Market Commentary Monday, November 16, 2020

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November 16, 2020

EXECUTIVE SUMMARY

Newsletter Portfolio Sales – Six Trades for Four Accounts
Vaccine – Pfizer/BioNTech 90% Preliminary Efficacy
Tables Turn – Winners & Losers Change Positions
Value vs. Growth – Terrific Week…and Four Months…for Inexpensive Stocks
Fauci – Hang in There; Calvary is Coming
Election Aftermath – Still Plenty of Drama Ahead, But a "D" in the White House Has Been Good for Value
Econ Update – OK Numbers and Outlook…But a Vaccine Would Make the Future Much Brighter
Bonds vs. Stocks – Mutual and Exchange Traded Fund Investors Have Long Loved Fixed Income and Hated Equities
Target Prices – New Listing Coming to theprudentspeculator.com
Stock News – Updates on VIAC, ALIZY, DPSGY, SIEGY, CSCO, SFL & DIS

Market Review

A little housekeeping before this week's missive. As discussed on our *Sales Alert* this past Tuesday, we waited our usual two days and then sold the following on Thursday for our real-money newsletter portfolios:

TPS Portfolio
112 **Timken** (TKR – $71.07) at $68.807
64 **Deere & Co.** (DE – $251.79) at $251.115

Buckingham Portfolio
15 DE at $251.115

We will use those fill prices for our liquidations in our hypothetical portfolios, Millennium Portfolio, where we exited 81 TKR and 32 DE, and PruFolio, where we let go of 52 DE.

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I am happy to share with you that Pfizer and our collaborator, BioNTech, announced positive efficacy results from our Phase 3, late-stage study of our potential COVID-19 vaccine. The *vaccine candidate was found to be more than 90% effective in preventing COVID-19 in participants without evidence of prior SARS-CoV-2 infection in the first interim efficacy analysis.*

The results demonstrate that our mRNA-based vaccine can help prevent COVID-19 in the majority of people who receive it. This means we are one step closer to potentially providing people around the world with a much-needed breakthrough to help bring an end to this global pandemic.

This is a first but critical step in our work to deliver a safe and effective vaccine.

Those comments this past Monday morning from **Pfizer** (PFE – $38.62) CEO Dr. Albert Bourla ignited a significant equity market rally last week, with some of the hardest-hit names on the year soaring dramatically and many of the "stay-at-home" tech stocks and other COVID-19 beneficiaries treading water or actually giving back some of their sizable 2020 gains.

THE PRUDENT SPECULATOR

TRADING PLACES: 2020 COVID-19 & GREAT LOCKDOWN LOSERS & WINNERS

Illustrating that it is a market of stocks and not simply a stock market, the latest week saw some of the year's worst performers soar in price, while many of 2020's best performers gave up some of their gains.

Market of Stocks

TPS 2020 COVID-19 & Great Lockdown Losers

Symbol	Common Stock	11.13.20 Price	Target Price	One Week % Perf	YTD % Perf	52-Week High	% Below High	Sector	P/E	P/S	P/TBV	ROCE	EV/ EBITDA	FCF Yld	Debt/ TE (%)	Div Yld	Mkt Cap
KIM	Kimco Realty	$14.22	$17.83	**38.6**	**-28.4**	$21.86	-35%	Real Estate	11.7	nmf	nmf	68.0	nmf	nmf	nmf	2.8%	133,526
JWN	Nordstrom	$17.31	$33.05	**34.8**	**-57.1**	$43.37	-60%	Retailing	22.4	12.1	2.1	4.6	27.9	-15.3	7%	2.6%	20,199
REG	Regency Centers	$45.73	$68.30	**34.3**	**-24.6**	$65.88	-31%	Real Estate	14.3	nmf	nmf	10.8	nmf	nmf	nmf	3.5%	151,029
HFC	HollyFrontier	$22.14	$44.84	**26.0**	**-54.9**	$54.58	-59%	Energy	12.1	3.3	64.6	31.4	9.5	8.9	482%	3.7%	163,860
INT	World Fuel Services	$27.12	$41.09	**25.8**	**-36.8**	$44.37	-39%	Energy	7.3	0.3	nmf	12.8	7.7	17.5	nmf	3.4%	77,842
EOG	EOG Resources	$42.67	$65.88	**23.4**	**-47.5**	$89.54	-52%	Energy	26.3	2.5	4.0	1.0	18.9	3.6	125%	2.5%	27,020
RCL	Royal Caribbean Cruises	$70.61	$82.16	**20.6**	**-46.5**	$135.32	-48%	Consumer Services	24.5	2.5	nmf	17.4	21.3	3.6	nmf	3.0%	12,307
TOT	Total SE	$38.80	$57.82	**19.5**	**-24.2**	$56.91	-32%	Energy	6.4	0.5	nmf	0.0	9.0	3.6	nmf	5.1%	12,169
MAN	ManpowerGroup	$87.01	$110.98	**17.0**	**-9.0**	$100.99	-14%	Commercial & Pro Srvcs	10.2	1.4	nmf	40.4	10.1	12.8	nmf	5.6%	103,093
ALK	Alaska Air Group	$44.66	$63.46	**16.7**	**-33.7**	$70.95	-37%	Transportation	13.2	0.9	7.1	8.7	9.4	11.8	377%	4.4%	18,314
AXAHY	AXA SA	$21.73	$34.95	**16.5**	**-19.7**	$28.49	-24%	Insurance	13.4	nmf	1.6	10.0	nmf	nmf	nmf	3.5%	313,538
DAL	Delta Air Lines	$36.46	$48.69	**16.0**	**-37.2**	$62.48	-42%	Transportation	8.6	4.5	1.0	21.0	16.1	2.3	9%	3.5%	4,956

TPS 2020 COVID-19 & Great Lockdown Winners

Symbol	Common Stock	11.13.20 Price	Target Price	One Week % Perf	YTD % Perf	52-Week High	% Below High	Sector	P/E	P/S	P/TBV	ROCE	EV/ EBITDA	FCF Yld	Debt/ TE (%)	Div Yld	Mkt Cap
QCOM	Qualcomm	$144.26	$157.13	**-0.5**	**66.9**	$149.41	-3%	Semiconductors	34.5	6.9	nmf	94.6	21.6	2.7	nmf	1.8%	163,158
DLR	Digital Realty Trust	$144.65	$166.31	**-1.4**	**23.8**	$165.49	-13%	Real Estate	23.9	nmf	5.1	4.4	nmf	nmf	nmf	3.1%	41,752
ABT	Abbott Laboratories	$112.60	$119.05	**-1.6**	**31.6**	$115.14	-2%	Health Care Equip/Srvcs	35.7	6.2	nmf	10.7	28.1	2.3	nmf	1.3%	199,568
AVGO	Broadcom	$373.50	$423.41	**-1.9**	**22.6**	$393.89	-5%	Semiconductors	17.6	6.5	nmf	10.8	18.6	7.2	nmf	3.5%	151,081
KR	Kroger Co	$32.14	$40.03	**-2.6**	**13.2**	$37.22	-14%	Food & Staples Retailing	10.7	0.2	4.4	28.3	7.0	15.6	330%	2.2%	24,887
FDX	FedEx	$271.91	$299.73	**-2.8**	**82.2**	$293.30	-7%	Transportation	24.0	1.0	5.6	9.5	11.8	1.8	280%	1.0%	71,401
NLOK	NortonLifeLock	$19.80	$27.17	**-2.9**	**34.2**	$24.40	-19%	Software & Services	16.8	4.7	nmf	nmf	21.5	-11.3	nmf	2.5%	11,719
MSFT	Microsoft	$216.51	$242.85	**-3.2**	**38.4**	$232.86	-7%	Software & Services	35.0	11.1	22.6	41.4	22.4	3.0	102%	1.0%	1,636,923
NEM	Newmont Corp	$65.71	$77.36	**-3.6**	**52.9**	$72.22	-9%	Materials	31.6	4.8	2.7	11.7	10.4	5.8	31%	2.4%	52,789
LOW	Lowe's Cos	$159.23	$182.15	**-5.5**	**35.3**	$180.67	-12%	Retailing	20.2	1.5	29.7	163.1	13.0	9.0	594%	1.5%	120,336
DPSGY	Deutsche Post AG	$46.25	$55.28	**-6.2**	**26.0**	$49.44	-6%	Transportation	18.4	0.7	19.6	20.0	7.6	9.3	641%	2.2%	57,306
WHR	Whirlpool	$188.73	$239.17	**-6.4**	**31.4**	$207.30	-9%	Consumer Durables	11.2	0.6	nmf	27.3	8.7	14.5	nmf	2.6%	11,804

