Market Commentary Monday, May 31, 2021

May 30, 2021

EXECUTIVE SUMMARY

Newsletter Trades – Partial Sales of TFC & COF
TPS 656 – June Newsletter Coming Wednesday Evening, June 2
Health News – Vaccines Seem to be Working
Econ Stats – Generally Favorable Numbers
Inflation & Equity Returns – PCE Spikes; Historical Number Crunching
Government Bond Rate Movements & Returns – Stocks (Value) the Place to Be When Treasury Yields Rising
Equity Market Volatility – Ups and Downs, But Long-Term Trend is Higher
Sentiment – Little Enthusiasm for Stocks
Stock News – Updates on JWN, BIG, CHNG & MDT

Market Review

A little housekeeping before this week's Holiday missive. As discussed on our May 25 *Sales Alert*, we sold the following on Thursday, May 27.

TPS Portfolio
545 **Truist Financial** (TFC – $61.78) at $61.405

Buckingham Portfolio
37 **Capital One Fin'l** (COF – $160.78) at $161.61

We will use those prices for sales in our two hypothetical portfolios:

Millennium Portfolio
39 TFC at $61.405
37 COF at $161.61

PruFolio
123 TFC at $61.405
80 COF at $161.61

Work is underway on the June edition of *The Prudent Speculator*. If all goes according to plan, we expect to email *TPS 656* on Wednesday evening June 2. This month, we offer one first-time recommendation and we will add to two existing holdings in TPS Portfolio, while our Graphic Detail feature examines Q1 earnings reporting season. Note, too, that we will soon be posting updated Target Prices for all our holdings to theprudentspeculator.com.

*****

We hope readers are having a pleasant Memorial Day weekend. Given the holiday, we offer a bit shorter update, though we were pleased to see stocks end the month of May with a solid five-day performance run. True, Value trailed Growth, but is has been a terrific year thus far for the kind of stocks that we have long championed.

THE PRUDENT SPECULATOR

FAVORABLE FIVE DAYS…THOUGH VALUE LAGGED

Volatility retreated in the latest week, even as investors remained concerned about cryptocurrencies, the spike in inflation and Federal Reserve actions, with all of the indexes turning in positive returns.

Total Returns Matrix

Last Week	2021 YTD	Since 10.31.20	Since 7.9.20	Last 12 Months	Since 3.23.20	Last 2 Years	Last 3 Years	Last 5 Years	Name
0.26	-2.54	0.56	2.56	4.60	9.59	10.62	13.96	16.13	Bloomberg Barclays Global-Aggregate Bond
0.35	-2.29	-1.20	-1.68	-0.09	3.97	9.67	16.55	17.40	Bloomberg Barclays US Aggregate Bond
1.03	13.76	31.93	36.80	38.80	90.45	42.55	49.41	117.11	Dow Jones Industrial Average
1.15	14.98	34.89	41.52	43.47	94.06	39.65	41.65	80.10	New York Stock Exchange Composite
1.70	6.16	23.23	28.62	41.79	97.74	72.67	83.11	167.52	Russell 3000 Growth
1.07	**18.98**	**40.93**	**49.31**	**46.19**	96.98	**39.95**	**42.33**	**79.51**	**Russell 3000 Value**
1.38	12.34	31.67	38.42	44.60	98.65	57.54	63.74	122.58	Russell 3000
1.16	19.01	41.84	52.65	52.56	114.49	53.97	57.94	106.93	S&P 500 Equal Weighted
1.20	12.62	29.75	35.25	41.02	91.66	55.54	63.42	120.58	S&P 500
1.66	8.16	23.50	28.76	40.36	93.27	64.43	76.98	152.84	S&P 500 Growth
0.71	**17.68**	**37.48**	**43.24**	**39.95**	86.95	**43.01**	**46.22**	**84.04**	**S&P 500 Value**
2.47	5.12	23.31	29.47	37.82	100.17	53.18	53.17	119.13	S&P 500 Pure Growth
0.73	**32.01**	**63.38**	**81.58**	**73.19**	143.93	**37.69**	**31.92**	**76.81**	**S&P 500 Pure Value**

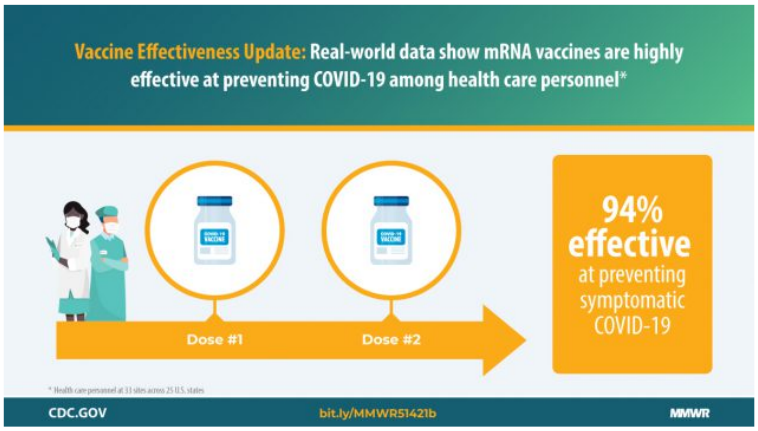
As of 05.28.21. Source Kovitz using data from Bloomberg

Obviously, the success of the coronavirus vaccines,…

Interim Estimates of Vaccine Effectiveness of Pfizer-BioNTech and Moderna COVID-19 Vaccines Among Health Care Personnel — 33 U.S. Sites, January–March 2021

Early Release / May 14, 2021

This multisite test-negative design case-control study found that authorized mRNA COVID-19 vaccines (Pfizer-BioNTech and Moderna) are highly effective against symptomatic COVID-19 among HCP. Effectiveness of a complete 2-dose regimen of these vaccines was estimated to be 94%, consistent with findings from two clinical trials (*3,4*). Although the case definition applied in this study was broader than that used in both clinical trials (*3,4*), 93% and 88% of cases included in this study met the respective Pfizer-BioNTech and Moderna trial case definitions. The results are also consistent with findings from an observational study among the general adult population from Israel (*5*), two cohort studies among HCP from the United Kingdom,[††] and recently reported interim results from a U.S. cohort evaluation among HCP and frontline workers (*6*).



Summary

What is already known about this topic?

Health care personnel (HCP) are at high risk for COVID-19. The early distribution of two mRNA COVID-19 vaccines (Pfizer-BioNTech and Moderna) to HCP provided an opportunity to examine vaccine effectiveness in a real-world setting.

What is added by this report?

The first U.S. multisite test-negative design vaccine effectiveness study among HCP found a single dose of Pfizer-BioNTech or Moderna COVID-19 vaccines to be 82% effective against symptomatic COVID-19 and 2 doses to be 94% effective.

What are the implications for public health practice?

The mRNA vaccines are highly effective at preventing symptomatic COVID-19 among U.S. HCP. High vaccination coverage among HCP and the general population is critical to prevent COVID-19 in the United States.

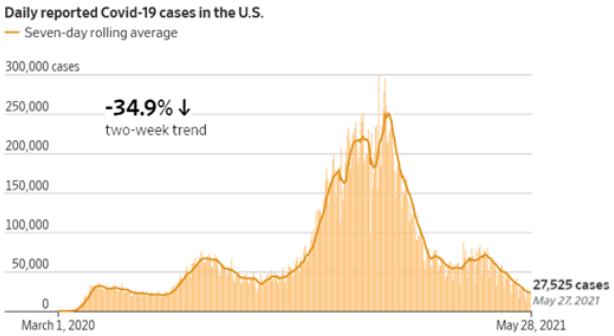
…has led to much better COVID-19 news…at least in the U.S., with *CNBC.com* reporting on Sunday that the 11,976 new cases tabulated on Saturday were the lowest since March 23, 2020, and the TSA stating that Friday saw the highest number of airport travelers since the pandemic began.

Covid-19 Live Updates: U.S. Case Averages at 11-Month Lows

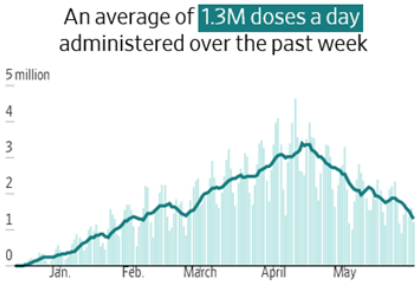
Last Updated: May 26, 2021 at 7:27 pm ET

In 25 states and the District of Columbia, more than half of adult residents are now fully vaccinated, according to data from the Centers for Disease Control and Prevention.

