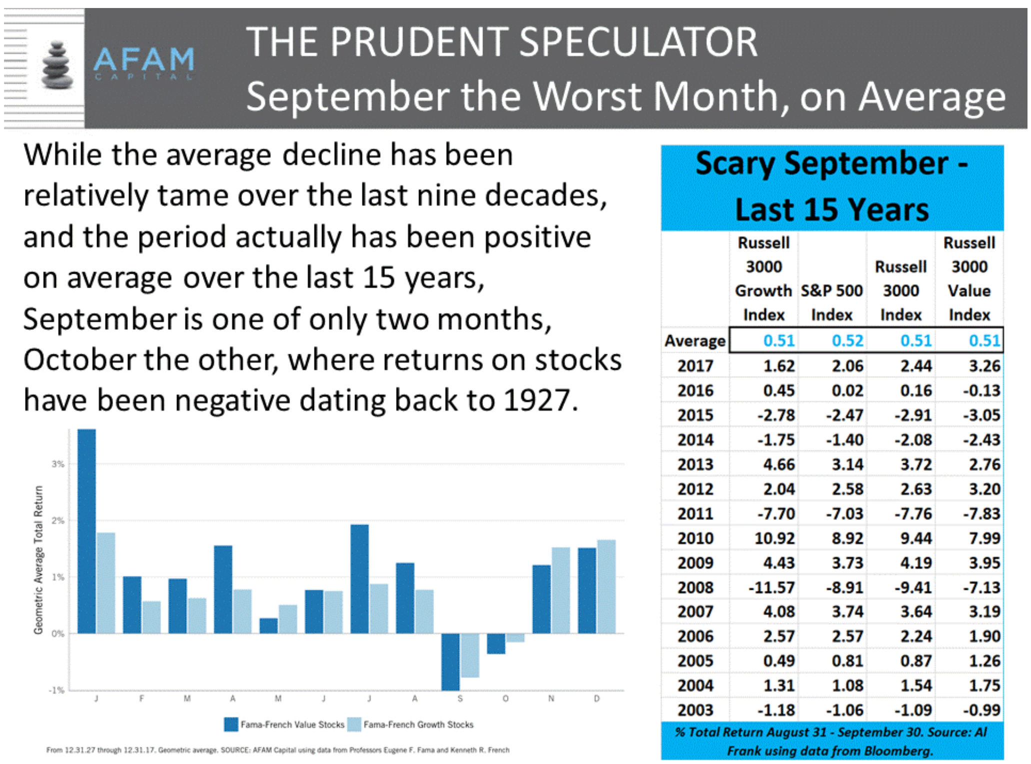
EXECUTIVE SUMMARY

September - Scary Month Not Off to a Great Start
Trump Perspective - Big Gains Since 2016 Election
Volatility Perspective - 1%+ Drop Last Week Hardly Unusual
Econ Update - Solid Numbers Bode Well for Corporate Profits
Valuations - Newsletter Portfolios Continue to Compare Very Favorably with the Market Averages
Company News - Updates on TNP, MU, LRCX, MRVL, ING, HAL & SLB

Market Review

So far, not so good for September, as stocks struggled over the first four trading days of the statistically scariest month of the year,…



Scary September - Last 15 Years

	Russell 3000 Growth Index	S&P 500 Index	Russell 3000 Index	Russell 3000 Value Index
Average	0.51	0.52	0.51	0.51
2017	1.62	2.06	2.44	3.26
2016	0.45	0.02	0.16	-0.13
2015	-2.78	-2.47	-2.91	-3.05
2014	-1.75	-1.40	-2.08	-2.43
2013	4.66	3.14	3.72	2.76
2012	2.04	2.58	2.63	3.20
2011	-7.70	-7.03	-7.76	-7.83
2010	10.92	8.92	9.44	7.99
2009	4.43	3.73	4.19	3.95
2008	-11.57	-8.91	-9.41	-7.13
2007	4.08	3.74	3.64	3.19
2006	2.57	2.57	2.24	1.90
2005	0.49	0.81	0.87	1.26
2004	1.31	1.08	1.54	1.75
2003	-1.18	-1.06	-1.09	-0.99

% Total Return August 31 - September 30. Source: Al Frank using data from Bloomberg.

…with the S&P 500 and Russell 3000 indexes pulling back 0.98% and 1.06%, respectively. The Value indexes managed to outperform Growth, with the Russell 3000 Value index losing only 0.54%, compared to a 1.58% drop for the Russell 3000 Growth index, though it didn't help our portfolios and their eclectic mix of undervalued holdings that include technology names, multinational companies and foreign domiciled equities.

Those stocks and many others were hurt by renewed concerns on the trade front, with President Trump stating on Friday, "I hate to do this, but behind that there is another $267 billion ready to go on short notice if I want," as he reminded the world that the previously threatened $200 billion of tariffs on Chinese goods could shortly go into effect. Throw in more drama in the

White House after the anonymous Op-Ed in *The New York Times* earlier in the week and we suppose it shouldn't be a surprise that the equities took a breather, even as we can't forget that the major stock market averages are still showing significant gains since the Trump Election.

