August 4, 2020

the Prudent Speculator

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Illustrating again that stocks often climb a wall of worry, July marked the fourth straight monthly advance in the massive bounce back from the brutal five-week Bear Market that ended on March 23, 2020. The S&P 500 and Russell 3000 indexes tacked on gains of more than 5%, with both inching their way into the black for the year. True, Value lagged in July and still has a long way to go to get back to even for the year, with the Russell 3000 Value index off by 13.5% for the first seven months of 2020, but the impressive rebound has caught more than a few by surprise.

> "The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time."
> — July FOMC Statement

After all, there has been around $200 billion in net outflows from domestic equity exchange traded and mutual funds since the end of February and a massive $1 trillion of net inflows into money market funds over the same period, per data from the Investment Company Institute. Obviously, folks are beyond frightened, given that the yield on "safe" money market funds averages 0.01% today, with money doubling in 6,932 years. And, the latest Sentiment Survey from the American Association of Individual Investors registered just 20.2% Bulls versus 48.5% Bears. The spread of -28.3 points in favor of the pessimists was the 41st lowest weekly reading in the 33 years of this historically contrarian indicator.

It is clear, then, that many are waiting for some sort of an "all-clear" signal before returning to equities. Unfortunately, there is no bell that rings at market bottoms and stocks usually turn up long before there is a preponderance of evidence to suggest that whatever danger has spooked investors has passed. For example, COVID-19 case and mortality counts have been on the rise in the U.S., with Dr. Deborah Birx, the White House coronavirus task force coordinator, warning this past weekend of a "new phase" in the battle against the pandemic and proclaiming, "What we are seeing today is different from March and April. It is extraordinarily widespread...it's more widespread and it's both rural and urban." Meanwhile, World Health Organization Director-General Tedros Adhanom Ghebreyesus said this week, "There is no silver bullet at the moment and there might never be."

Not surprisingly, many are convinced that there will soon be another sizable leg down in stocks, especially as the latest batch of economic numbers generally have not been as strong as in the prior couple of months, suggesting that the recovery will not be V-shaped. Of course, we do not think that a massive economic rebound has been priced into stocks, given that analysts had drastically lowered corporate profit estimates, so much so that Q2 earnings reports have been very strong (85% of S&P 500 members have topped EPS forecasts)...relative to subdued expectations.

No doubt, Corporate America is still facing a steep uphill climb, with millions out of work and the current round of government stimulus expiring, but we cannot underestimate the numerous steps the Federal Reserve has taken "to provide some relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy."

Indeed, the Fed has done all that it can to push interest rates toward zero, with the yield on the benchmark 10-year U.S. Treasury at a near-record low of 0.52%. As Warren Buffett states, "Interest rates act on asset values like gravity works on physical matter...If you had zero interest rates and you knew you were going to have them forever, stocks should sell at 100 times earnings or 200 times earnings," so we are hardly surprised that equities have rallied. In addition, while there is still plenty of bad news to come on the health front, we can't ignore that scientists have made progress in identifying treatments that can help people with the most severe forms of COVID-19 and there are a host of promising vaccines in late-stage trials.

None of this means that the sailing ahead will be smooth, but we like that our boat offers generous income from what we believe to be still undervalued stocks.

Editor, Principal, Portfolio Manager
Kovitz

Graphic Detail

Washington

Given that Hillary Clinton led Donald Trump in the race for the White House by four or five percentage points one month before Americans cast their Presidential ballots four years ago, we know that public opinion polls, not to mention the oddsmakers, are hardly infallible. That said, though there are still three months to go in the current campaign, the polls are showing that Joe Biden has a commanding lead of 7.4 points (49.4% to 42.0%), per summary calculations provided by *RealClearPolitics*, while the gambling odds suggest that the presumptive Democratic nominee is even more of a favorite.

No doubt, COVID-19 and the 156,000+ U.S. deaths now attributed to the disease, not to mention the economic fallout from the Great Lockdown and efforts to control the pandemic, have not helped the President, but there will be plenty of news on health and wealth between now and Election Day, while there has yet to be a Presidential debate. Still, we realize that many investors are understandably concerned that a Trump defeat could hit them in the pocketbook, at least on the tax front.

After all, Mr. Biden has proposed substantial tax increases. Per *The Wall Street Journal*, these include raising the top individual rate to 39.6% from 37.0%, uncapping Social Security taxes, increasing capital gains taxes on those earning more than $1 million to 39.6%, up from the current 23.8%, hiking estate taxes in part by repealing stepped-up cost basis at death and lifting the corporate tax rate to 28% from 21%. To be sure, pushing grandiose campaign promises through Congress is easier said than done, even as the current betting line favors the Democrats to claim control of both the House and the Senate.

While President Trump recently tweeted that if he is not reelected, "It will all come crashing down, including your jobs, stocks and 401k's," nine decades of evidence clearly shows that equities have actually performed much better under Democrats than Republicans. True, Herbert Hoover's 1928-1932 has been a very tough hurdle for the GOP to overcome, and some would argue that 23 total data points is not exactly statistically significant, but there are 45 two-year President/Congress combinations to review, and those also favor a Democrat in the Oval Office. Interestingly, given the worries many seem to have about a Democratic sweep in November, Value stocks have been happiest when Congress is also under Democratic control!

Certainly, Washington is just one of numerous factors that drive stock market gyrations, so we would never recommend major alterations to a long-term asset allocation plan based solely on politics. This is especially true as back in 2016, many stock market pundits were said to favor the "Establishment" candidate over the apparent "Wildcard" that was Mr. Trump, even as Republicans are usually believed to be more pro-business and tax-friendly.

Of course, President Trump has proven to be even more unconventional than thought. For example, many businesses benefitted from a significant corporate tax cut and reduced regulation, even as shifting views on trade and tariff skirmishes have made it difficult for companies to make long-term planning decisions. We do not mean to suggest that a President Clinton would have proved better for equities, nor do we give much credence to today's assertions that a President Biden would take a more aggressive COVID-19 stance, whatever that means, that would somehow ensure more favorable medium-to-long-term U.S. growth at the expense of shorter-term prospects.

Indeed, the only endorsement we will offer in these pages is in support of a broadly diversified portfolio of undervalued stocks to be held for its long-term appreciation potential, no matter who is in power in DC! ■

PARTIES IN POWER & ANNUALIZED RETURNS

Conceding that there are not a lot of data points from which to draw grand conclusions, stocks seem to like the letter D better than R.