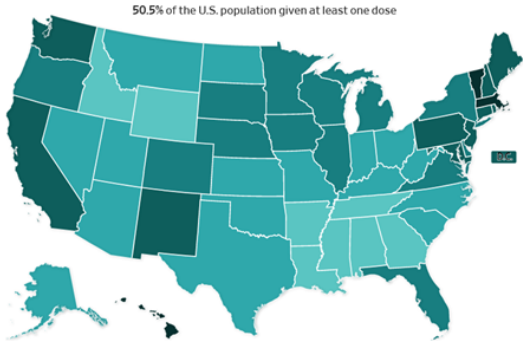
SHARE THIS PAGE



Note: For all 50 states and D.C., U.S. territories and cruises. Last updated May 28, at 5:58 a.m.
Source: Johns Hopkins Center for Systems Science and Engineering



Note: Last updated May 30, at 4:00 p.m.
Source: Centers for Disease Control and Prevention

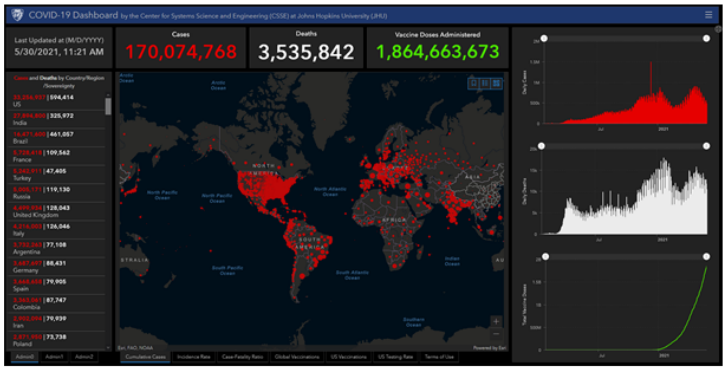


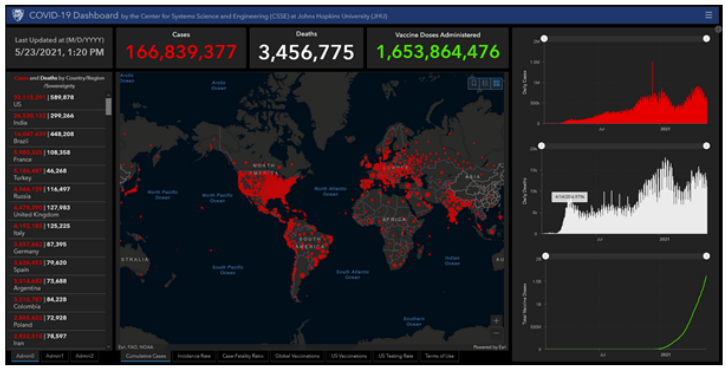
Note: County data only available for fully vaccinated individuals. Counties with less than 75% of data available have been excluded. Last updated May 30, at 4:00 p.m.
Source: Centers for Disease Control and Prevention

Of course, case counts and the number of deaths continue to climb around the world,…

THE PRUDENT SPECULATOR

COVID-19 GLOBAL CASE AND MORTALITY RATES





Given that more than 3.5 million have lost their lives around the world, with more than 594,000 of those in the U.S., there is still plenty of bad news related to the COVID-19 Pandemic, especially as the increase in the latest week's global new diagnoses jumped by 3.2 million. The rise in weekly fatalities of 79,000 was a bit better than the 93,000 of four weeks prior, but India is still experiencing a devastating second wave of cases and officials are worried about more contagious virus strains making their way around the world. On the plus side, 40.7% of all Americans are now fully vaccinated.

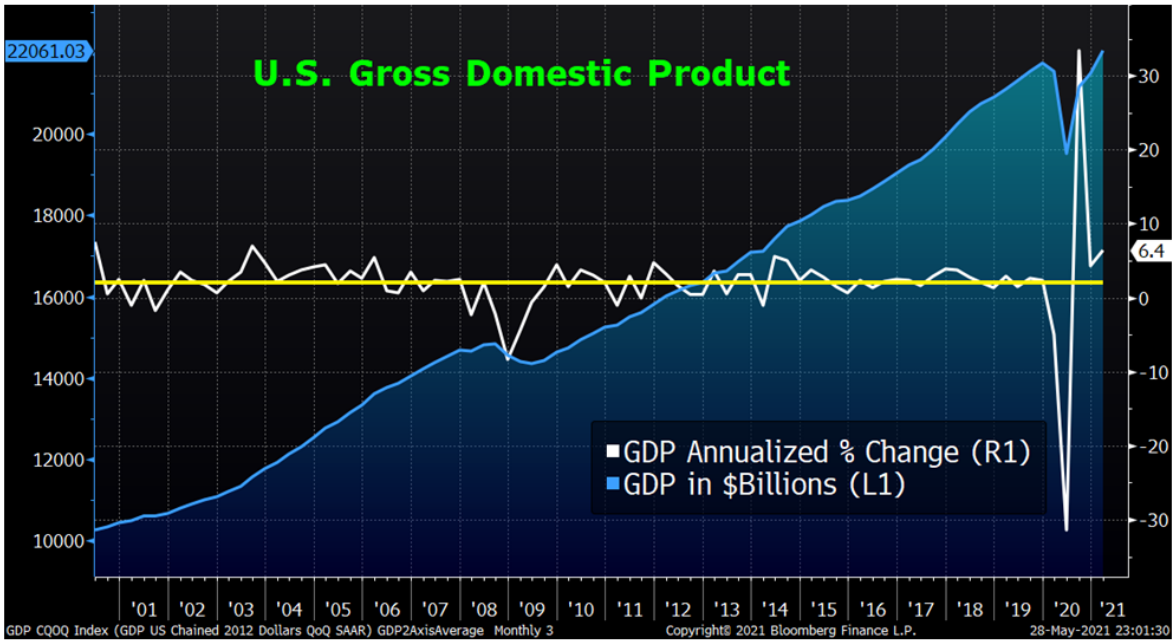
https://www.arcgis.com/apps/opsdashboard/index.html#/bda759474ofd4029942346 7b48e9ecf6

…but favorable developments on the health front, along with significant additional government stimulus, led to terrific U.S. economic growth in the first quarter,…

THE PRUDENT SPECULATOR

EXCELLENT Q1 U.S. GDP GROWTH OF 6.4%

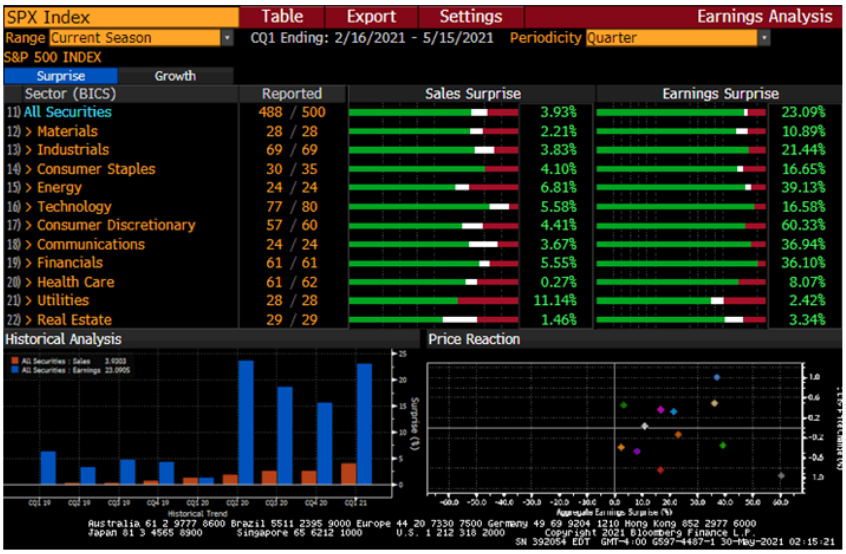
First quarter 2021 real (inflation-adjusted) domestic economic growth came in at a very strong 6.4% rate on an annualized basis, and the current-dollar GDP figure of $22.1 trillion is now at an all-time high, surpassing the $21.7 trillion posted in Q4 2019.



…which translated into excellent Q1 corporate earnings reports, with expectations for significant top- and bottom-line growth over the balance of 2021 and for 2022.