AFAM CAPITAL

THE PRUDENT SPECULATOR
Returns since Trump Election

Returns Race

2018 YTD Return %	2017 Return %	2016 Return %	Since Trump Election (11.8.16) %	Bloomberg Symbol	Index
Stock Indexes					
6.58	28.11	16.50	47.75	INDU Index	Dow Jones Industrial Average
15.34	29.73	8.97	55.41	CCMP Index	NASDAQ Composite Index
8.94	21.68	12.04	39.41	RIY Index	Russell 1000 Index
12.47	14.63	21.28	46.77	RTY Index	Russell 2000 Index
9.21	21.12	12.72	39.96	RAY Index	Russell 3000 Index
8.86	21.82	11.95	39.21	SPX Index	S&P 500 Index
14.60	30.21	7.07	53.39	RLG Index	Russell 1000 Growth Index
3.23	13.64	17.33	26.17	RLV Index	Russell 1000 Value Index
16.48	22.14	11.28	56.70	RUO Index	Russell 2000 Growth Index
8.33	7.82	31.72	37.12	RUJ Index	Russell 2000 Value Index
14.75	29.58	7.38	53.64	RAG Index	Russell 3000 Growth Index
3.62	13.17	18.38	26.99	RAV Index	Russell 3000 Value Index
14.53	27.43	6.89	49.06	SGX Index	S&P 500 Growth Index
2.88	15.35	17.39	28.09	SVX Index	S&P 500 Value Index
Largest Bond Funds					
-1.39	3.57	0.79	-0.08	VBTIX Equity	Vanguard Tot Bd Mkt Idx-Inst
-1.47	3.53	0.75	-0.27	VTBIX Equity	Vanguard Tot Bnd Mkt Ii-Inv
-0.92	8.17	0.82	7.97	PONAX Equity	Pimco Income Fund-A
-1.19	3.09	0.75	-0.04	MWTRX Equity	Mtrpltn Wst Ttl Rtrn Bnd-M
-1.88	5.13	0.73	1.29	PTTRX Equity	Pimco Total Return Fund-Inst
0.16	2.02	-0.01	1.41	VFSTX Equity	Vanguard S/T Invest Grd-Inv
-0.71	4.36	0.63	2.55	DODIX Equity	Dodge & Cox Income
0.08	3.79	0.51	2.42	DBLTX Equity	Doubleline Ttl Rtrn Bnd-I
0.72	2.30	0.19	2.91	LALDX Equity	Lord Abbett Shrt Dur Inc-A
-2.22	2.35	-1.43	2.99	TPINX Equity	Templeton Global Bond-A
-1.47	3.27	0.71	-0.44	FBIDX Equity	Fidelity Us Bond Index-I

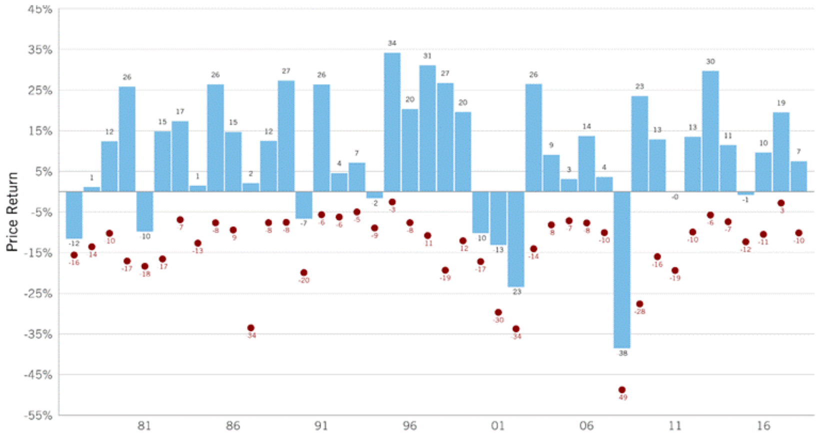
Source: Bloomberg. As of 9.7.18

We realize that Value has lagged Growth since the Trump Election, due in large part to the latter's ownership of high-flying names like Amazon, Netflix and Tesla. However, given all of the drama on the geopolitical stage, it is hard to be too unhappy about the handsome returns of Value over the past 22 months, especially considering the miserable performance of "safer" fixed income funds.

Certainly, the downturn could continue as a decline of 1% or so is extremely mild compared to the kind of volatility that is endured every year,…

THE PRUDENT SPECULATOR
A Big Selloff Happens Almost Every Year

While the S&P 500 has enjoyed excellent long-term returns and endured a relatively small number of negative full years since the founding of *The Prudent Speculator* in 1977, there have been corrections of 10% or more in 25 of the 41 years, including the current one.

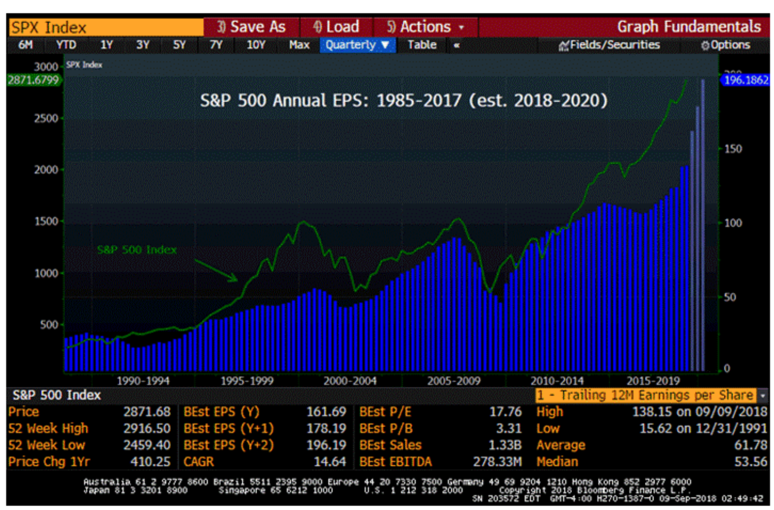


From 12.31.76 through 09.07.18. Price returns do not include dividends. Intra-year drops refer to the largest drops between high and low close prices during a calendar year. 2016 return is year to date. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

