

# *Where to Invest in 2024*

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***January 9, 2024***



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- ***John joined Al Frank Asset Management (AFAM) in 1987***
  - ***Worked with Al Frank, founder of AFAM***
    - ***Chief Portfolio Manager since 1990***
  - ***Manager of Al Frank proprietary mutual fund***
    - ***AFAM Merged with Kovitz in 2018***



**“Successful speculating is more a matter of character than mathematics, analysis or luck.”**

**– Al Frank**

# ***Where to Invest in 2024***

❖ **Rear-View Mirror**

❖ **The Case for Value**

❖ **7 Investment Themes**



# ***Where to Invest in 2024***

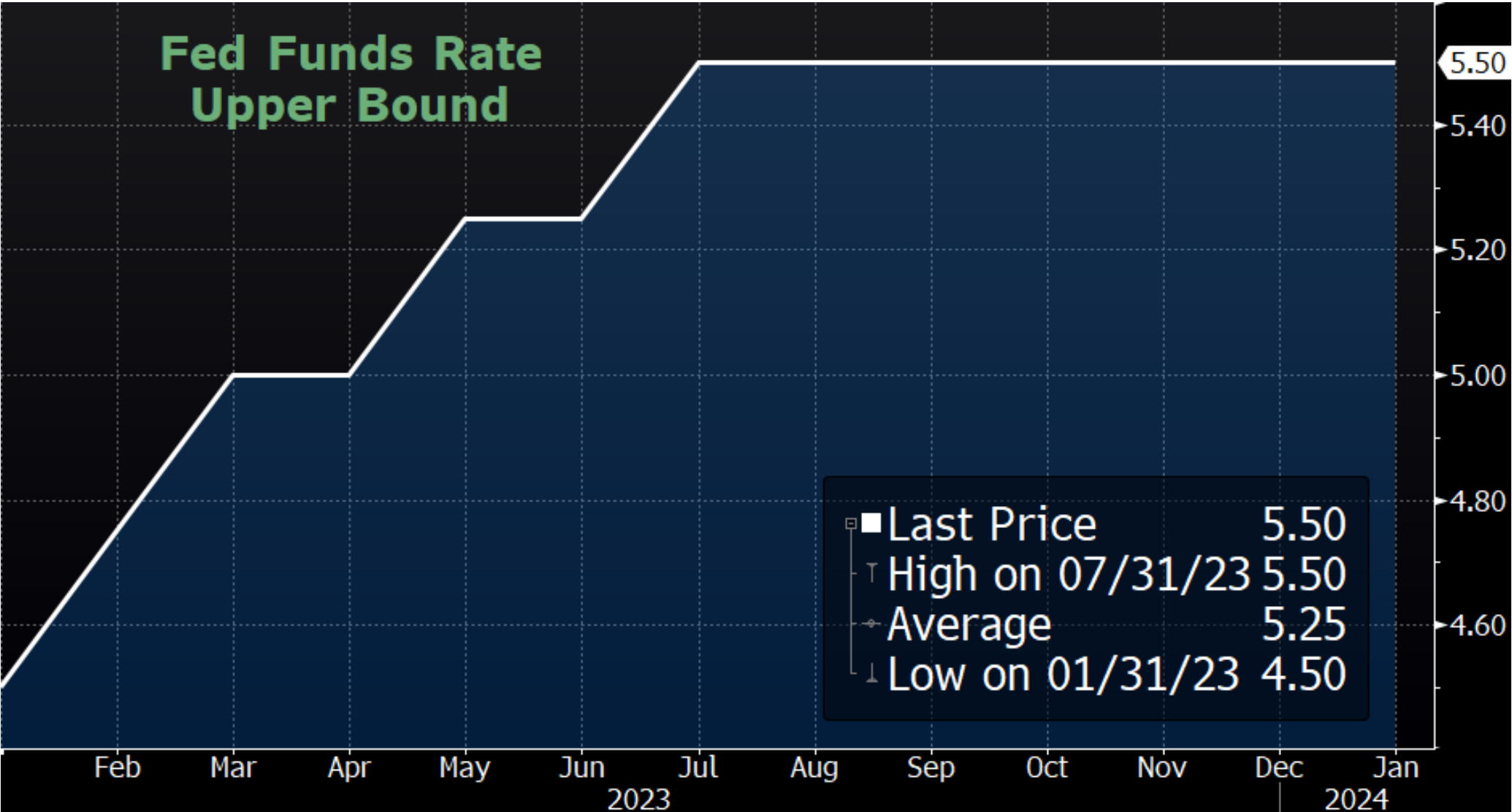
## **❖ Rear-View Mirror**

**“If you do not change  
direction, you may end up  
where you are heading”**

**—Lao Tzu**



Fed Funds Rate  
Upper Bound



■ Last Price	5.50
┤ High on 07/31/23	5.50
● Average	5.25
┘ Low on 01/31/23	4.50



Certainly, it is tough to watch the news these days, given the bloodshed on both sides of the Gaza/Israel border. Unfortunately, war in this part of the world has occurred before and will likely happen again. That is not meant to diminish the current or past humanitarian crises, but we continue to think that long-term-oriented investors should stick with stocks even with turmoil in the Middle East.

