October 4, 2022

the Prudent Speculator

672

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

September lived down to its reputation as the worst month of the year this time around, with the S&P 500 tumbling 9.2% and the Nasdaq Composite Index skidding 10.4%, pushing the popular indexes well into Bear Market territory. Of course, downturns of 20% or more are not unusual, with the S&P seeing one every 3.4 years on average, but the 2022 plunge has been accompanied by a massive spike in interest rates that sent the Bloomberg Barclays Aggregate Bond Index to a loss of 14.6% over the first nine months of the year.

Not surprisingly, the red ink across most asset classes this year has soured equity investor confidence. In fact, the last two Bull-Bear Sentiment readings from the American Association of Individual Investors were among the most pessimistic in the history (35 years) of the measure, which we might argue is a major positive from a contrarian perspective.

Of course, it isn't as if there is little about which to be concerned. After all, the war in Ukraine, supply-chain shortages and other geopolitical events have taken a back seat to the Federal Reserve's fight against inflation. Indeed, Jerome H. Powell & Co. have hiked the target for the Fed Funds rate by 75 basis points at each of the last three FOMC Meetings, with the futures market currently projecting at least four more 0.25% increases this year.

Changes to monetary policy work with a lag, but thus far inflation has remained stubbornly high, with the Fed's preferred gauge of inflation, the core Personal Consumption Expenditure (PCE), rising in August by 4.9%, up from 4.6% in July. As a result, Fed officials have continued to talk tough with Vice Chair Lael Brainard saying last week, "Monetary policy will need to be restrictive for some time to have confidence that inflation is moving back to target...We are committed to avoiding pulling back prematurely."

Happily, given that surveys of longer-term inflation expectations have been declining, folks seem to be heeding the Fed's message, though fears the tightening of monetary policy will tip the U.S. economy into recession continue to rise.

> "Patience is the best remedy for every trouble."
>
> — Plautus

Obviously, time will tell whether the Fed can pull off a "soft landing," but the latest estimate from the Organisation for Economic Co-operation and Development (OECD) calls for 1.5% real U.S. GDP growth this year and 0.5% growth next year. The labor market also remains remarkably robust, while consumer spending has held up well and consumer confidence has been climbing. And, the Atlanta Fed has boosted its outlook for real Q3 GDP growth to 2.3% as of October 3.

To be sure, the housing market has cooled considerably, the keepers of the Leading Economic Index are predicting a recession will hit next year and there have been some high-profile earnings shortfalls and disappointing outlooks. But, considering that stocks soared on October 3 & 4, due in part to a weaker-than-expected ISM manufacturing number and fewer job openings, traders now seem to be hoping the economy slows so that the Fed will pause its rate hikes and eventually pivot to rate reductions.

We understand that few were excited to hear Chair Powell state last month, "I wish there was a painless way to get [inflation] behind us. There isn't." Needless to say, we do not know what the near-term will bring, but we think that the equity markets have already discounted a significant amount of the Fed's pain, given the substantial losses suffered this year. Even if a recession hits, we continue to take comfort in the reasonable valuation metrics and generous dividend yields of our broadly diversified portfolios of what we believe to be undervalued stocks.

History is a guide and never the gospel, but we cannot forget that equities have 9% to 13% per annum returns over the past 90+ years. There have been many scary selloffs along the way, but stocks have always overcome more difficult environments than what we are presently facing.

John Buckingham

Editor, Principal, Portfolio Manager
Kovitz

Graphic Detail

Long-Term Perspective

Bad news is plentiful these days. Just last week, *Forbes.com* shouted, "America's Richest Tech Billionaires Have Lost $315 Billion In The Past Year." And *CNBC.com* screamed, "Stock market losses wipe out $9 trillion from American's wealth," as data from the Federal Reserve showed that holdings of corporate equities and stock mutual funds fell to $33 trillion at the end of the second quarter, down from $42 trillion at the start of the year.

Throw in additional losses in the third quarter, and we suspect that some may be questioning their ownership of stocks. After all, the major market averages were off more than 20% from their highs, with the broad-based Russell 3000 index down 24.6% on the year. And the average stock was mired in its fourth Bear Market (2016, 2018, 2020 & 2022) in less than seven years.

No doubt, all of the negativity might lead folks to think that equities have been a miserable intermediate-term or even long-term investment. Certainly, we are not trying to sweep this year's red ink under the rug, but Alphabet's Larry Paige & Sergey Brin and Microsoft's Bill Gates are not exactly on Skid Row (the three have a net worth near $100 billion, despite losing $28 to $30 billion each for the 12 months ended September 2). And that Federal Reserve household equity data shows that $33 trillion looks pretty good compared to the $22.7 trillion tally five years ago, $13.7 trillion 10 years ago and $7.4 trillion 20 years ago.

Indeed we think the perspective gained via a longer-term lens is highly valuable. This is especially true for those invested in Value stocks, which have been maligned in recent years. Believe it or not, including this year's car-

INTERMEDIATE-TERM PERFORMANCE

Value has performed well, considering its returns against global stocks, bonds, commodities and Treasuries, on a multi-year basis.

	Total U.S. Dollar Return				
Index	**3-Year**	**5-Year**	**7-Year**	**10-Year**	**20-Year**
Value Stocks					
Russell 3000 Value	4.3%	5.1%	8.1%	9.1%	8.7%
S&P 500 Value	5.1%	6.1%	8.9%	9.6%	8.7%
Global Equities					
MSCI ACWI	4.2%	5.0%	8.0%	7.9%	8.5%
MSCI ACWI ex United States	-1.0%	-0.3%	3.8%	3.5%	6.9%
MSCI EAFE	-1.3%	-0.3%	3.4%	4.3%	6.5%
MSCI Europe	-1.2%	-0.7%	2.9%	4.0%	6.6%
MSCI Emerging Markets	-1.8%	-1.5%	4.3%	1.4%	9.1%
S&P/ASX 200 - Australia	2.3%	3.9%	8.1%	4.8%	10.9%
CAC 40 Index - France	-0.5%	0.6%	4.9%	5.9%	7.1%
Deutsche Boerse - Germany	-4.3%	-4.8%	1.3%	2.5%	7.6%
Hang Seng - Hong Kong	-10.2%	-6.0%	0.5%	1.5%	6.9%
Ibovespa - Brazil	-6.8%	-2.8%	8.6%	-3.5%	11.6%
Shanghai - China	3.9%	-1.1%	0.5%	5.0%	6.2%
Sensex - India	10.1%	9.3%	9.8%	8.5%	14.6%
Nikkei 225 - Japan	-1.9%	1.8%	5.1%	6.6%	6.1%
FTSE 100 Index - United Kingdom	-2.1%	-1.2%	1.3%	1.9%	5.2%
Other Assets					
S&P GSCI Commodities	14.6%	8.8%	7.8%	-0.9%	5.0%
Bloomberg Barclays U.S. Agg Bond	-3.3%	-0.3%	0.5%	0.9%	3.1%
Bloomberg Barclays Global Agg Bond	-5.7%	-2.3%	-0.6%	-0.9%	2.7%
ICE U.S. Treasury 7 - 10 Year	-3.9%	-0.4%	0.1%	0.6%	N/A
ICE U.S. Treasury 3 -7 Year	-2.2%	0.0%	0.3%	0.6%	N/A
ICE U.S Treasury 1 - 3 Year	-0.5%	0.5%	0.5%	0.6%	N/A

As of 09.30.22 in U.S. dollars. SOURCE: Kovitz Investment Group using data from Bloomberg Finance L.P.