As of 11.13.20. 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

Indeed, it was a fantastic week for Pfizer shares, which gained 6.1% and which now sport a $51 Target Price, and Value-oriented strategies on an absolute basis, with the Russell 3000 Value index jumping 5.89%, and on a relative basis, given that the Russell 3000 Growth index retreated by 1.00% and the S&P 500 advanced "only" 2.21%.

THE PRUDENT SPECULATOR

VALUE RENAISSANCE

While four months does not a trend make, it is nice to see a handsome absolute and relative rebound in undervalued stocks, especially as there is plenty of runway remaining for a return to historical norms.

Total Returns Matrix

Last Week	Since 10.31.20	Since 8.31.20	Since 7.9.20	Last 6 Months	YTD	Last 12 Months	Last 24 Months	Last 36 Months	Last 60 Months	Name
-0.47	0.82	0.55	2.82	5.81	6.69	7.79	16.86	14.40	24.10	Bloomberg Barclays Global-Aggregate Bond
-0.14	0.35	-0.16	-0.14	1.94	6.68	7.29	18.67	16.65	23.31	Bloomberg Barclays US Aggregate Bond
4.19	11.36	4.02	15.48	28.23	5.37	8.62	22.25	34.88	92.89	Dow Jones Industrial Average
4.18	10.84	5.96	16.24	28.67	1.13	5.50	17.81	21.06	54.92	New York Stock Exchange Composite
3.41	12.43	10.86	21.31	40.50	17.68	24.87	36.34	43.58	86.04	Russell 2000 Growth
9.17	14.53	13.11	29.53	**44.53**	**-6.92**	**-2.82**	**0.68**	**3.22**	**39.42**	**Russell 2000 Value**
6.13	13.44	11.95	25.20	42.36	5.76	11.32	18.53	23.28	63.16	Russell 2000
-1.00	8.29	0.06	13.02	32.76	28.98	36.17	62.29	76.91	142.47	Russell 3000 Growth
5.89	11.66	7.65	18.30	**28.10**	**-3.02**	**0.72**	**12.21**	**16.98**	**50.55**	**Russell 3000 Value**
2.24	9.90	3.61	15.53	30.66	13.35	18.71	36.82	46.09	94.06	Russell 3000
5.35	11.71	8.22	20.22	35.05	5.76	10.28	24.96	31.96	73.92	S&P 500 Equal Weighted
2.21	9.74	2.76	14.38	28.27	12.77	18.09	36.98	47.07	95.95	S&P 500
0.02	8.69	0.42	13.32	31.26	27.05	33.64	55.12	70.67	130.52	S&P 500 Growth
5.74	11.36	6.52	16.03	**24.02**	**-3.38**	**0.66**	**16.71**	**22.16**	**58.73**	**S&P 500 Value**
-0.04	9.30	4.52	14.76	32.95	20.81	26.77	45.00	50.61	99.96	S&P 500 Pure Growth
9.03	14.60	12.21	27.37	**40.58**	**-15.47**	**-13.03**	**-7.79**	**-0.79**	**29.31**	**S&P 500 Pure Value**
8.89	12.64	4.30	27.19	33.33	0.41	3.48	4.36	23.33	72.34	Berkshire Hathaway B

As of 11.13.20. Source Kovitz using data from Bloomberg

The massive move higher over the past two weeks (the seasonally favorable six months of the year has started with a bang this time around!) came even as the very good vaccine news (90% efficacy is well above that for which most had been hoping) was offset to some degree by near-term developments on the coronavirus front that continue to be unfavorable.

The news on the health front covered both ends of the spectrum, with far-better-than-expected early efficacy numbers on a COVID-19 vaccine from Pfizer/BioNTech vs. record and rising daily case counts.

HEALTH

Covid-19 vaccine from Pfizer and BioNTech is strongly effective, early data from large trial indicate

By MATTHEW HERPER @matthewherper / NOVEMBER 9, 2020 Reprints

ADOBE

Pfizer and partner BioNTech said Monday that their vaccine against Covid-19 was strongly effective, exceeding expectations with results that are likely to be met with cautious excitement — and relief — in the face of the global pandemic.

The vaccine is the first to be tested in the United States to generate late-stage data. The companies said an early analysis of the results showed that individuals who received two injections of the vaccine three weeks apart experienced more than 90% fewer cases of symptomatic Covid-19 than those who received a placebo. For months, researchers have cautioned that a vaccine that might only be 60% or 70% effective.

More states shatter daily records as US tops 10.7 million cases and 244,000 deaths

From CNN's Gregory Lemos, Brad Parks, Taylor Romine, Tina Burnside, Nakia McNabb and Hollie Silverman

PCA Cesar Merida walks through a temporary tent set up at UMass Memorial Hospital in Worcester, Massachusetts on November 11.
Erin Clark/The Boston Globe via Getty Images

Many states are enforcing drastic restrictions as a surge of coronavirus infections and hospitalizations see the pressure mount.

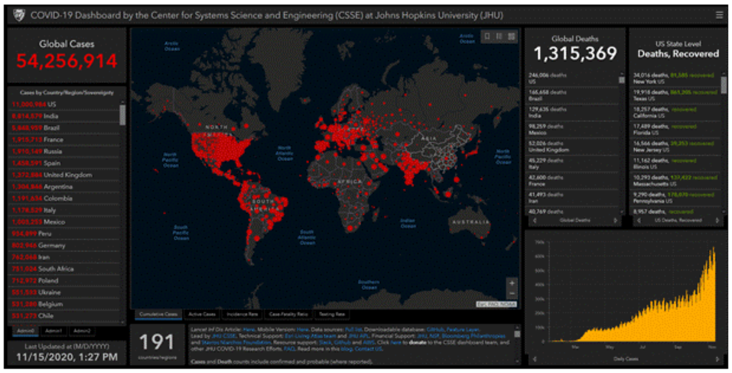
There have now been at least **10,713,452** cases of coronavirus in the United States and at least **244,207** people have died

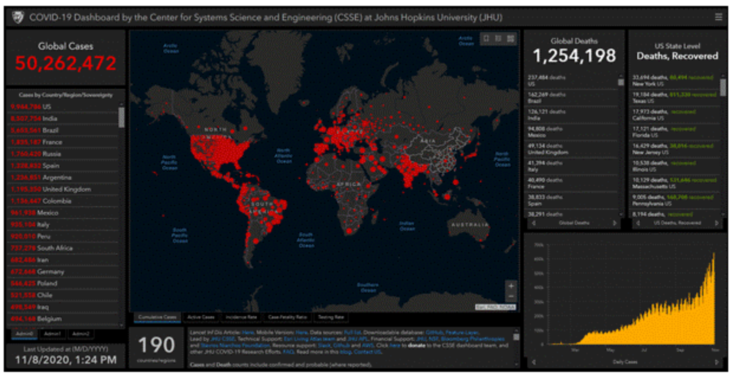
So far today, Johns Hopkins has reported **160,631** new cases and **1,306** reported deaths.

