Market Commentary Monday, May 2, 2022

May 2, 2022

EXECUTIVE SUMMARY

TPS 667 – May Newsletter Slated to Email Tuesday Evening, May 3
Repeat Performance – Another Friday Plunge
Volatility – Correction #36 for *TPS*
Corporate Profits – Q1 Numbers Strong So Far & Handsome Growth in ’21 and ’22 Remains the Projection
Econ Stats – Generally Healthy Figures Last Week
Real vs. Nominal – Inflation-Adjusted Q1 GDP Contracts; Actual GDP Soars
Perspective – High Inflation, Recessions & Fed Tightening – Value Historically Has Performed Nicely, on Average
Sentiment – Investors Overwhelmingly Bearish
Stock News – Updates on FB, MSFT, QCOM, INTC, STX, JNPR, AMGN, MMM, ADM, WM, WHR, COF, PHG, MRK, CAT & CE

Market Review

Work is underway on the May edition of *The Prudent Speculator*. If all goes according to plan, we plan to send via email *TPS 667* late Tuesday evening, May 3. This month, our *Graphic Detail* looks at Seasonality and Index Composition.

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It was déjà vu all over again, with a second straight last-day-of-the-trading-week equity market plunge on Friday. This time around, the 939-point drop in the Dow Jones Industrial Average was relatively mild, given that the Nasdaq Composite tumbled 4.2% and the S&P 500 cratered 3.63%.

THE PRUDENT SPECULATOR

LAST DAY OF APRIL: S&P 500 PLUMMETS

Rare are huge one-day plunges of more than 3.5% in the S&P 500, but the popular market gauge skidded 3.63% on April 29, 2022, the 200th worst showing since 1928.

Down < -3.63%

	1920's	1930's	1950's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		7	6	2	0	0	0	0	2	1	9	27
Years Ending in 1		14	1	0	0	0	0	1	2	5	0	23
Years Ending in 2		31	0	0	1	0	1	0	2	0	1	36
Years Ending in 3		22	1	1	0	0	0	0	0	0		24
Years Ending in 4		4	0	0	0	1	0	0	0	0		5
Years Ending in 5		0	0	1	0	0	0	0	0	1		2
Years Ending in 6		1	5	0	0	0	1	0	0	0		7
Years Ending in 7		10	1	0	0	0	5	1	0	0		17
Years Ending in 8	1	7	3	0	0	0	2	2	17	2		34
Years Ending in 9	15	3	0	0	0	0	1	0	6	0		25
Totals	16	99	17	4	1	1	10	4	29	9	10	200

From 1.31.28 through 4.29.22. Days of index price decreases of greater than or equal to 3.63%. SOURCE: Kovitz using data from Bloomberg

Up > 3.63%

	1920's	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		4	3	0	0	1	1	0	2	1	8	20
Years Ending in 1		11	1	0	0	0	0	1	4	3	0	20
Years Ending in 2		37	0	0	1	0	3	0	8	0	0	49
Years Ending in 3		25	0	1	1	0	0	0	0	0		27
Years Ending in 4		3	0	0	0	4	0	0	0	0		7
Years Ending in 5		0	0	0	0	0	0	0	0	1		1
Years Ending in 6		0	3	0	0	0	0	0	0	0		3
Years Ending in 7		3	0	1	0	0	3	1	0	0		8
Years Ending in 8	1	12	1	0	0	1	0	3	17	1		36
Years Ending in 9	6	3	0	0	0	0	0	0	6	0		15
Totals	7	98	8	2	2	6	7	5	37	6	8	186

From 1.31.28 through 4.29.22. Days of index price increases of greater than or equal to 3.63%. SOURCE: Kovitz using data from Bloomberg

No doubt, the War in Ukraine continues to weigh on investor psyches,…

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 drag on 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 all disconcerting events.

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%	47503%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	27446%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	24657%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	9597%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	8965%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	10500%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7625%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5836%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4329%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	5377%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4383%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5804%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3827%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4107%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3359%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2452%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1588%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1738%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1207%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	998%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	904%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	832%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	804%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	718%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	371%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	331%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	236%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	208%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	328%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	351%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	279%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	245%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	511%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**5679%**

As of 4.29.22. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

…with April going down as the eighth worst month since the turn of the Millennium,…

THE PRUDENT SPECULATOR

APRIL 2022: AWFUL MONTH

Market participants were again reminded that equity volatility is part of the investment process, as the S&P 500 suffered an 8.62% drop in April, which represented the 43rd worst monthly performance since 1928.

Down < -8.62%

	1920's	1930's	1950's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		3	1	0	0	1	1	1	0	0	1	8
Years Ending in 1		5	0	0	0	0	0	0	1	0	0	6
Years Ending in 2		4	0	0	0	0	0	0	1	0	1	6
Years Ending in 3		3	0	0	0	1	0	0	0	0		4
Years Ending in 4		1	0	0	0	2	0	0	0	0		3
Years Ending in 5		0	0	0	0	0	0	0	0	0		0
Years Ending in 6		0	1	0	0	0	0	0	0	0		1
Years Ending in 7		3	0	0	0	0	1	0	0	0		4
Years Ending in 8	0	1	1	0	0	1	0	1	2	1		7
Years Ending in 9	2	1	0	0	0	0	0	0	1	0		4
Totals	2	21	3	0	0	5	2	2	5	1	2	43

From 1.31.28 through 4.29.22. Months of index price decreases of greater than or equal to 8.62%. SOURCE: Kovitz using data from Bloomberg

Up > 8.62%

	1920's	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	2010's	2020's	Totals
Years Ending in 0		0	0	0	0	0	1	1	1	1	2	6
Years Ending in 1		2	0	0	0	0	0	1	0	1	0	4
Years Ending in 2		2	0	0	1	0	2	0	1	0	0	6
Years Ending in 3		5	0	0	0	0	0	0	0	0		5
Years Ending in 4		1	0	0	0	1	1	0	0	0		3
Years Ending in 5		1	1	0	0	1	0	0	0	0		3
Years Ending in 6		0	0	0	0	1	0	0	0	0		1
Years Ending in 7		1	0	0	0	0	1	0	0	0		2
Years Ending in 8	3	2	0	0	0	0	0	0	0	0		5
Years Ending in 9	2	2	0	0	0	0	1	0	1	0		6
Totals	5	16	1	0	1	3	6	2	3	2	2	41

From 1.31.28 through 4.29.22. Days of index price increases of greater than or equal to 8.62%. SOURCE: Kovitz using data from Bloomberg

…though inexpensively priced stocks continued to earn their stripes, losing far less in the 2022 downturn then their richly valued peers.

THE PRUDENT SPECULATOR

"WE HAVE TO BE MORE DISCIPLINED THAN THE REST"- WARREN BUFFETT

November 2, 2021

the Prudent Speculator

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Social media powerhouse Facebook on Oct. 28 announced plans to change its corporate name to Meta Platforms...which ignited a 26% after-hours gain that day in Meta Materials, a small Nova Scotian specialty chemicals company. Never mind that Meta Materials has nothing to do with Facebook, with the financial press quick to point out that folks were buying the wrong stock. Of course, that seemingly important fact did not slow interest in the Canadian company as the stock price jumped 6% in trading on Nov. 1 with more than 19 million shares changing hands.

"In a free society, one does not have to deal with those who are irrational. One is free to avoid them."

— Ayn Rand

Lest readers think this is a once in a lifetime occurrence, the Facebook disclosure led to a 30% three-day increase in assets in the Roundhill Ball Metaverse ETF, which had the good fortune of owning the META ticker symbol. Now to be fair, the Roundhill ETF boasts a 6% stake in Meta Platforms amongst its 43 holdings and Mark Zuckerberg and Co. have brought the word Metaverse into the public eye, but cases of mistaken identity happen more often that one might imagine. In fact, a research paper published in 2019 by Vadim Balashov and Andrei Nikiforov found 254 instances of companies that saw fluctuations in their stock price related to events at another company with a similar name or stock ticker.

Long-time followers of our publication will remember modem maker Zoom Telephonics, which thanks to its name and ZOOM ticker symbol skyrocketed not once (on Xoom.com confusion in 1999), not twice (on Zoom Video confusion in 2019), but three times (on ZoomInfo confusion in 2020). The company has since changed its name and ticker symbol, so there won't be a fourth resurrection of the essentially worthless shares...or so we think!

No doubt, some see the rise of the Meta doppelgangers as a red flag that the equity markets are too euphoric and due for a major correction. Of course, as the father of Value investing Benjamin Graham proclaimed years ago, "Most of the time common stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people to speculate or gamble... to give way to hope, fear and greed."

We would not be surprised to see the major market averages suffer a sizable setback, especially as 10% corrections occur every 11 months on average, but we believe that we are prudently investing in businesses that trade for reasonable, if not inexpensive, valuation metrics. To be sure, we are playing in an entirely different sandbox, with many market players more excited by "meme" stocks, SPACs and more than a few profitless companies.

Of course, given that one of our core tenets is to seek to avoid permanent impairment of investment capital, we sleep much better at night knowing that TPS Portfolio sports respective trailing and forward P/E ratios of 15.5 and 13.7, compared to 25.9 and 21.9 for the S&P 500. And we like that it also owns a price to sales ratio of 1.2 (vs. 3.1 for the S&P). Further, given low yields on fixed income and no yields on cash, we can't help but be excited by TPS Portfolio's dividend yield of 2.2% (vs. 1.3% for the S&P).

Anything can happen as we go forward, but vaccines and therapeutics are working in the COVID-19 battle, and supply-chain challenges are likely to sort themselves out. The outlook for U.S. and global GDP growth is robust as we head into 2022, with continued healthy corporate profit growth likely to boost the kind of stocks that we have long championed. And, contrary to popular belief, whether it is periods of rising interest rates, higher inflation rates, Fed Tapering, or increased capital gains, corporate or personal income taxes, equities have performed well, on average, with Value historically leading the way.

True, we have been a bit frustrated by disappointing market reactions to seemingly terrific Q3 earnings reports from a few of our companies, but we are patient, given our three-to-five-year time horizon. As Warren Buffett says, "If a business does well, the stock eventually follows!"