LONG-TERM RETURNS

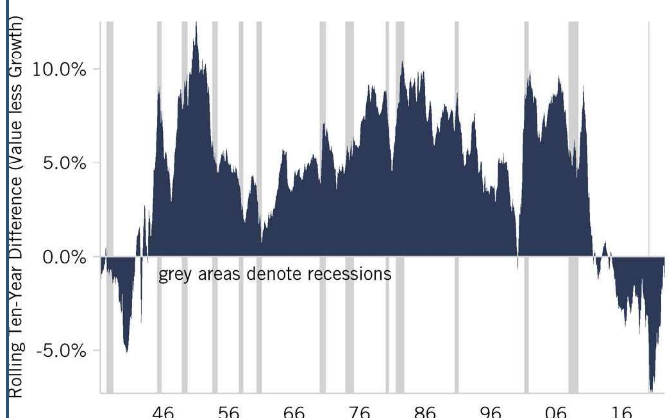
Value (and Dividend Payers) have won the returns race since *The Prudent Speculator* debuted in March 1977.

Category	Ann Ret	Std Dev
Value Stocks	14.0%	17.7%
Growth Stocks	11.0%	18.9%
Dividend Paying Stocks	12.3%	14.6%
Non-Dividend Paying Stocks	11.9%	22.4%
Long-Term Gov't Bonds	7.7%	11.0%
Intermediate Gov't Bonds	6.40%	5.30%
Treasury Bills	4.20%	1.00%
Inflation	3.60%	1.30%

From 02.28.77 through 07.31.22. Low P/B Ratio (Value) and High P/B Ratio (Growth) portfolios are formed on Book Equity to Market Equity at the end of each June using NYSE breakpoints. Dividend payers are a weighted average of the top 30%, middle 40% and lowest 30% of dividend payers, rebalanced monthly. Non-dividend payers are stocks that do not pay a dividend. 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 Investment Group using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

ROLLING 10-YEAR FF VALUE LESS GROWTH

Students of market history will undoubtedly like the odds for a continued Value resurgence going forward.



From 06.30.26 through 07.31.22. Growth stocks = half Fama-French small growth and half Fama-French large growth returns rebalanced monthly. Value stocks = half Fama-French small value and half 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. Annualized total return. SOURCE: Kovitz Investment Group using data from Professors Fama and French

nage, the Russell 3000 Value and S&P 500 Value indexes since Q3 2012 had gained 9.1% and 9.6% PER ANNUM, a terrific 10-year annualized return (in dollar terms) relative to stocks around the world, not to mention bonds, commodities and U.S. Treasuries. The modest three- and five-year return numbers also are decent, especially versus fixed income, while the two-decade annualized figures not-too-far from 9% are very good.

True, all of those Value returns trail the historical 14.0% annual return for the Fama-French Value series dating back to the launch of *The Prudent Speculator* some 45 years ago, but in our view this bodes well for stocks like those we have long championed going forward. Happily, Value also has been rapidly closing the 10-year performance gap with Growth, while the former is much less expensively valued versus its historical norms today. ■

VALUATION METRICS

We like how the multiples and yield for TPS Portfolio compare to the indexes, including the S&P 500 Value and Russell 3000 Value.

Portfolio or Index	P/E	P/Eest	P/S	P/B	Div Yield
TPS Portfolio	**10.7**	**9.9**	**0.8**	**1.9**	**3.1**
Russell 3000	19.2	16.4	1.9	3.3	1.8
Russell 3000 Growth	27.2	22.3	2.9	8.7	1.1
Russell 3000 Value	14.7	13.0	1.4	2.1	2.6
Russell 2000	133.2	21.8	1.0	2.0	1.7
Russell 2000 Growth	N/A	26.5	1.3	5.7	0.9
Russell 2000 Value	56.3	18.3	0.9	1.2	2.6
Russell MidCap	18.8	15.4	1.5	2.7	1.9
Russell MidCap Growth	31.5	22.1	2.2	6.6	0.8
Russell MidCap Value	15.4	13.1	1.2	2.0	2.4
S&P 500 Index	17.6	16.0	2.2	3.6	1.9
S&P 500 Growth Index	21.3	19.5	3.8	6.6	1.1
S&P 500 Value Index	15.1	13.7	1.5	2.5	2.6
S&P 500 Pure Value Index	9.3	8.6	0.6	1.3	3.0

As of 09.30.22. P/E is the Price to Trailing 12-Month Earnings ratio. P/Eest is the Price to Forward 12-Month Earnings ratio. P/S is the Price to Sales ratio. P/B is the Price to Book Value ratio. SOURCE: Kovitz Investment Group using data from Bloomberg Finance L.P.

LARGEST TPS R3K VALUE MEMBERS

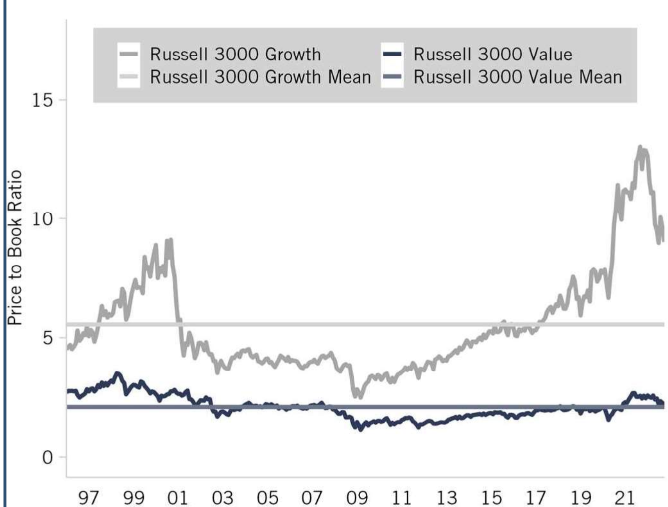
Earnings estimates have been coming down, but we find plenty of Value amongst the larger Russell 3000 Value index members.

Ticker	Name	Industry	NTM P/E	Dividend Yield
JNJ	Johnson & Johnson	Pharmaceuticals	15.6	2.7
XOM	Exxon Mobil	Oil, Gas & Consumable Fuels	7.8	4.0
JPM	JPMorgan Chase	Banks	8.5	3.8
PFE	Pfizer	Pharmaceuticals	7.9	3.6
META	Meta Platforms	Interactive Media & Services	10.3	0.0
BAC	Bank Of America	Banks	8.3	2.8
WMT	Walmart	Food & Staples Retailing	20.4	1.7
CSCO	Cisco Systems	Communications Equipment	11.2	3.8
DIS	Walt Disney	Entertainment	18.2	0.0
VZ	Verizon	Diversified Telecommunication	7.3	6.7
BMY	Bristol-Myers Squibb	Pharmaceuticals	9.0	3.0
ABT	Abbott Labs	Health Care Equip & Supplies	20.4	1.9
CMCSA	Comcast	Media	7.8	3.5
MRK	Merck & Co.	Pharmaceuticals	11.7	3.2
CVS	CVS Health	Health Care Providers & Srvcs	10.6	2.3
MDT	Medtronic PLC	Health Care Equip & Supplies	14.3	3.2
INTC	Intel	Semiconductors	10.6	5.6
MS	Morgan Stanley	Capital Markets	10.5	3.6
GS	Goldman Sachs	Capital Markets	7.8	2.9
BLK	BlackRock	Capital Markets	15.1	3.4
C	Citigroup	Banks	5.8	4.9
GILD	Gilead Sciences	Biotechnology	9.6	4.7
ELV	Elevance Health	Health Care Providers & Srvcs	14.4	1.1

As of 09.30.22. SOURCE: Kovitz Investment Group using data from Bloomberg Finance L.P.

