Market Commentary Monday, March 14, 2022

March 14, 2022

EXECUTIVE SUMMARY

Week in Review – More Red Ink; Value Holds Up Better
Safe Haven – Tough Week for Fixed Income
Inflation – Historical Returns Show Equities (Value in Particular) Often a Great Hedge
Interest Rates – Rising Government Bond Yields Not Bad Historically for Value
Econ News – Main Street Sentiment Sours; Solid EPS Growth Still Expected
Recessions & Equity Returns – Evidence Suggests Folks Should Stick with Stocks
TPS Turns 45 – Nice Ink from Mark Hulbert
AAII Bull-Bear Spread – Contrarian Buy Signal
Smaller-Cap Recommendations – Two Dozen Picks With Caps of $7.5 Billion or Less
Stock News – Updates on ORCL, STX, BIG, DPSGY & VWAGY

Market Review

With news from the War in Ukraine remaining troubling,…

THE PRUDENT SPECULATOR

THE SECRET TO SUCCESS IN STOCKS IS NOT TO GET SCARED OUT OF THEM

Disconcerting Headlines

The crisis in the Ukraine continues to escalate and the world remains on edge, with investors concerned about potential market fallout. No doubt, nobody knows how these tense events will play out, but the equity markets, in the fullness of time, have overcome every other disconcerting entry on the timeline of U.S.-Russia relations.

Major Events in Russia - U.S. History	Date	S&P 500 Value	6 Months Before	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Korean War Begins	6/25/1950	19.14	15%	5%	11%	26%	114%	21866%
Death of Stalin	3/5/1953	25.79	2%	-9%	3%	79%	61%	16202%
Creation of the Warsaw Pact	5/14/1955	37.44	12%	24%	25%	15%	48%	11129%
Sputnik & The Space Race	10/4/1957	42.79	-4%	-3%	18%	24%	33%	9725%
The U-2 Incident	5/1/1960	54.37	-5%	-1%	20%	29%	64%	7633%
Cuban Missile Crisis	10/16/1962	57.08	-16%	21%	28%	60%	67%	7266%
Soviet Invasion of Czechoslovakia	8/20/1968	98.96	9%	1%	-4%	-1%	3%	4148%
Soviet Invasion of Afghanistan	12/24/1979	107.66	5%	7%	26%	30%	55%	3805%
U.S. Moscow Olympics Boycott	3/21/1980	102.31	-7%	26%	31%	48%	75%	4009%
Downing of Korean Air Flight 007	9/1/1983	164.23	9%	-4%	1%	54%	57%	2460%
Soviet Los Angeles Olympics Boycott	7/28/1984	151.19	-8%	17%	27%	107%	126%	2681%
Chernobyl Disaster	4/26/1986	242.29	29%	-2%	16%	27%	56%	1635%
Fall of Communism in Eastern Europe	8/19/1989	346.03	17%	-4%	-5%	21%	34%	1115%
German Reunification	10/3/1990	311.40	-9%	22%	23%	48%	87%	1250%
Dissolution of the Soviet Union	12/26/1991	404.84	9%	0%	9%	14%	87%	939%
Black Brant: Mistaken Nuclear War Scare	1/25/1995	467.44	3%	20%	32%	105%	202%	799%
Russo-Georgian War	8/7/2008	1,266.07	-5%	-31%	-20%	-5%	34%	232%
Putin Reelected	3/4/2012	1,369.63	17%	3%	11%	53%	74%	207%
Annexation of Crimea	3/21/2014	1,866.52	9%	8%	13%	26%	53%	125%
Skripal Poisoning & Diplomatic Expulsion	3/1/2018	2,473.92	0%	17%	13%	58%		70%
Price Changes Only - Does Not Include Dividends		**Averages:**	**4%**	**6%**	**14%**	**41%**	**70%**	**4865%**

As of 3.11.22. Source: Kovitz using Bloomberg, usrussiarelations.org, state.gov and Wikipedia

…the equity markets again endured losses in the latest trading week, though Value again trumped Growth in the performance derby, even as there are few medals awarded for losing less money.

THE PRUDENT SPECULATOR

VALUE HOLDING UP BETTER THAN GROWTH, BUT BONDS MISERABLE TOO

Total Returns Matrix

Last Week	YTD	Last 12 Months	Last 2 Years	Last 3 Years	Last 5 Years	2021	Since 10.31.20	Since 3.23.20	Name
-1.88	-5.25	-6.67	-4.50	4.36	11.88	-4.71	-6.84	1.53	Bloomberg Barclays Global-Aggregate Bond
-1.76	-4.79	-3.52	-2.95	8.01	13.86	-1.54	-5.21	-0.26	Bloomberg Barclays U.S. Aggregate Bond
-1.91	-8.93	3.34	45.67	37.05	76.08	20.95	27.73	84.40	Dow Jones Industrial Average
-2.22	-7.82	2.94	47.76	35.08	55.61	20.82	30.66	87.97	New York Stock Exchange Composite
-1.77	-17.95	-23.77	42.44	24.54	55.98	2.83	8.53	75.62	Russell 2000 Growth
-0.37	**-5.32**	**-4.50**	**76.50**	**37.70**	**48.79**	**28.27**	**56.38**	**128.24**	**Russell 2000 Value**
-1.03	-11.66	-14.47	60.22	32.69	54.58	14.82	30.52	101.90	Russell 2000
-3.48	-17.89	2.12	60.12	71.14	127.64	25.85	19.94	92.46	Russell 3000 Growth
-2.11	**-5.54**	**6.16**	**54.09**	**38.65**	**53.58**	**25.37**	**40.26**	**96.05**	**Russell 3000 Value**
-2.79	-12.06	4.08	58.47	56.05	89.82	25.66	29.52	95.40	Russell 3000
-2.65	-8.10	8.12	67.05	53.71	81.54	29.63	41.98	114.70	S&P 500 Equal Weighted
-2.84	-11.53	8.24	58.29	59.00	94.04	28.71	31.19	93.78	S&P 500
-3.28	-17.18	8.13	63.79	70.71	125.55	32.01	24.83	95.36	S&P 500 Growth
-2.42	**-5.23**	**7.77**	**48.56**	**42.82**	**59.04**	**24.90**	**38.28**	**88.03**	**S&P 500 Value**
-3.74	-20.44	3.33	56.80	53.12	96.71	29.81	21.14	96.65	S&P 500 Pure Growth
-1.46	**1.11**	**10.88**	**85.92**	**39.37**	**54.99**	**34.63**	**68.48**	**151.54**	**S&P 500 Pure Value**

As of 03.11.22. Source Kovitz using data from Bloomberg

Interestingly, the supposed-safe-haven of fixed income also came under selling pressure,…