Editor, Principal, Portfolio Manager
Kovitz

Celebrating more than 40 Years of Patience, Selection and Diversification

Total Returns Matrix

YTD	Since 10.31.21	Name	Symbol
-51.22	-74.47	Meta Materials Inc	MMAT Equity
-36.76	-37.34	Roundhill Ball Metaverse ETF	METV Equity
-43.75	-56.74	AMC Entertainment Holdings Inc	AMC Equity
-15.72	-31.85	GameStop Corp	GME Equity
-44.79	-71.96	Robinhood Markets Inc	HOOD Equity
-34.32	-41.45	VanEck Social Sentiment ETF	BUZZ Equity
-50.17	-60.82	ARK Innovation ETF	ARKK Equity
		MARKET OF STOCKS	
-8.73	-7.05	Dow Jones Industrial Average TR	DJITR Index
-8.34	-7.16	New York Stock Exchange Composite Index	NYA Index
-23.35	-26.77	Russell 2000 Total Return Growth Index	RU20GRTR Index
-9.97	**-9.50**	**Russell 2000 Total Return Value Index**	**RU20VATR Index**
-16.69	-18.38	Russell 2000 Total Return Index	RU20INTR Index
-22.42	-25.44	Russell Midcap Growth Index Total Return	RUMCGRTR Index
-7.65	**-4.84**	**Russell Midcap Value Index Total Return**	**RUMCVATR Index**
-12.94	-12.54	Russell Midcap Index Total Return	RUMCINTR Index
-20.22	-18.39	Russell 3000 Total Return Growth Index	RU30GRTR Index
-6.57	**-4.30**	**Russell 3000 Total Return Value Index**	**RU30VATR Index**
-13.78	-11.75	Russell 3000 Total Return Index	RU30INTR Index
-8.95	-5.76	S&P 500 Equal Weighted USD Total Return In	SPXEWTR Index
-12.92	-9.65	S&P 500 Total Return Index	SPXT Index
		BONDS	
-11.30	-11.69	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
-9.50	-9.47	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index

As of 04.29.22. Source: Kovitz using data from Bloomberg.

True, there are no trophies for red ink, even as some seem to have forgotten how strong a year 2021 was and how well Value stocks have performed over the last nine-plus decades. Indeed, the gains in equities over the years have never been linear and volatility is the price that must be paid for excellent long-term returns,…

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%	35.2%	246	99	0.9	3/8/2022	3/29/2022
7.5%	23.7%	149	158	0.6	3/8/2022	3/29/2022
5.0%	14.8%	73	309	0.3	3/8/2022	3/29/2022

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%	-22.7%	138	72	1.3	1/3/2022	4/29/2022
-10.0%	-19.5%	101	99	0.9	3/29/2022	4/29/2022
-7.5%	-15.4%	64	158	0.6	3/29/2022	4/29/2022
-5.0%	-10.9%	36	309	0.3	3/29/2022	4/29/2022

From 02.20.28 through 04.29.22. 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%	25.9%
Growth Stocks	9.8%	21.3%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.2%	29.3%
Long-Term Corporate Bonds	5.9%	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 03.31.22. 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

…with stocks now ensconced in their second correction of more than 10% of 2022 and 36th since *The Prudent Speculator* was launched in 1977.

THE PRUDENT SPECULATOR

PERSPECTIVE: 10% UPS AND DOWNS SINCE TPS INCEPTION

S&P 500 Moves (on a Closing Basis) of 10% Without a Comparable Move in the Other Direction

9/12/1978	11/14/1978	-13.55%	BEAR	3/6/1978	9/12/1978	23.12%	BULL
10/5/1979	11/7/1979	-10.25%	BEAR	11/14/1978	10/5/1979	20.30%	BULL
2/13/1980	3/27/1980	-17.07%	BEAR	11/7/1979	2/13/1980	18.59%	BULL
11/28/1980	9/25/1981	-19.75%	BEAR	3/27/1980	11/28/1980	43.07%	BULL
11/30/1981	3/8/1982	-15.05%	BEAR	9/25/1981	11/30/1981	12.04%	BULL
5/7/1982	8/12/1982	-14.27%	BEAR	3/8/1982	5/7/1982	11.30%	BULL
10/10/1983	7/24/1984	-14.38%	BEAR	8/12/1982	10/10/1983	68.57%	BULL
8/25/1987	10/19/1987	-33.24%	BEAR	7/24/1984	8/25/1987	127.82%	BULL
10/21/1987	10/26/1987	-11.89%	BEAR	10/19/1987	10/21/1987	14.92%	BULL
11/2/1987	12/4/1987	-12.45%	BEAR	10/26/1987	11/2/1987	12.33%	BULL
10/9/1989	1/30/1990	-10.23%	BEAR	12/4/1987	10/9/1989	60.68%	BULL
7/16/1990	10/11/1990	-19.92%	BEAR	1/30/1990	7/16/1990	14.23%	BULL
10/7/1997	10/27/1997	-10.80%	BEAR	10/11/1990	10/7/1997	232.74%	BULL
7/17/1998	8/31/1998	-19.34%	BEAR	10/27/1997	7/17/1998	35.32%	BULL
9/23/1998	10/8/1998	-10.00%	BEAR	8/31/1998	9/23/1998	11.37%	BULL
7/16/1999	10/15/1999	-12.08%	BEAR	10/8/1998	7/16/1999	47.88%	BULL
3/24/2000	4/14/2000	-11.19%	BEAR	10/15/1999	3/24/2000	22.45%	BULL
9/1/2000	4/4/2001	-27.45%	BEAR	4/14/2000	9/1/2000	12.10%	BULL
5/21/2001	9/21/2001	-26.43%	BEAR	4/4/2001	5/21/2001	19.00%	BULL
1/4/2002	7/23/2002	-31.97%	BEAR	9/21/2001	1/4/2002	21.40%	BULL
8/22/2002	10/9/2002	-19.31%	BEAR	7/23/2002	8/22/2002	20.68%	BULL
11/27/2002	3/11/2003	-14.71%	BEAR	10/9/2002	11/27/2002	20.87%	BULL
10/9/2007	3/10/2008	-18.64%	BEAR	3/11/2003	10/9/2007	95.47%	BULL
5/19/2008	10/10/2008	-36.97%	BEAR	3/10/2008	5/19/2008	12.04%	BULL
10/13/2008	10/27/2008	-15.39%	BEAR	10/10/2008	10/13/2008	11.58%	BULL
11/4/2008	11/20/2008	-25.19%	BEAR	10/27/2008	11/4/2008	18.47%	BULL
1/6/2009	3/9/2009	-27.62%	BEAR	11/20/2008	1/6/2009	24.22%	BULL
4/23/2010	7/2/2010	-15.99%	BEAR	3/9/2009	4/23/2010	79.93%	BULL
4/29/2011	10/3/2011	-19.39%	BEAR	7/2/2010	4/29/2011	33.35%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	10/3/2011	5/21/2015	93.85%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	8/25/2015	11/3/2015	12.97%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/11/2016	1/26/2018	57.07%	BULL
9/20/2018	12/24/2018	-19.78%	BEAR	2/8/2018	9/20/2018	13.55%	BULL
2/19/2020	3/23/2020	-33.92%	BEAR	12/24/2018	2/19/2020	44.02%	BULL
1/3/2022	3/8/2022	-13.05%	BEAR	3/23/2020	1/3/2022	114.38%	BULL
3/29/2022	4/29/2022	-13.86%	BEAR	3/8/2022	3/29/2022	11.05%	BULL
Average Drop		-18.08%		**Average Gain**		41.47%	

SOURCE: Kovitz using data from Bloomberg

Trading has been rocky of late, to say the least, with many stocks enduring their worst performance since the five-week 2020 Bear Market brought on by the COVID-19 Pandemic. While the S&P 500 quickly rallied out of correction territory in March, the index closed on 4.29.22 with a 13.86% decline from the 03.29.22 interim high. Of course, a 10% setback is not unusual, given that we have now had 36 of them since the launch of *The Prudent Speculator* more than 45 years ago. Happily, there have also been 36 advances of 10% or greater, with the average gain during those periods in the green dwarfing the average loss.

Certainly, we understand that days like Friday and months like April are disconcerting, but just as in the prior 35 downturns of 10% or more, our advice for those who share our long-term time horizon continues to be to stay the course, focusing on the long-term potential of our broadly diversified portfolios of what we believe to be undervalued stocks.

THE PRUDENT SPECULATOR

MANAGED ACCOUNT STRATEGIES & BENCHMARKS

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	13.3	11.8	1.0	2.5	2.4
ValuePlus	14.5	12.1	1.4	2.5	2.0
Dividend Income	12.8	11.9	0.9	2.4	2.9
Focused Dividend Income	14.3	12.7	1.1	2.5	2.6
Focused ValuePlus	13.1	12.9	1.3	2.5	2.4
Small-Mid Dividend Value	10.8	10.0	0.6	1.6	2.5
Russell 3000	23.4	19.1	2.4	4.0	1.4
Russell 3000 Growth	32.5	25.9	4.0	10.6	0.8
Russell 3000 Value	18.4	15.2	1.8	2.5	2.1
Russell 1000	22.5	19.0	2.6	4.1	1.4
Russell 1000 Growth	30.6	25.4	4.4	11.5	0.8
Russell 1000 Value	17.9	15.2	1.9	2.5	2.1
S&P 500 Index	22.0	18.8	2.7	4.3	1.4
S&P 500 Growth Index	25.8	22.6	4.8	8.2	0.8
S&P 500 Value Index	19.3	16.2	1.9	2.9	2.1
S&P 500 Pure Value Index	12.1	10.7	0.7	1.4	2.4

As of 04.29.22. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

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That does not mean that our companies can't become even more inexpensively priced in the near term, but it seems that many investors are ignoring the excellent Q1 results turned in by Corporate America and the likelihood that profits will continue to grow nicely over the balance of 2022 and into 2023.

THE PRUDENT SPECULATOR

FANTASTIC EPS SO FAR IN Q1 '22 AND '22/'23 ESTIMATES ARE STRONG

Q1 earnings reporting season has been terrific in terms of the results, even as many stocks sold off sharply on the news. A superb 81.1% of the 275 S&P 500 companies to have announced have beat EPS expectations and an impressive 65.8% 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	$65.41	$248.30
9/30/2023	$63.88	$243.36
6/30/2023	$61.29	$238.60
3/31/2023	$57.72	$233.07
12/31/2022	$60.47	$226.62
9/30/2022	$59.12	$222.88
6/30/2022	$55.76	$215.78
3/31/2022	$51.27	$212.07
ACTUAL		
12/31/2021	$56.73	$208.21
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 4.21.22

We do not think we are Pollyannish in our optimistic view as the jobs picture remains very strong,…

THE PRUDENT SPECULATOR

JOBLESS FILINGS AND CONTINUING CLAIMS NEAR/AT 50+ YEAR LOWS

Coming in near the lowest lowest level since 1969 when the work force was much smaller, new filings for unemployment benefits for the period ended April 23 were a seasonally adjusted 180,000, down from a revised 185,000 the week prior. Continuing claims filed through state programs edged down to 1.41 million, the lowest level since 1970 as businesses continue to hold onto workers with labor so difficult to obtain.

