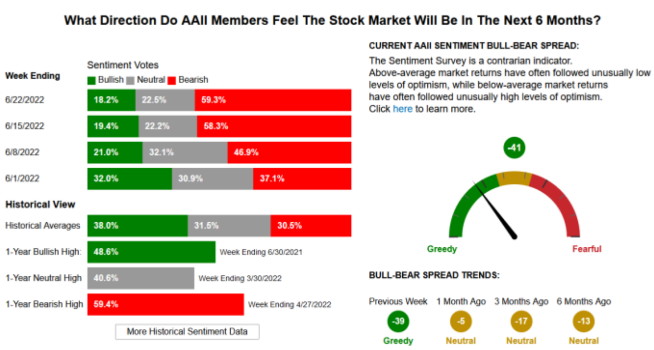
7 Stocks to Buy While Mr. Market is Depressed

“The only thing we have to fear is fear itself!” The well-known quote from Franklin Delano Roosevelt seems apt to describe the state of affairs in the equity markets these days. After all, folks are about as pessimistic today as they have been at any point in the last 35 years.

THE PRUDENT SPECULATOR

MAJOR CONTRARIAN BUY SIGNAL: AAII SENTIMENT EXTREMELY PESSIMISTIC

The gauge is widely viewed with a contrarian eye, so the AAII Sentiment Survey Bulls coming in at 18.2% was a major equity market buy signal. There have been only 24 less-optimistic Bull tallies in the 35-year history of the gauge and the ensuing six-month return during those periods for the Russell 3000 Index (R3K) averaged a whopping 16.0%. Even more interesting, the Bull-Bear spread plunged to minus 41.1% in the latest week, with only five preceding six-month periods showing a more pessimistic score…and the average six-month forward return for the R3K was 30.5%.



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%
9/3/1992	14.0	0.5%	-1.5%	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%
9/13/1990	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%	13.7%	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%
7/1/1993	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 Indivdual 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%

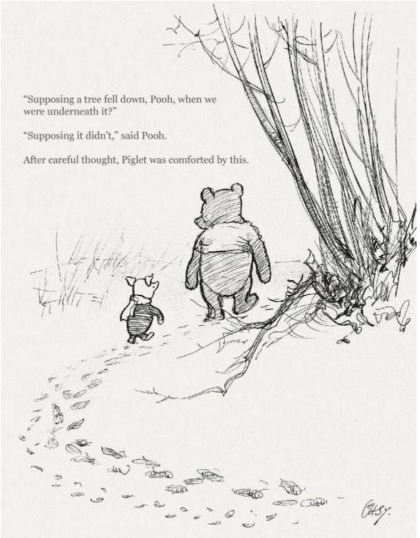
Source: American Association of Indivdual Investors and Bloomberg

To be sure, it is not as if there is little to worry about as the S&P 500 pierced Bear Market territory (down 20% from the highs) in mid-June before rebounding somewhat, while traders have been fretting about the War in Ukraine, higher inflation readings and the increased risk of recession, not to mention comments and actions from the Federal Reserve. Of course, history shows that there always are headwinds that stocks have had to overcome on the way to achieving superb long-term returns.

THE PRUDENT SPECULATOR

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

Ukraine has joined COVID-19, inflation, supply chain issues, rising interest rates and the Fed as bogeymen spooking investors, but history is filled with plenty of frightening events, yet equities have provided handsome rewards…for those who stick with them.



