Market Commentary Monday, February 15,

February 15, 2021

EXECUTIVE SUMMARY

Newsletter Portfolio Trades – Sold BHP
COVID-19 – Health News Improving
Week in Review – Rally Continues, Interest Rates Rise
Bubble – Excessive Frothiness for Some Securities and Unbelievable Adoration for Fixed Income, but Only Modest Affection for Equities
Econ Outlook – Solid GDP Growth Likely in 2021
Earnings – Terrific Q4 Numbers; Rising 2021 Estimates
Fed Speak – Not Even Thinking About Thinking About Adjusting Monetary Policy
Target Prices – New Listing Coming to theprudentspeculator.com
Stock News – Updates on DIS, CSCO, COHU, GM, HMC, LEG, GT, TOT, HAS, TSN, KIM & REG

Market Review

A bit of housekeeping before this week's missive. As discussed on Tuesday's *Sales Alert*. We sold the following on Thursday morning, February 11: 320 **BHP Billiton** (BHP – $70.38) for TPS Portfolio and 84 BHP for Buckingham Portfolio at $69.628. In our hypothetical accounts, we will use that price to close out the 149 BHP shares held in Millennium Portfolio and the 265 BHP held in PruFolio.

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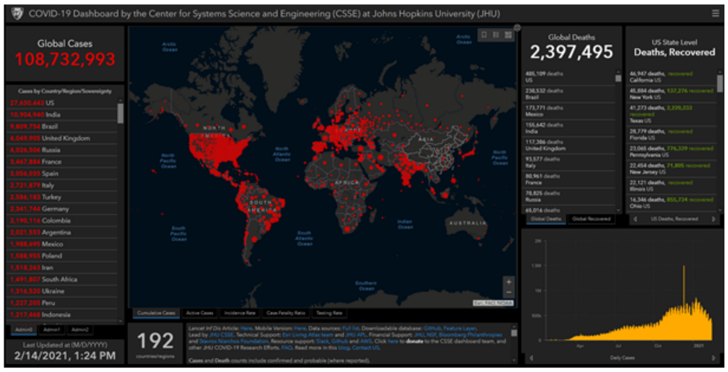
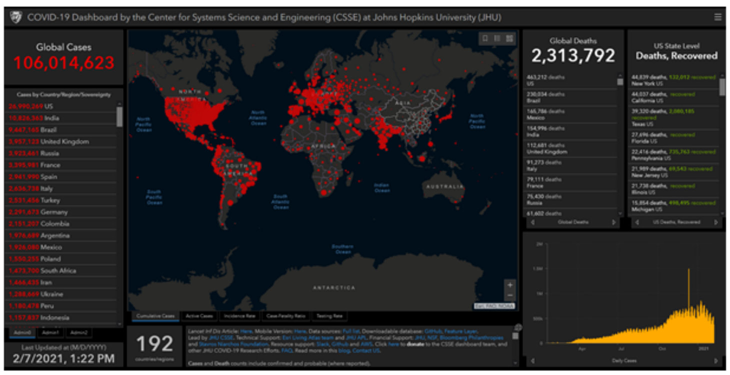
While the COVID-19 pandemic remains omnipresent,…

THE PRUDENT SPECULATOR

COVID-19 GLOBAL CASE AND MORTALITY GROWTH RATES SLOWING





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While the numbers were worse in recent weeks as access to testing is higher, the weather has turned colder and folks had gathered for the Holidays, there was a sizable improvement in the weekly COVID-19 case count as the increase was "only" 2.7 million and the rise in weekly fatalities dropped from nearly 89,000 to less than 84,000. Still nothing to cheer about, of course, as the U.S. is up to more than 485,000 fatalities, and new more deadly virus strains are making their way around the world, but hospitalizations have declined considerably, while vaccinations and "herd" immunity have helped considerably.

…news on the health front has improved considerably,…

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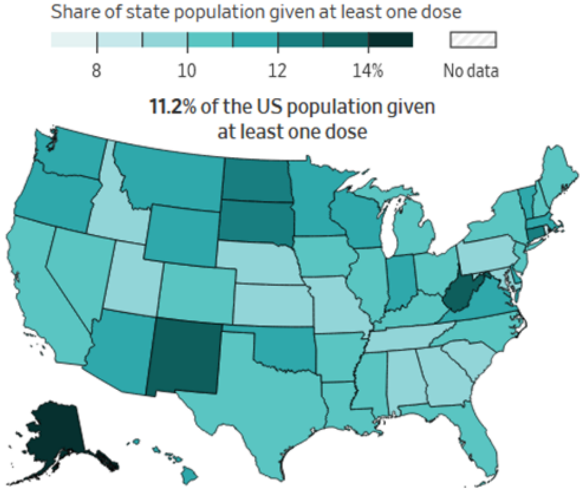
VACCINES CONTRIBUTING TO MUCH BETTER U.S. COVID-19 NUMBERS

50,641,884 doses given

69,883,625 total doses distributed

Shots given | Doses distributed | Doses used

Share of state population given at least one dose

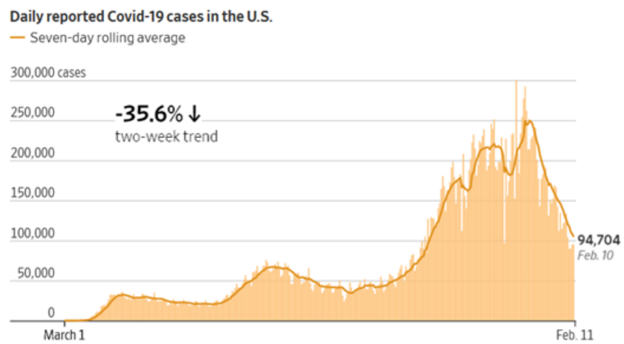


Note: Total includes U.S. territories and federal agencies. Last updated Feb. 14, at 2:00 a.m.
Source: Centers for Disease Control and Prevention

U.S. Covid-19 deaths appear to finally be slowing, following a broad and steep decline in both newly reported cases and hospitalizations in recent weeks.

While daily deaths remain near record highs, the average number of coronavirus-related fatalities has broadly fallen in recent days, dropping from a seven-day average of 3,172 on Feb. 1 to 2,765 on Wednesday, according to a Wall Street Journal analysis of Johns Hopkins University data. That number jumped back on Friday, to 3,041, but that appeared to be influenced by Ohio adding a backlog of Covid-19 fatalities.

The seven-day average of new cases, which helps smooth out irregularities in data reporting, fell to its lowest point in three months Friday, at 96,893. Hospitalizations also dropped to the lowest level in nearly three months, with more than 71,500 Covid-19 patients in the hospital Friday, according to the Covid Tracking Project. – *Wall Street Journal*, 2.12.21



Note: For all 50 states and D.C., U.S. territories and cruises. Last updated Feb. 11, at 6:21 a.m.
Source: Johns Hopkins Center for Systems Science and Engineering

…which has certainly helped to boost equities of late. Indeed, it was another excellent week for the markets in general and Value stocks in particular,…

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RALLY CONTINUES…PURE VALUE LEADS IN '21

Illustrating again why we say time in the market trumps market timing, stocks turned in a second straight great week in February following the worst week since October as January ended.

Total Returns Matrix

Last Week	2021 YTD	Since 10.31.20	Since 7.9.20	Since 3.23.20	Last 12 Months	Last 2 Years	Last 3 Years	Last 5 Years	Name
0.29	-1.32	1.82	3.85	10.96	7.35	14.35	13.68	20.58	Bloomberg Barclays Global-Aggregate Bond
-0.13	-1.23	-0.12	-0.61	5.09	4.44	14.29	17.84	20.56	Bloomberg Barclays US Aggregate Bond
1.11	3.00	19.44	23.86	72.43	8.94	29.62	37.06	121.78	Dow Jones Industrial Average
2.05	6.03	24.38	30.49	78.93	11.52	30.25	32.56	90.19	New York Stock Exchange Composite
1.33	6.32	23.42	28.81	98.04	36.12	78.96	93.94	203.13	Russell 3000 Growth
1.95	**6.37**	**25.99**	**33.48**	**76.10**	**8.10**	**26.15**	**29.49**	**85.56**	**Russell 3000 Value**
1.63	6.35	24.65	31.03	88.05	22.78	52.37	60.92	140.95	Russell 3000
2.09	6.04	26.38	36.01	91.10	16.59	37.87	45.10	114.82	S&P 500 Equal Weighted
1.28	4.94	20.91	26.02	78.59	18.56	48.89	56.94	132.90	S&P 500
1.05	5.36	20.30	25.43	88.27	30.32	68.34	81.96	177.52	S&P 500 Growth
1.55	**4.46**	**22.04**	**27.15**	**65.95**	**4.53**	**27.07**	**30.26**	**86.18**	**S&P 500 Value**
3.12	8.00	26.69	33.01	105.66	32.08	61.74	69.50	162.73	S&P 500 Pure Growth
2.50	**10.42**	**36.66**	**51.89**	**104.04**	**2.00**	**12.57**	**13.33**	**76.30**	**S&P 500 Pure Value**