Arab-Israeli Conflicts	Date	S&P 500 Value	6	12	36	60	Event
			Months Later	Months Later	Months Later	Months Later	thru Present
War of Independence	11/29/1947	14.98	11%	-1%	29%	71%	31257%
Suez Crisis	10/29/1956	46.40	-1%	-12%	24%	47%	10023%
Six-Day War	6/5/1967	88.43	8%	13%	-14%	23%	5212%
Yom Kippur War	10/6/1973	109.85	-15%	-43%	-6%	-6%	4176%
Lebanon War	6/5/1982	110.09	26%	49%	73%	167%	4167%
First Intifada	12/8/1997	982.37	14%	20%	39%	-7%	378%
Second Intifada	9/28/2000	1,458.29	-21%	-29%	-32%	-17%	222%
Second Lebanon War	7/12/2006	1,258.60	14%	23%	-30%	4%	273%
2008 Gaza War	12/27/2008	872.80	5%	29%	45%	111%	438%
Israel Gaza Strip Operation	11/14/2012	1,355.49	22%	32%	49%	90%	247%
2014 Gaza War	7/8/2014	1,963.71	5%	4%	23%	52%	139%
11-Day War	5/6/2021	4,201.62	12%	-2%			12%
Price Changes Only - Does Not Include Dividends		Averages:	7%	7%	18%	49%	4712%

As of 1.5.24. Source: Kovitz using Bloomberg, New York Times, Wikipedia and <https://www.britannica.com/event/Arab-Israeli-wars>



## Disconcerting Headlines

"All the News  
That's Fit to Print"

## The New York Times

Late Edition

Today, cloudy, breezy, showers, high 52. Tonight, showers, clearing late, low 35. Tomorrow, morning sunshine will fade behind clouds, high 56. Weather map is on Page 24.

VOL. CLXXI ... No. 59,382 • © 2022 The New York Times Company NEW YORK, SUNDAY, APRIL 3, 2022

\$6.00

RUSSIA'S RETREAT  
FROM KYIV IS SEEN  
AS A MAJOR TURNPutin Reminds West  
He Has Economic  
Weapons as Well

By PATRICIA COHEN  
LONDON — In the five weeks since Russia invaded Ukraine, the United States, the European Union and their allies began an economic counteroffensive that has cut off Russia's access to hundreds of billions of dollars of its own money and halted a large chunk of its international commerce. More than 1,000 companies, organizations and individuals, including members of President Vladimir V. Putin's inner circle, have been sanctioned and relegated to a financial limbo, but Mr. Putin reminded the

Dead Bodies, Mines  
and Charred Tanks  
Left in Wake

By ANDREW E. KRAMER  
and NEIL MACFARQUHAR  
BUCHAREST, Ukraine — The Russian forces that were intent on overwhelming Kyiv at the war's start with tanks and artillery retreated under fire across a broad front on Saturday, leaving behind them dead soldiers and burned vehicles, according to witnesses, Ukrainian officials, satellite images and military analysts. The withdrawal suggested the possibility of a ceasefire in the six-week war — the collapse, at least for now, of Russia's initial attempt to seize Kyiv, the Ukrainian

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

WSJ  
THE WALL STREET JOURNAL WEEKEND

DOW JONES | News Corp. \*\*\*\*\*

SATURDAY/SUNDAY, APRIL 2 - 3, 2022 - VOL. CCLXXIX NO. 76

WSJ.com \*\*\*\*\* \$6.00

What's  
News

## World-Wide

Ukrainian attack helicopters executed a low-flying predawn raid on Russian territory, Russian officials said, eluding air defenses to strike an oil depot as peace talks over the war resumed. Ukrainian officials didn't claim responsibility for the attack. **A1, A6-2**

◆ The eurozone's inflation rate jumped to another record high in March as Russia's invasion of Ukraine pushed energy and food prices higher. **A10**

