMCSA	Comcast	31.18	50.37	14.5	1.7	nmf	7.4	8.0	nmf	2.4%	143,479
	DIS	Walt Disney	99.47	142.19	15.6	2.6	21.6	10.2	7.0	274%	1.7%	147,887
Pharma/Biotech/Life Sci	AMGN	Amgen	179.62	222.17	13.9	5.2	nmf	10.2	8.4	nmf	2.9%	118,856
	GILD	Gilead Sciences	67.40	120.16	8.3	3.5	nmf	6.1	12.0	nmf	3.4%	87,638
	JNJ	Johnson & Johnson	119.62	152.18	15.9	4.1	nmf	13.3	5.7	nmf	3.0%	320,839
	SNY	Sanofi	38.27	57.72	12.2	4.6	17.3	12.3	nmf	nmf	4.0%	95,760
Real Estate	DLR	Digital Realty Trust	107.48	131.95	17.2	nmf	4.3	nmf	nmf	nmf	3.8%	23,075
	DOC	Physicians Realty Trust	15.22	21.67	14.9	nmf	1.1	nmf	nmf	nmf	6.0%	2,770
	KIM	Kimco Realty	15.46	21.64	10.2	nmf	1.5	nmf	nmf	nmf	7.2%	6,569
Retailing	WSM	Williams-Sonoma	55.37	77.33	14.6	0.9	3.8	7.2	7.8	25%	3.1%	4,608
Semis & Cap Equipment	QCOM	Qualcomm	58.12	72.75	16.5	3.8	6.3	22.3	4.6	141%	4.3%	86,170
Software & Services	GOOG	Alphabet Class C	1084.99	1517.48	22.9	6.5	5.4	19.4	2.8	3%	0.0%	758,414
	IBM	Int'l Business Machines	141.31	193.35	10.2	1.6	nmf	10.3	10.7	nmf	4.4%	129,718
Technology Hardware	GLW	Corning	27.17	39.87	16.5	2.2	2.4	10.4	0.1	50%	2.6%	22,561
	JNPR	Juniper Networks	26.64	37.61	13.8	1.9	8.4	8.7	8.3	162%	2.7%	9,301
Telecom Services	VZ	Verizon Communications	47.67	63.86	12.0	1.5	nmf	7.0	5.9	nmf	5.0%	196,967
Transportation	ALK	Alaska Air Group	60.81	110.14	10.6	0.9	5.5	5.6	4.6	151%	2.1%	7,495
	FDX	FedEx	249.12	322.90	18.2	1.0	5.8	10.2	-2.8	140%	0.8%	66,569

As of 05.51.18. 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 $10,000 of **Citigroup** in Millennium Portfolio and $20,000 of **New York Community Bancorp** in PruFolio. We will buy $7,000 of **Cummins** in Buckingham Portfolio and will bring the ownership of **Whirlpool** up to that amount. We already have sufficient company and/or sector exposure in **Amgen, Allianz**, **FedEx**, **Manpower**, **Johnson & Johnson** and **Royal Caribbean** so no new newsletter portfolio purchases of those six this month. We will wait four trading days (until June 7) to transact.

NEWSLETTER PORTFOLIO PURCHASES

Ticker	Company	Sector	Price	Target Price
AMGN	Amgen	Health Care	179.62	222.17
AZSEY	Allianz SE	Financials	20.67	28.99
C	Citigroup	Financials	66.69	102.64
CMI	Cummins	Industrials	142.39	199.11
FDX	FedEx	Industrials	249.12	322.90
JNJ	Johnson & Johnson	Health Care	119.62	152.18
MAN	ManpowerGroup	Industrials	90.00	143.98
NYCB	NY Community Bancorp	Financials	11.59	14.93
RCL	Royal Caribbean Cruises	Consumer Discretionary	104.98	150.44
WHR	Whirlpool	Consumer Discretionary	144.75	224.91