As of 02.12.21. Source Kovitz using data from Bloomberg

…the latter no doubt benefitting from a continued rise in interest rates,…

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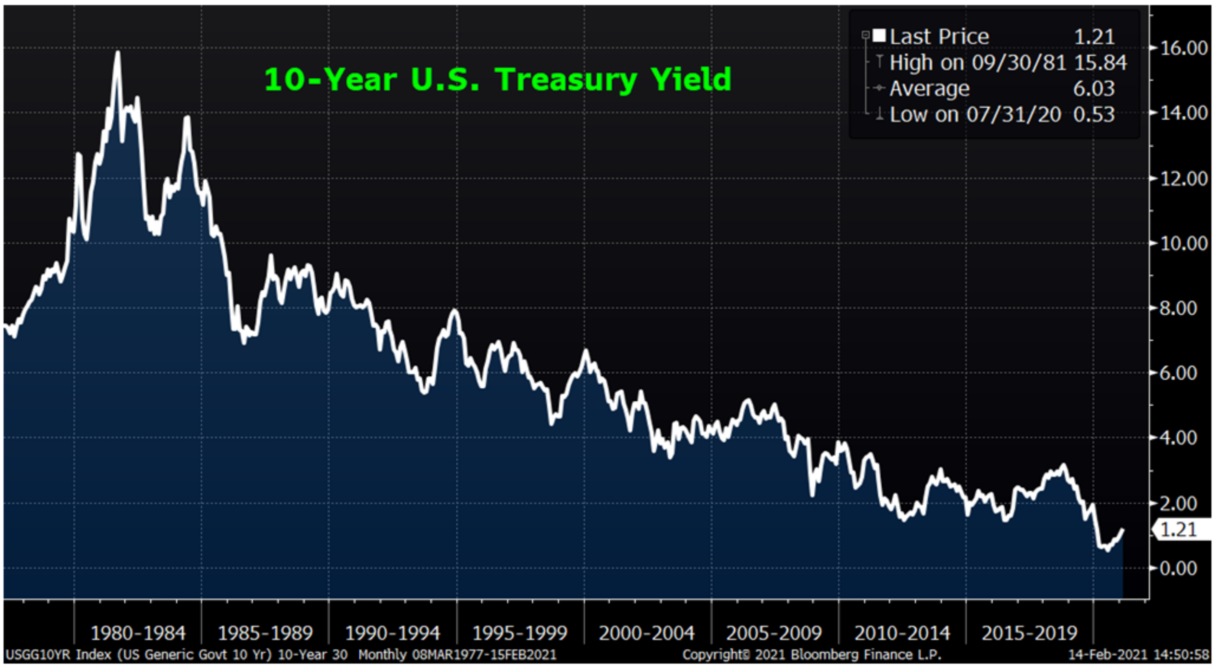
INTEREST RATES CAN MOVE IN BOTH DIRECTIONS

While the trend in the 10-Year U.S. Treasury yield has been down for most of the past four decades, rates have more than doubled over the last six month or so, even as a 1.21% yield is still extraordinarily low.



…an occurrence for inexpensively priced stocks that should not come as a surprise to students of market history.

Rising Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.6%	11.1%	10.2%	13.8%	1.1%	-0.8%	2.2%	3.6%
Geometric Average	11.5%	8.1%	8.1%	8.7%	1.0%	-0.9%	2.1%	3.5%
Median	16.3%	12.7%	14.1%	11.2%	1.5%	0.0%	1.8%	3.3%
Max	116.2%	84.0%	66.0%	81.8%	14.2%	9.1%	9.6%	13.8%
Min	-58.2%	-50.2%	-52.2%	-58.8%	-8.1%	-14.7%	-5.2%	0.0%
Count	46	46	46	46	46	46	46	46

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2019.

Falling Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	16.0%	11.6%	12.9%	11.7%	11.6%	12.6%	8.2%	2.9%
Geometric Average	13.3%	9.6%	11.4%	7.7%	11.4%	12.4%	8.1%	2.9%
Median	18.3%	14.2%	14.0%	15.4%	10.5%	10.3%	7.9%	2.3%
Max	56.3%	44.2%	44.4%	68.9%	36.8%	34.9%	26.1%	10.1%
Min	-51.5%	-42.3%	-39.9%	-56.3%	2.7%	2.8%	1.4%	0.0%
Count	44	44	44	44	44	44	44	44

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2019.

Of course, those who look at historical data also understand that volatility is part of the investment process. Equity investors must contend with plenty of ups and downs on the path to terrific long-term returns. As such, we always must be braced for downside action, especially these days after such a massive advance that has taken the major market averages more than 70% higher from the lows set 11 months ago, without so much as a single 10% setback along the way.

VOLATILITY IS NORMAL BUT VALUE & DIVIDENDS 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%	111.9%	983	27	3.4	3/23/2020	2/12/2021
17.5%	67.2%	574	39	2.3	3/23/2020	2/12/2021
15.0%	66.9%	559	45	2.0	3/23/2020	2/12/2021
12.5%	44.5%	335	72	1.3	3/23/2020	2/12/2021
10.0%	35.1%	245	98	0.9	3/23/2020	2/12/2021
7.5%	23.6%	148	157	0.6	9/23/2020	2/12/2021
5.0%	14.8%	72	306	0.3	10/30/2020	2/12/2021

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 2.12.21. 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	13.0%	26.0%
Growth Stocks	9.9%	21.5%
Dividend Paying Stocks	10.6%	18.1%
Non-Dividend Paying Stocks	9.2%	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 12.31.20. 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, we are not suggesting that a market top is imminent, and we continue to think that time in the market trumps market timing, but we do understand that investors have become more enthusiastic about equities,…

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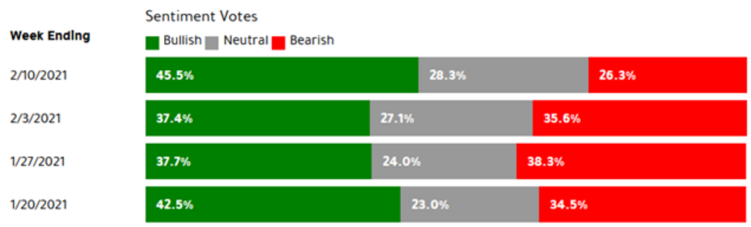
AAII SENTIMENT – BULL-BEAR SPREAD MUCH MORE OPTIMISTIC

What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?



AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 7.76											
BELOW	-54.0	7.8	874	0.27%	0.23%	1.27%	1.14%	3.70%	3.30%	6.87%	6.11%
ABOVE	7.8	62.9	874	0.16%	0.14%	0.48%	0.39%	1.82%	1.57%	4.51%	4.04%
Ten Groupings of 1748 Data Points											
1	-54.0	-15.1	175	0.57%	0.50%	2.20%	1.95%	5.88%	5.31%	10.38%	9.12%
2	-15.0	-7.5	175	0.34%	0.31%	0.97%	0.84%	3.98%	3.62%	6.78%	6.02%
3	-7.4	-1.4	175	0.33%	0.30%	1.58%	1.48%	3.39%	2.99%	7.02%	6.37%
4	-1.4	3.0	185	0.09%	0.05%	1.02%	0.93%	2.82%	2.46%	5.96%	5.46%
5	3.0	7.8	164	0.04%	0.02%	0.57%	0.46%	2.40%	2.14%	4.09%	3.54%
6	7.8	12.0	178	0.08%	0.06%	0.51%	0.39%	1.73%	1.49%	5.43%	5.05%
7	12.0	16.3	171	0.17%	0.15%	0.55%	0.46%	2.24%	1.99%	4.94%	4.40%
8	16.4	22.0	185	0.20%	0.18%	0.76%	0.69%	1.89%	1.62%	5.39%	4.98%
9	22.0	29.1	165	0.10%	0.08%	0.29%	0.21%	1.87%	1.58%	4.16%	3.57%
10	29.2	62.9	175	0.24%	0.22%	0.26%	0.19%	1.41%	1.18%	2.57%	2.13%

From 07.31.87 through 2.11.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

With stocks continuing their 2021 advance, folks on Main Street became much more optimistic last week, as the latest AAII Sentiment Survey saw the number of Bulls jump to 45.5%, 7.5 points above normal, while the tally of Bears came in at 26.3%, 4.2 points below average.