THE PRUDENT SPECULATOR

TREASURY YIELD SOARS DESPITE A RISK-OFF WEEK FOR RISK ASSETS

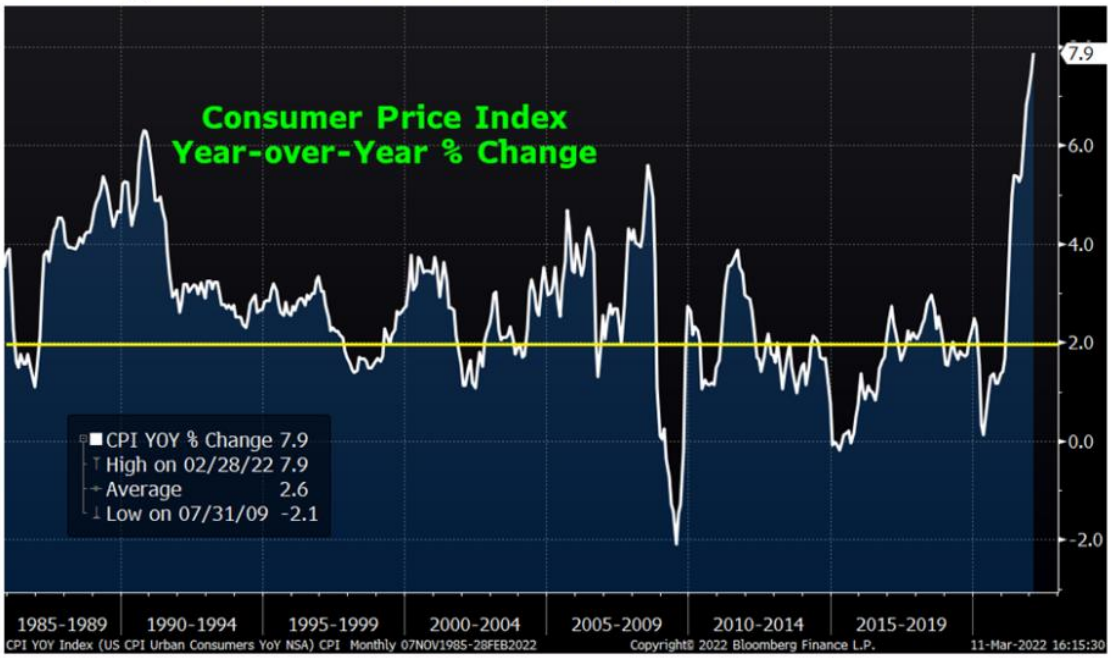
We understand that the War in Ukraine has caused many investors to seek the supposed safety of U.S. Treasury securities, but the yield on the benchmark 10-Year bond jumped from 1.73% to 1.99% over the past trading week, as high inflation and a still-healthy economy are compelling Jerome H. Powell & Co. to soon hike interest rates and reduce the Federal Reserve's balance sheet.

…as spikes in commodity prices and the latest news from Uncle Sam on inflation did not provide any comfort to the bond market,…

THE PRUDENT SPECULATOR

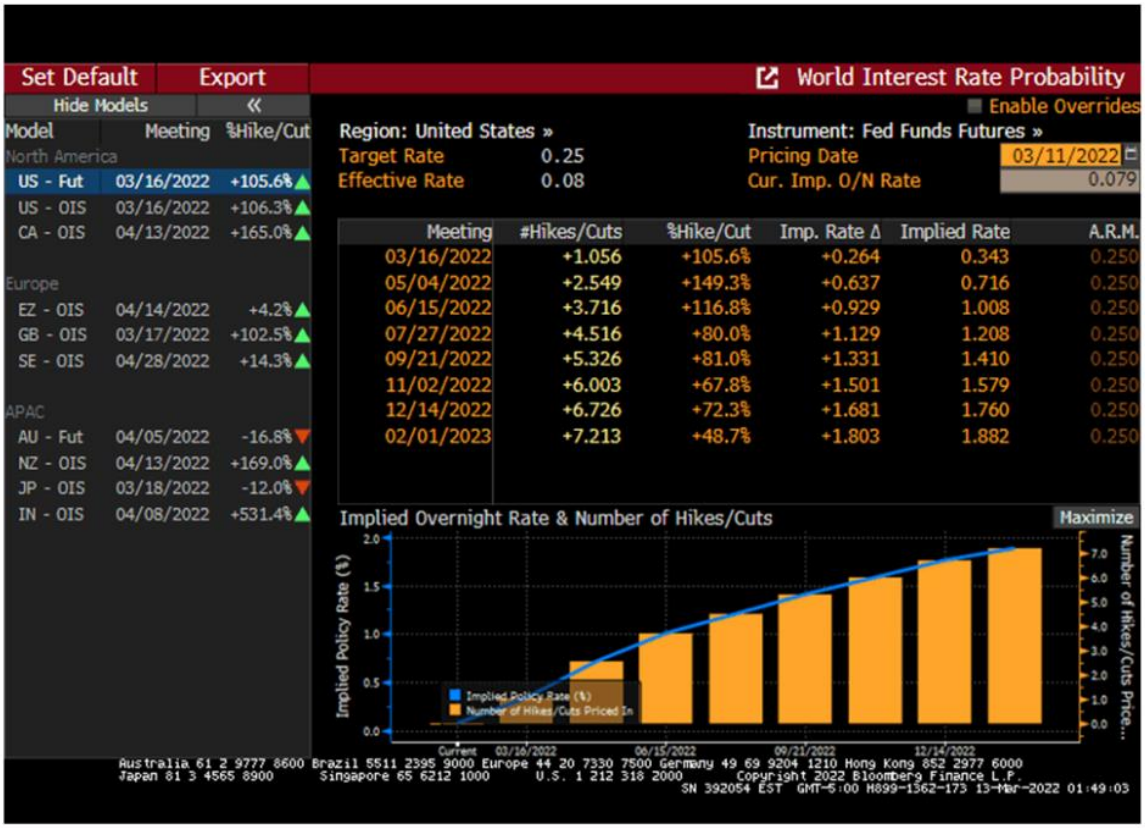
INFLATION AT THE CONSUMER LEVEL HITS 40-YEAR HIGH

Inflation in the U.S. soared in February, with the Consumer Price Index rising by 7.9% on a year-over-year basis and 0.8% compared to the January reading. Increases in the indexes for gasoline, shelter and food were the largest contributors to the jump.



…with the futures market now suggesting more than six hikes in the Fed Funds rate this year, starting with a 25-basis-point increase this week.

FED FUNDS RATE ODDS SUGGEST SIX-PLUS RATE HIKES IN 2022



Not surprisingly, many pundits are warning that investors should seek shelter from higher interest rates, even as nine decades of market history reveal that a rising government bond yield, on average, has been more positive for Values stocks than has been a falling yield. True, there are only 91 data points and a wide dispersion of returns, so some will argue that it is hard to draw any conclusions. Still, it is obvious that an increase in interest rates is not a good thing for intermediate- and longer-term bond returns.

THE PRUDENT SPECULATOR

RISING INTEREST RATES ARE NOT GOOD FOR ~~STOCKS~~ BONDS, ON AVERAGE

Rising Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	17.8%	12.5%	11.2%	15.7%	1.0%	-1.0%	2.2%	3.7%
Geometric Average	13.5%	9.4%	9.1%	10.1%	0.8%	-1.1%	2.1%	3.7%
Median	17.0%	12.2%	14.3%	10.9%	1.3%	-0.2%	1.8%	3.3%
Max	126.6%	93.1%	69.8%	88.2%	14.6%	9.2%	9.7%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-8.1%	-14.9%	-5.1%	0.0%
Count	46	46	46	46	46	46	46	46

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

Falling Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	13.8%	14.9%	12.3%	10.8%	10.7%	7.8%	2.1%
Max	71.1%	48.3%	53.5%	90.5%	42.6%	40.4%	29.1%	10.5%
Min	-43.6%	-37.0%	-34.8%	-48.6%	2.6%	2.8%	1.4%	0.0%
Count	45	45	45	45	45	45	45	45

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

We understand that past performance is no guarantee of future returns, but we think it valuable for long-term-oriented investors to not believe everything they hear or read. Case in point, the financial press has been busy trying to scare readers about the dangers of high inflation, with some stories citing what took place between 1965 and 1981 as reason for worry.

Why an Unpleasant Inflation Surprise Could Be Coming

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predictable, linear way. In fact, he says, the world isn't linear and inflation can change suddenly for unexpected reasons: it "is sluggish and slow-moving, until it isn't."