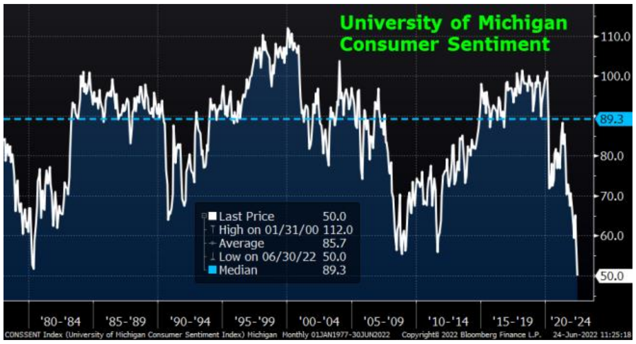
Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	43927%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	25377%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	22797%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	8869%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	8284%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	9704%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	7044%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	5390%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	3996%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	4966%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4047%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	5360%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	3532%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	3791%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3099%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2260%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1461%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1600%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1109%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	915%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	828%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	762%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	736%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	656%
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%	298%
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%	250%
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%**	**5245%**

As of 6.28.22. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

Incredibly, it is not just investors who are feeling frightened as the latest University of Michigan Sentiment index came in at an all-time low on the mood of consumers, while we were recently asked by a financial columnist for advice that we might offer those worried about losing their homes given the market downturn.

THE PRUDENT SPECULATOR

RECORD LOW CONSUMER SENTIMENT, AND THAT COULD BE A GOOD THING



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

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.

At the risk of sounding insensitive to those who have suffered sizable losses chasing formerly hot initial public offerings, cryptocurrencies, so-called meme plays, disruptive technologies and expensively priced growth stocks, we think that many in the media seem to have forgotten that most of us did not start investing in the last year. Indeed, those who have stuck with their diversified portfolios, be they Value- or Growth-oriented, have enjoyed very nice returns over the past two, three, five and 10 years.

THE PRUDENT SPECULATOR

MISSING THE WHOLE STORY: SOME OF US HAVE BEEN INVESTING FOR YEARS


"All the News That's Fit to Print"

The New York Times

Late Edition

NEW YORK, TUESDAY, JUNE 14, 2022

$3.00

The Stock Market's Bears

TRUMP REBUFFED AIDES OVER LOSS, DENYING REALITY

Rantings by Giuliani Carried the Day

No Interest in 'Actual Facts,' Barr Says

Growing Economic Fears Drive Markets Into Bear Territory

Down 22% Since Jan. 3 — Economists Worry Pain May Linger

People with retirement accounts are keeping more of their assets in stocks now, as opposed to bonds or a mix of other investments. "There has been a growing complacency of people keeping most of their nest eggs in stocks," said Monique Morrissey, who specializes in retirement at the left-leaning think tank Economic Policy Institute. "There has been a fundamental misunderstanding — returns do not always average out."

The bigger issue, according to Ms. Morrissey, is that many people have gotten used to the stock market going up. That's not a guarantee — especially in the near term.

"It's not just the loss from January; it's what happens going forward," she said. "If you were counting on the amount that you have in your 401(k) to continually grow, well, then you may never get to what you had planned for." – *New York Times* 06.14.22

Certainly, we are not trying to downplay the equity market losses in 2022, but we are perplexed that the "I-Told-You-So" crowd seems to have forgotten how well stocks have performed over the last two, three, five and ten years, and that many supposedly safe fixed income investments have been a disaster this year and over the last two, three, five and even ten years. To be sure, nobody knows what the future will hold, but those who have eschewed stocks will find that the highlighted portion of the *New York Times* story resonates.