Alas, *The Wall Street Journal* reported on Sunday, "New [U.S.] infections surpassed 177,224 on Friday, setting a daily record that eclipsed the highest daily case counts of previous peaks in the spring and summer. The number of new infections was lower Saturday at 166,555, while new deaths numbered nearly 1,300, according to data compiled by Johns Hopkins University. The number of people hospitalized with Covid-19, meanwhile, reached 69,455 on Saturday, according to the Covid Tracking Project." Meanwhile, the case counts and death tolls worldwide continue to accelerate.

THE PRUDENT SPECULATOR

COVID-19 GLOBAL SPREAD





https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

With access to testing higher, the weather having turned colder and folks not as careful in month eight or nine of the pandemic as they were back in the spring, there was a jump of 4.0 million in global COVID-19 confirmed cases in the latest week and the U.S. is now up to more than 246,000 fatalities. While deaths obviously lag cases, and Europe, the United Kingdom and the U.S. have seen new spikes in those diagnosed with the virus, the weekly increase in the fatality count rose by more than 61,000 from the 55,000 range the week prior, though the "confirmed case" mortality rate continues to decrease.

Of course, we can't forget that equity markets are always forward looking and that 90% or more of a stock price should be reflective of cash flows, net income streams and dividends that are generated more than 12 months hence, so it is not a grand surprise that the markets have moved higher. True, gains of more than 11% in two weeks, as has just been the case for the Russell 3000 Value index, are rare, but stocks historically have proved rewarding for those who remember that time in the market trumps market timing.

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%	979	27	3.4	3/23/2020	11/15/2020
17.5%	66.8%	572	39	2.3	3/23/2020	11/15/2020
15.0%	66.5%	557	45	2.0	3/23/2020	11/15/2020
12.5%	44.3%	334	72	1.3	3/23/2020	11/15/2020
10.0%	34.9%	245	98	0.9	3/23/2020	11/15/2020
7.5%	23.6%	147	157	0.6	9/23/2020	11/15/2020
5.0%	14.7%	72	306	0.3	10/30/2020	11/15/2020

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	156	0.6	9/2/2020	9/23/2020
-5.0%	-10.9%	36	305	0.3	10/12/2020	10/30/2020

From 02.20.28 through 11.15.20. 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%	21.4%
Dividend Paying Stocks	10.5%	18.1%
Non-Dividend Paying Stocks	9.1%	29.4%
Long-Term Corporate Bonds	6.2%	7.6%
Long-Term Gov't Bonds	5.6%	8.6%
Intermediate Gov't Bonds	5.1%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	2.9%	1.8%

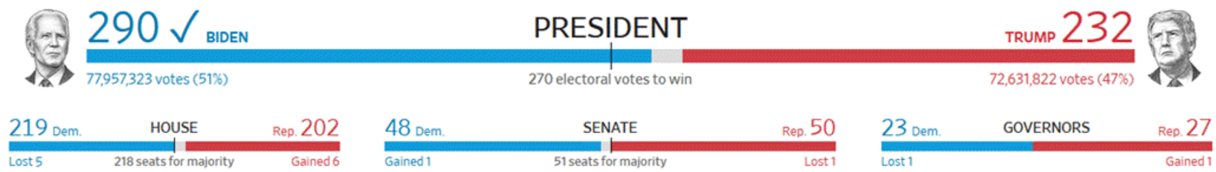
From 06.30.27 through 09.30.20. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the 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

To be sure, the balance of 2020 will continue to see more COVID-19 trauma, while an increase in localized partial lockdowns is also likely. However, as Dr. Anthony Fauci said this past Thursday, "I want to just repeat the message that I keep saying over and over again, that help is really on the way. If you think of it metaphorically, you know, the cavalry is coming here…Vaccines are going to start being implemented and deployed in December, and as we get into the early part of the year, it's going to be January, February, March, more and more and more people are going to be able to be vaccinated. So, if we could just hang in there, do the public health measures that we're talking about. We're going to get this under control, I promise you."

Obviously, the health news is incredibly important to the near-term direction of the equity markets, and we can't ignore the likelihood for continued drama out of Washington as the Presidential transition plays out and control of Congress is eventually decided,…

THE PRUDENT SPECULATOR

WASHINGTON AND EQUITY MARKET RETURNS



It took four extra days to officially declare the winner of the White House, though recounts and lawsuits are still playing out, with President Trump tweeting on 11.15.20, "I concede NOTHING! We have a long way to go." And control of the Senate is coming down to two run-off elections in Georgia, so there remains plenty of Washington uncertainty. Of course, history shows that a "D" in the Oval Office has been quite positive for equities.

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

…but stocks have long climbed a wall of worry,…

THE PRUDENT SPECULATOR

LOTS OF FRIGTENING EVENTS

Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	41204%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	23801%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	21381%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	8314%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	7766%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	9097%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	6602%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5050%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	3743%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	4652%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	3790%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5022%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3307%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	3550%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	2901%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2114%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1365%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1495%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1034%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	852%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	771%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	709%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	684%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	610%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	309%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	274%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	191%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	167%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	271%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	291%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	229%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	199%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	430%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**4914%**

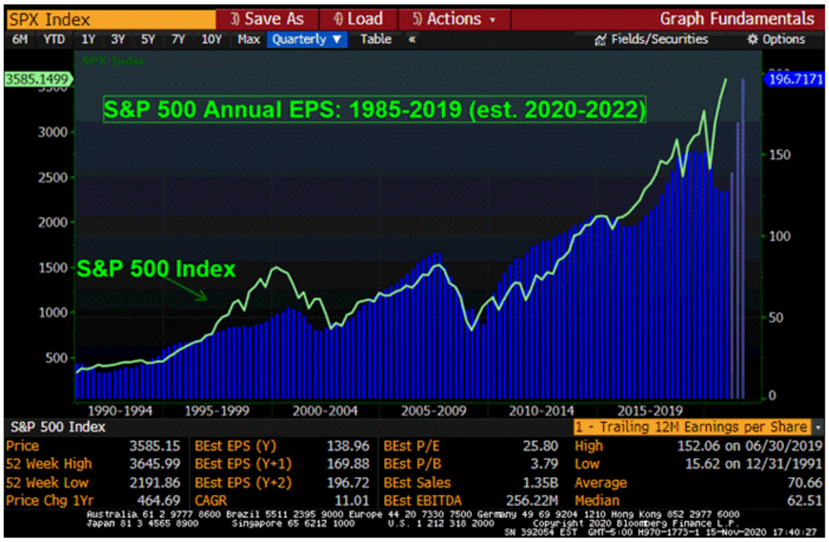
As of 11.13.20. Source: Kovitz Investment Group using Bloomberg and Ned Davis Research Events & Reaction Dates

Time will tell how the COVID-19 Pandemic and Great Lockdown are remembered in terms of equity market disruption and ultimate recovery, but history is filled with plenty of disconcerting events. Happily, those who have stayed the course, sticking with their long-term investment plans, have nearly always been rewarded in the fullness of time.

…as corporate profits have risen over time.

