

the Prudent Speculator 665

Established in March 1977 · 20 Enterprise, Suite 305 · Aliso Viejo, California 92656 · 800.258.7786

As we add the Russian Invasion of Ukraine to the long list of disconcerting headlines with which we have had to contend in 45 years of publishing *The Prudent Speculator*, we never lose sight of what our founder Al Frank wrote in the first edition of the newsletter on March 12, 1977.

I like the stock market; prefer it to other kinds of speculation such as real estate or precious metals and stones. Certainly it has its faults; what institution is not flawed? It is the cleanest way I know of making and losing money. Where else can I buy something of value without a face-to-face confrontation? And where else can I sell something of value without pitching it to someone?

Although the S&P 500 has overcome scores of frightening events and returned some 15,000% (11.8% per annum - oh, the miracle of compounding!) since Al penned those comments, we realize that investor affection for equities has waned of late. Indeed, the count of Bears in the latest American Association of Individual Investors Sentiment Survey hit 53.7, the highest since April 2013. Of course, with the fewest number of pessimists ever registered in August 1987, not long before Black Monday, and the greatest tally of Bears ever recorded the first week of March 2009, just a few days from the equity market bottom during the Great Financial Crisis, the AAI gauge has long been viewed as a terrific contrarian indicator. There is a reason for the stock market adage, “Be greedy when others are fearful and fearful when others are greedy!”

Al recognized the importance of keeping emotions in check, writing in that inaugural issue: *After several years of helter-skelter buying and selling, I learned that successful speculating is more a matter of character than mathematics, analysis or luck. Obviously, the latter are required, but the great gains and losses seem to occur in consequence to individual psychology.* Easier said than done we know, especially in today’s 24/7/365 media world, but volatility has always been a part of the investment landscape with the recent 10%+ setback in the S&P 500 the 35th correction of that magnitude or greater without an intervening 10% advance since 1977.

We do not mean to downplay the humanitarian crisis in Eastern Europe and the risk of even further escalation as NATO allies increase their support of Ukraine and much

of the world tightens the economic screws on Russia, but equities in the fullness of time always have overcome conflict on the global stage. The current events are not yet on par with the Cuban Missile Crisis, but the S&P 500 was then trading at 57 (it is 4386 today), having endured a negative-14% total return the six months prior, yet six and 12 months later, that index had rebounded 23% and 32%, respectively.

We also understand that the price of oil spiking above \$100 per barrel has fanned inflation fears, but worries about a 50-basis-point hike in the Fed Funds rate at the upcoming FOMC meeting actually have diminished, while the benchmark 10-Year U.S. Treasury yield is lower today than when Russia’s military action commenced. And, for folks concerned that these issues will return to the fore, our studies show that Value stocks, like those that we have long favored, have performed very well, on average, when inflation is high or when the Fed is tightening or when interest rates are rising.

The strength of U.S. and global GDP growth is also in question, and we are not suggesting that the war in Ukraine will have no impact. However, the pandemic is receding for much of the world, the most recent domestic economic stats have been good and corporate profits have been superb, with EPS growth likely to remain robust.

We are always braced for elevated volatility, but we like the inexpensive valuations and generous dividend yields on our portfolios. As Warren Buffett wrote last week, “People who are comfortable with their investments will, on average, achieve better results than those who are motivated by ever-changing headlines, chatter and promises.”

“The stock market is a device for transferring money from the impatient to the patient.”

— Warren Buffett



Editor, Principal, Portfolio Manager
Kovitz

Earnings Scorecard

Q4 Season

With U.S. GDP growth jumping by 7.0% in the fourth quarter, up from 2.3% in the third quarter, Q4 earnings reports were again terrific, with management teams doing their usual great job of under-promising and over-

delivering. S&P Dow Jones Indices calculated that Q4 “operating” and “as-reported” earnings per share for the S&P 500 soared 41% and 63%, respectively, compared to Q4 2020, with both tallies again hitting all-time highs.

