September 6, 2020

EXECUTIVE SUMMARY

Newsletter Trades – Sales & Purchases
Volatility – Selloffs Part of the Game
Market of Stocks – Reversal of Fortunes in September
History Lesson – Value Performed Very Well When the 2000 Tech Bubble Burst
COVID-19 – Case and Death Count Growth Holds Steady
Econ News – Data are Pretty Good, Relatively Speaking
Powell on *NPR* – Fed to be Accommodative for Years
Interest Rates – Low Rates Support Equities
Sentiment – Still no Love for Stocks
Diverse TPS Holdings – 24 Russell 3000 Growth Members & 32 S&P 500 Pure Value Index Members
Stock News – Updates on KIM & AVGO

Market Review

A little more housekeeping before this week's missive. As discussed on our August 28 *Sales Alert*, we sold the following on Tuesday, September 1: 93 **Deere** (DE – $211.34) at $214.208 and 86 **Microsoft** (MSFT – $214.25) at $226.40 in TPS Portfolio; as well as 17 MSFT for Buckingham Portfolio at $226.40. We will use that price for the 32 and 56 Microsoft shares respectively liquidated in our hypothetical Millennium Portfolio and PruFolio.

Also, as discussed in the September edition of *The Prudent Speculator*, we bought the following for our newsletter portfolios on Friday, September 4.

TPS Portfolio
78 **Benchmark Electronics** (BHE – $20.36) at $20.0632
185 **NetApp** (NTAP – $46.40) at $46.455
1,180 **World Fuel Services** (INT – $25.17) at $25.2786

Buckingham Portfolio
111 **Pinnacle West Capital** (PNW – $72.40) at $72.2743

Millennium Portfolio
100 **Comerica** (CMA – $41.47) at $41.66
1,041 **Hewlett Packard Enterprises** (HPE – $9.59) at $9.60

PruFolio
182 **Honda Motor** (HMC – $26.01) at $25.88
129 **Snap-on** (SNA – $151.22) at $153.92

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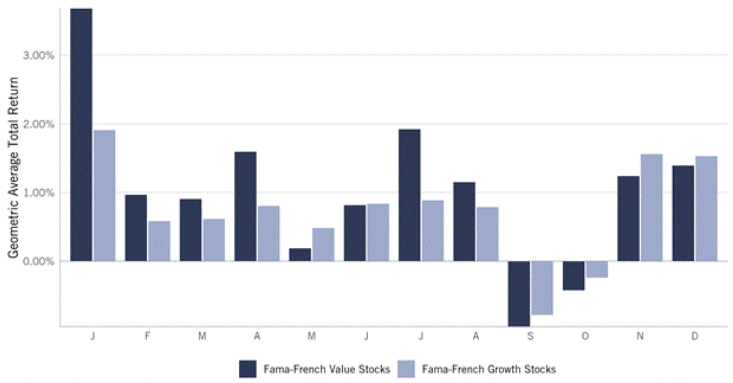
We hope everyone is having (or had) a happy and safe Labor Day Weekend. With the calendar having turned to September,…

THE PRUDENT SPECULATOR

SCARY SEPTEMBER NOT BAD THE LAST 15 YEARS

While the average decline has been relatively tame over the last nine decades, and the period actually has been positive on average over the last 15 years, September is one of only two months, October the other, where returns on stocks have been negative dating back to 1927.



From 12.31.27 through 12.31.19. Geometric average. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Scary September Last 15 Years

	Russell 3000 Growth Index	S&P 500 Index	Russell 3000 Index	Russell 3000 Value Index
Average	0.52	0.68	0.61	0.71
2019	-0.04	1.87	1.76	3.67
2018	0.33	0.57	0.17	0.00
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

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

…the last two trading days of the week just ended provided another reminder that stock prices move in both directions, with the S&P 500 at its low point on Friday down more than 5% from where it ended on Wednesday. True, that benchmark finished the two days off "just" 4.3%, but nine decades of market history show that there have been 303 declines of 5% on a closing basis without an intervening 5% advance, meaning that such a drop occurs more than three times a year on average.

THE PRUDENT SPECULATOR

VOLATILITY IS NORMAL: VALUE/DIVS WIN RACE

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	111.3%	977	27	3.4	3/23/2020	9/2/2020
17.5%	66.8%	570	39	2.3	3/23/2020	9/2/2020
15.0%	66.5%	555	45	2.0	3/23/2020	9/2/2020
12.5%	44.3%	333	72	1.3	3/23/2020	9/2/2020
10.0%	34.9%	244	98	0.9	3/23/2020	9/2/2020
7.5%	23.7%	148	156	0.6	3/23/2020	9/2/2020
5.0%	14.8%	72	304	0.3	6/11/2020	9/2/2020

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.4%	286	26	3.5	2/19/2020	3/23/2020
-17.5%	-30.4%	217	38	2.4	2/19/2020	3/23/2020
-15.0%	-28.4%	189	44	2.1	2/19/2020	3/23/2020
-12.5%	-22.8%	138	71	1.3	2/19/2020	3/23/2020
-10.0%	-19.6%	102	97	0.9	2/19/2020	3/23/2020
-7.5%	-15.5%	65	155	0.6	3/13/2020	3/23/2020
-5.0%	-10.9%	37	303	0.3	6/8/2020	6/11/2020

From 02.20.28 through 09.02.20. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	12.7%	26.0%
Growth Stocks	9.6%	21.5%
Dividend Paying Stocks	10.4%	18.1%
Non-Dividend Paying Stocks	8.9%	29.4%
Long-Term Corporate Bonds	6.2%	7.6%
Long-Term Gov't Bonds	5.7%	8.6%
Intermediate Gov't Bonds	5.1%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	2.9%	1.8%

From 06.30.27 through 06.30.20. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

We do not mean to downplay the severity of the skid, as Thursday was a brutal day no matter the brand of long equity investing to which one subscribes, but we certainly liked that Value stocks held up far better than Growth. Indeed, thus far in September, the Russell 3000 Value index is off 0.36% versus a 3.96% tumble for the Russell 3000 Growth index, while the average stock in the Russell 3000 index is down a relatively modest 0.39%.

MARKET OF STOCKS – UPSIDE DOWN IN SEPTEMBER

While the cap-weighted major market averages remain in the black for the year, despite the recent hiccup, September has seen a reversal of fortune with the year's biggest winners suffering outsized declines, and a couple of the worst performers in 2020, JPMorgan Chase and Bank of America, posting the best returns over the past four days. Of course, the average stock is still well in the red on a year-to-date basis.