Total Returns Matrix

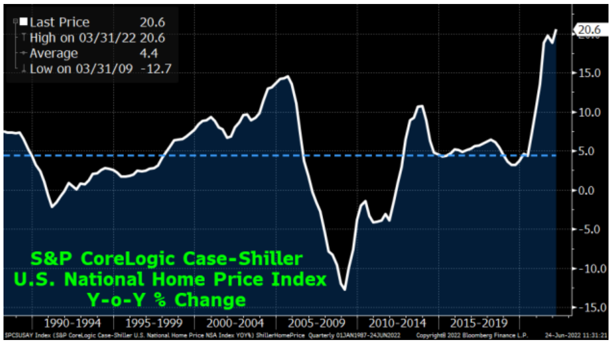
YTD	Last Year	Last 2 Years	Since 3.23.20	Last 3 Years	Last 5 Years	Last 10 Years	Name
-13.97	-7.97	28.65	74.19	24.01	61.03	210.83	Dow Jones Industrial Average
-13.50	-9.37	32.39	76.38	20.93	40.96	150.11	New York Stock Exchange Composite
-28.19	-32.54	6.45	53.72	6.13	27.39	155.29	Russell 2000 Growth
-15.90	**-15.28**	**55.55**	**102.73**	**21.76**	**28.68**	**148.57**	**Russell 2000 Value**
-22.09	-24.25	28.97	78.06	15.15	30.00	156.01	Russell 2000
-29.76	-28.49	5.50	56.10	15.35	54.54	211.16	Russell Midcap Growth Index Total Return
-14.85	**-8.59**	**44.91**	**99.30**	**23.49**	**37.38**	**186.05**	**Russell Midcap Value Index Total Return**
-20.24	-16.01	29.88	84.63	23.17	48.44	204.53	Russell Midcap Index Total Return
-27.39	-18.87	19.44	70.20	41.36	89.35	298.92	Russell 3000 Growth
-12.09	**-6.32**	**40.57**	**82.46**	**23.35**	**41.61**	**178.62**	**Russell 3000 Value**
-20.20	-12.84	29.51	77.32	33.79	66.20	239.02	Russell 3000
-19.22	-9.63	30.89	76.94	36.55	71.24	249.82	S&P 500
-14.14	**-15.57**	**-13.24**	**-8.00**	**-9.58**	**-3.31**	**1.37**	**Bloomberg Barclays Global-Aggregate Bond**
-11.23	**-11.05**	**-11.48**	**-7.01**	**-3.74**	**3.08**	**15.13**	**Bloomberg Barclays U.S. Aggregate Bond**

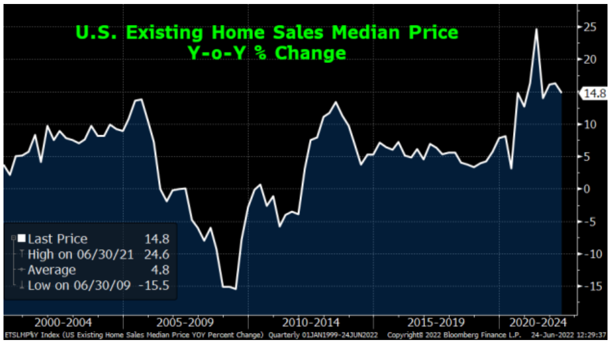
As of 06.28.22. Source Kovitz using data from Bloomberg

Obviously, someone could have lost their job, had a health emergency or have made ill-timed bets with borrowed money, but we think it hard to fathom that anyone could be worried about the roof over their heads, especially considering how much home prices have appreciated over the last year…and over the past decade.

THE PRUDENT SPECULATOR

LOTS OF WEALTH HAS BEEN ACCUMULATED IN 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 quarterly S&P CoreLogic Case-Shiller National Home Price Index up a whopping 20.6% year-over-year in Q1 2022 and the more-recent median price of U.S. Existing Homes from the National Association of Realtors jumping 14.8% in May 2022, compared to May 2021.

None of this is meant to diminish the equity market losses endured in 2022, nor are we trying to ignore the emotional roller-coaster that many have been riding. No doubt, we live in a sensationalistic world with the turbulent political discourse often leading to polarized views on many an issue, the prospects for stocks included. Still. we recommend taking a deep breath, while remembering that volatility comes with the equity territory…and that stocks have proved very rewarding for those who remember that time in the market trumps market timing.

