February 2, 2022

the Prudent Speculator

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While no one will ever be thrilled with red ink, January was a terrific month on a relative basis for the Value stock gauges. True, the negative 2.6% total return for the Russell 3000 Value index last month was dismal, but it thrashed the 8.9% plunge in the Russell 3000 Growth index and the 5.9% skid in the Russell 3000. Even better, many richly valued and impossible-to-value stocks, as evidenced by the Russell 2000 Growth index plummeting 13.4%, were hit extremely hard as investors decided that corporate profits, cash flows and dividend payments really do matter.

> "I think there's quite a bit of room to raise rates without threatening the labor market."
>
> — Jerome H. Powell

Incredibly, the Value returns in January were not much worse than the Bloomberg Barclays Global-Aggregate and U.S. Bond indexes, which declined 2.0% and 2.1%, respectively, yet the mainstream financial press was quick to offer the usual advice to close the equity barn doors after the horses have run out.

For example, following the awful third week of January, in which the S&P 500 fell 5.7%, and the first two wild trading days of the ensuing week, where that popular benchmark had briefly entered correction territory (off 10% from its Jan. 3 high) on an intraday basis before closing well off the lows, a business columnist for *The New York Times* wrote in the Jan. 26 edition: *A moment like this one, when the stock market's perils are obvious, can be an opportunity—a time to figure out whether your investments are appropriate and to take action if they are not.*"

He had the *opportunity* part correct, and we concede that he noted, "There are compelling reasons to stay in the market," but the thrust of the article was to warn readers that the downturn could grow much worse and that they should consider selling stocks and adding more bonds to their portfolios. To be sure, there is nothing wrong with fixed income in an asset mix, even as bond yields today are pitiful and many lost money on the asset class in 2021 (and in January), but the time to figure out if an allocation is correct is in a period of quiet contemplation and not after a huge equity selloff! After all, pullbacks of 5% for the S&P 500 happen three times a year on average and 10% corrections occur every 11 months on average, so anyone invested in equities should understand that trips south are part of the process. By no means should what took place in January cause someone to decide that stocks are not the place to be—they should not have been in them in the first place.

To be sure, journalists were not the only folks scared as the American Association of Individual Investors Sentiment Survey saw the most Bearish reading since 2013 on Jan. 27, right before the S&P 500 gained 6.1% over the next four trading sessions!

Yes, equities could head lower in the near term, but we always believe that time in the market trumps market timing. Of course, we must add the caveat that one should be positioned in reasonably priced stocks, especially with high inflation readings convincing many that the Federal Reserve will hike interest rates four or five times this year. There is no assurance that our stocks will continue to outperform or that they will end in the green this year, but environments where the Fed is tightening monetary policy historically have been a time when Value shines.

We also respect concerns that U.S. economic growth is threatened by the Fed, with our friends at *The New York Times* deeming "grim" the latest International Monetary Fund projection for 4.0% real GDP growth in 2022. Never mind that this would be the best in two decades, while corporate profits are likely to be robust this year and next.

We do not mean to sound cavalier as there are still far too many COVID-19 hospitalizations and deaths, while the Ukraine crisis is worrisome, but equities have overcome numerous frightening events over the long term to post average annualized returns of 9.9% (Growth) to 13.2% (Value). Sure, the stock market will always have its short-term perils, but the opportunities, in the fullness of time, have heretofore always proved far more rewarding.

Editor, Principal, Portfolio Manager
Kovitz

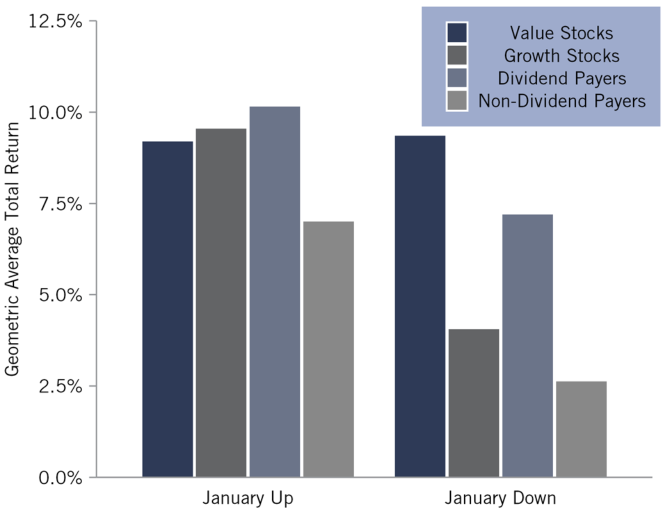
Graphic Detail

As Goes January...

With the average stock in the Russell 3000 skidding 8.8% in January, the year was off to a rough start, though the Value benchmarks outperformed even with a big rally in Growth the last two trading days of the month. As January is often favorable, the historical trends did not hold this time around, but we like that a down January arguably bodes well for the balance of 2022...for the kind of undervalued stocks that we have long favored. Of course, no matter the calendar study, almost every review of the historical evidence favors Value-oriented strategies. ■

JANUARY BAROMETER

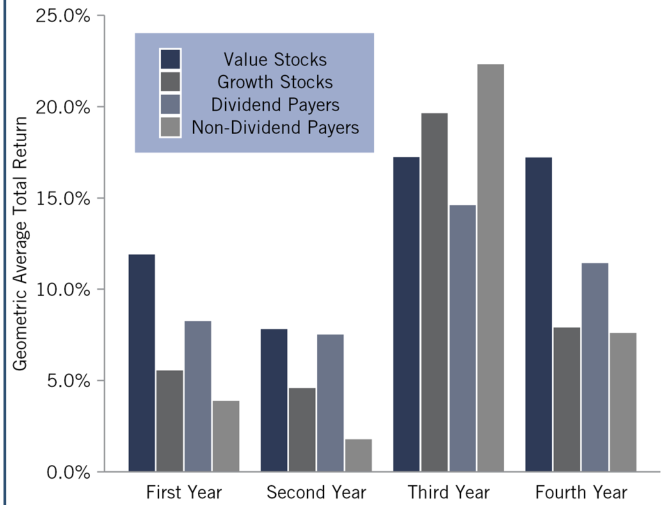
An up January generally is preferable for the balance of the year, but Value Stocks and Dividend Payers perform well either way.



From 12.31.27 through 11.30.21. Geometric average of 11-month (February through December) total returns. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

PRESIDENTIAL PERFORMANCE

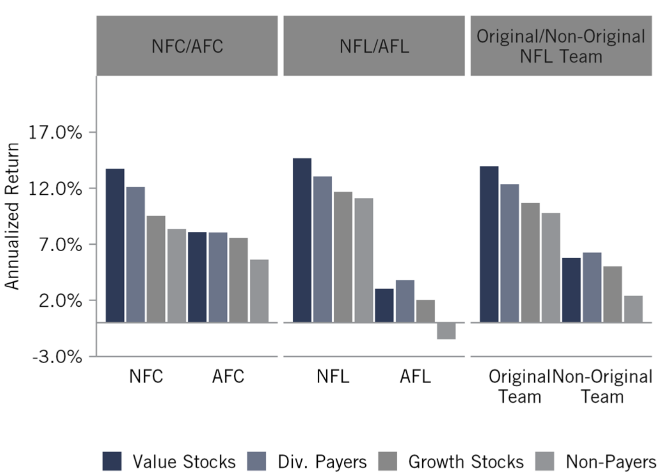
The calendar has rolled over to the second year of the Presidential Cycle, the weakest of the four for both Value and Growth.