VALUATION DISPARITY: PRICE TO BOOK VALUE

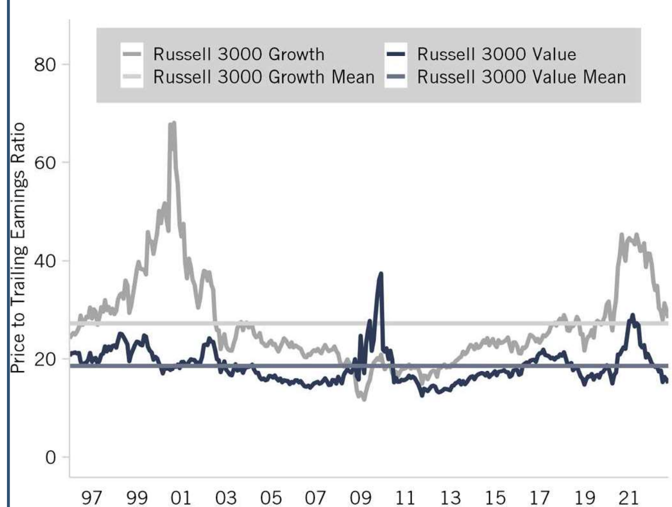
Value stocks, on a Book Value basis, are as attractive relative to Growth as at any time since the Tech Bubble.



From 12.29.95 through 09.30.22. SOURCE: Kovitz Investment Group using data from Bloomberg Finance L.P.

VALUATION DISPARITY: P/E

Value stocks are trading below their historical mean on a P/E basis whereas Growth stocks are priced above their much-higher average.



From 12.29.95 through 09.30.22. SOURCE: Kovitz Investment Group using data from Bloomberg Finance L.P.

All Recommended Stocks

In this space, we list all of the stocks we own across our multi-cap-value managed account strategies and in our four newsletter portfolios. See the last page for pertinent information on our flagship TPS strategy, which has been in existence since the launch of *The Prudent Speculator* in March 1977.

Readers are likely aware that TPS has long been monitored by *The Hulbert Financial Digest* ("Hulbert"). As industry watchdog Mark Hulbert states, "*Hulbert* was founded in 1980 with the goal of tracking investment advisory newsletters. Ever since it has been the premiere source of objective and independent performance ratings for the industry." For info on the newsletters tracked by *Hulbert*, visit: http://hulbertratings.com/since-inception/

Keeping in mind that all stocks are rated as "Buys" until such time as we issue an official Sales Alert, we believe that all of the companies in the tables on these pages trade for significant discounts to our determination of long-term fair value and/or offer favorable risk/reward profiles. Note that, while we always seek substantial capital gains, we require lower appreciation potential for stocks that we deem to have more stable earnings streams, more diversified businesses and stronger balance sheets. The natural corollary is that riskier companies must offer far greater upside to warrant a recommendation. Further, as total return is how performance is ultimately judged, we explicitly factor dividend payments into our analytical work.

While we always like to state that we like all of our children equally, meaning that we would be fine in purchasing any of the 100+ stocks, we remind subscribers that we very much advocate broad portfolio diversification with TPS Portfolio holding more than eighty of these companies. Of course, we respect that some folks may prefer a more concentrated portfolio, however our minimum comfort level in terms of number of overall holdings in a broadly diversified portfolio is at least thirty!

TPS rankings and performance are derived from hypothetical transactions "entered" by *Hulbert* based on recommendations provided within TPS, and according to *Hulbert's* own procedures, irrespective of specific prices shown within TPS, where applicable. Such performance does not reflect the actual experience of any TPS subscriber. *Hulbert* applies a hypothetical commission to all "transactions" based on an average rate that is charged by the largest discount brokers in the U.S., and which rate is solely determined by *Hulbert*. *Hulbert's* performance calculations do not incorporate the effects of taxes, fees, or other expenses. TPS pays an annual fee to be monitored and ranked by *Hulbert*. With respect to "since inception" performance, *Hulbert* has compared TPS to 18 other newsletters across 61 strategies (as of the date of this publication). Past performance is not an indication of future results. For additional information about *Hulbert's* methodology, visit: http://hulbertratings.com/methodology/. ■

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Sales	TBV[2]	ROCE[3]	EV/ EBITDA[4]	FCF Yield[5]	Debt/ TE[6]	Div Yield	Mkt Cap
Technology Hardware	AAPL	Apple	138.20	180.33	22.8	5.7	38.2	162.8	16.7	4.8	163%	0.7%	2,220,978
Health Care Equip/Srvcs	ABT	Abbott Labs	96.76	141.52	16.5	3.7	78.7	24.3	13.0	4.9	778%	1.9%	169,448
Food, Bev & Tobacco	ADM	Archer-Daniels	80.45	100.27	12.3	0.5	2.5	15.7	12.0	3.7	49%	2.0%	45,097
Materials	ALB	Albemarle	264.44	357.83	33.5	7.1	7.3	4.3	29.2	-3.4	78%	0.6%	30,974
Insurance	ALIZY	Allianz SE	15.61	25.31	15.6	nmf	1.7	6.1	nmf	nmf	nmf	5.0%	63,760
Insurance	ALL	Allstate	124.53	160.71	23.5	nmf	2.3	4.0	nmf	nmf	nmf	2.7%	33,660
Pharma/Biotech/Life Sci	AMGN	Amgen	225.40	300.68	12.6	4.6	nmf	123.3	11.8	6.7	nmf	3.4%	120,573
Real Estate	• AMT	American Tower	214.70	298.34	19.6	nmf	nmf	43.8	nmf	nmf	nmf	2.7%	99,962
Materials	APD	Air Products & Chemicals	232.73	345.59	23.2	4.3	4.2	17.1	15.4	0.6	55%	2.8%	51,619
Real Estate	ARE	Alexandria Real Estate	140.19	233.81	17.4	nmf	1.3	1.9	nmf	nmf	nmf	3.4%	22,875
Semis & Cap Equipment	AVGO	Broadcom	444.01	733.72	12.7	5.7	nmf	52.0	11.8	8.4	nmf	3.7%	179,825
Insurance	AXAHY	AXA SA	21.78	36.30	6.6	nmf	nmf	13.6	nmf	nmf	nmf	6.1%	50,887
Capital Goods	AYI	Acuity Brands	157.47	245.28	12.9	1.3	18.0	18.5	9.4	3.7	192%	0.3%	5,151
Banks	BAC	Bank of America	30.20	55.06	12.2	nmf	1.4	10.8	nmf	nmf	nmf	2.9%	242,664
Materials	BASFY	BASF SE	9.60	20.10	5.0	0.4	1.2	13.3	5.1	6.5	54%	6.6%	35,270
Technology Hardware	BHE	Benchmark Electronics	24.78	39.78	13.7	0.3	1.2	5.0	7.5	-20.8	48%	2.7%	871
Retailing	BIG	Big Lots	15.61	43.35	nmf	0.1	0.5	-4.9	27.4	-55.9	205%	7.7%	452