A case in point: in 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size "is unprecedented outside of these two episodes," they said.

The effect of an overheating economy was then compounded by policy errors. Fed chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Johnson and then Richard Nixon to keep interest rates low. **From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.**

Wall Street Journal, February 28, 2018

In yet another example of fear over facts, *The Wall Street Journal* warned of dire consequences should we have another inflation and interest rate scare like 1965-1981. If past is prologue, as Value investors, we hope they are right.

Annualized Returns December 1965 - December 1981	
Inflation	7.0%
IA SBBI US 1 Yr Treasury TR	7.1%
IA SBBI US 30 Day TBill TR	6.8%
IA SBBI US LT Govt Bonds TR	2.5%
IA SBBI US IT Govt Bonds TR	5.8%
IA SBBI US LT Corp Bonds TR	2.9%
FF Growth Stocks TR	7.4%
S&P 500 TR	6.0%
Dow Jones Industrials TR	3.9%
FF Value Stocks TR	13.4%

Source: Morningstar

Inflation averaged a whopping 7% per annum over those 16 years, but Value stocks, per portfolios constructed by Professors Eugene F. Fama and Kenneth R. French, saw returns of 13.4% PER YEAR over that time span, while those who invested in long-term government bonds received a worse return than even the Dow Jones Industrial Average. Certainly, there was more volatility in stocks, but equities generally have proven to be a terrific hedge against inflation through the years.

THE PRUDENT SPECULATOR

EQUITY RETURNS AND 7%+ INFLATION – VALUE STOCKS THE PLACE TO BE

THE WALL STREET JOURNAL.

THURSDAY, JANUARY 13, 2022 - VOL. CCLXXIX NO. 10 WSJ.com ★★★★ $5.00

What's News

Business & Finance

U.S. inflation hit its fastest pace in nearly four decades last year as pandemic-related supply and demand imbalances, along with stimulus intended to shore up the economy, pushed prices up at a 7% annual rate. A1, A2

◆ Stocks took the inflation data in stride, with the S&P 500, Dow and Nasdaq adding 0.3%, 0.1% and 0.2%, respectively. U.S. government bond yields fell. B8

◆ TPG priced its initial public offering at $29.50 a share, the midpoint of its projected range, in the first big test of the IPO market in the new year. B1

◆ Thousands of workers at supermarket operator Kroger went on strike in Denver, seeking better pay, benefits and conditions. B1

◆ Checkout.com said it raised $1 billion in a recent share sale that valued the U.K.-based digital-payments processor at $40 billion. B5

◆ A federal judge has scheduled a late-September sentencing date for Theranos founder Holmes following her fraud conviction. B3

◆ TV and digital ratings for the NFL's regular-season games jumped 10% from last season, Nielsen data show. B4

◆ TransUnion will let consumers give blockchain companies access to their personal credit data. B4

World-Wide

◆ The Omicron variant is putting China's "zero-Covid" strategy to the test, as health experts say the highly contagious strain will be harder to manage, likely leading to more frequent and longer-lasting restrictions. A1

◆ U.K. Prime Minister Johnson, trying to defuse one of the most perilous moments of his tenure, apologized for attending a drinks party in the garden of 10 Downing Street in 2020 when Britons were

Inflation Hits Fastest Clip Since '82

Consumer prices rise by 7% as pandemic disruptions, consumer demand stay strong

By Gwynn Guilford

U.S. inflation hit its fastest pace in nearly four decades last year as pandemic-related supply and demand imbalances, along with stimulus intended to shore up the economy, pushed prices up at a 7% annual rate.

The Labor Department said Wednesday the consumer-price index—which measures what consumers pay for goods and services—rose 7% in December from the same month a year earlier, up from 6.8% in November. That was the fastest since June 1982 and marked the third straight month in which inflation exceeded 6%.

The so-called core price index, which excludes the often-volatile categories of food and energy, climbed 5.5% in December from a year earlier.

Please turn to page A2

◆ Greg Ip: Biden's inflation fix starts at micro level A2

◆ Stocks gain after high inflation data B9

◆ Heard on the Street: Watch for wage spiral B10

China's 'Zero-Covid' Efforts Face Big Test From Omicron

By Natasha Khan, Liyan Qi and Keith Zhai

HONG KONG—Over the past two years, China has used some of the strictest measures anywhere to keep Covid-19 out and long succeeded in holding numbers down. But as Omicron poses the biggest challenge since the start of the pandemic, the country is looking more boxed in by its own formula.

Beijing has repeatedly pointed to Western countries where the virus has run rampant as cautionary examples. But as the Omicron variant spreads inside China ahead of February's 2022 Beijing Winter Olympic Games, an uncomfortable reality is setting in: The country's ability to keep the virus at bay has meant low levels of natural immunity. Vaccination rates are high, but how effective Chinese vaccines are against Omicron remains in question.

China has held fast to its "zero-Covid" strategy despite a mounting toll on its people

Please turn to page A13

◆ India festival fuels Covid-spread fears A12

Heir to Scholastic Is Now in Charge Of Fixing It

Iole Lucchese faces innovation hurdles and some skepticism over her track record

By Sharon Ramachandran and Jeffrey A. Trachtenberg

Scholastic Corp. was attempting an overhaul of its websites with the goal of creating a single online identity for its many divisions, which had each gone in its own direction.

When the effort hit the digital projects at the publishing company known for titles such as the "Harry Potter" series, "Clifford the Big Red Dog" and "The Hunger Games,"

Ms. Lucchese, 55, is now in an even more influential position. Mr. Robinson's will bequeathed his controlling stake in the company to her

McCarthy Rejects Panel's

Inflation Rate >= 7.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.5%	2.1%	10.3%	5.4%	24.5%	14.3%
Geometric Average	3.8%	1.5%	8.8%	4.1%	21.6%	11.7%
Median	3.9%	1.7%	6.7%	4.3%	18.0%	12.4%
Max	50.6%	33.2%	82.1%	61.2%	133.3%	84.3%
Min	-19.2%	-27.8%	-26.3%	-36.0%	-28.1%	-48.0%
Count	131	131	131	131	131	131

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 11.30.21.

Inflation Rate <7.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.1%	3.2%	8.1%	6.3%	16.3%	12.4%
Geometric Average	3.1%	2.5%	6.1%	4.9%	12.1%	9.5%
Median	4.0%	3.5%	8.0%	6.5%	16.2%	13.1%
Max	201.1%	131.7%	245.2%	135.6%	358.2%	213.8%
Min	-43.5%	-40.4%	-56.3%	-47.0%	-71.5%	-64.8%
Count	1001	1001	998	998	992	992

Source: Kovitz using data from Ibbotson Associates 06.30.27 - 11.30.21.

Inflation Rate >= 7.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	2.3%	9.3%	5.8%	22.3%	15.9%
Geometric Average	3.7%	1.6%	8.2%	4.1%	20.6%	12.6%
Median	4.7%	2.7%	6.9%	4.7%	20.6%	17.7%
Max	39.8%	33.2%	63.2%	61.2%	72.6%	84.3%
Min	-16.4%	-27.8%	-26.3%	-36.0%	-28.1%	-48.0%
Count	76	76	76	76	76	76

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 11.30.21.

Inflation Rate < 7.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.8%	3.0%	7.7%	6.1%	15.6%	12.0%
Geometric Average	3.3%	2.6%	6.7%	5.1%	13.5%	10.2%
Median	4.0%	3.4%	8.1%	6.3%	17.1%	12.9%
Max	37.7%	32.0%	68.3%	49.7%	106.5%	92.6%
Min	-39.5%	-34.9%	-54.2%	-41.8%	-52.2%	-40.1%
Count	698	698	695	695	689	689

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 11.30.21.

