

Market Commentary Monday, July 4, 2022

July 4, 2022

EXECUTIVE SUMMARY

Week – Downturn Resumes

Sentiment – Folks are Very Scared; Data Does Not Presently Support the Current Level of Pessimism

Econ Data – Not all Numbers are Recessionary

GDP – Odds of a Real Contraction Elevated, but Strong Nominal Growth Still very Likely This Year

Fed – Core PCE Inflation Moderates

Corporate Profits – Solid EPS Growth Still the Forecast

Value vs. Growth – Inexpensive Stocks Much More Reasonably Priced Relative to Historical Levels

Stock News – Updates on KSS, GM, AYI & MU

Market Review

On Saturday evening, we sent out the July edition of *The Prudent Speculator*, in which we offered two first-time recommendations, illustrating that we think long-term-oriented investors should continue to be greedy when others are fearful.



BUSINESS & FINANCE

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S&P 400:01 ▼ 0.39% S&P 500 ▼ 0.28% S&P IT ▼ 0.91% DOW JONES ▼ 0.84% WSJ \$IDX ▼ 0.18% 2-YR. TREAS. yield 2.568% NIKKEI (Midday) 26601.03 ▲ 0.20% See more at WSJ.com/Markets

Buffett Buys Stocks as Markets Fall

By AKANE OTANI

The stock market's selloff has been bad news for most investors.

Not for Warren Buffett and his team.

Mr. Buffett's Berkshire Hathaway Inc. has used the slump as an opportunity to increase spending on stocks, deploying tens of billions of dollars the past couple of months after ending 2021 with a near-record cash pile.

The Omaha, Neb., company bought 901,768 shares of Occidental Petroleum Corp. last week, according to a regulatory filing. The move makes Occidental, in which Berkshire began buying shares in late February, one of its 10 biggest holdings.

In the past few months, Berkshire has also boosted its stake in Chevron Corp., placed a merger-arbitrage bet on Activision Blizzard Inc. bought shares of HP Inc., Citigroup Inc. and Ally Financial Inc., and continued adding to its position in Apple Inc., which remained its biggest stockholding.

Meanwhile, it exited from its position in Wells Fargo & Co., formerly one of its top stock holdings and a part of the Berkshire portfolio since 1989.

Investors got a look at what Berkshire has been buying and selling when it filed what is known as Form 13-F with the Securities and Exchange Commission on Monday. The SEC requires all institutional investors that manage more than \$100 million to file the form within 45 days of the end of each quarter. Because institutions must disclose their equity holdings on the form, as well as the size and market value of each position, investors often use 13-Fs to gauge how large money managers are playing the stock market.

Mr. Buffett, an adherent of value investing, has long advised that investors "be greedy when others are fearful." That philosophy was likely difficult to practice for much of the past two years, during which investors' mood largely seemed anything but fearful. Now that the market is slumping, Berkshire is in a prime position to add to its mammoth stock portfolio, investors say.

"Cash is dry powder, and he has a lot of it," said Rajul Bhansali, chief investment officer for global equities at Ariel Investments, of Mr. Buffett. Ms. Bhansali manages Ariel's global mutual

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Berkshire Hathaway's biggest holdings, ranked by market value*

Apple	\$155.6B	Bank of America	\$41.6B
American Express	\$28.4B	Chevron	\$25.9B

*Data are as of first quarter 2022. Sources: FactSet (quarterly); the company (holdings)

Crypto's Plunge Punishes Alternative Portfolios

By GREGORY ZUCKERMAN

Cryptocurrency prices are moving in lockstep with stocks and bonds like never before, punishing those who bought bitcoin and other digital assets in part to diversify their investment holdings.

The three-month correlation between the cryptocurrency-rented bitcoin and other and the major U.S. stock indexes hit its highest level on record last week, according to Dow Jones Market Data. That level, between 0.67 and 0.78, is more than triple the average correlation between crypto and the S&P 500 from 2019 to 2021. A correlation of 1 suggests the markets are moving in lockstep, while 0 says they aren't related. The one- and two-month correlations are at record levels.

The day of that record correlation, bitcoin dropped 10% and the Nasdaq Composite Index fell more than 4%, marking its steepest three-day point decline on record. Though bitcoin and other digital assets have long been viewed as among the riskiest investments in markets, analysts and portfolio managers say the depth of crypto declines this year and their tendency to echo other riskier assets such as stocks potentially could limit their advection by

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And, with stocks resuming their June swoon last week, with the broad-based Russell 3000 index ending in Bear Market territory year-to-date,...



While the S&P 500 is off *only* 19.1% year-to-date, the Russell 3000 ended the latest week below the Bear Market (down 20% on a closing basis) threshold as traders fretted about the war in Ukraine, inflation, comments from the Federal Reserve, disappointing economic statistics and weaker-than-expected guidance on corporate profits. While there are no awards for the sizable losses on Value this year, inexpensive stocks have held up better than Growth, not unlike the aftermath of the Bursting of the Tech Bubble in 2000.