Pres Pty	Con Pty	Div Payers	Non-Div Payers	Value Stocks	Growth Stocks	Large Stocks	Small Stocks
D	R	14.8%	10.1%	15.6%	9.9%	15.0%	10.4%
D	D	14.1%	20.7%	20.6%	16.5%	12.9%	24.0%
D	S	15.3%	15.3%	14.5%	14.9%	15.6%	14.3%
R	R	-2.2%	-7.7%	-2.4%	-4.2%	-2.0%	-4.9%
R	D	9.8%	2.2%	10.7%	6.7%	9.5%	6.4%
R	S	6.7%	-3.5%	10.7%	1.9%	5.8%	5.4%
D Pres		**14.3%**	**18.0%**	**19.0%**	**14.9%**	**13.5%**	**20.3%**
R Pres		**5.1%**	**-2.3%**	**6.1%**	**2.0%**	**4.8%**	**2.3%**

Annualized Total Returns. From 12.31.28 through 12.31.18. Performance segregated by presidential and congressional party are geometric averages. Performance divided only by presidential party are also geometric averages. SOURCE: Kovitz using data from the U.S. House of Representatives, Morningstar and Professors Eugene F. Fama and Kenneth R. French

President Party	Congress Party	Start Date	End Date	Dividend Payers	Non-Div Payers	Value Stocks	Growth Stocks	Large Stocks	Small Stocks
R	R	12.31.1928	12.31.1930	-39.5%	-65.3%	-56.0%	-54.4%	-31.2%	-69.9%
R	R	12.31.1930	12.31.1932	-50.1%	-50.8%	-52.6%	-44.2%	-48.0%	-52.5%
Hoover		**12.31.1928**	**12.31.1932**	**-69.8%**	**-82.9%**	**-79.1%**	**-74.5%**	**-64.2%**	**-85.7%**
D	D	12.31.1932	12.31.1934	80.1%	60.8%	116.0%	137.5%	51.8%	201.7%
D	D	12.31.1934	12.31.1936	83.4%	153.2%	152.1%	78.6%	97.8%	131.0%
Roosevelt		**12.31.1932**	**12.31.1936**	**230.3%**	**307.2%**	**444.6%**	**324.2%**	**200.1%**	**597.0%**
D	D	12.31.1936	12.31.1938	-13.7%	-31.2%	-31.3%	-19.3%	-14.8%	-44.2%
D	D	12.31.1938	12.31.1940	-3.0%	-22.0%	-16.1%	3.1%	-10.2%	-4.8%
Roosevelt		**12.31.1936**	**12.31.1940**	**-16.4%**	**-46.3%**	**-42.3%**	**-16.8%**	**-23.5%**	**-46.9%**
D	D	12.31.1940	12.31.1942	5.7%	13.5%	31.0%	-1.0%	6.4%	31.5%
D	D	12.31.1942	12.31.1944	61.5%	164.2%	143.3%	68.4%	50.8%	189.6%
Roosevelt		**12.31.1940**	**12.31.1944**	**70.7%**	**199.7%**	**218.8%**	**66.7%**	**60.4%**	**280.8%**
D	D	12.31.1944	12.31.1946	30.5%	44.3%	47.2%	31.8%	25.4%	53.4%
D	R	12.31.1946	12.31.1948	7.3%	-20.2%	8.5%	-5.0%	11.5%	-1.2%
Truman		**12.31.1944**	**12.31.1948**	**40.0%**	**15.1%**	**59.7%**	**25.2%**	**39.9%**	**51.6%**
D	D	12.31.1948	12.31.1950	59.2%	98.0%	84.7%	58.2%	56.5%	66.1%
D	D	12.31.1950	12.31.1952	38.0%	17.8%	28.9%	30.7%	46.8%	11.1%
Truman		**12.31.1948**	**12.31.1952**	**119.7%**	**133.2%**	**138.2%**	**106.8%**	**129.7%**	**84.5%**
R	R	12.31.1952	12.31.1954	51.7%	42.4%	58.2%	47.1%	51.1%	50.2%
R	D	12.31.1954	12.31.1956	36.8%	19.2%	33.7%	28.9%	40.2%	25.6%
Eisenhower		**12.31.1952**	**12.31.1956**	**107.5%**	**69.7%**	**111.6%**	**89.6%**	**111.8%**	**88.6%**
R	D	12.31.1956	12.31.1958	31.2%	30.6%	38.5%	37.5%	27.9%	40.9%
R	D	12.31.1958	12.31.1960	15.2%	0.8%	9.8%	13.8%	12.5%	12.6%
Eisenhower		**12.31.1956**	**12.31.1960**	**51.1%**	**31.6%**	**52.0%**	**56.5%**	**43.9%**	**58.6%**
D	D	12.31.1960	12.31.1962	17.7%	-8.1%	22.5%	4.3%	15.8%	16.4%
D	D	12.31.1962	12.31.1964	44.8%	15.4%	58.7%	28.0%	43.0%	52.6%
Kennedy/Johnson		**12.31.1960**	**12.31.1964**	**70.5%**	**6.0%**	**94.4%**	**33.6%**	**65.7%**	**77.6%**
D	D	12.31.1964	12.31.1966	1.6%	42.6%	20.1%	14.5%	1.1%	31.8%
D	D	12.31.1966	12.31.1968	42.9%	127.4%	103.6%	84.1%	37.7%	149.6%
Johnson		**12.31.1964**	**12.31.1968**	**45.1%**	**224.3%**	**144.6%**	**110.8%**	**39.3%**	**229.0%**
R	D	12.31.1968	12.31.1970	-7.4%	-48.9%	-13.9%	-23.9%	-4.8%	-38.1%
R	D	12.31.1970	12.31.1972	34.2%	21.4%	29.0%	38.7%	36.0%	21.7%
Nixon		**12.31.1968**	**12.31.1972**	**24.2%**	**-38.0%**	**11.1%**	**5.6%**	**29.4%**	**-24.7%**
R	D	12.31.1972	12.31.1974	-36.1%	-63.2%	-33.7%	-54.6%	-37.2%	-44.7%
R	D	12.31.1974	12.31.1976	81.0%	127.1%	139.5%	88.6%	69.9%	140.5%
Nixon/Ford		**12.31.1972**	**12.31.1976**	**15.7%**	**-16.5%**	**58.7%**	**-14.4%**	**6.6%**	**33.0%**
D	D	12.31.1976	12.31.1978	5.2%	41.7%	26.2%	17.3%	-1.1%	54.8%
D	D	12.31.1978	12.31.1980	60.3%	161.8%	56.5%	90.6%	56.8%	100.7%
Carter		**12.31.1976**	**12.31.1980**	**68.7%**	**270.9%**	**97.5%**	**123.6%**	**55.1%**	**210.6%**
R	S	12.31.1980	12.31.1982	20.4%	-4.2%	55.3%	9.7%	15.4%	45.8%
R	S	12.31.1982	12.31.1984	29.3%	-1.9%	54.1%	8.5%	30.2%	30.4%
Reagan		**12.31.1980**	**12.31.1984**	**55.6%**	**-6.1%**	**139.3%**	**19.1%**	**50.3%**	**90.0%**
R	S	12.31.1984	12.31.1986	57.9%	26.4%	56.2%	42.2%	56.6%	33.2%
R	D	12.31.1986	12.31.1988	21.8%	8.9%	23.1%	10.2%	22.9%	11.5%
Reagan		**12.31.1984**	**12.31.1988**	**92.3%**	**37.7%**	**92.3%**	**56.8%**	**92.5%**	**48.5%**
R	D	12.31.1988	12.31.1990	24.2%	2.8%	0.3%	15.6%	27.3%	-13.6%
R	D	12.31.1990	12.31.1992	45.2%	70.3%	73.5%	56.8%	40.6%	78.4%
Bush H.		**12.31.1988**	**12.31.1992**	**80.4%**	**75.1%**	**74.1%**	**81.3%**	**79.0%**	**54.2%**
D	D	12.31.1992	12.31.1994	9.9%	17.4%	20.8%	3.1%	11.4%	24.7%
D	R	12.31.1994	12.31.1996	69.6%	56.9%	69.6%	55.4%	69.1%	58.2%
Clinton		**12.31.1992**	**12.31.1996**	**86.4%**	**84.1%**	**104.9%**	**60.3%**	**88.5%**	**97.3%**
D	R	12.31.1996	12.31.1998	65.7%	60.8%	50.5%	41.1%	71.5%	13.8%
D	R	12.31.1998	12.31.2000	16.9%	16.6%	28.4%	13.4%	10.0%	25.1%
Clinton		**12.31.1996**	**12.31.2000**	**93.7%**	**87.4%**	**93.3%**	**60.0%**	**88.7%**	**42.4%**
R	R	12.31.2000	12.31.2002	-18.7%	-45.5%	-10.5%	-32.4%	-31.4%	6.5%
R	R	12.31.2002	12.31.2004	41.7%	62.0%	75.6%	56.9%	42.7%	90.3%
Bush W.		**12.31.2000**	**12.31.2004**	**15.2%**	**-11.7%**	**57.1%**	**6.0%**	**-2.1%**	**102.6%**
R	R	12.31.2004	12.31.2006	23.0%	19.1%	37.1%	12.7%	21.5%	22.8%
R	S	12.31.2006	12.31.2008	-31.7%	-36.4%	-39.8%	-31.3%	-33.5%	-40.0%
Bush W.		**12.31.2004**	**12.31.2008**	**-16.0%**	**-24.3%**	**-17.4%**	**-22.5%**	**-19.3%**	**-26.4%**
D	D	12.31.2008	12.31.2010	41.8%	84.4%	46.9%	64.9%	45.5%	68.1%
D	S	12.31.2010	12.31.2012	17.5%	15.5%	13.1%	14.0%	18.5%	14.4%
Obama		**12.31.2008**	**12.31.2012**	**66.7%**	**112.9%**	**66.2%**	**88.0%**	**72.4%**	**92.3%**
D	S	12.31.2012	12.31.2014	50.5%	53.7%	52.2%	53.0%	50.5%	49.3%
D	R	12.31.2014	12.31.2016	12.8%	11.4%	19.8%	9.7%	13.5%	21.1%
Obama		**12.31.2012**	**12.31.2016**	**69.7%**	**71.2%**	**82.3%**	**67.8%**	**70.8%**	**80.8%**
R	R	12.31.2016	12.31.2018	12.9%	26.8%	-1.1%	22.8%	16.5%	-7.5%
Trump		**12.31.2016**	**12.31.2018**	**12.9%**	**26.8%**	**-1.1%**	**22.8%**	**16.5%**	**-7.5%**