Russell 3000 Index September

8.31.20 to 9.04.20 Performance Data

Company	Weight (%)	Contribution to Return (%)	Total Return (%)	2021 Forward P/E Ratio
Winners				
1244 Advancers	**26.20**	**0.59**		
JPMorgan Chase	0.88	0.03	3.3	11.8
Bank of America	0.58	0.02	3.8	12.4
Zoom Video	0.19	0.02	13.8	151.0
Broadcom	0.40	0.02	4.6	14.4
Coca-Cola	0.56	0.02	3.0	24.7
Top 5 Total	**2.61**	**0.11**		
Losers				
1751 Decliners	**73.80**	**-2.86**		
Facebook	2.05	-0.07	-3.6	25.4
Tesla	0.98	-0.17	-16.1	139.9
Amazon.com	4.24	-0.19	-4.5	55.0
Microsoft	4.88	-0.24	-5.0	31.4
Apple	6.09	-0.38	-6.3	29.8
Bottom 5 Total	**18.24**	**-1.05**		
Russell 3000 Index TR			**-2.28**	
Russell 3000 Index Average Stock TR			**-0.39**	

Source: Kovitz using data from Bloomberg

Russell 3000 Index Year-to-Date

12.31.19 to 9.4.20 Performance Data

Company	Weight (%)	Contribution to Return (%)	Total Return (%)	2021 Forward P/E Ratio
Winners				
1068 Advancers	**60.28**	**17.73**		
Apple	4.67	2.54	65.9	29.8
Amazon.com	3.39	2.18	78.3	55
Microsoft	4.60	1.59	36.9	31.4
Tesla	0.46	0.80	400.0	139.9
Facebook	1.72	0.65	37.7	25.4
Top 5 Total	**14.82**	**7.75**		
Losers				
2154 Decliners	**39.72**	**-10.82**		
AT&T	0.79	-0.24	-21.0	9.1
Boeing	0.36	-0.30	-47.2	38.6
Wells Fargo	0.41	-0.37	-52.3	11.8
JPMorgan Chase	1.09	-0.38	-23.7	11.8
Exxon Mobil	0.68	-0.38	-40.9	25.2
Bottom 5 Total	**3.32**	**-1.68**		
Russell 3000 Index TR			**6.90**	
Russell 3000 Index Average Stock TR			**-6.10**	

Source: Kovitz using data from Bloomberg

Indeed, it is a market of stocks and not simply a stock market, as capitalization-weighted indexes can be skewed by the performance of a handful of constituents. It is a similar story for the venerable price-weighted Dow Jones Industrial Average. For example, the three stocks added to the Dow last week, **Amgen** (AMGN – $248.40), Honeywell Int'l and Salesforce.com, cost the market gauge 150 points, given the trio's combined $22.81 in price decline and the current Dow Divisor of 0.15199. The math quickly becomes complicated, but we suppose that we should give the folks at Dow Jones some credit, as the price-weighting of the index spared the Dow a loss of 76 more points on the drop in the post-four-for-one-split **Apple** (AAPL – $120.96) shares, while losses on the three stocks booted from the index, **Pfizer** (PFE – $36.36), Raytheon and **Exxon Mobil** (XOM – $39.08), would have amounted to 28 Dow points.

Of course, we understand that popular benchmarks like the Dow and S&P 500 are often good proxies for the overall market. However, the table above showing a negative year-to-date total return of 6.1% for the average stock in the Russell 3000 and the table below showing the massive dispersion of returns following the bursting of the Tech Bubble vividly illustrate that what is suggested by index returns may not be what is happening in our broadly diversified portfolios.

THE PRUDENT SPECULATOR

THERE WOULD BE NO COMPLAINTS FROM US IF NOW IS LIKE MARCH 2000

Despite enduring significant volatility along the way, not to mention suffering through a miserable 2002, 2008 and 2011, Value strategies performed admirably, with the S&P 500 Pure Value index the easy winner, following the bursting of the Tech Bubble in March 2000.

Total Returns Matrix Post March 31, 2000

Name	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Symbol
Dow Jones Industrial Average TR	-8.21	-22.70	6.14	30.81	25.09	132.79	224.39	DJITR Index
Russell 3000 Total Return Growth Index	-42.52	-58.70	-43.96	-31.70	-33.57	37.77	119.25	RU30GRTR Index
Russell 3000 Total Return Value Index	**1.48**	**-17.20**	**33.14**	**76.71**	**41.17**	**167.78**	**190.12**	**RU30VATR Index**
Russell 3000 Total Return Index	-22.26	-40.39	-11.79	12.17	-0.73	97.19	161.01	RU30INTR Index
S&P 500 Growth Total Return Index	-38.19	-50.50	-34.68	-23.23	-25.53	54.87	143.54	SPTRSGX Index
S&P 500 Value Total Return Index	**-1.07**	**-30.12**	**10.04**	**46.09**	**15.97**	**114.98**	**154.67**	**SPTRSVX Index**
S&P 500 Total Return Index	-21.68	-40.93	-14.84	6.40	-6.35	84.03	154.83	SPXT Index
S&P 500 Pure Growth Total Return Index	-31.60	-54.66	-26.15	-10.93	-8.12	119.03	177.90	SPTRXPG Index
S&P 500 Pure Value Total Return Index	**23.92**	**3.59**	**103.40**	**183.68**	**140.69**	**438.00**	**352.33**	**SPTRXPV Index**

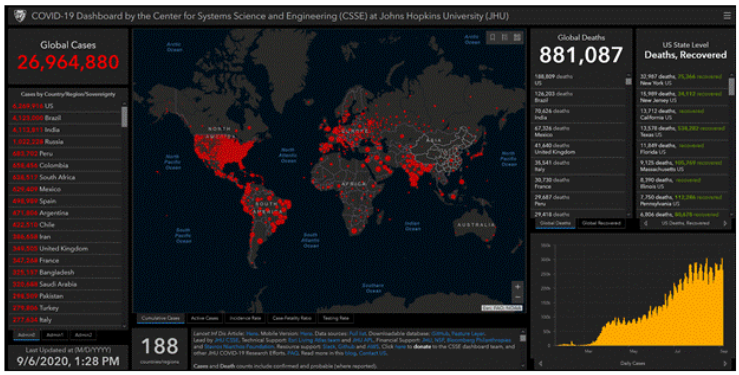
Source Kovitz using data from Bloomberg. Forward returns starting 03.31.00

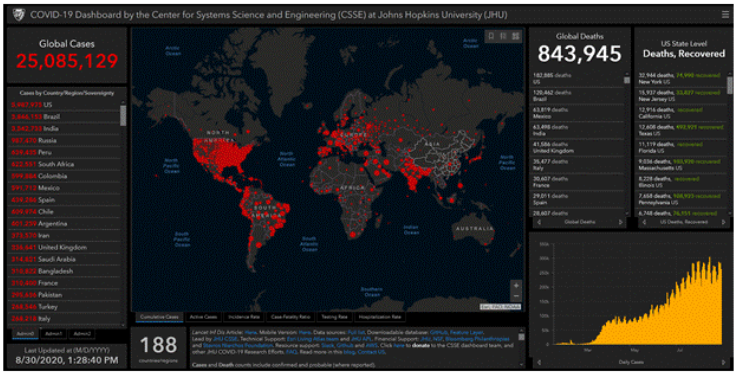
And, the market environment has been fascinating this year in that the mega-cap tech stocks that have driven the Russell 3000 index to a 6.9% year-to-date total return arguably have been major beneficiaries of the COVID-19 pandemic and the Great Lockdown, while far more stocks are economically sensitive and have been battered and bruised.