		Total Returns Matrix											
2000	2001		Last Week	YTD	Last 12 Months	Since 10.31.20	Last 2 Years	Since 3.23.20	Last 3 Years	Last 5 Years	Name	Symbol	
-4.85	-5.44	M	-1.27	-13.54	-8.46	21.26	25.66	75.05	24.07	62.62	Dow Jones Industrial Average	DJIIR Index	
1.01	-10.21	A	-1.11	-13.63	-9.90	22.43	28.84	76.13	20.03	41.36	New York Stock Exchange Composite	NYA Index	
-39.18	-20.81	R	-4.12	-28.58	-22.80	3.29	11.24	65.08	41.17	90.18	Nasdaq Composite Index	CCMP Index	
-22.43	-9.23	K	-2.73	-28.87	-33.39	-5.91	1.66	52.27	4.84	27.48	Russell 2000 Growth	RU20GRTR Index	
22.83	14.02	E	-1.43	-16.07	-15.75	38.62	50.12	102.33	21.37	28.86	Russell 2000 Value	RU20VATR Index	
-3.02	2.49	T	-2.09	-22.53	-24.94	14.45	23.81	77.04	14.26	30.14	Russell 2000	RU20INTR Index	
-11.75	-20.15	O	-3.22	-30.03	-28.61	-6.23	1.66	55.51	13.97	55.18	Russell Midcap Growth Index Total Return	RUMCGTR Index	
19.18	2.33	F	-1.30	-15.03	-9.43	30.12	40.38	98.89	22.61	37.47	Russell Midcap Value Index Total Return	RUMCVATR Index	
8.25	-5.62	O	-1.98	-20.45	-16.55	16.19	25.58	84.14	22.07	48.78	Russell Midcap Index Total Return	RUMCINTR Index	
-22.42	-19.63	F	-3.38	-27.44	-19.24	6.00	14.45	70.09	40.01	91.35	Russell 3000 Growth	RU30GRTR Index	
8.04	-4.33	S	-1.18	-12.03	-6.90	30.63	36.74	82.59	22.76	42.11	Russell 3000 Value	RU30VATR Index	
-7.46	-11.46	T	-2.29	-20.20	-13.31	17.54	25.02	77.32	32.82	67.36	Russell 3000	RU30INTR Index	
9.64	-0.39	O	-1.57	-15.63	-8.86	30.35	38.65	97.11	32.93	62.10	S&P 500 Equal Weighted	SPXEWTR Index	
-9.10	-11.89	S	-2.18	-19.11	-10.15	19.94	26.54	77.17	35.68	72.66	S&P 500	SPXT Index	
-22.08	-12.73	C	-3.73	-27.02	-16.05	10.00	18.03	72.15	39.18	89.59	S&P 500 Growth	SPTRSGX Index	
6.08	-11.71	K	-0.71	-10.28	-4.30	30.91	34.62	78.02	27.46	50.11	S&P 500 Value	SPTRSVX Index	
3.18	1.57	S	0.48	-13.52	-14.79	-14.96	-12.64	-7.33	-8.71	-2.29	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index	
11.63	8.44	S	1.27	-9.81	-9.71	-10.20	-10.02	-5.51	-2.07	5.09	Bloomberg Barclays U.S. Aggregate Bond	LBUSTRUU Index	

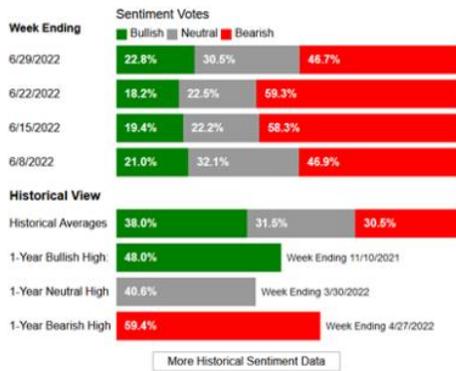
As of 07.01.22. Source Kovitz using data from Bloomberg

...we suppose that it is not a big surprise that investors are not very optimistic, which is a positive, on average, for future equity market returns,...



The gauge is widely viewed with a contrarian eye, so the number of AAI Sentiment Survey Bulls coming in at 22.8% was still a major equity market buy signal, even as the tally was 4.6 points higher than the week prior, when the weekly gauge reflected the 25th fewest total of optimists in its 35-year history. Interestingly, AAI itself understands that its measure is presently showing that it is time to be greedy when others are fearful, which would seem especially true after stocks moved sharply lower this past week.

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



CURRENT AAI SENTIMENT BULL-BEAR SPREAD:
 The Sentiment Survey is a contrarian indicator. Above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism. Click [here](#) to learn more.



AAII Bulls & Russell 3000 Forward TR

Date	Bulls	1W RET	1M RET	3M RET	6M RET
11/15/1990	12.0	-0.4%	3.6%	18.4%	20.1%
10/6/1988	13.0	0.7%	1.1%	3.2%	9.9%
3/9/1989	13.0	1.7%	1.3%	12.2%	19.9%
9/20/1990	13.0	-3.7%	-0.5%	6.9%	21.5%
10/18/1990	13.0	1.5%	4.5%	10.1%	32.1%
9/1/1992	14.0	0.5%	-1.4%	5.2%	10.7%
2/1/1990	15.0	1.7%	1.9%	1.9%	8.8%
10/4/1990	15.0	-5.5%	-0.5%	4.3%	26.2%
4/14/2022	15.8	-0.2%	-8.8%		
7/21/1988	16.0	-0.3%	-1.9%	6.1%	8.2%
9/11/1990	16.0	-2.3%	-6.4%	4.1%	20.5%
11/22/1990	16.0	0.4%	5.5%	18.1%	23.0%
12/20/1990	16.0	-0.3%	0.6%	11.7%	17.2%
4/28/2022	16.4	-3.3%	-3.0%		
4/14/2005	16.5	0.0%	-0.4%	7.2%	4.2%
9/8/1988	17.0	0.9%	4.3%	3.8%	12.0%
11/24/1988	17.0	1.5%	3.5%	8.4%	21.1%
12/8/1988	17.0	-0.7%	2.1%	7.9%	21.0%
5/26/2016	17.8	1.0%	-2.2%	4.8%	8.2%
1/14/2016	17.9	-2.8%	-3.3%	9.3%	14.4%
9/1/1988	18.0	2.6%	5.2%	5.1%	12.4%
3/30/1989	18.0	1.1%	5.9%	9.7%	20.7%
8/16/1990	18.0	-8.0%	-4.6%	-4.4%	13.3%
7/1/1991	18.0	-0.1%	0.0%	4.3%	5.8%
6/22/2022	18.2				
24 Period Average		-0.6%	0.3%	7.3%	16.0%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Individual Investors and Bloomberg

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	-3.3%	-3.0%		
6/22/2022	-41.1				
6 Period Average		-0.2%	4.8%	16.0%	30.5%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Individual Investors and Bloomberg

...as is the case when consumers are down in the dumps.



Incredibly, the latest read on the Univ. of Michigan's Consumer Sentiment gauge was the most pessimistic in its history...worse than when inflation was in the double-digits in the early '80's...and after the Crash of '87...and after the Gulf War Meltdown of '90... and after 9/11...and at the end of the Tech Wreck... and during the Great Financial Crisis...and after the downgrade of the U.S. credit rating. Believe it or not, the prior 8 cyclical lows, on average, proved to be great times for long-term-oriented investors to be adding to their (Value) equity exposure.