From 12.31.27 through 11.30.21. Geometric average. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

THE SUPER BOWL INDICATOR

While stocks gained ground in 2020 despite the Chief's victory (and the Pandemic), we suppose we should cheer for the Rams this year.



From 01.31.67 through 11.30.21. Geometric mean of 11-month returns each year following the Superbowl from Jan. 31 through Dec. 31. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

CHINESE NEW YEAR

The Year of the Ox was far better than the norm, so the past is not always prologue, but we like that we are now in the Year of the Tiger.

	Value Stocks	Growth Stocks	Dividend Stocks	Non-Dividend Stocks
Dog	6.8%	7.7%	9.1%	-1.2%
Dragon	22.9%	11.2%	16.1%	11.3%
Horse	3.5%	3.1%	5.1%	5.2%
Monkey	21.7%	13.0%	13.1%	15.3%
Ox	7.9%	1.5%	8.0%	-1.8%
Pig	18.9%	15.8%	16.7%	16.3%
Rabbit	8.2%	13.3%	10.4%	8.3%
Rat	5.8%	7.7%	7.3%	3.6%
Rooster	25.6%	18.5%	16.0%	20.1%
Sheep	12.8%	13.8%	6.6%	20.7%
Snake	7.8%	-0.6%	2.2%	-0.4%
Tiger	**15.9%**	**12.4%**	**16.0%**	**14.6%**

From 01.31.28 through 01.31.21. Geometric average of monthly returns from February through January (Chinese New Year generally begins within a few weeks after or prior to January 31). Growth stocks = 50% small growth and 50% large growth returns rebalanced monthly. Value stocks = 50% small value and 50% large value returns rebalanced monthly. Dividend payers = 30% top of dividend payers, 40% of middle dividend payers and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. SOURCE: Kovitz using data from Professors Fama and French

Graphic Detail

Valuation Factors Over Time

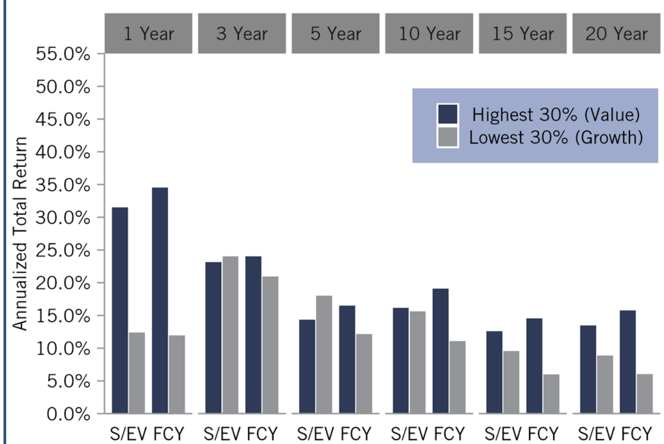
Value stocks, per data from June 1927 through December 2021 compiled by Professors Eugene F. Fama and Kenneth R. French, have won the long-term performance derby over Growth by a score of 13.2% to 9.9% per annum. And, via a separate data series, the duo has calculated that Dividend-Paying stocks have outperformed Non-Dividend-Payers by a per-year tally of 10.8% to 9.3% over the same nine-plus decades. Those return gaps are large, especially when one considers the impact of compounding over multi-year periods. It is little wonder, then, given our multi-year time horizon, that we remain loyal to our four-plus-decade-old strategy of buying and harvesting portfolios of what we believe to be undervalued stocks, most often of dividend-paying companies.

That said, while we think that folks would naturally gravitate toward inexpensive stocks, given that most seek bargains in their everyday lives, the relative returns race over the last five years or so prior to 2021 had not been kind to Value-oriented strategies, as richly-priced names like Netflix, Nvidia and Tesla grabbed investor fancy. Of course, we own Alphabet, Microsoft, Apple and other recent market darlings, so we like that we are not constrained by arbitrary definitions of Value versus Growth.

Traditional metrics on our portfolios like Price to Book Value, Price to Sales and Price to Earnings are very much in the Value camp, but we are constantly reviewing various valuation factors to determine which might be additive to our analytics. For example, Return on Common Equity and Return on Invested Capital performed well last year AND over the past 3, 5, 10, 15 and 20 years. ■

IN-HOUSE STUDY: SALES/EV & FCF YIELD

We like the wide gap in long-term returns for Value vs. Growth stocks on the Sales/Enterprise Value and Free Cash Flow Yield metrics.



As of 12.31.21. Portfolios are formed using the Russell 1000 ranked by decile on (S/EV) Sales divided by Enterprise Value and (FCY) free-cash-flow yield (trailing 12-month free cash flow divided by market capitalization) at the end of each month. SOURCE: Kovitz using data from Bloomberg Finance L.P.

IN-HOUSE STUDY: 2021 FACTOR PERFORMANCE

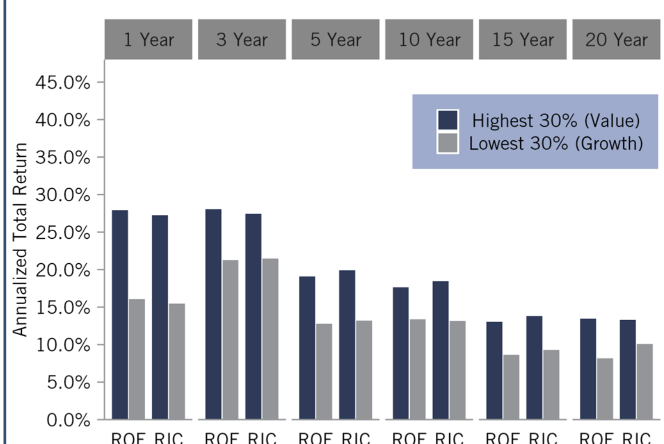
Value (High 30%) metrics performed very well in 2021, enjoying terrific returns and beating Growth (Low 30%) across the board.