…the housing market is still healthy,…

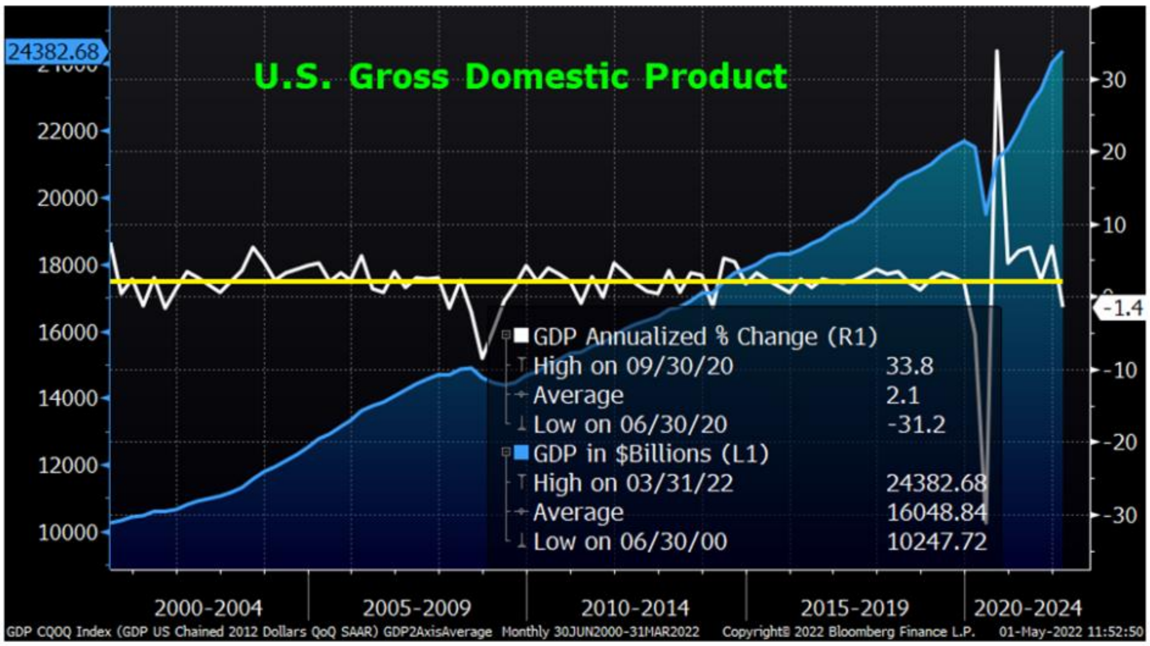
…and the latest numbers on manufacturing and consumer sentiment showed improvement.

To be sure, the naysayers will argue that the economy is weak, pointing to last week's estimate of negative REAL Q1 GDP growth, but they are overlooking the fact that nominal (non-inflation-adjusted) growth was a whopping 6.5% in the period to a record annualized total of $24.4 trillion.

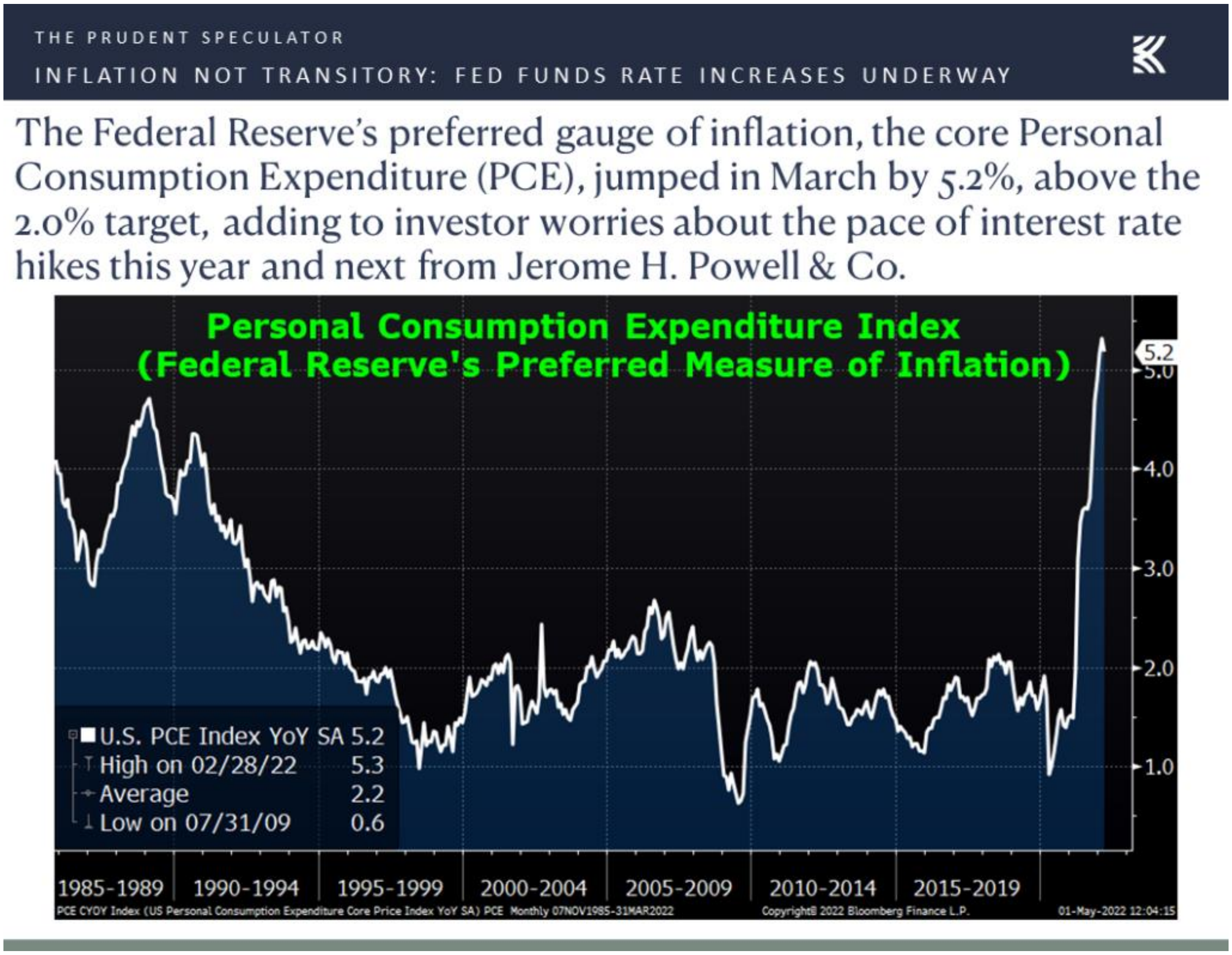
THE PRUDENT SPECULATOR

HUGE 6.5% JUMP IN NOMINAL GDP, BUT REAL GDP CONTRACTS BY 1.4%

First quarter 2022 real (inflation-adjusted) domestic economic growth came in much weaker than expected at a 1.4% contraction on an annualized basis, even as the current-dollar nominal GDP figure of $24.4 trillion soared by 6.5% on an annualized basis to an all-time high.



We respect that inflation accounted for all of the nominal growth and then some,…



…but corporate profits and stock prices (as well as personal bank account balances) are not reported in inflation-adjusted dollars, while stocks, historically speaking, have been a terrific hedge against inflation.

EQUITY RETURNS AND 8%+ INFLATION – VALUE STOCKS THE PLACE TO BE

Inflation Rate >= 8.0% 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	4.2%	2.4%	10.4%	6.0%	25.2%	15.1%
Geometric Average	3.6%	1.8%	8.9%	4.6%	22.3%	12.8%
Median	3.9%	1.7%	6.8%	4.7%	17.8%	12.8%
Max	50.6%	33.2%	82.1%	61.2%	133.3%	64.2%
Min	-19.2%	-27.8%	-26.3%	-36.0%	-20.9%	-30.8%
Count	110	110	110	110	110	110

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

Inflation Rate <8.0% 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	4.2%	3.1%	8.1%	6.2%	16.4%	12.4%
Geometric Average	3.1%	2.5%	6.1%	4.8%	12.2%	9.5%
Median	4.0%	3.5%	8.0%	6.3%	16.5%	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	1022	1022	1019	1019	1013	1013

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

Inflation Rate >= 8.0% 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	4.1%	2.9%	8.9%	6.4%	22.5%	17.0%
Geometric Average	3.6%	2.2%	7.8%	4.6%	21.3%	14.4%
Median	4.7%	2.7%	6.9%	6.4%	22.0%	21.1%
Max	39.8%	33.2%	63.2%	61.2%	60.2%	63.4%
Min	-16.4%	-27.8%	-26.3%	-36.0%	-20.9%	-30.8%
Count	63	63	63	63	63	63

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

Inflation Rate < 8.0% 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%	6.0%	15.7%	12.0%
Geometric Average	3.3%	2.5%	6.7%	5.0%	13.6%	10.1%
Median	4.0%	3.4%	8.0%	6.2%	17.2%	13.0%
Max	37.7%	32.0%	68.3%	49.7%	106.5%	92.6%
Min	-39.5%	-34.9%	-54.2%	-41.8%	-52.2%	-48.0%
Count	711	711	708	708	702	702

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

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History is merely a guide and never the gospel, but even those convinced that Q2 will see the second straight quarter of negative REAL GDP growth that would be needed to officially declare an economic recession should take comfort in what has transpired, on average, before and after the previous 15 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