Total Returns are not annualized. From 12.31.28 through 12.31.18. SOURCE: Kovitz using data from the U.S. House of Representatives, Morningstar and Professors Eugene F. Fama and Kenneth R. French

All Recommended Stocks

In this space, we list all of the stocks we own across our multi-cap-value managed account strategies and in our four newsletter portfolios. See the last page for pertinent information on our flagship TPS strategy, which has been in existence since the launch of *The Prudent Speculator* in March 1977.

Readers are likely aware that TPS has long been monitored by *The Hulbert Financial Digest* ("*Hulbert*"). As industry watchdog Mark Hulbert states, "*Hulbert* was founded in 1980 with the goal of tracking investment advisory newsletters. Ever since it has been the premiere source of objective and independent performance ratings for the industry." For info on the newsletters tracked by *Hulbert*, visit: http://hulbertratings.com/since-inception/

Keeping in mind that all stocks are rated as "Buys" until such time as we issue an official Sales Alert, we believe that all of the companies in the tables on these pages 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.

While we always like to state that we like all of our children equally, meaning that we would be fine in purchasing any of the 100+ stocks, we remind subscribers that we very much advocate broad portfolio diversification with TPS Portfolio holding more than eighty of these companies. Of course, we respect that some folks may prefer a more concentrated portfolio, however our minimum comfort level in terms of number of overall holdings in a broadly diversified portfolio is at least thirty!

TPS rankings and performance are derived from hypothetical transactions "entered" by *Hulbert* based on recommendations provided within TPS, and according to *Hulbert's* own procedures, irrespective of specific prices shown within TPS, where applicable. Such performance does not reflect the actual experience of any TPS subscriber. *Hulbert* applies a hypothetical commission to all "transactions" based on an average rate that is charged by the largest discount brokers in the U.S., and which rate is solely determined by *Hulbert*. *Hulbert's* performance calculations do not incorporate the effects of taxes, fees, or other expenses. TPS pays an annual fee to be monitored and ranked by *Hulbert*. With respect to "since inception" performance, *Hulbert* has compared TPS to 15 other newsletters across 68 strategies (as of the date of this publication). Past performance is not an indication of future results. For additional information about *Hulbert's* methodology, visit: http://hulbertratings.com/methodology/. ■

				Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	ROCE[3]	EBITDA[4]	Yield[5]	TE[6]	Yield	Cap
Technology Hardware	AAPL	Apple	425.04	447.86	32.3	6.6	25.1	69.2	21.9	3.8	141%	0.8%	1,817,315
Health Care Equip/Srvcs	ABT	Abbott Labs	100.64	105.14	33.4	5.7	nmf	10.0	26.3	2.6	nmf	1.4%	178,186
Food, Bev & Tobacco	ADM	Archer-Daniels	42.83	56.62	11.6	0.4	1.7	9.3	11.7	-16.5	67%	3.4%	23,798
Materials	ALB	Albemarle	82.46	108.02	14.2	2.5	4.4	13.4	13.1	-0.4	163%	1.9%	8,767
Insurance	ALIZY	Allianz SE	20.61	28.29	9.9	nmf	1.3	10.8	nmf	nmf	nmf	3.5%	85,979
Transportation	ALK	Alaska Air Group	34.44	63.08	nmf	0.6	2.3	1.5	8.8	13.8	162%	0.0%	4,222
Insurance	ALL	Allstate	94.39	130.41	8.1	nmf	1.5	18.0	nmf	nmf	nmf	2.3%	29,649
Pharma/Biotech/Life Sci	AMGN	Amgen	244.67	285.80	15.6	5.9	nmf	68.0	13.5	7.0	nmf	2.6%	143,302
Real Estate	ARE	Alexandria Real Estate	177.55	218.16	24.8	nmf	2.4	4.6	nmf	nmf	nmf	2.4%	22,392
Semis & Cap Equipment	AVGO	Broadcom	316.75	410.64	15.1	5.6	nmf	11.0	17.2	7.9	nmf	4.1%	127,392
Insurance	AXAHY	AXA SA	19.94	35.34	6.9	nmf	nmf	6.5	nmf	nmf	nmf	6.2%	48,217
Insurance	AXS	Axis Capital	40.12	66.87	nmf	nmf	0.8	-1.2	nmf	nmf	nmf	4.1%	3,382
Capital Goods	• AYI	Acuity Brands	99.10	175.57	11.4	1.2	9.9	13.6	7.9	13.0	109%	0.5%	3,928
Banks	BAC	Bank of America	24.88	37.98	11.1	nmf	1.3	7.7	nmf	nmf	nmf	2.9%	215,563
Materials	BASFY	BASF SE	13.71	21.05	24.8	0.7	1.6	1.5	8.5	6.9	61%	4.9%	50,369
Technology Hardware	BHE	Benchmark Electronics	20.36	31.26	22.1	0.4	1.0	0.1	9.4	0.5	32%	3.1%	741
Insurance	BHF	Brighthouse Fin'l	28.34	73.71	5.4	nmf	0.1	28.2	nmf	nmf	nmf	0.0%	2,660