EPS PLUNGED IN 2020 BUT SHOULD SOAR IN 2021 AND 2022

Q1 earnings reporting season has been fantastic thus far, relative to analyst projections that were still too too pessimistic in their top- and bottom-line estimates. 87.1% of S&P 500 companies have topped EPS expectations and a very high 72.1% have exceeded revenue forecasts.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2022	$55.56	$208.84
9/30/2022	$53.47	$201.99
6/30/2022	$50.32	$194.89
3/31/2022	$49.49	$188.02
12/31/2021	$48.71	$186.18
9/30/2021	$46.37	$175.65
6/30/2021	$43.45	$167.18
3/31/2021	$47.65	$150.52
ACTUAL		
12/31/2020	$38.18	$122.37
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

Source: Standard & Poor's. As of 5.20.21

No doubt, the economic data over the next few months will be variable as states progress at different paces in their reopening efforts, supply chain challenges for businesses are likely to remain elevated and the jobs markets are adjusting to changes in unemployment benefits. As such, it isn't a big surprise to see a divergence in the two consumer sentiment/confidence gauges,…

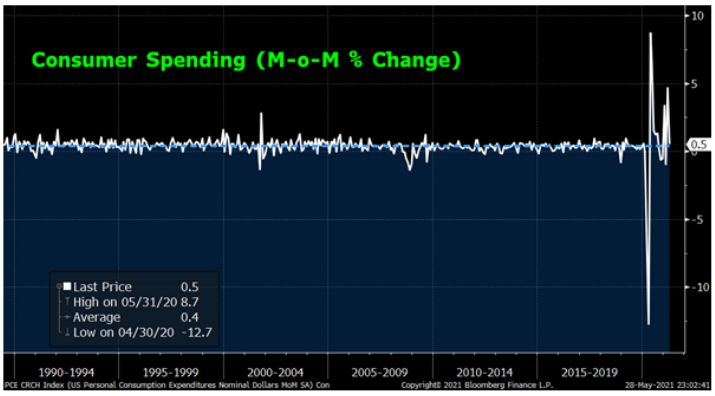
THE PRUDENT SPECULATOR

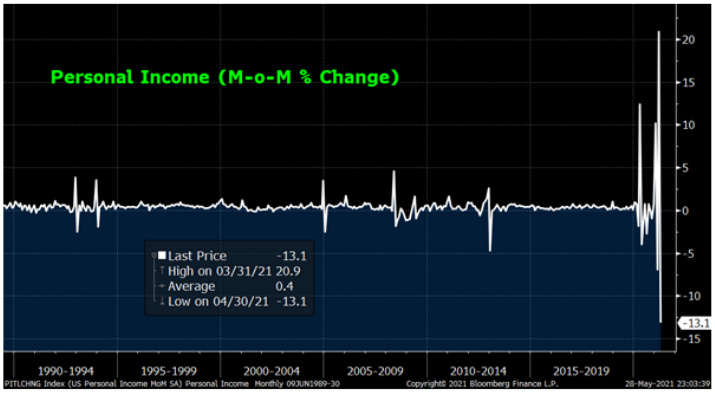
MIXED PICTURE ON CONSUMER CONFIDENCE/SENTIMENT

Consumer confidence, per data from the Conference Board, inched lower in May, dipping to a still-very-high level of 117.2, down from a revised 117.5 in April and a bit below expectations. Meanwhile, the final Univ. of Michigan gauge of consumer sentiment for May came in at 82.9, trailing estimates and down sharply from a final reading of 88.3 in April, with the tally hit by worries about inflation.

…even as consumer spending was robust in April,…

CONSUMERS STILL SPENDING AND SAVINGS LEVELS REMAIN HIGH



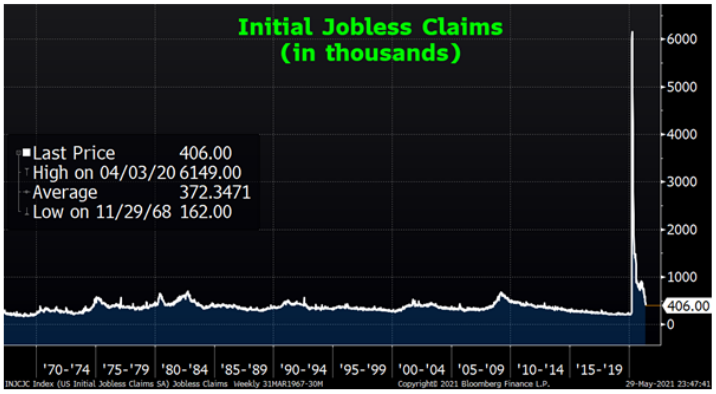


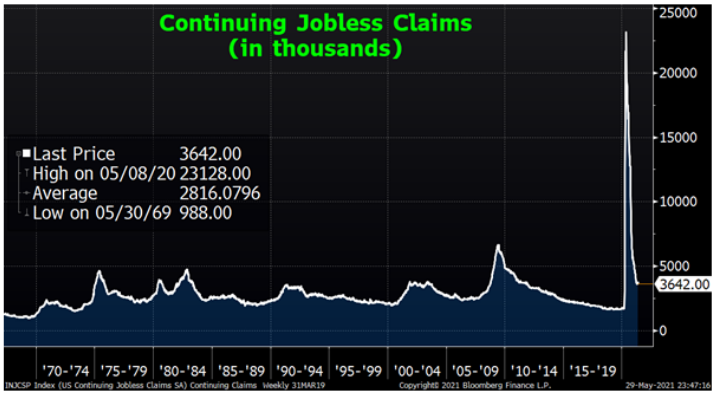
With new government stimulus payments in pocketbooks, consumer spending skyrocketed 4.7% in March, so a slowdown was expected in April. Still, the 0.5% increase last month was quite healthy, even as shoppers did have to reach into their savings, as personal incomes without the extra support from Uncle Sam plunged by 13.1%. Happily, the savings rate came in at 14.9%, down from 27.7% in March, but double the pre-pandemic level.

…and the labor picture continued to improve.

THE PRUDENT SPECULATOR

FIRST-TIME FILINGS CONTINUE TO DECLINE

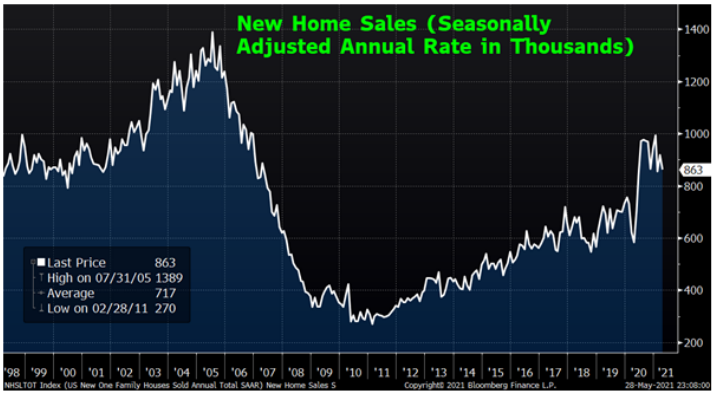




The jobs market continued to improve in the latest week, with new filings for unemployment benefits falling to a seasonally adjusted and better-than-expected pandemic low of 406,000 for the period ended May 22, down 38,000 from the week prior. Continuing claims filed through state programs fell to 3.64 million, still near a pandemic low, though there have been 83 million jobless applications filed over the last 62 weeks.

Still, there were a couple of hiccups in the statistics, at least relative to expectations,…

STILL HEALTHY THOUGH WEAKER-THAN-EXPECTED ECONOMIC NUMBERS



The headline number for durable goods orders in April trailed estimates, dipping 1.3% with a shortage of computer chips getting much of the blame. Excluding the volatile transportation sector, orders rose 1.1%, with business investment pointing to a solid industrial expansion. Sales of new homes for April fell by nearly 6% to a still-strong 863,000 units, with affordability and low inventory sharing the blame for the pullback.

…but nothing that seemingly would derail the most recent projections from the Federal Reserve for stellar full-year GDP growth.

FED: HUGE REBOUND IN '21 AND NEAR-ZERO INTEREST RATES THROUGH '23

The Fed dramatically increased its consensus projection for a massive U.S. economic recovery in 2021, taking its GDP forecast for real (inflation-adjusted) growth sharply higher to 6.5%, up from a 4.2% estimate just three months ago. And, with forecasts for growth in 2022 and 2023 remaining relatively modest, Jerome H. Powell & Co. will likely leave the Fed Funds rate 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, March 2021