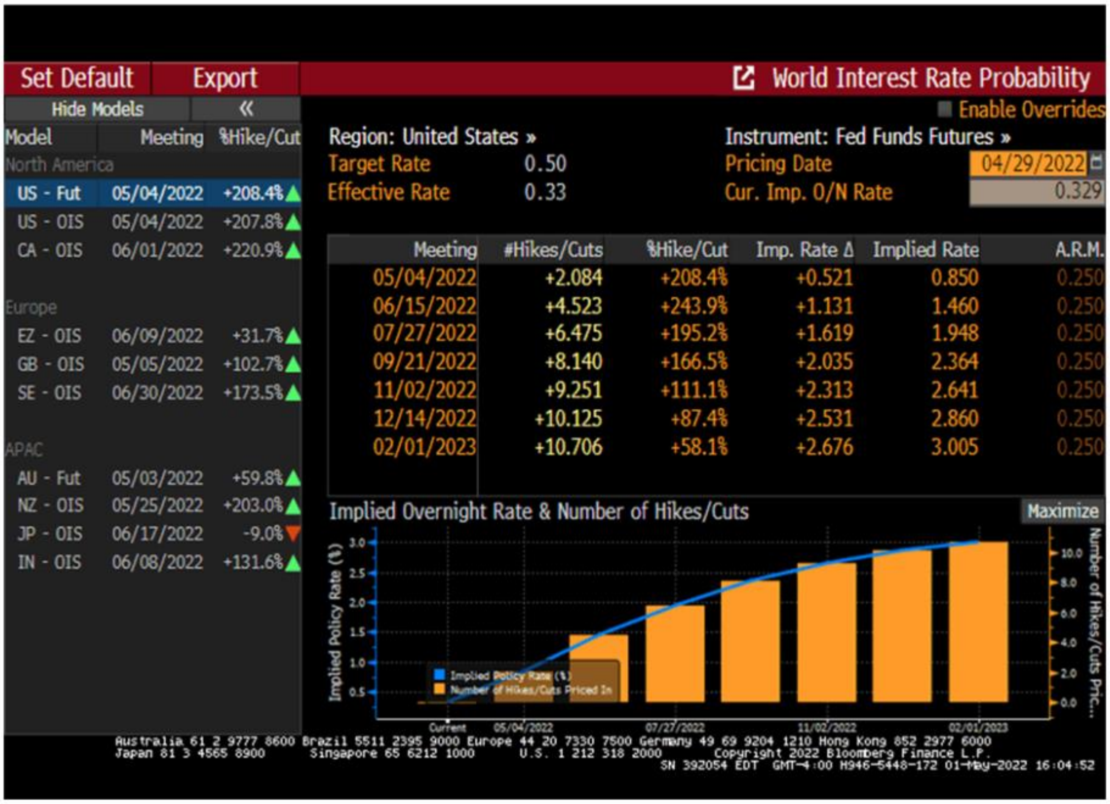
Year Prior S&P 500 TR	Year Prior FF Value TR	Recession Start Date	1 Year S&P 500 TR	1 Year FF Value TR	3 Year S&P 500 TR	3 Year FF Value TR	5 Year S&P 500 TR	5 Year FF Value TR	10 Year S&P 500 TR	10 Year FF Value TR	To Present S&P 500 TR	To Present FF Value TR
51.9%	30.8%	August 1929	-32.6%	-32.0%	-73.5%	-64.9%	-71.1%	-61.4%	-58.0%	-47.7%	303088%	8521082%
18.2%	42.6%	May 1937	-39.3%	-55.8%	-33.2%	-55.1%	-32.5%	-44.3%	53.7%	142.7%	563244%	7959783%
26.3%	54.4%	February 1945	26.0%	42.2%	12.0%	28.5%	64.3%	75.7%	379.2%	468.6%	405944%	3841277%
4.0%	4.6%	November 1948	19.2%	12.4%	101.8%	108.9%	145.2%	130.7%	542.0%	584.7%	329726%	2785777%
3.1%	4.7%	July 1953	31.9%	25.6%	128.9%	118.0%	136.5%	138.2%	308.5%	381.9%	136236%	1168629%
-1.2%	-0.4%	August 1957	10.0%	16.4%	40.2%	55.0%	55.1%	77.9%	188.9%	418.4%	62559%	552669%
-2.4%	-6.4%	April 1960	24.2%	29.0%	41.7%	51.5%	92.4%	131.0%	107.7%	268.9%	47112%	374505%
-8.4%	-20.9%	December 1969	3.9%	8.7%	41.4%	40.3%	-11.3%	-7.3%	77.0%	267.9%	20279%	95184%
-15.2%	-19.4%	November 1973	-23.8%	-14.8%	20.8%	77.1%	23.7%	142.4%	182.3%	719.9%	17132%	82958%
20.6%	31.3%	January 1980	19.5%	12.3%	49.5%	80.4%	102.4%	183.5%	342.4%	480.7%	10740%	23835%
13.0%	22.9%	July 1981	-13.3%	-0.8%	34.0%	78.6%	127.9%	217.1%	343.5%	408.6%	8655%	18731%
6.5%	-6.9%	July 1990	12.7%	9.9%	38.2%	76.0%	83.2%	129.3%	407.4%	424.9%	2125%	3969%
-21.7%	17.0%	March 2001	0.2%	14.6%	1.9%	33.8%	21.4%	83.4%	38.3%	96.0%	436%	562%
5.6%	-2.9%	December 2007	-37.0%	-38.2%	-8.3%	-14.9%	8.6%	0.9%	125.9%	117.4%	277%	238%
8.2%	-9.7%	February 2020	31.3%	38.8%							45%	75%
7.2%	**9.5%**	**Averages**	**2.2%**	**4.6%**	**28.2%**	**43.8%**	**53.3%**	**85.5%**	**217.1%**	**338.1%**	**127173%**	**1695285%**

S&P 500 as of 4.29.22. FF Value as of 3.31.22. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Obviously, nobody knows what the future will bring and Fed Chair Jerome Powell & Co. are set to hike interest rates again this week,…

THE PRUDENT SPECULATOR

FED FUNDS RATE ODDS SUGGEST TEN-PLUS ADDITIONAL RATE HIKES IN '22



…but prior Fed tightening cycles have not been bad, on average, for Value stocks.

THE PRUDENT SPECULATOR

FED TIGHTENING – VALUE & DIVIDEND PAYERS THE PLACE TO BE

Rates Change and Equities Rise

Beginning Rate	Rate Environment	Start Date	End Date	Large Stocks	Small Stocks	Value Stocks	Growth Stocks	Div. Payers	Non-Payers
9.0%	FALLING	01.31.1970	02.29.1972	15.5%	8.0%	18.5%	13.5%	2.3%	15.5%
3.3%	RISING	03.31.1972	07.31.1974	-9.3%	-19.5%	-8.9%	-23.4%	-30.8%	-9.8%
12.9%	FALLING	08.31.1974	01.31.1977	20.2%	40.9%	38.6%	24.7%	31.2%	25.2%
4.6%	RISING	02.28.1977	06.30.1981	12.1%	35.8%	21.0%	21.6%	36.7%	14.7%
19.1%	FALLING	07.31.1981	02.28.1983	14.5%	21.4%	28.6%	13.5%	7.9%	15.5%
8.5%	RISING	03.31.1983	08.31.1984	11.2%	9.1%	18.1%	0.4%	-6.1%	10.1%
11.6%	FALLING	09.30.1984	10.31.1986	25.1%	14.1%	26.4%	18.5%	11.0%	26.1%
5.9%	RISING	11.30.1986	03.31.1989	11.2%	7.3%	12.4%	6.3%	5.6%	10.8%
9.9%	FALLING	04.30.1989	12.31.1992	13.5%	9.2%	12.3%	13.9%	12.0%	13.8%
2.9%	RISING	01.31.1993	04.30.1995	10.4%	12.7%	10.6%	5.2%	10.6%	9.6%
6.1%	FALLING	05.31.1995	01.31.1999	29.4%	14.1%	24.0%	21.3%	28.6%	27.2%
4.6%	RISING	02.28.1999	07.31.2000	12.1%	30.1%	15.2%	26.7%	36.5%	4.4%
6.5%	FALLING	08.31.2000	12.31.2003	-7.5%	10.8%	10.6%	-9.0%	-17.9%	2.9%
1.0%	RISING	01.31.2004	03.31.2007	9.5%	11.1%	15.2%	7.7%	8.6%	10.5%
5.3%	FALLING	04.30.2007	02.28.2014	5.7%	7.3%	4.1%	8.2%	9.9%	5.6%
0.1%	RISING	03.31.2014	04.30.2019	11.6%	5.7%	7.1%	11.9%	13.5%	10.6%
2.4%	FALLING	05.31.2019	09.30.2021	23.3%	19.8%	20.4%	31.5%	33.1%	20.9%
			AVERAGE	**12.3%**	**14.0%**	**16.1%**	**11.3%**	**11.3%**	**12.6%**
			FALLING	**15.5%**	**16.2%**	**20.4%**	**15.1%**	**13.1%**	**17.0%**
			RISING	**8.6%**	**11.5%**	**11.3%**	**7.0%**	**9.3%**	**7.6%**

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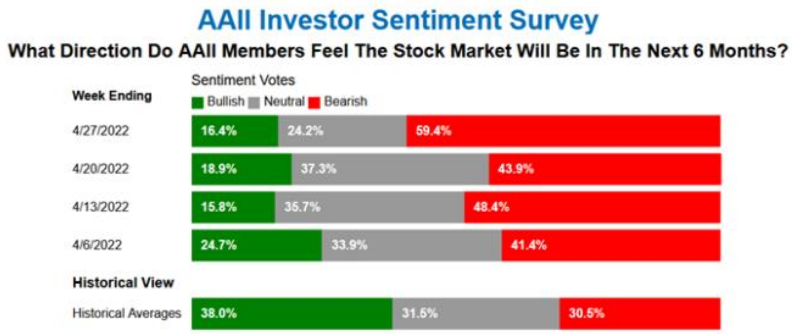
We realize that many say that stock market corrections are healthy…until they are in one, but we think that long-term-oriented investors should remember that it has often paid off handsomely to be greedy when others are fearful!

THE PRUDENT SPECULATOR

MAJOR CONTRARIAN BUY SIGNAL: AAII SENTIMENT EXTREMELY BEARISH

The gauge is widely viewed with a contrarian eye, so the latest AAII Sentiment Survey could be viewed as a major equity market buy signal. There have been only 5 less optimistic Bull-Bear Spread tallies in the 35-year history of the gauge and the ensuing six-month return during those periods for the Russell 3000 Index averaged a whopping 30.5%, well above the 5.9% average for all periods. And there have been only 4 periods with more Bears, with the ensuing six-month return a stellar 25.0%.



The AAII Sentiment Survey Bull-Bear spread plunged to -43.0% in the latest week, with a whopping 59.4% saying they were Bearish.

AAII Bull-Bear Spread & Russell 3000 Forward TR

Date	Spread	1W RET	1M RET	3M RET	6M RET
10/18/1990	-54.0	1.5%	4.5%	10.1%	32.1%
3/5/2009	-51.4	10.3%	24.5%	40.3%	52.7%
10/4/1990	-44.0	-5.5%	-0.5%	4.3%	26.2%
9/20/1990	-43.0	-3.7%	-0.5%	6.9%	21.5%
11/15/1990	-43.0	-0.4%	3.6%	18.4%	20.1%
4/28/2022	-43.0				
5 Period Average		0.4%	6.3%	16.0%	30.5%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Indivdual Investors and Bloomberg

AAII Bears & Russell 3000 Forward TR

Date	Bears	1W RET	1M RET	3M RET	6M RET
3/5/2009	70.3	10.3%	24.5%	40.3%	52.7%
10/18/1990	67.0	1.5%	4.5%	10.1%	32.1%
8/30/1990	61.0	0.5%	-4.4%	1.4%	19.1%
10/9/2008	60.8	4.0%	2.0%	-1.4%	-3.9%
4/28/2022	59.4				
4 Period Average		4.0%	6.7%	12.6%	25.0%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Indivdual Investors and Bloomberg

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 more than a few of our stocks that had news out worthy of mention last week.