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%	14.7%	72	311	0.3	6/16/2022	6/24/2022

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.0%	281	27	3.4	1/3/2022	6/16/2022
-17.5%	-30.2%	216	39	2.4	1/3/2022	6/16/2022
-15.0%	-28.3%	188	45	2.1	1/3/2022	6/16/2022
-12.5%	-22.8%	138	72	1.3	1/3/2022	6/16/2022
-10.0%	-19.6%	102	99	0.9	3/29/2022	6/16/2022
-7.5%	-15.5%	65	158	0.6	3/29/2022	6/16/2022
-5.0%	-10.9%	36	310	0.3	6/2/2022	6/16/2022

From 02.20.28 through 06.24.22. S&P 500 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	13.2%	25.9%
Growth Stocks	9.6%	21.4%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.0%	29.3%
Long-Term Gov't Bonds	5.3%	8.6%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.2%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 04.30.22. 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

Not surprisingly, it is our view that Mr. Market is naming some very low prices today for what we believe to be good businesses with solid long-term prospects.

THE PRUDENT SPECULATOR

WARREN BUFFETT ON "MR. MARKET"

Ben Graham, my friend and teacher, long ago described the mental attitude toward market fluctuations that I believe to be most conducive to investment success. He said that you should imagine market quotations as coming from a remarkably accommodating fellow named Mr. Market who is your partner in a private business. Without fail, Mr. Market appears daily and names a price at which he will either buy your interest or sell you his.

Even though the business that the two of you own may have economic characteristics that are stable, Mr. Market's quotations will be anything but. For, sad to say, the poor fellow has incurable emotional problems. At times he feels euphoric and can see only the favorable factors affecting the business. When in that mood, he names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains. At other times he is depressed and can see nothing but trouble ahead for both the business and the world. On these occasions he will name a very low price, since he is terrified that you will unload your interest on him.

Mr. Market has another endearing characteristic: He doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with a new one tomorrow. Transactions are strictly at your option. Under these conditions, the more manic-depressive his behavior, the better for you.

But, like Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice: Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful. If he shows up some day in a particularly foolish mood, you are free to ignore him or to take advantage of him, but it will be disastrous if you fall under his influence. Indeed, if you aren't certain that you understand and can value your business far better than Mr. Market, you don't belong in the game. As they say in poker, "If you've been in the game 30 minutes and you don't know who the patsy is, *you're* the patsy."

...[A]n investor will succeed by coupling good business judgment with an ability to insulate his thoughts and behavior from the super-contagious emotions that swirl about the marketplace. In my own efforts to stay insulated, I have found it highly useful to keep Ben's Mr. Market concept firmly in mind.

Letter to Shareholders, 1987 Berkshire Hathaway Annual Report

Of course, when Wall Street holds a sale, few people show up, but for those like us whose time horizon is measured in years, not in days, weeks or months, we would advise being greedy when others are fearful!

7 Bargains Thrown Out with the Bath Water

THE PRUDENT SPECULATOR

7 STOCKS TO BUY WHILE MR. MARKET IS DEPRESSED

7 Stocks to Buy While Mr. Market is Depressed

Symbol	Common Stock	06.28.22 Price	Target Price	Forward P/E	Div Yld	Mkt Cap	52-Week High	% Below High	52-Week Low	% Above Low	Sector
ARE	Alexandria Real Estate	$144.50	$237.93	17.0	3.3%	23,585	$224.95	-36%	$130.00	11%	Real Estate
CE	Celanese	$123.01	$220.78	7.4	2.2%	13,323	$176.50	-30%	$118.13	4%	Materials
COF	Capital One Financial	$108.52	$182.01	5.5	2.2%	42,654	$177.95	-39%	$98.54	10%	Diversified Financials
ENS	EnerSys	$58.83	$126.11	11.5	1.2%	2,392	$100.23	-41%	$57.76	2%	Capital Goods
MDC	MDC Holdings	$31.54	$72.69	3.0	6.3%	2,244	$56.53	-44%	$27.83	13%	Consumer Durables
META	Meta Platforms	$160.68	$389.92	11.6	0.0%	434,852	$384.33	-58%	$154.25	4%	Media & Entertainment
MU	Micron Technology	$57.86	$125.27	5.6	0.7%	64,610	$98.45	-41%	$53.60	8%	Semiconductors