Metric	High 30%	Middle 40%	Low 30%
BOOK/P *Book Value per share divided by Price*	35.1%	21.0%	13.5%
TBV/P *Tangible Book Value per share divided by Price*	38.8%	19.1%	14.6%
DVD Yield *Dividends paid per share divided by Price (must be a dividend-paying company)*	34.3%	30.4%	29.3%
E/P *Earnings per share divided by Price*	37.3%	25.1%	19.8%
SALES/EV *Sales divided by Enterprise Value*	31.5%	22.8%	12.4%
SALES/P *Sales per share divided by Price*	32.2%	25.4%	12.2%
EBITDA/EV *Earnings before Interest, Taxes, Depreciation and Amortization divided by Enterprise Value*	33.4%	24.9%	15.2%
FCFY *Free Cash Flow per share divided by Price*	34.5%	24.0%	11.9%
ROCE *Adjusted Pretax Income divided by Average Common Equity*	27.9%	27.2%	16.1%
ROIC *Adjusted Pretax Income divided by Average Invested Capital*	27.3%	27.1%	15.5%
Average	33.2%	24.7%	16.1%

From 12.31.20 through 12.31.21. Portfolios are formed using the Russell 1000 ranked by decile. Deciles are grouped into three buckets (High 30%, Middle 40% and Low 30%), then averaged. Portfolios are rebalanced monthly. SOURCE: Kovitz using data from Bloomberg Finance L.P.

IN-HOUSE STUDY: ROE & ROIC

The short-term (and long-term) performance of Return on Equity and Return on Invested Capital supports our continued interest.



As of 12.31.21. Portfolios are formed using the Russell 1000 ranked by decile on (ROE) Return on Common Equity (adjusted pretax income divided by average common equity) and (RIC) Return on Invested Capital (adjusted pretax income divided by average invested capital) at the end of each year. SOURCE: Kovitz using data from Bloomberg Finance L.P.

All Recommended Stocks

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

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

Keeping in mind that all stocks are rated as "Buys" until such time as we issue an official Sales Alert, we believe that all of the companies in the tables on these pages trade for significant discounts to our determination of long-term fair value and/or offer favorable risk/reward profiles. Note that, while we always seek substantial capital gains, we require lower appreciation potential for stocks that we deem to have more stable earnings streams, more diversified businesses and stronger balance sheets. The natural corollary is that riskier companies must offer far greater upside to warrant a recommendation. Further, as total return is how performance is ultimately judged, we explicitly factor dividend payments into our analytical work.

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

TPS rankings and performance are derived from hypothetical transactions "entered" by *Hulbert* based on recommendations provided within TPS, and according to *Hulbert's* own procedures, irrespective of specific prices shown within TPS, where applicable. Such performance does not reflect the actual experience of any TPS subscriber. *Hulbert* applies a hypothetical commission to all "transactions" based on an average rate that is charged by the largest discount brokers in the U.S., and which rate is solely determined by *Hulbert*. *Hulbert's* performance calculations do not incorporate the effects of taxes, fees, or other expenses. TPS pays an annual fee to be monitored and ranked by *Hulbert*. With respect to "since inception" performance, *Hulbert* has compared TPS to 18 other newsletters across 60 strategies (as of the date of this publication). Past performance is not an indication of future results. For additional information about *Hulbert's* methodology, visit: http://hulbertratings.com/methodology/. ■

				Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	ROCE[3]	EBITDA[4]	Yield[5]	TE[6]	Yield	Cap
Technology Hardware	AAPL	Apple	174.78	192.92	29.0	7.5	39.7	145.6	21.6	3.5	148%	0.5%	2,852,312
Health Care Equip/Srvcs	ABT	Abbott Labs	127.46	150.16	24.5	5.2	nmf	22.0	19.5	4.0	nmf	1.5%	225,386
Food, Bev & Tobacco	ADM	Archer-Daniels	75.00	86.00	14.5	0.5	2.6	12.7	13.2	12.8	53%	2.1%	41,958
Materials	ALB	Albemarle	220.74	296.95	52.4	7.8	6.9	4.3	22.2	-0.2	58%	0.7%	25,821
Insurance	ALIZY	Allianz SE	25.62	34.73	10.9	nmf	1.4	11.2	nmf	nmf	nmf	3.2%	104,647
Transportation	ALK	Alaska Air Group	54.74	84.05	nmf	1.1	3.9	14.1	6.7	10.8	196%	0.0%	6,860
Insurance	ALL	Allstate	120.67	156.37	7.6	nmf	1.6	13.2	nmf	nmf	nmf	2.7%	34,593
Pharma/Biotech/Life Sci	AMGN	Amgen	227.14	295.18	13.7	5.0	nmf	58.5	14.2	6.0	nmf	3.4%	127,940
Health Care Equip/Srvcs	ANTM	Anthem	440.99	534.33	17.0	0.8	87.9	17.6	9.6	6.7	1738%	1.2%	107,035
Materials	APD	Air Products & Chemicals	282.12	363.36	31.3	6.1	5.1	16.4	18.2	1.4	63%	2.1%	62,542
Real Estate	ARE	Alexandria Real Estate	194.84	242.66	25.1	nmf	2.1	7.3	nmf	nmf	nmf	2.4%	31,163
Semis & Cap Equipment	AVGO	Broadcom	585.88	700.85	20.9	8.8	nmf	31.1	18.8	5.5	nmf	2.8%	241,895
Insurance	AXAHY	AXA SA	31.65	38.90	11.0	nmf	nmf	9.1	nmf	nmf	nmf	4.5%	76,643
Capital Goods	AYI	Acuity Brands	191.53	255.28	17.8	1.9	16.0	16.7	12.1	4.8	128%	0.3%	6,707
Banks	BAC	Bank of America	46.14	55.32	13.0	nmf	2.1	12.4	nmf	nmf	nmf	1.8%	372,711
Materials	BASFY	BASF SE	19.15	28.39	10.1	0.8	2.4	15.5	7.6	4.6	58%	3.7%	70,355
Technology Hardware	BHE	Benchmark Electronics	24.14	34.79	20.0	0.4	1.2	3.2	7.5	6.3	31%	2.7%	850