Shares of **Meta Platforms** (FB – $200.47) rebounded 9% last week after the world’s largest social network reassured investors that its advertising machine was not dead. In Q1, Meta earned $2.72 per share (vs. $2.56 est.) on $27.9 billion of revenue (6.6% growth year-over-year), which management said was also affected by the war in Ukraine. While a trifecta of headwinds that led to a precipitous drop in the stock in February are still present and have compressed margins near-term, management expects its monetization of short-form video content to improve over time and investments to further develop its AI capabilities are anticipated to partially mitigate the effects of Apple’s iOS privacy updates. Daily and Monthly Active Users across the family of apps grew a respective 1.8% and 1.4% from Q4, while Facebook specific users resumed growth after experiencing the first ever decline in Q4.

FB founder and CEO Mark Zuckerberg offered an update on the firm's current posture, which featured a lightened tone with regard to the near-term intensity of some of Meta's longer-term investments. He said, "Taking a step back, I want to share some thoughts on our business trajectory and operating philosophy. First, I think it's useful to level set on our business trajectory over the last few years. After the start of COVID, the acceleration of e-commerce led to outsized revenue growth, but we're now seeing that trend back off. However, based on the strong revenue growth that we saw in 2021, we kicked off a number of multiyear projects to accelerate some of our longer-term investments, especially in our AI infrastructure, business platform and reality labs. These investments are going to be important for our success and growth over time, so I continue to believe that we should see them through. But with our current business growth levels, we are now planning to slow the pace of some of our investments. I also want to share how I'm thinking about investments and margins. Last year, we began looking at our business as 2 segments: Family of Apps and Reality Labs. On the Family of Apps side, I am confident that we can return to better revenue growth rates over time and sustain high operating margins. In Reality Labs, we are making large investments to deliver the next platform that I believe will be incredibly important, both for our mission and business, comparable and value to the leading mobile platforms today."

Regarding Apple's iOS privacy changes, CFO Dave Wehner stated, "We've expected ongoing privacy headwinds from the iOS changes, and we continue to see them. Those are obviously factored into our Q2 outlook along with the impact on demand that we're seeing from things like the war in Ukraine. More specifically, ATT continues to be a headwind, but we're also seeing incremental headwinds from iOS 15 and other regulatory changes. And again, we factored all of those headwinds into our Q2 outlook. Of course, any outlook on platform headwinds depends in part on the platforms themselves and how they write and enforce their policies. So I'd sort of put that caveat in as well. When you look at what we're doing to mitigate those near term, we're working on improvements to our current solutions and Sheryl talked about some of those like privacy-enhanced technologies. Medium term, we see the opportunity to move clients more towards on-site conversions. We're seeing a lot of success in things like Click-to-Messaging ads, lead gen ads and then more nascent effort in shop ads. And then longer term, we're rebuilding our ads stack to employ more machine learning and AI to be more effective at ads with less data. So we think we've got a response that we're building into the new environment, and we're optimistic about the future."

The aforementioned challenges for Meta are very real, but we think the massive downturn in the stock price YTD more than discounts the bad news. Shares still trade for less than a market multiple, while the balance sheet is pristine with $44 billion in cash and management has been an active repurchaser of the stock (buying $9 billion worth in Q1). The company's transition to the metaverse will likely 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, while significant potential exists, we think, to monetize Family of Apps properties like WhatsApp and Reels. Our Target Price for FB is now $405.

Computing giant **Microsoft** (MSFT – $277.52) reported a strong fiscal Q3 2022. Microsoft earned $2.22 per share in the quarter (vs. $2.19 est.) on revenue of $49.4 billion, versus the $49.0 billion estimate. Microsoft's revenue results beat analyst expectations in all areas. Productivity and Business Processes revenue was $15.78 billion (vs. $15.68 billion est.), Intelligent Cloud revenue was $18.90 billion (vs. $18.77 billion est.) and More Personal Computing revenue was $14.32 billion (vs. $14.07 billion est.). Despite the terrific results, Microsoft's share price has tumbled 17% this year.

MSFT CEO Satya Nadella commented, "Going forward, digital technology will be the key input that powers the world's economic output. Across the tech stack, we are expanding our opportunity and taking share as we help customers differentiate, build resilience and do more with less… we are entering a new era where every company will become a digital company. Our portfolio of durable digital businesses and diverse business models built on a common tech stack position us well to capture the massive opportunities ahead."

Mr. Nadella offered comments on Azure, "We're building a distributed computing fabric across the cloud and the edge to help every organization build, run and manage mission-critical workloads anywhere. This quarter, we helped more customers than ever, simplifying and accelerating their cloud migrations. And it's still early days. We're winning Tier 1 infrastructure workloads. Leaders in every industry from BlackRock to Bridgestone to Lufthansa are all moving mission-critical workloads to Azure. And we are the market leader for customers' SAP workloads in the cloud. Atos, Chevron, Fujitsu and Woolworths all migrated their SAP applications to Azure in recent months. Overall, we are seeing larger, more strategic Azure commitments from industry leaders, including Boeing, Kraft Heinz, U.S. Bank and Westpac, who all chose our cloud to accelerate their digital transformations. The number of $100 million-plus Azure deals more than doubled year-over-year, and we are seeing consumption growth across every industry, customer segment and geography."

CFO Amy Hood said Microsoft expects Q3 Productivity and Business Processes revenue between $16.65 billion and $16.90 billion, Intelligent Cloud revenue between $21.10 billion and $12.35 billion and More Personal Computing revenue between $14.65 billion and $14.95 billion. Ms. Hood added, "We expect to close FY '22, even in a more complex macro environment, with the same consistency we have delivered throughout the year, with strong revenue growth, share gains and improved operating margins as we invest in the areas that are key to sustaining that growth. As we look towards FY '23, our track record of delivering high value to our customers across many diverse and durable growth markets gives us confidence that we will drive continued healthy double-digit revenue and operating income growth."

Microsoft remains one of our largest holdings, a position we are comfortable with at present. We particularly like the rotation to a subscription software model and appreciate that the company has seen tremendous growth in Azure, complemented by growth in the Xbox gaming platform and business-social network LinkedIn. We thought that Azure would pick up clients at a healthy clip, but we were again impressed by the size, scale and caliber of customers using Azure. We think the growth trends are unlikely to slow for the foreseeable future, a result in part of MSFT cementing its position in the tech world during the pandemic. Analysts expect Intelligent Cloud to generate more than $110 billion of revenue in fiscal 2024, compared with $60.1 billion in

2021. Of course, technology changes quickly and Microsoft can't rest on its laurels, but for now, the company's position looks robust. MSFT's dividend yield hovers around 0.9%. Our MSFT Target Price is $379.

Semiconductor designer **Qualcomm** (QCOM – $139.69) earned $3.21 per share in fiscal Q2 2022 (vs. $2.98 est.). QCOM had adjusted sales of $11.2 billion (vs. $10.6 billion est.). Qualcomm's chipset business posted its third straight quarter of record revenue and strength in the QCT (Qualcomm CDMA Technologies) business translated to $9.55 billion of revenue. Management reiterated that Apple order flow will fluctuate with timing of flagship launches, but the company remains focused on Android devices. A solid quarter and a healthy outlook translated to enthusiastic analyst notes and a 5% jump for QCOM shares last week..

CEO Cristiano Amon commented, "Qualcomm is at the intersection of transformative trends that are generating demand for our broad technology portfolio across virtually every industry. This is creating strong growth and diversification opportunities beyond handsets. These trends, which include the enterprise transformation of the home, conversions of mobile and PC, merging of physical and digital spaces, the digital transformation of industries, connectivity and processing at the edge, the automotive digital chassis and 5G have only continued to accelerate. They are driving our financial outperformance in a greater-than 7x addressable market expansion to approximately $700 billion in the next decade."

Mr. Amon continued, "Demand remains strong across all our technologies and continue to exceed supply. We believe our multi-sourcing and capacity expansion initiatives will continue to provide incremental improvements towards supply throughout the year. With our One Technology road map and demand for our products and solutions across virtually all industries, we are in an incredible position to continue providing high-performance, low-power computing on-device intelligence and everything wireless. Our plan remains on track, and I'm very excited for the future of Qualcomm."

CFO Akash Palkhiwala added, "Turning to the third fiscal quarter. We are forecasting revenues of $10.5 billion to $11.3 billion and non-GAAP EPS of $2.75 to $2.95. We estimate QTL revenues of $1.4 billion to $1.6 billion and EBT margins of 69% to 73%. Our guidance contemplates global handset units consistent with the exit rate from the second fiscal quarter and assumes the end of COVID-related impact in China by the end of the quarter. In QCT, we estimate revenues of $9.1 billion to $9.6 billion and EBT margins of 31% to 33%. At the midpoint, this implies year-over-year revenue growth of 44% and EBT dollar growth of $1.2 billion. On a sequential basis, we expect mid-single-digit revenue growth in IoT and automotive and a seasonal reduction in handsets and RF front end. Our strong forecast for QCT is driven by the same factors which benefited our second quarter, including gains in handset premium tier volume, strong demand in IoT and automotive and supply improvements. We anticipate non-GAAP operating expenses to be up 5% to 7% sequentially, reflecting select investments in product road map."

QCOM's management mentioned "supply chain" just once in the quarterly earnings call, making it among those with the fewest complaints (excuses) about the macroeconomic environment. In fact, Mr. Palkhiwala said QCOM expected "strong execution as we manage to supply constraints in the current macroeconomic environment." We were pleased to see QCOM's robust outlook and expect to see continued execution momentum. Shares have slumped more than 23% this year, but we think the prospects for the company are bright, especially as high-quality chips are difficult to find. The valuation metrics are very reasonable, including a forward P/E around 11 and just-hiked dividend yield of 2.1%. Our Target Price has been increased to $231.

Shares **Intel** (INTC -$43.59) sank nearly 7% Friday following the release of Q1 financial results. The stalwart semiconductor manufacturer earned $0.87 per share in the period, ahead of the $0.80 estimate, but a 13% decline in its largest segment (producing over $9 billion of revenue) raised questions about the health of the personal computer market later in the year. Of course, revenue from each of the other segments moved higher compared to the prior year quarter. Intel now expects to earn $3.60 per share in 2022, $0.10 higher than the previous guidance. Also notable is that Intel foundry services hit a $1 billion run rate for the first time.

CEO Pat Gelsinger commented on the state of the chip industry, "I continue to believe we are just at the beginning of a long-term growth cycle across semiconductors. We continue to see some match set limitations in areas like ethernet, some softening in low-end consumer PC and some inventory adjustments, as we discussed on our last call. But overall, the demand signals from customers continue to be robust in areas like enterprise, cloud, AI, graphics and networking. Semiconductors are the fuel of innovation and transformation across a wide range of industries. In the supply chain, lockdowns in Shanghai and the war in Ukraine have demonstrated more than ever that the world needs more resilient and more geographically-balanced semiconductor manufacturing. The chip shortage costs the U.S. economy $240 billion last year and we expect the industry will continue to see challenges until at least 2024 in areas like foundry capacity and tool availability."