Industry Group	Ticker	Company	QTD Change	1-Day ¹ Change	12.21 Act EPS	12.20 Act EPS	12.21 Est EPS	TTM ² EPS	NTM ³ Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth	
Autos & Components	GM	General Motors	-20.3%	-1.1%	1.35	1.93	1.20	7.09	7.03	6.6	127,004	155,586	23%	
	GT	Goodyear Tire	-27.3%	-27.4%	0.57	0.44	0.32	2.04	2.37	6.5	17,478	20,321	16%	
Banks	BAC	Bank of America	-0.7%	0.4%	0.82	0.59	0.76	3.56	3.27	13.5	nmf	nmf	nmf	
	C	Citigroup	-1.2%	-1.3%	1.99	2.08	1.62	10.61	7.49	7.9	nmf	nmf	nmf	
	CFG	Citizens Financial	11.8%	-2.4%	1.26	1.04	1.13	5.35	4.41	11.9	nmf	nmf	nmf	
	CMA	Comerica	9.8%	-2.9%	1.66	1.49	1.58	8.31	6.25	15.3	nmf	nmf	nmf	
	FITB	Fifth Third Bancorp	9.9%	-2.8%	0.93	0.87	0.90	3.77	3.44	13.9	nmf	nmf	nmf	
	JPM	JPMorgan Chase	-9.9%	-6.1%	3.33	3.79	2.99	15.35	11.14	12.7	nmf	nmf	nmf	
	KEY	KeyCorp	9.2%	-1.8%	0.65	0.57	0.57	2.64	2.17	11.6	nmf	nmf	nmf	
	NYCB	NY Community Banc	-4.1%	-1.5%	0.31	0.27	0.31	1.21	1.41	8.2	nmf	nmf	nmf	
	ONB	Old National Banc	0.9%	-0.8%	0.34	0.44	0.38	1.70	1.55	11.8	nmf	nmf	nmf	
	OZK	Bank OZK	1.7%	1.9%	1.17	0.93	0.98	4.47	3.88	12.1	nmf	nmf	nmf	
Capital Goods	PNC	PNC Financial	-0.1%	-2.4%	3.68	3.26	3.50	16.03	14.27	14.0	nmf	nmf	nmf	
	TFC	Truist Financial	7.1%	-0.4%	1.38	1.18	1.21	5.53	4.76	13.1	nmf	nmf	nmf	
	CAT	Caterpillar	-8.8%	-5.2%	2.69	2.12	2.27	10.82	12.19	15.4	50,971	55,775	9%	
	CMI	Cummins	-5.8%	0.3%	2.73	3.36	3.17	14.59	17.46	11.7	24,021	25,604	7%	
	DE	Deere & Co	5.0%	-3.0%	2.92	3.87	2.26	17.97	23.86	15.1	44,481	48,565	9%	
	ENS	EnerSys	-8.0%	-1.4%	1.01	1.27	0.98	4.57	4.97	14.6	3,264	3,516	8%	
	ETN	Eaton Corp PLC	-10.7%	-3.7%	1.72	1.28	1.72	6.63	7.52	20.5	19,628	20,462	4%	
	GD	General Dynamics	13.1%	-0.5%	3.39	3.49	3.37	11.55	12.14	19.3	38,469	39,359	2%	
	LMT	Lockheed Martin	22.8%	3.7%	7.47	6.38	7.17	22.76	26.84	16.2	67,044	66,117	-1%	
	MMM	3M	-15.5%	0.5%	2.31	2.38	2.01	10.12	10.41	14.3	35,355	36,295	3%	
Commercial Services	SNA	Snap-on	-1.8%	2.7%	4.10	3.84	3.69	14.93	15.53	13.5	4,602	4,406	-4%	
	TKR	Timken Co	-5.0%	0.3%	0.82	0.84	0.91	4.75	5.39	12.2	4,133	4,514	9%	
	MAN	ManpowerGroup	9.2%	4.0%	2.20	1.48	2.02	7.26	8.72	12.2	20,724	21,697	5%	
	WM	Waste Management	-13.5%	-1.1%	1.26	1.13	1.25	4.85	5.39	26.8	17,931	19,018	6%	
	Consumer Dur & App	HAS	Hasbro	-3.9%	-1.0%	1.21	1.27	0.90	5.22	5.12	19.0	6,420	6,623	3%
		LEG	Leggett & Platt	-9.9%	2.6%	0.77	0.76	0.74	2.73	2.86	13.0	5,073	5,406	7%
		MDC	MDC Holdings	-19.7%	-8.8%	2.21	2.03	2.49	7.82	10.68	4.2	5,255	6,127	17%
		TPR	Tapestry	0.7%	0.0%	1.33	1.15	1.19	3.40	3.97	10.3	6,511	6,899	6%
	WHR	Whirlpool	-13.5%	-3.8%	6.14	6.64	5.93	26.66	27.11	7.4	21,985	22,891	4%	
	Diversified Financials	BK	Bank of NY Mellon	-8.0%	-1.1%	1.01	0.96	1.01	4.15	4.77	11.1	nmf	nmf	nmf
BLK		BlackRock	-18.8%	-2.2%	10.42	10.18	10.15	39.17	41.95	17.7	nmf	nmf	nmf	
COF		Capital One Fin'l	6.0%	-4.8%	5.41	5.29	5.29	27.01	20.15	7.6	nmf	nmf	nmf	
GS		Goldman Sachs	-10.8%	-7.0%	10.81	12.08	11.65	59.36	40.36	8.5	nmf	nmf	nmf	
MS		Morgan Stanley	-6.9%	1.8%	2.08	1.92	1.94	8.23	7.72	11.7	nmf	nmf	nmf	
Energy	SYF	Synchrony Fin'l	-7.3%	-6.8%	1.48	1.24	1.48	7.33	5.52	7.7	nmf	nmf	nmf	
	EOG	EOG Resources	30.3%	-2.6%	3.09	0.71	3.16	8.60	10.95	10.5	19,139	20,796	9%	
	HFC	HollyFrontier	-7.1%	-11.5%	-0.11	-0.74	-0.15	1.51	4.09	7.5	18,389	21,304	16%	
	INT	World Fuel Services	7.1%	-1.4%	0.28	0.02	0.44	1.36	1.82	15.6	31,337	42,531	36%	
XOM	Exxon Mobil	29.6%	6.4%	2.05	0.03	1.93	5.38	6.88	11.4	276,692	304,567	10%		
Food & Staples Retailing	WMT	Walmart	-6.6%	4.0%	1.53	1.39	1.51	6.45	6.81	19.9	572,754	591,830	3%	
Food, Bev & Tobacco	ADM	Archer-Daniels-Midland	16.7%	-0.3%	1.50	1.21	1.37	5.19	5.14	15.3	85,249	88,332	4%	
	TSN	Tyson Foods	6.8%	12.2%	2.87	1.94	1.93	9.21	7.82	11.9	49,522	51,776	5%	
Health Care Equip/Srvcs	ABT	Abbott Labs	-14.0%	-2.6%	1.32	1.45	1.21	5.21	4.86	24.8	43,075	40,839	-5%	
	ANTM	Anthem Inc	-2.5%	-2.4%	5.14	2.54	5.12	25.97	28.46	15.9	138,639	152,338	10%	
	CAH	Cardinal Health	4.9%	-0.3%	1.27	1.74	1.25	4.86	5.55	9.7	171,286	182,026	6%	
	CHNG	Change Healthcare	0.2%	-1.7%	0.36	0.34	0.35	1.54	1.66	12.9	3,416	3,625	6%	

As of 02.28.22. N/A=Not applicable. ¹1-day price change following the quarterly report. ²Trailing 12-month. ³Next 12-months. nmf=Not meaningful. SOURCE: Kowitz Investment Group using data (EPS Adjusted) from Bloomberg Finance L.P.

Impressively, the number of S&P 500 companies that exceeded bottom-line forecasts was 76.2%, much better than the usual “beat” rate, while 69.3% eclipsed top-line projections. Of *The Prudent Speculator’s* 96 stocks presented in our *Earnings Scorecard*, an impressive 78.1% topped EPS expectations, yet the average one-day price reaction was a sizable decline of 1.1%.

Standard & Poor’s projects (as of 02.28.22) that after jumping from \$122.37 in 2020 to \$205.36 in 2021, bottom-up operating EPS for the S&P 500 will climb to \$223.14 this year and to \$244.32 in 2023. No doubt, estimates always are subject to change, but we think anything close to those numbers would support much higher stock prices, especially with interest rates still at very low levels. ■