As of 09.30.22. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

All Recommended Stocks *continued*

Industry Group	Ticker[1]	Company	Price	Target Price	Price Multiples EPS	Price Multiples Sales	Price Multiples TBV[2]	ROCE[3]	EV/ EBITDA[4]	FCF Yield[5]	Debt/ TE[6]	Div Yield	Mkt Cap
Diversified Financials	BK	Bank of New York	38.52	67.30	12.6	nmf	2.0	8.4	nmf	nmf	nmf	3.8%	31,128
Diversified Financials	BLK	Blackrock	550.28	878.33	14.4	nmf	24.8	16.0	nmf	nmf	nmf	3.5%	83,497
Pharma/Biotech/Life Sci	BMY	Bristol-Myers Squibb	71.09	101.66	9.2	3.2	nmf	19.1	9.5	9.2	nmf	3.0%	151,795
Banks	C	Citigroup	41.67	92.39	6.9	nmf	0.5	8.5	nmf	nmf	nmf	4.9%	80,703
Health Care Equip/Srvcs	CAH	Cardinal Health	66.68	85.44	13.2	0.1	nmf	nmf	193.4	15.1	nmf	3.0%	17,471
Capital Goods	CAT	Caterpillar	164.08	273.05	14.4	1.6	10.0	41.5	9.7	3.5	303%	2.9%	86,619
Materials	CE	Celanese	90.34	219.71	4.5	1.0	3.4	45.3	5.4	15.2	113%	3.0%	9,788
Banks	CFG	Citizens Financial Group	34.36	68.61	7.3	nmf	1.2	8.0	nmf	nmf	nmf	4.9%	17,030
Health Care Equip/Srvcs	CHNG	Change Healthcare	27.49	27.93	18.6	2.6	nmf	-2.3	10.3	7.0	nmf	0.0%	9,025
Energy	CIVI	Civitas Resources	57.39	90.19	6.4	1.8	1.0	24.0	2.4	14.4	8%	3.2%	4,880
Banks	CMA	Comerica	71.10	108.84	10.4	nmf	1.7	13.5	nmf	nmf	nmf	3.8%	9,301
Media & Entertainment	CMCSA	Comcast	29.33	62.00	8.4	1.1	nmf	15.1	6.1	13.5	nmf	3.7%	129,440
Capital Goods	CMI	Cummins	203.51	307.60	14.3	1.2	4.6	24.7	9.5	4.5	60%	3.1%	28,693
Diversified Financials	COF	Capital One Fin'l	92.17	174.97	4.0	nmf	1.0	17.9	nmf	nmf	nmf	2.6%	35,376
Semis & Cap Equipment	COHU	Cohu	25.78	46.98	8.9	1.5	2.4	10.9	5.6	7.6	18%	0.0%	1,243
Technology Hardware	CSCO	Cisco Systems	40.00	69.92	11.9	3.2	nmf	29.1	9.5	7.6	nmf	3.8%	164,354
Health Care Equip/Srvcs	CVS	CVS Health	95.37	138.83	11.1	0.4	nmf	11.0	10.4	12.6	nmf	2.3%	125,204
Capital Goods	DE	Deere & Co	333.89	494.40	16.7	2.1	7.2	35.5	9.9	0.6	230%	1.4%	100,775
Energy	DINO	HF Sinclair	53.84	69.82	6.9	0.4	2.3	22.1	5.3	8.2	70%	3.0%	11,675
Media & Entertainment	DIS	Walt Disney	94.33	164.07	26.2	2.1	nmf	3.5	19.3	0.7	nmf	0.0%	171,969
Retailing	DKS	Dick's Sporting Goods	104.64	131.00	7.8	0.7	4.5	48.0	5.3	4.6	214%	1.9%	8,287
Real Estate	DLR	Digital Realty	99.18	168.81	14.8	nmf	3.3	7.8	nmf	nmf	nmf	4.9%	29,130
Real Estate	DOC	Physicians Realty	15.04	20.27	14.3	nmf	1.2	2.9	nmf	nmf	nmf	6.1%	3,404
Transportation	DPSGY	Deutsche Post AG	30.06	71.62	9.8	0.4	4.8	28.4	4.5	14.4	218%	4.5%	37,246
Health Care Equip/Srvcs	ELV	Elevance Health	454.24	600.88	16.1	0.7	nmf	17.2	9.6	7.3	nmf	1.1%	109,018
Capital Goods	ENS	EnerSys	58.17	125.30	13.3	0.7	6.4	8.7	11.0	-7.1	388%	1.2%	2,365
Energy	EOG	EOG Resources	111.73	158.78	9.3	2.7	2.9	26.4	6.1	6.0	17%	2.7%	65,479
Capital Goods	ETN	Eaton Corp PLC	133.36	182.12	19.2	2.7	nmf	14.6	14.9	2.1	nmf	2.4%	53,117
Transportation	FDX	FedEx	148.47	329.92	9.1	0.4	2.1	14.5	6.9	7.4	186%	3.1%	38,635
Banks	FITB	Fifth Third Bancorp	31.96	50.24	9.6	nmf	1.9	12.3	nmf	nmf	nmf	4.1%	21,931
Retailing	FL	Foot Locker	31.13	56.30	6.0	0.3	1.4	14.9	6.6	-4.3	136%	5.1%	2,904
Capital Goods	GBX	Greenbrier	24.27	51.34	13.7	0.3	0.8	4.6	9.6	-72.3	125%	4.4%	791
Capital Goods	GD	General Dynamics	212.17	277.90	18.0	1.5	nmf	20.2	13.8	8.2	nmf	2.4%	58,187
Pharma/Biotech/Life Sci	GILD	Gilead Sciences	61.69	85.95	8.8	2.8	nmf	20.7	10.6	12.2	nmf	4.7%	77,320
Technology Hardware	GLW	Corning	29.02	53.44	13.1	1.7	3.0	16.9	8.6	5.9	89%	3.7%	24,531
Autos & Components	GM	General Motors	32.09	64.69	5.3	0.4	0.8	13.4	2.6	6.6	132%	1.1%	46,789
Media & Entertainment	GOOG	Alphabet	96.15	178.82	17.4	4.5	5.4	29.2	11.5	5.1	11%	0.0%	1,250,961
Diversified Financials	GS	Goldman Sachs	293.05	461.81	6.6	nmf	1.1	15.7	nmf	nmf	nmf	3.4%	104,313
Autos & Components	GT	Goodyear Tire	10.09	20.14	4.8	0.1	0.9	20.2	5.3	-17.6	267%	0.0%	2,853
Consumer Durables	HAS	Hasbro	67.42	120.75	13.8	1.4	nmf	18.5	10.4	2.6	nmf	4.2%	9,310
Autos & Components	HMC	Honda Motor	21.59	34.19	8.5	0.4	0.6	6.2	7.2	37.3	49%	4.1%	39,109
Technology Hardware	HPE	Hewlett Packard Enterprise	11.98	21.05	6.1	0.6	10.3	19.8	6.4	10.3	610%	4.0%	15,415
Software & Services	IBM	Int'l Business Machines	118.81	160.59	12.4	1.7	nmf	27.0	11.7	7.7	nmf	5.6%	107,307
Energy	INT	World Fuel Services	23.44	38.06	15.9	0.0	2.1	4.5	8.1	-4.0	150%	2.4%	1,451
Semis & Cap Equipment	INTC	Intel	25.77	53.07	6.5	1.4	1.6	20.5	4.1	-1.6	48%	5.7%	105,812
Materials	IP	Int'l Paper	31.70	66.02	7.7	0.5	2.0	21.2	5.3	8.6	97%	5.8%	11,476
Technology Hardware	JBL	Jabil	57.71	92.69	7.5	0.2	5.0	43.4	4.3	3.6	188%	0.6%	7,938
Pharma/Biotech/Life Sci	JNJ	Johnson & Johnson	163.36	207.08	16.4	4.5	nmf	25.2	14.4	4.6	nmf	2.8%	429,503
Technology Hardware	JNPR	Juniper Networks	26.12	38.01	14.9	1.7	26.4	9.1	13.7	0.8	549%	3.2%	8,427
Banks	JPM	JPMorgan Chase	104.50	183.86	8.4	nmf	1.5	14.7	nmf	nmf	nmf	3.8%	306,454
Retailing	JWN	Nordstrom	16.73	38.18	7.1	0.2	6.4	nmf	4.3	1.0	nmf	4.5%	2,662
Banks	KEY	KeyCorp	16.02	28.20	7.0	nmf	1.5	15.0	nmf	nmf	nmf	4.9%	14,941
Real Estate	KIM	Kimco Realty	18.41	30.18	12.4	nmf	1.2	9.4	nmf	nmf	nmf	4.8%	11,386
Semis & Cap Equipment	KLIC	Kulicke & Soffa	38.53	82.38	6.1	1.3	2.0	46.1	2.6	9.8	3%	1.8%	2,237
Food & Staples Retailing	KR	Kroger Co	43.75	65.42	10.8	0.2	5.5	25.8	7.2	8.7	335%	2.4%	31,317
Retailing	KSS	Kohl's Corp	25.15	53.81	5.0	0.2	0.6	14.3	4.5	-29.0	157%	8.0%	2,933
Consumer Dur & App	LEG	Leggett & Platt	33.22	53.08	15.5	0.8	nmf	24.7	8.4	6.0	nmf	5.3%	4,406