University of Michigan Consumer Sentiment Cyclical Lows & Subsequent Equity Returns

Cyclical Low	U of M Sent.	1 Year SPX TR	1 Year Value TR	3 Year SPX TR	3 Year Value TR	5 Year SPX TR	5 Year Value TR	10 Year SPX TR	10 Year Value TR
May-80	51.7	25.2%	34.5%	70.8%	128.6%	118.2%	227.7%	395.6%	537.8%
Mar-82	62.0	44.3%	54.5%	86.5%	129.5%	224.0%	276.0%	431.0%	503.6%
Nov-87	83.1	23.3%	32.0%	55.7%	31.1%	121.8%	124.2%	455.1%	545.8%
Oct-90	63.9	33.4%	41.2%	68.6%	129.6%	121.4%	191.0%	490.0%	619.1%
Sep-01	81.8	-20.5%	-13.6%	12.6%	40.7%	40.0%	98.9%	32.0%	48.6%
Mar-03	77.6	35.1%	67.5%	61.0%	129.0%	71.0%	116.0%	126.8%	176.2%
Nov-08	55.3	25.4%	22.3%	48.6%	34.0%	124.8%	135.2%	280.7%	246.4%
Aug-11	55.8	18.0%	34.8%	75.4%	54.8%	98.3%	102.0%	353.7%	230.4%
Jun-22	50.0								
		23.0%	34.1%	59.9%	84.7%	114.9%	158.9%	320.6%	363.5%

TR = Total Return. SPX = S&P 500. Value = Value Weighted Book to Market Portfolios - Blend of Small Value and Big Value.
Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the Univ. of Michigan

To be sure, there are numerous issues causing consternation these days, but there have been even stiffer headwinds blowing on many occasions throughout equity market history,...



No doubt, there is plenty about which to worry today, including the war in Ukraine, supply-chain disruptions, inventory management woes, corporate-profit question marks, higher inflation readings and the increased risk of recession, but history is filled with plenty of frightening events, yet equities have provided handsome rewards...for those who stick with them.

"Supposing a tree fell down, Pooh, when we were underneath it?"

"Supposing it didn't," said Pooh.

After careful thought, Piglet was comforted by this.

Event	Reaction Dates		S&P		Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present	
			Start Value	End Value						
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	43971%	
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	25402%	
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	22820%	
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	8878%	
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	8293%	
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	9714%	
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7051%	
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5395%	
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4000%	
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	4971%	
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4051%	
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5366%	
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3536%	
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	3795%	
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3102%	
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2263%	
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1463%	
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1601%	
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1110%	
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	916%	
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	829%	
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	763%	
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	737%	
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	657%	
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	336%	
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	299%	
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	211%	
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	185%	
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	296%	
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	317%	
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	251%	
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	219%	
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	465%	
Price Changes Only - Does Not Include Dividends					Averages:	-7%	18%	39%	66%	5250%

As of 7.1.22. Source: Kovitz using Bloomberg and Neil Davis Research Events & Reaction Dates

...so while some of the devastation inflicted upon certain formerly hot instruments that lacked fundamental valuation support seems more than just, we do not think the punishment meted out for many reasonably priced stocks fits the crime,...



November 2, 2021

the Prudent Speculator

Established in March 1977 - 43 Emeritus, June 2002 - Alan Tays, California 92024 - 602.228.7758

Social media powerhouse Facebook on Oct. 28 announced plans to change its corporate name to Meta Platforms... which ignited a 20% after-hours gain that day.

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 gradually 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 TFS Portfolio

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

— Ayn Rand

Last readers think this is a once in a

Russell 3000 Value Index						
Advancing Markets						
Minimum Rise %	Average Gain	Average # Days	Average Count	Frequency (in Years)	Last Start	Last End
20.0%	80.4%	865	7	2.9	3/23/2020	1/12/2022
15.0%	49.6%	447	14	1.7	3/23/2020	1/12/2022
10.0%	31.4%	252	26	0.9	6/26/2020	1/12/2022
7.5%	21.7%	147	47	0.6	3/8/2022	3/29/2022
5.0%	13.5%	68	97	0.3	6/17/2022	6/27/2022

Declining Markets						
Minimum Decline %	Average Loss	Average # Days	Average Count	Frequency (in Years)	Last Start	Last End
-20.0%	-32.1%	212	7	2.9	1/17/2020	3/23/2020
-15.0%	-24.6%	171	15	1.6	1/12/2022	6/17/2022
-10.0%	-18.7%	85	27	0.9	1/12/2022	6/17/2022
-7.5%	-14.3%	54	48	0.5	3/29/2022	6/17/2022
-5.0%	-10.2%	30	97	0.3	6/7/2022	6/17/2022

From 10.19.95 through 06.27.22. 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 an instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

Total Returns Matrix			
YTD	Since 10.31.21	Name	Symbol
-64.23	-75.35	Grayscale Bitcoin Trust BTC	GBTC Equity
-80.57	-84.65	Coinbase Global Inc	COIN Equity
-21.08	-20.53	iShares 20+ Year Treasury Bond ETF	TLT Equity
-50.26	-61.75	AMC Entertainment Holdings Inc	AMC Equity
-53.94	-76.61	Robinhood Markets Inc	HOOD Equity
-44.10	-50.17	VanEck Social Sentiment ETF	BUZZ Equity
-56.42	-65.73	ARK Innovation ETF	ARKK Equity

MARKET OF STOCKS			
-13.54	-11.96	Dow Jones Industrial Average TR	DJITR Index
-13.63	-12.52	New York Stock Exchange Composite Index	NYA Index
-28.87	-32.04	Russell 2000 Total Return Growth Index	RU20GRTR Index
-16.07	-15.63	Russell 2000 Total Return Value Index	RU20VATR Index
-22.53	-24.10	Russell 2000 Total Return Index	RU20INTR Index
-30.03	-32.75	Russell Midcap Growth Index Total Return	RUMCGRTR Index
-15.03	-12.44	Russell Midcap Value Index Total Return	RUMCVATR Index
-20.45	-20.09	Russell Midcap Index Total Return	RUMCINTR Index
-27.44	-25.78	Russell 3000 Total Return Growth Index	RU30GRTR Index
-12.03	-9.89	Russell 3000 Total Return Value Index	RU30VATR Index
-20.20	-18.32	Russell 3000 Total Return Index	RU30INTR Index
-15.63	-12.68	S&P 500 Equal Weighted USD Total Return In	SPXEWTR Index
-19.11	-16.07	S&P 500 Total Return Index	SPXT Index

BONDS			
-13.52	-13.89	Bloomberg Barclays Global-Aggregate Bond	LEGATRUU Index
-9.81	-9.77	Bloomberg Barclays U.S. Aggregate Bond	LBSTRUU Index

As of 07.01.22. Source: Kovitz using data from Bloomberg.