…even as sentiment is still a long way from euphoric,…

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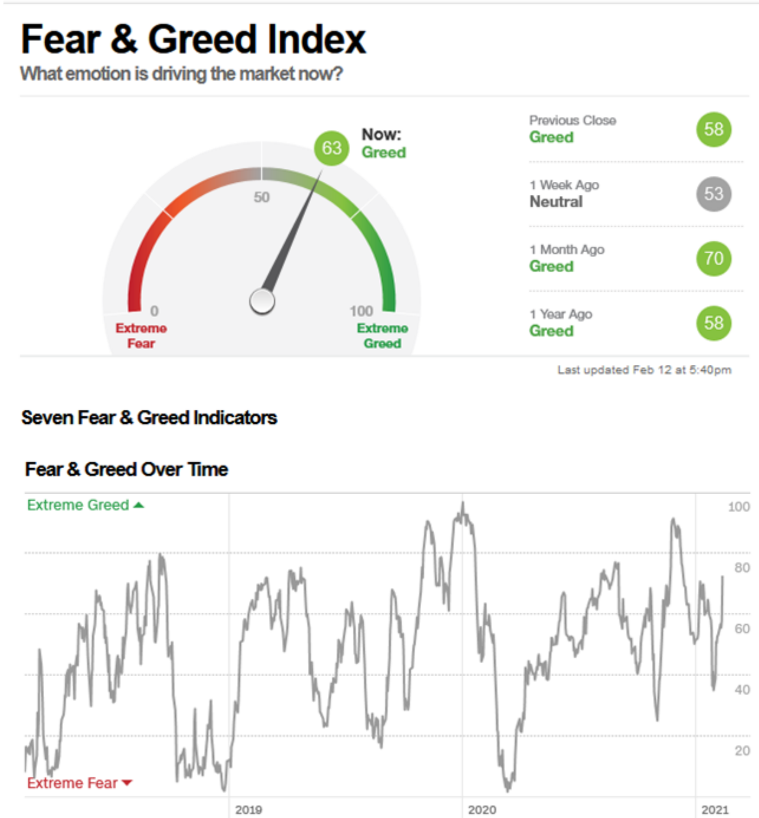
FEAR & GREED INDEX…NOT THAT FAR ABOVE NEUTRAL



Certainly, we respect that there has been a lot of frothiness in so-called "meme" stocks, cannabis companies and digital currencies, but the *CNNMoney* Fear & Greed Index is only modestly into the Greed range, with overall equity market enthusiasm per this gauge of seven indicators held back by Extreme Fear in Put and Call Options and Neutral readings for Market Volatility and Safe Haven Demand.

…while we like, from a contrarian perspective, that many market pundits and financial publications have been warning about a bubble in stocks. On the bubble score, we recognize that recent action in GameStop, cannabis stocks, special purpose acquisition companies (SPACs) and cryptocurrencies is frothy, to say the least, but we do not own these instruments. Our portfolios consist of what we believe to be inexpensively priced stocks,…

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	19.6	15.2	1.2	2.5	2.3
ValuePlus	22.2	16.1	1.5	2.5	2.0
Dividend Income	18.9	14.9	1.0	2.5	2.6
Focused Dividend Income	20.1	15.5	1.3	2.6	2.6
Focused ValuePlus	19.0	15.6	1.5	2.6	2.3
Small-Mid Dividend Value	18.1	14.7	0.7	1.8	2.2
Russell 3000	36.4	24.4	2.8	4.1	1.4
Russell 3000 Growth	46.7	33.3	4.9	11.9	0.7
Russell 3000 Value	29.5	18.9	1.9	2.4	2.1
Russell 1000	33.7	23.8	2.9	4.3	1.4
Russell 1000 Growth	42.1	31.7	5.1	12.5	0.7
Russell 1000 Value	27.8	18.8	2.0	2.5	2.1
S&P 500 Index	32.1	22.9	2.9	4.3	1.5
S&P 500 Growth Index	38.0	29.5	5.6	10.4	0.8
S&P 500 Value Index	27.2	18.3	1.9	2.6	2.3
S&P 500 Pure Value Index	18.4	11.7	0.7	1.2	2.8

As of 02.12.21. 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.

…while we would argue that if there is a bubble to worry about, it just might be in the bond market, where folks continue to shovel money into fixed income mutual and exchange traded funds,…

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BONDS REMAIN STUNNINGLY POPULAR

Combined Estimated Long-Term Fund Flows and ETF Net Issuance
Millions of dollars

Week Ended	2/3/2021	1/27/2021	1/20/2021	1/13/2021	1/6/2021
Total Equity	-21,725	-6,863	2,524	-10,288	-13,848
Domestic	-12,655	-5,477	-5,923	-11,020	-11,492
World	-9,069	-1,386	8,446	732	-2,356
Hybrid	-1,361	-753	-612	-693	-1,653
Total Bond	27,935	23,116	22,739	23,090	23,809
Taxable	24,724	18,966	18,912	19,053	20,630
Municipal	3,211	4,150	3,827	4,037	3,179
Commodities	1,561	-40	990	-615	1,326
Total	6,410	15,460	25,641	11,495	9,635

Source: Investment Company Institute

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	-29,908	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	-24,645	43,187
May-15	-17,287	5,010	Nov-16	22,993	-13,289	May-18	10,068	11,749	Nov-19	-11,716	44,480
Jun-15	-7,023	6,324	Dec-16	18,859	-4,142	Jun-18	-21,004	16,995	Dec-19	-27,500	50,733
Jul-15	-14,864	-1,255	Jan-17	5,097	31,037	Jul-18	1,007	22,495	Jan-20	-24,544	73,855
Aug-15	-18,569	-18,122	Feb-17	17,613	33,991	Aug-18	-6,660	17,219	Feb-20	-28,220	25,064
Sep-15	-4,725	-10,849	Mar-17	9,411	36,562	Sep-18	886	18,526	Mar-20	-7,485	-273,714
Oct-15	-807	15,397	Apr-17	-8,266	22,064	Oct-18	-9,657	-27,700	Apr-20	2,664	14,672
Nov-15	654	-5,573	May-17	-10,725	33,070	Nov-18	2,783	-7,459	May-20	-20,929	73,166
Dec-15	476	-25,043	Jun-17	-7,944	29,372	Dec-18	-28,953	-49,512	Jun-20	-24,822	100,075
Jan-16	-27,222	7,686	Jul-17	-12,518	29,139	Jan-19	-21,195	29,308	Jul-20	-46,524	98,490
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	50,996
Apr-16	-12,610	22,114	Oct-17	3,166	36,110	Apr-19	-5,307	40,565	Oct-20	-52,484	63,920
May-16	-14,252	16,925	Nov-17	-4,417	19,788	May-19	-24,652	21,332	Nov-20	41,141	58,856
Jun-16	-15,530	16,623	Dec-17	-9,054	19,491	Jun-19	-11,997	39,771	Dec-20	-34,053	76,178
									Totals:	-788,047	1,562,729

While most of the major equity market averages reside near all-time highs and many individual stocks have hit record prices, investors remain infatuated with fixed income. Indeed, data from ICI show that Bonds, aside from a big hiccup last March, continue to garner nearly all the love, despite microscopic yields, the increase of which has produced modest red ink for many fixed income holders thus far in 2021.

…and nearly $16 trillion is invested in negative yielding government debt around the world.

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NEGATIVE YIELDING GOVERNMENT BONDS

Incredibly, investors around the world continue to love government debt, despite recent losses on the price of the bonds to go along with the negative yields. Yes, we understand that the pros can utilize derivatives and leverage 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.

And, for those convinced that everybody is giddy about stocks, consider that $4.3 trillion continues to rest in money market funds, earning not much more than zero.

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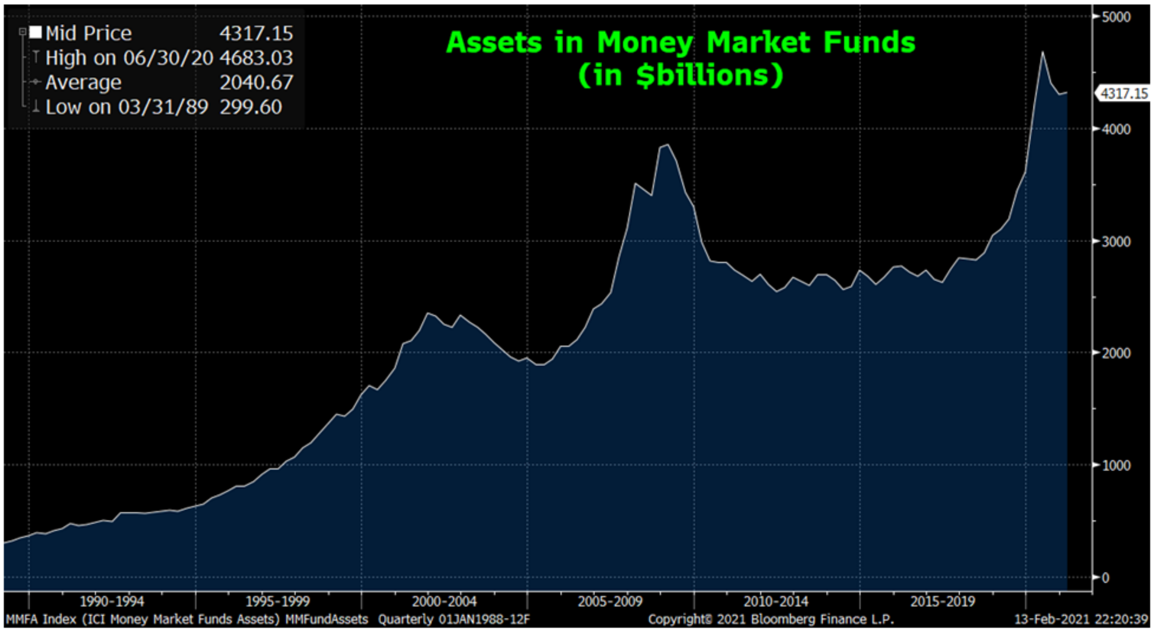
MONEY MARKET FUND ASSETS OVER TIME

Despite yields near zero, total assets in money market funds have never been greater...which we think bodes very well for stocks, given previous asset spikes in 2000 following the bursting of the Tech Bubble and in 2008 after the brunt of the Global Financial Crisis damage.