Percent

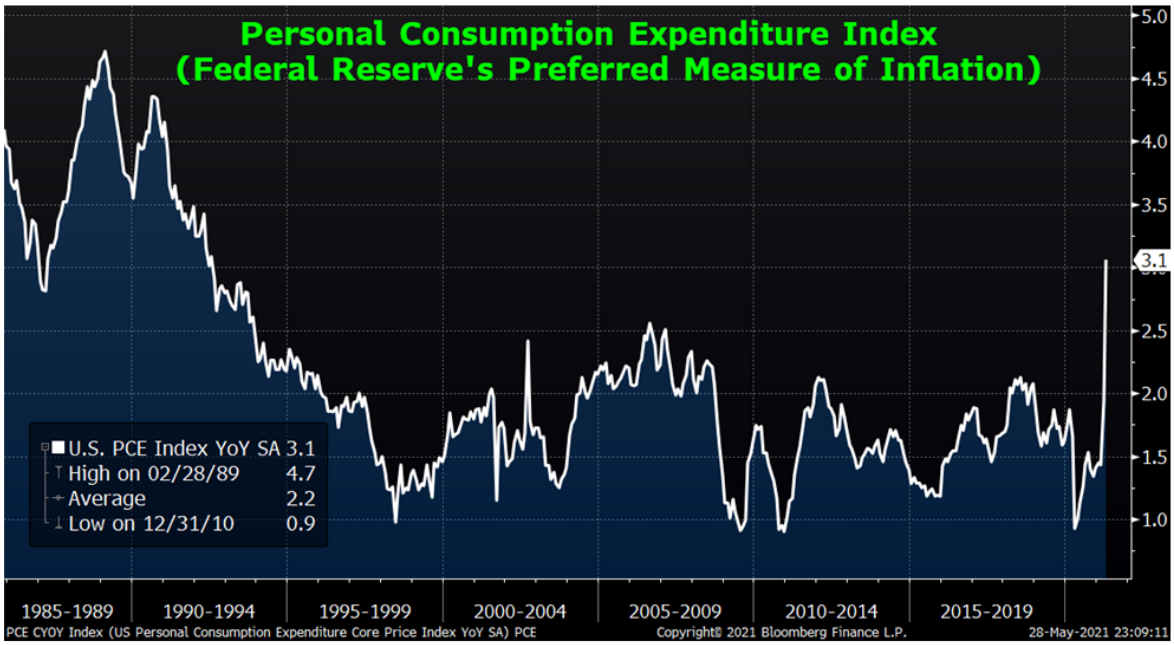
Variable	Median[1]				Central Tendency[2]				Range[3]			
	2021	2022	2023	Longer run	2021	2022	2023	Longer run	2021	2022	2023	Longer run
Change in real GDP	6.5	3.3	2.2	1.8	5.8–6.6	3.0–3.8	2.0–2.5	1.8–2.0	5.0–7.3	2.5–4.4	1.7–2.6	1.6–2.2
December projection	4.2	3.2	2.4	1.8	3.7–5.0	3.0–3.5	2.2–2.7	1.7–2.0	0.5–5.5	2.5–4.0	2.0–3.5	1.6–2.2
Unemployment rate	4.5	3.9	3.5	4.0	4.2–4.7	3.6–4.0	3.2–3.8	3.8–4.3	4.0–5.5	3.2–4.2	3.0–4.0	3.5–4.5
December projection	5.0	4.2	3.7	4.1	4.7–5.4	3.8–4.6	3.5–4.3	3.9–4.3	4.0–6.8	3.5–5.8	3.3–5.0	3.5–4.5
PCE inflation	2.4	2.0	2.1	2.0	2.2–2.4	1.8–2.1	2.0–2.2	2.0	2.1–2.6	1.8–2.3	1.9–2.3	2.0
December projection	1.8	1.9	2.0	2.0	1.7–1.9	1.8–2.0	1.9–2.1	2.0	1.2–2.3	1.5–2.2	1.7–2.2	2.0
Core PCE inflation[4]	2.2	2.0	2.1		2.0–2.3	1.9–2.1	2.0–2.2		1.9–2.5	1.8–2.3	1.9–2.3	
December projection	1.8	1.9	2.0		1.7–1.8	1.8–2.0	1.9–2.1		1.5–2.3	1.6–2.2	1.7–2.2	
Memo: Projected appropriate policy path												
Federal funds rate	0.1	0.1	0.1	2.5	0.1	0.1–0.4	0.1–0.9	2.3–2.5	0.1	0.1–0.6	0.1–1.1	2.0–3.0
December projection	0.1	0.1	0.1	2.5	0.1	0.1	0.1–0.4	2.3–2.5	0.1	0.1–0.4	0.1–1.1	2.0–3.0

Source: Federal Reserve, March 17, 2021

Indeed, the top concern for many investors is inflation, given the 2.4% median Federal Reserve estimate for 2021, and the spike in the April personal consumption expenditure (PCE) to 3.1%.

FED WILL TOLERATE INFLATION MODERATELY > 2%

The Federal Reserve's preferred gauge of inflation, the Personal Consumption Expenditure (PCE), jumped in April to 3.1%, above the 2.0% target even as Jerome H. Powell & Co. have given themselves a runway to let the economy run hotter before hiking interest rates.



While we are still of the mind that Jerome H. Powell & Co. are correct in their assertion that a pick-up in inflation is likely to be transitory and a byproduct of pent-up demand gradually being satisfied as life returns closer to normal, we do not lose sleep over the prospects for an elevated inflation rate,…

STREETWISE | By James Mackintosh

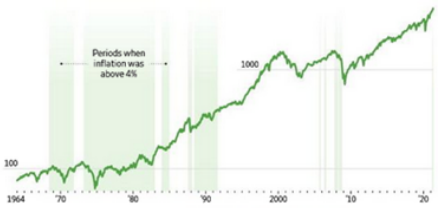
For Stock Investors, the Inflation Number That Really Counts Is Four

Three may be the magic number, but it is four that obsesses the market. Specifically, inflation rising above 4% last week proved a shock for inflation-sensitive assets, with bond yields jumping and stocks falling, growth stocks most of all.

It might sound like yet another bit of market mysticism, alongside "cup and handle" patterns in charts or the people who try to divine price movements from the stars. But there is more than just a solid history of the market freaking out when inflation passes 4%; it has

When inflation hits 4%, stocks have usually wobbled.

S&P 500 plotted on a logarithmic scale, monthly



The Federal Reserve is still of the mind that the inflation spike is transitory, but the 4.2% increase in the consumer price index for April 2021 led *The Wall Street Journal* to warn that a rise above 4% is worrisome for stocks, given that such an event occurred before the Crash of '87 and the Great Financial Crisis. Of course, returns data since 1957 (the inception of the S&P 500) and 1927 (the Ibbotson data series start) suggest that equities (especially Value) have performed well, on average, over the ensuing 3, 6 and 12 months whether the inflation gauge is above or below 4%.

Inflation Rate >= 4.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.2%	2.3%	7.1%	5.5%	15.4%	12.1%
Geometric Average	2.6%	1.6%	5.7%	4.0%	12.9%	9.3%
Median	3.5%	2.5%	6.8%	5.0%	17.2%	13.8%
Max	39.6%	32.9%	63.0%	60.8%	75.1%	84.2%
Min	-36.0%	-34.9%	-54.2%	-41.7%	-52.2%	-48.0%
Count	229	229	229	229	229	229

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 03.31.21.

Inflation Rate >= 4.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	2.5%	1.6%	6.2%	4.2%	15.5%	11.1%
Geometric Average	1.8%	1.0%	4.4%	2.8%	12.2%	8.5%
Median	3.0%	1.7%	5.6%	4.0%	16.0%	11.5%
Max	50.9%	32.9%	82.7%	60.8%	134.0%	84.2%
Min	-36.0%	-34.9%	-54.2%	-41.7%	-55.8%	-48.0%
Count	312	312	312	312	312	312

Source: Kovitz using data from Ibbotson Associates 07.31.27 - 03.31.21.

Inflation Rate < 4.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.0%	3.2%	7.9%	6.1%	15.7%	11.9%
Geometric Average	3.6%	2.8%	7.1%	5.3%	14.1%	10.3%
Median	4.2%	3.7%	8.2%	6.5%	17.1%	12.6%
Max	37.8%	32.5%	68.5%	46.3%	105.8%	93.6%
Min	-39.5%	-26.7%	-33.6%	-32.2%	-38.8%	-36.5%
Count	537	537	534	534	528	528

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 03.31.21.

Inflation Rate < 4.0% and Ensuing Value/Growth Returns Since 1927

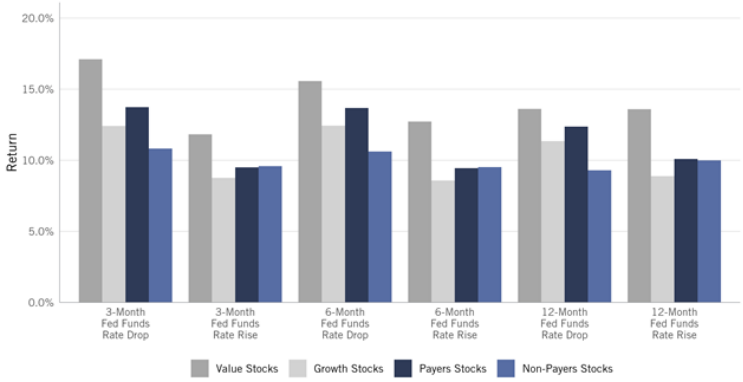
Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.8%	3.6%	9.0%	6.8%	17.4%	12.9%
Geometric Average	3.6%	2.9%	7.1%	5.5%	13.1%	9.9%
Median	4.3%	4.1%	8.6%	6.9%	17.0%	13.4%
Max	200.5%	136.1%	244.7%	140.3%	357.8%	221.9%
Min	-43.1%	-40.4%	-56.1%	-47.0%	-71.3%	-64.8%
Count	811	811	808	808	802	802

Source: Kovitz using data from Ibbotson Associates 07.31.27 - 03.31.21.