As of 09.30.22. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

				Target	Price Multiples				EV/	FCF	Debt/	Div	Mkt
Industry Group	Ticker[1]	Company	Price	Price	EPS	Sales	TBV[2]	ROCE[3]	EBITDA[4]	Yield[5]	TE[6]	Yield	Cap
Technology Hardware	LITE	Lumentum Holdings	68.57	149.28	11.3	2.7	3.5	10.3	8.5	7.5	112%	0.0%	4,674
Capital Goods	LMT	Lockheed Martin	386.29	498.35	17.2	1.6	nmf	52.4	11.2	7.1	nmf	2.9%	102,426
Retailing	LOW	Lowe's Cos	187.81	266.62	14.8	1.2	nmf	nmf	10.5	6.1	nmf	2.2%	116,574
Semis & Cap Equipment	LRCX	Lam Research	366.00	697.24	14.9	2.9	10.7	74.8	9.0	5.0	111%	1.9%	50,081
Commerical Services	MAN	ManpowerGroup	64.69	138.12	7.8	0.2	16.4	17.5	4.9	11.0	570%	4.2%	3,347
Consumer Durables	MDC	MDC Holdings	27.42	68.78	3.1	0.4	0.7	24.7	3.1	-4.2	58%	7.3%	1,951
Health Care Equip/Srvcs	MDT	Medtronic PLC	80.75	133.95	15.1	3.5	nmf	10.0	14.0	5.3	nmf	3.4%	107,329
Insurance	MET	MetLife	60.78	98.19	7.0	nmf	2.0	6.9	nmf	nmf	nmf	3.3%	48,479
Media & Entertainment	META	Meta Platforms	135.68	333.37	11.2	3.1	3.5	25.5	6.9	9.6	15%	0.0%	364,647
Capital Goods	MMM	3M Co	110.50	200.68	11.2	1.7	nmf	29.4	10.7	6.8	nmf	5.4%	61,174
Materials	MOS	Mosaic Co	48.33	84.97	8.5	1.0	1.6	29.5	3.7	9.7	33%	1.2%	16,687
Pharma/Biotech/Life Sci	MRK	Merck & Co	86.12	117.41	11.4	3.8	nmf	43.3	10.6	6.6	nmf	3.2%	218,166
Pharma/Biotech/Life Sci	MRNA	Moderna	118.25	255.95	3.6	2.0	2.6	113.9	2.5	19.3	4%	0.0%	46,259
Diversified Financials	MS	Morgan Stanley	79.01	120.13	10.4	nmf	2.0	13.6	nmf	nmf	nmf	3.9%	135,646
Software & Services	MSFT	Microsoft	232.90	380.96	25.3	8.8	19.8	47.2	17.1	3.7	82%	1.2%	1,736,943
Semis & Cap Equipment	MU	Micron Tech	50.10	104.26	6.0	1.8	1.1	18.5	3.1	5.6	15%	0.9%	55,268
Materials	NEM	Newmont Corp	42.03	77.63	16.5	2.7	1.8	3.5	11.4	7.1	33%	5.2%	33,358
Software & Services	NLOK	NortonLifeLock	20.14	34.15	11.3	4.8	nmf	nmf	13.8	7.9	nmf	2.5%	13,414
Transportation	NSC	Norfolk Southern	209.65	324.47	16.7	4.1	3.7	22.1	10.8	4.9	110%	2.4%	49,241
Technology Hardware	NTAP	NetApp	61.85	103.02	11.6	2.1	nmf	137.8	8.9	7.4	nmf	3.2%	13,444
Materials	NTR	Nutrien Ltd	83.38	130.20	6.7	1.3	3.7	27.7	4.7	nmf	66%	2.3%	44,966
Banks	NYCB	NY Community Bancorp	8.53	16.83	6.6	nmf	1.0	9.3	nmf	nmf	nmf	8.0%	3,976
Media & Entertainment	OMC	Omnicom Group	63.09	104.16	9.5	0.9	nmf	39.2	7.3	5.9	nmf	4.4%	12,924
Banks	ONB	Old National Bancorp	16.47	23.02	10.1	nmf	1.8	5.3	nmf	nmf	nmf	3.4%	4,824
Software & Services	ORCL	Oracle	61.07	113.12	12.4	3.7	nmf	nmf	17.6	3.3	nmf	2.1%	164,655
Banks	OZK	Bank OZK	39.56	64.87	9.2	nmf	1.3	12.3	nmf	nmf	nmf	3.2%	4,680
Pharma/Biotech/Life Sci	PFE	Pfizer	43.76	70.87	7.1	2.4	29.8	37.3	7.1	11.6	416%	3.7%	245,597
Health Care Equip/Srvcs	PHG	Koninklijke Philips NVR	15.39	36.70	14.4	0.8	nmf	22.2	12.4	0.5	nmf	5.0%	13,687
Banks	PNC	PNC Financial	149.42	235.37	10.6	nmf	2.0	11.7	nmf	nmf	nmf	4.0%	61,281
Utilities	PNW	Pinnacle West Capital	64.51	86.88	13.3	1.8	1.3	9.4	9.9	-6.9	141%	5.3%	7,292
Insurance	PRU	Prudential Fin'l	85.78	137.89	7.0	nmf	1.2	4.6	nmf	nmf	nmf	5.6%	31,962
Semis & Cap Equipment	QCOM	Qualcomm	112.98	214.54	9.5	3.0	37.6	nmf	8.1	5.3	403%	2.7%	126,877
Consumer Services	RCL	Royal Caribbean	37.90	71.74	nmf	2.1	3.7	nmf	-19.0	-40.6	nmf	0.0%	9,667
Real Estate	REG	Regency Centers	53.85	79.63	13.1	nmf	1.6	8.0	nmf	nmf	nmf	4.6%	9,224
Capital Goods	SIEGY	Siemens AG	48.95	87.90	28.9	2.5	30.3	5.0	11.7	9.8	nmf	3.4%	83,215
Capital Goods	SNA	Snap-On Inc	201.35	295.59	12.6	2.3	3.6	20.9	8.7	6.2	41%	2.8%	10,725
Pharma/Biotech/Life Sci	SNY	Sanofi	38.02	62.37	10.8	4.7	nmf	9.9	11.3	7.7	nmf	3.8%	96,379
Technology Hardware	STX	Seagate Tech	53.23	105.98	6.5	0.9	nmf	nmf	6.7	10.9	nmf	5.3%	11,073
Diversified Financials	SYF	Synchrony Fin'l	28.19	54.05	4.1	nmf	1.3	28.0	nmf	nmf	nmf	3.3%	13,581
Banks	TFC	Truist Financial	43.54	72.30	8.3	nmf	2.2	10.0	nmf	nmf	nmf	4.8%	57,751
Retailing	TGT	Target	148.39	239.90	16.9	0.6	6.9	33.2	9.7	0.5	161%	2.9%	68,298
Capital Goods	TKR	Timken	59.04	93.33	11.2	1.0	8.0	16.7	8.3	2.8	334%	2.1%	4,336
Consumer Durables	TPR	Tapestry	28.43	58.82	8.3	1.0	nmf	30.9	5.5	10.1	nmf	4.2%	6,881
Food, Bev & Tobacco	TSN	Tyson Foods	65.93	115.84	7.0	0.5	9.5	22.6	4.7	7.1	331%	2.8%	23,710
Energy	TTE	TotalEnergies SE	46.52	102.58	4.3	0.6	1.6	18.8	3.2	20.3	56%	4.9%	121,842
Autos & Components	VWAGY	Volkswagen AG	16.25	34.73	4.6	1.9	1.1	12.5	1.3	20.7	184%	3.2%	47,937
Telecom Services	VZ	Verizon	37.97	70.94	7.1	1.2	nmf	26.0	6.6	9.3	nmf	6.9%	159,463
Consumer Durables	WHR	Whirlpool	134.81	278.02	5.6	0.3	nmf	15.8	7.1	9.4	nmf	5.2%	7,348
Commerical Services	WM	Waste Management	160.21	184.98	30.5	3.5	nmf	29.5	15.3	3.4	nmf	1.6%	66,221
Food & Staples Retailing	WMT	Walmart	129.70	158.25	21.4	0.6	7.2	17.5	11.9	1.5	97%	1.7%	352,037
Materials	WRK	WestRock	30.89	69.26	6.7	0.4	3.1	8.1	5.3	15.8	327%	3.2%	7,855
Energy	XOM	Exxon Mobil	87.31	120.30	8.9	1.0	2.1	23.2	6.0	13.3	22%	4.0%	363,876
Health Care Equip/Srvcs	ZBH	Zimmer Biomet	104.55	169.15	14.5	3.0	nmf	1.9	15.6	4.2	nmf	0.9%	21,937