While we have been busy pruning some of our stocks that have enjoyed nice runs and redeploying those proceeds into other names that had headed in the other direction this year, we remain optimistic about the prospect of our broadly diversified portfolios. We continue to think that the economic climate will be favorable,…

The Fed's latest projections call for a much less severe recession (2.4% decline in real GDP) this year, and a significant recovery of 4.2% GDP growth in 2021 and a decent 3.2% expansion in 2022, while the Fed Funds rate will likely remain near zero through 2023.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2020

Percent

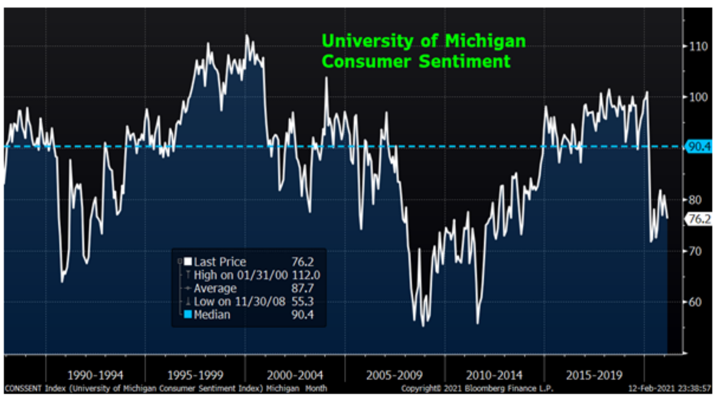
Variable	Median[1]					Central Tendency[2]					Range[3]				
	2020	2021	2022	2023	Longer run	2020	2021	2022	2023	Longer run	2020	2021	2022	2023	Longer run
Change in real GDP	-2.4	4.2	3.2	2.4	1.8	-2.5– -2.2	3.7–5.0	3.0–3.5	2.2–2.7	1.7–2.0	-3.3– -1.0	0.5–5.5	2.5–4.0	2.0–3.5	1.6–2.2
September projection	-3.7	4.0	3.0	2.5	1.9	-4.0– -3.0	3.6–4.7	2.5–3.3	2.4–3.0	1.7–2.0	-5.5–1.0	0.0–5.5	2.0–4.5	2.0–4.0	1.6–2.2
Unemployment rate	6.7	5.0	4.2	3.7	4.1	6.7–6.8	4.7–5.4	3.8–4.6	3.5–4.3	3.9–4.3	6.6–6.9	4.0–6.8	3.5–5.8	3.3–5.0	3.5–4.5
September projection	7.6	5.5	4.6	4.0	4.1	7.0–8.0	5.0–6.2	4.0–5.0	3.5–4.4	3.9–4.3	6.5–8.0	4.0–8.0	3.5–7.5	3.5–6.0	3.5–4.7
PCE inflation	1.2	1.8	1.9	2.0	2.0	1.2	1.7–1.9	1.8–2.0	1.9–2.1	2.0	1.1–1.4	1.2–2.3	1.5–2.2	1.7–2.2	2.0
September projection	1.2	1.7	1.8	2.0	2.0	1.1–1.3	1.6–1.9	1.7–1.9	1.9–2.0	2.0	1.0–1.5	1.3–2.4	1.5–2.2	1.7–2.1	2.0
Core PCE inflation[4]	1.4	1.8	1.9	2.0		1.4	1.7–1.8	1.8–2.0	1.9–2.1		1.3–1.5	1.5–2.3	1.6–2.2	1.7–2.2	
September projection	1.5	1.7	1.8	2.0		1.3–1.5	1.6–1.8	1.7–1.9	1.9–2.0		1.2–1.6	1.5–2.4	1.6–2.2	1.7–2.1	
Memo: Projected appropriate policy path															
Federal funds rate	0.1	0.1	0.1	0.1	2.5	0.1	0.1	0.1	0.1–0.4	2.3–2.5	0.1	0.1	0.1–0.4	0.1–1.1	2.0–3.0
September projection	0.1	0.1	0.1	0.1	2.5	0.1	0.1	0.1	0.1–0.4	2.3–2.5	0.1	0.1	0.1–0.6	0.1–1.4	2.0–3.0

Source: Federal Reserve, December 16, 2020

…even as we respect that latest data points on Main Street confidence were disappointing,…

THE PRUDENT SPECULATOR

DETERIORATING MAIN STREET SENTIMENT

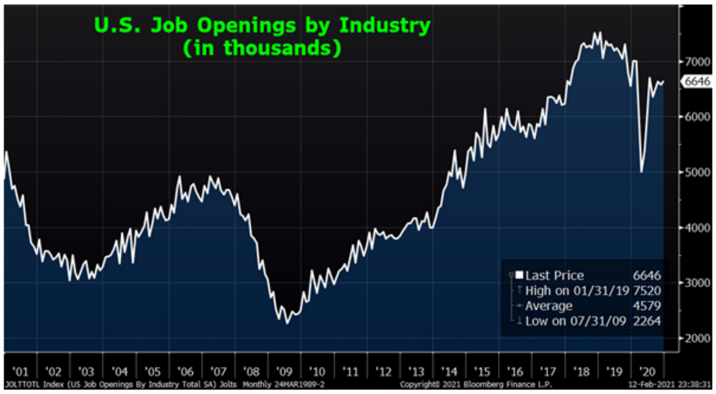


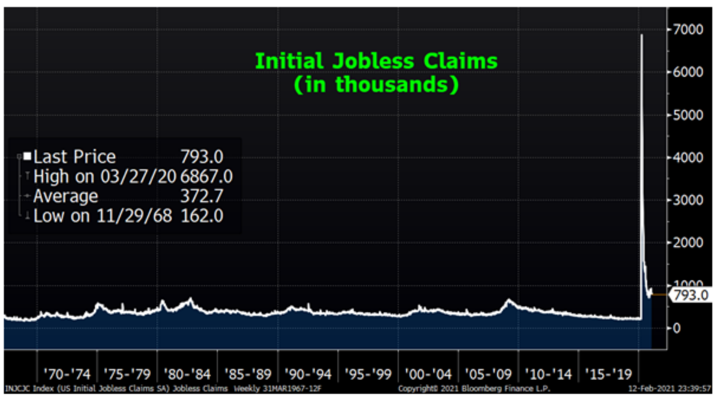
The NFIB Small Business Index for January came in at 95.0, down 0.8 points from December, with the figure well below the 30-year average. Meanwhile, the preliminary Univ. of Michigan gauge of consumer sentiment this month decreased to a weaker-than-expected 76.2, down from a final reading of 79.0 in January. Of course, given that the median for this gauge has been 90.4, consumers are feeling pessimistic.

…and the numbers on the jobs front are not pretty.

THE PRUDENT SPECULATOR

DISMAL (BUT IMPROVING) EMPLOYMENT NUMBERS



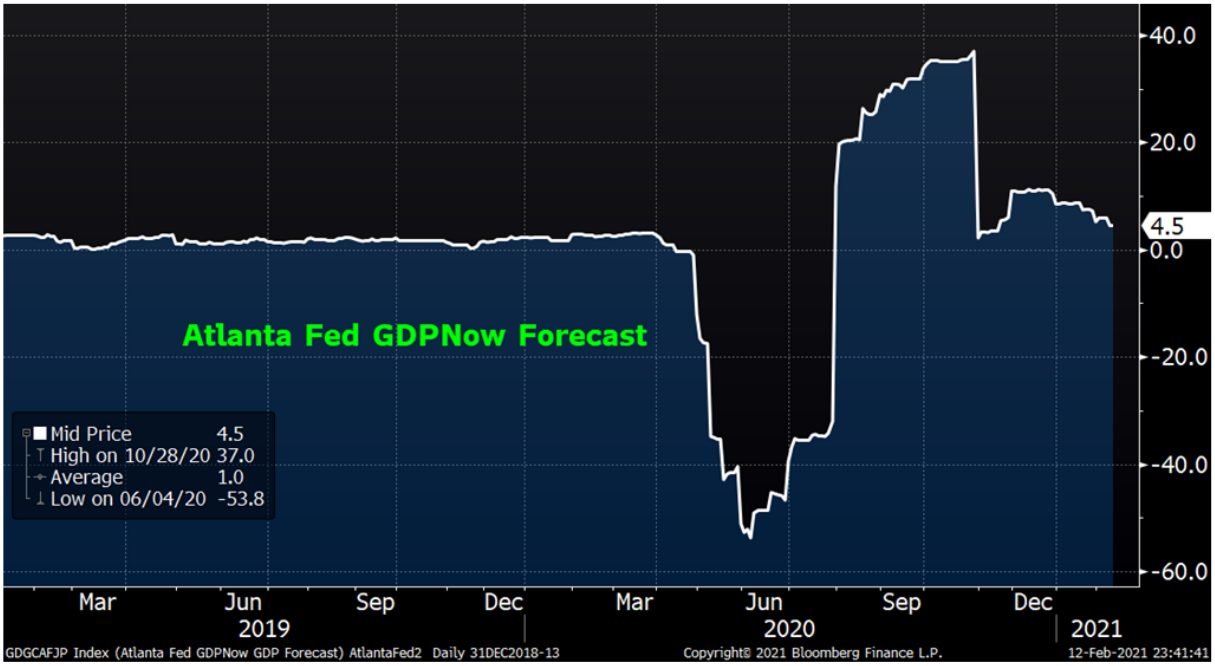


A relatively modest 5.5 million people were rehired or found new jobs during December, but there was a slight rise in job openings during the month to 6.65 million. Of course, the labor picture is a work in progress, even with far better numbers today than many had projected a few quarters back. Looking at more current data, first-time filings for unemployment benefits continue to be massive, but they fell to 793,000 claims in the latest week.