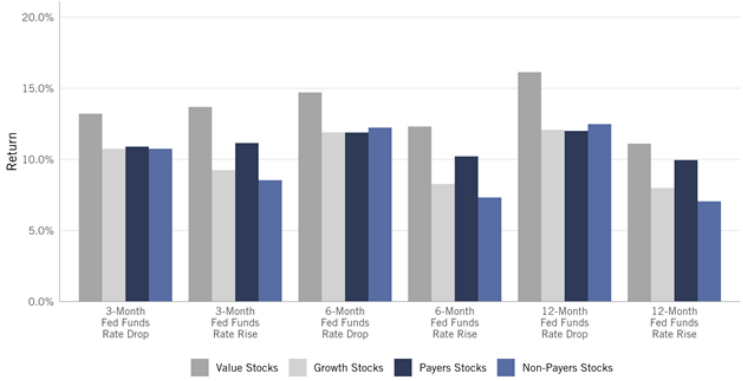
…especially given what the historical evidence has to say about the prospects for Value stocks should the Fed boost the one interest rate it can control,…

THE PRUDENT SPECULATOR

FED FUNDS RATE Δ AND VALUE/GROWTH & DIV/NO DIVS



From 07.31.54 through 03.31.21. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



From 07.31.54 through 03.31.21. Subsequent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many think the Federal Reserve hiking the Fed Funds rate will prove to be a big headwind for equities, but seven decades of returns data show that stocks in general have performed admirably on average, both concurrent with and subsequent to increases (as well as decreases) in the Fed Funds rate over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

…and should the yield on the benchmark long-term U.S. Treasury continue to rise.

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	17.8%	12.5%	11.2%	15.7%	1.0%	-1.0%	2.2%	3.7%
Geometric Average	13.5%	9.4%	9.1%	10.1%	0.8%	-1.1%	2.1%	3.7%
Median	17.0%	12.2%	14.3%	10.9%	1.3%	-0.2%	1.8%	3.3%
Max	126.6%	93.1%	69.8%	88.2%	14.6%	9.2%	9.7%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-8.1%	-14.9%	-5.1%	0.0%
Count	46	46	46	46	46	46	46	46

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

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	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	13.8%	14.9%	12.3%	10.8%	10.7%	7.8%	2.1%
Max	71.1%	48.3%	53.5%	90.5%	42.6%	40.4%	29.1%	10.5%
Min	-43.6%	-37.0%	-34.8%	-48.6%	2.6%	2.8%	1.4%	0.0%
Count	45	45	45	45	45	45	45	45

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

*****

Certainly, none of the above is meant to suggest that the road forward will be free of potholes as downturns are an inevitable part of the investment process,…

THE PRUDENT SPECULATOR

5% UPS AND DOWNS SINCE FINANCIAL CRISIS

S&P 500 Moves (on a Closing Basis) of 5% Without a Comparable Move in the Other Direction Since 03.09.09

				3/9/2009	3/26/2009	23.11%	BULL
3/26/2009	3/30/2009	-5.44%	BEAR	3/30/2009	6/12/2009	20.15%	BULL
6/12/2009	7/10/2009	-7.09%	BEAR	7/10/2009	10/19/2009	24.89%	BULL
10/19/2009	10/30/2009	-5.62%	BEAR	10/30/2009	1/19/2010	11.01%	BULL
1/19/2010	2/8/2010	-8.13%	BEAR	2/8/2010	4/23/2010	15.19%	BULL
4/23/2010	5/7/2010	-8.74%	BEAR	5/7/2010	5/12/2010	5.47%	BULL
5/12/2010	6/7/2010	-10.34%	BEAR	6/7/2010	6/18/2010	6.38%	BULL
6/18/2010	7/2/2010	-8.49%	BEAR	7/2/2010	8/9/2010	10.29%	BULL
8/9/2010	8/26/2010	-7.14%	BEAR	8/26/2010	2/18/2011	28.25%	BULL
2/18/2011	3/16/2011	-6.41%	BEAR	3/16/2011	4/29/2011	8.49%	BULL
4/29/2011	6/15/2011	-7.20%	BEAR	6/15/2011	7/7/2011	6.94%	BULL
7/7/2011	8/8/2011	-17.27%	BEAR	8/8/2011	8/15/2011	7.60%	BULL
8/15/2011	8/19/2011	-6.72%	BEAR	8/19/2011	8/31/2011	8.49%	BULL
8/31/2011	9/9/2011	-5.30%	BEAR	9/9/2011	9/16/2011	5.35%	BULL
9/16/2011	10/3/2011	-9.60%	BEAR	10/3/2011	10/28/2011	16.91%	BULL
10/28/2011	11/25/2011	-9.84%	BEAR	11/25/2011	4/2/2012	22.47%	BULL
4/2/2012	6/1/2012	-9.94%	BEAR	6/1/2012	9/14/2012	14.69%	BULL
9/14/2012	11/15/2012	-7.67%	BEAR	11/15/2012	5/21/2013	23.34%	BULL
5/21/2013	6/24/2013	-5.76%	BEAR	6/24/2013	1/15/2014	17.50%	BULL
1/15/2014	2/3/2014	-5.76%	BEAR	2/3/2014	9/18/2014	15.47%	BULL
9/18/2014	10/15/2014	-7.40%	BEAR	10/15/2014	3/2/2015	13.69%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	8/25/2015	9/16/2015	6.84%	BULL
9/16/2015	9/28/2015	-5.69%	BEAR	9/28/2015	11/3/2015	12.12%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	2/11/2016	6/23/2016	5.64%	BULL
6/23/2016	6/27/2016	-5.34%	BEAR	6/27/2016	1/26/2018	43.60%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/8/2018	3/9/2018	7.96%	BULL
3/9/2018	4/2/2018	-7.35%	BEAR	4/2/2018	9/20/2018	13.55%	BULL
9/20/2018	11/23/2018	-10.17%	BEAR	11/23/2018	12/3/2018	5.99%	BULL
12/3/2018	12/24/2018	-15.74%	BEAR	12/24/2018	4/30/2019	25.30%	BULL
4/30/2019	6/3/2019	-6.84%	BEAR	6/3/2019	7/26/2019	10.25%	BULL
7/26/2019	8/14/2019	-6.12%	BEAR	8/14/2019	2/19/2020	16.11%	BULL
2/19/2020	3/12/2020	-26.74%	BEAR	3/12/2020	3/13/2020	9.29%	BULL
3/13/2020	3/23/2020	-17.47%	BEAR	3/23/2020	3/26/2020	17.55%	BULL
3/26/2020	4/1/2020	-6.07%	BEAR	4/1/2020	6/8/2020	30.84%	BULL
6/8/2020	6/11/2020	-7.12%	BEAR	6/11/2020	9/2/2020	19.28%	BULL
9/2/2020	9/23/2020	-9.60%	BEAR	9/23/2020	10/12/2020	9.18%	BULL
10/12/2020	10/30/2020	-7.48%	BEAR	10/30/2020	5/7/2021	29.61%	BULL
Average Drop		**-9.10%**		**Average Gain**		**15.37%**	

SOURCE: Kovitz using data from Bloomberg

While the traumatic five-week February/March 2020 Bear Market brought on by the COVID-19 Pandemic and Great Lockdown is certainly fresh in the mind of most investors, we suspect that many have forgotten the numerous other downturns endured by the equity markets. Believe it or not, just since the S&P 500 bottomed at 676.53 on March 9, 2009, there have been 36 setbacks of 5% or more without a comparable move in the other direction (three per year on average), yet the popular index today stands at 4204.11.

…but the long-term trend in equities is higher…

Dow Celebrates 125 Years as Wall Street Icon

By Karen Langley

One hundred twenty-five years ago, the Dow Jones Industrial Average made its debut.

The index of 12 smokestack companies closed that first trading day, May 26, 1896, at 40.94. It included General Electric Co. as well as long-forgotten names like American Cotton Oil and Distilling & Cattle Feeding.

Since then, the Dow has evolved with the U.S. economy, giving investors from Wall Street to Main Street a measure of financial markets through the Great Depression, two world wars and all the events that shaped the 20th and early 21st centuries.