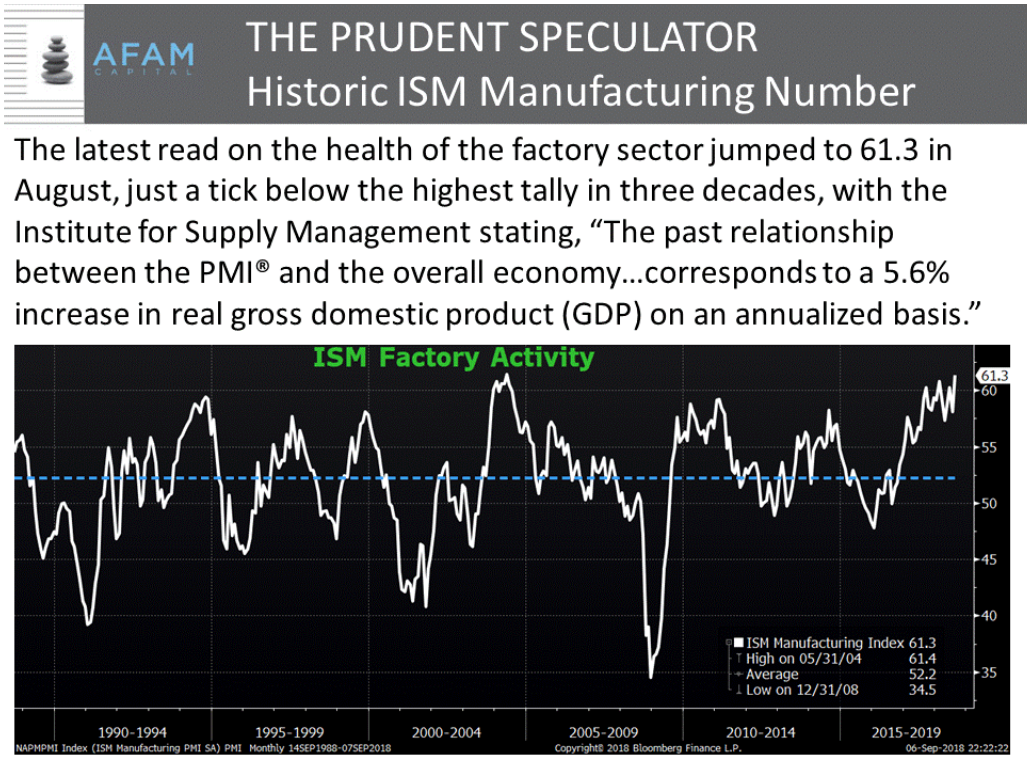
…but we continue to think that the outlook for corporate profit growth is very favorable,…

THE PRUDENT SPECULATOR
Stock Prices Often Follow Earnings

Market history shows that sustained market downturns usually coincide with a recession in corporate profits. No guarantees, of course, but the outlook for earnings, especially given the recent tax cuts, is favorable.



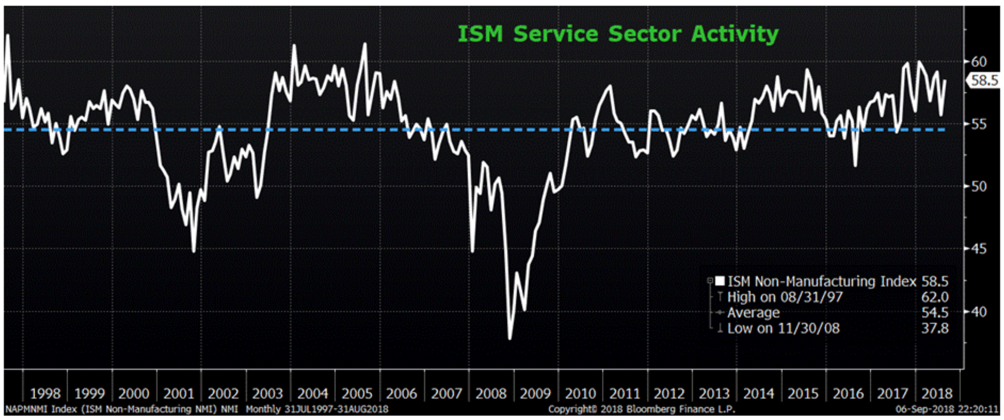
…while the latest economic numbers, including data on the near-record strength of the factory sector,…



…the improvement in the service sector,…

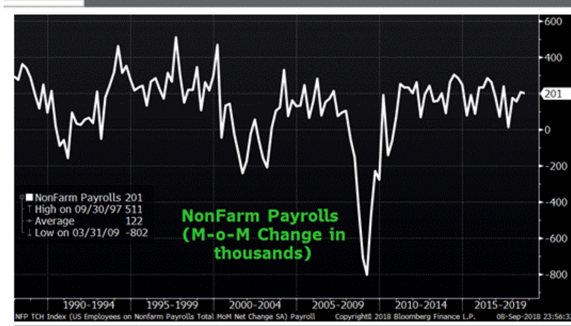
THE PRUDENT SPECULATOR
Big Rebound in ISM Non-Manufacturing