Still, the outlook for Q1 GDP growth remains solid,…

SOLID U.S. GDP GROWTH EXPECTED IN Q1

While the quarter just completed saw a continuation of the economic expansion, following an epic contraction in Q2 2020, the Atlanta Fed is now projecting a 4.5% increase in Q1 2021 GDP on an annualized basis.

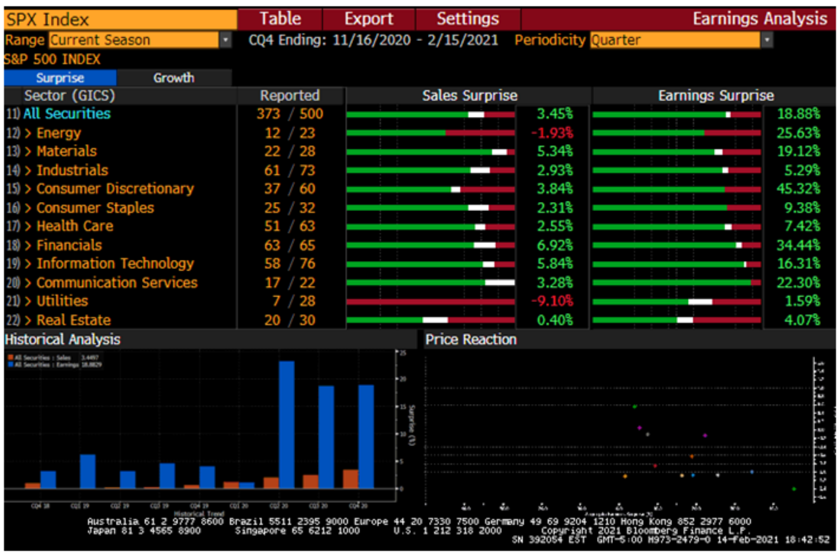


…while we note that Q4 earnings reporting season has been terrific with Bloomberg calculating that 79.3% of the 373 members of the S&P 500 to have announced results thus far have exceeded analyst EPS expectations, with 72% also beating revenue forecasts. Both figures are much better than is usually the case, and EPS projections for 2021 have been on the rise.

THE PRUDENT SPECULATOR

EPS PLUNGED IN 2020 BUT SHOULD REBOUND MIGHTILY IN 2021

Q4 earnings reporting season has been very good thus far, relative to analyst projections that had been too pessimistic in their top- and bottom-line estimates. Of course, full-year 2020 COVID-19-impacted EPS were not so grand, but a significant rebound is projected next year.


SPX Index | Table | Export | Settings | Earnings Analysis
Range Current Season | CQ4 Ending: 11/16/2020 - 2/15/2021 | Periodicity Quarter
S&P 500 INDEX
Surprise | Growth

Sector (GICS)	Reported	Sales Surprise	Earnings Surprise
11) All Securities	373 / 500	3.45%	18.88%
12) > Energy	12 / 23	-1.93%	25.63%
13) > Materials	22 / 28	5.34%	19.12%
14) > Industrials	61 / 73	2.93%	5.29%
15) > Consumer Discretionary	37 / 60	3.84%	45.32%
16) > Consumer Staples	25 / 32	2.31%	9.38%
17) > Health Care	51 / 63	2.55%	7.42%
18) > Financials	63 / 65	6.92%	34.44%
19) > Information Technology	58 / 76	5.84%	16.31%
20) > Communication Services	17 / 22	3.28%	22.30%
21) > Utilities	7 / 28	-9.10%	1.59%
22) > Real Estate	20 / 30	0.40%	4.07%

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2021	$46.87	$170.76
9/30/2021	$44.53	$158.47
6/30/2021	$40.75	$151.84
3/31/2021	$38.61	$137.88
12/31/2020	$34.58	$118.77
ACTUAL		
9/30/2020	$37.90	$123.37
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 2.11.21

And, for those worried that the Federal Reserve will take away the proverbial punch bowl,…

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 (3.10% vs. 1.21% 10-Year) and generous S&P 500 dividend yield of 1.47%.

…Fed Chair Jerome Powell said last week, "The Fed is unlikely to even think about withdrawing policy support by raising rates or reducing its bond purchases for the foreseeable future."

Charles Evans, president of the Federal Reserve Bank of Chicago, echoed that sentiment during a recent speech, "It will be critical for monetary policymakers to look through temporary price increases and not even think about thinking about adjusting policy until the economic criteria we have laid out have been realized."

Finally, Neel Kashkari, the Minneapolis Fed president, recently proclaimed, "If one group of speculators wants to have a battle of wills with another group of speculators over an individual stock, God bless them." He added that he was not "at all thinking about modifying my views on monetary policy because of speculators in these individual stocks."

Stock Updates

Keeping 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/. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*, while we are in the process of posting updated Target Prices for all of our stocks to theprudentspeculator.com.

Jason Clark, Chris Quigley and Zack Tart take a look at a dozen of our companies that had news out last week of sufficient interest to merit a Target Price review.

Shares of **Walt Disney** (DIS – $187.76) advanced 3.5% last week, even as investors were not overly enthused with the latest quarterly operating results. For fiscal Q1 2021, the entertainment giant reported adjusted EPS of $0.32, versus the consensus analyst estimate of a loss of $0.38. Revenue of $16.25 billion also outpaced the average forecast of $15.9 billion. The quarter saw strong additions to Disney+, which now has a massive 94.9 million subscribers (approximately 5 million more than expected).

While there are still some uncertainties surrounding COVID-19 and the toll it continues to take on the theme parks, film and media networks, positives around increased vaccinations and improving case trends in certain regions should allow some re-openings, which should unleash pent-up demand.

"We believe the strategic actions we're taking to transform our company will fuel our growth and enhance shareholder value, as demonstrated by the incredible strides we've made in our DTC business, reaching more than 146 million total paid subscriptions across our streaming services at the end of the quarter," said CEO Bob Chapek. "We're confident that, with our robust pipeline of exceptional, high-quality content and the upcoming launch of our new Star-branded international general entertainment offering, we are well-positioned to achieve even greater success going forward."

For Disney itself, the last year may turn out to be a blessing in disguise. The shuttering of major parts of its overall business forced the company to evolve quickly and pushed it faster towards creating and delivering more-complete and appealing direct-to-consumer offerings. While the current valuation may be a near-term concern for some, we believe we can easily argue that the catapult results will receive from the reopening of parks rapidly changes the scenario. This is without even considering what its DTC business (Disney+, Hulu and ESPN+) should be receiving as a valuation norm given the metrics the market assigns to Netflix. All things considered, we have raised our Target Price for DIS $209, though we respect that the stock is now one of our largest holdings and a trim at some point in the near future would not be unreasonable.

Cisco Systems (CSCO – $47.29) earned $0.79 per share in fiscal Q2 2021 (vs. $0.76 est.). The communications equipment firm had total revenue of $11.96 billion, versus the $11.89 billion estimate. Shares slid more than 2% as analysts were disappointed with the outlook CSCO offered. CSCO said it expects revenue growth in the 3.5% to 5.5% range with adjusted EPS between $0.80 and $0.82. The gross margin is also expected to come in a tad higher, between 65% and 66%, which is better than last quarter's margin of 65.1%.

CEO Chuck Robbins commented: "Building on the strength of our broad portfolio, we are focused on 6 strategic pillars that will deliver highly secure next-generation architectures with unprecedented insights, automation and visibility. First, we're building networking solutions with built-in simplicity, security, agility and automation that can be consumed as a service. Second, we are optimizing our customers' application experiences, enabling greater speed, agility and scale of cloud-native applications and DevOps that deliver the best end-user experience. Third, with the future of work being hybrid, we're delivering highly secure access, a safer workplace and the best collaboration experiences no matter whether workers are at home or in an office. Fourth, with our customers and partners, we are building the Internet for the future by transforming connectivity and efficiently meeting the ever-growing demand for low latency and higher speeds. Fifth, with security and privacy a top priority, we are building integrated high efficacy end-to-end security solutions that are delivered on-prem or in the cloud. Lastly, as apps and workloads move closer to users and devices, we are developing new edge capabilities for a distributed world while enhancing the developer experience and extending enterprise and carrier networks."