Industry Group	Ticker	Company	QTD Change	1-Day ¹ Change	12.21 Act EPS	12.20 Act EPS	12.21 Est EPS	TTM ² EPS	NTM ³ Est EPS	NTM P/E	LTM Sales	NTM Est Sales	Sales Growth
	CVS	CVS Health	1.0%	-5.4%	1.98	1.30	1.79	8.41	8.23	12.6	292,111	307,630	5%
	MCK	McKesson	10.8%	3.5%	6.15	4.60	5.52	22.91	22.67	12.1	257,006	253,793	-1%
	MDT	Medtronic PLC	1.5%	3.1%	1.37	1.29	1.37	5.60	5.81	18.1	31,785	33,029	4%
	ZBH	Zimmer Biomet	3.2%	-9.1%	1.95	2.11	1.98	7.37	6.66	19.1	7,836	6,916	-12%
Insurance	ALL	Allstate	4.7%	3.4%	2.75	5.18	2.80	13.38	9.41	13.0	nmf	nmf	nmf
	MET	MetLife	8.9%	-1.2%	2.17	2.03	1.47	9.13	7.15	9.4	nmf	nmf	nmf
	PRU	Prudential Fin'l	4.2%	4.4%	3.18	2.93	2.36	14.86	11.87	9.4	nmf	nmf	nmf
Materials	ALB	Albemarle	-16.2%	-19.9%	1.01	1.17	1.00	4.05	5.98	32.8	3,328	4,281	29%
	APD	Air Products	-22.3%	-6.3%	2.52	2.12	2.51	9.42	10.56	22.4	10,942	12,060	10%
	CE	Celanese	-16.7%	-4.3%	4.91	2.09	5.07	18.21	15.66	8.9	8,537	8,629	1%
	IP	International Paper	-6.4%	-1.9%	0.78	0.75	0.88	3.95	4.38	9.9	21,779	20,551	-6%
	MOS	Mosaic Co	33.4%	2.3%	1.95	0.57	1.98	5.04	9.38	5.6	12,357	16,498	34%
	NEM	Newmont Corp	6.7%	-2.2%	0.78	1.06	0.77	2.95	2.98	22.2	12,222	12,617	3%
	WRK	Westrock	2.6%	0.6%	0.65	0.61	0.64	3.42	5.08	8.9	19,297	20,949	9%
Media & Entertainment	CMCSA	Comcast	-6.6%	-0.9%	0.77	0.56	0.73	3.24	3.52	13.3	116,385	122,532	5%
	DIS	Walt Disney	-4.2%	3.3%	1.06	0.32	0.57	3.02	4.60	32.3	72,988	87,775	20%
	GOOG	Alphabet Inc	-6.8%	7.5%	32.64	19.25	29.86	107.59	128.30	21.1	257,637	249,456	-3%
	OMC	Omnicom Group	14.5%	14.2%	1.95	1.84	1.72	6.53	6.78	12.4	14,289	14,469	1%
Pharma/Biotech/Life Sci	AMGN	Amgen	1.5%	7.8%	4.36	3.81	4.07	17.11	17.56	12.9	25,979	26,167	1%
	BMJ	Bristol-Myers Squibb	11.1%	1.4%	1.83	1.46	1.79	7.50	7.77	8.8	46,385	47,177	2%
	GILD	Gilead Sciences	-16.8%	-3.9%	0.69	2.19	1.57	7.29	6.56	9.2	27,305	24,426	-11%
	JNJ	Johnson & Johnson	-3.2%	2.9%	2.13	1.86	2.12	9.80	10.44	15.8	93,775	99,397	6%
	MRK	Merck & Co	-0.1%	-3.7%	1.80	1.32	1.54	6.26	7.31	10.5	50,157	57,257	14%
	MRNA	Moderna	-39.5%	15.1%	11.29	-0.69	10.17	28.26	26.77	5.7	18,471	22,060	19%
	PFE	Pfizer	-19.9%	-2.8%	1.08	0.42	0.88	4.42	7.11	6.6	81,491	105,562	30%
Retailing	FL	Foot Locker	-27.0%	-29.8%	1.67	1.55	1.48	7.77	5.05	6.3	8,958	8,725	-3%
	LOW	Lowe's Cos	-14.2%	0.2%	1.78	1.33	1.70	11.97	13.53	16.3	96,249	98,687	3%
Semis & Cap Equipment	COHU	Cohu	-18.1%	-5.5%	0.72	0.73	0.54	3.20	2.77	11.3	887	848	-4%
	INTC	Intel	-6.7%	-7.0%	1.09	1.52	0.90	5.47	3.43	13.9	79,024	75,565	-4%
	KLIC	Kulicke & Soffa	-13.7%	-2.7%	2.11	0.86	1.90	5.62	5.56	9.4	1,711	1,474	-14%
	LRCX	Lam Research	-21.9%	-6.9%	8.53	6.03	8.49	32.47	35.45	15.8	16,524	18,669	13%
	QCOM	Qualcomm	-5.9%	-4.8%	3.23	2.17	3.05	9.60	12.11	14.2	36,036	43,833	22%
Software & Services	MSFT	Microsoft	-11.0%	2.8%	2.48	2.03	2.32	8.87	9.84	30.4	184,903	212,193	15%
	NLOK	NortonLifeLock	12.0%	8.7%	0.44	0.38	0.44	1.69	1.85	15.6	2,752	2,919	6%
Technology Hardware	AAPL	Apple	-6.9%	7.0%	2.10	1.68	1.90	6.03	6.20	26.6	378,323	403,403	7%
	BHE	Benchmark Electronics	-3.5%	3.4%	0.48	0.34	0.41	1.35	1.57	16.6	2,255	2,417	7%
	CSCO	Cisco Systems	-11.5%	2.8%	0.84	0.79	0.81	3.33	3.57	15.6	51,549	54,415	6%
	GLW	Corning	9.2%	11.2%	0.54	0.52	0.52	2.08	2.34	17.2	14,082	15,110	7%
	JNPR	Juniper Networks	-4.8%	6.9%	0.56	0.55	0.53	1.75	1.99	17.0	4,735	5,092	8%
	LITE	Lumentum Holdings	-6.5%	-14.4%	1.60	1.99	1.58	5.94	5.96	16.6	1,707	1,777	4%
	NTAP	NetApp	-14.3%	-5.7%	1.44	1.10	1.31	5.04	5.18	15.1	6,193	6,639	7%
	STX	Seagate Tech	-8.7%	7.7%	2.41	1.29	2.35	8.24	9.30	11.1	11,975	12,378	3%
Telecom Services	T	AT&T	-1.8%	-8.4%	0.78	0.75	0.75	3.40	3.04	7.8	168,864	148,542	-12%
	VZ	Verizon Comm	4.5%	-0.1%	1.31	1.21	1.28	5.40	5.46	9.8	133,613	136,352	2%
Transportation	ALK	Alaska Air Group	7.8%	0.6%	0.24	-2.55	0.24	-2.10	2.87	19.6	6,176	8,916	44%
	DAL	Delta Air Lines	2.1%	2.1%	0.22	-2.53	0.23	-4.10	1.78	22.5	29,900	42,316	42%
	NSC	Norfolk Southern	-13.4%	-2.1%	3.12	2.64	3.03	12.12	13.86	18.5	11,142	12,044	8%
Utilities	PNW	Pinnacle West Capital	1.6%	6.8%	0.24	-0.17	0.08	5.47	3.97	17.9	3,804	3,739	-2%

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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/>. ■