EPS PLUNGE IN 2020 BUT REBOUND IN 2021

Q3 earnings reporting season has been very good, relative to analyst projections that had been a little too pessimistic in their top- and bottom-line estimates. Of course, full-year 2020 COVID-19-impacted EPS likely will be miserable, but a significant rebound is projected next year.



S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2021	$44.62	$165.36
9/30/2021	$43.24	$157.21
6/30/2021	$40.11	$149.09
3/31/2021	$37.39	$135.77
12/31/2020	$36.47	$117.88
9/30/2020	$35.12	$120.59
ACTUAL		
6/30/2020	$26.79	$125.28
3/31/2020	$19.50	$138.63
12/31/2019	$39.18	$157.12
9/30/2019	$39.81	$152.97
6/30/2019	$40.14	$154.54
3/31/2019	$37.99	$153.05
12/31/2018	$35.03	$151.60
9/30/2018	$41.38	$150.42
6/30/2018	$38.65	$140.37
3/31/2018	$36.54	$132.23
12/31/2017	$33.85	$124.51
9/30/2017	$31.33	$118.56
6/30/2017	$30.51	$115.92
3/31/2017	$28.82	$111.11
12/31/2016	$27.90	$106.26

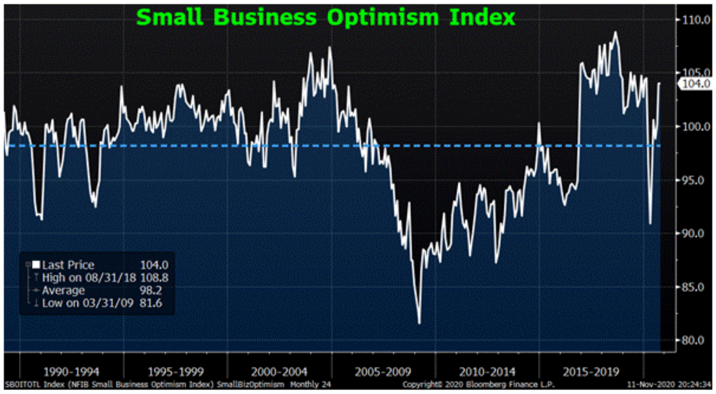
Source: Standard & Poor's. As of 11.05.20

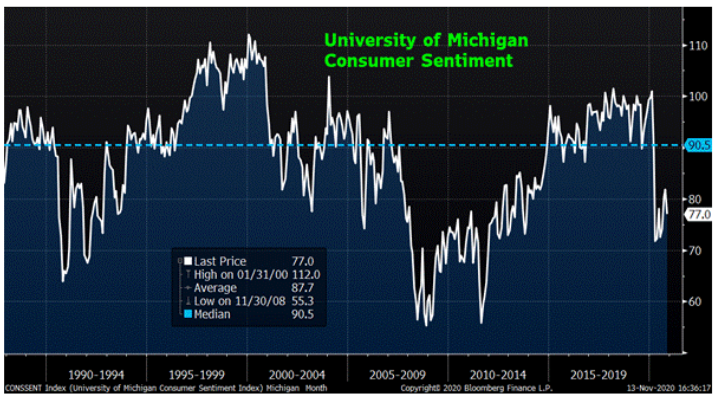
Clearly, the near-term estimates for top and bottom lines across Corporate America are highly variable as the global economic outlook remains very uncertain. European Central Bank President Christine Lagarde said last week, "While the latest news on a vaccine looks encouraging, we could still face recurring cycles of accelerating viral spread and tightening restrictions until widespread immunity is achieved…So the recovery may not be linear, but rather unsteady, stop-start and contingent on the pace of vaccine rollout." Federal Reserve Chair Jerome H. Powell added, "That is certainly good and welcome news for the medium term…But from our standpoint it is too soon to assess with any confidence the implications of the news for the path of the economy especially for the near term…The next few months could be challenging."

No doubt, U.S. economic growth could deteriorate in the near term due to health conditions, as consumer sentiment has weakened,…

THE PRUDENT SPECULATOR

MIXED PICTURE ON MAIN STREET SENTIMENT



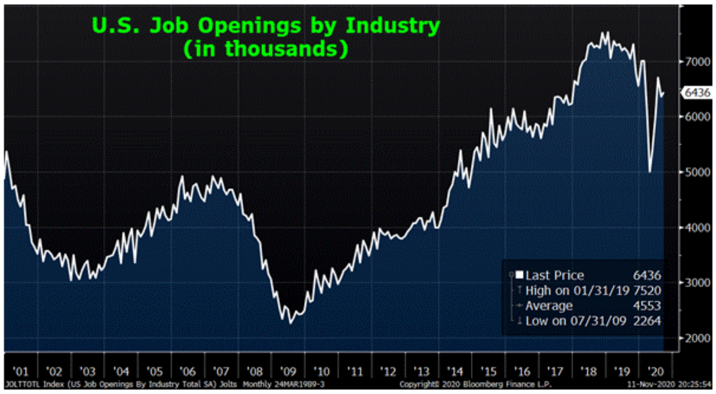


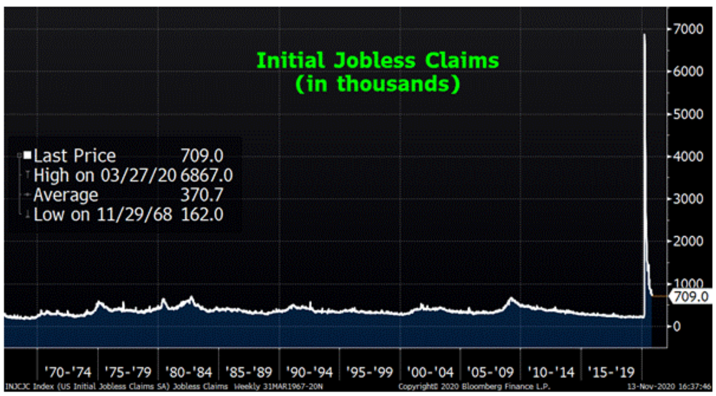
The NFIB Small Business Optimism Index for October came in at 104.0, unchanged from September, with the figure well above the 30-year average. Meanwhile, the preliminary Univ. of Michigan gauge of consumer sentiment this month decreased to a weaker-than-expected 77.0, down from a final reading of 81.8 in October. Of course, given that the average for this gauge has been 90.5, consumers are feeling pessimistic.

…even as the jobs numbers have continued to be surprisingly robust, COVID-19 considered,…