As such, better news on the health front, be it continued progress on COVID-19 vaccines and therapeutics, and, hopefully, slowing case and mortality rates,…

THE PRUDENT SPECULATOR

COVID-19 GLOBAL SPREAD





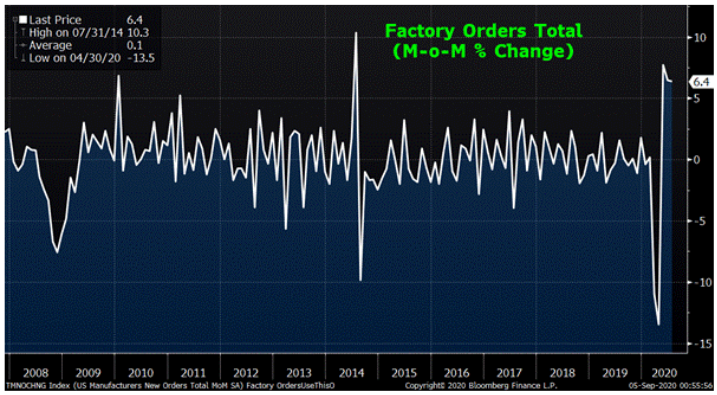
https://www.arcgis.com/apps/opsdashboard/index.html#/bda759474ofd4029942367b48e9ecf6

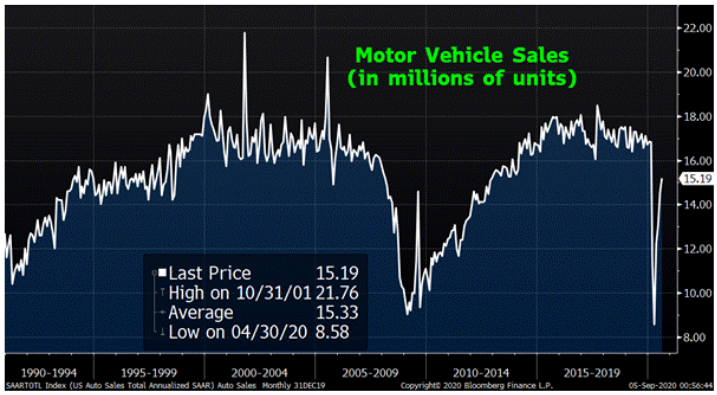
With access to testing remaining high, there was another jump of nearly 1.9 million in global COVID-19 confirmed cases in the latest week. Case counts have surged as economies have reopened, social distancing has waned and mask wearing has been inconsistent, and the U.S. is now up to more than 188,000 fatalities. While deaths obviously lag cases, the news has been better on the global mortality rate, as in the latest week the increase in fatalities totaled 4.4%, in line with the 4.7% and 4.3% climbs the two week prior, but down from jumps of 6.1%, 6.1% and 6.2%, respectively, the three weeks before.

…and positive developments on the state of the economy would seemingly support a renaissance for Value, wherein we think that the opportunity is on par with what was seen in March 2000. Happily, economic data out last week generally was better-than-expected, be it on factory orders and auto sales,…

THE PRUDENT SPECULATOR

UPBEAT ECONOMIC NUMBERS





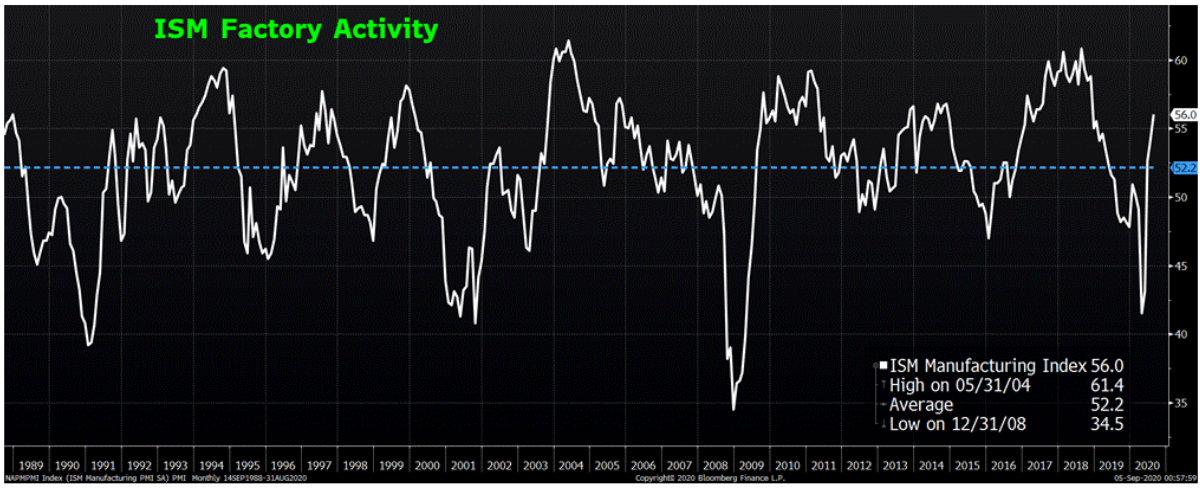
Continuing the sharp bounce back in the manufacturing sector after the coronavirus-related shutdowns, factory orders for July increased for a third straight month, this time by 6.4%, above projections for a 6.2% gain. Meanwhile, consumers went car shopping in August, with the seasonally adjusted annualized rate for light vehicles sold estimated at 15.19 million units, according to Wards Intelligence, up from 14.5 million the month prior.

…the outlook for the manufacturing sector,…

THE PRUDENT SPECULATOR

ISM MANUFACTURING JUMPS AGAIN: 3.9% ANNUALIZED GDP GROWTH

The latest read on the health of the manufacturing sector climbed to a better-than-expected 56.0 in August, rebounding further from the 11-year-low of 41.5 set four months prior and hitting a 21-month high, with the Institute for Supply Management stating, "The past relationship between the PMI and the overall economy... corresponds to a 3.9% increase in real gross domestic product (GDP) on an annualized basis."