Industry Group	Ticker ¹	Company	Price	Target Price	Price Multiples				EV/ EBITDA ⁴	FCF Yield ⁵	Debt/ TE ⁶	Div Yield	Mkt Cap
					EPS	Sales	TBV ²	ROCE ³					
Technology Hardware	AAPL	Apple	165.12	192.92	27.4	7.1	37.5	145.6	20.4	3.7	148%	0.5%	2,694,666
Health Care Equip/Srvcs	ABT	Abbott Labs	120.62	148.25	23.2	4.9	nmf	20.6	18.5	4.0	nmf	1.6%	212,711
Food, Bev & Tobacco	ADM	Archer-Daniels	78.45	86.00	15.1	0.5	2.8	12.8	14.1	12.3	56%	2.0%	44,102
Materials	ALB	Albemarle	195.89	289.79	48.4	6.9	6.2	2.5	23.7	-2.7	58%	0.8%	22,926
Insurance	ALIZY	Allianz SE	22.61	34.04	8.5	nmf	1.3	8.2	nmf	nmf	nmf	3.6%	92,352
Transportation	ALK	Alaska Air Group	56.14	84.05	nmf	1.1	4.0	14.1	6.9	10.5	196%	0.0%	7,069
Insurance	ALL	Allstate	122.36	160.04	9.1	nmf	1.7	5.8	nmf	nmf	nmf	2.8%	34,058
Pharma/Biotech/Life Sci	AMGN	Amgen	226.48	304.40	13.2	4.9	nmf	73.2	13.8	6.5	nmf	3.4%	126,156
Health Care Equip/Srvcs	ANTM	Anthem	451.85	534.33	17.4	0.8	nmf	17.6	9.7	6.6	nmf	1.1%	109,033
Materials	APD	Air Products & Chemicals	236.30	360.75	25.1	4.8	4.2	16.4	15.8	1.7	58%	2.7%	52,392
Real Estate	ARE	Alexandria Real Estate	189.40	242.66	24.4	nmf	1.9	4.0	nmf	nmf	nmf	2.4%	30,293
Semis & Cap Equipment	AVGO	Broadcom	587.44	700.85	21.0	8.8	nmf	31.1	18.7	5.5	nmf	2.8%	240,623
Insurance	AXAHY	AXA SA	26.92	39.17	8.3	nmf	nmf	9.1	nmf	nmf	nmf	5.3%	65,197
Capital Goods	AYI	Acuity Brands	182.37	255.28	16.9	1.8	15.2	16.7	11.6	5.0	128%	0.3%	6,386
Banks	BAC	Bank of America	44.20	55.32	12.4	nmf	2.0	12.4	nmf	nmf	nmf	1.9%	356,685
Materials	BASFY	BASF SE	16.46	28.20	8.7	0.7	2.0	14.8	6.6	6.9	54%	4.3%	60,473
Technology Hardware	BHE	Benchmark Electronics	26.14	36.86	19.4	0.4	1.3	3.6	7.8	-4.5	31%	2.5%	920

As of 02.28.22. nmf=Not meaningful. ¹=First-time recommendation. ²Tangible book value. ³Return on Common Equity. ⁴Enterprise value-to-earnings before interest taxes depreciation and amortization. ⁵Free cash flow yield. ⁶Tangible equity. SOURCE: Kovitz using data from Bloomberg Finance L.P.