As of 07.31.20. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

				Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	ROCE[3]	EBITDA[4]	Yield[5]	TE[6]	Yield	Cap
Materials	BHP	BHP Billiton Ltd	52.84	56.99	14.2	2.9	nmf	19.1	nmf	7.7	nmf	5.4%	123,617
Pharma/Biotech/Life Sci	BIIB	Biogen	274.69	432.14	7.4	3.0	20.0	48.9	5.7	13.9	361%	0.0%	43,487
Diversified Financials	BK	Bank of New York	35.85	53.91	8.6	nmf	1.7	11.0	nmf	nmf	nmf	3.5%	31,758
Diversified Financials	BLK	Blackrock	575.01	620.44	19.2	nmf	nmf	13.1	nmf	nmf	nmf	2.5%	88,207
Pharma/Biotech/Life Sci	BMY	Bristol-Myers Squibb	58.66	86.14	11.1	4.3	nmf	2.9	17.6	8.8	nmf	3.1%	132,729
Banks	C	Citigroup	50.01	94.79	9.2	nmf	0.7	7.1	nmf	nmf	nmf	4.1%	104,116
Health Care Equip/Srvcs	CAH	Cardinal Health	54.62	76.16	9.9	0.1	nmf	nmf	-7.0	11.6	nmf	3.6%	15,948
Capital Goods	CAT	Caterpillar	132.88	168.00	16.8	1.5	11.7	29.0	8.6	4.5	440%	3.1%	71,920
Consumer Services	CCL	Carnival Corp	13.88	23.13	81.6	0.6	0.5	-13.1	-129.5	-36.0	86%	0.0%	10,011
Materials	CE	Celanese	97.20	141.42	12.0	2.0	10.7	23.6	15.8	7.9	296%	2.6%	11,498
Health Care Equip/Srvcs	CHNG	Change Healthcare	11.66	24.27	10.0	18.0	nmf	-42.9	nmf	-10.5	nmf	0.0%	3,542
Banks	CMA	Comerica	38.52	70.92	9.3	nmf	0.7	8.0	nmf	nmf	nmf	7.1%	5,356
Media & Entertainment	CMCSA	Comcast	42.80	55.44	14.4	1.9	nmf	14.4	8.8	8.3	nmf	2.1%	195,515
Capital Goods	CMI	Cummins	193.26	209.99	16.6	1.4	5.8	22.1	11.2	5.7	40%	2.7%	28,540
Diversified Financials	COF	Capital One Fin'l	63.80	115.22	54.1	nmf	0.8	-0.2	nmf	nmf	nmf	0.6%	29,112
Semis & Cap Equipment	COHU	Cohu	18.83	24.06	67.3	1.4	nmf	-13.0	36.9	1.8	nmf	0.0%	785
Technology Hardware	CSCO	Cisco Systems	47.10	59.84	14.6	3.9	nmf	29.7	11.6	7.4	nmf	3.1%	198,870
Health Care Equip/Srvcs	CVS	CVS Health	62.94	106.13	8.5	0.3	nmf	11.6	8.5	14.3	nmf	3.2%	82,268
Transportation	DAL	Delta Air Lines	24.97	50.32	nmf	0.5	nmf	-32.3	40.5	0.1	nmf	0.0%	15,927
Capital Goods	DE	Deere & Co	176.31	188.68	20.5	1.5	7.2	23.6	8.4	4.0	450%	1.7%	55,160
Media & Entertainment	DIS	Walt Disney	116.94	141.18	25.7	2.7	nmf	6.0	18.1	0.2	nmf	0.0%	211,225
Real Estate	DLR	Digital Realty	160.54	165.70	26.0	nmf	6.0	5.2	nmf	nmf	nmf	2.8%	44,449
Real Estate	DOC	Physicians Realty	18.04	21.02	18.0	nmf	1.4	3.1	nmf	nmf	nmf	5.1%	3,654
Transportation	DPSGY	Deutsche Post AG	40.18	52.90	18.6	0.7	17.0	15.3	7.7	5.8	582%	3.3%	49,683
Capital Goods	ETN	Eaton Corp PLC	93.13	104.28	19.5	1.9	nmf	10.1	12.5	9.7	nmf	3.1%	37,261
Transportation	FDX	FedEx	168.40	212.59	17.7	0.6	3.8	7.1	8.7	-1.8	294%	1.5%	44,113
Banks	FITB	Fifth Third Bancorp	19.86	34.02	10.7	nmf	0.9	7.1	nmf	nmf	nmf	5.4%	14,144
Retailing	FL	Foot Locker	29.39	59.35	10.7	0.4	1.4	8.5	5.7	2.2	127%	0.0%	3,063
Capital Goods	GBX	Greenbrier	25.73	40.28	8.2	0.3	0.9	6.6	4.7	6.9	82%	4.2%	841
Capital Goods	GD	General Dynamics	146.74	231.75	13.0	1.1	nmf	24.4	10.5	6.2	nmf	3.0%	42,104
Pharma/Biotech/Life Sci	GILD	Gilead Sciences	69.53	95.11	11.9	3.9	nmf	-1.3	14.6	9.5	nmf	3.9%	87,191
Technology Hardware	GLW	Corning	31.00	41.22	23.0	2.2	3.5	1.0	17.1	4.1	125%	2.8%	23,615
Autos & Components	GM	General Motors	24.89	44.10	13.2	0.3	1.0	3.7	3.2	6.6	259%	0.0%	35,620
Media & Entertainment	GOOG	Alphabet	1482.96	1754.29	30.8	6.1	5.5	15.8	19.0	3.0	8%	0.0%	1,010,270
Diversified Financials	GS	Goldman Sachs	197.96	272.96	10.5	nmf	0.9	8.5	nmf	nmf	nmf	2.5%	70,966
Autos & Components	GT	Goodyear Tire	9.01	16.25	nmf	0.2	0.9	-42.2	27.2	-2.6	276%	0.0%	2,099
Consumer Durables	HAS	Hasbro	72.76	109.33	19.8	2.0	nmf	17.4	18.3	4.5	nmf	3.7%	9,970
Energy	HFC	HollyFrontier	27.50	53.94	5.6	0.3	1.7	3.7	6.4	26.4	110%	5.1%	4,452
Autos & Components	HMC	Honda Motor	24.35	31.23	9.7	0.3	0.6	5.6	7.2	13.8	58%	3.7%	44,108
Banks	HSBC	HSBC Holdings	22.65	43.72	7.3	nmf	0.4	1.9	nmf	nmf	nmf	0.0%	92,258
Software & Services	IBM	Int'l Business Machines	122.94	181.73	10.8	1.5	nmf	41.2	10.7	11.7	nmf	5.3%	109,488
Semis & Cap Equipment	INTC	Intel	47.73	68.08	8.5	2.6	4.5	30.1	5.6	10.7	81%	2.8%	202,996
Materials	IP	Int'l Paper	34.79	54.30	9.9	0.6	5.3	8.7	7.8	15.8	377%	5.9%	13,676
Technology Hardware	JBL	Jabil	34.86	48.38	12.5	0.2	7.4	2.2	5.5	14.8	360%	0.9%	5,249
Pharma/Biotech/Life Sci	JNJ	Johnson & Johnson	145.76	171.72	18.3	4.8	nmf	24.5	14.5	4.5	nmf	2.8%	383,760
Technology Hardware	JNPR	Juniper Networks	25.38	34.82	15.5	1.9	8.7	7.7	12.3	6.5	195%	3.2%	8,410
Banks	JPM	JPMorgan Chase	96.64	142.02	13.0	nmf	1.6	9.9	nmf	nmf	nmf	3.7%	294,464
Retailing	• JWN	Nordstrom	13.69	34.78	nmf	0.2	14.5	-11.6	nmf	nmf	3446%	0.0%	2,150
Banks	KEY	KeyCorp	12.01	20.33	9.7	nmf	0.9	7.1	nmf	nmf	nmf	6.2%	11,721
Real Estate	KIM	Kimco Realty	11.15	16.68	7.6	nmf	1.1	7.5	nmf	nmf	nmf	0.0%	4,823
Semis & Cap Equipment	KLIC	Kulicke & Soffa	23.70	30.25	29.3	2.5	2.2	5.6	14.3	2.4	3%	2.0%	1,466
Food & Staples Retailing	KR	Kroger Co	34.79	38.76	12.9	0.2	5.2	23.4	7.5	13.7	361%	2.1%	27,064
Retailing	KSS	Kohl's Corp	19.04	42.69	17.6	0.2	0.6	1.7	6.1	26.7	155%	0.0%	3,003
Consumer Dur & App	LEG	Leggett & Platt	40.09	47.89	16.1	1.1	nmf	26.2	10.3	9.5	nmf	4.0%	5,303
Capital Goods	LMT	Lockheed Martin	378.97	496.02	16.6	1.7	nmf	195.4	11.8	6.5	nmf	2.5%	105,938
Retailing	LOW	Lowe's Cos	148.91	154.73	23.7	1.5	79.6	184.1	15.0	4.4	1707%	1.5%	112,427
Semis & Cap Equipment	LRCX	Lam Research	377.16	402.31	23.6	5.5	15.6	45.7	18.1	3.5	142%	1.2%	54,813