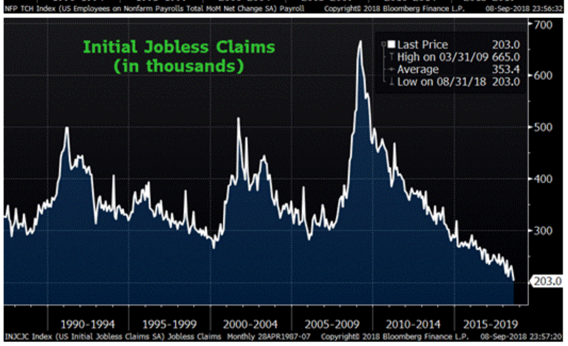
The latest read on the health of the service sector came in at a much-better-than-expected 58.5 for August, with the Institute for Supply Management stating, "The past relationship between the NMI® and the overall economy indicates that the NMI® for July corresponds to a 3.5% increase in real gross domestic product (GDP) on an annualized basis."



…and the robustness of the jobs market,…

THE PRUDENT SPECULATOR
Very Good Labor Data





Uncle Sam said that the number of new jobs created during August came in at a better-than-expected 201,000. The unemployment rate held steady at 3.9%, while average hourly earnings ticked up to a 2.9% year-over-year growth tally. And the near-term outlook continues to look bright as the number of first-time filings for unemployment benefits fell in the latest week to 203,000, the lowest figure since the end of 1969!

…suggest that the U.S. economy is quite healthy. To be sure, some are worried that the economic stats are too good and that a recession must be looming in 2019, but such is not the projection of the Federal Reserve, which last we heard was looking for 2.4% GDP growth next year.

AFAM CAPITAL

THE PRUDENT SPECULATOR
Subdued LT Economic Growth Expected

The Fed left its longer-run projection for GDP growth at 1.8%, though its outlook for 2018 growth increased to 2.8%, up from 2.7%. The long-run forecast for the Federal Funds rate remained 2.9%.

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, June 2018
Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median[1]				Central tendency[2]				Range[3]			
	2018	2019	2020	Longer run	2018	2019	2020	Longer run	2018	2019	2020	Longer run
Change in real GDP	2.8	2.4	2.0	1.8	2.7 – 3.0	2.2 – 2.6	1.8 – 2.0	1.8 – 2.0	2.5 – 3.0	2.1 – 2.7	1.5 – 2.2	1.7 – 2.1
March projection	2.7	2.4	2.0	1.8	2.6 – 3.0	2.2 – 2.6	1.8 – 2.1	1.8 – 2.0	2.5 – 3.0	2.0 – 2.8	1.5 – 2.3	1.7 – 2.2
Unemployment rate	3.6	3.5	3.5	4.5	3.6 – 3.7	3.4 – 3.5	3.4 – 3.7	4.3 – 4.6	3.5 – 3.8	3.3 – 3.8	3.3 – 4.0	4.1 – 4.7
March projection	3.8	3.6	3.6	4.5	3.6 – 3.8	3.4 – 3.7	3.5 – 3.8	4.3 – 4.7	3.6 – 4.0	3.3 – 4.2	3.3 – 4.4	4.2 – 4.8
PCE inflation	2.1	2.1	2.1	2.0	2.0 – 2.1	2.0 – 2.2	2.1 – 2.2	2.0	2.0 – 2.2	1.9 – 2.3	2.0 – 2.3	2.0
March projection	1.9	2.0	2.1	2.0	1.8 – 2.0	2.0 – 2.2	2.1 – 2.2	2.0	1.8 – 2.1	1.9 – 2.3	2.0 – 2.3	2.0
Core PCE inflation[4]	2.0	2.1	2.1		1.9 – 2.0	2.0 – 2.2	2.1 – 2.2		1.9 – 2.1	2.0 – 2.3	2.0 – 2.3	
March projection	1.9	2.1	2.1		1.8 – 2.0	2.0 – 2.2	2.1 – 2.2		1.8 – 2.1	1.9 – 2.3	2.0 – 2.3	
Memo: Projected appropriate policy path												
Federal funds rate	2.4	3.1	3.4	2.9	2.1 – 2.4	2.9 – 3.4	3.1 – 3.6	2.8 – 3.0	1.9 – 2.6	1.9 – 3.6	1.9 – 4.1	2.3 – 3.5
March projection	2.1	2.9	3.4	2.9	2.1 – 2.4	2.8 – 3.4	3.1 – 3.6	2.8 – 3.0	1.6 – 2.6	1.6 – 3.9	1.6 – 4.9	2.3 – 3.5

Source: Federal Reserve, June 13, 2018

And, even if the economy did somehow show modestly negative real GDP growth in 2019, it is hard to envision a scenario (anything is possible, of course) where Corporate America would see its earnings contract, given that present forecasts for the S&P 500 call for EPS to soar from $124.51 last year to $157.76 this year and to $177.00 next year.