All Recommended Stocks *continued*

Industry Group	Ticker ¹	Company	Price	Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
				Price	EPS	Sales	TBV ²	ROCE ³	EBITDA ⁴	Yield ⁵	TE ⁶	Yield	Cap
Retailing	BIG	Big Lots	34.76	74.27	5.7	0.2	1.0	19.6	6.3	2.6	150%	3.5%	1,062
Diversified Financials	BK	Bank of New York	53.15	71.32	16.9	nmf	2.4	8.9	nmf	nmf	nmf	2.6%	42,759
Diversified Financials	BLK	Blackrock	743.89	1038.88	19.0	nmf	29.3	16.2	nmf	nmf	nmf	2.6%	113,822
Pharma/Biotech/Life Sci	BMJ	Bristol-Myers Squibb	68.67	104.61	9.2	3.2	nmf	19.0	9.9	10.0	nmf	3.1%	149,681
Banks	C	Citigroup	59.23	101.24	5.6	nmf	0.7	11.4	nmf	nmf	nmf	3.4%	117,328
Health Care Equip/Srvcs	CAH	Cardinal Health	54.01	81.99	11.1	0.1	nmf	37.4	21.5	7.4	nmf	3.6%	14,964
Capital Goods	CAT	Caterpillar	187.58	280.77	17.3	2.0	11.0	40.8	11.0	4.6	291%	2.4%	100,522
Materials	CE	Celanese	139.28	218.87	7.6	1.8	7.4	49.0	8.2	8.4	165%	2.0%	15,046
Banks	CFG	Citizens Financial Group	52.42	71.02	9.8	nmf	1.6	10.5	nmf	nmf	nmf	3.0%	22,129
Health Care Equip/Srvcs	CHNG	Change Healthcare	21.42	26.95	13.9	2.0	nmf	-2.4	14.1	4.1	nmf	0.0%	6,681
Banks	CMA	Comerica	95.49	107.93	11.5	nmf	1.8	15.0	nmf	nmf	nmf	2.8%	12,517
Media & Entertainment	CMCSA	Comcast	46.76	67.37	14.4	1.8	nmf	15.2	9.0	9.3	nmf	2.3%	211,974
Capital Goods	CMJ	Cummins	204.12	325.81	14.0	1.2	4.6	25.8	9.3	5.2	62%	2.8%	29,072
Diversified Financials	COF	Capital One Fin'l	153.27	195.38	5.7	nmf	1.5	21.5	nmf	nmf	nmf	1.6%	63,402
Semis & Cap Equipment	COHU	Cohu	31.18	59.36	9.7	1.7	3.1	24.0	4.8	5.7	26%	0.0%	1,514
Technology Hardware	CSCO	Cisco Systems	55.77	72.03	16.7	4.5	nmf	30.1	13.6	5.9	nmf	2.7%	231,678
Health Care Equip/Srvcs	CVS	CVS Health	103.65	137.15	12.3	0.5	nmf	11.0	11.3	11.5	nmf	2.1%	136,042
Transportation	DAL	Delta Air Lines	39.92	66.83	nmf	0.9	nmf	10.3	12.6	0.1	nmf	0.0%	25,546
Capital Goods	DE	Deere & Co	360.02	493.43	20.0	2.5	8.2	35.4	11.5	2.0	245%	1.2%	110,448
Media & Entertainment	DIS	Walt Disney	148.46	200.86	49.2	3.7	nmf	3.5	30.7	0.5	nmf	0.0%	270,291
Real Estate	DLR	Digital Realty	134.92	178.00	20.5	nmf	4.2	10.0	nmf	nmf	nmf	3.4%	39,181
Real Estate	DOC	Physicians Realty	16.26	21.86	15.6	nmf	1.3	3.1	nmf	nmf	nmf	5.7%	3,658
Transportation	DPSGY	Deutsche Post AG	49.89	82.77	11.3	0.7	10.3	32.0	6.0	11.3	298%	2.3%	61,817
Capital Goods	ENS	EnerSys	72.73	129.36	15.9	0.9	7.5	9.9	11.6	-2.0	311%	1.0%	3,000
Energy	EOG	EOG Resources	114.92	131.67	13.4	3.5	3.0	22.0	7.0	7.4	25%	2.6%	67,276
Capital Goods	ETN	Eaton Corp PLC	154.29	187.98	23.3	3.1	nmf	13.7	17.5	2.6	nmf	2.0%	61,531
Media & Entertainment	FB	Meta Platforms	211.03	420.31	14.7	4.9	5.5	31.1	9.6	6.6	10%	0.0%	574,411
Transportation	FDX	FedEx	222.27	370.09	12.6	0.7	3.2	21.4	9.2	4.7	188%	1.3%	58,895
Banks	FITB	Fifth Third Bancorp	47.84	53.12	12.7	nmf	2.1	12.9	nmf	nmf	nmf	2.5%	32,707
Retailing	FL	Foot Locker	31.62	72.05	4.1	0.4	1.6	29.7	5.5	21.5	140%	5.1%	3,174
Capital Goods	GBX	Greenbrier	44.43	54.98	26.0	0.8	1.6	4.2	15.8	-36.8	97%	2.4%	1,446
Capital Goods	GD	General Dynamics	234.45	260.38	20.3	1.7	nmf	19.6	15.2	5.2	nmf	2.0%	65,106
Pharma/Biotech/Life Sci	GILD	Gilead Sciences	60.40	86.07	8.3	2.8	nmf	31.7	8.0	14.2	nmf	4.8%	75,735
Technology Hardware	GLW	Corning	40.40	55.18	19.4	2.4	3.9	9.3	11.2	5.3	88%	2.7%	34,172
Autos & Components	GM	General Motors	46.72	84.43	6.6	0.5	1.2	18.8	3.2	11.3	140%	0.0%	67,885
Media & Entertainment	GOOG	Alphabet	2697.82	3783.02	25.1	6.9	7.9	32.1	18.0	3.7	12%	0.0%	1,784,254
Diversified Financials	GS	Goldman Sachs	341.29	473.95	5.7	nmf	1.3	23.0	nmf	nmf	nmf	2.3%	120,313
Autos & Components	GT	Goodyear Tire	15.49	25.91	7.6	0.2	1.5	18.9	6.3	-0.3	253%	0.0%	4,365
Consumer Durables	HAS	Hasbro	97.05	126.65	24.2	2.1	nmf	14.5	14.8	5.1	nmf	2.9%	13,486
Energy	HFC	HollyFrontier	30.45	57.83	20.2	0.3	1.8	10.1	7.1	-8.2	125%	4.6%	4,963
Autos & Components	HMC	Honda Motor	30.56	39.85	7.6	0.4	0.7	8.8	7.6	14.9	50%	2.8%	55,357
Technology Hardware	HPE	Hewlett Packard Enterprise	15.92	21.17	7.6	0.7	32.2	19.0	8.0	16.1	1685%	3.0%	20,700
Software & Services	IBM	Int'l Business Machines	122.51	159.74	12.3	1.6	nmf	29.1	10.9	9.8	nmf	5.4%	110,174
Energy	INT	World Fuel Services	28.34	42.22	20.8	0.1	1.7	3.9	7.4	7.5	45%	1.7%	1,798
Semis & Cap Equipment	INTC	Intel	47.70	66.05	8.7	2.5	3.2	22.5	6.3	5.0	55%	3.1%	194,234
Materials	IP	Int'l Paper	43.53	66.61	11.0	0.8	2.9	20.7	6.6	8.7	99%	4.2%	16,383
Technology Hardware	JBL	Jabil	57.81	81.45	9.7	0.3	6.3	35.2	5.2	2.8	211%	0.6%	8,295
Pharma/Biotech/Life Sci	JNJ	Johnson & Johnson	164.57	204.52	16.8	4.6	nmf	30.4	14.0	4.5	nmf	2.6%	432,699
Technology Hardware	JNPR	Juniper Networks	33.79	38.97	19.3	2.3	40.3	5.7	18.5	5.4	676%	2.5%	10,906
Banks	JPM	JPMorgan Chase	141.80	189.66	9.2	nmf	2.0	18.3	nmf	nmf	nmf	2.8%	418,708
Retailing	JWN	Nordstrom	20.74	38.31	nmf	0.2	30.0	3.6	6.7	-2.2	nmf	0.0%	3,304
Banks	KEY	KeyCorp	25.07	29.77	9.5	nmf	1.8	15.9	nmf	nmf	nmf	3.1%	23,259
Real Estate	KIM	Kimco Realty	23.53	28.99	17.2	nmf	1.5	11.3	nmf	nmf	nmf	3.2%	14,510
Semis & Cap Equipment	KLIC	Kulicke & Soffa	52.24	86.09	9.3	1.9	3.0	44.9	4.6	9.8	3%	1.3%	3,255
Food & Staples Retailing	KR	Kroger Co	46.80	52.91	13.1	0.3	6.3	10.4	10.2	8.3	346%	1.8%	34,410
Retailing	KSS	Kohl's Corp	55.62	81.44	7.5	0.4	1.6	20.1	5.0	20.0	132%	1.8%	7,740
Consumer Dur & App	LEG	Leggett & Platt	37.08	62.65	13.6	1.0	nmf	26.2	8.8	3.3	nmf	4.5%	4,959

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All Recommended Stocks *continued*