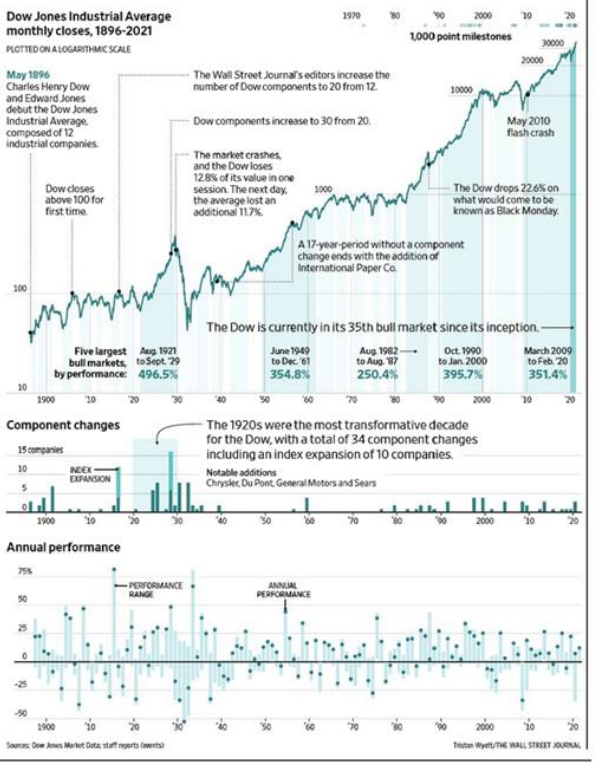
It has risen an average of 7.69% each year and notched 1,464 record closes, according to Dow Jones Market Data. It climbed above 100 in 1906, topped 1000 in 1972 and crossed 10000 in 1999. Just this year, as the U.S. economy continued to shake off its pandemic-induced slowdown, the Dow bounded above every milestone from 31000 to 34000.

The ascent has included numerous interruptions: There have been 70 years with no record closes, including the span from 1930 through 1953 as the stock market languished beneath its 1929 highs. There have been four years—1910, 1962, 1977 and 2008—in which the average closed each trading day below the previous year-end level. One day in October 1987, the Dow plummeted 22.6%, its only session worse than one in March 2020 during the worst of the coronavirus panic when it dropped 12.9%.

But over the long run, as the economy expanded and companies delivered growing profits, the Dow, and the broader U.S. stock market, have marched higher.

"The stock markets of the United States have been robust instruments because they are being driven by what certainly has been a historically robust

Please turn to page B11



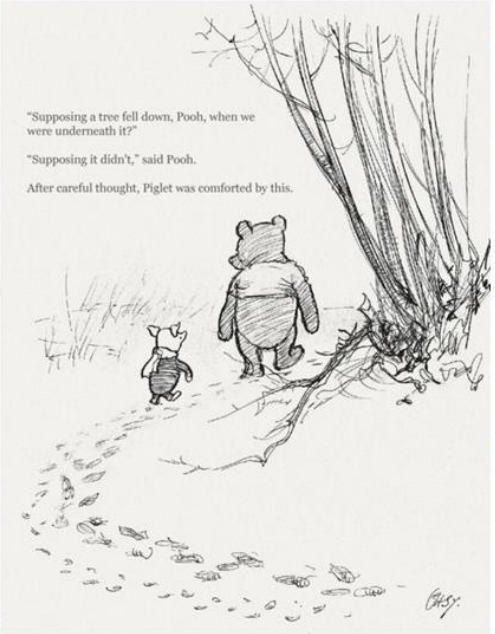
The stock market can be an emotional roller coaster for many folks, but the odds are stacked heavily in favor of the long-term investor.

…despite all the frightening events that have had to be overcome.

THE PRUDENT SPECULATOR

THE ONLY PROBLEM WITH MARKET TIMING IS GETTING THE TIMING RIGHT

COVID-19, geopolitics, higher interest rates and increasing inflation are some of the bogeymen now spooking investors, but history is filled with plenty of frightening events, yet equities have provided handsome rewards for those who stick with stocks through thick and thin.



Event	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Flash Crash	5/6/2010	1,128.15	-1%	9%	19%	43%	84%	273%
Japan Tsunami	3/11/2011	1,304.28	-3%	-12%	5%	43%	55%	222%
S&P Downgrade	8/6/2011	1,199.38	4%	12%	16%	60%	82%	251%
Hurricane Sandy	10/22/2012	1,433.82	4%	9%	22%	43%	80%	193%
Fiscal Cliff	1/1/2013	1,426.19	10%	13%	30%	43%	87%	195%
Taper Tantrum	5/22/2013	1,655.35	0%	9%	14%	24%	65%	154%
Russia and Ukraine	2/20/2014	1,839.78	2%	8%	15%	28%	51%	129%
Ebola Scare	9/4/2014	1,997.65	4%	5%	-4%	24%	47%	110%
Charlie Hebdo	1/7/2015	2,025.90	2%	3%	-4%	35%	60%	108%
Greek Default	6/30/2015	2,063.11	-7%	0%	2%	32%	50%	104%
China Devalues Yuan	8/10/2015	2,104.18	-1%	-12%	3%	35%	60%	100%
Paris Bataclan	12/13/2015	2,012.37	0%	3%	13%	32%	82%	109%
U.S. Interest Rate Hike	12/16/2015	2,073.07	-2%	0%	9%	25%	79%	103%
China GDP Slowing	1/19/2016	1,881.33	12%	15%	20%	42%	102%	123%
Brexit Vote	6/23/2016	2,113.32	2%	7%	15%	40%		99%
Trump Victory	11/8/2016	2,139.56	7%	12%	21%	45%		96%
Trump Trade War	3/2/2018	2,691.25	2%	8%	4%	44%		56%
COVID-19 Pandemic	3/11/2020	2,741.38	10%	22%	44%			53%
Biden Victory	11/3/2020	3,369.16	14%	24%				25%
Georgia Runoff	1/5/2021	3,726.86	9%					13%
Price Changes Only								
Does Not Include Dividends		**Averages:**	**3%**	**7%**	**14%**	**38%**	**70%**	**126%**

Source: Kovitz using data from Bloomberg. As of 5.28.21

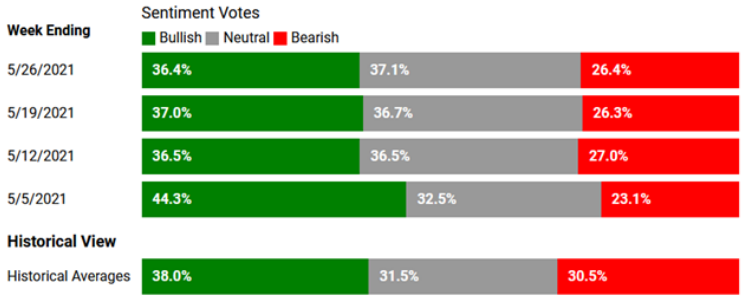
There is of course no guarantee that stocks will overcome every obstacle in their path, but just since the end of the Financial Crisis, the markets have pushed higher in the fullness of time despite plenty of disconcerting headwinds, including the threat of and eventual implementation of tighter monetary policy.

Not surprisingly, while we remain braced for downside volatility, we retain our enthusiasm for the long-term prospects of our broadly diversified portfolios of what we believe to be undervalued stocks. And, given our contrarian bent, we are not unhappy to see that many folks are not as sanguine on the near-term outlook for equities,…

THE PRUDENT SPECULATOR

AAII SENTIMENT – OPTIMISM BELOW NORMAL

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



AAII Bull-Bear Spread

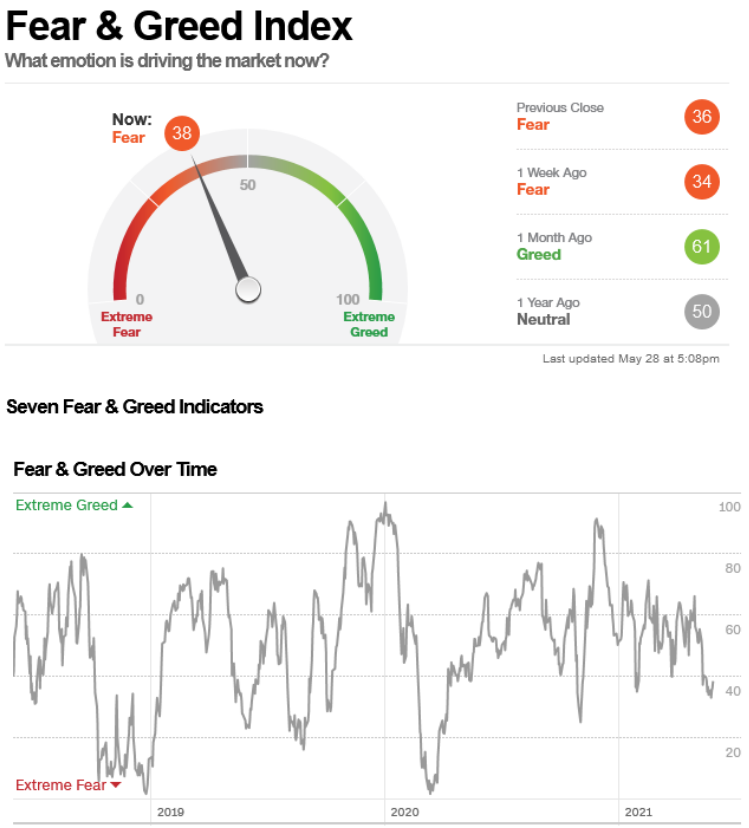
Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 8.00											
BELOW	-54.0	8.0	901	0.27%	0.23%	1.27%	1.14%	3.69%	3.30%	7.20%	6.44%
ABOVE	8.1	62.9	862	0.16%	0.15%	0.49%	0.40%	1.86%	1.60%	4.40%	3.92%
Ten Groupings of 1763 Data Points											
1	-54.0	-15.0	181	0.56%	0.49%	2.16%	1.92%	5.90%	5.34%	10.68%	9.45%
2	-14.9	-7.3	172	0.36%	0.33%	0.96%	0.84%	3.89%	3.53%	7.20%	6.42%
3	-7.3	-1.4	176	0.30%	0.27%	1.56%	1.46%	3.41%	3.02%	7.32%	6.68%
4	-1.4	3.0	181	0.09%	0.05%	1.03%	0.94%	2.87%	2.51%	6.25%	5.72%
5	3.0	8.0	191	0.04%	0.02%	0.65%	0.56%	2.46%	2.21%	4.66%	4.14%
6	8.1	12.2	157	0.09%	0.07%	0.34%	0.21%	1.51%	1.27%	4.70%	4.20%
7	12.2	16.6	176	0.21%	0.19%	0.70%	0.60%	2.44%	2.19%	5.04%	4.60%
8	16.6	22.0	181	0.16%	0.14%	0.70%	0.62%	2.03%	1.76%	5.60%	5.18%
9	22.0	29.2	171	0.06%	0.04%	0.35%	0.26%	1.87%	1.59%	4.02%	3.45%
10	29.2	62.9	177	0.29%	0.28%	0.34%	0.27%	1.41%	1.18%	2.63%	2.19%