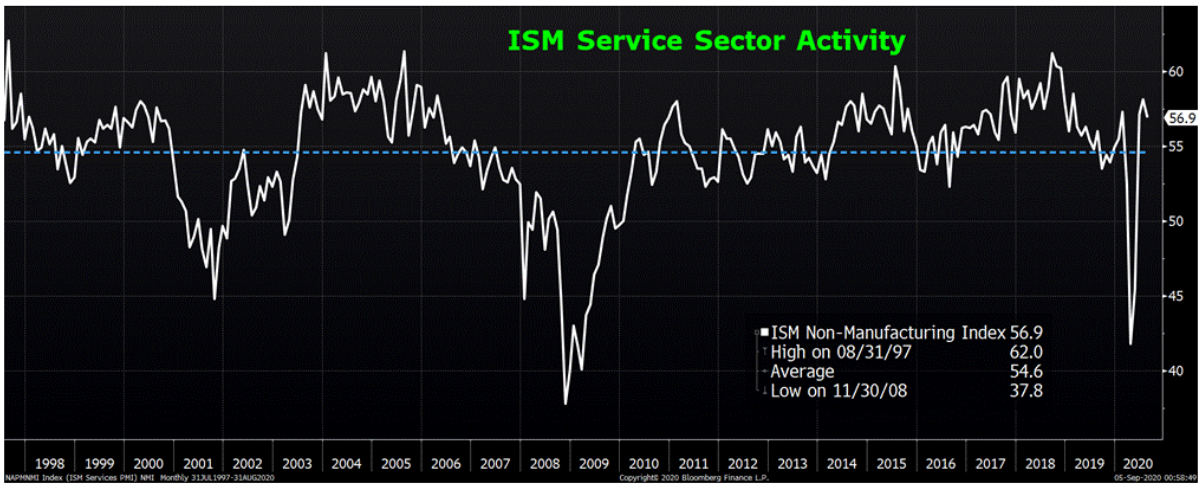


…and even the state of the service sector,…

THE PRUDENT SPECULATOR

ISM NON-MANUFACTURING DIPS: 2.8% ANNUALIZED GDP GROWTH

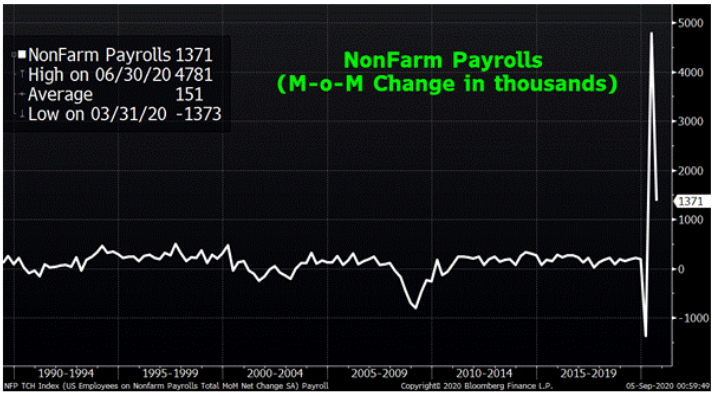
The latest read on the health of the service sector pulled back to a slightly better-than-expected 56.9 in August, down from 58.1 in July, but still well above the average tally and suggesting a growing non-manufacturing economy, with the Institute for Supply Management stating, "The past relationship between the Services PMI and the overall economy...corresponds to a 2.8% increase in real gross domestic product (GDP) on an annualized basis."

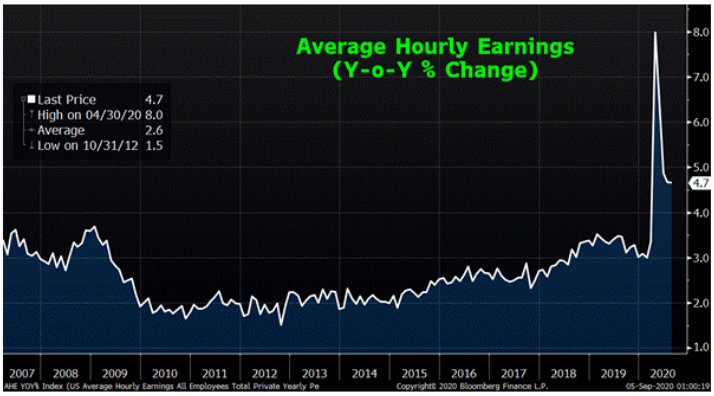


…while the labor report for August had relatively favorable numbers in terms of all-important payrolls,…

THE PRUDENT SPECULATOR

BETTER-THAN-EXPECTED EMPLOYMENT SITUATION REPORT



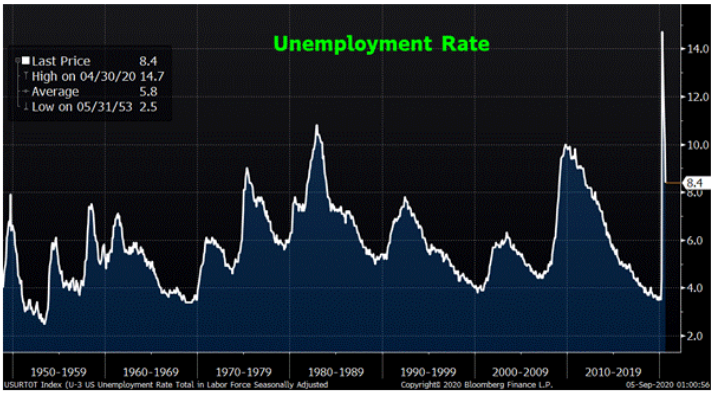


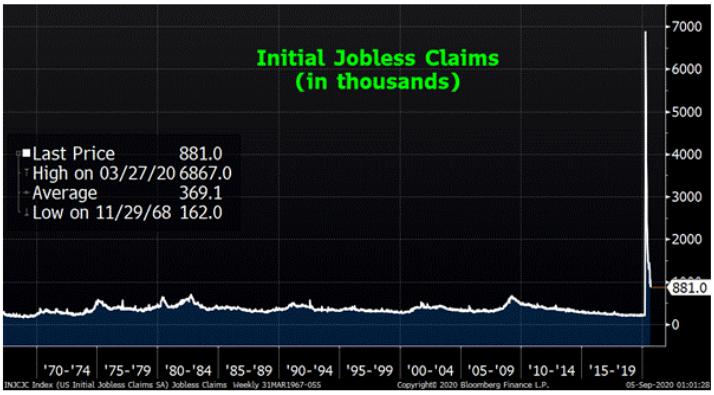
While economists were looking for a gain of 1.20 million payrolls, the increase of 1.37 million in August exceeded expectations, though a big jump in hiring in the government sector was the largest contributor. To be sure, there are still millions out of work, but given that a lot of the recent layoffs were for lower-paying jobs, average hourly earnings comparisons remained high, jumping 4.7% on a year-over-year basis.

…and the unemployment rate.

THE PRUDENT SPECULATOR

LOTS OF FOLKS OUT OF WORK…BUT NUMBERS SHOW STRONG IMPROVEMENT





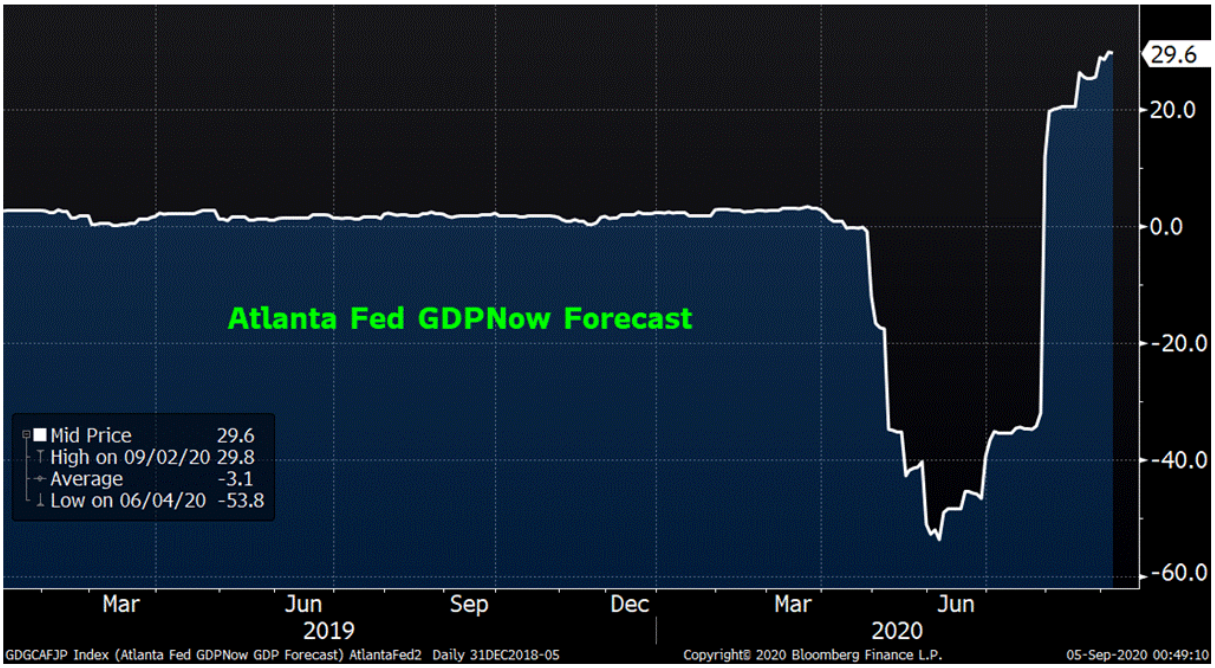
While temporary 2020 Census workers skew the numbers somewhat, the jobless rate for August came in better than expected at 8.4%, continuing to improve from April's record 14.7% level. Adding to that relatively good news, first-time filings in the latest week for unemployment benefits declined to 881 thousand, a smaller figure than projected, even as the total for the last 24 COVID-19-impacted weeks rose to more than 59 million.