...even as we understand that volatility is always part of the investment process.


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	18.75%	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	18.80%	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	31.07%	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	18.39%	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	33.02%	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	6/16/2022	26.83%	BEAR	3/8/2022	3/29/2022	11.05%	BULL
Average Drop		-18.28%		Average Gain		41.47%	

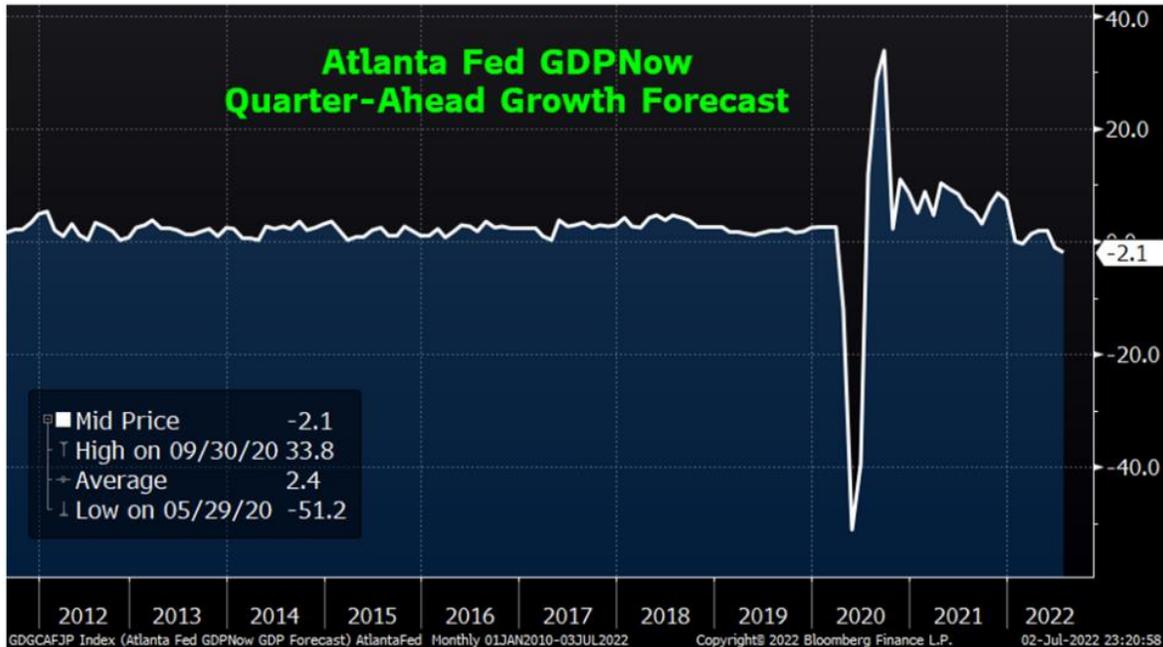
SOURCE: Kovitz using data from Bloomberg

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 6.16.22 below the Bear Market level with a 20.83% decline from the 03.29.22 interim high. Of course, volatility is hardly unusual in the equity markets and we are presently enduring the 36th 10% or worse setback since the launch of *The Prudent Speculator* more than 45 years ago. Happily, there also have been 36 advances of 10% or greater, with the average gain during those periods in the green dwarfing the average loss.

True, we respect that the outlook for second quarter GDP growth has weakened considerably,...



Q1 2022 saw a 1.6% contraction in real (inflation-adjusted) GDP growth, as the Omicron variant, supply-chain difficulties, the war in Ukraine and inflation impacted the economy, and the Atlanta Fed's current projection for Q2 2022 real GDP growth on an annualized basis stands at a 2.1% contraction.



...as there were disappointing economic numbers out last week,...



Consumer confidence, per data from the Conference Board, dropped to a 16-month low of 98.7 in June, significantly below forecasts as expectations for inflation rose to 8.0%, the highest in the 35-year history of the measure, due to rising gas and food prices. The Chicago Business Barometer, also known as the regional manufacturing PMI, fell to a much-worse-than-expected reading of 56.0 in June, down from 60.3 in May, though the level is still above average.



...but some of the stats came in above expectations,...



The headline number for durable goods orders in May rebounded 0.7%, compared to a 0.4% rise the month prior, with the improvement well above expectations. Excluding volatile transportation orders, orders also rose 0.7%, with business investment still pointing to a solid industrial expansion. Meanwhile, pending home sales climbed 0.7% in May, blowing away expectations of a 4.0% drop, though those contracts were signed before mortgage rates really headed north.

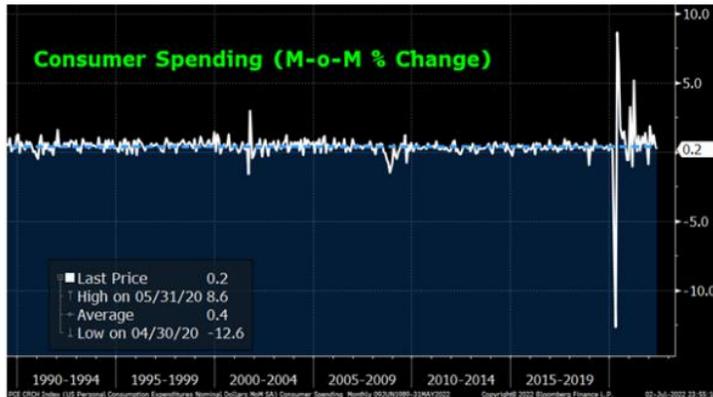


...the jobs situation remains very robust,...



While higher than recent readings with a 1-handle, yet still coming in near the lowest levels since 1969 when the work force was much smaller, new filings for unemployment benefits for the period ended June 25 were a seasonally adjusted 231,000, down from a revised 233,000 the week prior. Continuing claims filed through state programs held steady at 1.32 million, near the lowest level since 1969 as businesses continue to hold onto workers with labor so difficult to obtain.

...and the consumer, while cautious in their spending, still has plenty of savings from which to draw,...



With inflation at the highest level in decades, folks grew more cautious about their purchases in May, as consumer spending rose just 0.2%, trailing expectations for a 0.4% gain and retreating from an increase of 0.4% in April.