THE PRUDENT SPECULATOR
Significant EPS Growth Estimated

S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2019	$47.11	$177.00
9/30/2019	$45.00	$172.21
6/30/2019	$43.81	$167.39
3/31/2019	$41.08	$162.30
12/31/2018	$42.32	$157.76
9/30/2018	$40.18	$149.29
6/30/2018	$38.72	$140.44
ACTUAL		
3/31/2018	$36.54	$132.23
12/31/2017	$33.85	$124.51
9/30/2017	$31.33	$118.56
6/30/2017	$30.51	$115.92
3/31/2017	$28.82	$111.11
12/31/2016	$27.90	$106.26
9/30/2016	$28.69	$101.42
6/30/2016	$25.70	$98.17
3/31/2016	$23.97	$98.61
12/31/2015	$23.06	$100.45
9/30/2015	$25.44	$104.14
6/30/2015	$26.14	$108.30
3/31/2015	$25.81	$111.50
12/31/2014	$26.75	$113.01

Source: Standard & Poor's. As of 9.6.18

History shows that stock prices generally have followed earnings, so it is nice to see actual and projected EPS moving up, even as earnings forecasts often turn out to be too rosy. Happily, the number of companies (79.8%) exceeding expectations in Q2 2018 was far better than the average beat-rate over the prior 5 years.

S&P 500 Quarterly Earnings Comparisons

	BEAT	MISSED	MET		BEAT	MISSED	MET
Q1 2018	78.2%	15.6%	6.2%	Q2 2015	69.8%	22.0%	8.3%
Q4 2017	73.5%	18.1%	8.4%	Q1 2015	67.7%	22.9%	9.4%
Q3 2017	72.4%	19.3%	8.2%	Q4 2014	68.6%	21.0%	10.4%
Q2 2017	70.2%	20.1%	9.7%	Q3 2014	73.7%	17.2%	9.0%
Q1 2017	74.0%	18.9%	7.2%	Q2 2014	65.7%	21.2%	13.0%
Q4 2016	67.3%	22.0%	10.8%	Q1 2014	67.1%	22.6%	10.2%
Q3 2016	70.5%	21.1%	8.4%	Q4 2013	63.9%	25.3%	10.8%
Q2 2016	70.2%	20.9%	8.9%	Q3 2013	66.1%	23.2%	10.6%
Q1 2016	72.3%	20.6%	7.0%	Q2 2013	65.4%	26.8%	7.8%
Q4 2015	68.8%	21.6%	9.7%	Q1 2013	65.9%	25.9%	8.2%
Q3 2015	67.9%	23.0%	9.0%	AVERAGE	69.5%	21.4%	9.1%

Source: Standard & Poor's and Bloomberg

And with valuations remaining very reasonable for our portfolios,…

THE PRUDENT SPECULATOR
Newsletter Ports & Benchmark Metrics

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	15.6	12.8	1.2	2.1	2.7
Buckingham	15.6	12.7	1.2	2.0	2.6
Milennium	16.0	13.0	1.1	2.0	2.6
PruFolio	16.0	12.9	1.1	2.0	2.7
Russell 3000	22.2	18.6	2.1	3.3	1.8
Russell 3000 Growth	28.1	23.3	3.0	7.5	1.2
Russell 3000 Value	18.3	15.4	1.6	2.1	2.4
Russell 2000	38.0	27.1	1.3	2.4	1.3
Russell 2000 Growth	99.4	45.9	1.8	4.8	0.6
Russell 2000 Value	23.1	18.8	1.0	1.6	2.1
Russell 1000	21.4	18.1	2.2	3.4	1.8
Russell 1000 Growth	26.5	22.4	3.2	7.8	1.3
Russell 1000 Value	18.0	15.2	1.7	2.2	2.4
S&P 500 Index	20.8	17.8	2.2	3.5	1.8
S&P 500 Growth Index	24.9	21.1	3.7	6.5	1.2
S&P 500 Value Index	17.3	15.0	1.5	2.2	2.5
S&P 500 Pure Value Index	15.2	12.5	0.7	1.5	2.4

As of 09.08.18. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: AFAM Capital using data from Bloomberg Finance L.P.

…we see no reason to alter our long-term enthusiasm, even as we always remain braced for short-term volatility.

Stock Updates

And speaking of short-term volatility, Chris Quigley and Jason Clark take a look at developments at several of our recommendations…