As of 07.31.20. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

All Recommended Stocks *continued*

				Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	ROCE[3]	EBITDA[4]	Yield[5]	TE[6]	Yield	Cap
Commerical Services	MAN	ManpowerGroup	68.79	107.24	13.1	0.2	3.7	8.6	6.7	26.8	121%	3.2%	3,993
Health Care Equip/Srvcs	MCK	McKesson	150.16	191.96	10.0	0.1	nmf	13.7	8.2	15.5	nmf	1.1%	24,343
Consumer Durables	MDC	MDC Holdings	44.83	55.21	11.0	0.8	1.5	14.9	8.7	1.2	56%	2.9%	2,842
Health Care Equip/Srvcs	MDT	Medtronic PLC	96.48	118.66	21.0	4.5	nmf	9.5	18.8	4.7	nmf	2.4%	129,409
Insurance	MET	MetLife	37.85	71.79	6.1	nmf	0.6	14.5	nmf	nmf	nmf	4.9%	34,352
Capital Goods	MMM	3M Co	150.47	192.83	17.8	2.8	nmf	49.0	12.0	6.8	nmf	3.9%	86,674
Materials	MOS	Mosaic Co	13.47	23.17	nmf	0.6	0.7	-14.8	-24.4	4.6	64%	1.5%	5,105
Pharma/Biotech/Life Sci	MRK	Merck & Co	80.24	102.89	14.5	4.3	nmf	37.8	13.9	4.3	nmf	3.0%	202,534
Software & Services	MSFT	Microsoft	205.01	220.65	35.6	10.8	23.7	40.1	22.3	2.9	116%	1.0%	1,551,445
Semis & Cap Equipment	MU	Micron Tech	50.06	68.03	21.7	2.7	1.5	6.2	6.7	0.5	19%	0.0%	55,611
Materials	NEM	Newmont Mining	69.20	75.02	43.8	5.2	2.9	18.9	12.5	3.8	32%	1.4%	55,573
Software & Services	NLOK	NortonLifeLock	21.45	24.99	19.2	4.1	nmf	135.2	19.4	-7.6	nmf	2.3%	12,676
Transportation	NSC	Norfolk Southern	192.21	213.14	21.0	4.8	3.3	13.9	14.0	3.9	85%	2.0%	49,035
Technology Hardware	NTAP	NetApp	44.30	73.04	10.8	1.8	nmf	123.0	7.3	9.3	nmf	4.3%	9,832
Materials	NTR	Nutrien Ltd	32.59	51.20	17.6	0.9	2.4	4.0	8.4	nmf	120%	5.5%	18,571
Telecom Services	NTTYY	Nippon Telegraph	23.13	32.81	10.1	0.8	1.5	9.3	5.2	12.7	40%	3.3%	90,226
Banks	NYCB	NY Community Bancorp	10.53	14.38	13.3	nmf	1.3	6.0	nmf	nmf	nmf	6.5%	4,885
Banks	ONB	Old National Bancorp	13.99	19.94	10.9	nmf	1.3	6.8	nmf	nmf	nmf	4.0%	2,310
Software & Services	ORCL	Oracle	55.45	64.18	14.3	4.4	nmf	59.9	11.6	6.5	nmf	1.7%	170,158
Pharma/Biotech/Life Sci	PFE	Pfizer	38.48	49.16	13.4	4.3	nmf	25.5	9.5	5.6	nmf	4.0%	213,750
Banks	PNC	PNC Financial	106.67	150.78	18.1	nmf	1.0	14.4	nmf	nmf	nmf	4.3%	45,256
Utilities	PNW	Pinnacle West Capital	83.08	100.25	17.0	2.8	1.8	10.3	11.3	-3.3	94%	3.8%	9,346
Insurance	PRU	Prudential Fin'l	63.37	120.16	5.8	nmf	0.4	5.1	nmf	nmf	nmf	6.9%	25,031
Semis & Cap Equipment	QCOM	Qualcomm	105.61	116.91	30.1	6.0	nmf	62.6	24.8	3.2	nmf	2.5%	119,128
Consumer Services	RCL	Royal Caribbean	48.71	72.03	7.2	1.0	1.1	1.7	12.9	-9.5	136%	0.0%	10,452
Real Estate	REG	Regency Centers	41.03	68.93	10.5	nmf	1.2	2.0	nmf	nmf	nmf	5.8%	6,967
Energy	SFL	Ship Finance	8.31	13.82	9.8	2.1	1.1	-3.0	18.3	-1.9	252%	12.0%	992
Capital Goods	SIEGY	Siemens AG	63.59	77.65	20.1	2.3	5.1	9.2	12.9	5.7	211%	2.5%	108,103
Food, Bev & Tobacco	SJM	JM Smucker	109.35	135.48	12.5	1.6	nmf	9.6	10.4	7.9	nmf	3.3%	12,478
Capital Goods	SNA	Snap-On Inc	145.87	175.80	13.8	2.1	3.4	16.9	9.6	9.0	64%	3.0%	7,945
Pharma/Biotech/Life Sci	SNY	Sanofi	52.45	62.14	14.4	5.9	nmf	18.4	8.5	6.2	nmf	2.6%	132,062
Technology Hardware	STX	Seagate Tech	45.22	64.86	9.1	1.1	23.6	50.8	8.3	9.5	845%	5.7%	11,622
Diversified Financials	SYF	Synchrony Fin'l	22.13	44.39	7.8	nmf	1.5	16.2	nmf	nmf	nmf	4.0%	12,918
Telecom Services	T	AT&T	29.58	40.97	8.5	1.2	nmf	6.6	7.1	12.1	nmf	7.0%	210,758
Pharma/Biotech/Life Sci	TAK	Takeda Pharmaceutical	18.20	27.23	17.8	3.7	nmf	2.2	13.9	9.8	nmf	3.5%	57,381
Banks	TFC	Truist Financial	37.46	58.57	9.7	nmf	1.5	7.4	nmf	nmf	nmf	4.8%	50,481
Retailing	TGT	Target	125.88	132.94	23.1	0.8	6.0	24.9	11.4	7.7	156%	2.2%	62,942
Capital Goods	TKR	Timken	45.66	59.62	10.5	0.9	36.4	20.3	7.6	11.5	1971%	2.5%	3,428
Energy	TNP	Tsakos Energy	8.70	24.20	46.0	0.3	nmf	nmf	5.7	nmf	nmf	5.7%	163
Energy	TOT	Total SA	37.66	59.03	11.6	0.6	1.0	-2.7	5.7	8.8	69%	6.8%	98,483
Consumer Durables	TPR	Tapestry	13.36	27.91	7.3	0.6	nmf	-6.9	13.8	10.0	nmf	0.0%	3,689
Food, Bev & Tobacco	TSN	Tyson Foods	61.45	86.07	12.0	0.5	nmf	14.1	8.8	7.2	nmf	2.7%	22,387
Media & Entertainment	VIAC	ViacomCBS	26.07	58.18	6.2	0.8	nmf	11.4	12.3	4.1	nmf	3.7%	16,130
Telecom Services	VZ	Verizon	57.48	69.24	11.9	1.8	nmf	32.1	7.7	9.9	nmf	4.3%	237,855
Food & Staples Retailing	WBA	Walgreens Boots	40.71	81.08	7.9	0.3	nmf	3.4	13.7	12.0	nmf	4.6%	35,277
Consumer Durables	WHR	Whirlpool	163.12	197.92	11.8	0.5	nmf	28.9	7.6	7.8	nmf	2.9%	10,161
Commerical Services	WM	Waste Management	109.60	127.85	26.2	3.1	nmf	24.1	13.5	4.2	nmf	2.0%	46,302
Food & Staples Retailing	WMT	Walmart	129.40	138.93	25.9	0.7	9.4	22.0	12.8	5.0	163%	1.7%	366,455
Materials	WRK	WestRock	26.86	54.11	7.5	0.4	18.7	7.4	5.9	12.7	2951%	3.0%	6,964
Energy	XOM	Exxon Mobil	42.08	64.64	46.1	0.8	1.0	6.1	7.9	-1.4	17%	8.3%	177,923
Health Care Equip/Srvcs	ZBH	Zimmer Biomet	134.86	168.00	17.5	3.6	nmf	3.2	25.1	4.3	nmf	0.7%	27,889