As of 09.30.22. nmf=Not meaningful. [1] •=First-time recommendation. [2]Tangible book value. [3]Return on Common Equity. [4]Enterprise value-to-earnings before interest taxes depreciation and amortization. [5]Free cash flow yield. [6]Tangible equity.
SOURCE: Kovitz using data from Bloomberg Finance L.P.

Portfolio Builder

Research Team Highlights

The Prudent Speculator follows an approach to investing that focuses on ***broadly diversified*** investments in ***undervalued*** stocks for their ***long-term*** appreciation potential. Does that mean we build portfolios of 20 stocks...30...? More like 50 and up. We like stocks. And we like a lot of 'em. We don't rely nearly as much on "how many" as we do "in which," but we tend to invest in far more names than most. This expansive diversification, we find, potentially serves us well in two ways: we can further minimize the risk of individual stock ownership, while maximizing the likelihood of finding the truly big winners among the undervalued masses.

As for the "in which" part, readers should know we discriminate among potential investments primarily by their relative valuation metrics and our assessments of stock-specific risk. We buy only those stocks we find to be undervalued along several lines relative to their own trading history, those of their peers or that of the market in general. Our Target Prices incorporate a range of fundamental risks (e.g. credit, customer and competitive dynamic) that we believe the companies may face over our normal three-to-five-year investing time horizon.

Each month in this column, we highlight 10 stocks with which readers might populate their portfolios. The list is not selected based on performance, as the following methodological hierarchy is utilized: 1) First time recommendations; 2) Stocks that are unowned or under-owned in one of our four newsletter portfolios; 3) Companies that have not been highlighted in the prior five monthly editions of *The Prudent Speculator*; 4) Editor's choice. Note that we are in no way suggesting that these stocks replace those featured in prior months as we will always issue a *Sales Alert* should we choose to exit a position.

Portfolio Builder Notes

This month, we will raise the ownership of **Hasbro** to $11,000 in Buckingham Portfolio. In our hypothetical accounts, we will buy $19,000 of **American Tower** in Millennium Portfolio, and we will lift **Greenbrier**, **Medtronic** and **TotalEnergies** to $31,000 in PruFolio. We have enough stock and/or sector exposure to **BlackRock**, **Alphabet**, **Micron Tech**, **Tyson Foods** and **Westrock** in our newsletter portfolios, so no additional purchases of these five this time around. As is our custom, we will transact two trading days hence, on Thursday, October 6.

THIS MONTH'S 10-STOCK SELECTION

Ticker	Company	Sector	Price	Target Price
AMT	American Tower	Real Estate	214.70	298.34
BLK	Blackrock	Financials	550.28	878.33
GBX	Greenbrier	Industrials	24.27	51.34
GOOG	Alphabet	Communication Services	96.15	178.82
HAS	Hasbro	Consumer Discretionary	67.42	120.75
MDT	Medtronic PLC	Health Care	80.75	133.95
MU	Micron Tech	Information Technology	50.10	104.26
TSN	Tyson Foods	Consumer Staples	65.93	115.84
TTE	TotalEnergies SE	Energy	46.52	102.58
WRK	WestRock	Materials	30.89	69.26

As of 09.30.22. SOURCE: Kovitz using data from Bloomberg Finance L.P.

American Tower (AMT)

American Tower is a leading independent owner, operator and developer of multitenant communications real estate, with a portfolio of approximately 222,000 communications sites around the globe. Once primarily owned by individual wireless carriers, site sharing with other carriers is more economically attractive, driving a transition to independent ownership. The result for independent operators has been terrific tower growth for almost three decades. We think the upward trajectory will continue as carriers upgrade or install rural networks, while urban networks need higher tower density and upgraded equipment. AMT is well-positioned with more than 40% of revenue from international markets like India that are less consolidated and roughly a decade behind the U.S. Management expects around 6,000 new towers per year for the next few years, while many international markets are still rolling out 4G service. American Tower's leases are typically 5 to 10 years long, incorporate fixed price increases with high renewal rates (annual churn of 1% to 2% per year). We suspect the 27% decline for the stock this year has more to do with AMT's structure as a REIT, given the rise in interest rates, than its operating performance, affording a nice entry point. The dividend yield is 2.7%.

BlackRock (BLK)

BlackRock is the largest asset management firm in the world with $8.5 trillion of AUM at the end of Q2 2022. BLK offers a range of investment products and asset classes, both active and passive, to institutional and individual investors. The renewed market decline has resulted in a big drop in BLK assets (down from $10 trillion), which directly ties to earnings because the company's ETFs and funds bill on assets under management. As a result, shares are down almost 40% this year, even though BLK funds cover the spectrum when it comes to exposures, keeping it somewhat agnostic to shifts between asset classes and investment strategies and helping to limit the impact that market swings or withdrawals can have. Additionally, a heavier concentration of institutional clients has historically provided a more stable group of assets than many of its peers. In fact, the company had $90 billion of net inflows in Q2. We think BlackRock will be able to return to growth as CEO Laurence C. Fink recently reminded, "Over the course of BlackRock's 34-year history, we have experienced numerous periods of volatility and uncertainty, and BlackRock has always come through stronger. It is during periods like these that we differentiate ourselves even more with clients and further deepen those relationships." High-quality BLK shares now yield 3.5%.