As of 05.31.18. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

Amgen (AMGN)

Amgen, one of the world's largest biotech companies with annual revenue near $23 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. The company recently reported excellent Q1 adjusted EPS ($3.47 vs. $3.21) and completed its modified Dutch auction tender, in which more than 52 million shares were bought back. The $10 billion transaction represented 7.2% of outstanding shares. We are pleased with the size of the repurchase, a move that will result in an immediate boost to EPS (though not overall earnings). Although the chatter surrounding drug pricing is persistent, we like the pipeline of new products and are pleased with the operational progress AMGN has been making, so we believe the long-term potential for the stock remains very attractive. We are also partial to Amgen's strong free cash flow generation, solid financial footing and willingness to return capital to shareholders. We also fancy the generous 2.9% dividend yield.

Allianz SE (AZSEY)

Allianz is a 128-year-old global insurer and financial services firm with more than 86 million customers in 70 countries. Allianz is the world's largest property and casualty insurer, and its Global Investors arm (including bond manager Pimco) is one of the top 5 active asset managers worldwide with nearly 2 trillion euros under management. For Q1, the insurer reported a 6% decrease in operating profit (€160 million), which was a result of currency adjustments and an accounting 'one-off' (according to management). AZSEY also saw 7% growth in net income due to lower restructuring expenses than last year and a lower tax rate in the U.S. (24% in 2018 vs. 29% in 2017). We believe that prospects for Allianz remain bright, despite the post-earnings and euro-related tumble the stock has taken in the last month. With the company's diversified global income and cautious management team, we think that the high-quality shares are very inexpensive, trading for just over 10 times estimated earnings and 1.1 times book value. Shares sport a solid net dividend yield of 3.4%.

Citigroup (C)

Citigroup is a leading global financial institution with approximately 200 million customer accounts and does business in more than 150 countries. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management. While Citi had a strong 2017, shares are off some 10% in 2018, prompting our first-time recommendation, as we see a more focused and recapitalized Citigroup as prepared to reward investors over the long-term. We like that C has good leverage towards the solid U.S. economy, while also having the potential to show outsized benefits versus its peers from growth in Asia, Latin America and other emerging economies. Q1 results were in line with expectations, but showed positive underlying trends across most of Citi's businesses. Despite some near-term revenue headwinds, we think the bank is on its way to achieving it low 50s efficiency-ratio target by 2020. C shares yield 1.9% and trade below book value and at 10.1 times NTM EPS projections.

Cummins (CMI)

Cummins designs, manufactures, distributes and services diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. While overall results have been solid, shares of CMI are down more than 18% this year due to concerns about commodity input costs further hitting gross margins as well as the recent trade squabbles between the U.S. and some of its trading partners, which could lead to retaliatory tariffs that may impact CMI's businesses. Overall, we are pleased to see continued strong demand from North America, China and India, with the latter two continuing to strengthen our belief that Cummins will increasingly benefit from its international exposure (especially from emerging economies), thanks to its leading-edge technology in truck engines helping it gain market share. Consensus analyst estimates peg CMI's full-year adjusted EPS at $13.43, with $14.20 the current projection for 2019. CMI shares trade at 10.2 times NTM adjusted earnings expectations and carry a dividend yield of 3.0%.

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 200 countries. While FedEx had a terrific 2017, this year has been more turbulent due to rising fuel costs and worries about the effects of President Trump's tariffs and foreign policy. FDX CEO Frederick Smith said, "FedEx is concerned about the prospect of increased protectionist tariffs as history has shown repeatedly that protectionism is counterproductive to economic growth. The better approach is to encourage open markets and free exchange of products and services, and to reduce barriers to trade." While Mr. Smith was not bashful about his stance on trade, we note that FDX expects to benefit nicely from the changes to U.S. tax policy. Thus far, we are pleased that the ongoing Amazon threat has not hampered FedEx's growth plan and the company's projection for $15.00 to $15.40 in EPS for fiscal 2018 is substantially above the December 2017 estimate. We like FedEx's strong balance sheet, modest dividend yield and position as an industry leader. FDX trades at a reasonable 14.3 times NTM earnings.