Industry Group	Ticker ¹	Company	Price	Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
				Price	EPS	Sales	TBV ²	ROCE ³	EBITDA ⁴	Yield ⁵	TE ⁶	Yield	Cap
Technology Hardware	LITE	Lumentum Holdings	98.86	143.67	16.6	4.2	4.9	19.5	9.2	9.4	60%	0.0%	7,138
Capital Goods	LMT	Lockheed Martin	433.80	496.98	19.1	1.8	nmf	74.4	12.2	6.4	nmf	2.6%	118,135
Retailing	LOW	Lowe's Cos	221.06	279.92	18.5	1.5	nmf	nmf	12.6	5.3	nmf	1.4%	148,110
Semis & Cap Equipment	LRCX	Lam Research	561.35	761.96	23.4	4.7	16.1	76.6	14.1	5.1	102%	1.1%	78,308
Commerical Services	MAN	ManpowerGroup	106.28	150.98	14.6	0.3	26.4	15.4	8.0	10.0	390%	2.4%	5,702
Health Care Equip/Srvcs	MCK	McKesson	274.96	285.85	12.0	0.2	nmf	nmf	14.5	10.5	nmf	0.7%	41,189
Consumer Durables	MDC	MDC Holdings	44.34	80.42	5.7	0.6	1.2	24.2	5.1	-7.6	67%	4.5%	3,133
Health Care Equip/Srvcs	MDT	Medtronic PLC	104.99	141.08	18.7	4.4	nmf	9.5	18.5	4.0	nmf	2.4%	140,956
Insurance	MET	MetLife	67.55	99.09	7.4	nmf	1.0	9.5	nmf	nmf	nmf	2.8%	55,734
Capital Goods	MMM	3M Co	148.65	224.83	14.7	2.4	nmf	42.4	10.6	6.8	nmf	4.0%	84,894
Materials	MOS	Mosaic Co	52.43	57.61	10.4	1.6	2.0	16.2	7.0	4.5	37%	0.9%	19,310
Pharma/Biotech/Life Sci	MRK	Merck & Co	76.58	110.23	12.2	3.9	nmf	41.1	13.6	5.0	nmf	3.6%	193,574
Pharma/Biotech/Life Sci	MRNA	Moderna	153.60	272.43	5.4	3.4	4.4	146.1	3.8	21.6	5%	0.0%	61,881
Diversified Financials	MS	Morgan Stanley	90.74	120.25	11.0	nmf	2.2	15.3	nmf	nmf	nmf	3.1%	161,635
Software & Services	MSFT	Microsoft	298.79	384.63	33.7	12.1	22.0	49.1	23.4	2.7	71%	0.8%	2,239,989
Semis & Cap Equipment	MU	Micron Tech	88.86	125.72	11.9	3.4	2.2	17.2	6.6	3.9	17%	0.5%	99,503
Materials	NEM	Newmont Corp	66.20	77.00	22.4	4.3	2.7	5.2	14.8	5.0	32%	3.3%	52,464
Software & Services	NLOK	NortonLifeLock	28.98	36.48	17.1	6.1	nmf	nmf	14.7	5.9	nmf	1.7%	16,872
Transportation	NSC	Norfolk Southern	256.52	327.55	21.2	5.5	4.5	21.1	13.3	4.4	100%	1.9%	61,508
Technology Hardware	NTAP	NetApp	78.38	104.44	15.6	2.8	nmf	148.8	10.2	6.7	nmf	2.6%	17,422
Materials	NTR	Nutrien Ltd	85.99	98.03	13.8	1.7	5.2	13.7	8.6	nmf	93%	2.2%	47,406
Banks	NYCB	NY Community Bancorp	11.54	16.96	9.5	nmf	1.3	8.8	nmf	nmf	nmf	5.9%	5,389
Media & Entertainment	OMC	Omnicom Group	83.89	109.07	12.8	1.2	nmf	44.3	8.3	7.2	nmf	3.3%	17,532
Banks	ONB	Old National Bancorp	18.28	24.27	10.8	nmf	2.8	9.3	nmf	nmf	nmf	3.1%	5,397
Software & Services	ORCL	Oracle	75.97	110.61	15.4	4.9	nmf	nmf	18.5	3.2	nmf	1.7%	202,874
Banks	OZK	Bank OZK	47.02	66.06	10.5	nmf	1.6	13.2	nmf	nmf	nmf	2.6%	6,099
Pharma/Biotech/Life Sci	PFE	Pfizer	46.94	70.75	10.6	3.2	nmf	31.3	11.2	11.4	nmf	3.4%	263,960
Health Care Equip/Srvcs	PHG	Koninklijke Philips NVR	34.07	50.91	18.4	1.6	nmf	25.2	16.4	4.4	nmf	2.4%	30,114
Banks	PNC	PNC Financial	199.25	239.86	12.4	nmf	1.9	10.0	nmf	nmf	nmf	2.5%	83,377
Utilities	PNW	Pinnacle West Capital	70.83	90.97	12.9	2.1	1.4	9.6	9.7	-6.2	125%	4.8%	7,999
Insurance	PRU	Prudential Fin'l	111.66	145.29	7.5	nmf	0.7	11.8	nmf	nmf	nmf	4.3%	42,018
Semis & Cap Equipment	QCOM	Qualcomm	171.99	225.46	17.9	5.4	71.9	106.7	15.5	3.8	508%	1.6%	193,833
Consumer Services	RCL	Royal Caribbean	80.72	100.14	nmf	13.4	4.8	-76.0	-15.5	-20.4	453%	0.0%	20,569
Real Estate	REG	Regency Centers	65.89	82.28	16.4	nmf	1.9	6.0	nmf	nmf	nmf	3.8%	11,303
Capital Goods	SIEGY	Siemens AG	69.88	106.57	19.0	3.3	19.8	15.3	14.7	7.5	785%	2.4%	118,796
Capital Goods	SNA	Snap-On Inc	210.18	289.37	14.1	2.4	4.1	20.5	9.6	7.9	44%	2.7%	11,232
Pharma/Biotech/Life Sci	SNY	Sanofi	52.45	67.28	18.1	6.0	nmf	9.4	13.3	7.2	nmf	2.6%	132,553
Technology Hardware	STX	Seagate Tech	103.16	130.89	12.5	1.9	nmf	242.5	10.8	6.1	nmf	2.7%	22,582
Diversified Financials	SYF	Synchrony Fin'l	42.78	59.39	5.8	nmf	2.1	33.6	nmf	nmf	nmf	2.1%	22,300
Telecom Services	T	AT&T	23.69	32.91	7.0	1.0	nmf	12.1	7.3	14.8	nmf	4.7%	169,215
Banks	TFC	Truist Financial	62.22	75.91	11.3	nmf	2.5	9.6	nmf	nmf	nmf	3.1%	82,636
Retailing	TGT	Target	199.77	280.41	15.3	0.9	7.3	50.0	9.4	6.0	107%	1.8%	95,715
Capital Goods	TKR	Timken	65.56	96.39	13.8	1.2	8.1	16.6	9.3	4.8	247%	1.8%	4,912
Consumer Durables	TPR	Tapestry	40.90	62.80	12.0	1.7	39.7	28.7	7.5	9.9	958%	2.4%	10,797
Food, Bev & Tobacco	TSN	Tyson Foods	92.66	116.01	10.1	0.7	24.1	21.7	6.3	9.1	594%	2.0%	33,586
Energy	TTE	TotalEnergies SE	50.53	89.84	7.6	0.7	1.3	14.6	4.5	14.0	55%	4.9%	131,871
Autos & Components	VWAGY	Volkswagen AG	25.79	52.88	6.2	2.7	2.1	15.4	1.9	16.8	246%	1.4%	76,104
Telecom Services	VZ	Verizon	53.67	76.14	9.9	1.7	nmf	29.5	7.6	8.7	nmf	4.8%	225,297
Consumer Durables	WHR	Whirlpool	201.27	329.15	7.5	0.5	31.0	40.8	5.3	13.3	1506%	3.5%	11,797
Commerical Services	WM	Waste Management	144.40	176.77	29.8	3.3	nmf	24.9	14.8	4.0	nmf	1.6%	59,866
Food & Staples Retailing	WMT	Walmart	135.16	182.67	21.0	0.7	6.9	16.7	11.6	2.9	96%	1.7%	374,917
Materials	WRK	WestRock	45.27	70.85	13.2	0.6	4.8	7.7	7.0	8.2	319%	2.2%	11,916
Energy	XOM	Exxon Mobil	78.42	103.12	14.6	1.2	2.0	14.1	8.8	10.8	28%	4.5%	331,998
Health Care Equip/Srvcs	ZBH	Zimmer Biomet	127.19	178.66	17.3	3.4	nmf	3.2	18.1	3.9	nmf	0.8%	26,605