*****

Though the labor situation remains very strong,…

THE PRUDENT SPECULATOR

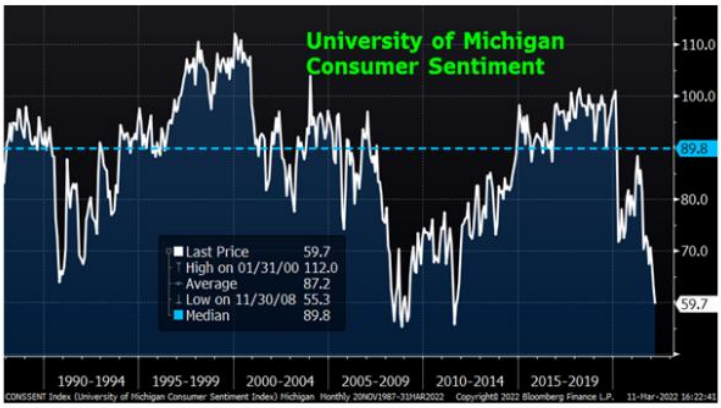
JOBLESS FILINGS AND CONTINUING CLAIMS NEAR 50+ YEAR LOWS

With jumps in New York and California offsetting tight conditions elsewhere, new filings for unemployment benefits for the period ended March 5 came in at a seasonally adjusted 227,000, up 11,000 from the week prior, but still near the lowest level since 1969 when the work force was much smaller. Continuing claims filed through state programs inched up to 1.49 million, near five-decade lows as businesses continue to hold onto workers with labor so difficult to obtain.

…the War in Ukraine is weighing on small business and consumer sentiment,…

THE PRUDENT SPECULATOR

MAIN STREET SENTIMENT PESSIMISTIC



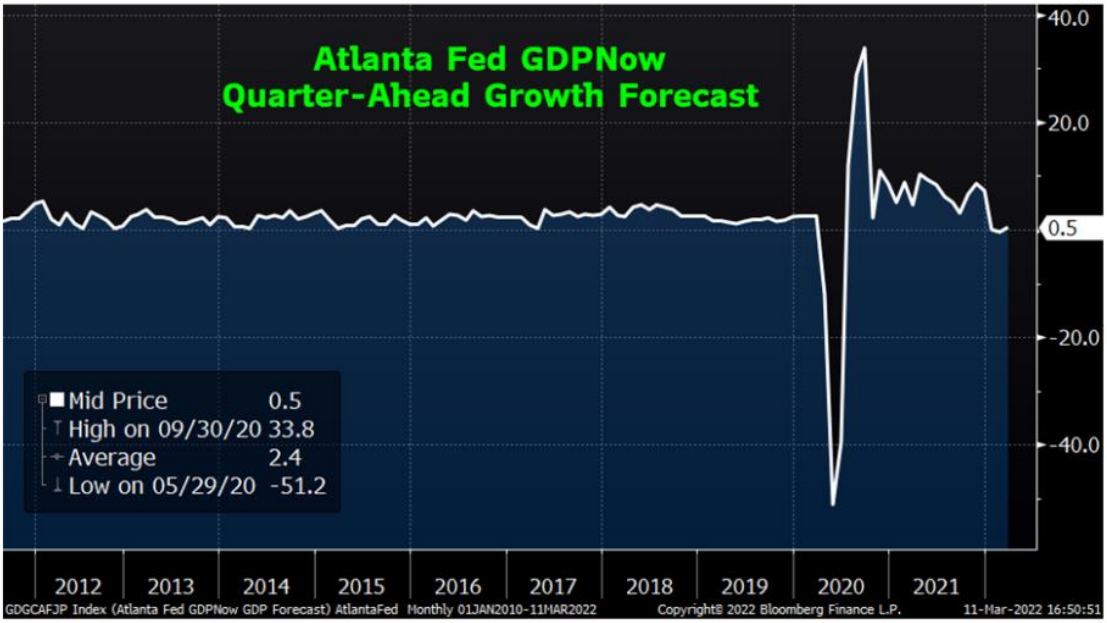
The NFIB Small Business Index for February slipped 1.4 points to 95.7, a 13-month low and below the historical norm. Owners remain very concerned about inflation, supplies and labor. Meanwhile, the University of Michigan gauge of consumer sentiment this month dropped to a much-weaker-than-expected 59.7, the lowest reading since August 2011 due to "falling inflation-adjusted incomes, recently accelerated by rising fuel prices as a result of the Russian invasion of Ukraine." The year-ahead expected inflation rate also rose to its highest level since 1981.

…and there will undoubtedly be fallout for the global and U.S. economies,…

THE PRUDENT SPECULATOR

BUMP UP IN THE Q1 U.S. GDP GROWTH PROJECTION LAST WEEK

While Q4 2021 saw a superb 7.0% jump in real (inflation-adjusted) GDP growth and forecasts for full-year 2022 call for an additional improvement in the economy, the Omicron variant, supply-chain difficulties, the War in Ukraine and inflation are impacting the current quarter, with the Atlanta Fed's current projection for Q1 2022 GDP growth on an annualized basis standing at 0.5%.



…with some suggesting that a recession could be around the corner, even as corporate profit growth still is expected to be robust this year and next.

THE PRUDENT SPECULATOR

FANTASTIC EPS GROWTH IN '21 AND '22/'23 ESTIMATES ARE STRONG

Q4 earnings reporting season was terrific in terms of the results, even as many stocks sold off sharply on the news. An impressive 76.4% of the 497 S&P 500 companies to have announced have beat EPS expectations and 69.0% have exceeded revenue forecasts.

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2023	$64.91	$244.32
9/30/2023	$62.94	$238.62
6/30/2023	$60.11	$233.53
3/31/2023	$56.36	$228.34
12/31/2022	$59.21	$223.14
9/30/2022	$57.85	$217.81
6/30/2022	$54.92	$211.98
3/31/2022	$51.16	$209.11
12/31/2021	$53.88	$205.36
ACTUAL		
9/30/2021	$52.02	$189.66
6/30/2021	$52.05	$175.54
3/31/2021	$47.41	$150.28
12/31/2020	$38.18	$122.37
9/30/2020	$37.90	$123.37
6/30/2020	$26.79	$125.28
3/31/2020	$19.50	$138.63
12/31/2019	$39.18	$157.12
9/30/2019	$39.81	$152.97
6/30/2019	$40.14	$154.54
3/31/2019	$37.99	$153.05
12/31/2018	$35.03	$151.60

Source: Standard & Poor's. As of 2.28.22

Clearly, anything can happen, but even if we could predict when the next recession was going to begin, we would NOT want to sell our broadly diversified portfolios of what we believe to be undervalued stocks, given what has occurred, on average, before and after the start date of the previous 15 economic contractions.

THE PRUDENT SPECULATOR

EQUITY RETURNS AND RECESSIONS (PRE AND POST)

As the saying goes, the stock market (and economists) has predicted nine of the last five recessions, but the 15 prior instances of actual negative economic growth illustrate that long-term-oriented investors (on average) should stay invested (in Value, preferably) no matter what.