Greenbrier Companies (GBX)

Greenbrier is predominately a manufacturer of railcars, even as its servicing division has grown and the firm has moved further into leasing over the past year. One of a number of cyclical companies whose stocks have been pummelled on recession fears, GBX trades at a 52-week low, down 45% year-to-date and 50% below its high from March. The company receives little coverage from the analyst community, but 2023 is expected to be a robust year as metal prices recede and Greenbrier works through its backlog to improve volumes. Europe remains a wild card given the war in Ukraine, but raging petrol costs ought to support rail transport over truck. The balance sheet carries a bit more debt than in the past, but we find it bearable as the average maturity is four years out with an average coupon of just 2.9%. Shares trade for less than 10 times the drastically reduced 2023 EPS projection and offer a very generous 4.4% dividend yield.

Alphabet (GOOG)

Alphabet is a holding company that through its subsidiaries provides web-based search, advertisements, software, hardware and enterprise solutions. Alphabet controls many subsidiaries, including major internet sites Google and YouTube and mobile device software Android. Shares have been battered this year, down a third from the peak in November. The wider Information Tech sector selloff has pulled GOOG shares with it, which we think doesn't appropriately reflect Alphabet's terrific balance sheet and market-leading search engine, even if advertising and keyword spending pulls back as the economy slows. After reporting record-setting earnings per share in 2021, analysts expect $5.19 in EPS this year, followed by double-digit growth in the years ahead. Long-term investors looking for an excellent company with a bright future should consider GOOG as a cornerstone in any diversified portfolio, especially considering that the valuation is now very attractive (the forward P/E is in the 17 range, but it drops to 13 using the 2024 estimate).

Hasbro (HAS)

What a whirlwind the past year has been for global play and entertainment company Hasbro. Pressure from activist investors since the death of former CEO Brian Goldner has resulted in the retirement of two board members, and a series of COVID lockdowns in China, the company's largest supplier, have undoubtedly impacted results. Hasbro said it has considered the sale or restructuring of its entertainment business eOne, another of the activists' apparent goals, which it purchased right before the pandemic. Of course, it has already taken one step in that direction last year, having sold eOne's music business. Such moves are in a different direction from Hasbro's previous strategy of using an entertainment platform to promote its toy licenses but could potentially unlock shareholder value and offer a fresh start, allowing it to focus on its strengths in toy making. Down by a third in 2022, shares look cheap, trading for 13 times NTM EPS estimates and sporting a robust dividend yield of 4.2%.

Medtronic PLC (MDT)

Medtronic is a medical technology company that develops, manufactures and markets medical devices and technologies to hospitals, physicians, clinics and patients. Unlike many of our healthcare holdings, MDT has been thumped this year, with shares now down more than 21% (and 35% over the last 12 months) as supply-chain issues continue to be a major headwind and overall procedure volumes remain soft due to COVID in markets like China where rolling lockdowns have taken a toll. All that said, management announced that it was keeping its fiscal 2023 revenue and earnings forecast the same, projecting organic top-line growth between 4% and 5% and adjusted EPS in the range of $5.53 to $5.65. Despite the bumps in the road, we remain patient while MDT takes measures to sort through regulatory and supply chain hurdles, the latter including co-location of employees with suppliers and sourcing materials from sub-tier suppliers to remove middlemen. Medtronic has historically held roughly 50% market share in its core heart device business. It's also the leader in spinal products, insulin pumps, and neuromodulators for chronic pain. We think highly of MDT's terrific products for acute procedures and pipeline for a variety of chronic diseases, and we believe that the competitive position in the med-tech space remains intact. We find high-quality MDT attractive with an NTM P/E ratio of 14, well below the historical norm. The yield is 3.4%

Micron Technology (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 managed to tread water after the company reported fiscal Q4 2022 results on Sept. 29 that exceeded expectations. MU earned $1.45 per share (vs. $1.36 est.), but management comments related to slowing demand sent ripples through the semiconductor peer group. "Rapidly weakening consumer demand and significant customer inventory" led to the company responding with cuts to growth plans and lower fab utilization. CEO Sanjay Mehrotra expects demand to bounce back, so MU isn't altering its long-term plan to spend more than $40 billion on leading-edge manufacturing in the U.S. Micron shares have been hit hard this year, but we like the chip biz for the long haul and think there is substantial earnings power in the years ahead, while the balance sheet is in fine shape.

Tyson Foods (TSN)

Tyson produces, distributes and markets chicken, beef, pork and prepared foods. Shares are off more than 30% from their February highs, which we believe affords a long-term investment opportunity for those without exposure. While there is no doubt that TSN is experiencing near-term margin compression and labor shortages that are impacting supply, the company is still likely to generate significant free cash flow in each of the next several years as it has shown the ability to pass through many elevated input costs. This should allow its generous capital return program to continue, and will enable it to invest in its international businesses as TSN's overseas sales mix only accounts for 12% of revenue. The company remains committed to achieving $1 billion of productivity gains by fiscal 2024, with a significant portion from automation efforts. We continue to like the potential of its product lines, including prepared foods and plant-based offerings. We also think increasing protein consumption around the globe, especially in emerging economies as folks see quality-of-life improvements, will be a long-term tailwind. Tyson trades for 9 times NTM EPS and yields 2.8%.

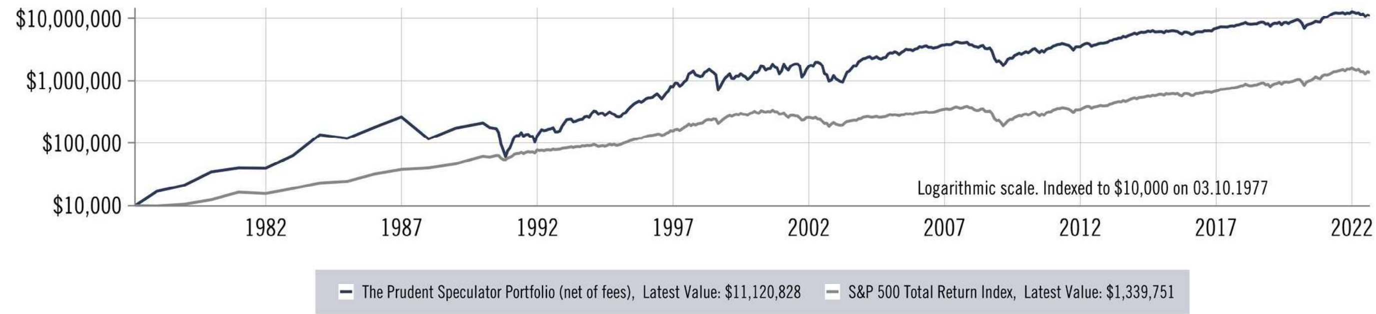
TotalEnergies (TTE)

Headquartered in France, Total is an integrated oil and gas company that has been vocal about its intentions to incorporate renewable energies into its mix. Nevertheless, Total's legacy fossil fuels business remains its greatest driver, recently delivering some of the strongest quarters the firm has seen in years. It also appears well-positioned to benefit from elevated gas demand in Europe as the Continent is pinched to replace its primary source of fuel. Shares remain attractive as they continue to lag U.S. peers even as the company has embraced a focus on capital returns, incorporating the ever-popular base-plus-variable dividend payout. Displaying the commitment to its greener vision, it plans to spin off its exposure to the Canadian oil sands in 2023 and intends to spend between $14 billion to $18 billion per year on natural gas expansion and carbon reduction projects. TTE trades for a single-digit P/E ratio while the dividend yield is 4.9%.