The near-term outlook for GDP growth continues to climb,…

THE PRUDENT SPECULATOR

SIGNIFICANT BOUNCE IN U.S. GDP EXPECTED IN Q3

While a rebound is almost a mathematical certainty, given the magnitude of the massive Q2 economic contraction, the Atlanta Fed is now projecting a 29.6% increase in GDP in Q3 on an annualized basis.



…with even Jerome H. Powell sounding a little more upbeat when queried on Friday in an *NPR* interview: "The speed of the recovery appears to be slowing. Do you agree that it's slowing? And does that call for some change on your part?"

The Federal Reserve Chair responded, "I don't know that it is slowing. I would say today's jobs report was a good one. Through May and June, we got quite a few people back to work. I'd say that the recovery is ongoing. It may be continuing at about the same pace. I think we're not really going to know the pace of the speed of the recovery with any clarity for a couple more months. But certainly the healing in the jobs market continues apace. Today's jobs report, unemployment rate declined to 8.4%. More than a million jobs were created. Again, that's not as many as were created in May and June, but that's because more and more people are going back to work. So I guess I would just say the recovery is continuing. We do think it will get harder from here — because of those areas of the economy that are so directly affected by the pandemic still. The places where, you know, flying in airplanes and things like that, where still economic activity is going to be very low. There's going to be a long period, we believe, where we'll have to take our time and see those people get back to work."

JEROME H. POWELL *NPR* INTERVIEW: 9.4.20

Q: This means that you can keep interest rates super low for a little longer time or maybe a lot longer than you might otherwise have done. Is that what we should expect? The interest rates are going to be around zero for years to come?

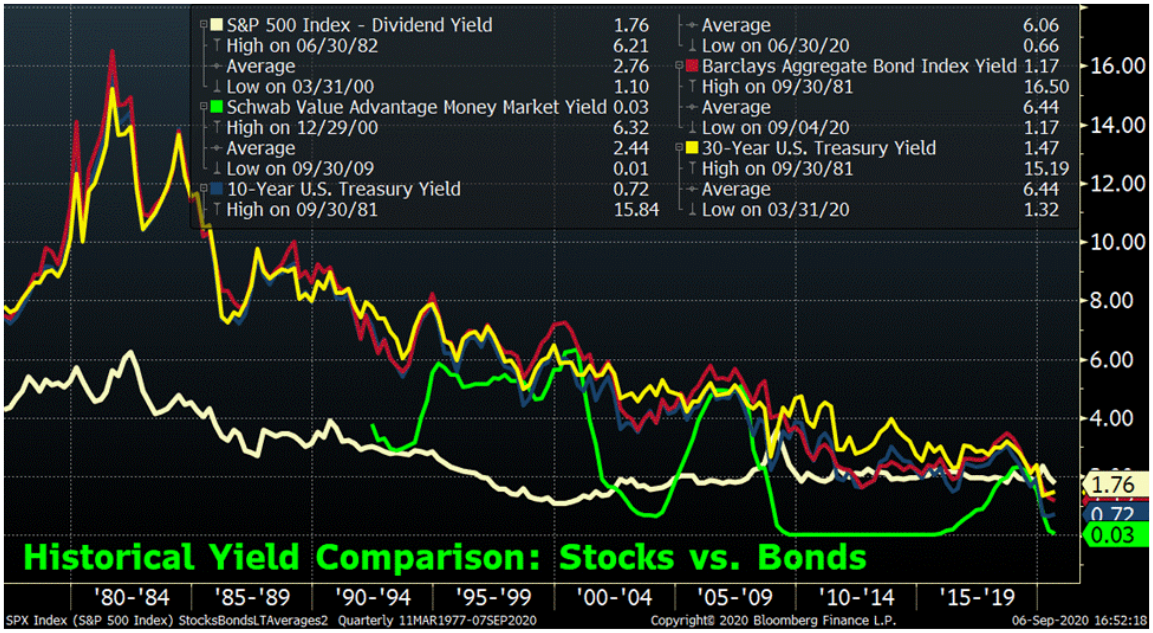
A: Well, I think that's really a function of the unique situation we're in right now. As you know, the economy was in strong shape before the pandemic arrived. And March and April of this year, because of the pandemic and the measures we took to control it, the economy — economic activity — declined pretty significantly. So the economy is now recovering and it's about half of the jobs, the 22 million payroll jobs that we lost during that period have come back. But it's going to be a long time, we think. We think that the economy's going to need low interest rates, which support economic activity for an extended period of time...It will be measured in years, yes, we believe. However long it takes, we're going to be there. We're not going to prematurely withdraw the support that we think the economy needs. So there's still, while we've gotten something like 11 million people back to work, there's still another 10 or 11 [million] who are not back to work. And in a sense, those may be some of the harder jobs to find because there are some parts of the economy that will take longer to recover. And these are the ones that involve direct person-to-person contact in crowds. So travel, entertainment, hotels, things like that. It's going to be hard. The people who worked in those service jobs, particularly the entry-level, lower paid workers, they're the ones who are most vulnerable, you know, and those are the ones who we really need to look out for both through Fed policy, which will be there to support the economy, but also through fiscal policy, where by fiscal policy, I mean things like enhanced unemployment insurance and aid for small businesses and things like that. And we think it will be some time before that set of problems can work itself out, and get those people back to work and then the support can be withdrawn.

In that same interview, Mr. Powell made it clear that interest rates were likely to remain low for an "extended period of time," and that the Fed will remain highly accommodative for "years," all of which, we believe provides significant support for equity prices.

THE PRUDENT SPECULATOR

EQUITY VS. FIXED INCOME YIELDS

Though stocks are not necessarily a substitute for cash, government or corporate bonds, the payout on the S&P 500 (1.76%) is extraordinarily generous versus the income provided by fixed income, especially given the recent plunge in rates. Incredibly, **equities yield more than the Barclays Aggregate Bond Index and more than 50 times a "generous" Money Market Fund!**



We continue to believe folks should be steering more money toward stocks, but, outside of those aforementioned mega-cap tech names this year, that does not appear to be the case, given that there is still $4.5 trillion (up from $3.6 trillion at the start of the year) sitting in those near-zero-yielding money market funds, while those on Main Street are showing little interest in U.S. equities.