THE PRUDENT SPECULATOR

DISMAL (BUT IMPROVING) EMPLOYMENT NUMBERS





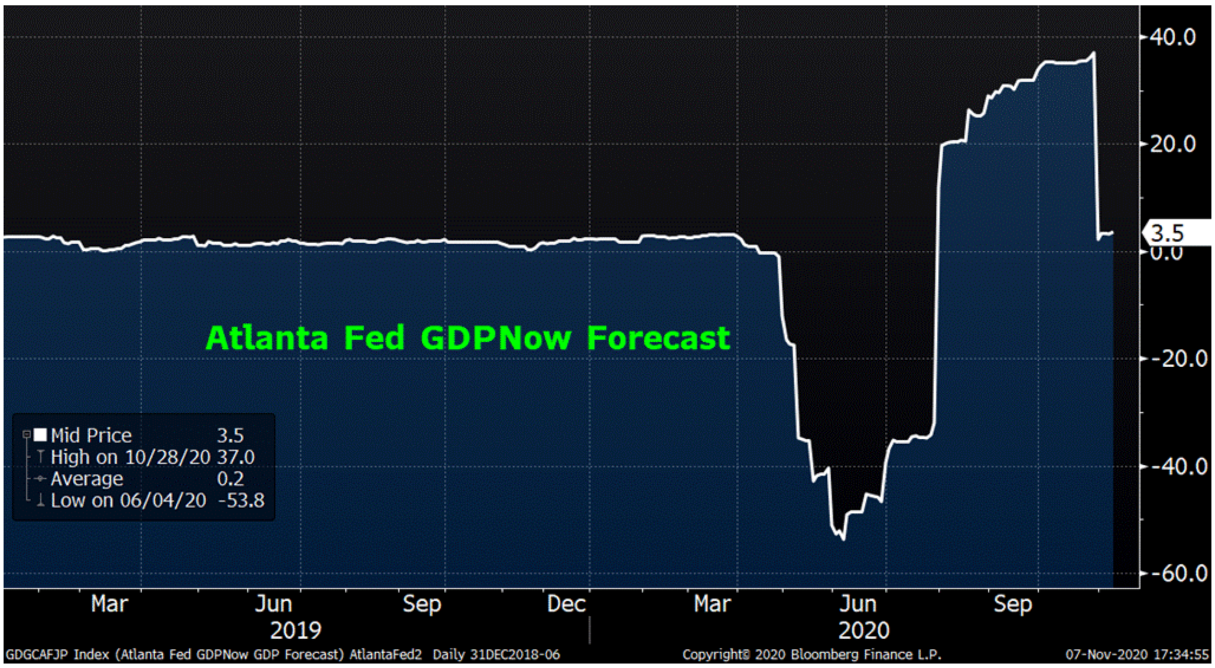
A hefty 5.9 million people were rehired or found new jobs during September and there were 6.4 million job openings during the month, but the labor picture hardly can be called good, even as the numbers today are significantly better than many had projected a few months back. Looking at more current data, first-time filings for unemployment benefits continue to be massive, but they fell to a pandemic low of 709,000 claims in the latest week.

…and the latest GDP forecast is for modest growth this quarter.

THE PRUDENT SPECULATOR

MODEST U.S. GDP GROWTH EXPECTED IN Q4

While the quarter just completed saw a massive economic expansion, following an epic contraction in Q2, the Atlanta Fed is now projecting a very modest 3.5% increase in Q4 GDP on an annualized basis.



Certainly, an effective vaccine would likely lead to better economic growth in 2021, which we believe would be a feather in the cap of Value stocks,…

VALUE STOCKS HAVE OUTPERFORMED COMING OUT OF RECESSION

U.S. Recession Trough (per NBER) & Equity Returns

S&P 500 and Fama/French Value Performance

Recession Trough Date	1 Year Post S&P 500 TR	1 Year Post FF Value TR	1 Year Post FF Growth TR	3 Year Post S&P 500 TR	3 Year Post FF Value TR	3 Year Post FF Growth TR	5 Year Post S&P 500 TR	5 Year Post FF Value TR	5 Year Post FF Growth TR
Mar-33	81.5%	88.7%	82.9%	155.7%	135.3%	169.1%	62.4%	69.5%	96.2%
Jun-38	-1.7%	-14.5%	2.7%	0.8%	4.6%	14.5%	43.9%	129.3%	65.5%
Oct-45	-7.2%	-2.2%	-6.8%	14.7%	26.6%	-1.3%	64.8%	76.2%	38.5%
Oct-49	35.1%	43.8%	29.9%	92.8%	96.5%	66.3%	177.8%	174.6%	131.2%
May-54	36.1%	60.2%	34.4%	83.7%	95.5%	69.4%	145.2%	200.3%	143.0%
Apr-58	37.2%	61.0%	51.4%	66.4%	94.4%	86.4%	89.9%	128.4%	84.1%
Feb-61	13.6%	16.9%	8.6%	35.2%	49.1%	12.1%	68.4%	137.0%	55.6%
Nov-70	11.2%	11.0%	20.5%	20.6%	13.5%	-0.7%	25.1%	44.4%	1.5%
Mar-75	28.3%	51.5%	31.3%	22.1%	98.6%	44.4%	55.6%	157.8%	96.9%
Jul-80	13.0%	22.9%	22.8%	56.1%	113.6%	69.7%	100.5%	207.7%	75.2%
Nov-82	25.6%	39.8%	21.1%	66.8%	99.7%	36.4%	103.0%	123.9%	38.2%
Mar-91	11.0%	25.5%	16.7%	29.8%	73.2%	25.8%	98.0%	154.7%	82.9%
Nov-01	-16.5%	-11.9%	-18.5%	8.4%	39.8%	13.7%	34.3%	93.7%	33.5%
Jun-09	14.4%	25.5%	14.7%	57.7%	53.2%	62.3%	136.9%	158.2%	140.8%
Averages	**20.1%**	**29.9%**	**22.3%**	**50.8%**	**71.0%**	**47.7%**	**86.1%**	**132.6%**	**77.4%**

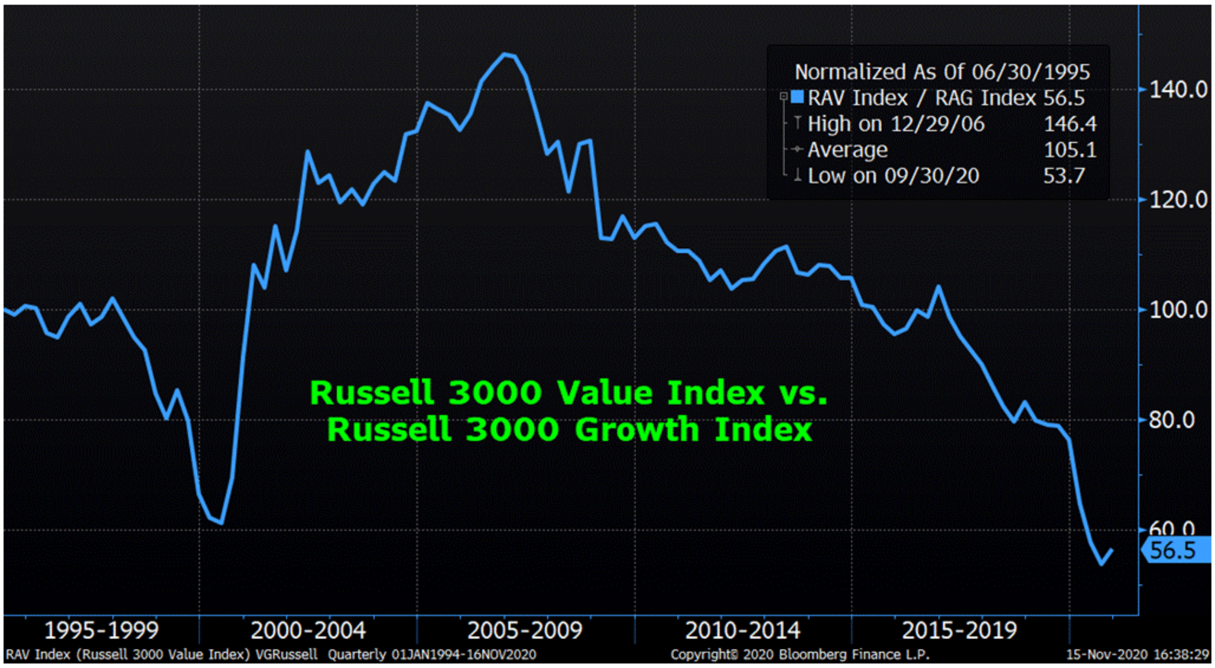
Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

…adding to their incredible attractiveness today, even with the recent outperformance, on a relative basis.