Johnson & Johnson (JNJ)

Johnson & Johnson is a leading global health care company, with a diversified portfolio of pharmaceutical, medical device, diagnostic and consumer health products. Despite being one of the highest quality names in the healthcare space, shares are down 13% this year on concerns over competition, pricing pressures and ongoing issues in the company's medical technology division. That said, we like that JNJ maintains a broad revenue stream, which helps insulate the firm from economic downturns and offers investors a defensive growth opportunity that pays a stable dividend. We are also constructive on management's announced focus of resources towards critical capabilities, technologies and supply chain improvements. Despite the headwinds, we continue to like the product mix and that the majority of its pharmaceutical offerings are specialty drugs, which frequently carry stronger pricing power. We are also comforted by the firm's recent acquisitions, which add further diversification. We continue to view the company as uniquely situated with unmatched depth and breadth in growing global health care markets, and we think that there is solid potential for a number of its compounds in clinical trials.

ManpowerGroup (MAN)

Manpower is one of the premier global staffing firms with broad reach and extensive job networks. The potency of its job placement business has helped the company branch out into all aspects of human resources and position itself as a strategic partner for a host of multinational and local firms. MAN offers varied services such as temporary staffing, permanent placement, workforce training and outplacement. Shares are down more than 27% this year, including a 15% skid after Q1 earnings (which we saw as solid), on worries about a slowdown in its U.S.- and European-based businesses and potential political turmoil in the latter region. We strongly believe that the selloff has been well overdone, and think Manpower remains well-positioned to benefit from a cyclical pickup in global economic growth as well as favorable secular trends in key regional markets, including benefits from lower U.S. and French tax rates. We continue to like the company's broad geographic footprint, wide range of offerings, good expense management and solid balance sheet. MAN trades for 9.7 times NTM consensus earnings forecasts.

New York Community Bancorp (NYCB)

Back in the fold is old friend NY Community Bancorp (which we did quite well with from 2009 to 2015). NYCB operates 225 branches through seven divisions: Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank and Roosevelt Savings Bank in New York; Garden State Community Bank in New Jersey; Ohio Savings Bank in Ohio; and AmTrust Bank in Florida and Arizona, while the Commercial Bank operates 18 of its 30 New York-based branches under the divisional name Atlantic Bank. Shares have beat a sizable retreat since our exit three years ago above $18, as in late 2016, a merger agreement with Astoria Financial was terminated, and recent earnings reports have been lackluster. Investors also have shunned the high dividend yielder (5.9%) because of continued net interest margin pressures for the bank. While the margin challenges are real, we think the longer-term case for NYCB shows potential and that investor sentiment on the stock is too pessimistic. Going forward we expect a combination of balance sheet growth, redeployment of excess cash into higher yielding assets, rising rates and expense controls to drive EPS growth.

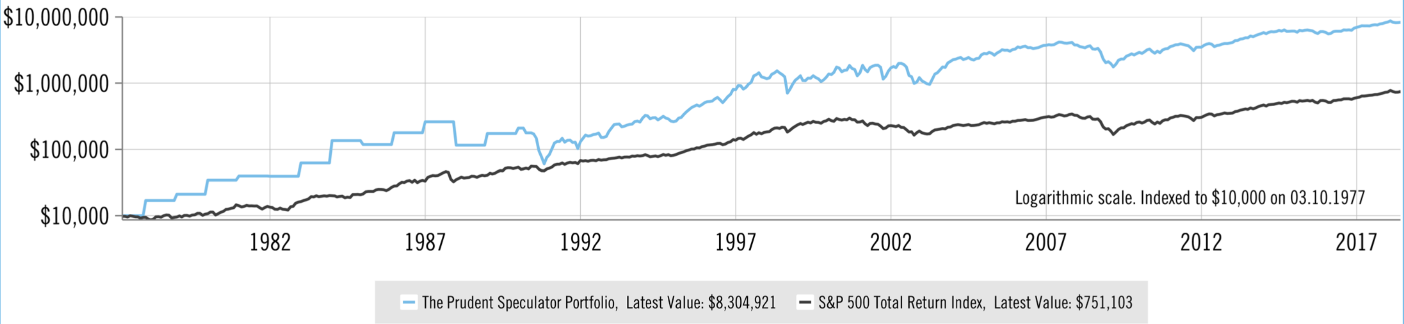
Royal Caribbean Cruises (RCL)