As of 01.31.22. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Sales	TBV[2]	ROCE[3]	EV/ EBITDA[4]	FCF Yield[5]	Debt/ TE[6]	Div Yield	Mkt Cap
Retailing	BIG	Big Lots	41.91	78.83	6.9	0.2	1.2	19.6	6.8	2.2	150%	2.9%	1,280
Diversified Financials	BK	Bank of New York	59.26	71.32	18.9	nmf	2.7	8.9	nmf	nmf	nmf	2.3%	47,654
Diversified Financials	BLK	Blackrock	822.94	1038.88	21.0	nmf	31.4	16.4	nmf	nmf	nmf	2.4%	125,814
Pharma/Biotech/Life Sci	BMY	Bristol-Myers Squibb	64.89	101.06	9.1	3.2	nmf	-12.4	47.8	10.3	nmf	3.3%	144,033
Banks	C	Citigroup	65.12	105.62	6.1	nmf	0.8	11.4	nmf	nmf	nmf	3.1%	129,215
Health Care Equip/Srvcs	CAH	Cardinal Health	51.57	80.08	9.7	0.1	nmf	80.6	7.9	7.4	nmf	3.8%	14,532
Capital Goods	CAT	Caterpillar	201.56	280.77	18.6	2.1	12.0	40.8	12.0	4.3	286%	2.2%	109,032
Materials	CE	Celanese	155.71	222.93	8.6	2.0	8.3	49.0	9.0	7.5	165%	1.7%	16,952
Banks	CFG	Citizens Financial Group	51.47	71.02	9.6	nmf	1.5	10.5	nmf	nmf	nmf	3.0%	21,936
Health Care Equip/Srvcs	CHNG	Change Healthcare	19.68	27.34	12.9	1.8	nmf	-1.6	13.1	4.8	nmf	0.0%	6,130
Banks	CMA	Comerica	92.78	107.93	11.2	nmf	1.8	15.0	nmf	nmf	nmf	2.9%	12,154
Media & Entertainment	CMCSA	Comcast	49.99	68.10	15.4	2.0	nmf	15.2	9.3	8.7	nmf	2.2%	228,400
Capital Goods	CMI	Cummins	220.88	324.10	14.5	1.3	5.4	28.4	9.7	6.3	67%	2.6%	31,593
Diversified Financials	COF	Capital One Fin'l	146.73	195.38	5.4	nmf	1.5	21.5	nmf	nmf	nmf	1.6%	60,732
Semis & Cap Equipment	COHU	Cohu	32.98	58.46	10.3	1.8	3.5	24.0	5.2	5.0	29%	0.0%	1,606
Technology Hardware	CSCO	Cisco Systems	55.67	70.00	17.0	4.6	nmf	28.2	13.8	6.0	1791%	2.7%	234,794
Health Care Equip/Srvcs	CVS	CVS Health	106.51	134.93	13.8	0.5	nmf	10.6	11.5	10.8	nmf	2.1%	140,599
Transportation	DAL	Delta Air Lines	39.69	66.83	nmf	0.8	nmf	10.8	12.5	0.1	nmf	0.0%	25,402
Capital Goods	DE	Deere & Co	376.40	490.15	19.9	2.6	8.4	38.0	11.2	4.4	239%	1.1%	116,005
Media & Entertainment	DIS	Walt Disney	142.97	193.65	62.7	3.9	nmf	2.3	36.6	0.8	nmf	0.0%	260,272
Real Estate	DLR	Digital Realty	149.23	184.32	23.1	nmf	5.1	4.1	nmf	nmf	nmf	3.1%	43,402
Real Estate	DOC	Physicians Realty	18.26	21.96	17.4	nmf	1.5	2.8	nmf	nmf	nmf	5.0%	4,022
Transportation	DPSGY	Deutsche Post AG	59.96	80.83	13.4	0.9	12.3	32.0	6.9	9.5	298%	1.9%	74,294
Capital Goods	ENS	EnerSys	74.93	130.20	15.5	1.0	6.9	10.1	11.5	0.3	246%	0.9%	3,139
Energy	EOG	EOG Resources	111.48	122.80	17.9	4.0	3.0	14.4	8.7	4.7	24%	2.7%	65,226
Capital Goods	ETN	Eaton Corp PLC	158.43	186.06	25.6	3.2	nmf	12.9	18.4	2.9	nmf	1.9%	63,150
Transportation	FDX	FedEx	245.86	367.11	13.9	0.7	3.6	21.4	9.8	4.2	188%	1.2%	65,145
Banks	FITB	Fifth Third Bancorp	44.63	53.12	11.8	nmf	2.0	12.9	nmf	nmf	nmf	2.7%	30,472
Retailing	FL	Foot Locker	44.68	81.85	5.8	0.5	1.8	30.5	6.2	15.2	117%	2.7%	4,484
Capital Goods	GBX	Greenbrier	40.36	54.98	23.6	0.7	1.4	4.2	15.0	-40.6	97%	2.7%	1,314
Capital Goods	GD	General Dynamics	212.10	258.30	18.4	1.5	nmf	19.6	13.7	5.7	nmf	2.2%	59,223
Pharma/Biotech/Life Sci	GILD	Gilead Sciences	68.68	87.86	7.8	3.1	nmf	38.0	7.9	11.0	nmf	4.1%	86,151
Technology Hardware	GLW	Corning	42.04	55.18	20.2	2.5	4.0	9.3	11.1	5.1	80%	2.3%	34,893
Autos & Components	GM	General Motors	52.73	81.20	6.9	0.6	1.6	22.4	3.7	11.6	153%	0.0%	76,557
Media & Entertainment	GOOG	Alphabet	2713.97	3432.85	30.2	7.5	8.2	30.9	19.4	3.6	12%	0.0%	1,798,881
Diversified Financials	GS	Goldman Sachs	354.68	477.15	6.0	nmf	1.4	24.4	nmf	nmf	nmf	2.3%	123,923
Autos & Components	GT	Goodyear Tire	20.73	28.05	10.9	0.4	2.6	7.6	8.1	11.5	355%	0.0%	5,831
Consumer Durables	HAS	Hasbro	92.48	124.58	17.5	2.1	nmf	15.6	14.1	8.1	nmf	2.9%	12,757
Energy	HFC	HollyFrontier	35.16	55.40	40.0	0.4	2.0	8.5	7.2	2.5	121%	4.0%	5,713
Autos & Components	HMC	Honda Motor	29.55	39.06	6.5	0.4	0.7	10.1	7.3	9.5	54%	2.9%	53,528
Technology Hardware	HPE	Hewlett Packard Enterprise	16.33	21.17	7.8	0.8	32.8	19.0	8.1	15.7	1685%	2.9%	21,122
Software & Services	IBM	Int'l Business Machines	133.57	161.06	13.4	1.7	nmf	29.1	11.6	8.9	nmf	4.9%	119,786
Energy	INT	World Fuel Services	28.21	44.06	25.6	0.1	1.7	2.8	7.5	17.0	45%	1.7%	1,832
Semis & Cap Equipment	INTC	Intel	48.82	67.26	8.9	2.5	3.3	22.5	6.5	4.9	55%	3.0%	198,795
Materials	IP	Int'l Paper	48.25	66.61	12.2	0.9	3.1	20.7	7.3	7.8	94%	3.8%	18,685
Technology Hardware	JBL	Jabil	61.49	81.45	10.4	0.3	6.7	35.2	5.4	2.6	211%	0.5%	8,823
Pharma/Biotech/Life Sci	JNJ	Johnson & Johnson	172.29	199.67	17.6	4.8	nmf	26.5	15.1	4.9	nmf	2.5%	453,570
Technology Hardware	JNPR	Juniper Networks	34.82	38.97	19.9	2.4	41.9	5.7	19.1	5.2	676%	2.4%	11,323
Banks	JPM	JPMorgan Chase	148.60	192.91	9.7	nmf	2.1	18.3	nmf	nmf	nmf	2.7%	439,153
Retailing	JWN	Nordstrom	22.50	38.31	nmf	0.3	32.6	3.6	6.9	-2.0	nmf	0.0%	3,585
Banks	KEY	KeyCorp	25.06	29.77	9.5	nmf	1.8	15.9	nmf	nmf	nmf	3.1%	23,277
Real Estate	KIM	Kimco Realty	24.26	27.83	18.7	nmf	1.6	13.0	nmf	nmf	nmf	2.8%	14,955
Semis & Cap Equipment	KLIC	Kulicke & Soffa	54.69	85.20	12.5	2.3	3.5	39.6	6.2	8.2	4%	1.2%	3,416
Food & Staples Retailing	KR	Kroger Co	43.59	52.91	12.2	0.2	5.8	10.4	9.7	8.9	346%	1.9%	32,050
Retailing	KSS	Kohl's Corp	59.71	81.44	8.1	0.4	1.7	20.1	5.2	18.6	132%	1.7%	8,309
Consumer Dur & App	LEG	Leggett & Platt	39.85	62.20	14.7	1.1	nmf	27.8	9.4	3.9	nmf	4.2%	5,315
Technology Hardware	LITE	Lumentum Holdings	101.48	144.95	16.0	4.2	5.3	21.7	9.2	8.0	62%	0.0%	7,337