THE PRUDENT SPECULATOR

R3K VALUE "BUY" SIGNAL ON PAR WITH THE TOP OF THE TECH BUBBLE

Stocks with inexpensive financial metrics have lagged badly in the wake of COVID-19, but the R3K Value index relative to the R3K Growth index on a total return basis is now below 2000 levels.



And, with all of the money that has flowed into fixed income in recent years,…

THE PRUDENT SPECULATOR

BONDS REMAIN STUNNINGLY POPULAR

With the S&P 500 having bounded back from the March 23, 2020 lows, many think folks are infatuated with U.S. equities, but data from the ICI show that Bonds, aside from a big hiccup in March, continue to garner nearly all the love, despite record low interest rates.

Investment Company Institute

Long-Term Mutual Fund and Exchange-Traded Fund (ETF) Flows

Millions, U.S. dollars

Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total
Jan-15	-14,465	17,535	Jul-16	292	33,575	Jan-18	10,778	46,287	Jul-19	-7,889	44,811
Feb-15	5,547	30,321	Aug-16	-9,956	30,859	Feb-18	-41,444	2,706	Aug-19	-29,909	22,304
Mar-15	-1,494	4,905	Sep-16	-5,713	24,669	Mar-18	-22,152	14,148	Sep-19	-4,650	38,482
Apr-15	-34,681	11,027	Oct-16	-23,109	13,855	Apr-18	-7,403	24,176	Oct-19	-24,646	43,187
May-15	-17,287	5,010	Nov-16	22,993	-13,289	May-18	10,068	11,749	Nov-19	-11,677	44,480
Jun-15	-7,023	6,324	Dec-16	18,859	-4,142	Jun-18	-21,004	16,995	Dec-19	-27,502	50,733
Jul-15	-14,864	-1,255	Jan-17	5,097	31,037	Jul-18	1,007	22,495	Jan-20	-24,546	73,855
Aug-15	-18,569	-18,122	Feb-17	17,613	33,991	Aug-18	-6,660	17,219	Feb-20	-28,222	25,064
Sep-15	-4,725	-10,849	Mar-17	9,411	36,562	Sep-18	886	18,526	Mar-20	-7,487	-273,714
Oct-15	-807	15,397	Apr-17	-8,266	22,064	Oct-18	-9,657	-27,700	Apr-20	2,662	14,672
Nov-15	654	-5,573	May-17	-10,725	33,070	Nov-18	2,783	-7,459	May-20	-20,931	73,168
Dec-15	476	-25,043	Jun-17	-7,944	29,372	Dec-18	-28,953	-49,512	Jun-20	-24,824	100,075
Jan-16	-27,222	7,686	Jul-17	-12,518	29,139	Jan-19	-21,195	29,308	Jul-20	-46,515	98,489
Feb-16	-9,108	11,915	Aug-17	-22,771	25,078	Feb-19	3,632	45,138	Aug-20	-57,594	84,113
Mar-16	7,711	29,296	Sep-17	-9,775	33,440	Mar-19	-3,654	38,412	Sep-20	-28,899	49,355
Apr-16	-12,610	22,114	Oct-17	3,166	36,110	Apr-19	-5,307	40,565	Oct-20	-48,928	69,962
May-16	-14,252	16,925	Nov-17	-4,417	19,788	May-19	-24,652	21,332			
Jun-16	-15,530	16,623	Dec-17	-9,054	19,491	Jun-19	-11,997	39,771	Totals:	-791,547	1,432,097

…and more than $16 trillion hiding out around the world in the supposed safety of negative yielding government debt,…

THE PRUDENT SPECULATOR

NEGATIVE YIELDING GOVERNMENT BONDS

Incredibly, money continues to pour into government bonds, with this year's surge pushing yields on another $5 trillion below zero. Yes, we understand that the pros can utilize derivatives to attempt to hedge against the guaranteed loss of principal if the debt is held to maturity, but hoping for a greater fool to drive prices higher and yields even lower in the interim seems to us like reward-free risk.

…there would appear to be plenty of dry powder that could propel stocks significantly higher, especially given that even the S&P 500 appears to still be very inexpensive relative to the 10-Year U.S. Treasury.

THE PRUDENT SPECULATOR

INTEREST RATES VERY SUPPORTIVE OF STOCKS

The so-called Fed Model suggests that the yield on 10-Year Treasuries should be similar to the S&P 500 Earnings Yield, which is the inverse of the P/E ratio. If the 10-Year is greater than the S&P Earnings Yield, a market is overvalued and if the reverse is true, as it is today, a market is undervalued. Though many dismiss the Fed Model, we like today's rich (and temporarily depressed) relative earnings yield (3.56% vs. 0.90% 10-Year) and generous S&P 500 dividend yield of 1.67%.

Stock Updates

Jason Clark, Chris Quigley and Zach Tart look at 7 of our companies that had developments of sufficient importance to merit a valuation 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 are in the process of posting updated Target Prices, many of which have been increased, to our web site. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Media conglomerate **ViacomCBS** (VIAC – $30.20) produced earnings per share in Q3 that beat consensus analyst estimates by more than 12% ($0.91 vs. $0.81). Revenue was down 9% year over year, driven by a 33% reduction in content licensing as COVID-19 and its fallout caused production delays and some programs expired in the prior-year quarter. Subscription revenue from streaming grew 78%, however, pushing affiliate revenue higher 10% year-over-year.

Pluto is a key element to the firm's longer-term streaming strategy. CEO Bob Bakish commented on the platform, "The trajectory is extremely exciting. And we remain confident that Pluto will meet or exceed its 30 million domestic MAU target by year-end, bolstered by the fact that we continue to add even more high-quality content to the market-leading service. In fact, in the U.S., Pluto now has well over 100,000 hours of compelling content available to consumers. We recently added 9 ViacomCBS channels, including Star Trek, Bellator, CBSN Dallas and CSI. And of course, we continue to add a broad range of compelling third-party content. As an example, in October, Narcos began streaming on Pluto TV, marking the first time the series will be widely available to U.S. streaming viewers without a Netflix subscription. We also ramped up Pluto's TV's distribution across multiple devices and services, including new distribution agreements with LG and Sony PlayStation, extending Pluto TV reach to well over 100 million additional devices worldwide. What's even more exciting is we're an official launch partner of the highly anticipated PlayStation 5 console debuting in mid-November."

VIAC is also on track to deliver Paramount Plus in 2021. Mr. Bakish elaborated, "As you know, Paramount Plus will combine live sports, breaking news and a mountain of entertainment, including exclusive original content plus a diverse and deep library of shows and movies, spanning all programming genres from ViacomCBS's leading brands in one unified service. Here, despite the challenges of COVID, our original programming plans continue to advance. And we will have a deep roster of original series that leans heavily on our franchises, including THE OFFER, a scripted limited series that will tell the incredible story behind the making of The Godfather, one of Paramount Picture's most iconic franchises; a new addition of Behind The Music, a truly iconic music series; REAL CRIMINAL MINDS, a true crime docuseries spinning out of CBS' Criminal Minds; KAMP koral, a new original children's series from Nickelodeon's SpongeBob SquarePants, which we will release after the new SpongeBob movie, SPONGE ON THE RUN, and will be exclusive to Paramount Plus; and we also have new original content, including LIONESS, a new series from the creator of Yellowstone. We will, of course, have more original programming to announce as we get closer to launch."

While the trends toward video on demand may pressure network ad revenue over time and gradual cord cutting is likely to result in TV subscriber declines from Viacom networks, we think VIAC has made solid strides in bringing the current and potential new content offerings from the combined firm toward direct-to-consumer subscriptions platforms. It's been a volatile year for the stock to say the least, but despite a tripling since the intraday low in March, shares still trade at an inexpensive 7.2 times expected NTM EPS. Of course, we are mindful that the balance sheet sports a massive amount of debt, even as the yield is an attractive 3.2%. Our Target Price for VIAC is $58.