Shoppers did not have to reach into their wallets too much as personal income gained 0.5%, the same as the increase in April, with the savings rate rising to 5.4% in May, up from a 14-year low of 4.4% the month prior.

...in addition to substantial equity in their homes.



Obviously, rising mortgage rates has crimped housing affordability, so home prices will eventually be impacted, but folks who own the roof over their heads have accumulated substantial wealth over the past decade and especially over the past 12 months, with the S&P CoreLogic Case-Shiller National Home Price Index up a whopping 20.4% year-over-year in April and the median price of U.S. Existing Homes from the National Association of Realtors jumping 14.8% in May 2022, compared to May 2021.

To be sure, the odds of recession have risen,...



Certainly, the 1.6% contraction in Q1 2022 real (inflation-adjusted) GDP puts the economy half-way to the declaration of a recession, but the odds of such an event happening stand today at 33%, a figure that is elevated but the historical average probability has been 21.2%.



...but even the latest subpar reading on the health of the manufacturing sector is still indicating positive real GDP growth this year,...



The latest data point on the health of the manufacturing sector came in below expectations at 53.0 in June, down from a reading of 56.1 in May, but still residing at a level above average for the 30-plus-year history of the gauge. The Institute for Supply Management stated, “The past relationship between the Manufacturing PMI and the overall economy... corresponds to a 1.5% increase in real gross domestic product (GDP) on an annualized basis.”



...which echoes the recent projection from the Federal Reserve.



With the invasion of Ukraine by Russia, along with supply chain imbalances from the pandemic and broader price pressures adding to current and expected inflation numbers, Federal Reserve members have sharply increased their estimates for PCE inflation and their targets for the Fed Funds rate. The median inflation projection for 2022 now stands at 5.2% with the year-end forecast for the Fed Funds rate climbing to 3.4%, up from the prior 1.9% estimate offered in March.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2022

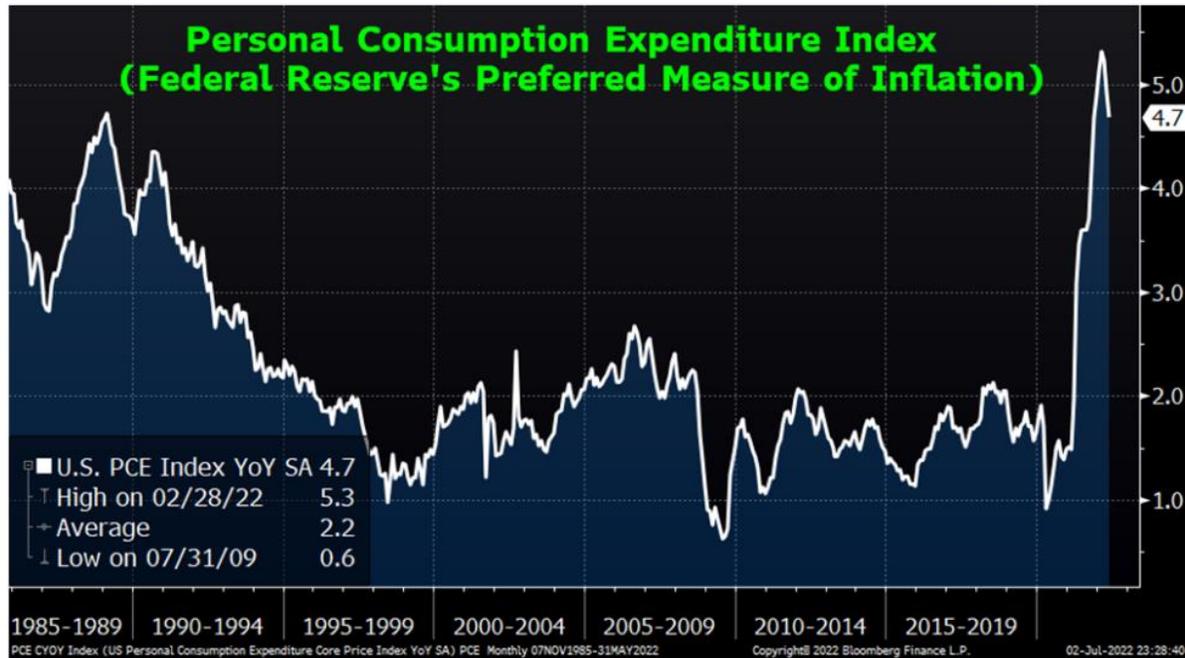
Variable	Median ¹				Central Tendency ²				Range ³			
	2022	2023	2024	Longer run	2022	2023	2024	Longer run	2022	2023	2024	Longer run
Change in real GDP	1.7	1.7	1.9	1.8	1.5-1.9	1.3-2.0	1.5-2.0	1.8-2.0	1.0-2.0	0.8-2.5	1.0-2.2	1.6-2.2
March projection	2.8	2.2	2.0	1.8	2.5-3.0	2.1-2.5	1.8-2.0	1.8-2.0	2.1-3.3	2.0-2.9	1.5-2.5	1.6-2.2
Unemployment rate	3.7	3.9	4.1	4.0	3.6-3.8	3.8-4.1	3.9-4.1	3.5-4.2	3.2-4.0	3.2-4.5	3.2-4.3	3.5-4.3
March projection	3.5	3.5	3.6	4.0	3.4-3.6	3.3-3.6	3.2-3.7	3.5-4.2	3.1-4.0	3.1-4.0	3.1-4.0	3.5-4.3
PCE inflation	5.2	2.6	2.2	2.0	5.0-5.3	2.4-3.0	2.0-2.5	2.0	4.8-6.2	2.3-4.0	2.0-3.0	2.0
March projection	4.3	2.7	2.3	2.0	4.1-4.7	2.3-3.0	2.1-2.4	2.0	3.7-5.5	2.2-3.5	2.0-3.0	2.0
Core PCE inflation ⁴	4.3	2.7	2.3		4.2-4.5	2.5-3.2	2.1-2.5		4.1-5.0	2.5-3.5	2.0-2.8	
March projection	4.1	2.6	2.3		3.9-4.4	2.4-3.0	2.1-2.4		3.6-4.5	2.1-3.5	2.0-3.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.8	3.4	2.5	3.1-3.6	3.6-4.1	2.9-3.6	2.3-2.5	3.1-3.9	2.9-4.4	2.1-4.1	2.0-3.0
March projection	1.9	2.8	2.8	2.4	1.6-2.4	2.4-3.1	2.4-3.4	2.3-2.5	1.4-3.1	2.1-3.6	2.1-3.6	2.0-3.0

Source: Federal Reserve, June 15, 2022

And speaking of those projections, the Fed's preferred measure of inflation was trending in the right direction in May, with a dip to 4.7% in the core rate, down from 4.9% in April,...