Mr. Robbins concluded, "Our strategy is clear and our business remains strong. We are executing and innovating with speed and delivered solid results with our Q2 revenue coming in at the high end and earnings coming in above our stated guidance. As we move into the gradual recovery phase, we believe our customers will continue to turn to Cisco as their partner of choice. I am so proud of what our teams have achieved. The incredible innovation and trusted partnerships we are building will serve us well in the years ahead… With our ongoing disciplined approach to investment and innovation, we expect to be in an even stronger position post-pandemic as our customers look to deploy their next-generation networks at the heart of their organizations. I firmly believe Cisco is well positioned to capture the long-term growth opportunities ahead and win for years to come."

Software subscriptions now account for 76% of revenue, up 4% year-over-year, while security software like Duo and Umbrella (Duo is used by Kovitz to safeguard connections to Kovitz assets and client data) continue to see double-digit growth. We believe the future will continue to be lumpy for CSCO as the effects of the pandemic vary substantially by continent and region. And even before the pandemic, CSCO alternated between strong demand and softer demand, which fortunately 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 improve in fiscal 2022 and 2023. Cisco sports a forward P/E ratio near 14 and a 3.1% yield. We continue to find CSCO to be a value-priced stock with decent long-term growth potential. Our Target Price is $60.

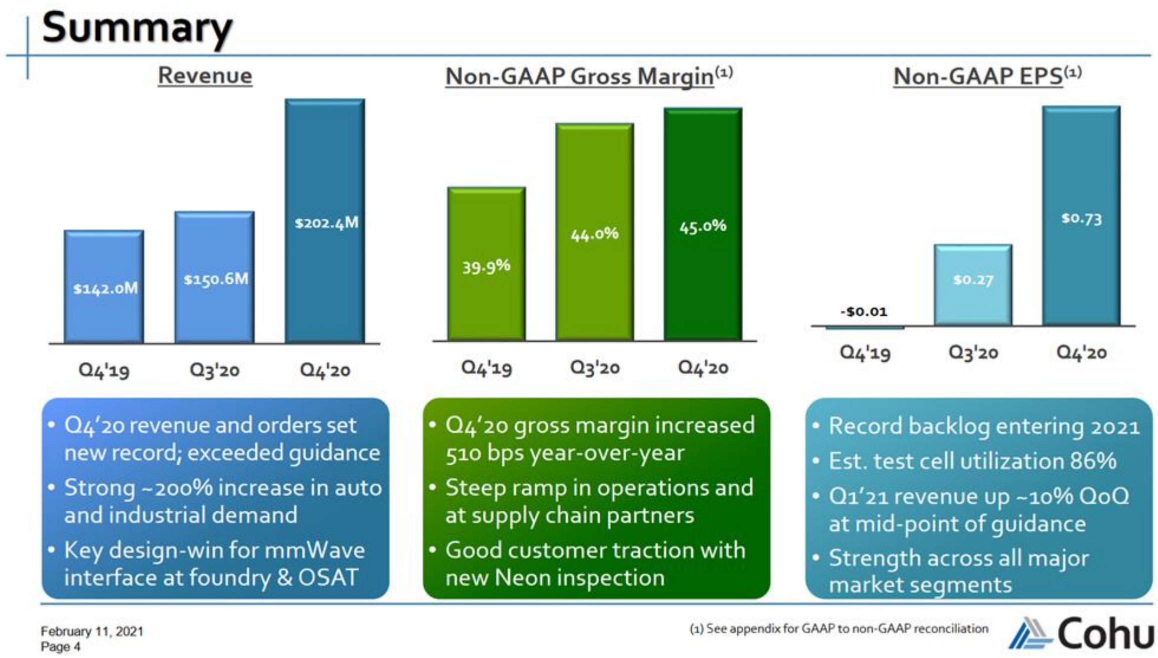
Semiconductor equipment firm **Cohu** (COHU – $50.55) earned $0.73 per share in fiscal Q4 2020 (vs. $0.61 est.). COHU had sales of $202.4 million (vs. $197.9 million est.). Shares soared 7%, bringing the YTD gain to more than 32%. COHU expects Q1 2021 revenue between $212 million and $232 million (vs. $139 million in Q1 2020), with EBITDA (earnings before interest, taxes, depreciation and amortization) growth around 23% and a widened gross margin between 45% and 46%.

CEO Luis Muller explained, "Despite COVID-19 challenges, we executed on our fifth consecutive year of revenue growth, a 5-year CAGR of 18.7%. Cohu ended last year on a high note with all-time record orders and strong momentum that has carried into first quarter 2021. Our operations team and supply chain partners are executing on an unprecedented business ramp to meet customer needs. Fourth quarter orders were split 29% recurring and 71% systems, reflecting the sharp increase in [tester] and handler systems orders. Interface business orders increased 30% quarter-over-quarter. But given such strong system demand, the contactor attachment rate to handler sales was 19%. Orders improved sequentially across all semiconductor markets, with automotive increasing nearly 200% quarter-over-quarter. Estimated test sale utilization increased 5 points quarter-over-quarter to 86% at the end of December and explain some of the dynamics driving strong business momentum."

Mr. Muller continued, "Last year, we saw new U.S. export restrictions to Huawei. I believe everyone understands that smartphone demand is increasing. And there has been a redistribution of business that translates into incremental orders for Cohu products from customers where we have greater share and new opportunities, particularly in China. There are significant positive trends in the automotive segment, starting with many auto companies suggesting a complete transition to EV technology in the coming decade and significant government mandates to go carbon neutral in China, Europe and the U.S. Another exciting trend is the rapid adoption of ADAS technologies in vehicles, which expands the use of processors, sensors, microcontrollers, displays and our FICs. We believe our sales growth to the automotive segment will benefit about equally from IC content growth and a projected vehicle SAAR in the mid-teens this year.”

THE PRUDENT SPECULATOR

COHU – FIRING ON ALL CYLINDERS



Mr. Muller offered detail on COHU’s future, “We’re encouraged by momentum across all Cohu’s main market segments and by customer interest in our new products and integrated test cell solutions. We will be guiding first quarter revenue and profitability up and expect second quarter to be sequentially stronger. We’re motivated to accelerate time to yield and productivity for our customers, being diligent about new product investments and incredibly focused on improving margin and profitability. So why is Cohu doing so well? And why is our outlook so positive? We have made substantial improvements to our product portfolio for the past 2 years that have positioned the company for continued growth over the midterm. The 5G deployment is accelerating, and analysts are now projecting greater than double year-over-year volume penetration of this technology in 2021.”

The 5G rollout is a hot topic across the entire Tech sector, and we were pleased to see Cohu benefitting handsomely from the global technology equipment investment. While 5G continues to be a boon for Cohu, we think that the growing number of chips required to manufacture cars is likely to be a growing chunk of revenue (as is the case for many other IT names we hold in our broadly diversified portfolios). We expect the sales momentum to continue as the availability of

5G grows. Shares trade for a reasonable 16 times forward earnings and our Target Price has been boosted to $61.

General Motors (GM – $53.60) posted much-better-than-expected Q4 profits, even as the recently high-flying shares gave back 1.5% on the week. The automaker turned in fourth quarter EPS of $1.93, versus the $1.56 estimate, while the revenue tally was $37.5 billion, compared to a $35.9 billion projection. The problem, for short-sighted investors, was in the 2021 guidance as GM disappointed by acknowledging that production will be impacted by the industry-wide semiconductor shortage. The company projected pretax income of $10 billion to $11 billion for the full year 2021, or $4.50 to $5.25 a share, with the chip issue accounting for a $1.5 billion to $2 billion hit.

CEO Mary Barra commented, “We have strong underlying performance and very strong momentum with customers. Last year, for example, we posted our largest year-over-year U.S. market share gain since 1990, led by full-size trucks and SUVs. In 2020, GM was the full-size pickup sales leader in the United States, thanks to gains by the Chevrolet Silverado and record GMC Sierra deliveries, and we plan to expand our capacity in early 2022. The new Cadillac Escalade, GMC Yukon and Chevrolet Tahoe and Suburban are leading the full-size SUV market. And GM China rode the increasing market preference for large MPVs and luxury vehicles to year-over-year sales increases in these segments, including record deliveries for Cadillac.”

Ms. Barra noted that the U.S. administration change is expected to have little effect on GM (as Ms. Barra had a generally good relationship with the Trump Administration), “As we look to the future, we are well positioned from a policy standpoint. I personally and members of our senior leadership team have had discussions with President Biden, Vice President Harris and several key cabinet appointees. The Biden administration is increasingly aligned around the importance of domestic manufacturing and the need for widespread adoption of EVs. We look forward to working with the administration on policies that support safer transportation with zero emissions.”