German insurer and financial services firm **Allianz SE** (ALIZY – $22.59), which changed tickers from AZSEY earlier this year, earned $0.61 per share in fiscal Q3 2020 (vs. $0.45 est.). ALIZY had revenue of $36.7 billion (vs. $37.3 billion est.). Shares have gained 15% since the report, though much of the gain is related to the possible COVID-19 vaccine and the move higher in bond rates.

In terms of the quarter just ended, CFO Giulio Terzariol commented, "I would say we had a very good quarter. Underlying that when the situation is stable, you can see that the numbers are coming back to what is a more normal level. As always, we are focusing on the things we can control. And as you see, our expense ratio is going in the right direction. On the loss ratio, it's a little bit more difficult to read the numbers. But I can tell you that we are confident about what we see. On the Life business, the new business margin is 2.9% despite rates which are very low. And also, in Asset Management, I will say the numbers are pretty solid, too, with the operating profit of EUR 700 million — almost EUR 700 million for the quarter. I think we are focusing on the things we can control, and I believe we are successful on that."

Allianz withdrew its 2020 operating income outlook on April 30 and has not reinstated it. The company is not scheduled to pay its annual dividend until May, so we think there's plenty of time for the environment to stabilize enough to make that a possibility. Were 2020's payment rate to be maintained, ALIZY's yield would be about 3% net of taxes. We like that Allianz has a diversified global income stream (including bond manager PIMCO) and diligent management team, while we think that the high-quality shares are very inexpensive, trading for just under 11 times estimated earnings. Our Target Price now stands at $31.

German letter and parcel carrier **Deutsche Post AG** (DPSGY – $46.25) earned $0.78 per share in fiscal Q3 2020 (vs. $0.86 est.). DPSGY had total revenue of $19.0 billion, versus the $19.2 billion estimate. Shares slipped following the announcement, despite 4.4% year-over-year revenue growth and a 46% y-o-y increase in EBIT (earnings before interest and taxes). DPSGY reported significant revenue growth in the Express and Global Forwarding segments, while the company's Supply Chain business lagged. Net debt for the company was approximately 13.8 billion euros ($16.3 billion).

CEO Frank Appel commented, "We are very well positioned to capture the potential of the e-commerce room. The organization is on high energy at the moment. When I talk to country management and teams in a virtual form, you get tremendous impressions from the attitude and the mood of the people we have around the world, and that's great because it definitely will help us to continue to grow our business profitable. We also see that the trends, fundamental trends we are talking about since 2015, globalization, e-commerce, sustainability and digitalization will continue. Digitalization, sustainability definitely will gain more momentum prove across this now. And as I said, we are working on both quite intensively."

Management believes that the Pfizer-BioNTech vaccine announcement could result in a faster economic recovery, but that isn't baked into the EBIT guidance of $4.85 billion to $5.20 billion for fiscal 2020. That's slightly higher than the prior quarter due to currency movements, but it's the same as the October EBIT range denominated in euros. CFO Melanie Kreis said that DPSGY may benefit from global vaccine distribution needs, but it's generally too early to tell what that effect might actually look like in practice.

Deutsche Post continued to count Amazon as a large customer and the companies are in talks related to holiday peak season volume. Interestingly, DPSGY's growth was "only" 8% for the company's top customers, while the rest of the portfolio saw double-digit growth. Unfortunately, the outbreak has grown again in Europe and renewed macroeconomic weakness will have an effect on shipments and mail as businesses suffer through another wave, but we expect that trend to eventually reverse as the continent opens back up with some of the online shopping staying permanently. The shares sport a dividend yield of 2.2% and trade for less than 75% of projected sales, while offering our broadly diversified portfolios unique European exposure. Our Target Price for DPSGY is currently $55.

German industrial conglomerate **Siemens AG** (SIEGY – $72.53) earned $0.96 per share in fiscal Q4 2020 (vs. $1.11 est.). SIEGY had revenue of $17.9 billion, versus the $18.1 billion estimate. Shares dipped 3% on news of the estimate-missing results.

CEO Josef Kaeser explained, "All in all, we delivered a really good — this in our view, really good and especially reliable streak over the years. The team is focused on keeping it that way. No doubt about this one, although the ongoing uncertainties due to the second wave of COVID-19 has not made it any easier to make a meaningful prediction for fiscal '21… The is stage set and building out the next level of creating value so focus on transformation can begin. Seeking the ultimate value creation is still the midterm goal."

CFO Ralf Thomas added, "For our outlook for fiscal '21, we assume that the COVID-19 pandemic will not have a long-lasting impact on the world economy. Given this condition, we expect a fairly robust return to global GDP growth. We do anticipate that important customer industries of Siemens will continue to face challenges related to the pandemic and industry-specific structural changes. This will cause growth in global fixed investments to lag behind GDP growth, and we expect improved conditions, particularly for our high-margin short-cycle businesses in the second half of fiscal '21. Building on our strength in digital transformation, optimizing footprint and tapping specific growth markets, we will maintain high levels in investment in R&D with a strong focus on software and digital technologies. However, each decision will be taken with a strict focus on clear priorities in resource allocation. We assume severance charges on a substantially lower level compared to fiscal 2020 with around EUR 400 million to EUR 500 million in fiscal '21, still above-average going forward. We anticipate material negative effect from foreign exchange to weigh on top and bottom line. Top line effects are expected to amount around 350 to 450 basis points. The negative impact on margin is assumed to be around 40 to 50 basis points."

Siemens has completed two major corporate actions in the recent past. Siemens Healthineers, a medical technology company, was spun off in 2018 and is 79% owned by Siemens AG shareholders. Siemens Energy was spun off in September and is 45% owned by Siemens AG shareholders. The remaining 'new' Siemens AG remains focused on industrial projects. The corporate actions complete, Mr. Kaeser said, "The shifts from a hard to predict conglomerate into a focused and more transparent company with a clear structure of responsibility and accountability was a relevant need long overdue."

Analysts expect Siemens to earn about $3.84 per share in fiscal 2021, up from $2.81 in the now-complete fiscal 2020 and the EPS target grows to nearly $4.50 in 2022. The company still expects to maintain its annual dividend (management targets a 40% to 60% payout ratio), but there is lots of time left to decide to make different capital allocation decisions. We note that there is a special dividend being paid on 11/24 for shareholders of record on 11/18, which is $6.12 per share and is categorized as "proceeds from sale of rights" related to the Siemens Energy spinoff. We believe the near-term headwinds could be stiff, but the giant infrastructure projects that Siemens specializes in are decisions that are made in terms of years or decades. We think the breakup of the company adds value because it avoids the GE problem of having too many big businesses fighting for capital (and ultimately failing). Our Target Price for SIEGY has been boosted to $86.

Communications equipment firm **Cisco Systems** (CSCO – $41.40) earned $0.76 per share in fiscal Q1 2021 (vs. $0.70 est.). CSCO had total revenue of $11.9 billion, versus the $11.9 billion estimate. Shares rose 7.1% following the announcement after the company offered decent revenue guidance and a small increase in expected quarter-over-quarter earnings per share. Management reported that 78% of the company's software business is now subscription-based, which has been an area of focus recently. Large customers continue to modernize infrastructure, particularly with CSCO's Catalyst 9000 switching family, and security software SecureX now counts more than 4,000 firms as customers.