Shifting to Intel, Mr. Gelsinger added, "As an [integrated device manufacturer], we believe we are in a good position in the industry to manage through these constraints. In fact, Intel is rising to meet this challenge. Following our announcements in Arizona, New Mexico and Ohio, we recently announced a series of investments in Europe, spanning our existing operations as well as our new investments in France and Germany, the Silicon Junction. These investments position Intel to meet the future growth and represent a significant step toward our moonshot goal of having half the world semiconductor manufacturing located in the U.S. and Europe."

We have not been shy to bemoan Intel's manufacturing difficulties in recent years, while Mr. Gelsinger's plans to revitalize the former industry leader. With lots of spending to develop several manufacturing plants both at home and abroad on the horizon, we reiterate that Intel's bottom-line results are likely to lag competitors for some time. But we continue to like the valuation, as INTC's forward P/E multiple of less than 13 compares favorably against AMD's 21. And while the latter has been the outperformer in recent years, Intel has held up well relative to peers so far in 2022. We like that Intel sports a 3.3% yield, with significant upside potential in the stock and a long-term thesis that INTC will recover. Our Target Price now resides at $66.

Hard-disk-drive maker **Seagate Technology PLC** (STX – $82.04) reported earnings per share of $1.81, versus the $1.89 estimate, in fiscal Q3 2022. STX had sales of $2.8 billion (matching the consensus estimate). STX's 22% year-over-year earnings growth was propelled by solid cloud demand and strong growth trends for mass capacity storage. In the latest quarter, the company spent $417 million to repurchase 4.2 million shares and $154 million on its quarterly dividend, leaving $1.1 billion of cash and $2.8 billion remaining on the existing repurchase program.

STX CEO Dave Mosley commented, “I would like to recognize the growing humanitarian crisis taking place in Ukraine. Our thoughts are with the people impacted by the devastation as we continue to hope for a rapid end to this conflict. As this crisis unfolded, distribution channels across the region were understandably impacted, adding to an already strained global supply chain. Specific to our business, we ceased shipments into Russia and Belarus at the onset of the invasion, which typically represents 1 to 2 percentage points of revenue on a quarterly basis. We expect these impacts to persist at least through the fiscal year.”

Mr. Mosley continued, “Looking ahead, Seagate remains well positioned to achieve our long-term financial and business goals. We are focused on driving profitability towards the upper half of our long-term margin ranges over the next few quarters. At the same time, we expect to extend our track record of strong cash flow generation while executing our product and technology road map that collectively puts us on the right path to capture mass capacity storage opportunities and enhance value for all of our key stakeholders. We are taking aggressive actions that span cost management, pricing strategy and operational efficiencies that target margin expansion and further strengthen our competitive position.”

CFO Gianluca Romano added, “While the March quarter was very challenging, we delivered top- and bottom-line results which were within our original guidance range with agile operational execution and ongoing focus on optimizing profitability and free cash flow generation. Entering the June quarter, the operating environment has remained challenging. We have not yet seen an improvement relative to COVID shutdowns in China that we anticipated in early March, and non-HDD component shortages and geopolitical dynamics have intensified. As a result, we expect these external factors to constrain demand growth over the near term. With that in mind, we expect June quarter revenue to be in the range of $2.8 billion plus or minus $150 million. We expect the actions that we are taking to mitigate external challenges combined with a more favorable product mix to support June quarter non-GAAP operating margin at the low end of our revised long-term range of 18% to 22% of revenue. Finally, we expect non-GAAP EPS to be in the range of $1.90 plus or minus $0.20, an increase of 5% sequentially at the midpoint.”

Seagate shares have dropped by 27% this year, a casualty of the broader tech exposure unwinding. Yes, there are some challenges on the horizon and, worse for Wall Street, uncertainty regarding the persistence of high inflation. The sell-off made STX fundamentals even more attractive, including a single-digit forward P/E, plus solid 3.5% dividend yield. 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. Our Target Price is $128.

Network hardware provider **Juniper Networks** (JNPR – $31.52) earned $0.31 per share in fiscal Q1 2022 (vs. $0.32 est.). JNPR's revenue grew 9% year-over-year to $1.17 billion (vs. $1.16 billion est.), while the adjusted operating margin of 11.8% came in behind the 12.2% expectation.

CEO Rami Rahim said, "Our teams continue to execute extremely well and are focused on delivering solutions that simplify the life of network operators and delight network users, what we call experience-first networking continues to resonate across each of the markets we serve. This is evident in our Q1 results, which not only benefited from a fourth consecutive quarter of double-digit year-over-year growth in cloud, but also an exceptional performance by our enterprise business, which saw revenue grow nearly 20% year-over-year. This enterprise performance is particularly noteworthy as it was the first quarter in Juniper's history that Enterprise was the company's largest customer vertical. Cloud and enterprise strength more than offset a modest decline in our service provider vertical, which was due entirely to the timing of shipments as a result of supply chain challenges. Demand remained strong in the March quarter with orders estimated to have seen double-digit year-over-year growth when adjusted to account for certain large customers placing orders ahead of their normal order rate to account for extended lead times."

CFO Ken Miller added, "We expect second quarter revenue of $1.255 billion, plus or minus $50 million, which is growth of 7% year-over-year. We continue to experience significant supply chain-related headwinds associated with elevated component, freight and logistics costs which are expected to continue throughout the year. We also expect to see a decrease in service margin on a sequential basis. Therefore, we expect second quarter non-GAAP gross margin of approximately 58%, plus or minus 8%, which is up sequentially at the midpoint. Our non-GAAP earnings per share is expected to be approximately $0.45, plus or minus $0.05, assuming a share count of approximately 330 million shares."

Mr. Miller continued, "Turning to our expectation for the full year 2022. I'd like to point out that we do not expect this ongoing [Russo-Ukrainian War] to have a material impact on our business. Given the strong order momentum and current backlog, we continue to expect 7% to 9% revenue growth for the full year. This assumes the supply chain environment remains constrained throughout the year, similar to current levels and does not further deteriorate. We expect revenue to grow sequentially through the remainder of the year. We expect supply chain constraints to be particularly tight during the second quarter and remain challenged throughout the year. We also anticipate backlog to remain at elevated levels throughout the course of the year."

JNPR repurchased $112 million worth of shares last quarter and paid $68 million of dividends to shareholders. Juniper's outlook was weaker than we might have hoped, sending shares down 10% last week. Supply chain issues continue to be the pinch point for JNPR, having been mentioned in some form 15 times in the quarterly analyst call. Management believes, as do we, that JNPR's business is well-positioned for the longer term. JNPR trades with a forward P/E less than 16 and yields a solid 2.7%. Our Target Price for JNPR is now $39.

Shares of **Amgen** (AMGN – $233.19) fell 7% last week on news that the firm received a notice of deficiency from the IRS for the 2013-2015 period proposing adjustments primarily related to the allocation of profits between certain of the company's entities in the U.S. and Puerto Rico similar to those previously proposed by the IRS for the 2010-2012 period. The firm says the IRS seeks to collect approximately $5.1 billion of additional tax for the 2013-2015 period plus interest, along with a penalty of approximately $2 billion.

The biotech giant also announced that it earned $4.25 per share (versus the $4.10 estimate) in Q1, a 15% improvement year-over year. A 2% improvement for global product sales versus the same quarter a year ago pushed overall sales higher by 6%. Sales of the firm's leading drug Enbrel continued their slide, falling 7% year-over-year, mostly a result of lower selling prices as volume remained flat. A number of products including Repatha® (evolocumab), Prolia® (denosumab) and Evenity® (romosozumab) grew product volumes by double-digit rates.

CFO Peter Griffith had the following to say regarding the tax matter, "We firmly believe that the adjustments proposed by the IRS for that time period and the penalties proposed by the IRS for the 2013 to 2015 period are without merit. Further, the amount of the adjustments proposed by the IRS for 2010 to 2015 period overstates by billions of dollars the magnitude of the dispute. We filed a petition in the U.S. Tax Court in July 2021 to contest the adjustments previously proposed for the 2010 to 2012 period. And we plan to file another petition in the U.S. Tax Court to contest the adjustments proposed in the notice for the 2013 to 2015 period. The dispute is expected to take several years to resolve. Amgen believes the IRS assertion of approximately $2 billion in penalties for the 2013 to 2015 period is wholly unwarranted. We've applied a consistent transfer pricing methodology since 2002. We've documented that transfer pricing methodology is required under relevant tax regulations and have extensively discussed that methodology with the IRS across multiple tax audits over multiple tax years."

He added, "The IRS has never previously proposed transfer pricing penalties. Amgen also believes, based upon the positions advanced by the IRS, that the IRS adjustments for the 2010 to 2015 period are overstated by approximately $2 billion due to the IRS failure to account for certain income and expenses. Amgen has reported its income and expenses in a consistent manner for many years, and the IRS has appropriately accounted for the company's income and expenses in all prior audits. Any additional tax that could be imposed for the 2010 to 2015 period would be reduced by up to approximately $3.1 billion of repatriation tax previously accrued with respect to the company's Puerto Rico earnings. Amgen previously made advanced tax deposits to the IRS totaling $1.1 billion for the 2010 to 2015 period. These deposits would further reduce any additional cash tax that could be imposed. The IRS is currently auditing the 2016 to 2018 period

Management is sticking with the revenue and earnings estimates it gave in January for 2022, anticipating a range of $25.4 billion to $26.5 billion for the former and between $17 to $18 per share for the latter, as volume growth is expected to offset price headwinds. Further out, biosimilar launches, an innovative and longer-range biosimilar pipeline, and sales from new products are expected to more than offset the impact of future competition for denosumab (Prolia/Xgeva), Otezla and Enbrel to achieve mid-single-digit revenue growth and high single-digit to low double-digit EPS growth from 2022 to 2030. Management had previously stated a goal of paying out greater than 60% of non-GAAP net income on average through 2030, but we expect this could be affected considering the path of future developments in the tax case.

Despite the litany of patent protections for Amgen's Enbrel, we expect lawsuits and competition to heat up in 2023 (when competitor Humira loses exclusivity) with 6 biosimilar alternatives now cleared by the FDA. Nevertheless, the firm's sound balance sheet and significant cash flow generation allow it to invest in defending its position through R&D and via acquisitions. Shares change hands at a very reasonable forward P/E multiple of 13. With the dividend increased 10% last December, the yield is now at 3.3%. Noting our view of the company's strong pipeline of new therapeutics, our Target Price for AMGN has been pared to $298.