We continue to like GM and believe that the company's move away from sedans and towards trucks and SUVs was important and supplies the huge amounts of cash flow required to launch more than 30 EVs in the very near term. The pivot to EVs has been impressively swift across the entire industry (after a slow start) and we think it'll prove valuable for a multitude of reasons. Not unique to GM, but important, is that the company will have a variety of vehicles across the price spectrum with brands like Cadillac supposed to move entirely to EVs. Of course, GM was in the news last year for its investment in electric semi-truck manufacturer Nikola that went a bit sideways. We would not be surprised to see other truck investments, but the main focus will be SUVs and crossovers in the near term. The valuation for GM isn't as cheap as it once was, around 10 times forward earnings, but it remains a bargain in our view. Our Target Price has been lifted to $70.

Honda Motor (HMC – $29.16) reported earnings of $1.58 per share in fiscal Q3 2021, ahead of the consensus estimate of $0.86. The company had $36.1 billion of revenue, compared to the $35.1 billion analysts were expecting. The automobile and motorcycle maker cut unit sales estimates from 4.6 billion units to 4.5 billion units, but the pandemic has resulted in lower sales costs and less R&D. As a result, Honda updated its guidance for the full fiscal year and now expects revenue near $123 billion (previously $126 billion) and earnings per share of $2.56

(previously $2.18). Honda also announced a cash dividend of $0.217 per share in Q4, bringing the yield near 3%. Shares gained more than 3% last week on the news.

Honda maintains a strong balance sheet compared to its peers, sporting $28 billion of cash and $42 billion of long-term debt, with plenty of room available on revolving loans should the company need them. The weighted average coupon is 1.55% and the weighted average maturity is 2.44 years. Instead of competing in every category, Honda remains focused on controlling costs through fewer trim offerings and common size vehicle platforms, while a commitment to launch more hybrids and electric vehicles is sure to resonate with younger customers and help keep up with the competition. HMC shares trade at 63% of book value. We continue to like the geographically diverse revenue stream, exposure to emerging markets (China and India) and prudent financial position. Our Target Price has been lifted to $39.

Diversified manufacturer **Leggett & Platt** (LEG – $42.35) announced that it earned $0.76 per share in Q4 (six cents higher than the $0.70 analyst estimate) on sales of $1.2 billion. Strong cost controls boosted the bedding, furniture and other component maker's operating margin by 70 basis points even as gross margin declined by 20 bps. For all of 2020, sales decreased 10% to $4.28 billion, primarily from COVID-related demand declines across the business. Bedding sales grew by 2% in Q4 versus 2019, even as the supply chain was constrained and machine capacity reduced due to COVID-19. Within non-spring mattresses, which represent over 90% of mattress growth domestically, LEG grew sales 8% year-over-year. Growth from automotive offset weakness in aerospace to support 1% sales growth for the specialized products segment in the quarter.

CEO Karl Glassman commented, "We are pleased to have delivered a strong fourth quarter to end a very challenging 2020…I would like to thank our employees for their dedication, ingenuity, and tenacity in what was a very challenging year as a result of the COVID-19 pandemic. Our teams across our corporate functions and businesses came together to find solutions and navigate the many issues that resulted from the global pandemic. I am extremely proud of all they accomplished. We finished 2020 as a stronger company as a result of their extraordinary efforts. We expect continued recovery into 2021 as a result of strong consumer demand for home-related items and global automotive, and modest improvement in our businesses in industries that are experiencing ongoing impacts from COVID-19. We also expect continued supply chain constraints, inflation in commodity costs, and recovery of those higher costs through selling price increases."

He added, "Our enduring fundamentals gives us confidence in our ability to create long-term value for our shareholders. We are leaders in most of our markets, focused on innovation and working closely with our customers to provide more of what they need to be successful. We continue to invest in businesses with sustainable competitive advantages in large addressable markets with opportunities to grow and add value over time." Management expects 2021 earnings per share in the range of $2.30 to $2.60, which would mean 15% growth from the mid-point over 2020.

We continue to like that L&P is a market-leading producer of various industrial components across a diversified set of end markets that ought to continue the rebound from the pandemic throughout 2021. We also appreciate the counter-cyclical decision to divest the fashion bedding business to purchase a more competitively positioned aerospace fabrication business. We think the move is aligned with the firm's goal of pursuing profitable growth through continual innovation and prudent acquisition. Our Target Price for LEG is now $55 and we note that the stock boasts a rich dividend yield of 3.8%.

Shares of **Goodyear Tire & Rubber** (GT – $14.07) marched higher by more than 10% in the 4 days that followed the firm's Q4 financial release. Goodyear announced that it earned $0.44 per share, versus the $0.14 consensus analyst estimate. Revenue was $3.7 billion in the period, down 2% compared to the $3.6 billion produced in the 2019 quarter. Price/mix improvement of $33 million and a $25 million decline in raw material costs compared to a year ago drove 370 basis points of gross margin expansion. Some of that was due to an inventory benefit as cheaper raw materials purchased earlier in 2020 made their way through the income statement.

In his outlook for the current year, CFO Darren R. Wells stated, "While markets have recovered considerably since the middle of last year, we continue to face a high level of uncertainty. Despite these uncertainties, we wanted to share with you some thoughts on how we're currently thinking about the business during the first quarter. First, we expect volume will be similar to what we experienced in Q4, with overall levels below 2019, reflecting lower auto production and continued softness in vehicle miles traveled. Second, we expect our production levels to be about 3 million units higher than last year, positively impacting our fixed cost absorption. Third, we expect to see continued improvements in price/mix. While we still expect our raw material cost to be lower than the first quarter of 2020, the year-over-year benefit will be significantly less than in the fourth quarter."

Net debt declined more than $300 million from the prior year and the next major maturity (of $1.58 billion) isn't due until 2023. Nevertheless, the balance sheet still has $4.5 billion of net debt, which could put a lid on capital returns for the foreseeable future. We were relieved to see business results improve markedly after a trend of disappointing quarters and we've adjusted our Target Price for GT higher to $18. We note that while the consensus EPS estimate for 2021 is just $0.85, profits are projected to nearly double to $1.64 in 2022. Still, we know that despite the nearly 30% jump in the price of the stock so far this year, GT has been a disappointing holding, so it must continue to fight for its place in our broadly diversified portfolios.

French integrated energy giant **Total SE** (TOT – $42.77) announced last week that it earned 0.39 euros per share in Q4 2020, versus the 0.36 euro analyst estimate, and profits were off 68% year-over-year. Nevertheless, the trend has been improving since Q2 (which was down 98% y-o-y), with the latest results 55% better sequentially compared to Q3. TOT produced 27.1 billion euros of revenue (versus the 25.1 billion est.), a 16% improvement from Q3, pushing the figure for all of 2020 to 105 billion euros. Analysts now expect EPS of 2.62 euros ($3.17) in 2021 and 3.52 euros ($4.26) in 2022.

Shares have roughly tracked the movement underlying liquids over the past year even as the firm endeavors to gradually transition its portfolio of businesses towards renewables. The company said on its conference call, "We see the 2021 environment as uncertain, so we prefer to approach it prudently and with flexibility. The 2021 CapEx plan was developed using $40 per barrel Brent, maintaining what we control, maintaining discipline on CapEx with a budget of $12 billion. Continuing to invest in profitable projects to implement the group transformation, we have a strong signal of commitment with more than 20% of CapEx devoted to renewables and electricity. That means, in 2020, that we preserved the flexibility to mobilize short cycle CapEx should the oil and gas on the agreement strengthen."

We like that the firm is keyed in on its cost structure and managed the business prudently in recent years, which establishes a great setup as Brent crude has rallied markedly since the release of the vaccine news in November 2020. We continue to like that Total's production costs and leverage are meaningfully lower than most of its large integrated peers and we appreciate the company's portfolio of high-quality assets. The dividend is reasonably safe, in our view, particularly in comparison to other energy majors. The net dividend yield is now 6.2%. Our Target Price now stands at $66 and we think that TOT will continue to generate plenty of cash flow from its legacy businesses to fuel its expanding foray into renewables.

Toy and entertainment concern **Hasbro** (HAS – $91.48) released Q4 2020 financial results last Monday that topped analyst expectations on the top and bottom lines. Earnings per share was $1.27 (11% better than the $1.14 estimate) on $1.7 billion of sales that grew 21% year-over-year. Given the solid print, we were a bit perplexed by the 2-day slide the stock took following the release. Operating margins expanded 480 basis points in Q4 versus the prior year. Strong performance within gaming (which includes MAGIC: THE GATHERING and MONOPOLY) offset declines across other segments, producing revenue of $561.2 million in Q4 and $1.76 billion for the full-year, up 27% and 15%, respectively, compared to the respective periods in 2019.