As of 07.31.20. nmf=Not meaningful. [1] ●=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz 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 highlight 10 stocks with which readers might populate their portfolios. The list is not selected based on performance, as the following methodological hierarchy is utilized: 1) First time recommendations; 2) Stocks that are unowned or under-owned in one of our four newsletter portfolios; 3) Companies that have not been highlighted in the prior five monthly editions of *The Prudent Speculator*; 4) Editor's choice. 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.

Portfolio Builder Notes

Still having dollars left to redeploy, we will buy $7,000 of **Acuity Brands** and **Citigroup** in Buckingham Portfolio. In our hypothetical Millennium Portfolio, we will add $10,000 of **3M** and **Nordstrom**, while we will also raise the position in **Exxon Mobil** to that level. In our hypothetical PruFolio, we will increase the holdings to $20,000 in **Gilead Sciences** and **Seagate Tech**. We already have sufficient company/industry/sector exposure to **Archer-Daniels**, **Juniper Networks** and **Verizon**, so no new purchases of those three. We will transact on Thursday, August 6.

THIS MONTH'S 10-STOCK SELECTION

Ticker	Company	Sector	Price	Target Price
ADM	Archer-Daniels-Midland	Consumer Staples	42.83	56.62
AYI	Acuity Brands	Industrials	99.10	175.57
C	Citigroup	Financials	50.01	94.79
GILD	Gilead Sciences	Health Care	69.53	95.11
JNPR	Juniper Networks	Information Technology	25.38	34.82
JWN	Nordstrom	Consumer Discretionary	13.69	34.78
MMM	3M	Industrials	150.47	192.83
STX	Seagate Technology PLC	Information Technology	45.22	64.86
VZ	Verizon Communications	Communication Services	57.48	69.24
XOM	Exxon Mobil	Energy	42.08	64.64

As of 07.31.20. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Archer-Daniels-Midland (ADM)

Archer-Daniels, one of the largest agricultural processors and food ingredient providers in the world, is in the business of converting agricultural harvest such as corn, wheat and soybeans into basic ingredients for both consumer and industrial product manufacturers. Shares have enjoyed a solid rebound off the March lows and received more support last week when Q2 financial results were better than expected on the top- and bottom-lines. While revenue of $16.3 billion was slightly above the consensus estimate, adjusted EPS of $0.85 was 69% higher than forecast. CEO Juan Luciano commented, "Our team is exceeding the targets we've set for those factors under our control, and as we look at the second half of the year, we'll continue to advance our key focus areas: optimizing business performance, accelerating Readiness and harvesting the benefits of strategic growth investments, especially in our Nutrition segment. We are in a strong position, with great momentum, and we are confident in our ability to continue to deliver strong earnings and returns in 2020 and beyond." ADM continues to work to strengthen its balance sheet, reshape its portfolio and return cash to shareholders. The stock currently yields 3.4% and trades for less than 14 times NTM EPS projections.

Acuity Brands (AYI)

Acuity Brands is a leading light manufacturer that designs, produces and distributes a full range of indoor and outdoor lighting and control systems for commercial, industrial, infrastructure and residential applications. Shares are off more than 25% year-to-date as lower demand due to the pandemic pushed revenue down 18% in the most recent quarter, while many have become worried about exposure to commercial real estate. Earnings have held up very well, though, with fiscal Q3 numbers blowing away expectations, while the balance sheet is very solid with more cash than debt. We also like a recent partnership, exclusive in North America, with Ushio America to offer filtered excimer lamps that generate 222nm of far UV-C light capable of inactivating viruses and bacteria on indoor surfaces. And, we are intrigued by the company's opportunities in the Internet of Things. Acuity's indoor location services data platform provides navigation, wayfinding, asset tracking, occupant behavior data and asset analytics using a connected lighting platform, a real plus as businesses are busy reconfiguring space for hygiene and social distancing purposes. We also like the sub-13 forward P/E multiple, versus the 5-year average above 20.

Citigroup (C)

Global banking giant Citigroup turned in a stronger than expected Q2, supported by robust performance in trading. The quarterly results were even more impressive, considering that C took a $7.9 billion charge for credit provisions. While the near-term uncertainty will continue to weigh, we find the stock to be quite attractive for those with multi-year time horizons. A longer-term return to improving operational execution will be quite beneficial for shareholders, while the company still has good leverage towards the U.S. economy and terrific opportunities in Asia, Latin America and other faster-growing emerging markets. C shares are trading below 75% of tangible book value and, even with defensive actions to prepare for potential loan defaults impacting the near-term outlook, the stock trades at less than 12 times NTM adjusted EPS expectations. Further, the generous dividend yield is 4.1%.