As of 02.28.22. nmf=Not meaningful. ¹ =First-time recommendation. ²Tangible book value. ³Return on Common Equity. ⁴Enterprise value-to-earnings before interest taxes depreciation and amortization. ⁵Free cash flow yield. ⁶Tangible 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 **Meta Platforms** and raise the stake in **Foot Locker** up to that level in TPS Portfolio, while we will bring up **Digital Realty** and **Pfizer** to \$11,000 in Buckingham Portfolio. In our hypothetical accounts, we will raise to \$17,000 the holdings of **Cummins** and **HollyFrontier** in Millennium Portfolio, while we will lift **3M** to \$25,000 in PruFolio. We already have enough **JPMorgan Chase**, **Microsoft** and **Walmart** in our newsletter portfolios, so no additional purchase this time around. We will transact on Friday, March 4.

THIS MONTH'S 10-STOCK SELECTION

Ticker	Company	Sector	Price	Target Price
CMI	Cummins	Industrials	204.12	325.81
DLR	Digital Realty	Real Estate	134.92	178.00
FB	Meta Platforms	Communication Services	211.03	420.31
FL	Foot Locker	Consumer Discretionary	31.62	72.05
HFC	HollyFrontier	Energy	30.45	57.83
JPM	JPMorgan Chase	Financials	141.80	189.66
MMM	3M Co	Industrials	148.65	224.83
MSFT	Microsoft	Information Technology	298.79	384.63
PFE	Pfizer	Health Care	46.94	70.75
WMT	Walmart	Consumer Staples	135.16	182.67

As of 02.28.22. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Cummins (CMI)

Cummins designs, manufactures, distributes and services a broad portfolio of power solutions, including diesel, natural gas, electric and hybrid powertrains and powertrain-related components. The stock just hit a 52-week low, with management citing in an email to *Reuters* "some impact" to its business in Russia and that it is analyzing and preparing for current and anticipated sanctions as the country has been a "huge supply chain source." Beyond these hurdles, the engine-maker has historically benefitted from its exposure to emerging markets. We like that Cummins is a quality supplier for medium- and heavy-duty trucks, with a history of consistent profitability and shareholder orientation. In addition, leadership in next-generation technologies ought to benefit the firm as tightening emission regulations become a reality. The dividend yield is 2.8% and shares now change hands at less than 12 times the consensus '22 EPS estimate.

Digital Realty (DLR)

Digital Realty is an owner and manager of technology-related real estate, with 280+ data centers located throughout the U.S. and England, along with Europe, South America, Africa, Asia and Australia. With data centers in 50 metro markets, DLR offers customers a robust global ecosystem that utilizes more than 1,000 telecom providers, ISPs, content providers and enterprises to provide carrier-neutral interconnection facilities. DLR reported a solid in-line Q4, with adjusted Funds from Opera-

tions of \$1.67 per share, and a diversified order book on customer type and geography. Even though revenue continued its climb, high energy prices and internal process upgrades resulted in margin compression that dragged down earnings, though management expects improvement later this year. Off more than 20% this year, we think it a fine time to pick up DLR for its capital appreciation potential and handsome 3.4% dividend yield.

Meta Platforms (FB)

Meta (otherwise known as Facebook) is the largest social network in the world with an estimated base of monthly active users approaching 3 billion, around 58% of the global population with access to the internet. Shares have plunged 37% since the Q4 earnings call, where management cited moderating e-commerce growth, competition from TikTok, privacy changes within Apple's iOS and other items as headwinds for the firm. Those are very real challenges, but we think the massive downturn in the stock price more than discounts the bad news. After all, FB now trades for less than 15 times estimated earnings, while the balance sheet is pristine with \$48 billion in cash and management has been an active repurchaser of the stock. True, the company's transition to the metaverse will be measured in years, but we are patient and think that the core advertising business will provide plenty of future cash flow as it still presents a tremendous value proposition for most small-to-medium-sized businesses. Further, we think that there is significant potential to monetize Family of Apps properties like WhatsApp and Reels, along with Reality Labs, its augmented and virtual reality related consumer hardware, software and content.

Foot Locker (FL)

Foot Locker is an athletic footwear and apparel retailer, operating almost 3,000 brick and mortar stores across 28 countries under numerous brands and popular websites like Eastbay.com and Champs.com. The stock price has almost been cut in half since mid-November, including a more than 30% drop after the release of fiscal Q4 financials last week. Foot Locker delivered bottom-line results of \$1.67 per share in Q4, 12% better than expected, but management said that because of less stimulus being received by consumers, an evolving lineup of merchandise (popular Nike products will "shrink" from 70% to about 60% of sales) and a decision to move more stores out of traditional malls, it was expecting EPS of *only* \$4.25 to \$4.65 this year, which puts the forward P/E below 7. The

company also raised the dividend by 33%, pushing the yield above 5%, and added a new \$1.2 billion share repurchase authorization, equal to 40% of the market cap! No doubt, the reduced emphasis on Nike will cause some serious hiccups, but momentum has been building across shoe labels like Adidas, Puma and New Balance, while those who dumped the stock are forgetting that FL is still very profitable. Further, apparel sales have been strong of late and new revenue streams from recent acquisitions and investments should be a positive, while more private label offerings should support future margins.

HollyFrontier (HFC)

HollyFrontier is an independent refinery operator with facilities in the central and midwestern United States. Shares have pulled back sharply of late as management cited tough weather at its newly purchased Puget Sound facility and both planned and unplanned refinery maintenance in a disappointing Q4 earnings release. Holly has bitten off a lot over the past year, adding the Pacific Northwest refinery and purchasing branded marketing, renewable diesel and Rocky Mountain refinery assets from Sinclair Oil. The capital commitments led to a suspension of the dividend a year ago, but the \$0.35 per share quarterly payout is slated for reinstatement in May. Holly ought to be relatively maintenance free (on a planned basis) for 2022, calls for renewable fuels are unlikely to dissipate, and elevated spreads between foreign (Brent) and domestic oil (WTI) could offer a tailwind with the ability to source over a third of the firm's crude from the Permian Basin. The consensus '22 EPS forecast stands at \$4.15, putting the forward P/E at less than 8.