CEO Brian Goldner recapped the prior year, "In 2020, we lived our purpose of making the world a better place for all children and all families. In what was a most challenging year, the global Hasbro team fully demonstrated its resilience, tenacity, creativity, flexibility, and empathy. Our teams successfully drove demand for several product categories across our portfolio including our entire gaming portfolio from Wizards of the Coast brands to face-to-face gaming. They found ways to reach the global consumer despite retail closures throughout the year, delivering over $1 billion in ecomm revenues for the first time. We leveraged our global supply chain capabilities and our evolving geographic manufacturing supplier base to get products made and distributed. We integrated our acquisition of eOne and while live-action TV and film production was limited, we made substantial progress developing Hasbro [intellectual property] for storytelling that we believe will lead to enhanced revenues and earnings power from Hasbro brands from multiple income streams. We developed toy and game lines for valuable preschool brands PEPPA PIG and PJ MASKS to launch later this year. We concentrated on managing expenses and cash, growing adjusted operating profit margin and finishing the year with $1.45 billion in cash on our balance sheet."

Turning to the year ahead, Mr. Goldner continued, "As we look to the coming year, we continue to see consumers and retailers turning to our categories and Hasbro. We have amazing new lines coupled with planned increases in theatrical, television and streaming entertainment to drive the business. Investments in innovation and new growth drivers, including digital gaming and entertainment, will come to market. We believe we will grow in 2021 as we continue navigating through COVID-19 while leveraging our unparalleled portfolio of brands and capabilities in consumer products, gaming and entertainment."

THE PRUDENT SPECULATOR
HAS – WELL POSITIONED

We like that Hasbro continues to invest in its competitive position, and chip away at its debt balance (now $5.1 billion, down from $5.4 billion at the end of Q1). Shares trade in line with their 5-year average forward P/E multiple of 21 and slightly below the market's 23 figure. The dividend yield is an attractive 3.0% and we've tuned our Target Price for HAS higher to $115.

Despite posting solid fiscal Q1 results, shares of **Tyson Foods** (TSN – $65.56) fell almost 1% last week. The protein producer reported adjusted EPS of $1.94, more than 26% greater than the consensus analyst estimate, on revenue of $10.46 billion, which was about 3.7%% below consensus expectations. Segment margin expansion was driven by Beef and Prepared foods, while Pork margins compressed during the quarter and Chicken margins were better than expected, driven by net gains on derivatives. Management said that elevated grain prices will continue to negatively impact the chicken businesses.

CEO Dean Banks commented, "We delivered strong operating earnings performance, exceeding $1 billion in operating income for the quarter. This performance was driven by higher earnings in our Prepared Foods, Beef, and Chicken segments and demonstrates our effectiveness in

addressing customer and consumer needs, while continuing to manage the ongoing effects of the global pandemic. I am exceptionally proud of our global team for their contributions to this strong result."
Mr. Banks continued, "As we navigate continued market volatility, our multi-protein portfolio creates the fuel for disciplined investments in higher margin, higher growth opportunities ahead. We will continuously seek to remove unnecessary costs from the business and invest in the right areas. Looking forward, I'm confident that our team is executing on the right priorities to meet our commitments and drive shareholder value creation."

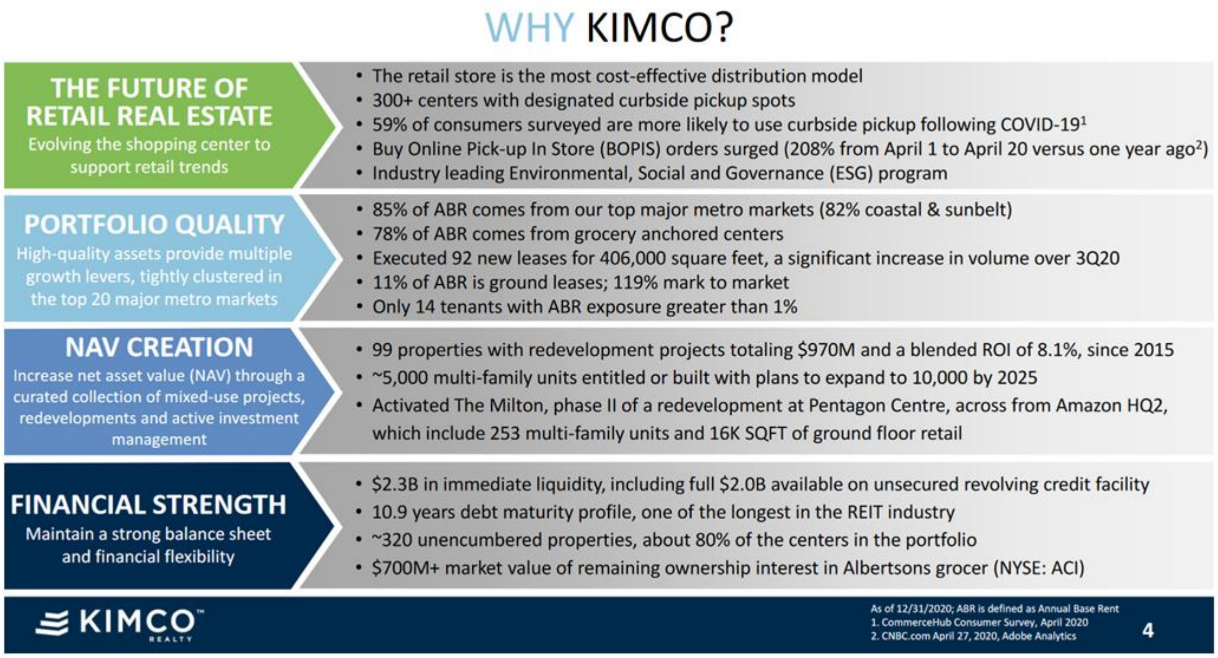
He concluded, "We're optimistic about the continued success of Tyson Foods, and we are positioned for long-term, sustainable growth. We have an incredible opportunity through our leadership in sustainability and social responsibility to drive a more sustainable future for our company and our planet."

To be sure, operational headwinds aren't going away, but we believe Tyson should continue to benefit from positive trade developments as African Swine Fever has caused a global pork shortage, especially in Asia, and the company is well positioned to supply China with pork and other proteins and backfill other markets. The near term is definitely murky, but we like the potential across its product lines, including prepared foods and plant-based offerings. Also, we can't ignore the likelihood of long-term increasing protein consumption around the globe, especially in emerging economies as citizens see quality-of-life improvements. The yield on TSN is 2.7% and our Target Price now resides at $95.

Retail-focused Real Estate concerns **Kimco Realty** (KIM – $18.03) and **Regency Centers** (REG – $52.62) released Q4 financial results last week. Both firms edged out analyst estimates for Funds from Operations (FFO) with KIM's tally coming in at $0.31 per share (versus the $0.30 est.) and REG posting $0.76 (versus the $0.71 est.).

Both REITs noted that 97% of tenants were open and operational at the end of January. As of February 8, 2021, Regency Centers had collected 79% and 89% of respective second and third quarter pro-rata base rent, whereas Kimco's collections for total pro-rata base rents billed in January were approximately 91%. COVID-19 still presents challenges, especially going into winter, but we like REG's current liquidity position. We are relieved that rent collection trends have improved even as rent spreads and tenant occupancy remain obvious issues. While Kimco also suffers from sliding tenant occupancy, we were delighted to see re-leasing spreads increase 6% in Q4.

Kimco CEO Connor Flynn stated, "Thanks to Kimco's dedicated associates and resilient portfolio, during the fourth quarter our rent collections remained strong, our leasing volume reached pre-pandemic levels and we continued our efforts to help tenants overcome the impact of COVID-19. With our predominately grocery-anchored portfolio focused on essential goods and services, we remain favorably positioned to outperform during the recovery and beyond. As we turn the corner towards relief and recovery in the months ahead, we also remember those we have lost and express our deep gratitude to the frontline workers still courageously doing their part to keep us safe."



Regency CEO Lisa Palmer commented, "I'm so proud of how our team has navigated the incredible challenges we faced this past year, working harder than ever to serve our tenants, our customers, our communities and our shareholders. While we acknowledge the meaningful uncertainty that still exists in 2021, we are encouraged by the continued improvement in rent collections and positive momentum in leasing activity that we experienced in the fourth quarter."

Both KIM and REG shares have rallied in a big way (over 75% for KIM and 54% for REG) since the November 6, 2020 close, just prior to **Pfizer's** (PFE – $34.72) vaccine news release. KIM expects $1.18 to $1.24 of per share in FFO in 2021, some 18% lower from the mid-point than the pre-COVID full-year figure from 2019. REG management expects per share FFO between $2.96 and $3.14, 22% lower than the 2019 figure from the mid-point.

Much of Kimco's portfolio is insulated from online competition. Segments like grocery stores, restaurants, fitness centers and other service-based businesses still drive traffic to physical retail centers. On a similar note, we appreciate that Regency's national portfolio of shopping centers is primarily anchored by productive grocers located in affluent and attractive more-populated metro areas. Shares of KIM now trade for 14.3 times the forward FFO estimate, with a dividend yield of 3.5%, while REG now trades for 16.1 times the FFO figure, with a yield of 4.5%. Our Target Prices for KIM and REG have been bumped up to $20 and $70, respectively.