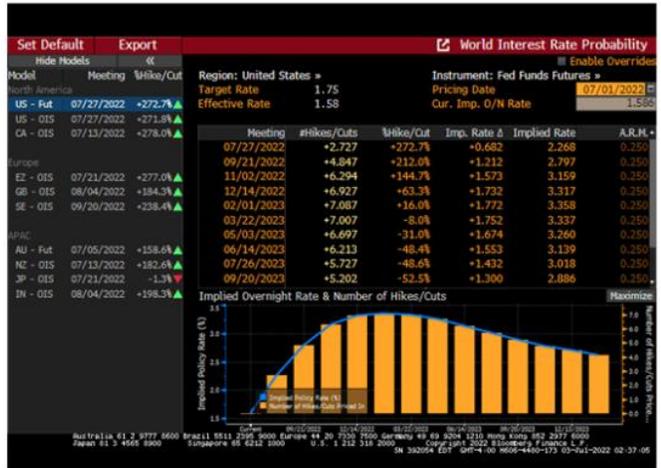
While the overall price index for the Federal Reserve's preferred gauge of inflation climbed 6.3% in May, the same as in April, the so-called core Personal Consumption Expenditure (PCE) rose in May by 4.7%, down from April's 4.9% increase, the second straight month of declines, suggesting to some that inflation may have peaked.



...which would seem to keep Jerome Powell & Co. on track for the year-end Fed Funds rate estimate of 3.4%.



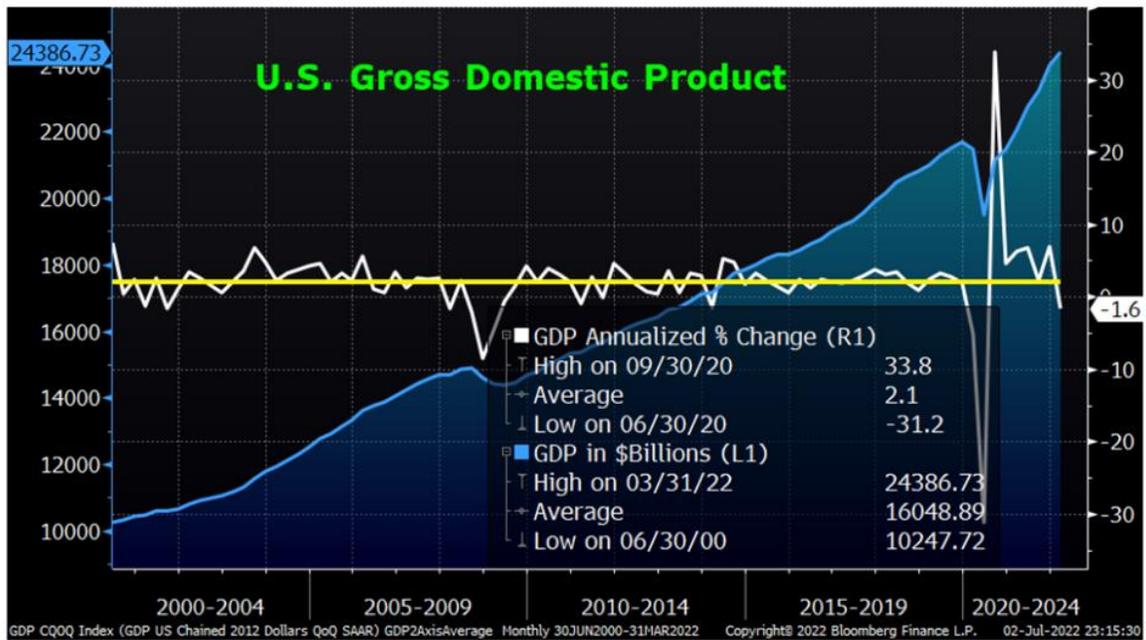
Although the estimate for GDP growth this year was pared to 1.7%, down from 2.8% in December, the Federal Reserve lifted its target for the Fed Funds rate by 75 basis points at the June FOMC meeting. Jerome H. Powell & Co. now project that the Fed Funds rate will likely end the year at 3.4%, though this still would be below the historical average. The Fed Funds futures are currently a bit less aggressive in terms of the number of hikes expected over the balance of the year, with the expectation that rates will be cut starting in March 2023.



We are not suggesting that the economy won't weaken further or that the Fed won't need to be more aggressive in fighting inflation. However, we share Chair Powell's view that was reiterated last week, "Overall, the U.S. economy is well-positioned to withstand tighter monetary policy."



First quarter 2022 real (inflation-adjusted) domestic economic growth came in much weaker than expected at a 1.6% contraction on an annualized basis, even as the current-dollar nominal GDP figure of \$24.4 trillion soared by 10.6% on an annualized basis to an all-time high.



We also cannot forget that nominal GDP is likely to hit another record in Q2, even if the economy officially enters recession on a real basis with a second straight quarter of contraction. Such an environment, we think, supports the continued view by analysts that corporate profits will grow over the balance of 2022 and into 2023.



Q1 earnings reporting season generally was terrific in terms of the results, even as many stocks sold off sharply on the news. And, while analysts are sometimes overly optimistic in their forecasts, EPS estimates for 2022, 2023 and 2024 call for significant growth versus 2021.

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2023	\$65.48	\$249.01
9/30/2023	\$63.80	\$243.99
6/30/2023	\$60.94	\$239.42
3/31/2023	\$58.79	\$233.49
12/31/2022	\$60.46	\$224.06
9/30/2022	\$59.23	\$220.33
6/30/2022	\$55.01	\$213.12
3/31/2022	\$49.36	\$210.16
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 6.30.22



As such, we remain very comfortable with the long-term prospects of our broadly diversified portfolios of what we believe to be undervalued stocks,...