Westrock (WRK)

One of North America's paper giants, Westrock produces packaging for food, hardware, apparel and other consumer goods. The company's lineup includes recycled and bleached paperboard, containerboard, consumer and corrugated packaging, and point-of-purchase displays. Westrock has fiber-based packaging solutions in 30 countries and is targeting EBITDA (earnings before interest, taxes, depreciation and amortization) margin growth of around 19% by 2025, propelled by process optimization, innovation, efficiency gains and improved capital allocation decisions. After slashing its dividend during the early part of the pandemic, a rebound in sales has allowed WRK to resume more generous payments, with the current yield at 3.2%. While an economic slowdown in many parts of the world might be a near-term wet blanket on aggregate demand, we think WRK produces important products that aren't easily replaced. The stock is very inexpensive, trading for a forward P/E ratio of less than 6. ■

THE PRUDENT SPECULATOR (TPS) PORTFOLIO STANDARDIZED PERFORMANCE



Performance as of 08.31.22	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	Inception
TPS Portfolio (net of fees)	3.92	-14.12	-11.34	10.61	8.29	9.69	11.05	7.06	11.56	8.82	16.67
S&P 500	4.77	-16.14	-11.23	12.39	11.82	12.55	13.08	9.00	9.74	8.09	11.36
Russell 3000 Value	3.62	-10.00	-6.49	8.95	7.77	9.06	10.44	6.59	8.56	7.60	NA
Russell 3000	5.30	-16.92	-13.28	11.90	11.29	11.98	12.77	8.88	9.85	8.14	NA

Year	Total Firm Assets[1]	Composite Total Assets[1]	# of Accounts	Composite Gross Return (%)	Composite Net Return (%)	Bench Return (%)	Bench 2 Return (%)	Bench 3 Return (%)	Composite 3-Yr STD (%)	Bench 3-Yr STD (%)	Bench 2 3-Yr STD (%)	Bench 3 3-Yr STD (%)	Composite Dispersion (%)	Wrap-Fee Paying (%)	Non-Fee Paying (%)
2021	7,465	31	38	25.48	24.38	28.72	25.36	25.67	19.88	17.17	19.34	19.32	0.35	<1	<1
2020	5,990	21	38	10.52	9.78	18.40	2.87	20.89	20.70	18.53	19.96	19.41	0.74	5.00	16.00
2019	5,046	22	47	28.29	27.28	31.49	26.26	31.02	13.45	12.11	9.55	12.38	0.32	5.00	16.20
2018	3,674	18	51	-8.46	-9.29	-4.38	-8.57	-5.25	11.48	10.96	11.21	11.34	0.25	4.11	14.31
2017	946	19	42	19.78	18.83	21.84	13.20	21.13	11.04	10.06	10.48	10.23	0.34	6.93	24.69
2016	711	7	10	18.51	18.02	11.98	18.42	12.75	12.05	10.74	11.12	11.04	N/A	5.60	39.89
2015	701	2	<6	-4.23	-4.23	1.41	-4.13	0.47	12.01	10.62	10.90	10.73	N/A	<1	100.00
2014	827	3	<6	5.35	5.35	13.69	12.69	12.56	11.36	9.10	9.49	9.42	N/A	<1	100.00
2013	788	3	<6	41.13	41.07	32.41	32.69	33.57	14.60	12.11	13.08	12.71	N/A	<1	100.00
2012	676	2	<6	18.00	17.98	15.98	17.56	16.43	17.74	15.30	16.03	15.95	N/A	<1	100.00

IMPORTANT INFORMATION

[1]Presented in millions. Note that September 2022 composite calculations cannot be completed until after press-time. Kovitz Investment Group Partners, LLC ("KIG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. KIG has been independently verified by The Spaulding Group for the periods January 1, 1997 through December 31, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Kovitz Investment Group, LLC underwent an organizational change effective January 1, 2016, and is now Kovitz Investment Group Partners, LLC. The previous manager of the strategy, AFAM Capital, Inc. (AFAM) underwent an organizational change effective October 1, 2018, and is now a division of KIG (AFAM Division). AFAM claimed compliance with GIPS® and had been independently verified for the periods January 1, 1996 through December 31, 2017. The staff of the AFAM Division have provided the same services throughout the entire period, and the persons currently responsible for managing Composite portfolios have been primarily responsible for portfolio management throughout the entire period shown. KIG, an investment adviser registered under the Investment Advisers Act of 1940, manages equity, fixed income, and hedged equity portfolios for its clients.

The Composite was created December 31, 2015, and the inception date for portfolio performance was March 10, 1977. The Composite includes all discretionary portfolios managed according to the TPS strategy (Strategy). From March 10, 1977 through December 31, 2015, the Composite consisted of 1 portfolio managed according to the Strategy. The portfolios eligible for the Composite must follow the Strategy. The minimum account size for inclusion in the Composite is $50,000. Composite policy originally required the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets. On July 1, 2016, the cash flow policy was updated to reflect the temporary removal of any portfolio incurring cash inflow or outflow of 25% or more during the month – "net" and "aggregate" are no longer applicable. The removal of such a portfolio occurs at the beginning of the month in which the significant cash flow occurs, and the portfolio re-enters the Composite at the beginning of the month after the cash flow. This policy is reviewed and maintained monthly. The Composite includes portfolios that utilize margin. The firm maintains a complete list and description of Composites, which is available upon request.

The U.S. Dollar is the currency used to express performance. The composite may include portfolios charged bundled or wrap fees, which typically consists of a single fee representing the advisor's fee, investment management fees, trading expenses, and portfolio monitoring. Gross-of-fee returns are shown as supplemental information and incorporate the effects of all realized and unrealized gains and losses, the receipt, though not necessarily the direct reinvestment, of all dividends and income, and trading expenses, where explicitly charged. Net-of-fee returns are calculated using actual fees charged to each portfolio and are presented net of the entire bundled or wrap fee, where applicable. The current management fee schedule is as follows: 1.25% on assets below $1 million, 1.0% per annum for assets from $1 million to $5 million, 0.85% per annum on assets from $5 million to $10 million, 0.75% per annum for assets from $10 million to $20 million, 0.65% per annum for assets from $20 million to $35 million, 0.55% per annum for assets from $35 million to $50 million, and 0.50% per annum for assets over $50 million. Such fees are negotiable. Where applicable, the total bundled or wrap fee charged to each portfolio is dependent on the end client's financial advisor and wrap sponsor. The composite includes accounts that do not pay trading fees. The measure of internal dispersion presented above is an asset-weighted standard deviation. The 3-year standard deviation presented above is calculated using monthly gross-of-fees returns. The 3-year standard deviation is not presented when less than 36 months of returns are available.

For comparison purposes, the Composite's primary benchmark is the S&P 500 Index, a broad market sample based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The secondary benchmark is the Russell 3000 Index, which measures the performance of the largest 3,000 US companies and represents approximately 98% of the investable US equity market. Also presented is the Russell 3000 Value Index, which measures the performance of the value sector (lower price-to-book ratios and lower expected growth rates) of the Russell 3000 Index. It is not possible to invest directly in an index.

Nothing presented herein is, or is intended to constitute, specific investment advice or marketing material. Information provided reflects the views of KIG as of a particular time. Such views are subject to change at any point and KIG shall not be obligated to provide notice of any change. Any securities information regarding holdings, allocations and other characteristics are presented to illustrate examples of the types of investments or allocations that KIG or AFAM may have bought or pursued as of a particular date. It may not be representative of any current or future investments or allocations and nothing should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While KIG has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in securities. Past performance is not a guarantee of future performance.