As of 01.31.22. nmf=Not meaningful. [1] ●=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Sales	TBV[2]	ROCE[3]	EV/ EBITDA[4]	FCF Yield[5]	Debt/ TE[6]	Div Yield	Mkt Cap
Capital Goods	LMT	Lockheed Martin	389.13	492.98	17.1	1.6	nmf	74.4	11.0	7.2	nmf	2.9%	105,971
Retailing	LOW	Lowe's Cos	237.35	273.79	20.6	1.7	nmf	nmf	13.5	4.1	nmf	1.3%	159,914
Semis & Cap Equipment	LRCX	Lam Research	589.92	777.29	24.6	5.0	17.0	76.6	14.9	4.8	102%	1.0%	82,751
Commerical Services	MAN	ManpowerGroup	104.87	145.18	16.0	0.3	5.5	13.7	7.2	9.3	82%	2.4%	5,688
Health Care Equip/Srvcs	MCK	McKesson	256.72	266.37	12.0	0.2	nmf	nmf	-10.4	10.6	nmf	0.7%	39,197
Consumer Durables	MDC	MDC Holdings	50.69	78.37	6.6	0.7	1.5	24.9	5.8	-4.7	74%	3.9%	3,583
Health Care Equip/Srvcs	MDT	Medtronic PLC	103.49	140.89	18.7	4.4	nmf	9.2	19.3	4.1	nmf	2.4%	139,148
Insurance	MET	MetLife	67.06	97.86	7.5	nmf	1.0	7.9	nmf	nmf	nmf	2.9%	56,408
Capital Goods	MMM	3M Co	166.02	229.95	16.4	2.7	nmf	42.3	11.4	6.1	nmf	3.6%	95,669
Materials	MOS	Mosaic Co	39.95	48.87	10.9	1.3	1.6	18.9	7.0	4.5	44%	1.1%	14,798
Pharma/Biotech/Life Sci	MRK	Merck & Co	81.48	106.55	14.1	4.2	58.0	22.2	21.2	3.5	646%	3.4%	205,814
Pharma/Biotech/Life Sci	• MRNA	Moderna	169.33	284.43	10.4	5.8	6.8	109.6	7.8	16.8	0%	0.0%	68,655
Diversified Financials	MS	Morgan Stanley	102.54	120.25	12.5	nmf	2.5	16.0	nmf	nmf	nmf	2.7%	181,701
Software & Services	MSFT	Microsoft	310.98	384.63	35.1	12.6	22.9	49.1	24.4	2.6	71%	0.8%	2,331,376
Semis & Cap Equipment	MU	Micron Tech	82.27	125.72	11.1	3.1	2.1	17.2	6.1	4.2	17%	0.5%	92,124
Materials	NEM	Newmont Corp	61.17	75.89	18.9	4.0	2.4	9.0	9.9	6.2	28%	3.6%	48,779
Software & Services	NLOK	NortonLifeLock	26.01	35.05	16.0	5.6	nmf	nmf	13.9	6.3	nmf	1.9%	15,134
Transportation	NSC	Norfolk Southern	271.99	330.44	22.4	5.9	4.8	21.1	13.9	4.1	97%	1.8%	65,322
Technology Hardware	NTAP	NetApp	86.51	102.78	18.4	3.2	nmf	166.9	11.7	6.8	nmf	2.3%	19,229
Materials	NTR	Nutrien Ltd	69.80	88.94	17.5	1.6	4.3	9.9	9.7	nmf	122%	2.6%	38,978
Banks	NYCB	NY Community Bancorp	11.66	16.96	9.6	nmf	1.3	8.8	nmf	nmf	nmf	5.8%	5,422
Media & Entertainment	OMC	Omnicom Group	75.36	103.72	11.7	1.1	nmf	46.9	7.7	15.8	nmf	3.7%	16,018
Banks	ONB	Old National Bancorp	18.33	24.27	10.8	nmf	1.6	9.3	nmf	nmf	nmf	3.1%	3,040
Software & Services	ORCL	Oracle	81.16	110.61	16.4	5.2	nmf	nmf	19.5	3.0	nmf	1.6%	216,733
Banks	OZK	Bank OZK	46.85	66.06	10.5	nmf	1.6	13.2	nmf	nmf	nmf	2.6%	6,077
Pharma/Biotech/Life Sci	PFE	Pfizer	52.69	70.62	18.6	4.3	nmf	27.2	13.9	10.1	nmf	3.0%	295,742
Health Care Equip/Srvcs	• PHG	Koninklijke Philips NVR	33.28	50.91	17.8	1.5	171.0	25.2	16.4	4.6	4260%	2.5%	29,416
Banks	PNC	PNC Financial	205.99	239.86	12.9	nmf	2.0	10.0	nmf	nmf	nmf	2.4%	86,516
Utilities	PNW	Pinnacle West Capital	69.61	90.10	13.8	2.1	1.4	9.6	9.7	-6.3	125%	4.9%	7,853
Insurance	PRU	Prudential Fin'l	111.57	143.82	7.6	nmf	0.7	11.3	nmf	nmf	nmf	4.1%	42,173
Semis & Cap Equipment	QCOM	Qualcomm	175.76	215.32	20.6	5.9	nmf	112.8	17.7	4.3	nmf	1.5%	197,744
Consumer Services	RCL	Royal Caribbean	77.81	103.81	nmf	33.9	3.5	-71.2	-14.9	-24.2	361%	0.0%	19,825
Real Estate	REG	Regency Centers	71.75	81.82	19.0	nmf	2.1	5.5	nmf	nmf	nmf	3.5%	12,296
Capital Goods	SIEGY	Siemens AG	78.94	105.08	22.2	3.8	32.3	15.3	17.0	6.7	1130%	2.0%	134,198
Food, Bev & Tobacco	SJM	JM Smucker	140.58	152.10	16.2	1.9	nmf	9.1	11.6	5.0	nmf	2.8%	15,234
Capital Goods	SNA	Snap-On Inc	208.25	277.31	14.2	2.4	4.2	21.0	9.7	8.7	47%	2.7%	11,149
Pharma/Biotech/Life Sci	SNY	Sanofi	52.00	66.91	14.5	6.1	nmf	9.2	13.2	5.0	nmf	2.6%	131,410
Technology Hardware	STX	Seagate Tech	107.15	130.89	18.4	2.0	nmf	242.5	11.2	5.9	nmf	2.6%	23,455
Diversified Financials	SYF	Synchrony Fin'l	42.59	59.39	5.8	nmf	2.1	33.6	nmf	nmf	nmf	2.1%	22,436
Telecom Services	T	AT&T	25.50	34.23	7.5	1.1	nmf	12.1	7.5	13.7	nmf	8.2%	182,096
Banks	TFC	Truist Financial	62.82	75.91	11.4	nmf	2.5	9.6	nmf	nmf	nmf	3.1%	83,414
Retailing	TGT	Target	220.43	280.41	16.9	1.0	8.0	50.0	10.2	5.4	107%	1.6%	105,613
Capital Goods	TKR	Timken	66.80	93.53	14.0	1.3	8.7	16.6	9.3	5.2	255%	1.8%	5,067
Consumer Durables	TPR	Tapestry	37.95	60.00	11.8	1.7	21.6	29.2	7.6	10.7	551%	2.6%	10,442
Food, Bev & Tobacco	TSN	Tyson Foods	90.89	112.32	11.0	0.7	50.4	18.5	7.2	9.5	1320%	2.0%	33,000
Energy	TTE	TotalEnergies SE	56.80	89.99	13.1	1.0	1.7	10.4	6.3	8.4	57%	4.4%	149,976
Autos & Components	VWAGY	Volkswagen AG	28.74	55.27	6.9	3.0	2.3	15.4	2.1	15.2	246%	1.3%	84,809
Telecom Services	VZ	Verizon	53.23	76.14	9.9	1.7	nmf	29.5	7.8	8.7	nmf	4.8%	223,460
Consumer Durables	WHR	Whirlpool	210.19	323.12	10.2	0.6	32.6	41.2	5.5	12.8	1506%	2.7%	12,401
Commerical Services	WM	Waste Management	150.44	175.15	31.9	3.6	nmf	24.4	15.7	4.1	nmf	1.5%	62,932
Food & Staples Retailing	WMT	Walmart	139.81	178.44	22.2	0.7	7.3	9.8	12.1	4.3	100%	1.6%	387,816
Materials	WRK	WestRock	46.16	68.60	13.7	0.6	5.1	7.5	7.2	11.9	358%	2.2%	12,144
Energy	XOM	Exxon Mobil	75.96	96.92	22.6	1.3	2.0	-3.5	11.5	7.2	27%	4.6%	321,582
Health Care Equip/Srvcs	ZBH	Zimmer Biomet	123.02	184.87	16.3	3.3	nmf	6.7	16.1	4.4	nmf	0.8%	25,700