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	11.7	10.4	0.9	2.1	2.7
ValuePlus	12.1	10.4	1.1	2.1	2.4
Dividend Income	11.1	10.2	0.8	1.9	3.4
Focused Dividend Income	13.0	11.7	1.0	2.3	2.8
Focused ValuePlus	12.1	12.0	1.2	2.4	2.6
Small-Mid Dividend Value	9.5	8.7	0.5	1.4	3.0
Russell 3000	20.4	16.9	2.1	3.4	1.7
Russell 3000 Growth	27.8	21.8	3.0	8.4	1.0
Russell 3000 Value	15.9	13.6	1.6	2.2	2.3
Russell 1000	19.7	16.9	2.3	3.7	1.7
Russell 1000 Growth	27.1	22.6	3.5	9.4	1.0
Russell 1000 Value	15.4	13.5	1.7	2.3	2.3
S&P 500 Index	19.1	16.8	2.4	3.8	1.7
S&P 500 Growth Index	22.2	20.1	4.1	7.0	1.0
S&P 500 Value Index	17.0	14.5	1.7	2.7	2.4
S&P 500 Pure Value Index	10.6	9.3	0.7	1.3	2.7

As of 06.30.22. 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.

...especially as we like how Value stacks up against Growth on an earnings basis.

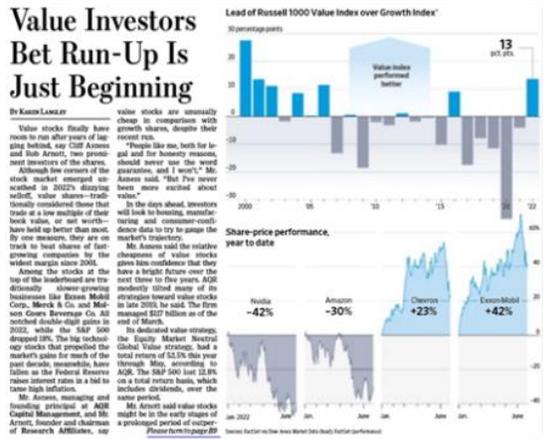


Investors measure whether stocks are cheap or expensive using a variety of valuation metrics. A common way is to compare a company's stock price with its expected earnings so investors can see what they are paying for a share of profits. One such measure shows value stocks still look unusually cheap.

At the end of May, the Russell 1000 Value index traded at 14.3 times its projected earnings over the next 12 months, according to BofA Global Research. The Russell 1000 Growth index, meanwhile, traded at 22.5 times forward earnings.

That put the value benchmark's price-to-earnings ratio at 63% of the growth index's ratio, below the average since the end of 1978 of 71%, the bank's analysis shows. At the end of November, the value index was trading at only 53% of the valuation of the growth index.

- Wall Street Journal, June 27, 2022



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://theprudentpeculator.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 several of our stocks that had news out worthy of mention last week.

The M&A saga for **Kohl’s** (KSS – \$28.68) came to a halt with the company announcing that the potential buyout of the retailer by Franchise Group was not going to happen and thus the company was concluding its strategic review process. Shares tanked in price by almost 20% on Friday, bringing the YTD plunge to more than 40%.

Like others, we are quite disappointed in the way this “review” has gone, but we have not stopped seeing value in KSS shares, especially at the current very-depressed levels. That considered, things weren’t helped Friday when the official word of “no deal” also came with an

announcement that the company has seen a softening in consumer spending during its second quarter, and that it now expects that sales will come in down high-single digits for the period.

“Throughout this process, the Board has been committed to a deep and comprehensive review of strategic alternatives with the goal of selecting the path that maximizes value for shareholders,” said Chair of the Board, Peter Boneparth. “After engaging with more than 25 parties in an exhaustive process, FRG emerged as the top bidder and we entered into exclusive negotiations and facilitated further due diligence. Despite a concerted effort on both sides, the current financing and retail environment created significant obstacles to reaching an acceptable and fully executable agreement. Given the environment and market volatility, the Board determined that it simply was not prudent to continue pursuing a deal. As always, the Board remains open to all opportunities to maximize value for shareholders, and we look forward to actively engaging with our shareholders as we move forward to ensure we are considering their perspectives in our plans.”

Mr. Boneparth continued, “Kohl’s is a financially strong company that generates substantial free cash flow and has a clear plan to enhance its competitive position and improve performance over the long-term. Highlighting the Board’s confidence in the company’s strategic plan, the Board reaffirms its commitment to an accelerated share repurchase program following the Company’s Q2 earnings results announcement.” Kohl’s said it will execute the \$500 million buyback immediately after the release of its results, which presently is slated to occur on August 19. This is part of the previously announced \$3 billion share repurchase authorization. At the closing market price, a \$500 million buyback would reduce the current share count by more than 13%.

Additionally, in a phone interview, Chair Boneparth seemed to hint that the Board might be willing to do something with the “very big asset on the balance sheet,” which is real estate, a change in stance from prior management thinking.

Acknowledging that Kohl’s has no shortage of battles to work through – activist investor pressure, management changes, inflation and deteriorating consumer dynamics – we think that investors with a longer-term view will find that the company has multiple opportunities to realize shareholder value. We consider Kohl’s to be substantially discounted from its intrinsic value, with shares trading at 5 times NTM adjusted EPS expectations. After the end-of-the-week beating, KSS has a dividend yield of 7.0%. Our Target Price has been adjusted downwards to \$63 but plenty of upside potential remains.

Shares of **General Motors** (GM – \$32.19) fell more than 7% last week, but held in on Friday, despite the automaker announcing that it now expects second-quarter sales and profit to take a hit due to supply-chain problems. That said, GM said it believes it can make up for delayed production later this year and reaffirmed its full-year guidance.

GM has almost 100,000 vehicles in inventory that can’t be sold until certain semiconductors arrive to finish assembly, according to their Friday SEC filing. The carmaker expects to finish building those vehicles by the end of the year, allowing the company to keep its full-year guidance.

Management said second-quarter sales fell 15% due to production and supply issues. Although a sizeable drop, it is seemingly a sign of improvement from the second half of last year when supply-chain problems caused a sales shortfall of more than 40%.

Despite the Q2 hit, GM said that its leadership in the full-size pickup retail market share has been extended to the 13th consecutive quarter. Additionally, electric vehicle sales were over 7,300 units during the period, including some of the first deliveries of the BrightDrop Zevo 600 and GMC Hummer EV Pickup, as well as the resumption of Chevrolet Bolt EV and Bolt EUV production. Cadillac Lyriq production is accelerating, with initial deliveries in process. Orders for the 2023 model year sold out within hours and preorders for the 2024 model opened on June 22.