Industrial conglomerate **3M** (MMM – $144.22) earned an adjusted $2.65 per share in Q1, beating the $2.31 expected by the Street, on $8.8 billion of net sales. Despite the seemingly good bottom line, EBITDA margins declined across segments, resulting in a cumulative contraction of 270 basis points.

Management now expects full-year 2022 adjusted earnings in the range of $10.75 to $11.25 per share, although this excludes a $0.26 charge for PFAS at a plant in Belgium and charges related to earplug litigation. The company also intends to generate between $7 billion and $8 billion of operating cash flow for all of 2022, supporting another $400 million of anticipated share repurchases throughout the remainder of the year. MMM continues to look for ways to monetize various divisions within its healthcare division and is on track to close the sale of its safety portfolio to Neogen in Q3, with a rumor in circulation that the firm might also shed the Healthcare IT business.

CEO Mike Roman commented, "All of our businesses started the year with good performance. End market demand was strong in Safety and Industrial, partially offset by a decline in disposable respirators. In Transportation and Electronics, our automotive business continued to outperform build rates despite the impact of semiconductor shortages. Health Care performed well with 5% growth and Consumer grew 3% in addition to 9% growth last year. To position us for long-term growth, we continue to prioritize investments in high-growth opportunities across our businesses, commercial opportunities that are sizable and significant. For example, our automotive electrification platform grew 20% organically on the strength of new innovations on top of 30% growth in 2021. In Health Care, our biopharma business posted 15% organic growth as 3M Science advances the development and manufacturing of new therapeutics and vaccines. To support growing demand for our biopharma solutions, we are investing $35 million to double capacity at our plant in Columbia, Missouri."

He added, "Like many other global companies, we are actively managing through the conflict in Ukraine. Our focus remains on ensuring the safety of 3Mers in harm's way. I am proud how 3M has stepped up to help from donating nearly $4 million to employees welcoming refugees into their homes. We stand with our Ukrainian colleagues and have suspended operations in Russia. Given what we are seeing around the world, we expect supply chain challenges to persist for the foreseeable future. Our balance sheet remains strong, allowing us to invest in the business while returning $1.6 billion in the quarter to our shareholders through both dividends and share repurchases. We increased our dividend in the first quarter, marking our 64th consecutive year of increases. With respect to litigation, we are vigorously defending ourselves in Combat Arms bellwether cases. We are pleased that a jury cited with 3M in the most recent bellwether trial earlier this month, which was a plaintiff's counsel pick. To date, we have won 6 and lost 8 trials and have appealed or will appeal all adverse verdicts. Eight bellwethers were also dismissed by plaintiffs before they went to trial."

A beneficiary of demand from COVID over the past 2 years, attention has moved back to reorganization and liability from various litigation as shares are back below their pre-pandemic levels. Despite the issues hanging over the stock, we find the forward P/E multiple attractive at less than 14 for exposure to a blue-chip stock that has increased its dividend for 64 consecutive years (the yield is north of 4%). Our Target Price has been trimmed to $222.

Shares of **Archer Daniels Midland** (ADM – $89.56) remain a bright spot for our portfolios following another strong quarterly financial release. The agricultural giant earned an adjusted $1.90 per share in Q1, more than double the 2021 figure and 35% above analyst expectations. Operating profit swelled 30% year-over-year, boosted by a strong quarter for refining, which contributed over a quarter of overall profit growth.

CEO Juan Luciano commented, "I'm very proud of how our team lived our culture and fulfilled our purpose over the last quarter, as they continued to serve the world's need for nutrition in a dynamic global environment. Our first quarter financial results… reflect an extension and amplification of the factors that drove our 2021 performance: great execution by our team, including exceptional growth in Nutrition and effective risk management; a tighter supply environment, especially with the smaller South American crop; and robust and resilient demand. Importantly, I'm also very appreciative of how our company has rallied to support our colleagues in Ukraine and the country's agriculture industry."

Mr. Luciano added, "Looking forward, we expect reduced crop supplies — caused by the weak Canadian canola crop, the short South American crops, and now the disruptions in the Black Sea region — to drive continued tightness in global grain markets for the next few years. Longer term, markets continue to reflect the importance of the enduring global trends that are fueling performance across our portfolio by driving demand for our products. And within ADM, our productivity and innovation efforts are continuing to help us deliver on the evolving needs of our customers. Considering these factors, we expect 2022 results to exceed 2021's."

Often subject to volatile swings in commodity markets, we acknowledge that the wind may not always be at ADM's back. For the time being, however, we appreciate the tightness that broadly characterizes global ag markets and expect this to persist throughout 2022. Happily, our patience in sticking with the stock through lean periods has been paying off, even as the valuation is still not far from the long-run average (around 15 times NTM EPS estimates). While the stock is up 32% this year, making it a tempting swap candidate, given that many other names are down considerably, we are content to hold our current shares for the time being. With a dividend yield of 1.8%, our Target Price for ADM has been inched up to $102.

Environmental and waste services firm **Waste Management** (WM – $164.44) reported Q1 EPS of $1.29, versus the $1.14 consensus analyst estimate. During the three-month period, WM generated $4.66 billion of revenue, topping investor forecasts of $4.45 billion. WM CEO Jim Fish commented, "We delivered exceptional core price and yield results, grew profitable volumes and managed our costs. The result was double-digit growth in revenue, operating

EBITDA and cash from operations. In fact, our cash from operations was the highest we've ever generated in a quarter, allowing us to return $0.5 billion of cash to our shareholders. Our operating EBITDA margin of 27.6% was ahead of our plan, even in the face of record inflation and the delayed approval of the alternative fuel tax credits."

Mr. Fish concluded, "While we use automation and data to our advantage, we will invest in training and upskilling of our existing employees to ready them for higher-skilled future roles. To sum it up, we've set the bar high in our first quarter with our results, and we're confident in our ability to deliver strong performance throughout the remainder of 2022. I want to thank the entire WM team for their hard work and dedication. I know that they continue to work to deliver on our commitment to our customers, our communities and our shareholders. And we very much appreciate that."

We held WM in client accounts (and in the newsletter portfolios) between 2008 and 2016, and we lamented selling it. When the stock plunged in the first inning of the pandemic, we were thrilled to repurchase our shares around $92. WM has not disappointed since. Despite being a low-beta trash hauler, shares have actually outperformed the S&P 500 over our holding period. While the multiples are getting much more expensive (29x NTM P/E, for example), we are not yet excited about letting go of our shares and the yield has just been increased to 1.6%. Of course, every stock is fighting for its place in our portfolios, and though we like our exposure to the garbage hauling business for the long run, our Target Price of an upwardly revised $182 is not that far above the current market price.

Shares of **Whirlpool** (WHR – $181.52) closed the week more than 4% higher on the back of a solid earnings figure, given rising cost inflation, supply chain disruption and higher levels of volatility. The appliance maker earned $5.31 per share in Q1, down $1.89 from the record first quarter last year, but up by 86% against 2020 and up 70% against 2019. Price/mix delivered 600 basis points of margin expansion, offset by 250 basis points from higher logistics and energy costs, in addition to raw material inflation which negatively impacted margin by 700 basis points.

CEO Marc Bitzer stated, "This was among the top 10 strongest quarter in the history of our company despite the many external factors that we had to grapple with. We also obviously faced a very tough comparison period from record growth seen last year. Relative to our performance in 2020, however, we saw a very robust growth. Thanks to the relentless effort of our entire organization, the business remains stronger than where it stood pre-pandemic. Our management team and I have also placed significant emphasis on improving operating margins over the last few years and we remain committed to sustaining the structurally higher put levels for the future. To emphasize, we are structurally stronger Whirlpool [than] just a few years ago, and this quarter is another reflection of our ability to perform well even in a tough macroeconomic environment. I'm very confident in the strong fundamentals of the underlying business, and my belief in the go-forward growth remains undented."

COO Joseph Liotine offered color on the North America segment, "Demand remains at sustained strong levels and all indicators point to multiyear growth beyond these levels. Historical growth of approximately 2.5% alone indicate that the industry has yet to fully recover from the great financial crisis with well over 5 million units needed to catch up. This is, in large part, due to the fact that housing remained well below historical and structurally needed levels for over a decade. This is still the case today, which we are seeing play out with housing demand that is constrained by supply. Next, add the expectation of strong replacement cycles as we compare against a period 10 years ago, when the industry grew at approximately 4%. Then combine this with consumers' higher usage of appliances, which has remained elevated well after consumers have emerged from COVID lockdowns. We see demand as even further room to grow. In summary, we remain unwavering in our confidence in multiyear demand expansion in North America. We remain equally confident in the strength of our business and its strong brands that serve the needs of millions of consumers daily."

Incorporating updated inflation expectations in its guidance, Whirlpool now expects 2% to 3% revenue growth and full-year EPS in the range of $24.00 to $26.00, though the new figures were down from the prior projection.

Management also noted an ongoing review of the overall portfolio with the enduring goal to transform the company into a high-growth and high-margin business. To that end, it called particular attention to a strategic review of the EMEA business, which is apparently ripe for further strategic action given the turnaround and operational improvement within the segment since the pandemic begin. Management was somewhat vague regarding which direction the review might take, so we are in "wait and see" mode for further insight.

While we appreciate Whirlpool's position as the top major appliance manufacturer in the world, we think the shifted focus on North America makes sense as worldwide commerce moves to deglobalize. Having owned the stock for some time now, supply chain headwinds are nothing new as it seems like just yesterday the firm was facing input cost issues due to the fallout from the previous administration's trade war.

Management repurchased $533 million of shares in Q1, which leaves $2.9 billion (over a quarter of the current market cap) left on the authorization after the latest $2 billion update by the Board. As such, we find shares remarkably inexpensive, trading at a forward P/E multiple of 7 with a 3.9% dividend yield to boot. Our Target Price for WHR is now $312.

Shares of **Capital One** (COF – $124.62) dropped almost 8% last week after the company released Q1 financial results, despite the bottom-line topping the Street's consensus estimate. The digital-focused credit-card financial giant earned $5.62 in the quarter as pre-provision earnings grew 7.4% to $3.6 billion in the quarter. Of course, marketing spend remains elevated at 81% above the spend from a year ago, although it has been reined in since Q4. Credit costs crept modestly higher on a sequential basis but remain lower year-over-year and are well-below norms with net charge-offs just 1.11% of loans.

CEO Dick Fairbank stated, "Looking across the whole company, our digital transformation is generating new business opportunities like Capital One Shopping in our card business and Auto Navigator in our auto business. And modern technology infrastructure and capabilities are driving our digital-first national direct banking strategy in Consumer Banking. We're marketing to continue to propel these growing digital businesses. Our marketing is paying off across these opportunities. We posted very strong growth in Domestic Card purchase volume, new accounts and loans. We're gaining share and building a long-term franchise with heavy spenders. And away from the card business, we're growing auto originations and deepening dealer relationships with Auto Navigator, and our national direct banking business is winning with customers and driving growth."