As of 01.31.22. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

Portfolio Builder

Research Team Highlights

The Prudent Speculator follows an approach to investing that focuses on ***broadly diversified*** investments in ***undervalued*** stocks for their ***long-term*** appreciation potential. Does that mean we build portfolios of 20 stocks…30…? More like 50 and up. We like stocks. And we like a lot of 'em. We don't rely nearly as much on "how many" as we do "in which," but we tend to invest in far more names than most. This expansive diversification, we find, potentially serves us well in two ways: we can further minimize the risk of individual stock ownership, while maximizing the likelihood of finding the truly big winners among the undervalued masses.

As for the "in which" part, readers should know we discriminate among potential investments primarily by their relative valuation metrics and our assessments of stock-specific risk. We buy only those stocks we find to be undervalued along several lines relative to their own trading history, those of their peers or that of the market in general. Our Target Prices incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal three-to-five-year investing time horizon.

Each month in this column, we highlight 10 stocks with which readers might populate their portfolios. The list is not selected based on performance, as the following methodological hierarchy is utilized: 1) First time recommendations; 2) Stocks that are unowned or under-owned in one of our four newsletter portfolios; 3) Companies that have not been highlighted in the prior five monthly editions of *The Prudent Speculator*; 4) Editor's choice. Note that we are in no way suggesting that these stocks replace those featured in prior months as we will always issue a *Sales Alert* should we choose to exit a position.

Portfolio Builder Notes

This month, we will buy $45,000 of **Moderna** for TPS Portfolio, while we will bring up to $11,000 the stakes in **Capital One**, **General Dynamics** and **Int'l Paper** in Buckingham Portfolio. In our hypothetical accounts, we will raise to $17,000 the holdings of **Caterpillar**, **Walt Disney**, **Lam Research** and **Whirlpool** in Millennium Portfolio, while we will add $25,000 of **Koninklijke Philips NVR** to PruFolio. We already have enough **Celanese** in our newsletter portfolios, so no additional purchase this time around. We will transact on Friday, February 4.

THIS MONTH'S 10-STOCK SELECTION

Ticker	Company	Sector	Price	Target Price
CAT	Caterpillar	Industrials	201.56	280.77
CE	Celanese	Materials	155.71	222.93
COF	Capital One Fin'l	Financials	146.73	195.38
DIS	Walt Disney	Consumer Discretionary	142.97	193.65
GD	General Dynamics	Industrials	212.10	258.30
IP	Int'l Paper	Materials	48.25	66.61
LRCX	Lam Research	Information Technology	589.92	777.29
MRNA	Moderna	Health Care	169.33	284.43
PHG	Koninklijke Philips NVR	Health Care	33.28	50.91
WHR	Whirlpool	Consumer Discretionary	210.19	323.12

As of 01.31.22. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Caterpillar (CAT)

Construction and mining equipment giant Caterpillar has maintained its edge through the incorporation of technology and software into its products to improve both performance and total cost of customer ownership. CAT announced strong Q4 EPS of $2.69 (18% better than the consensus estimate) as revenue grew 24% year-over-year to over $13 billion, even as cost headwinds (freight, material, labor) outpaced price increases and volume improvements to reduce margins. We think the flat share-price performance over the past year presents an attractive setup for the next few years as infrastructure legislation fuels investment. CFO Andrew Bonfield elaborated, "For the full year, we expect the environment to support strong end-user demand and higher pricing. As [supply chain imbalances] alleviate, we would expect to see an acceleration in sales to end users. As we have noted, our order books and backlog are robust, but we do expect the supply chain to constrain our volumes." CAT trades for a reasonable forward P/E ratio below 17 and yields 2.2%.