As of 6.28.22. Mkt Cap in $millions. For ARE, Forward P/E = Forward Price to Funds from Operations

Alexandria Real Estate (ARE)

Alexandria is a REIT that owns, operates and develops lab space for life science research in primary U.S. markets. ARE has an asset base of 36.7 million rentable square feet (RSF) of operating properties and another 21.4 million RSF in construction and multi-year development. Shares are down more than a third this year after a sell-off in Biotech stocks last spring, while higher interest rates modestly dampened appeal for public real estate stocks. However, 50% of ARE's annual rental revenue is from investment-grade or publicly-traded large cap tenants, and we continue to expect secular trends to support significant growth in Life Sciences, and we view Alexandria as the premier name in the space. ARE announced last September that it had expanded its relationship with Moderna, adding a new 462,000 RSF headquarters and R&D facility and anticipates adding $665 million to rental revenue through Q1 2025. The consensus estimates for respective per share funds from operations for 2022, 2023 and 2024 are $8.38, $9.05 and $9.77, so there is solid growth potential, even as we see ARE's base of tenants as defensive with both public and private capital likely to continue to flow into biomedical research. Alexandria is well-capitalized, with no debt maturities prior to 2025. The yield is now over 3%.

Celanese (CE)

Celanese, a global value-added industrial chemicals company, is one of the world's largest producers of acetyls and a top producer of polymers used in auto, consumer and industrial products. Shares have fallen by 25% this year even as the $5.54 of EPS in Q1 blew analyst and management projections out of the water ($4.45 and 4.51, respectively). CE's global reach has allowed it to mitigate significant supply chain headwinds and boost price realizations. Though commodity prices are expected to abate as the Fed works to cool the economy, we point out that Celanese has typically enjoyed a cost advantage in many of its markets and has been able to push through regular price increases, which ought to modestly offset any reduction in volume. We also appreciate the company's exposure to secular growth markets like electric vehicles and 5G through its Engineered Materials segment and think it is positioned to win from customer sustainability efforts. Shares trade for just 7 times NTM adjusted EPS expectations and the dividend yield is 2.2%.

Capital One Fin'l (COF)

Capital One is a diversified financial services company involved in the full spectrum of domestic and international credit card lending, auto lending, consumer installment loans, small business lending and deposit-taking activities. Fears over slowing loan demand and the normalization toward higher credit costs have weighed on shares, which have tumbled some 40% from the 52-week high. We also acknowledge that marketing spend tends to trend above that of peers on average, but the strategy fits in with the lender's growth playbook given its lack of physical branches. Of course, COF has embarked on a decade-long path to attract higher-spending customers and has recently launched lounges in certain major U.S. airports. We continue to think highly of Capital One's tech-enabled infrastructure and capability and expect increased spending in the coming years to push loan balances modestly higher. The stock price is volatile, but we think a single-digit multiple of earnings presents an opportunity for long-term oriented owners. The dividend yield is 2.2%.

EnerSys (ENS)

EnerSys is major provider of energy storage solutions, billing itself as the global leader in batteries, chargers and accessories for motive (electric forklifts), reserve (uninterrupted power systems), aerospace (satellites) and defense applications. EnerSys offers different battery types, ranging from Flooded Lead Acid (FLA) to Thin Plate Pure Lead (TPPL) and Lithium-ion (Li-ion) for various needs and applications. With more than a dozen acquisitions under its belt over the past two decades, the purchase of Alpha Group in 2018 extends the product portfolio across broadband, telecom, renewable and industrial markets. We think EnerSys sits at the nexus of several megatrends, such as 5G, the electrification of mobility and grid modernization, which offer a terrific runway for growth, and we like that ENS continues to pursue new applications and technology. Shares have fallen more than 40% from the 52-week high as the industrial worked through rising input costs and supply shortages over the past year. Nevertheless, cost increases began to take effect in the most recent quarter to preserve margins while adaptive design has bridged the supply gap. EnerSys is expected to earn $4.40 per share in 2022, followed by double-digit percentage growth in the next few years.