"We are encouraged by the start to the year. I'm proud of our progress, both in our own transformation and in how we are empowering customers to accelerate their own digital strategies. We have a clear vision and strategy, and I feel very good about our portfolio and the innovation we are driving. Our customers want partners they can trust as well as choice and flexibility in how they purchase, consume and implement technology based on their own individual needs. These anchors of trust, innovation and choice are core to who we are in Cisco," said CEO Chuck Robbins. "As we focus on growing our business, we remain guided by our purpose to power an inclusive future for all. We know that pervasive access to technology and connectivity directly impacts economic growth and enables key core human needs like health care and education. We know that technology can help solve some of the world's biggest challenges, and we are more committed than ever to building an inclusive future in which everyone can thrive."

CFO Kelly Kramer announced her retirement from Cisco. Ms. Kramer joined Cisco in 2012 and took the CFO position in 2015. She will be replaced by R. Scott Herren from Autodesk. Mr. Herren takes over on December 18 and has experience in Software as a Service (SaaS) and subscription software.

COVID-19 continues to impact Cisco's switch business, but the remote work environment has boosted demand for WebEx and cloud security products. CSCO has remaining performance obligations of $27.5 billion, while total product orders were down 5% in Q1, a drop that was particularly pronounced in the emerging markets. CSCO expects Q2's revenue to be flat to down 2%, while EPS is expected in the $0.74 to $0.76 range. Given the regional COVID outbreaks around the world, we continue to expect lumpy sales as local rules and restrictions limit CSCO's ability to operate. We believe that's already evident in the past few quarterly earnings releases, as CSCO alternates between strong demand and softer demand, which nets out to a modest upward trajectory over the longer term. Analysts do not expect CSCO's EPS to grow in 2021, but that trend should reverse in fiscal 2022 and 2023. Cisco sports a forward P/E ratio near 13 and a solid 3.5% yield. We continue to find CSCO to be a value-priced stock with decent long-term growth potential. Our Target Price has been lifted to $60.

Marine shipping concern **SFL Corp Ltd.** (SFL – $6.84) reported earnings per share of $0.16 in Q3, a decline of 48% versus the same quarter a year ago. Gross charter hire revenue in the period was $157 million (51% from containerships), 90% of which is from long-term charters and 10% from short-term charters with spot market exposure. The firm's backlog remains $3.2 billion over 7.6 years by weighted contract revenue, with the two largest liner operators (Maersk and MSC) representing 84% of the total. Adjusted EBITDA in the quarter was $117 million, or $1.08

per share. SFL's three offshore drillships are on longterm charters to subsidiaries of Seadrill, which has announced that it has engaged financial advisors for a possible restructuring. If would represent Seadrill's second restructuring effort in the past four years. Given ongoing uncertainty related to the restructuring of Seadrill, the SFL board reduced the quarterly dividend to $0.15 from $0.25. Despite the decrease, the recent declaration payable 12.30.20 is the 67th consecutive distribution, with $27 per share in total dividends paid out over the firm's history.

COO Aksel Olesen commented on the quarter, "Despite a relatively volatile market in 2020, we have added more than $250 million per fixed charter rate backlog over the last 12 months. And we actively continue to explore new business opportunities. And while risk premiums on energy and shipping investments have increased with the recent volatility in financial markets, SFL has, at the same time, with new attractive financing, expanded its group of lending banks, especially in the Far East to now represent more than 40% of our lending volume. SFL's business model has been continuously tested throughout its 16 years of existence and has previously been highly successful in navigating periods of volatility."

CEO Ole Hjertaker commented on the Seadrill situation, "At the end of the second quarter, Seadrill reported a cash position of $1 billion, and while Seadrill did pay full charter hire in the third quarter, no charter hire has been received so far in the fourth quarter. Seadrill has also not paid interest on its bank debt recently and announced a forbearance agreement with its financial banks and some other stakeholders in mid-September, which was subsequently extended through October. The nonpayment of charter hire by Seadrill does constitute an event of default under the leases and in certain of the corresponding financing agreements. Unless cured away, this could result in enforcement of such default provisions. From the start of the transaction with Seadrill all the way back from 2008, all the revenues from the subcharters of these assets, and in this instance, more importantly here now from the 2 drilling rigs that are working, the West Linus and West Hercules, the revenues from the subcharter have been paid into accounts pledged to SFL's rig owning entities and refinancing banks."

Our patience as certainly been tested as the stock has been crushed this year, now down 53% year-to-date. And with much of the decline owing to significant uncertainty as the pandemic weighs on global trade, the situation with Seadrill adds yet another obstacle over the near term. One wouldn't know it from volatility in the stock price, but we continue to appreciate the stability management has built into an otherwise highly volatile and unpredictable maritime shipping industry that has only been exacerbated due to COVID-19. Despite the dividend reduction, shares still sport of rich 8.8% yield and trade for 0.8 times book value. Our Target Price for SFL has been trimmed to $12.

Movies, entertainment and theme park powerhouse **Walt Disney** (DIS – $138.36) reported an adjusted loss per share of $0.20 (versus the -$0.73 estimate) on $14.7 billion of sales. Costs and the impact due to COVID-19 amounted to $3.1 billion, with over 75% of these incurred by the Parks, Experiences and Products segment. While Disneyland in California remains closed due to orders from the state government, Walt Disney World in Orlando, and parks in Shanghai and Hong Kong contributed positively to results. The elevated focus on Direct-to-Consumer (DTC) has resulted in over 120 million paid subscribers, the lion's share of which are from Disney+, contributing $4.52 of revenue per user. Strong broadcasting revenue from affiliates drove higher operating income from Media Networks, partially offset by weaker results at ESPN due to higher production costs from a shift in timing that is expected to offset next quarter. Shares rallied to nearly break-even on the year this week after news of a possible vaccine from Pfizer excited a variety of equities that have experienced pressure from the virus throughout the year.

"Even with the disruption caused by COVID-19, we've been able to effectively manage our businesses while also taking bold, deliberate steps to position our company for greater long-term growth," said CEO Bob Chapek. "The real bright spot has been our direct-to-consumer business, which is key to the future of our company, and on this anniversary of the launch of Disney+ we're pleased to report that, as of the end of the fourth quarter, the service had more than 73 million paid subscribers – far surpassing our expectations in just its first year."

Further elaborating on DTC, Mr. Chapek continued, "The growth of Disney+ speaks volumes about the strength of our IP, our unparalleled brands and franchises and our amazing content creators, all part of the Disney difference that sets us apart from everyone else. And when you look across our full suite of streaming service, we have exceeded 120 million paid subscriptions worldwide, with impressive subscriber gains for ESPN+ and Hulu, including the rapidly growing Hulu + Live TV. We expect the international launch of our Star-branded general entertainment offering will enable us to grow our business even further in the years ahead. Given that our DTC business is key to the future growth of our company, we've restructured our media and entertainment businesses. By separating content creation from distribution, we've been able to streamline our processes and better align the organization towards these important strategic objectives as we accelerate our pivot to a DTC-first business model. We intend to build upon the success we've achieved thus far and look forward to sharing more of our plans with you at our upcoming Investor Day."

We think Disney's performance in the current environment has been remarkable and are very constructive on the company's doubling down on its streaming services. Hulu and Disney+ in particular, have been crucial during the pandemic and we appreciate how much control this gives Disney over distribution of its intellectual property going forward. The board has elected to forgo its January dividend payment in order to preserve cash but remains committed to a payout when the economic environment eventually normalizes. Our enthusiasm for the company and its stock has not waned, and we applaud management for its ability to focus on growth initiatives while piloting the business through the current storm. Our Target Price for DIS has been hiked to $158.