JPMorgan Chase (JPM)

JPMorgan is a leading financial services firm, with \$3.7 trillion in assets and \$294 billion of stockholders' equity at the end of 2021. JPM operates globally in areas that include investment and corporate banking, asset management, retail financial services, commercial and consumer banking, credit cards and financial transaction services. Fallout from geopolitical turmoil has pressured shares in recent weeks, adding to worries about increasing expenses over the past few quarters. On the other hand, we think the company's net interest margin is poised to grow as interest rates rise from current levels, given the Federal Reserve's stated intentions regarding its balance sheet and lingering inflation issues. While we trust CEO Jamie Dimon & Co. to invest shareholder capital wisely, more

transparency on spending is coming at the company's Investor Day in May. We continue to think highly of JPM's management team and appreciate the variety of ways the firm can generate revenue, particularly during periods of elevated market volatility. Shares trade for less than 13 times the '22 consensus EPS estimate and yield 2.8%.

3M Co (3M)

3M is an industrial and chemical conglomerate whose products range from safety and industrial equipment to a variety of health care solutions. Even after a decent Q4 earnings report, shares have struggled to keep up with the broader market. The company has experienced limited growth recently and expects a 1% to 4% top-line increase in 2022, behind that of its peers. CEO Mike Roman was asked if MMM is "too large or complex" to produce good earnings and if "aggressive pruning" might be necessary. Mr. Roman did not agree with the characterization and suggested that 3M makes acquisitions using a sum-of-the-parts test. Still, it seems 3M's big R&D spend isn't generating sufficiently high returns and we would be pleased to see additional focus at the company. We see better days ahead, while we like that MMM produces robust cash flow and owns a broad portfolio of well-known brands. We find the 4.0% yield very appealing and the forward P/E ratio of 14 is well below the historical average.

Microsoft (MSFT)

Microsoft is a global leader in the development and sale of computer, mobile device and cloud computing software. The company benefitted hugely from the pandemic, as businesses around the world scrambled to restructure their IT infrastructure for a work-from-home workforce. As a result, MSFT shares have nearly doubled since the end of 2019, while net income is on track to exceed \$71 billion this fiscal year, up from 2019's figure of \$44 billion. Microsoft 365, the subscription-based Office productivity suite, has turned into a cash machine, driving Productivity and Business Processes segment growth and getting MSFT a foot in the door when it comes to proving the value of Cloud-centric computing. One of the main advantages to host data in the Cloud is that Microsoft performs updates, patches and general security maintenance, taking the load off IT departments and individual users. Shares have dipped by about 10% this year, presenting a buying opportunity for those with too little or no exposure to the company. We also like the terrific balance sheet and don't mind the modest 0.9% yield.

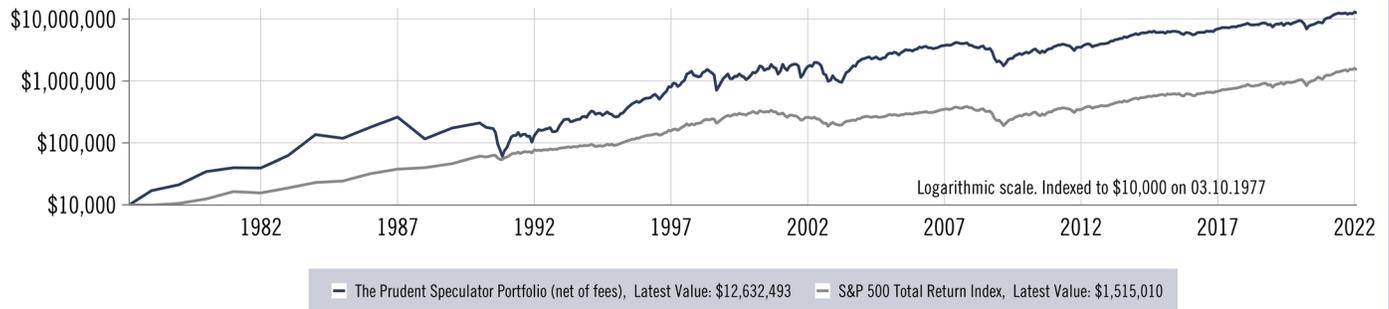
Pfizer (PFE)

Post spin-off of its off-patent division (Upjohn), Pfizer is a global pharmaceutical titan with a rejuvenated focus on innovative therapies. PFE's surge from the rollout of its COVID-19 jab ended in December, with the less-severe (but more transmissible) Omicron variant causing many to question the utility of further COVID jabs (though Moderna is working on a combined COVID and flu shot). Pfizer's Q4 results included EPS of \$1.08 (vs. \$0.88 est.) and revenue of \$23.8 billion (vs. \$24.2 billion est.), while guidance for 2022 was \$98 billion to \$100 billion and EPS between \$6.35 and \$6.55, not bad for a stock with a sub-\$50 share price. The COVID-19 portfolio, which includes the vaccine and the post-infection antiviral Paxlovid, makes up the lion's share of PFE's present revenue stream and we think that there are plenty of countries around the world that would still benefit from those products if annual booster shots turn out to be ineffective. There is also a lot to like with the company's oncology and internal medicine therapeutics, not to mention a promising drug pipeline, especially as the shares have tumbled by a quarter since December to now yield 3.4%.

Walmart (WMT)

Retail titan Walmart conducts domestic operations under numerous store formats, has an expanding international footprint and has made great strides in growing its online presence. There is no doubt that competition is fierce within retail, but we applaud Walmart for its continuous transformation to build a customer-centric seamless omni-channel ecosystem. This includes integration of its ecommerce, grocery and general merchandising businesses, as well as the continued rollout of various ways for guests to shop. We very much like WMT's initiatives in digital, including its Walmart+ membership program, continued expansion of 3P Marketplace (with 20K sellers added to the platform in the last year and more than twice that number expected in 2022) and its Fulfillment Services business. These and other ingredients should position WMT to gain ecommerce share and unlock monetization opportunities long term. It is also worth noting that WMT generated \$2.1 billion in global digital advertising in its latest fiscal year and we wouldn't be surprised to see it become a top 10 digital-ad player in the next five years. We continue to look favorably on investments in Flipkart and JD.com, along with its foray into service sectors like Health Care and FinTech, while we think the forward P/E of 20 is still reasonable for this core holding. ■

THE PRUDENT SPECULATOR (TPS) PORTFOLIO STANDARDIZED PERFORMANCE



Performance as of 01.31.22	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	Inception
TPS Portfolio (net of fees)	-2.45	-2.45	20.21	15.99	12.28	11.52	13.00	8.33	10.29	11.04	17.23
S&P 500	-5.17	-5.17	23.29	20.71	16.78	14.57	15.43	10.16	9.31	9.26	11.83
Russell 3000 Value	-2.56	-2.56	22.80	13.68	10.30	9.94	12.16	7.20	8.29	8.61	NA
Russell 3000	-5.88	-5.88	18.80	19.93	16.11	14.02	15.03	10.00	9.46	9.30	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

¹Presented in millions. Note that February 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-fee 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.