RCL is the world's second-largest cruise company, operating globally via Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises, as well as with partners at TUI Cruises, Pullmantur and CDF Croisières de France. The company continues to add sailings in the Caribbean (mostly adding trips to Cuba), while Europe and Asia-Pacific itineraries each account for 17% of 2018 capacity. Despite posting a great Q1 and increasing full-year guidance, RCL shares have encountered rough seas of late, sinking more than 20% from the high in January. While investors were quick to point to rising fuel costs as a reason for ongoing concern, we think that the headwind is reasonably under control given that the company hedges 50% of those costs. We believe the recent weakness is overdone and provides good opportunity to buy the stock at a discount, as we remain fans of RCL and the overall prospects of the cruise industry, especially given favorable demographic and cruise-pricing trends. Shares trade for 11.7 times estimated NTM EPS and yield 2.3%.

Whirlpool (WHR)

Whirlpool is the top major appliance manufacturer in the world, marketing its numerous brands in approximately 170 countries. Shares have had a difficult 2018, tumbling more than 13% due to concerns about U.S. trade policy and rising interest rates adversely altering demand. Last month, WHR bought back via a Dutch auction 6.27 million ($1 billion) of its shares, representing about 9% of the outstanding stock, and additional share repurchases are expected during the balance of the year on the open market. Although unknowns surrounding U.S. foreign policy have taken their toll, we think that the longer term is bright for WHR, as we still believe that the company is solidly positioned in the U.S. to capitalize on the appliance replacement cycle and continued housing recovery, while plenty of growth potential remains overseas. With analysts still looking for adjusted EPS to grow to more than $19.00 in 2020, we think the shares are extraordinarily attractive, especially given the recently boosted 3.2% dividend yield.

NEWSLETTER PORTFOLIO PERFORMANCE



	May	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Newsletter Portfolios							
Buckingham	1.68	0.11	15.23	8.55	10.35	5.67	10.68
Millennium	0.79	-0.79	12.39	8.98	10.68	8.71	10.76
PruFolio	0.31	-2.14	9.02	7.58	9.93	8.21	11.06
TPS	1.11	-0.68	13.58	9.39	11.40	8.54	12.77
Major Indexes							
Russell 3000	2.82	2.55	15.06	10.72	12.85	9.21	9.66
Russell 3000 Value	0.99	-1.43	8.85	7.71	10.15	7.48	8.80
S&P 500	2.41	2.02	14.37	10.97	12.97	9.13	9.35
Dow Jones Indu. Avg.	1.41	-0.24	18.91	13.46	12.78	9.67	9.73

	Inception Date	Since Inception	Index Return	Index
Newsletter Portfolios				
Buckingham	01.21.03	12.41	10.13	Russell 3000
Millennium	12.31.99	9.61	5.85	Russell 3000
PruFolio	12.29.00	12.82	6.67	Russell 3000
TPS	03.10.77	17.74	11.06	S&P 500

Since *The Prudent Speculator's* launch in March 1977, its 1,884 stock recommendations have returned, on average, an annualized 17.30%, not including dividends.

IMPORTANT INFORMATION

As of 05.31.18. 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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