THE PRUDENT SPECULATOR

SENTIMENT: NO ENTHUSIASM FOR STOCKS

Pessimism among individual investors continues to be high, remaining more than 11 points above normal in the latest AAII Sentiment Survey. Bullish sentiment fell in the latest week and is now 7.2 percentage points below normal.

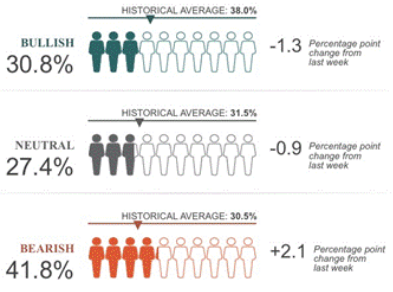
We remain perplexed that many supposed market experts continue to argue that investors are piling into stocks, given that the latest data on mutual and exchange traded fund flows from ICI shows a massive exodus from U.S. stocks and a continued infatuation with bonds.

AAII Investor Sentiment Survey

Since 1987, AAII members have been answering the same simple question each week. The results are compiled into the AAII Investor Sentiment Survey, which offers insight into the mood of individual investors.

Survey Results for Week Ending 9/2/2020

Data represents what direction members feel the stock market will be in next 6 months.



Note: Numbers may not add up to 100% because of rounding.

The AAII Investor Sentiment Survey has become a widely followed measure of the mood of individual investors. The weekly survey results are published in financial publications including Barron's and Bloomberg and are widely followed by market strategists, investment newsletter writers and other financial professionals.

Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	8/26/2020	8/19/2020	8/12/2020	8/5/2020	7/29/2020
Total Equity	-19,715	-15,105	-3,256	-20,318	-14,381
Domestic	-18,291	-15,776	-5,495	-18,757	-10,873
World	-1,424	672	2,239	-1,562	-3,508
Hybrid	-624	-300	-577	-275	-917
Total Bond	20,084	17,810	20,153	27,334	18,495
Taxable	17,846	14,886	16,607	23,924	15,616
Municipal	2,238	2,924	3,545	3,410	2,879
Commodities	669	370	-97	2,600	3,388
Total	414	2,775	16,222	9,340	6,586

Source: Investment Company Institute

And for those looking to put money to work, we have put together two lists, culled from all our newsletter recommendations solely based on index membership status. Noting that we do not discriminate by arbitrary Value/Growth labels in our stock selection, even as the metrics associated with our managed account portfolios very much skew to the inexpensive side of the ledger,…

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	17.6	14.9	1.1	2.0	2.7
ValuePlus	18.9	15.6	1.1	1.9	2.4
Dividend Income	17.0	14.9	0.9	2.0	3.0
Focused Dividend Income	17.4	15.3	1.0	2.2	2.9
Focused ValuePlus	18.6	16.3	1.4	2.2	2.5
Small-Mid Dividend Value	14.5	14.2	0.5	1.3	2.8
Russell 3000	29.9	28.5	2.4	3.6	1.7
Russell 3000 Growth	43.7	36.4	4.4	11.0	0.8
Russell 3000 Value	22.2	23.0	1.6	2.1	2.6
Russell 1000	28.2	27.4	2.5	3.8	1.7
Russell 1000 Growth	40.1	34.6	4.7	11.8	0.8
Russell 1000 Value	21.3	22.3	1.7	2.2	2.6
S&P 500 Index	26.7	26.2	2.5	3.8	1.8
S&P 500 Growth Index	34.5	31.7	4.8	8.1	1.0
S&P 500 Value Index	19.7	20.5	1.5	2.1	2.9
S&P 500 Pure Value Index	17.2	23.9	0.5	1.0	3.2

As of 09.05.20. 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: Kovitz using data from Bloomberg Finance L.P.

…the following two-dozen stocks arguably might benefit should Growthier strategies remain in vogue,…

THE PRUDENT SPECULATOR

TPS RECOMMENDATIONS & RUSSELL 3000 GROWTH INDEX MEMBERS

We are equal opportunity stock pickers as we do not discriminate in our selection of what we believe to be companies that have significant capital appreciation and income potential, though even stocks that may fall into the Growth bucket must be inexpensive by our analytics in order to qualify for consideration.

TPS Russell 3000 Growth Index Members

Symbol	Common Stock	9.4.20 Price	Target Price	52-Week High	% Below High	52-Week Low	% Above Low	Sector	P/E	P/S	P/TBV	ROCE	EV/ EBITDA	FCF Yld	Debt/ TE (%)	Div Yld	Mkt Cap
AAPL	Apple	$120.96	$139.00	$137.98	-12%	$52.77	129%	Technology Hardware	36.8	7.6	28.6	69.2	25.0	3.4	141%	0.7%	2,068,723
ABT	Abbott Laboratories	$104.16	$117.15	$114.20	-9%	$61.61	69%	Health Care Equip/Srvcs	34.6	5.9	nmf	10.0	27.1	2.5	nmf	1.4%	184,418
AMGN	Amgen	$248.40	$285.80	$264.97	-6%	$177.05	40%	Pharma, Biotech	15.8	6.0	nmf	68.0	13.7	6.9	nmf	2.6%	145,486
AVGO	Broadcom	$362.95	$423.41	$378.96	-4%	$155.67	133%	Semiconductors	17.1	6.3	nmf	9.9	17.7	7.4	nmf	3.6%	145,973
AXS	Axis Capital Holdings Ltd	$49.13	$66.87	$67.51	-27%	$31.82	54%	Insurance	nmf	nmf	0.9	-1.2	nmf	nmf	nmf	3.3%	4,142
BIIB	Biogen	$276.00	$428.37	$374.99	-26%	$219.70	26%	Pharma, Biotech	7.5	3.0	20.1	48.9	5.7	13.9	361%	0.0%	43,695
BMY	Bristol-Myers Squibb	$59.95	$89.65	$68.34	-12%	$45.76	31%	Pharma, Biotech	10.4	3.9	nmf	-1.7	15.2	9.8	nmf	3.0%	135,123
CAH	Cardinal Health	$49.72	$78.92	$60.69	-18%	$39.05	27%	Health Care Equip/Srvcs	9.1	0.1	nmf	-91.1	-6.4	11.0	nmf	3.9%	14,540
COHU	Cohu	$16.71	$24.06	$26.43	-37%	$8.89	88%	Semiconductors	59.7	1.2	nmf	-10.1	28.1	2.6	nmf	0.0%	700
GOOG	Alphabet	$1,591.04	$1,754.29	$1,733.18	-8%	$1,013.54	57%	Media & Entertainment	32.7	6.5	5.8	15.8	20.4	2.9	8%	0.0%	1,078,988
JBL	Jabil Inc	$32.91	$48.38	$44.20	-26%	$17.63	87%	Technology Hardware	11.8	0.2	7.0	2.2	5.3	15.6	360%	1.0%	4,955
JNJ	Johnson & Johnson	$148.59	$173.76	$157.00	-5%	$109.16	36%	Pharma, Biotech	18.6	4.9	nmf	24.5	14.7	4.4	nmf	2.7%	391,211
LMT	Lockheed Martin	$385.02	$496.02	$442.53	-13%	$266.11	45%	Capital Goods	16.9	1.7	nmf	195.4	12.0	6.4	nmf	2.5%	107,629
LOW	Lowe's Cos	$156.39	$182.15	$171.32	-9%	$60.00	161%	Retailing	19.9	1.5	29.2	163.1	12.8	9.2	594%	1.5%	118,190
LRCX	Lam Research	$333.12	$411.54	$387.70	-14%	$181.38	84%	Semiconductors	20.9	4.8	13.8	45.7	16.0	4.0	145%	1.6%	48,511
MCK	McKesson	$152.43	$197.59	$172.18	-11%	$112.60	35%	Health Care Equip/Srvcs	10.5	0.1	nmf	13.8	8.8	11.2	nmf	1.1%	24,723
MMM	3M	$165.77	$192.83	$182.55	-9%	$114.04	45%	Capital Goods	19.6	3.0	nmf	49.0	13.0	6.2	nmf	3.5%	95,487
MRK	Merck & Co	$85.24	$102.89	$92.64	-8%	$65.25	31%	Pharma, Biotech	15.4	4.6	nmf	37.9	14.9	4.3	nmf	2.9%	215,593
MSFT	Microsoft	$214.25	$238.95	$232.86	-8%	$132.52	62%	Software & Services	37.2	11.3	23.9	40.1	23.1	2.8	112%	1.0%	1,621,370
NLOK	NortonLifeLock	$23.39	$26.96	$24.40	-4%	$13.06	79%	Software & Services	23.4	5.6	nmf	nmf	27.3	-7.7	nmf	2.1%	13,824
NTAP	NetApp	$46.40	$75.36	$65.38	-29%	$34.66	34%	Technology Hardware	11.1	1.9	nmf	138.3	7.7	8.2	nmf	4.1%	10,301
ORCL	Oracle	$55.73	$64.18	$59.32	-6%	$39.71	40%	Software & Services	14.4	4.4	nmf	59.9	11.6	6.4	nmf	1.7%	171,018
QCOM	Qualcomm	$115.97	$125.72	$123.93	-6%	$58.00	100%	Semiconductors	33.0	6.5	nmf	62.6	27.1	2.9	nmf	2.2%	130,814
WM	Waste Management	$111.21	$127.85	$126.79	-12%	$85.34	30%	Commercial & Pro Srvcs	26.5	3.1	nmf	24.1	13.7	4.1	nmf	2.0%	46,982