U.S. Recession Commencement (per NBER) & Equity Returns
S&P 500 and Fama/French Value Performance

Year Prior S&P 500 TR	Year Prior FF Value TR	Recession Start Date	1 Year S&P 500 TR	1 Year FF Value TR	3 Year S&P 500 TR	3 Year FF Value TR	5 Year S&P 500 TR	5 Year FF Value TR	10 Year S&P 500 TR	10 Year FF Value TR	To Present S&P 500 TR	To Present FF Value TR
51.9%	30.8%	August 1929	-32.6%	-32.0%	-73.5%	-64.9%	-71.1%	-61.4%	-58.0%	-47.7%	307928%	8306935%
18.2%	42.6%	May 1937	-39.3%	-55.8%	-33.2%	-55.1%	-32.5%	-44.3%	53.7%	142.7%	572236%	7759742%
26.3%	54.4%	February 1945	26.0%	42.2%	12.0%	28.5%	64.3%	75.7%	379.2%	468.6%	412425%	3744739%
4.0%	4.6%	November 1948	19.2%	12.4%	101.8%	108.9%	145.2%	130.7%	542.0%	584.7%	334992%	2715765%
3.1%	4.7%	July 1953	31.9%	25.6%	128.9%	118.0%	136.5%	138.2%	308.5%	381.9%	138413%	1139258%
-1.2%	-0.4%	August 1957	10.0%	16.4%	40.2%	55.0%	55.1%	77.9%	188.9%	418.4%	63560%	538778%
-2.4%	-6.4%	April 1960	24.2%	29.0%	41.7%	51.5%	92.4%	131.0%	107.7%	268.9%	47865%	365091%
-8.4%	-20.9%	December 1969	3.9%	8.7%	41.4%	40.3%	-11.3%	-7.3%	77.0%	267.9%	20604%	92789%
-15.2%	-19.4%	November 1973	-23.8%	-14.8%	20.8%	77.1%	23.7%	142.4%	182.3%	719.9%	17407%	80870%
20.6%	31.3%	January 1980	19.5%	12.3%	49.5%	80.4%	102.4%	183.5%	342.4%	480.7%	10913%	23233%
13.0%	22.9%	July 1981	-13.3%	-0.8%	34.0%	78.6%	127.9%	217.1%	343.5%	408.6%	8795%	18258%
6.5%	-6.9%	July 1990	12.7%	9.9%	38.2%	76.0%	83.2%	129.3%	407.4%	424.9%	2160%	3867%
-21.7%	17.0%	March 2001	0.2%	14.6%	1.9%	33.8%	21.4%	83.4%	38.3%	96.0%	445%	546%
5.6%	-2.9%	December 2007	-37.0%	-38.2%	-8.3%	-14.9%	8.6%	0.9%	125.9%	117.4%	283%	229%
8.2%	-9.7%	February 2020	31.3%	38.8%							47%	70%
7.2%	**9.5%**	**Averages**	**2.2%**	**4.6%**	**28.2%**	**43.8%**	**53.3%**	**85.5%**	**217.1%**	**338.1%**	**129205%**	**1652678%**

As of 3.11.22. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Every situation is unique, but we continue to believe that time in the market trumps market timing, as the magnitude of the gains during the upswings have dwarfed the losses suffered in the downturns, with those who have kept the faith through thick and thin having been handsomely rewarded in the fullness of time,…

THE PRUDENT SPECULATOR

VOLATILITY IS NORMAL BUT VALUE WINS THE RACE

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	113.4%	995	27	3.4	3/23/2020	1/3/2022
17.5%	68.2%	583	39	2.3	3/23/2020	1/3/2022
15.0%	66.8%	566	45	2.0	3/23/2020	1/3/2022
12.5%	45.0%	340	72	1.3	3/23/2020	1/3/2022
10.0%	35.4%	249	98	0.9	3/23/2020	1/3/2022
7.5%	23.8%	149	157	0.6	9/23/2020	1/3/2022
5.0%	14.8%	73	308	0.3	1/27/2022	2/2/2022

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.4%	286	26	3.5	2/19/2020	3/23/2020
-17.5%	-30.4%	217	38	2.4	2/19/2020	3/23/2020
-15.0%	-28.4%	189	44	2.1	2/19/2020	3/23/2020
-12.5%	-22.6%	137	72	1.3	1/3/2022	3/8/2022
-10.0%	-19.6%	102	98	0.9	1/3/2022	3/8/2022
-7.5%	-15.4%	64	157	0.6	1/3/2022	3/8/2022
-5.0%	-10.9%	36	308	0.3	2/2/2022	3/8/2022

From 02.20.28 through 03.08.22. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.3%	26.0%
Growth Stocks	9.8%	21.4%
Dividend Paying Stocks	10.8%	18.0%
Non-Dividend Paying Stocks	9.2%	29.3%
Long-Term Corporate Bonds	6.0%	7.7%
Long-Term Gov't Bonds	5.4%	8.6%
Intermediate Gov't Bonds	5.0%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 01.31.22. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

…despite all of the traumatic events that have taken place over the years.

THE PRUDENT SPECULATOR

KEEP CALM AND CARRY ON

Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	48337%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	27929%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	25091%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	9767%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	9124%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	10686%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7760%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5940%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4407%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	5473%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4462%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5907%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3896%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4181%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3419%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2497%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1618%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1770%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1230%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1017%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	921%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	848%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	820%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	732%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	379%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	338%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	242%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	213%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	335%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	359%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	285%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	251%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	521%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**5780%**

As of 3.11.22. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

Certainly, we do not wish to downplay the humanitarian crisis in Ukraine nor the potential for the conflict to escalate. We also realize that commodity prices have soared, boosting inflation on a global level. To be sure, current headlines are troubling, but there have been more than a few frightening events throughout history, yet stocks have still managed to move higher in the fullness of time.

*****

The Prudent Speculator turned 45 this weekend! It is a milestone very few investment newsletters ever see, and we are grateful to our subscribers and clients for playing the long game of value investing with us. We are honored and humbled that Mark Hulbert chose to pen a column on the subject, which is available here: https://www.thestreet.com/investing/this-strategy-has-beaten-the-market-for-45-years.

THE PRUDENT SPECULATOR

TPS – CONSTANTLY BROADCAST WHAT WE ARE DOING AND WHY

March 2, 2022

the Prudent Speculator

Established in March 1977 • 20 Enterprise, Suite 300 • Aliso Viejo, California 92656 • 800.258.7336

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 AAII 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.

"The stock market is a device for transferring money from the impatient to the patient."
— Warren Buffett

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."

Editor, Principal, Portfolio Manager
Kovitz

Celebrating more than 40 Years of Patience, Selection and Diversification

Featured Story

INVESTING

This Strategy Has Beaten the Market for 45 Years

BY MARK HULBERT

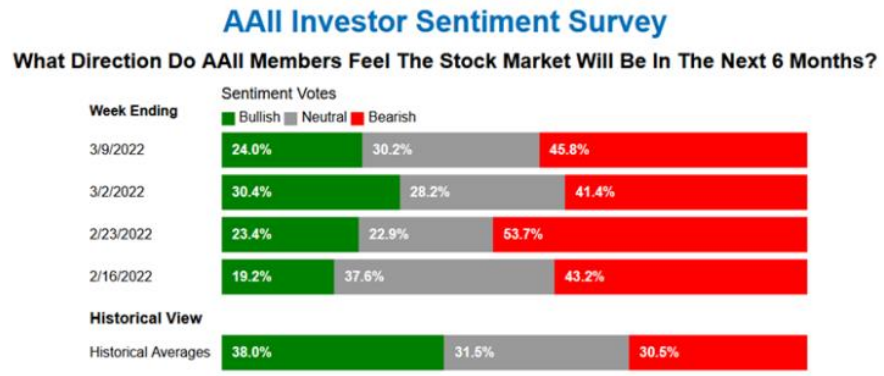
We know because of the performance of an advisory service named The Prudent Speculator, edited by John Buckingham. It is celebrating its 45th birthday this month, and my performance auditing firm has been tracking it for 42 of those years. Over this period, according to my firm, its model portfolios on average have beaten the Wilshire 5000's total return by an annualized 2.9 percentage points — 14.8% to 11.9%.