From 07.31.87 through 5.27.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed as a contrarian indicator, and the latest AAII Sentiment Survey released on Wednesday evening, May 26, 2021, saw the number of Bulls inch lower, with the tally remaining below normal. The Bull-Bear Spread of 10.0% is modestly above average.

…and that the *CNNMoney* Fear & Greed Index needle is pointing to the left.

FEAR & GREED INDEX…LITTLE OPTIMISM DESPITE S&P 500 NEAR RECORD



No doubt, there is still plenty of frothiness in richly valued (or impossible to value) areas of the equity market, but the *CNNMoney* Fear & Greed Index is now pessimistic, with overall market enthusiasm per this gauge of seven indicators held back by Extreme Fear readings for Stock Price Strength, Stock Price Breadth and Safe Haven Demand.

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*. Jason Clark, Chris Quigley and Zack Tart take a look at 4 of our companies that either had news out last week of sufficient interest to merit a Target Price review or are worthy of comment.

High-end department store **Nordstrom** (JWN – $33.54) lost $1.05 per share in fiscal Q1 2022 (vs. -$0.54 est.). JWN had sales of $2.92 billion, versus an estimate of $2.87 billion. Shares retreated more than 11% last week, as the wider-than-expected loss and a relatively soft outlook caused concern among investors. Although JWN's bottom line suffered in Q1, revenue rose for the third consecutive quarter, propelled by lifting of COVID restrictions in many geographies and continued digital sales growth.

CEO Erik Nordstrom said, "Our market strategy helps us engage with customers through better service and greater access to product no matter how they choose to shop. We successfully expanded the rollout to 10 new markets, including Atlanta, Houston, Detroit and Minneapolis

over the last 3 months. Market strategy is now in place in all of our top 20 markets, bringing an unmatched level of convenience and connection to customers who make up about 75% of our sales. We continued to scale the enhanced capabilities we launched in 2020, like the expansion of order pickup and ship to store to all Nordstrom Rack stores, with order pickup more than doubling compared to the first quarter of 2019. In addition, nearly 1/3 of next-day order pickup volume for Nordstrom.com in our top 20 markets was picked up at Rack stores since launch as we continue to integrate our capabilities across our 2 powerful brands."

Mr. Nordstrom continued, "Our second growth priority is broadening the reach of Nordstrom Rack. In the quarter, total Rack sales declined 13% to 2019, a 10 percentage point sequential improvement from the fourth quarter. Importantly, the merchandise repositioning across price, hybrid and brand doors is progressing in spite of some challenges matching slower-than-anticipated inbound inventory flow. We remain in the early innings in these initiatives, and our progress is encouraging. Increased customer choice of price-oriented offerings in Kids, Home and Active, supported a 37% increase in sales compared to 2019 in these categories… Our Nordstrom and Nordstrom Rack apps continue to be powerful drivers of customer engagement. During the quarter, we generated over 1 million downloads of our apps, a more than 50% increase over the first quarter of 2019. Mobile customers, including app users, represented approximately 75% of total digital traffic and 2/3 of total digital sales for the quarter."

Mr. Nordstrom concluded, "Looking ahead, we continue to enhance our digital capabilities to improve the customer experience across the shopping journey. One of the key opportunities we see is to offer our customers more choices with plans to increase choice count to approximately 1.5 million over the next several years. This quarter, we saw ramping benefits from this initiative with choice count increasing approximately 20% versus 2019, primarily driven by an expanded dropship assortment in both our core categories and in-demand categories like Home, Active and Kids. This allowed us to drive strong sales growth in our digital business without a corresponding increase in our inventory investment…In the second quarter, we believe that our Anniversary Sale will be well timed to benefit from customers' increasing confidence and return to pre-pandemic activities. The event will also mark a significant step forward in the transformation of our approach to getting closer to you. Our goal is to have an event that rewards and engages our best customers with a superior shopping experience."

CFO Anne Bramman added, "Based on our first quarter results, we continue to expect to deliver revenue growth of more than 25% in 2021 with digital representing approximately 50% of sales. Digital penetration is expected to vary over the course of the year depending on the pace of store recovery. We are responding with speed to manage external cost pressures and remain on track to deliver on our guidance for breakeven EBIT in the first half and 3% operating margin for the full year. And we continue to see a path to an operating margin of approximately 3.5% depending on how the demand recovery and cost headwinds play out. From a capital allocation perspective, we're planning CapEx at normalized levels of 3% to 4% of sales, primarily to support investments in technology and supply chain capabilities. We continue to expect to reduce our leverage ratio to approximately 3x and to be in position to return cash to shareholders by the end of the year. Overall, we have seen strong customer response to our initiatives to evolve our operating model, positioning us well to drive market share gains while improving profitability, returns and cash flow generation."

After making up significant ground in the second half of last year in anticipation of the pandemic receding, shares of JWN have had a 2021 with several false-starts. From a revenue standpoint, we believe that JWN is doing the right things to grow the company's overall presence and encourage shoppers to spend at Nordstrom. However, the capital expenditure necessary to offer the quality of service that we expect from Nordstrom has been significant, weighing heavily on the bottom line. The online investment wheels were in motion well before the pandemic, and JWN benefitted handsomely from the spending when stores were shuttered (on a peer-relative basis), but ultimately shoppers need to come back in the stores in person and that may take a longer period of time in some regions. Ms. Bramann suggested that JWN will start returning cash to shareholders later this year, which we are pleased to hear. Of course, we also want JWN to continue to make investments in the business and pay down debt. Noting that we took some money off the table earlier this year, our Target Price presently resides at $46.

Shares of **Big Lots** (BIG – $60.94) tumbled 5.6% on Friday, even as the discount retailer reported quarterly results that were materially better than expected. BIG's comparable-store sales growth of 11.3% was more than double the consensus analyst estimate and bottom-line results were almost 50% greater than forecast. The record first-quarter results included revenue of $1.63 billion, versus the est. of $1.54 billion, and adjusted EPS of $2.62 (vs. est. $1.76). Analysts and investors seemed to be agitated that the company still would not provide full-year guidance as the company continues to expect supply chain and freight headwinds throughout the year, which we would expect to dampen margins.

CEO Bruce Thorn commented, "We have completed a record first quarter that was driven both by our underlying Operation North Star strategic initiatives and by customer response to a third round of stimulus distributions that began in March. For the quarter, we saw double digit growth across all merchandise categories other than Food and Consumables, which were greatly bolstered last year by quarantine-related stock-up spending early in the pandemic. We also saw notable strength in our Seasonal assortment, particularly lawn & garden, while Broyhill, launched just last year, drove $225 million in sales for the quarter across our Furniture and Home assortments, continuing its rapid progress toward becoming an established $1 billion brand. Additionally, our ecommerce business grew 30%, and our Rewards program reached a record high number of active members."

Mr. Thorn continued, "Our outstanding results for the quarter were achieved despite significant supply chain and freight headwinds, which we expect to continue through the balance of the year. Meanwhile, we are taking other important steps to strengthen our business. These include rolling out our forward distribution center strategy to relieve pressure at our regional distribution centers and more efficiently process bulk items such as furniture; strengthening our vendor partnerships to create even greater value for our customers and improve assortment availability; and investing in data-driven space planning technology designed to enhance our customer satisfaction and per-store productivity through more relevant location- based assortments. We are excited by our results, but know that we still have many opportunities for growth and improvement across the business."