As of 9.4.20. nmf=Not meaningful. ROCE = Return on Common Equity. TBV = Tangible book value. EV/EBITDA = Enterprise value to earnings before interest, taxes, depreciation and amortization. FCF Yield = Free Cash Flow Yield

…while these 32 names exhibit characteristics associated with the best performing index in the years post March 2000.

THE PRUDENT SPECULATOR

TPS RECOMMENDATIONS & S&P 500 PURE VALUE INDEX MEMBERS

Not surprisingly, given our penchant for inexpensively priced stocks, many of our holdings reside on the deeper end of the Value spectrum.

S&P 500 Pure Value Index Members

Symbol	Common Stock	9.4.20 Price	Target Price	52-Week High	% Below High	52-Week Low	% Above Low	Sector	P/E	P/S	P/TBV	ROCE	EV/ EBITDA	FCF Yld	Debt/ TE (%)	Div Yld	Mkt Cap
ADM	Archer-Daniels-Midland	$46.49	$56.62	$47.20	-2%	$28.92	61%	Food, Beverage & Tobacco	12.6	0.4	1.8	9.3	12.4	-15.2	67%	3.1%	25,832
ALK	Alaska Air Group	$40.82	$60.81	$72.22	-43%	$20.02	104%	Transportation	nmf	0.8	2.8	1.5	10.0	9.5	162%	0.0%	5,047
ALL	Allstate	$93.81	$135.91	$125.92	-26%	$64.13	46%	Insurance	7.8	nmf	1.3	18.3	nmf	nmf	nmf	2.3%	29,298
BAC	Bank of America	$26.54	$37.98	$35.72	-26%	$17.95	48%	Banks	11.9	nmf	1.3	7.7	nmf	nmf	nmf	2.7%	229,945
BK	Bank of New York Mellon	$37.50	$53.91	$51.60	-27%	$26.40	42%	Diversified Financials	9.0	nmf	1.8	11.0	nmf	nmf	nmf	3.3%	33,220
C	Citigroup	$52.52	$94.05	$83.11	-37%	$32.00	64%	Banks	9.7	nmf	0.7	7.1	nmf	nmf	nmf	3.9%	109,340
CMA	Comerica	$41.47	$70.92	$73.43	-44%	$24.28	71%	Banks	10.1	nmf	0.8	8.0	nmf	nmf	nmf	6.6%	5,766
COF	Capital One Financial	$73.99	$115.22	$107.59	-31%	$38.00	95%	Diversified Financials	62.7	nmf	0.9	-0.2	nmf	nmf	nmf	0.5%	33,786
CVS	CVS Health	$60.24	$108.59	$77.03	-22%	$52.04	16%	Health Care Equip/Srvcs	7.4	0.3	nmf	12.8	7.8	17.3	nmf	3.3%	78,836
DAL	Delta Air Lines	$31.77	$48.02	$62.48	-49%	$17.51	81%	Transportation	nmf	0.6	nmf	-32.3	46.2	0.1	nmf	0.0%	20,265
FDX	FedEx	$226.12	$239.80	$231.58	-2%	$88.69	155%	Transportation	23.8	0.9	5.1	7.1	10.4	-1.3	294%	1.1%	59,243
FITB	Fifth Third Bancorp	$21.63	$34.02	$31.64	-32%	$11.10	95%	Banks	11.6	nmf	1.0	7.1	nmf	nmf	nmf	5.0%	15,406
GM	General Motors	$30.00	$44.10	$39.78	-25%	$14.33	109%	Automobiles	15.9	0.4	1.3	3.7	3.7	5.4	259%	0.0%	42,933
GS	Goldman Sachs Group	$210.94	$272.96	$250.46	-16%	$130.85	61%	Diversified Financials	11.2	nmf	1.0	6.1	nmf	nmf	nmf	2.4%	75,619
HFC	HollyFrontier	$22.82	$48.08	$58.88	-61%	$18.48	23%	Energy	9.4	0.3	1.6	-2.8	11.4	15.7	119%	6.1%	3,697
HPE	Hewlett Packard Ent.	$9.59	$16.29	$17.59	-45%	$7.43	29%	Technology Hardware	6.5	0.5	nmf	0.0	9.0	3.5	nmf	5.0%	12,336
IP	International Paper	$39.03	$54.30	$47.64	-18%	$26.38	48%	Materials	11.1	0.7	5.9	8.7	8.3	14.1	377%	5.3%	15,342
KEY	KeyCorp	$12.89	$20.33	$20.53	-37%	$7.45	73%	Banks	10.4	nmf	1.0	7.2	nmf	nmf	nmf	5.7%	12,581
KR	Kroger Co	$35.47	$38.76	$37.22	-5%	$23.71	50%	Food & Staples Retailing	13.1	0.2	5.3	23.4	7.6	13.4	361%	2.0%	27,593
KSS	Kohl's Corp	$22.25	$42.35	$59.28	-62%	$10.89	104%	Retailing	nmf	0.2	0.7	-2.1	8.3	19.6	154%	0.0%	3,510
MCK	McKesson	$152.43	$197.59	$172.18	-11%	$112.60	35%	Health Care Equip/Srvcs	10.5	0.1	nmf	13.8	8.8	11.2	nmf	1.1%	24,723
MET	MetLife	$39.15	$70.82	$53.28	-27%	$22.85	71%	Insurance	6.9	nmf	0.6	10.8	nmf	nmf	nmf	4.7%	35,535
MOS	Mosaic Co	$18.53	$24.26	$23.18	-20%	$6.50	185%	Materials	nmf	0.8	1.0	-11.8	-101.3	8.3	63%	1.1%	7,025
NEM	Newmont Corp	$65.35	$75.06	$72.22	-10%	$33.00	98%	Materials	41.4	4.9	2.7	18.9	11.8	4.0	32%	1.5%	52,481
PRU	Prudential Financial	$69.71	$118.04	$97.24	-28%	$38.62	81%	Insurance	7.2	nmf	0.4	-0.3	nmf	nmf	nmf	6.3%	27,535
SJM	J M Smucker	$117.56	$139.23	$125.62	-6%	$91.88	28%	Food, Beverage & Tobacco	12.3	1.7	nmf	10.5	10.2	8.7	nmf	3.1%	13,411
T	AT&T	$29.42	$40.97	$39.70	-26%	$26.08	13%	Telecom Services	8.4	1.2	nmf	6.6	6.9	12.1	nmf	7.1%	209,618
TFC	Truist Financial	$39.16	$58.57	$56.92	-31%	$24.01	63%	Banks	10.1	nmf	1.5	7.4	nmf	nmf	nmf	4.6%	52,772
WBA	Walgreens Boots Alliance	$36.89	$78.88	$64.50	-43%	$36.50	1%	Food & Staples Retailing	7.2	0.2	nmf	3.4	13.1	13.3	nmf	5.1%	31,966
WHR	Whirlpool	$168.00	$197.92	$185.96	-10%	$64.00	163%	Consumer Durables	12.1	0.6	nmf	28.9	7.8	7.6	nmf	2.9%	10,465
WRK	Westrock	$32.54	$55.99	$44.39	-27%	$21.50	51%	Materials	10.0	0.5	12.2	6.6	6.4	11.8	1497%	2.5%	8,449
XOM	Exxon Mobil	$39.08	$64.64	$75.18	-48%	$30.11	30%	Energy	42.8	0.8	0.9	3.9	9.4	-1.0	26%	8.9%	165,239