Gilead Sciences (GILD)

GILD has been in the news for its antiviral drug Remdesivir, used with surprisingly positive results to treat hospitalized COVID-19 patients. While Remdesivir should remain a major revenue producer in the near-term, GILD turned in a weaker-than-expected Q2 that saw revenue of $5.14 billion come in 3% below projections and adjusted EPS of $1.11 fall well short of the $1.44 forecast. The company blamed its lower sales on fewer health-care provider visits and generic competitors to some of its products. However, it realized growth in its core HIV business, of which we are fans, and the company increased its overall earnings guidance for 2020, saying it now expects sales of between $23 billion and $25 billion, up from its original estimate of between $21.8 billion and $22.2 billion. Gilead expects adjusted EPS of between $6.25 and $7.65, up from its earlier estimate of between $6.05 and $6.45. Not surprisingly, we like that GILD trades for less than 10 times estimated earnings and yields 3.9%.

Juniper Networks (JNPR)

Juniper Networks provides Internet infrastructure solutions for ISPs and other telecom service providers. The company designs IP routing, Ethernet switching, security and application acceleration solutions. Shares have recovered from the pandemic-related drop in Q1, thanks in part to solid adjusted EPS in Q2 of $0.35 per share, ahead of analyst estimates. Juniper's guidance for the upcoming quarter is for revenue between $1.08 billion and $1.18 billion (vs. $1.13 billion last year) and EPS between $0.38 and $0.48 (vs. $0.48). Management believes that Q3 will be "driven by strong backlog and strength within our Service Provider and Cloud verticals," even as COVID-19 is likely to result in logistics and supply-chain challenges. We like that JNPR has a high renewal rate with existing customers and that demand for the company's routing products and enterprise-geared Mist (Wireless LAN) has continued to grow. Juniper now trades with a forward P/E of 15, much less expensive than the IT sector in general, and yields a rich (for a tech stock) 3.2%.

Nordstrom (JWN)

Nordstrom is a fashion retailer, operating through 100 full-line stores, as well as 247 off-price outlet Nordstrom Rack stores and online sites Nordstrom, Nordstromrack, HauteLook and Trunk Club. JWN prides itself on its service-forward model, which attracts high-value customers and differentiates the company from other retailers. Significant missteps since 2018, including a reduction in personalized marketing and negative changes to Nordstrom's loyalty club caused a reduction in sales and sent shares plunging. And in 2020, COVID-19 caused stores to close across the country, forcing the company to fall back to online sales, where it has recently made "generational investments" to revamp its retail and e-commerce experience. While the pandemic is a massive headwind, we think that folks will eventually return to malls or the new smaller-format stores, while the year-to-date decline in the stock price of 60%+ discounts a ton of bad news. At last count, Nordstrom had $1.4 billion of cash and $6 billion of debt, which on average matures in 2030. The company's dividend has been discontinued to conserve cash, but we believe that it will eventually be reinstated and JWN will pay down its debt. Of course, the Nordstrom family directly owns about a quarter of the stock, so there is the chance of an oft-rumored go-private transaction.

3M (MMM)

3M is an industrial and chemical conglomerate whose products range from safety and industrial equipment to a variety of health care solutions. Despite playing a key role in helping curb the spread of COVID-19 with its widely used N95 respirators, the company has not been immune to global economic weakness. With automobile manufacturing at a virtual halt and many elective surgeries on hold in recent months, exposure to these industries contributed to a 12% decline of sales during Q2. This performance combined with pessimism from headlines related to PFAS (Per- and polyfluoroalkyl substances) litigation and the firm's reorganization efforts have weighed on the stock. That said, shares trade at a 19% discount to their 5-year average trailing earnings multiple of 21 times, and below the S&P 500 figure of 25. And, although debt is slightly elevated at first glance, it isn't overly burdensome given an average maturity and coupon of 9.8 years and 2.7%, respectively. The firm still generates significant cash flow, which we think will support the research and development investment necessary to get the growth engine going again. In the interim, MMM yields 3.9%.

Seagate Technology PLC (STX)

Shares of Seagate tumbled after the hard disk drive maker reported fiscal Q4 2020 results that trailed expectations, as several end-markets deteriorated amid the COVID-19 pandemic. In its first EPS miss since 2017, STX earned $1.20 per share in the quarter (vs. $1.29 est.) and had revenue of $2.5 billion. Scaled-back IT budgets and infrastructure project delays resulted in lower video and image application sales. Despite the challenges, STX managed to set a record for exabyte shipments in fiscal 2020, which was driven by a 57% increase in shipments for mass capacity storage. STX expects EPS between $0.70 and $1.00 this quarter, with revenue between $2.1 billion and $2.5 billion. The wider-than-usual estimate ranges are a result of high levels of uncertainty that management believes are likely to remain in the near term, although the longer-term picture includes healthy cloud data center demand and plenty of growth opportunities. STX offers a solid balance sheet and a very rich dividend yield of 5.7%.

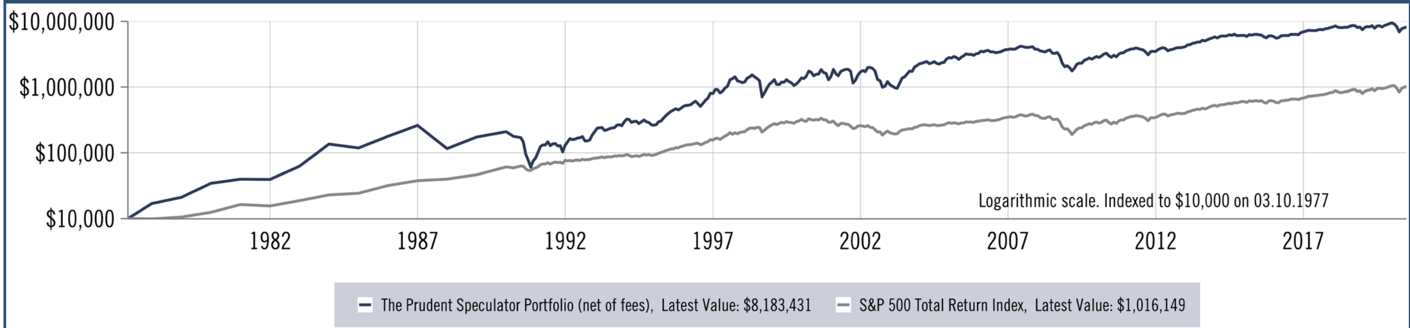
Verizon Communications (VZ)

Verizon is an integrated telecom company that provides voice and data services to wired and wireless retail, business and government customers. The company reported EPS of $1.18 for Q2, versus the analyst consensus estimate of $1.15, and revenue of $30.4 billion, versus the projection of $30.0 billion. Verizon's Fios video service lost 10,000 net subscribers (most likely due to limited installations amidst regional quarantine orders) and wireless postpaid net additions totaled 173,000. VZ expects revenue to be flat for 2020, plus or minus 2%, as a result of the pandemic. CEO Hans Vestberg said, "We're entering the second part of 2020 with a growth mindset with a lot of key strategic partnerships as well as activities." As the 5G buildout charges ahead, we believe the expansion of the coverage map and substantially boosted speeds provide a leg up on the competition. We think that Verizon, with most of its revenue coming from wireless subscribers, is in a uniquely strong position for the future. As customers upgrade their devices to take advantage of very fast 5G speeds, the investments in its leading nationwide network should pay off nicely. VZ boasts a forward P/E of 12 and a sizable dividend yield of 4.3%.