BIG remains inexpensive at slightly more than 10 times NTM expected adjusted EPS. Management has spent approximately $250 million of its allotted $500 million on share

buybacks, and we hope they are taking advantage of the very unwarranted selloff to buy more. Even with the strong share performance this year, the market capitalization of BIG is just $2.1 billion (the remaining $250 million on the buyback currently represents more than 11% of said market cap). The dividend yield is now 2.0% and our Target Price has been boosted to $88.

Technology-focused health concern **Change Healthcare** (CHNG – $23.44) released fiscal Q4 financial results on Wednesday that beat analyst expectations (adjusted EPS of $0.42 vs. $0.36 est.), producing $1.34 in EPS for the full year. Change turned in solutions revenue of $804 million, adjusted EBITDA of $272 million and adjusted free cash flow of $36 million during the quarter. The company also repaid $50 million of its term loan.

Shares are up over 65% since last Halloween, owing in large part to Change's pending merger with UnitedHealth Group's OptumInsight, the terms of which call for CHNG holders to receive $25.75 per share in cash. Progress towards closing the deal continues according to Change CEO Neil de Crescenzo. He explained, "Let me provide you with a brief update on the pending combination of Change Healthcare and OptumInsight. In April, we were pleased with the strong support of our shareholders who overwhelmingly voted in favor of the transaction. This is an important milestone towards closing the transaction and pursuing our common vision with UnitedHealth Group of enhancing the healthcare system. The transaction remains subject to the satisfaction of the regulatory and remaining closing conditions. As disclosed in March, we received a second request from the DOJ for additional information in connection with their review of the transaction. We're working diligently in coordination with UHG as well as working cooperatively with the DOJ to respond to their request, and no material change has occurred in terms of our timing expectations for closing."

Mr. de Crescenzo further commented on the previous quarter, "In addition to the improvement in utilization, we saw increased customer and partner bookings and underlying demand across all 3 business segments. This growth demonstrates the belief our customers and prospects have in the value we deliver to them today and will in the future, driven by our focused investments over many years in capabilities aligned with health care's evolution. Our fourth quarter results demonstrate the positive impact of our investments in enterprise sales and innovation across our platform, while we simultaneously continued to optimize our cost structure to accelerate growth and performance going forward. While there remains some uncertainty due to unemployment levels, health care utilization and payer mix as we view FY '22, the underlying market trends for our business remain positive on multiple fronts, including: increased requirements for interoperability, advances in virtual health initiatives, increased need for data and analytics to help clients reduce administrative costs and improve performance under value-based care models. All these trends are aligned with our long-term focus and investments on improving outcomes, reducing costs and simplifying the consumer experience."

CHNG is the product of a joint venture (started in 2017) with and a spinoff from **McKesson Corp** (MCK – $192.39) in March of last year. We continue to like the long-term prospects of the company on a stand-alone basis, should antitrust issues scuttle the union with Optum, but we also won't complain about the solid return possible between now and closing (expected in the second half of this year). Our Target Price for CHNG is $27.

Medical device maker **Medtronic PLC** (MDT – $126.59) posted non-GAAP EPS of $1.50 for fiscal Q4, a massive 159% increase over the same COVID-affected quarter last year. In a similar vein, revenue of $8.2 billion was 32% higher year-over-year. Shares opened trading up nearly 3% the morning after the release but faded throughout the remainder of the day. Cardiac & Vascular sales increased 41%, driven by mid-seventies-percent growth in Leadless Pacemakers on the continued global adoption of the Micra™ transcatheter pacing system. Sales within Surgical grew 17% even as ventilator sales declined to pre-pandemic levels. Strong performance of specialty therapies, neuromodulation, cranial and spinal technologies products all contributed to 51% sales growth within the Neuroscience segment.

THE PRUDENT SPECULATOR

MDT – TERRIFIC FISCAL Q4

MDT

Q4 FY21 HIGHLIGHTS

RECOVERY STRENGTHENS THROUGH THE QUARTER; STRONG MOMENTUM EXITING THE YEAR

Revenue:

	Revenue $M[1]	As Rep Y/Y %	Organic[2] Y/Y %	As Rep[3] Q/Q %
Cardiovascular	2,908	45.1	40.6	7.4
Medical Surgical	2,338	20.9	16.9	1.1
Neuroscience	2,295	54.0	50.8	7.9
Diabetes	647	13.5	9.1	2.7
Total	**$8,188**	**36.5**	**32.5**	**5.3**
U.S.	4,182	46.6	46.6	6.2
Non-U.S. Dev	2,672	20.5	10.9	5.9
EM	1,334	43.6	40.9	1.5
Total	**$8,188**	**36.5**	**32.5**	**5.3**

Other Financial Highlights:

	Diluted EPS	Y/Y	CC[4] Y/Y
GAAP	$1.00	108.3%	N/A
Non-GAAP	$1.50	158.6%	165.5%

YTD Cash Flow from Ops	$6.2B
YTD Free Cash Flow[5]	$4.9B

- **REVENUE:** Grew 32% Y/Y as we anniversary the beginning of the pandemic; revenue accelerated through the quarter reflecting continued procedure recovery and share gains in an increasing number of our businesses
  - **Cardiovascular:** Grew 41%; recent launches driving share gains and market penetration
  - **Medical Surgical:** Grew 17%, low-20s excluding ventilators; elective procedure recovery partially offset by ventilator step down
  - **Neuroscience:** Grew 51%; new product adoption and procedure recovery driving strong, broad based growth and share gains
  - **Diabetes:** Grew 9%; gaining momentum with successful launches of MiniMed™ 770G Insulin Pump System in the U.S. and 780G Insulin Pump System in Europe
  - **Geographies:** U.S. grew high-40s Y/Y; Western Europe lagging due to COVID-19 resurgence with HSD growth; Emerging markets grew low-40s with China delivering low-90s growth Y/Y and mid-teens over FY19
- **EPS:** Non-GAAP EPS $1.50 grew 159% Y/Y
- **ESG:** Recognized as one of DiversityInc's Top 50 Companies for ESG, including #11 for Diversity in the U.S. and #3 for Supplier Diversity

1 Data has been intentionally rounded to the nearest million and, therefore, may not sum.
2 Figures represent comparison to Q4 FY20 after adjusting for significant acquisitions or divestitures and currency.
3 Figures represent comparison to Q3 FY21 on a reported basis.
4 Figures represent comparison to Q4 FY20 on a constant currency basis.
5 Operating cash flows less property, plant, and equipment additions.

Q4 FY21 Earnings Results | May 27, 2021 | 4

Medtronic

Management expects revenue growth of approximately 9% in fiscal year 2022 on an organic basis, and adjusted EPS in the range of $5.60 to $5.75, incorporating an estimated $0.10 to $0.15 positive impact from foreign currency based on current exchange rates. "Our fiscal 2022 revenue guidance that we are issuing for the first time today is about a point higher than Street estimates, as we anticipate strong organic revenue growth driven by new product launches and end market recovery from the impact of the pandemic," said CFO Karen Parkhill. "At the same time, we're investing at the front end of major product launches, including surgical robotics and renal denervation, to fully realize their potential. We're also planning for the largest increase in R&D

spend in our company's history, as we invest to accelerate long-term growth and capitalize on a long list of opportunities."

Medtronic CEO Geoff Martha added, "We reported a strong end to our fiscal year, with our fourth quarter results demonstrating continued momentum. Our recovery improved throughout the quarter, with most of our markets returning to near normal, pre-COVID growth rates. In addition to supporting our employees, customers, and communities during the pandemic, we accomplished important milestones, including launching new products, investing in our pipeline, and changing our operating model, just to name a few. As we look ahead, these actions set us up to drive accelerated revenue growth in the year ahead and over the long term."

We are encouraged that MDT continues to build momentum coming off a difficult 2020. The med-tech concern seems to continuously offer up new products to keep the growth engine going as older products mature. We like the company's diverse portfolio and solid financial position, which is essential to support increases in research & development spending. With domestic demographic trends in its favor, MDT's terrific products and pipeline, including treatments for atrial fibrillation, aortic stenosis and various neurological disorders, are major assets. The MDT board raised the quarterly dividend by 9% last week, bumping the yield to 2.0%. Our Target Price has been adjusted upward to $143.

Kovitz Investment Group Partners, LLC ("Kovitz") is an investment adviser registered with the Securities and Exchange Commission. This report should only be considered as a tool in any investment decision matrix and should not be used by itself to make investment decisions. Opinions expressed are only our current opinions or our opinions on the posting date. Any graphs, data, or information in this publication are considered reliably sourced, but no representation is made that it is accurate or complete and should not be relied upon as such. This information is subject to change without notice at any time, based on market and other conditions. Past performance is not indicative of future results, which may vary.