MDC Holdings (MDC)

MDC is a home builder primarily focused on the western United States. Operating under the name Richmond American Homes, over 70% of its homes are built in California, Colorado, Arizona and Nevada, with additional construction in Florida, Utah and the Pacific Northwest. Following the surge in home demand that pushed shares north of $60 in 2021, the stock currently sits below its level prior to the pandemic, given a rapid ascent in mortgage rates. Meanwhile, demand for housing across the nation has remained healthy, as MDC's backlog continued to climb to almost $5 billion at the end of March. CFO Bob Martin noted that higher interest rates had some consumers in wait-and-see mode in the hope that borrowing costs would come back down. But Mr. Martin claimed, "The longer period of time that the consumers are taking doesn't scare us. I think really our focus and our True North is where we're at from a supply-demand perspective. There's really just not a lot of supply out there in any of our markets." Costs remain a wildcard, but management seems to think its historical discipline in providing incentives for mortgage products offer some flexibility to defend gross margins. We respect that home building is highly cyclical, but we find the NTM P/E multiple of 3.0 to be extraordinarily inexpensive, especially for those with an income focus as the dividend yield is a very rich 6.3%.

Meta Platforms (META)

Meta (otherwise known as Facebook) is the largest social network in the world with an estimated base of monthly active users approaching 3 billion, around 58% of the global population with access to the internet. Following the plummet in February, a trio of headwinds (privacy concerns, elevated R&D, and potentially slowing ad-spend) continue to weigh on the stock and ought to compress margins near-term, while long-time COO Sheryl Sandberg recently announced she would be stepping down. And, while fiscally insignificant today, a $100,000 fine imposed by the U.S. Justice Department adds fuel to the fire, continuing to remind that a big target remains on the social media giant's back. Nevertheless, we find shares attractive, trading below the market multiple with over $30 billion of net cash on the books. Management expects its monetization of short-form video content to improve over time, noting that investments to further develop its AI capabilities are anticipated to partially mitigate the effects of Apple's iOS privacy updates. Fruit borne from investments to build out capabilities for the metaverse are likely off in the distance, although the company further indicated its resolve toward the effort by having just changed its ticker symbol to META from FB. We remain patient, thinking the runway for the core advertising business remains intact, and should provide plenty of future cash flow as it still presents a tremendous value proposition for most small-to-medium-sized businesses.

Micron Tech (MU)

Micron is a manufacturer of semiconductor components and memory modules. Through its global brands (Micron, Crucial and Ballistix), the company manufactures all of today's major memory technologies: DRAM, NAND, NOR and 3D XPoint. Micron shares have retreated meaningfully from their January highs, but CEO Sanjay Mehrotra said at the firm's recent Investor Day that it was committed to doubling R&D and net income over the next three years. Micron expects to benefit from the secular trends of artificial intelligence (AI) and new server applications, which have significant computing power and storage needs. Smartphones and automotive applications are also expected to drive revenue, as folks refresh devices as they return to work and seek 5G capabilities. We think the strong demand environment will endure and MU continues to be an important part of our overall cloud-focused IT sector thesis. Following the latest drawdown, shares trade for a single-digit multiple of the NTM EPS projection.

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The dividend-weighted portfolio data is from Eugene F. Fama and Kenneth R. French. The dataset is broken into five groups: non-dividend paying, top 30% of dividend payers, middle 40% of dividend payers, bottom 30% of dividend payers and all dividend payers (weighted 30% of top dividend payers, 40% of middle dividend payers and 30% of low dividend payers). The capitalization and factor-based (book value-to-price) portfolio data is from Eugene F. Fama and Kenneth R. French. The dataset is broken into four groups: large value, large growth, small value and small growth. The aggregate Value and Growth porfolios are monthly averages of the two returns.

The Standard & Poors 500 index (S&P 500) is a broad stock market index based on the market capitalizations of the largest 500 companies listed in the U.S. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index.

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