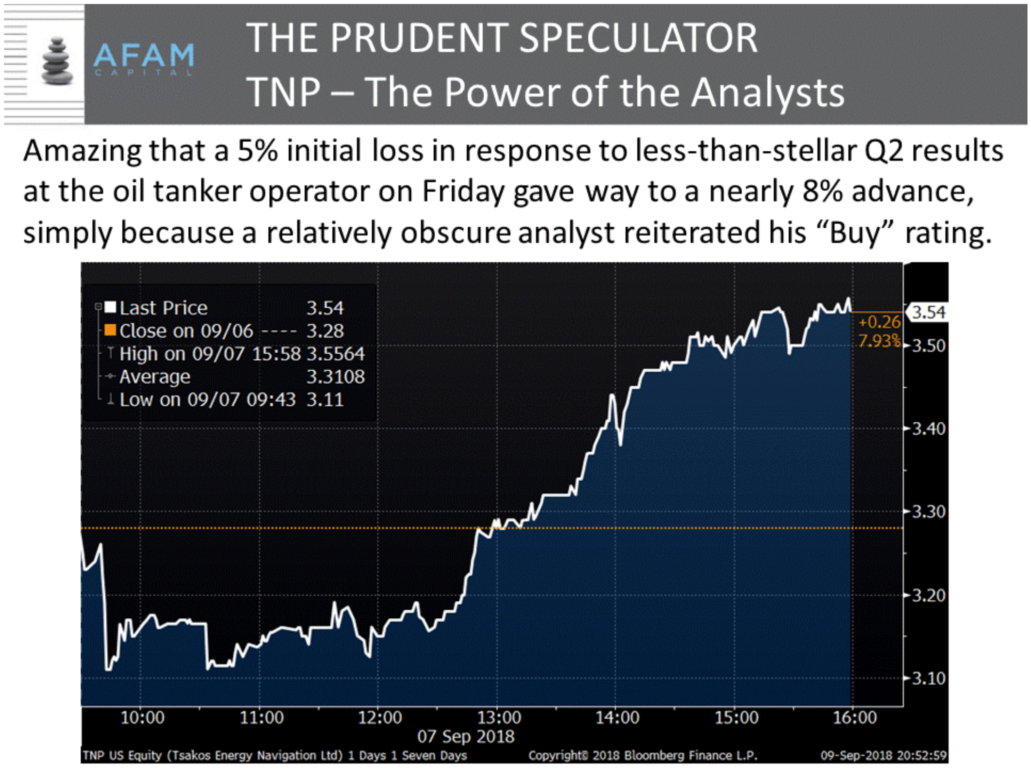
As long-term owners of businesses, it is always fascinating to watch the short-term gyrations of stock prices as traders can add or shave millions or even billions of dollars to/from market capitalizations seemingly on a whim…or an analyst upgrade or downgrade.

Case in point, shares of **Tsakos Energy Navigation** (TNP – $3.55) jumped almost 8% on Friday, following a positive analyst comment that came after the marine shipping concern reported less-than-stellar Q2 financial results. Tsakos said its fleet earned $124 million in gross revenues and $4.2 million in operating income. Excluding a marginal loss of $0.4 million from the sale of the VLCC Millennium, TNP incurred an uninspiring net loss of $9.2 million, which was actually a 23% improvement from the first quarter of 2018.

Adjusted EBITDA did total $35.5 million and the loss could have been much worse if the company was more exposed to the spot tanker market. Further, fleet utilization increased to 96.2%, with two vessels undergoing dry-docking. Also, almost 80% of the fleet was employed on secured revenue contracts, with a third containing profit sharing provisions, which led the company's fleet earnings to outperform the spot market by more than 100%.

As difficulties in the tanker market continue, the company's management team released the following commentary, "TNP's industrial approach on vessel employment, and strategic asset dispositions ensures that the company maintains a solid balance sheet regardless of market conditions. Today with 80% of fleet available days and 62% and 44% for 2019 and 2020 respectively under secured revenue contracts, cash flow generation and visibility remain strong. So far this year, and in line with management's efforts in maintaining a solid cash base, 23 vessels have new or extended long term business, including the two units purposely built for a major oil end-user. As a result, TNP's minimum contracted revenue now stands at $1.2 billion with an average employment of 2.5 years. The divestment in the second quarter of the 1998-built VLCC Millennium which released $7.4 million of free cash after the repayment of $10.2 million of related debt is an added example of management's actions to efficiently recycle the company's vessels. In addition, since the beginning of this year, TNP has raised $4.6 million through the at-the-market sale of common shares, mostly from treasury stock."

COO George Saroglou added, "TNP is determined to ensure maximum protection against the downside in one of the weakest periods for the tanker industry in recent memory. Our industrial model of keeping most of the fleet on long-term contracts safeguards revenue flows, avoiding the severe punishment inflicted by the spot market."



Perhaps the outlook is what inspired the analyst to maintain his enthusiasm for the stock. "Looking ahead, we are confident for the future and await for the critical fundamentals that may lead to a recovery to become more apparent by the end of the year. These fundamentals include a more balanced global fleet following a high level of scrapping, a slow-down in the pace of deliveries, increasing tanker demand arising from global growth, new refineries and adequate supply by increased U.S. and OPEC oil exports. In addition, the anticipated IMO 2020 disruptions will result to a healthier supply and demand equilibrium. TNP's diversified fleet with a growing presence in shuttle tankers and LNG carriers, will increase its revenues and maximize cashflow and profitability for the benefit of shareholders," Mr. Saroglou concluded.

No doubt, TNP has been a disappointment for the last few years, and we have had numerous internal debates about its place in our portfolios. That said, overall, we desire the exposure and we feel that TNP is set up with its contract structure to navigate through the continued difficult tanker market, and not only survive, but thrive as things improve in the future. TNP shares change hands at 0.6 times estimated sales, 26% of book value per share and 1.8 times estimated cash flow, the three ratios well below the historical norms.

With a relatively young fleet, a more subdued industry-wide order book going forward and relatively consistent growth in global oil demand likely for the foreseeable future, we continue to think this micro-cap name fits in well with the much more well-known integrated oil companies and oil-service names that account for the lion's share of our Energy Sector exposure. Nevertheless, our Target Price for TNP has been lowered to $5.80.