Celanese (CE)

Celanese, a global value-added industrial chemicals company, is one of the world's largest producers of acetyls and a top producer of polymers used in auto, consumer and industrial products. Shares are off some $20 from the early January highs, as Q4 results came in a bit below expectations (EPS of $4.91 vs. $5.07 est. and revenue of $2.28 billion vs. $2.29 billion est.). Management said that input cost inflation and a volatile supply chain backdrop impacted the quarter and they remain the greatest near-term challenges. That said, CE projects Q1 2022 adjusted EPS between $4.30 and $4.60, versus the consensus analyst estimate of $4.19, and full-year EPS of "at least" $15 per share, but if the supply chain begins to improve sooner and input prices stabilize, earnings could be meaningfully higher. Additionally, management believes it will generate at least $1.4 billion of free cash flow this year. Celanese has typically enjoyed a cost advantage in many of its markets and has been able to push through regular price increases. We also appreciate the company's exposure to secular growth markets like electric vehicles and 5G through its Engineered Materials segment and think it is positioned to win from customer sustainability efforts. Shares trade at a very attractive 10 times NTM adjusted EPS expectations and the dividend yield is 1.7%.

Capital One Financial (COF)

Capital One is a diversified financial services company involved in the full spectrum of domestic and international credit card lending, auto lending, consumer installment loans, small business lending and deposit-taking activities. COF posted EPS of $5.41 in Q4, in line with estimates, as a 12% bump in non-interest expense offset a modest net interest margin increase and 6% higher loans at the end of December. Notably, marketing spend was 77% higher year-over-year as strong consumer balance sheets have made lending competitive. The corollary to this backdrop is meaningfully reduced credit costs as net charge-offs have been roughly half the long-term trend, while funding costs remain virtually nil. We continue to think highly of Capital One's tech-enabled infrastructure and capability, and expect loan demand to pick up in the coming years. The stock price is volatile, but we think a single-digit multiple of earnings presents an opportunity for long-term oriented owners. The dividend yield is 1.6%.

Walt Disney (DIS)

Disney operates one of the largest diversified media companies in the U.S., is a global leader in producing branded family entertainment, and owns what we believe to be one of the best intellectual property portfolios in the world. DIS shares took a haircut in January after streaming rival Netflix reported growth that underwhelmed Wall Street. We think connecting the two is a big jump to make, especially since Disney has several categories of income Netflix lacks, including theme parks, consumer products, linear networks (domestic and international channels) and sports broadcasting rights. Park revenue isn't at pre-pandemic levels yet, but it's on the way and the revamped Magic Key Pass programs have been receiving positive reviews from visitors. We continue to be fans of Disney's deep library of content (*We Don't Talk About Bruno (From "Encanto")* just hit No. 1 on the *Billboard* Hot 100), committed fan base and willingness to adapt. We concede that the valuation looks rich today, but analysts look for EPS to triple by fiscal '25 from the depressed fiscal '21 tally.

General Dynamics (GD)

General Dynamics is three parts defense contractor and one part business jet manufacturer, generating a bit more than two-thirds of its revenue from various governments (mostly Uncle Sam). The company boasts a top-tier business jet segment with its Gulfstream franchise and generates long-dated, highly visible marine systems revenue. GD had EPS of $3.39 in Q4 (vs. $3.37 est.) and sales of $10.3 billion (vs. $10.7 billion est.). In 2021, GD's growth was propelled by its Aerospace division, which saw its backlog grow to $16.3 billion and boasted a 1.6 to 1 book-to-bill ratio for the year. Looking ahead, GD expects an increased number of aircraft deliveries, additional revenue in Combat Systems as programs move into production and long-term demand for submarine work. The result is an EPS forecast between $12.00 and $12.15 for 2022 on $39.20 to $39.45 billion of revenue. Shares trade for a reasonable 18 times forward earnings and we like the exposure to stable contract work. GD yields 2.2%.

International Paper (IP)

International Paper is one of the largest packaging companies in the world and is the largest containerboard and box producer in North America, with about a third of the market. IP is fully dedicated to corrugated packaging subsequent to the spin-off of its paper division. Adjusted Q4 EPS came in shy of expectations at $0.78, given the challenging operating and cost environment, but CEO Mark Sutton commented, "We expect to grow earnings meaningfully in 2022. We are building a better IP. We're a corrugated packaging-focused company with less complexity and more focus. We've initiated meaningful actions to materially lower our cost structure and accelerate profitable growth." Management has been working to put a dent in its debt, paying down $2.5 billion in 2021. We like that the board is committed to a dividend payout of 40% to 50% of free cash flow, while $2.9 billion remains available under the buyback authorization. Shares trade for 11 times EPS projected for 2022 and yield 3.8%

Lam Research (LRCX)

Lam Research is a manufacturer and designer of semiconductor processing equipment used in the making of integrated circuits. The company's sales are weighted towards memory manufacturers (which can create big swings in the stock price), while smaller portions of total revenue come from silicon foundries and integrated device manufacturers. Lam just posted fiscal Q2 EPS of $8.53, topping expectations of $8.49, while revenue of $4.23 billion came in below the consensus estimate of $4.42 billion. The results generally were solid, but shares slipped after sales and profit forecasts came up short of analyst expectations. Management expects supply chain disruptions in the early part of 2022 due to the Omicron variant, but the full year should include across-the-board growth. As was the case last year, customer demand remains strong and long-term goals are on track. With full-year EPS projected to grow to around $39 next fiscal year, we continue to think that the valuation is reasonable, especially as we expect strong chip demand for years to come. Lam has long been stockholder friendly, with the share count reduced by 4 million in 2021 (140 million now outstanding) and the dividend hiked by 15% in August.

Moderna (MRNA)

Moderna is a clinical stage biotech company that focuses on messenger RNA (mRNA) therapeutics and vaccines. The company manufactures medicines for infectious, immune-oncology and cardiovascular diseases. MRNA has experienced spectacular success in the efficacy and distribution of its COVID-19 vaccine, which pushed the company from a $1.96 loss per share in 2020 to nearly $27 of expected EPS in 2021. While MRNA is often regarded as Health Care company, we consider it to be a Technology company with the ability to leverage its mRNA technology to tackle widespread illnesses. According to management, MRNA has over 40 mRNA-based programs in development for "(COVID, Flu, RSV, etc.), latent vaccines (CMV, EBV, HIV, etc), and multiple programs across cancer vaccines, immuno-oncology, autoimmune, cardiovascular, and rare disease." Moderna shares have been pummeled lately, as concerns about demand for its COVID-19 vaccine have weighed, with the stock off 30%+ in January alone. At the current level, we think the valuation is inexpensive, especially as the $8.5 billion of net cash plus $6.4 billion of non-current long-term investments as of Q3 2021 should grow substantially larger this year and next, providing plenty of funding for R&D and M&A.