Since most advisers don't even match the return of the market, and those who do beat the market do so by less than 2.9 annualized percentage points, this performance puts the service in the upper echelon of advisers. No other service tracked by my firm has come close to matching its long-term performance.

Given that so many think they can effectively jump in and out of the market, we especially like this paragraph in the Hulbert piece: "Long periods of feast and famine, which are endemic to value stocks generally, and smaller-cap value stocks in particular, provide a big clue as to why the newsletter has been so successful: It's had the patience and discipline to stick with its value focus even during those times when it wasn't beating the market. Investors would do well to cultivate the same patience and discipline themselves."

THE PRUDENT SPECULATOR

AAII CONTRARIAN BUY SIGNAL: BULL-BEAR SPREAD = -21.8



AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
Below & Above Median Bull Bear Spread = 8.00											
BELOW	-54.0	7.9	902	0.26%	0.22%	1.24%	1.10%	3.65%	3.26%	7.00%	6.25%
ABOVE	8.0	62.9	902	0.16%	0.15%	0.51%	0.43%	1.95%	1.69%	4.76%	4.29%
Ten Groupings of 1804 Data Points											
1	-54.0	-15.3	181	0.59%	0.53%	2.20%	1.97%	5.82%	5.28%	10.49%	9.27%
2	-15.2	-7.5	180	0.24%	0.21%	0.86%	0.73%	3.67%	3.31%	6.79%	6.03%
3	-7.5	-1.6	180	0.29%	0.26%	1.47%	1.38%	3.32%	2.93%	7.08%	6.44%
4	-1.6	3.0	190	0.13%	0.09%	1.03%	0.94%	2.94%	2.58%	6.39%	5.87%
5	3.0	7.9	171	0.05%	0.03%	0.58%	0.48%	2.48%	2.23%	4.11%	3.57%
6	8.0	12.0	184	0.09%	0.07%	0.47%	0.35%	1.72%	1.48%	5.40%	5.02%
7	12.0	16.4	177	0.20%	0.18%	0.60%	0.50%	2.35%	2.09%	4.95%	4.42%
8	16.4	22.0	190	0.17%	0.15%	0.78%	0.70%	2.15%	1.89%	6.10%	5.68%
9	22.0	29.1	170	0.08%	0.06%	0.39%	0.30%	2.02%	1.74%	4.53%	3.95%
10	29.1	62.9	181	0.28%	0.26%	0.33%	0.26%	1.50%	1.28%	2.72%	2.29%

From 07.31.87 through 03.10.22. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed with a contrarian eye, so the tally of Bulls in the latest AAII Sentiment Survey sinking to 24.0% and the number of Bears rising to 45.8% is a major positive. The minus 21.8% Bull-Bear spread is in the very favorable (i.e. highest future returns) 1st decile of the weekly figures going back to 1987.

Alas, we did have a small bone to pick with Mr. Hulbert in that our portfolios these days are skewed much more toward larger-cap stocks, while he asserts that his returns-based analysis on the newsletter's flagship portfolio over the past 42 years most closely correlates with small-caps.

We always go where the bargains are and after the Lost Decade (2000s) in which Small-Cap stocks outperformed Large Caps, we steered our portfolios up the cap spectrum. That doesn't mean that we don't still like some Small- and Mid-Caps, and we do have quite a few of them on our current recommended list,…

THE PRUDENT SPECULATOR

MARKET OF STOCKS – SMALL- AND MID-CAP SELECTIONS

We are equal opportunity stock pickers, but there are quite a few stocks in the Small and Mid-Cap arena in which we find value today.

TPS Smaller Cap Selections

Symbol	Common Stock	03.11.22 Price	Target Price	Forward P/E	Div Yld	Mkt Cap	52-Week High	% Below High	52-Week Low	% Above Low	Sector
BHE	Benchmark Electronics	$25.82	$36.86	16.4	2.6%	909	$32.56	-21%	$22.25	16%	Technology Hardware
BIG	Big Lots	$33.20	$72.74	6.9	3.6%	1,014	$73.23	-55%	$31.57	5%	Retailing
COHU	Cohu Inc.	$28.35	$59.36	10.2	0.0%	1,377	$50.70	-44%	$25.89	10%	Semiconductors
GBX	Greenbrier	$51.24	$55.68	20.8	2.1%	1,668	$51.89	-1%	$36.19	42%	Capital Goods
INT	World Fuel Services	$27.02	$42.22	14.8	1.8%	1,714	$37.68	-28%	$24.29	11%	Energy
FL	Foot Locker	$29.84	$72.05	6.7	5.4%	2,995	$66.71	-55%	$26.36	13%	Retailing
ENS	EnerSys	$73.53	$129.36	14.8	1.0%	3,033	$104.47	-30%	$67.71	9%	Capital Goods
MDC	MDC Holdings	$42.92	$80.42	4.0	4.7%	3,054	$63.86	-33%	$39.21	9%	Consumer Durables
KLIC	Kulicke & Soffa	$51.07	$86.09	9.2	1.3%	3,182	$75.29	-32%	$42.80	19%	Semiconductors
JWN	Nordstrom	$22.99	$45.93	7.3	0.0%	3,665	$46.45	-51%	$18.65	23%	Retailing
GT	Goodyear Tire	$13.02	$25.29	5.8	0.0%	3,671	$24.89	-48%	$11.64	12%	Autos & Components
DOC	Physicians Realty Trust	$16.78	$21.86	15.3	5.5%	3,774	$19.59	-14%	$16.07	4%	Real Estate
TKR	Timken	$61.33	$96.39	11.4	2.0%	4,595	$92.39	-34%	$59.20	4%	Capital Goods
MAN	Manpower	$87.71	$148.40	10.2	2.9%	4,693	$125.07	-30%	$84.32	4%	Commercial/Pro Services
LEG	Leggett & Platt	$36.10	$62.65	12.8	4.7%	4,828	$59.16	-39%	$34.88	3%	Consumer Durables
ONB	Old National Bancorp	$17.47	$24.27	11.3	3.2%	5,158	$21.28	-18%	$15.53	12%	Banks
NYCB	New York Community Bank	$11.09	$16.96	8.1	6.1%	5,179	$14.33	-23%	$10.78	3%	Banks
OZK	Bank OZK	$43.50	$66.06	11.2	2.8%	5,643	$51.39	-15%	$38.01	14%	Banks
HFC	HollyFrontier	$35.68	$57.83	8.8	3.9%	5,816	$41.47	-14%	$27.17	31%	Energy
ALK	Alaska Air Group	$48.82	$79.98	18.1	0.0%	6,147	$74.25	-34%	$43.46	12%	Transportation
AYI	Acuity Brands	$180.87	$255.28	15.5	0.3%	6,334	$224.59	-19%	$129.02	40%	Capital Goods
LITE	Lumentum Holdings	$91.44	$143.67	15.3	0.0%	6,602	$108.90	-16%	$65.67	39%	Technology Hardware
CHNG	Change Healthcare	$21.42	$26.95	12.1	0.0%	6,682	$23.80	-10%	$18.97	13%	Health Care Equip/Srvcs
KSS	Kohl's Corp	$53.94	$81.28	7.4	3.7%	7,506	$64.80	-17%	$43.67	24%	Retailing

As of 3.11.22. Mkt Cap in $millions

…while we did start a managed account strategy several years back dedicated to initial caps of $20 billion or less, but the lion's share of our newsletter and traditional managed account holdings are large-cap, and the best benchmark index for our approach has long been the cap-weighted Russell 3000 Value…which is dominated by Large-Cap stocks.