While an analyst gaveth on Tsakos, an analyst tooketh away on recent first-time recommendation **Micron Tech** (MU - $44.86), shares of which dropped nearly 10% after one of Wall Street's finest whacked his target price from $100 to $75. The cut was based on the view that the memory maker's present valuation is expensive, gross margin may be nearing a peak, DRAM pricing is soft and the NAND market may have significant oversupply. Despite the price objective cut, we found it curious that the analyst kept Micron's Outperform rating…which is the equivalent of a "Buy!" Makes sense, we suppose, given how much appreciation would have to take place to move from the current sub-$45 price to $75.

It's unlikely to surprise our readers that we think that MU's valuation is far from expensive. Analysts expect the company to earn $11.64 in fiscal 2019 (ends Aug 2019), translating to a forward P/E ratio less than four. True, earnings are likely to contract in fiscal 2020, but the current estimate of $10.32 per share is hardly awful. And, even analysts that cover MU have a 12-month target price (we are always looking out 3-to-5 years in our Target Prices) of $79.47.

As far as the other "revelations" in the analyst report, we think they should not have come as any shock. The storage manufacturing industry always has headwinds in some form or another, and we think that MU is in a solid position for the future on both demand and supply fronts. CFO David Zinsner said at a Citi conference on September 6, "We're hoping to be more of a product company than we've ever been. CEO Sanjay Mehrotra has put us on the path of being more focused on high value solutions. And so, that's a different animal than perhaps the old Micron is used to dealing with."

Of course, as long-term holders of Micron, we might want to write a note of thanks to the analyst as the company will be able to buy back a whole lot more stock at the current (we think temporary) lower price as part of its $10 billion share repurchase authorization (we hope that management was quickly buying after the plunge). Our Target Price for MU is $98.

To be sure, the Micron downgrade had some company in helping send the entire semiconductor sector south late last week. Capital equipment maker **Lam Research** (LRCX - $159.58) skidded more than 7% when rival KLA-Tencor at the same Citi conference said, "We see September still as a trough; we think the December quarter is up sequentially. It feels like it will be up a little less than what we thought and we had indicated the second half of the company versus the first half from a shipment perspective, now this is shipment. But from a shipment perspective it would be flat to up low-single digits, and I think right now given what I see today, it's probably flat to down a few single digits or so. So, some adjustments still mostly around DRAM, and we think that business shifts into next year. So, on the margin, modestly weaker, I think trajectory wise in the way we had laid it out in terms of September, but also growth into December still pretty intact."

No doubt. Lam's business is a cyclical one, but we think that the company is well-positioned for the future. The Street would seem to agree, as EPS forecasts for fiscal 2019 (ends Jun 2019) stand at $15.88, fiscal 2020 at $18.56 and fiscal 2021 at $21.51. Meanwhile, LRCX trades for just 10 times trailing earnings and has a recently increased dividend yield of 2.8%, plus a $2 billion stock repurchase authorization. Our Target Price is presently $247.

While the boost didn't last, semiconductor stocks were helped Friday morning (though many gave up gains by the end of the day) by bullish comments from Broadcom. The chip maker's

CEO Hock Tan said, “More than half, our consolidated revenue, you may note is benefiting from strong cloud and enterprise data center spending. This coupled with the seasonal uptick in wireless will drive our forecast revenue in the fourth quarter to be $5.4 billion, an increase of 11% from a year go. In the meantime, our margins continue to expand due to our focus on technology leadership and high performance products. This is all driving exceptional cash flows, which provides us great flexibility in our capital allocation model of returning cash to shareholders through dividends and share repurchases, while enabling us to pursue strategic acquisitions to expand our earnings capacity going forward.”

Our view is that cloud and enterprise spending will continue to drive long-term demand in the Information Technology sector.

Semiconductor firm **Marvell Technology Group** (MRVL - $19.45) posted earnings per share of $0.28, versus the $0.34 estimate, in fiscal Q2 2019. MRVL had total revenue of $665.0 million, versus the $616.0 million estimate. Although shares whipsawed in after-hours trading on Thursday and early Friday, they finished nearly flat in Friday’s trading.

CEO Matt Murphy said, “Marvell's standalone revenue [excluding Cavium] for the second quarter came in above the midpoint of our guidance at $624 million, up 3% from a year ago, driven by strong growth in networking and continued growth in our storage business. We continue to improve our non-GAAP gross margin, reaching a record high of 63.5%. This reflects continued progress in improving operational efficiency as well as capturing more value from our world-class engineering effort. Looking ahead, we will continue to focus on expanding our gross margin as we integrate Cavium.”

Mr. Murphy continued, “We continue to offset secular declines in client HDD through two efforts. First, we are growing our position in the nearline segment of the HDD market which is fueled by continued demand for data storage in the cloud. Second, we continue to increase Marvell's footprint in the SSD market, where we are also expanding our reach into the enterprise and data center segment. We believe that both of these efforts will continue to generate revenue tailwinds over the next few years. As we look forward, we see significant data growth continuing at cloud and data center customers, for which they need more efficient storage management that we are addressing with our new innovative solutions. For example, I'm proud to share that at last month's Flash Memory Summit, we announced three new storage architecture solutions based on emerging NVMe over Fabric interfaces, and include both Cavium developed products for servers and Marvell developed products for SSD devices.”