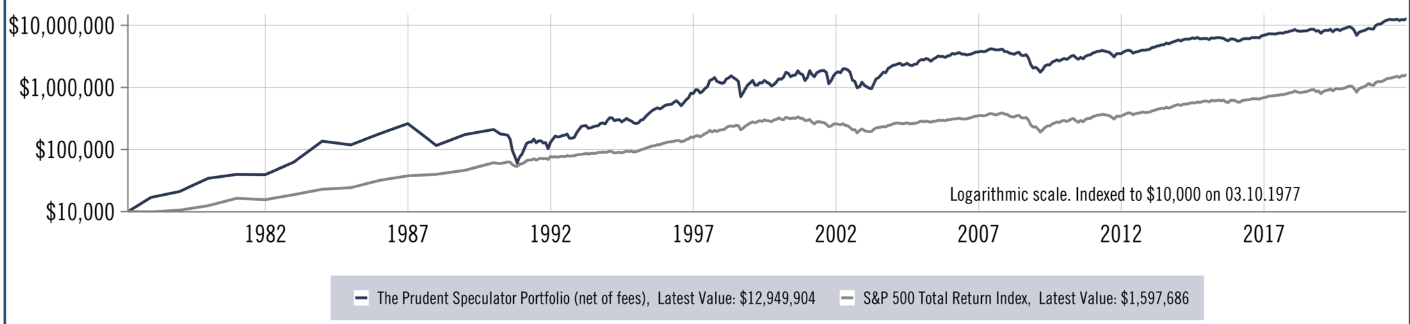
Koninklijke Philips NVR (PHG)

Perhaps known by many as an innovator and manufacturer of various consumer electronics, Dutch giant Philips has shed numerous businesses over the past decade to now focus on health technology and equipment. Nearly half of current revenue is generated from its Diagnosis & Treatment Segment, with the other half split between Personal Health and Connected Care (which houses sleep treatment products). A voluntary recall last June (which has since widened in scope) of the firm's CPAP and other sleep apnea therapies, given concerns involving the polyurethane foam used to dampen sound, has contributed to a near-halving of the stock price since the high last April, even as the revenue exposure from sleep therapies amounts to just 15% of the total. The potential liability from future litigation unknown, Philips and its competitors have warned that the use of ozone cleaning methods will void warranty and may contribute to decomposition of the foam. The company also is dealing with the burden of supply chain tightness, but demand remains strong, while supply imbalances aren't isolated to Philips and ought to eventually subside. The recent challenges "in" the stock price, we think it a fine time to pick up an inexpensive industry leader that operates in an oligopoly with large barriers to entry. The net dividend yield is 2.5%.

Whirlpool (WHR)

Whirlpool is the top major appliance manufacturer in the world, marketing its numerous brands in 170 countries. Shares are off some 10% this year, even as the company turned in adjusted Q4 EPS of $6.14, vs. $5.93 est., on revenue of $5.8 billion. Despite supply chain and shipping headwinds, sales in all of its non-Asia markets experienced growth as WHR was able to pass along increased input costs to consumers. We see continued pent-up demand and aging home appliance replacements fueling 2022 results and allowing WHR to enjoy strong pricing and low promotions. Management expects EPS of $27 to $29 this year on a 5% to 6% revenue increase, with free cash flow of $1.5 billion. We still see non-North American markets driving long-term growth as the rest of the world progresses technologically and emerging markets incorporate modern conveniences into daily living. WHR yields 2.7% and trades for just 8 times NTM earnings. ■

THE PRUDENT SPECULATOR (TPS) PORTFOLIO STANDARDIZED PERFORMANCE



Performance as of 12.31.21	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	Inception
TPS Portfolio (net of fees)	8.09	24.37	24.37	20.18	13.34	11.30	14.01	8.66	10.67	11.78	17.33
S&P 500	11.03	28.71	28.71	26.07	18.47	14.94	16.55	10.66	9.53	9.76	11.98
Russell 3000 Value	7.54	25.37	25.37	17.65	11.00	9.71	12.89	7.48	8.40	8.92	NA
Russell 3000	9.28	25.66	25.66	25.79	17.97	14.55	16.30	10.59	9.72	9.81	NA

Year	Total Firm Assets[1]	Composite Total Assets[1]	# of Accounts	Composite Gross Return (%)	Composite Net Return (%)	Bench Return (%)	Bench 2 Return (%)	Bench 3 Return (%)	Composite 3-Yr STD (%)	Bench 3-Yr STD (%)	Bench 2 3-Yr STD (%)	Bench 3 3-Yr STD (%)	Composite Dispersion (%)	Wrap-Fee Paying (%)	Non-Fee Paying (%)
2021	7,465	31	38	25.48	24.38	28.72	25.36	25.67	19.88	17.17	19.34	19.32	0.35	<1	<1
2020	5,990	21	38	10.52	9.78	18.40	2.87	20.89	20.70	18.53	19.96	19.41	0.74	5.00	16.00
2019	5,046	22	47	28.29	27.28	31.49	26.26	31.02	13.45	12.11	9.55	12.38	0.32	5.00	16.20
2018	3,674	18	51	-8.46	-9.29	-4.38	-8.57	-5.25	11.48	10.96	11.21	11.34	0.25	4.11	14.31
2017	946	19	42	19.78	18.83	21.84	13.20	21.13	11.04	10.06	10.48	10.23	0.34	6.93	24.69
2016	711	7	10	18.51	18.02	11.98	18.42	12.75	12.05	10.74	11.12	11.04	N/A	5.60	39.89
2015	701	2	<6	-4.23	-4.23	1.41	-4.13	0.47	12.01	10.62	10.90	10.73	N/A	<1	100.00
2014	827	3	<6	5.35	5.35	13.69	12.69	12.56	11.36	9.10	9.49	9.42	N/A	<1	100.00
2013	788	3	<6	41.13	41.07	32.41	32.69	33.57	14.60	12.11	13.08	12.71	N/A	<1	100.00
2012	676	2	<6	18.00	17.98	15.98	17.56	16.43	17.74	15.30	16.03	15.95	N/A	<1	100.00

IMPORTANT INFORMATION

[1]Presented in millions. Note that January 2022 composite calculations cannot be completed until after press-time. Kovitz Investment Group Partners, LLC (“KIG”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. KIG has been independently verified by The Spaulding Group for the periods January 1, 1997 through December 31, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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

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

The U.S. Dollar is the currency used to express performance. The composite may include portfolios charged bundled or wrap fees, which typically consists of a single fee representing the advisor’s fee, investment management fees, trading expenses, and portfolio monitoring. Gross-of-fee returns are shown as supplemental information and incorporate the effects of all realized and unrealized gains and losses, the receipt, though not necessarily the direct reinvestment, of all dividends and income, and trading expenses, where explicitly charged. Net-of-fee returns are calculated using actual fees charged to each portfolio and are presented net of the entire bundled or wrap fee, where applicable. The current management fee schedule is as follows: 1.25% on assets below $1 million, 1.0% per annum for assets from $1 million to $5 million, 0.85% per annum on assets from $5 million to $10 million, 0.75% per annum for assets from $10 million to $20 million, 0.65% per annum for assets from $20 million to $35 million, 0.55% per annum for assets from $35 million to $50 million, and 0.50% per annum for assets over $50 million. Such fees are negotiable. Where applicable, the total bundled or wrap fee charged to each portfolio is dependent on the end client’s financial advisor and wrap sponsor. The composite includes accounts that do not pay trading fees. The measure of internal dispersion presented above is an asset-weighted standard deviation. The 3-year standard deviation presented above is calculated using monthly gross-of-fees returns. The 3-year standard deviation is not presented when less than 36 months of returns are available.

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

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