Stock Updates

Keeping in mind that all stocks are rated as a "Buy" until such time as they are a "Sell," a listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart offer updates on five of our stocks that reported quarterly results last week or had news out worthy of mention.

System software firm **Oracle** (ORCL – $77.82) posted adjusted earnings per share of $1.13, versus the $1.18 estimate, in fiscal Q3 2022. ORCL had sales of $10.513 billion, slightly lower than the $10.514 billion estimate. Year-over-year and on a constant-currency basis, all of ORCL's business segments reported growth.

CEO Safra Catz said, “Total cloud revenues, when annualized, are now $11.2 billion, and they grew 26%. I expect the cloud revenue will exit the fiscal year growing in the mid-20s. Total cloud services and license support revenues for the quarter were $7.6 billion, up 8% and accounted for 73% of total company revenue. GAAP application subscription revenues saw record level organic growth of 10% and were $3.2 billion. Fusion apps were up 29%, with strategic back-office applications now having annualized revenue of $5.1 billion and growing 30%, including Fusion ERP, up 35%; and Fusion HCM, up 22%; and NetSuite ERP, up 29%…We’re committed to returning value to our shareholders through technical innovation, strategic acquisitions, stock repurchases and prudent use of debt and the dividend. This quarter, we repurchased 7 million shares for a total of 600 million as we reduced the buybacks in advance of the purchase of Cerner. We’ve paid out dividends of $3.5 billion over the last 12 months, and the Board of Directors again declared a quarterly dividend of $0.32 per share. Our business is strong as our fast-growing Cloud business continues to become a larger proportion of the overall business.”

Ms. Catz offered guidance, “Now the U.S. dollar strengthened dramatically in November. And as you all know, it was a lot of fluctuations this quarter. But assuming currency exchange rates remain the same as they are right now, I expect we will see a currency headwind of 2% to 3% on revenue and $0.05 negative for EPS in Q4. Of course, the dollar could easily strengthen from here. Total revenue for Q4 is expected to grow between 6% to 8% in constant currency and grow between 3% to 5% in USD. Cloud service and license support revenue for Q4 is expected to grow between 6% to 8% in constant currency and grow between 4% to 6% in USD. Non-GAAP EPS for Q4 is expected to be between $1.40 and $1.44 in constant currency. GAAP EPS is expected to be between $1.35 and $1.39 in USD. Now both non-GAAP and GAAP EPS are expected to decline year-over-year due to some large investment gains we saw last year as well as a very low tax rate last year. It was 10.7%. Both of these masked the strong earnings growth and momentum we continue to see out of our core cloud business.”

The company has/had operations in Russia and Ukraine and commented on the situation, “We are working incredibly hard to help our Ukrainian employees and support our customers and partners. We have suspended all Oracle operations in Russia, and we did so well over a week ago.” Ms. Catz did not indicate that the percentage of revenue from Russia or Ukraine was significant, and the financial filings do not list the region or the countries separately.

Before ORCL management could share their thoughts, shares plunged in after-hours trading on Thursday. Happily, the course was reversed on Friday and the stock finished with a gain in an otherwise down market. The company’s full-year revenue guidance range of 3% to 5% was unchanged from December’s update and the very small miss on the top- and bottom-lines seems to have caused some folks to dump their shares at a discount. Oracle shares have retreated 10% this year, roughly in line with the S&P 500 index and better than the S&P 500 Info Tech index’s -17% return. The yield now stands around 1.6%, with a forward P/E under 16 and a free cash flow yield around 3%. We remain excited by ORCL’s best-in-class product offerings. We also like founder Larry Ellison’s first-place-or-nothing mentality and like Safra Catz’s management of day-to-day operations. Our Target Price has been inched up to $111.

Comments by **Seagate Technology PLC** (STX – $87.33) CEO Dave Mosley at the Morgan Stanley Technology, Media and Telecom Conference on March 8 sent shares retreating. Even though Mr. Mosley was broadly positive on the data-storage provider's business, he expressed concern that results might come in on the low end of guidance.

Mr. Mosley said, "We saw a demand pull in [pre-2020], and then the reality of the demand situation for our customers came through. Calendar year '20 was dramatically impacted by demand downswing. Then calendar year '21 for us was great. The reason was because we saw massive adoption of mass capacity data solutions. It's just a big swing. I don't know that cyclicality really even applied during Covid because the locality of the data was changing and so on. We had 18% revenue growth, '21 over '20. Our free cash flow is up 40%. As we entered 2022, we talked six months ago about how this quarter would be a little bit slow, but the cloud just keeps coming. Mass capacity solutions just keep coming. We still really see that there's some tactical issues that we're going through this quarter. I don't know that it's cyclicality in the mass capacity markets but VIA in particular, is pretty disruptive."

Mr. Mosley continued, "And some of that was — it's always kind of opaque, seen through certain parts of the Chinese New Year and what those investments are. We, in our guidance ranges, we're still good for the ranges, but we do think we're going to be at the lower end of the ranges, just to be completely transparent. The market is turning back on, though, in China, and that's good. There are some other things going on in the world, which I'm sure you'll ask about. I think the linearity's poor this quarter like it usually is in a Q3 for us. I don't think it's the same kind of cyclicality or seasonality, if you will, that we saw back in the PC days because it's not really coupled to PC. We do think that things are coming back. Whatever we're going through right now is very transitory. We'll get back on the mass capacity horse here pretty soon. So all the guidance that we gave for fiscal year revenue growth and calendar year revenue growth still holds."

Seagate's full-year guidance is unchanged, as are our longer-term targets, but the potential disruption in fiscal Q3 evidently irked some investors. Shares are down by nearly a quarter from the high on January 4, which we think is excessive for comments that were broadly positive. We think the company's valuation metrics are very reasonable (now even more reasonable), especially for a technology stock. Storage has historically been a very volatile industry, with booms, busts and M&A volume. Yet, in the recent past, STX and its competitors have leaned towards a storage commodity model with relatively stable revenue and growing earnings power driven by volume. The strength in cloud application demand shows no signs of letting up and we remain optimistic on STX's future. The forward P/E is less than 10 and the dividend yield is now 3.2%. Our Target Price is $131.

Although we wrote about **Big Lots** (BIG – $33.20) last week following the discount retailer's latest quarterly financial results, we thought it appropriate to reiterate our patience and optimism about its long-term prospects following the shares suffering an additional analyst downgrade last week and falling 12% more after the company presented at a Consumer and Retail Technology conference.

Traders seemingly didn't like the company's focus on opening 500 net new stores over the next five years (with the expanded capex hurting margins and profits) and had concerns over the current state of the average Big Lot consumer and whether too much demand at the store was drawn forward over the past year or so as government stimulus flowed during a large portion of the pandemic before ending this year.

That considered, we still believe BIG shares are a true bargain and we liked what the company talked about during the Conference: moving into higher margin lines such as luggage and higher-end appliances, strategies to mitigate shrink, including the use of needle tagging and wheel-locking carts, next-generation furniture sales strategies, the fact that supply chain constraints will eventually loosen, additional focus on food and consumables and key investments in distribution centers and marketing. Even with near-term expanded capex, BIG expects to continue to generate expanding free cash flow and will continue to proactively repurchase its shares.