CFO Jean Hu added, “Let me now move on to our current outlook for the third quarter of fiscal 2019, which include a full quarter of Cavium contribution. We expect our total revenue to be in the range of $825 million to $865 million. At middle point of this outlook, we expect approximately $210 million of revenue contribution from ongoing Cavium businesses. Our expected GAAP gross margin will be in the range of 44% to 45% and non-GAAP gross margin will be in the range of 64% to 65%. We expect our GAAP tax rate to be 4% in the rest of fiscal 2019. We anticipate GAAP loss per diluted share in the range of $0.04 to $0.08 and adjusted income per diluted share in the range of $0.30 to $0.34.”

Though MRVL took a hit to its balance sheet by acquiring Cavium, we are pleased with the outlook (the projected GAAP loss is due to the acquisition) and think that the additional diversification is worthwhile. With the Cavium synergies and Marvell firing on all cylinders, we are glad we kept the faith as the company worked through its accounting challenges. Our Target Price remains $28.

ING Groep (ING - $12.85) added to this year's losses (the stock is now off more than 26% on a total return basis) after the Dutch financial giant was caught up in a money laundering scandal with Danske Bank. Dutch Finance Minister Wopke Hoekstra called the case "extremely serious" and ING's $900 million (775 million euro) fine to settle is appropriately large according to investigators. According to the report, ING failed to prevent financial crime between 2010 and 2016 by allowing customers to misuse accounts of ING Netherlands.

Via a press release, ING said, "As part of the settlement announced today, ING has agreed to pay a fine of €675 million and €100 million for disgorgement. In determining the amount of the fine, the DPPS (Dutch Public Prosecution Service) has taken into account the financial strength of ING ('ability to pay'). Next to that, the amount reflects the seriousness, extent and duration of the identified shortcomings but also expresses the fact that it was not possible to determine to which extent and for what amounts bank accounts at ING Netherlands were actually misused. The disgorgement amount represents the underspend by ING Netherlands over the period in scope on staffing for implementation and execution of FEC CDD policies and procedures. These amounts will have a combined impact on ING Group's third quarter 2018 net result of €775 million, to be recorded as a special item. The settlement announced today does not affect the strength of ING, the execution of our strategy nor our commitment to our customers, shareholders and other stakeholders."

Obviously, we were disappointed to see the money laundering news, especially considering that ING is already having a hard time with its IT systems (according to Dutch newspaper *Het Financieele Dagblad*). Despite the challenges, ING noted that the U.S. market is three times as large as the European market and offers the bank significant opportunity. Along with the U.S. and Europe, 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 4.5% net dividend yield, ING now trades for 8.4 times estimated earnings and near tangible book value. Our Target Price has been trimmed to $19, but we note that more than a few of the world's financial titans have managed to overcome fines, penalties and other regulatory difficulties.

Shares of our "blue-chip" oil service holdings **Haliburton** (HAL - $36.80) and **Schlumberger** (SLB - $59.70) endured a tough week after both, which were taking part in the Barclays CEO Energy-Power Conference in New York, reiterated concerns about how quickly activity has slowed in Americas busiest oil patch. Of course, the comments should not have been a big surprise as our Halliburton commentary in the latest edition of *The Prudent Speculator* included, "…a Q3 forecast well below consensus estimates took its toll. However, the lowered guidance is mostly due to shale activity slowing in the U.S. during the back part of the year as the Permian Basin pipeline takeaway faces short-term constraints. Given this was well known, we see the selloff as overdone and we still think that long-term exposure to the energy industry will prove quite profitable, especially when shares of a best-of-breed company like HAL can be purchased at a steep discount."

On Wednesday, Halliburton said it is seeing weakness in the service prices it charges oil explorers in several U.S. basins. Due to the slowdown in the Permian Basin in West Texas and New Mexico, coupled with slower-than-expected growth in the Middle East, the company said Q3 earnings will be hurt by $0.08 to $0.10 a share. "We said there would be a decrease in customer urgency that may result in more white space in our calendar," HAL CEO Jeff Miller added.

On Tuesday, Schlumberger CEO Paal Kibsgaard told investors that the growth potential of the Permian could be lower than previously expected, as infill drilling continues despite softer fracking activity.

The Permian basin has been a "liquid goldmine," and the high level of supply and activity has served as a growth engine for the U.S. in the world oil markets and has allowed oil service companies to move through the rough years recently endured and into an environment of strong pricing as the global economy and energy demand strengthened. That said, rigs came online faster and productivity was seemingly stronger than most were expecting and the pipelines to get the product out of the basin are maxed out. That doesn't get fixed overnight, however, we wouldn't be surprised to see an uptick in activity at other major U.S. oil basins like Eagle Ford and the Bakken to offset the near-term limitations for upside at the Permian.

On a positive note, we were pleased to see an insider at both HAL and SLB make a meaningful open market purchase this summer of their company's stock. We believe they must have the long-term optimism for the space that we continue to have, though we understand that a measure of patience will be a key ingredient in the recipe for investing success.

The energy space is often a turbulent place to invest, but we still believe in long-term energy demand growth with the global population expected to expand to 9 billion and economic output more than doubling by 2040. Given the tough environment energy firms endured from summer 2014 through summer 2017, when oil prices began to rebound, we think the industry will continue to operate somewhat leanly and companies will focus on streamlining operations and keeping costs in check. As such, with rising demand over the long-term, increasing profits and solid free cash flow should be more than attainable. All things considered, especially the near-term headwinds, our Target Prices for HAL and SLB now stand at $61 and $100, respectively.