CFO Andrew Young added, "We repurchased $2.4 billion of common stock as part of the $5 billion share authorization that our Board approved in January." In addition, the Board of Directors also approved the authorization of up to an additional $5 billion of common stock repurchases earlier in April that will be available starting in Q3.

Sliding over 20% since we cashed in some of our COF chips a year ago, we think the multiple of book value under 1.0 and forward P/E ratio of 6.3 represents a solid buying opportunity for those that don't own or are underweight the name. We have long been a proponent of Capital One's preference to rely on technology over a large physical presence even as the company is weighted toward higher risk lending in the credit card and auto spheres. Of course, the elevated marketing spend stands out versus other major financials, but COF's digital focus has historically allowed it to spend more on advertising than on traditional overhead. While we know consumer credit will normalize higher over time, we appreciate management acting to acquire customers while the iron is hot, and rates move in their favor. Our Target Price for COF is now $194.

European health-focused conglomerate **Koninklijke Philips NV** (PHG – $25.78) earned $0.17 per share in Q1, half of the figure from a year ago, and 20% under the consensus analyst estimate. Comparable revenue, which the firm reports gross of currency or M&A effects, declined by 3.8%, which management attributes mostly to consequences of Respironics recalls and supply chain headwinds. The declines were broad across Philips' geographic footprint, with Personal Health the lone operating segment of three to post revenue growth.

CEO Francois van Houten stated, "We continue to face severe supply chain disruptions across our businesses primarily related to the shortage of electronic components, increased shipping times and now, again, COVID affecting suppliers. We expect these headwinds to continue in the coming quarters, but we are taking decisive actions with daily management to mitigate the impact. We had already expanded the long-term orders with our suppliers and increased spot buying. Our R&D teams are adjusting product designs to diversify sourcing of components. Moreover, we are calling on suppliers and governments at senior levels to prioritize health care products in the supply of components. While we see some positive effects of these actions, visibility in component availability remains poor due to lack of visibility from suppliers, which makes difficult to forecast accurately."

Regarding the Respironics recall, he added, "We are deeply committed to supporting the community of patients who rely on our sleep and respiratory care solutions and the physicians and customers who are dedicated to meeting patient needs. The repair and replacement program is underway globally, and we have produced more than 2.2 million repair kits and replacement devices to date. We have increased our weekly production output more than threefold over recent months and are accelerating further despite the global supply chain challenges. We recorded a EUR 65 million increase in the field action provision in the quarter, which is mainly related to a higher expected volume of devices eligible for remediation and higher communication costs. Around mid-February, when there was extensive communication around the recall, there was an increase in the number of daily registrations, which has subsequently reduced. This increase in registrations led us to revise the U.S. regression model based on which we now anticipate an additional 300,000 units which will need to be remediated. Given the increased number of devices, we now expect to complete over 90% of the production and shipment to customers in 2022. Additionally, a further EUR 100 million provision was recorded for potentially higher cost of execution, such as inflationary pressures, and to ensure the speed of the program in a volatile environment as we strive to get a solution to patients as fast as possible."

The myriad of issues facing the firm are undoubtedly concerning, but we're of mind that a more than 50% drawdown in the stock since this time a year ago has priced in a lot of the bad news, while we continue to appreciate the oligopolistic nature of most of the firm's end markets. Philips isn't alone in its battle with inflation and supply constraints, but a growing order book indicates that demand persists for the company's products. The potential liability from ongoing litigation is unknown, but Philips is taking steps to make good with owners of its ventilator products. Moreover, the latest publicly available data on the issue appear reassuring, while PHG and its competitors have warned that the use of ozone cleaning methods will void warranty and may contribute to decomposition of the foam. Early still in our period of ownership, we await greener pastures in the coming years. Shares offer an attractive dividend yield of 3.2% and our Target Price has been shaved to $45.

Shares of **Merck & Co.** (MRK – $88.69) rose nearly 5% last week after the drug giant reported Q1 results. Merck earned $2.14 per share in the quarter, $0.31 above the consensus analyst estimate, as revenue grew 50% year-over-year to $15.9 billion, boosted by shares of oral COVID treatment Lagevrio. Apart from Lagevrio, sales grew 19% versus a year ago. Nearly half of sales are from leading drug Keytruda, HPV vaccine Gardisil and the Animal Health suite of products, which grew 27%, 60% and 9%, respectively. The solid performance led management to raise its full-year sales and adjusted-earnings guidance compared to what it gave last quarter. The company now expects between $56.9 billion and $58.1 billion of sales, and between $7.24 and $7.36 of adjusted earnings per share, up from sales between $56.1 billion and $57.6 billion and earnings per share between $7.12 and $7.27.

CEO Robert Davis stated, "We've had a strong start to 2022, achieving very strong top and bottom line growth. Commercially, we continue to execute well across a broad set of key growth drivers most notably, Keytruda, Gardisil and Animal Health. Our performance reflects robust underlying demand for our de-risked innovative portfolio and reinforces the importance of our science-led strategy. On Lagevrio, we've accelerated broad global access, and it's now established as an important tool for patients and health care providers to address the ongoing pandemic. Since receiving emergency use authorization in December, we've delivered approximately 6.4 million courses to more than 30 countries. The success we are achieving is reflected in our updated 2022 guidance, which demonstrates our expectation for another year of strong growth and overall business momentum. Our oncology business is benefiting from the continued rollout of new and important indications, including in earlier lines of therapy. Global demand for Gardisil remains strong and growth will benefit from increased supply as a result of the significant investments we are making to expand manufacturing capacity, and our Animal

Health business remains positioned to grow at above-market rates. Longer term, we remain confident in our ability to deliver strong revenue growth and operating margin expansion through 2025. We're preparing for the post-Keytruda LOE period by continuing to strengthen the levers we have and building upon them in order to deliver long-term growth."

He added, "Beyond our existing portfolio, business development remains a key priority. We remain highly focused in our pursuit of the best external innovation and will be appropriately aggressive when great science and value align. We have a strong track record of business development, but we know we need to do more. And we believe we are well positioned to quickly deploy capital towards the right strategic assets as they present themselves. And finally, we'll continue to advance our broad pipeline across key therapeutic areas in order to deliver medically important innovations to patients."

Merck has had several major successes with Keytruda, Lagevrio, Gardasil and Januvia on pace to each gross well over $3 billion in 2022 (the first 2 clearing that hurdle in a single quarter). With a deep pipeline and room to add to existing franchises, we think MRK offers significant growth at a very reasonable valuation, while shareholders are rewarded with a big 3.1% yield. Despite the rally of late, MRK still trades well below its historical P/E multiple relative to the market. The company boasts a history of returning cash to shareholders, a diversified revenue stream and solid free-cash-flow generation. Our Target Price has been bumped up to $114.

Shares of **Caterpillar** (CAT – $210.54) ended last week down 3%, despite the constriction equipment giant's posting of solid Q1 results. CAT delivered adjusted EPS of $2.88, versus the consensus forecast of $2.61, on revenue of $12.89 billion (slightly outpacing expectations of $12.79 billion). Despite the better-than-expected results, investors seemingly were concerned by continued supply chain constraints, increased input costs and its China business, due to current COVID lockdowns and restrictions.

CAT's construction segment performed well in the quarter, up 12% year on year, thanks to stronger pricing and volume. However, operating margin came in at 17.3%, down about 170 basis points from the first quarter of 2021. While supply headwinds present near-term challenges, we continue to think that CAT has a strong ability to offset rising costs, thanks to its pricing power. We believe that customers are willing to pay higher prices for machinery that is high quality and exceptionally durable. Dealer inventories improved in the quarter, increasing $1.3 billion from the fourth quarter of 2021. We still think dealer inventories will remain towards historically low levels for the next few quarters, given the current supply chain crunch. However, as supply pressures ease throughout the year, Caterpillar's dealers should start to restock in anticipation of increased infrastructure-related spend in the U.S.

"I'm proud of our global team's performance as they achieved double-digit sales growth despite ongoing supply chain challenges. We remain focused on supporting our customers and executing our strategy for long-term profitable growth," said CEO Jim Umpleby. "Our strong balance sheet allowed us to repurchase shares and pay dividends totaling $1.4 billion in the quarter."

Strong demand across most of its markets, enhanced by higher commodity prices and an extended backlog has us believing that CAT is poised to enjoy strong earnings growth over the next couple of years. Mix in increased service revenue and long-term structural cost reductions with a quite reasonable valuation and 2.1% dividend yield, and we think CAT should still be a core industrial holding in broadly diversified Value oriented investment portfolios. Our Target Price has been lifted to $286.

One of only a handful of stocks in the green on Friday, shares of **Celanese** (CE – $146.94) were up 2.8% on the release of Q1 financial results. The specialty chemical producer earned a record $5.54 per share (versus $4.51 est.) as revenue grew 42% year-over-year to $2.5 billion (also a record). CE's global reach allowed it to move Acetyl Chain volume from lower prices in the eastern hemisphere to higher prices in the west mid-quarter. Volumes improved 8% in the segment from Q4, while Engineered Materials volumes jumped 23% even with a price hike of 7%. Celanese intends to price its debt to fund the purchase of Dupont's mobility and materials portfolio around mid-year, though it may need less than originally planned given the robust cash flow generated from a string a solid quarters.

CEO Lori Ryerkerk stated, "I thank our teams for delivering record adjusted earnings per share in the first quarter, exceeding our prior record by 10 percent, and for establishing tremendous momentum at the start of 2022. We are squarely focused on continuing this momentum in our business performance and preparing ourselves for the close of the M&M acquisition which will usher in the next phase of shareholder value creation at Celanese."

Ms. Ryerkerk added, "Our team continues to demonstrate the capability of our Engineered Materials and Acetyl Chain business models to deliver robust performance despite persistent cost inflation and various external disruptions to our supply chain. We have successfully mitigated the vast majority of these disruptions, we are closely monitoring developing challenges including COVID-19 lockdowns across China and worsening reliability of global maritime logistics. As pricing in upstream products within the Acetyl Chain continues to moderate, we expect that strength in downstream Acetyl Chain products as well as continued robust performance in Engineered Materials will drive second quarter adjusted earnings of approximately $4.50 per share. With this strong start to the year, we now expect 2022 adjusted earnings per share to approach our 2021 adjusted earnings per share performance."

Celanese has typically enjoyed a cost advantage in many of its markets and has been able to push through regular price increases. A 15% slide since mid-January puts shares at 10 times NTM adjusted EPS expectations, which we find attractive for the high-quality chemical producer. The dividend yield now stands at 1.9%. We continue to like the company's exposure to secular growth markets like electric vehicles and 5G through its Engineered Materials segment and think it is positioned to win from customer sustainability efforts. Our Target Price for CE has been boosted to $221.