Exxon Mobil (XOM)

Exxon is one of the world's largest integrated oil and gas companies, with a healthy balance sheet and capital discipline program providing financial and operational flexibility throughout a very difficult time for energy markets. Leading into the current pandemic, management had favored capital investment over share buybacks, while others in the industry were doing the opposite. Of course, the payoffs for these investments such as those in the Permian Basin and Guyana have been pushed further into the future as COVID-19 has shriveled energy demand around the globe. Shares are up over 35% since their bottom in March, but are still down some 40% year-to-date as the recent period has stressed the balance sheet somewhat. Still, the company carries a AA credit rating (issued by Moody's), and we expect capital investments to deliver better cash margins once the cycle eventually turns. Management appears committed to the dividend for now, and the hefty yield of 8.3% provides investors a bit of cover as we wait for conditions to improve. ■

THE PRUDENT SPECULATOR (TPS) PORTFOLIO STANDARDIZED PERFORMANCE



Performance as of 06.30.20	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	Inception
TPS Portfolio (net of fees)	18.38	-13.78	-3.61	3.24	5.51	7.78	11.18	6.94	8.64	12.85	16.74
S&P 500	20.54	-3.08	7.51	10.73	10.73	12.13	13.99	8.83	5.92	9.27	11.25
Russell 3000 Value	14.55	-16.74	-9.42	1.41	4.41	6.89	10.23	6.15	6.42	8.49	NA
Russell 3000	22.03	-3.48	6.53	10.04	10.03	11.68	13.72	8.78	6.15	9.28	NA

Year	Total Firm Assets[1]	Composite Total Assets[1]	# of Accounts	Composite Gross Return (%)	Composite Net Return (%)	Bench Return (%)	Bench 2 Return (%)	Bench 3 Return (%)	Composite 3-Yr STD (%)	Bench 3-Yr STD (%)	Bench 2 3-Yr STD (%)	Bench 3 3-Yr STD (%)	Composite Dispersion (%)	Wrap-Fee Paying (%)	Non-Fee Paying (%)
2019	5,046	22	47	28.29	27.28	31.49	26.26	31.02	13.45	12.11	9.55	12.38	0.32	5.00	16.20
2018	3,674	18	51	-8.46	-9.29	-4.38	-8.57	-5.25	11.48	10.96	11.21	11.34	0.25	4.11	14.31
2017	946	19	42	19.78	18.83	21.84	13.20	21.13	11.04	10.06	10.48	10.23	0.34	6.93	24.69
2016	711	7	10	18.51	18.02	11.98	18.42	12.75	12.05	10.74	11.12	11.04	N/A	5.60	39.89
2015	701	2	<6	-4.23	-4.23	1.41	-4.13	0.47	12.01	10.62	10.90	10.73	N/A	<1	100.00
2014	827	3	<6	5.35	5.35	13.69	12.69	12.56	11.36	9.10	9.49	9.42	N/A	<1	100.00
2013	788	3	<6	41.13	41.07	32.41	32.69	33.57	14.60	12.11	13.08	12.71	N/A	<1	100.00
2012	676	2	<6	18.00	17.98	15.98	17.56	16.43	17.74	15.30	16.03	15.95	N/A	<1	100.00
2011	476	2	<6	-2.34	-2.35	2.12	-0.09	1.02	21.42	18.16	19.98	18.86	N/A	<1	100.00
2010	486	2	<6	22.33	22.44	15.05	16.24	16.93	26.82	22.16	23.83	22.94	N/A	<1	100.00

IMPORTANT INFORMATION

[1]Presented in millions. Note that July 2020 composite calculations cannot be completed until after press-time. Kovitz Investment Group Partners, LLC ("KIG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. KIG has been independently verified for the periods January 1, 1997 through December 31, 2018. The verification report is available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

Kovitz Investment Group, LLC underwent an organizational change effective January 1, 2016, and is now Kovitz Investment Group Partners, LLC. The previous manager of the strategy, AFAM Capital, Inc. (AFAM) underwent an organizational change effective October 1, 2018, and is now a division of KIG (AFAM Division). AFAM claimed compliance with GIPS® and had been independently verified for the periods January 1, 1996 through December 31, 2017. The staff of the AFAM Division have provided the same services throughout the entire period, and the persons currently responsible for managing Composite portfolios have been primarily responsible for portfolio management throughout the entire period shown. KIG, an investment adviser registered under the Investment Advisers Act of 1940, manages equity, fixed income, and hedged equity portfolios for its clients.

The Composite was created December 31, 2015, and the inception date for portfolio performance was March 10, 1977. The Composite includes all discretionary portfolios managed according to the TPS strategy (Strategy). From March 10, 1977 through December 31, 2015, the Composite consisted of 1 portfolio managed according to the Strategy. The portfolios eligible for the Composite must follow the Strategy. The minimum account size for inclusion in the Composite is $50,000. Composite policy originally required the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets. On July 1, 2016, the cash flow policy was updated to reflect the temporary removal of any portfolio incurring cash inflow or outflow of 25% or more during the month – "net" and "aggregate" are no longer applicable. The removal of such a portfolio occurs at the beginning of the month in which the significant cash flow occurs, and the portfolio re-enters the Composite at the beginning of the month after the cash flow. This policy is reviewed and maintained monthly. The Composite includes portfolios that utilize margin. The firm maintains a complete list and description of Composites, which is available upon request.

The U.S. Dollar is the currency used to express performance. The Composite includes portfolios that are charged bundled or wrap fees and portfolios are charged transaction fees or trading costs. Bundled fee portfolios pay a fee based on a percentage of assets under management in place of a transaction fee. They include the advisor's fee and, in most cases, also include a fee for investment management and portfolio monitoring. Returns are presented net of management fees, gross of withholding taxes on any dividends, interest or capital gains, and include the effects of trading costs and reinvestment of all income. Net of fee performance was calculated using actual management fees charged to each portfolio in the Composite. Gross returns include the effects of the reinvestment of all income, and are stated gross of all fees except for transaction fees, when charged.

Investing involves risk, principal loss is possible, and there can be no assurance that investment objectives will be achieved. Past performance is not indicative of future results. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Actual investment management fees will vary, beginning at 1.5% per annum. Our standard management fee schedule is described in more detail in KIG's Form ADV Part 2A. The measure of internal dispersion presented above is an asset-weighted standard deviation. The 3-year standard deviation presented above is calculated using monthly net-of-fees returns. The 3-year standard deviation is not presented when less than 36 months of returns are available.

For comparison purposes, the Composite's primary benchmark is the S&P 500 Index, a broad market sample based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The secondary benchmark is the Russell 3000 Index, which measures the performance of the largest 3,000 US companies and represents approximately 98% of the investable US equity market. Also presented is the Russell 3000 Value Index, which measures the performance of the value sector (lower price-to-book ratios and lower expected growth rates) of the Russell 3000 Index. It is not possible to invest directly in an index.

Nothing presented herein is, or is intended to constitute, specific investment advice or marketing material. Information provided reflects the views of KIG as of a particular time. Such views are subject to change at any point and KIG shall not be obligated to provide notice of any change. Any securities information regarding holdings, allocations and other characteristics are presented to illustrate examples of the types of investments or allocations that KIG or AFAM may have bought or pursued as of a particular date. It may not be representative of any current or future investments or allocations and nothing should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While KIG has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in securities. Past performance is not a guarantee of future performance.