Considering competition and BIG's competitive position, Chief Merchandising Officer Jack Pestello offered, "I think we're positioned really well. I mean you think about — I mentioned this earlier with Big Lots. We have a really nice size, easily accessible box. We're a limited assortment retailer that has a wide range of assorted goods. And so as we saw through Covid, we needed to lean on food and consumables a little bit more and Furniture and Seasonal one out. But customers love our furniture selection and our seasonal selection, and they love the offer they can get in Hard Home and Soft Home, and consumables, apparel, food all complement that. We're a value retailer…So it's going to get tougher for customers. As fuel prices go up and the economy gets harder, we get to a more stabilized environment. They're going to look to how do they stretch their dollar and how do they shop smarter, and we think we're really well positioned to be able to do that."

We remain patient for supply chain issues to eventually subside and expect store traffic to return as consumer behavior normalizes. The thrill of finding a solid bargain is timeless and ought to keep BIG's long-term earnings power intact for the foreseeable future, especially as inflation continues to rear its ugly head. BIG shares today trade for a forward-earnings multiple below 7. In December, the company announced a $250 million share repurchase authorization, and it didn't take long to put some of it to work as the firm bought back $91 million worth of shares. The $159 million remaining represents more than 15% of the current BIG market cap. The dividend is an attractive 3.6% and our Target Price now resides at $73.

Deutsche Post AG (DPSGY – $46.42) earned EUR 1.19 per share in fiscal Q4 2021 (vs. EUR 1.17 est.). The German letter and parcel carrier had total revenue of EUR 23.4 billion, versus the EUR 21.6 billion estimate. Shares rebounded on the announcement, though they and most European stocks have been hit very hard by the War in Ukraine. DPSGY reported EBIT improvement of 13% year-over-year and Express revenue grew 21% year-over-year to EUR 6.86 billion. Management hiked the dividend from EUR 1.35 per share to EUR 1.80 per share, though the amount that is received by DPSGY shareholders will be reduced by customary taxes, resulting in a net yield around 2.8%. The board also launched a new share buyback program in the amount of EUR 2 billion (the company's market capitalization in euros is 52 billion).

CFO Melanie Kreis discussed the War as it relates to Deutsche Post, “I want to point out that the direct exposure we have with our businesses to Russia, the Ukraine and Belarus is relatively limited. It’s less than 1% of our group revenue. So in terms of direct impact, it is limited. The big question, which I’m sure we’re going to discuss in much more detail is what is that going to mean for the global economy as a whole? I think what we can say is that prior to the start of the war in the Ukraine, the global economy was on a good recovery path.”

Ms. Kreis touched on the company’s guidance, which includes free cash flow between EUR3.6 billion +/- 5%, “We are confident that we are not only going to stay on the new flying altitude, but that we will incrementally go up from here to around EUR 8.5 billion EBIT in 2024 with the accompanying cash flow, as indicated in the accumulated free cash flow guidance. And whilst continuing to invest but in a very controlled way.”

CEO Dr. Frank Appel commented, “We have seen a significant growth in e-commerce, which we believe midterm, long-term will be sustained. And on that base, we will grow despite that we might see some short-term impacts from the war. Thirdly, digitalization will play and has played an important role to improve our performance. And finally, we think that the ESG road map we put in place, I think, is spot on and exactly ticking the right things going forward, and we want to be there… Overall, the portfolio is very balanced, has plenty of opportunity, and that makes us confident that we really can deliver against our 2022 targets and beyond. As we outlined not knowing what really the GDP have will happen depending on what will happen in the next weeks and, of course, not knowing what it means for the market. We have positive and negative impacts potentially on our P&L. And that has led to the saying, yes, we are, at the moment, some more confident, if not completely disasters for the world economy are happening that we can deliver what we have promised.”

From what we’ve seen thus far, the direct impacts on DPSGY from the War in Ukraine are very manageable, especially given that the stock has sold off more than 25% this year. The wildcard is that it’s difficult to handicap the second- and third-order effects, including rising fuel costs, new supply chain disruptions and miscellaneous geopolitical risks. We expect companies without a lot of free cash flow will need to cut some corners in the near term, but generally we think stock prices have overreacted to short-term issues. Even though we swapped DPSGY for **FedEx** (FDX – $213.18) back in September in TPS Portfolio, we hold DPSGY in our dividend-oriented managed account strategy and continue to appreciate the high yield, growth potential and reasonable valuation. Our Target Price is $82.

German automaker **Volkswagen Group** (VWAGY – $22.08) reported annual results for 2021 via press release. The earnings call will not take place until March 15. The release stated, “Due to the global semiconductor shortages, vehicle sales of the Volkswagen Group in 2021 declined by 6.3 percent to 8.6 million. However, the successful e-offensive continued to pick up speed with global deliveries of battery-electric vehicles (BEVs) almost doubled to 452,900 units.”

It continued, “A better mix and favorable pricing were the key drivers for an improved revenue quality. As a consequence, sales revenue outperformed the reduced vehicle sales and was up 12.3 percent to EUR 250.2 (222.9) billion. The Volkswagen Group achieved a solid profit and margin despite having sold some 2.4 million vehicles less compared to 2019. Operating profit before

special items almost doubled vs. prior year to EUR 20.0 (10.6) billion, which translates to an operating return on sales before special items of 8.0 (4.8) percent. The Volkswagen Group's earnings before tax increased by 72.5 percent to EUR 20.1 (11.7) billion. The return on sales before tax came in at 8.0 (5.2) percent. The earnings after tax went up 74.8 percent to EUR 15.4 (8.8) billion."

The company's outlook was mixed, "The Volkswagen Group anticipates that, given the continuing challenging market conditions, deliveries to customers in 2022 will be 5 percent to 10 percent up on the previous year. This assumes that the Covid-19 pandemic will not flare up again and that shortages of intermediate products and commodities will become less intense. The 2022 fiscal year will continue to be affected by shortfalls in supply due to the structural shortage of semiconductors. The supply of semiconductors is anticipated to improve in the second half of the year, compared with the first half. The Volkswagen Group expects the sales revenue to be 8 percent to 13 percent higher than the prior-year figure. In terms of operating result for the Group, an operating return on sales in the range of 7.0 percent to 8.5 percent in 2022 is forecasted."

VW has shut down production in Russia and stopped sales. The company said, "Our guidance is subject to the further development of the war in Ukraine and in particular the impact on the Group's supply chains and the global economy as a whole. At the time of preparing this outlook, there is a risk that the latest developments in the war in Ukraine will have a negative impact on the Volkswagen Group's business. This may also result from bottlenecks in the supply chain. At the present time, it is not yet possible to conclusively assess the specific effects. Nor is it possible at this stage to predict with sufficient certainty to what extent a potential further escalation of the war in Ukraine will impact on the global economy and growth in the industry in fiscal year 2022."

We also note that after catching fire on February 16, a ship carrying 4,000 Volkswagen Group cars finally sunk off the coast of Portugal's Azores Islands on March 1. Apparently, the manifest mainly included Audis, although Porsches, Volkswagens, Bentleys and Lamborghinis were also onboard. As we understand it, the shipment was insured.

All of the near-term uncertainty has led us to trim our Target Price for VWAGY to $45, though we retain our long-term optimism for the shares. We continue to like VWAGY's differentiated brands that target volume (VW, Skoda, Seat), premium buyers even without Porsche (Audi, Lamborghini, Bentley), and trucks (MAN, Scania). We expect the chip shortages to be resolved in due time (although we have no concrete timeline) and we think highly of VW's electric car future. With plenty of enthusiasm remaining for often-profitless and even revenue-less stocks in the EV space, we continue to have a liking for value-priced Volkswagen.

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