“GM’s sales and market share have grown each of the last three quarters, even with lingering supply chain disruptions,” said Steve Carlisle, GM executive vice president and president, North America. “Our long-term momentum will continue to build thanks to the launches of groundbreaking new EVs like the GMC Hummer EV and Cadillac Lyriq, and the tremendous customer response to the Chevrolet Silverado and GMC Sierra.”

Despite the hit to second quarter sales, GM is sticking to its expectation of 2022 net income between \$9.6 billion and \$11.2 billion, adjusted operating profit of \$13 billion to \$15 billion, and adjusted earnings of \$5.76 to \$6.76 a share.

We continue to find the company’s move away from sedans and towards trucks and SUVs as an important catalyst that helps supply huge amounts of cash flow needed to execute its “Transformation Roadmap,” which includes launching more than 30 EVs in the very near term. And GM is making tremendous progress on that front, expecting to produce 400,000 EVs in North America through 2023, yet the shares change hands at less than 5 times expected NTM adjusted EPS. Our Target Price for GM is \$75.

Acuity Brands (AYI – \$157.84) reported that its sales and earnings grew a respective 18% and 27% (to \$1.06 billion and \$3.52 per share) in fiscal Q3. The performance marked the fifth consecutive quarter of double-digit revenue growth and blew away the Street’s earnings target of \$2.96 per share. Acuity aims to add new products and improve existing ones through investments in what it calls its product vitality efforts, and its program to raise prices dynamically amid fluid cost gyrations has protected gross margins. Management repurchased about 5% of outstanding shares in the quarter, bringing the total bought back since May 2020 to 17% at an average price of \$134 per share.

CEO Neil Ashe stated, “Our Lighting and Lighting Controls business had another very strong quarter, with top line growth driven by our product vitality efforts and our focus on service. Market demand in the third quarter remained strong, and we continue to work through our backlog, which continues to be above normal levels. Our strategy of increasing product vitality increasing service levels and using technology to differentiate both our products and our service is working. Our product vitality efforts are the combination of new product introductions and improvements to our existing products. Over the last 2 years, we have dramatically accelerated these efforts. As a result, our products are more valuable to our customers and more profitable

for us. One of our key product leaders recently finished a complete refresh of its product families. And he asked me, what do we do now? And my answer was simple. We do it again. With product vitality, I'd like to tell our team that if you're in front and you run faster than everyone else, no one can catch you. We believe that we have the best engineering and design teams in the industry, and they are delivering."

CFO Karen Holcomb added, "These results highlight the effectiveness of the changes implemented over the last 2 years and our team's ability to drive performance. Our team has delivered meaningful sales growth and leveraged our operating expenses to deliver increases in operating profit and margin, demonstrating that we can deliver in a challenging environment. We've continued to generate cash, and we have effectively deployed capital in a way that generated permanent value."

We continue to think Acuity is sufficiently capitalized to weather the obstacles facing most businesses today and we are patient to realize the multiple channels for growth on the horizon. We also like that management continues to meaningfully deploy capital toward buybacks upon significant, and sometimes inexplicable, dips in the stock price. Our Target Price for AYI is now \$250.

Shares of **Micron Technology** (MU – \$53.65) continued to be battered in 2022, following the memory-chip maker's report of its fiscal Q3 2022 results that included much-lower-than-expected guidance for fiscal Q4. For the previous three months, MU said its revenue totaled \$8.64 billion. The revenue figure was largely in line with the consensus estimate. Adjusted EPS on the other hand, came in better than expectations (\$2.59 vs. \$2.44). We think with all of the negative reaction it is important to point out that third-quarter revenue grew 16% year over year. Positively, data center sales grew over 50% thanks to strength in Micron's DRAM and SSD portfolio at both cloud and enterprise customers.

Looking out into next quarter, Micron is now projecting revenue of \$7.2 billion, with adjusted EPS of \$1.63. The Street had been looking for \$9.1 billion of revenue and adjusted EPS of \$2.62. The company called out softening PC and smartphone sales as the primary problem. Micron now sees global calendar 2022 PC units down 10% from 2021; the company previously expected flat sales. For smartphones, Micron now sees unit sales down in the mid-single digits; the old view called for percentage growth in the mid-single digits. In particular, the company focused on much-weaker-than-expected consumer demand in China.

CEO Sanjay Mehrotra commented, "Micron delivered record revenue in the fiscal third quarter driven by our team's excellent execution across technology, products and manufacturing. Recently, the industry demand environment has weakened, and we are taking action to moderate our supply growth in fiscal 2023. We are confident about the long-term secular demand for memory and storage and are well positioned to deliver strong cross-cycle financial performance."

Mr. Mehrotra continued, "Now turning to our end markets. Artificial intelligence (AI), ongoing cloud adoption, electric vehicles (EVs) and the ubiquitous connectivity offered by 5G are strong secular demand drivers, enabling the memory and storage industry to outpace the broader

semiconductor industry. Micron's product portfolio has become significantly stronger, and we have established product momentum in several attractive growth markets. We are also driving a portfolio mix shift toward higher growth and more stable markets. 2021's 55/45 revenue split in favor of the more mature mobile, PC and consumer markets is expected to shift, by fiscal 2025, to a 38/62 split in favor of the higher growth data center, auto, industrial, networking and graphics markets. Several of these end markets also exhibit more stable profitability. Our fiscal Q3 new product launches and customer qualifications reflect solid execution toward this portfolio transformation."

Micron repurchased approximately 13.8 million shares of its common stock for \$981 million during fiscal Q3 and ended the quarter with cash, marketable investments and restricted cash of \$12.0 billion, and a net cash position of \$5.0 billion. The company remains "committed to returning more than 50% of the cross-cycle free cash flow through a combination of dividends and buybacks." And to that end, the Board announced a quarterly dividend increase of 15%. MU shares are down more than 40% this year, which we think is well overdone and presents a good long-term entry point for investors. Shares are now trading below 8 times NTM adjusted EPS expectations and we continue to like that Micron has exposure to the fast-growing data center and automotive markets, which we believe will help drive earnings over the longer term. Our Target Price for MU has been trimmed to \$123.

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