As of 9.4.20. nmf=Not meaningful. ROCE = Return on Common Equity. TBV = Tangible book value. EV/EBITDA = Enterprise value to earnings before interest, taxes, depreciation and amortization. FCF Yield = Free Cash Flow Yield

Stock Updates

It was a relatively quiet week for individual company news, but Jason Clark, Chris Quigley and Zach Tart look at two of our companies that had developments of sufficient importance to merit a Target Price review. Keep in mind that all stocks are rated as a "Buy" until such time as they are a "Sell." A listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/, and we offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Kimco Realty (KIM – $12.66) declared its first dividend last week since discontinuing the previous payout back in May. The distribution is $0.10 and payable on 9.24.20 to shareholders of record as of 9.10.20. According to a recent update, 76%, 82% and 85% of respective June, July and August rents have been collected. In addition, the firm says that approximately 96% of tenants, based on annualized base rent (ABR), are currently open, including those that are operating on a limited basis. And, approximately 2% of ABR has been granted rent deferrals for the month of August, compared to 18% of pro-rata minimum base rent at the end of June.

CEO Conor Flynn commented, "In light of the company's financial performance, including the improving level of rent collections, excellent liquidity position and the recent affirmation of our

investment grade credit rating, this dividend declaration reflects the Board's confidence in the strength and quality of our portfolio and its ability to provide successful last mile fulfillment opportunities for our tenants and shoppers. Declaring our dividend at this initial level accounts for the dividends already paid in 2020 and reflects continued focus on maintaining a strong balance sheet and financial flexibility. The Board will continue to monitor Kimco's financial performance and intends to declare additional dividends on common shares in 2020, as needed, of at least the minimum amount required to maintain compliance with Kimco's REIT taxable income distribution requirements. We expect to establish a more normalized and well-covered dividend level based on our adjusted funds from operations and REIT taxable income in 2021."

Shares are up 45% since the low in April, but like much of the U.S. economy, Kimco has certainly dealt with its share of challenges in the wake of COVID-19. We continue to like the shopping center REIT's financial strength (the firm maintains an investment grade credit rating) and note that some of its top tenants (Home Depot, Albertsons, & TJ Maxx) have been strong performers throughout the pandemic. We also think that KIM might have an opportunity to raise rents over the next several years as close to half of current normalized gross rents are due for renegotiation by 2025. The new dividend payout results in a yield of 3.2%. Our Target Price is $18.

Broadcom (AVGO – $362.95) added 5% after beating analyst expectations for fiscal Q3 2020. AVGO earned an adjusted $5.40 per share, versus the analyst consensus of $5.22. Revenue was $5.82 billion, versus $5.77 billion that was projected, while the company's gross margin was 74%. Management attributed the top- and bottom-line beats to being well-positioned for a work-from-home environment, which pushed cloud and telecom companies to rapidly update their networking and broadband infrastructure. Shares have gained 18% this year, despite the late-week technology sector swoon.

CEO Hock Tan explained, "The strength of our broad and diversified portfolio of leadership technology franchises led to record third quarter revenue for Broadcom despite these uncertain times we continue to operate in. We expect to soon start from benefiting from the transition to 5G and new product ramps later this year. While there continues to be ebb and flow in the parts of our business linked to enterprise, this is somewhat offset by the highly recurring revenue of our infrastructure software divisions. So as a result, we remain confident in the strategy we have laid out over the past several years, delivering sustainable revenue and significant cash flow margins while remaining focused on total shareholder return."

Mr. Tan added for fiscal Q4, "We expect net revenue to be $6.4 billion, up 10% sequentially from Q3. This reflects an approximate mid-teens percentage sequential projected revenue increase in the semiconductor solutions side and a low single-digit percentage sequential revenue increase in infrastructure software." The company continues to build on its trio of TPS stock purchases, CA, Symantec and Brocade, despite the hit-or-miss IT spending environment. Mr. Tan said that core account bookings grew double-digits year-over-year for CA, Symantec contributed $400 million to the top line and Brocade was up 3% year-over-year despite a "significant" sequential revenue drop.

Broadcom cut its debt load by nearly $2 billion to $44 billion in Q3, after having run it up to make acquisitions. Approximately $6 billion of debt was refinanced at lower rates, pushing the average maturity out to six years, while the average rate is now below 3%. Mr. Tan has a history of strong execution, while shares still trade for very reasonable valuation metrics, including a forward P/E around 15 and free cash flow yield near 7%. AVGO sports a very generous dividend yield of 3.6% and nearly $9 billion of cash on hand leaves management with plenty of flexibility. Our Target Price has been hiked to $423.