◆ More American voters favor the idea of a 15-week abortion ban than oppose it, according to the latest Wall Street Journal poll. **A4**

◆ Will Smith resigned from the Academy of Motion Picture Arts and Sciences in the wake of his slap of Chris Rock at the Oscars. **A3**

◆ Pope Francis asked forgiveness for the abuse of Canadian indigenous children at Catholic Church-run residential schools over more than a century. **A10**

◆ Saudi Arabia and Iran-backed Houthi fighters exchanged fire in the Red Sea. **A10**

Kremlin  
Accuses  
Ukraine  
Of Strike  
In RussiaKyiv hasn't claimed  
credit for oil depot raid;  
aid groups struggle to  
make way to Mariupol

By BARRY FORAN

KYIV, Ukraine—Ukrainian attack helicopters executed a low-flying predawn raid on Russian territory, Russian officials said, eluding air defenses to strike an oil depot as peace talks over the war resumed. Security-camera footage released by Russian state-owned media channel RIA Novosti appeared to show several missiles firing at the depot and setting off explosions. Vyacheslav Gladkov, the regional governor of Belgorod, where the attack took place close to the Ukrainian border, wrote on social media that two Ukrainian helicopters carried out the operation. Ukrainian officials didn't claim responsibility for the attack.

Moscow Regroups, Signaling  
It's Ready for a Prolonged War

Major Events in Russia - U.S. History			6	6	12	36	60	Event
	Date	S&P 500 Value	Months Before	Months Later	Months Later	Months Later	Months Later	thru Present
Korean War Begins	6/25/1950	19.14	15%	5%	11%	26%	114%	24441%
Death of Stalin	3/5/1953	25.79	2%	-9%	3%	79%	61%	18113%
Creation of the Warsaw Pact	5/14/1955	37.44	12%	24%	25%	15%	48%	12446%
Sputnik & The Space Race	10/4/1957	42.79	-4%	-3%	18%	24%	33%	10877%
The U-2 Incident	5/1/1960	54.37	-5%	-1%	20%	29%	64%	8539%
Cuban Missile Crisis	10/16/1962	57.08	-16%	21%	28%	60%	67%	8129%
Soviet Invasion of Czechoslovakia	8/20/1968	98.96	9%	1%	-4%	-1%	3%	4647%
Soviet Invasion of Afghanistan	12/24/1979	107.66	5%	7%	26%	30%	55%	4263%
U.S. Moscow Olympics Boycott	3/21/1980	102.31	-7%	26%	31%	48%	75%	4491%
Downing of Korean Air Flight 007	9/1/1983	164.23	9%	-4%	1%	54%	57%	2760%
Soviet Los Angeles Olympics Boycott	7/28/1984	151.19	-8%	17%	27%	107%	126%	3007%
Chernobyl Disaster	4/26/1986	242.29	29%	-2%	16%	27%	56%	1839%
Fall of Communism in Eastern Europe	8/19/1989	346.03	17%	-4%	-5%	21%	34%	1257%
German Reunification	10/3/1990	311.40	-9%	22%	23%	48%	87%	1408%
Dissolution of the Soviet Union	12/26/1991	404.84	9%	0%	9%	14%	87%	1060%
Black Brant: Mistaken Nuclear War Scare	1/25/1995	467.44	3%	20%	32%	105%	202%	905%
Russo-Georgian War	8/7/2008	1,266.07	-5%	-31%	-20%	-5%	34%	271%
Putin Reelected	3/4/2012	1,369.63	17%	3%	11%	53%	74%	243%
Annexation of Crimea	3/21/2014	1,866.52	9%	8%	13%	26%	53%	152%
Skripal Poisoning & Diplomatic Expulsion	3/1/2018	2,473.92	0%	17%	13%	58%	60%	90%
Escalation of Russo-Ukrainian War	2/24/2022	4,288.70	-4%	-3%	-7%			10%
Price Changes Only - Does Not Include Dividends		Averages:	4%	5%	13%	41%	69%	5188%

As of 1.5.24. Source: Kovitz using Bloomberg, usrussiarelations.org, state.gov and Wikipedia

# THE PRUDENT SPECULATOR



There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.



Event	Reaction Dates		S&P		S&P	Event	12 Months	36 Months	60 Months	Event End
			Start Value	End Value	Gain/Loss	Later	Later	Later	thru Present	
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	54016%	
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	31215%	
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	28044%	
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	10924%	
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	10205%	
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	11950%	
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	8682%	
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	6648%	
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4935%	
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6126%	
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4997%	
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	6611%	
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4364%	
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4682%	
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3832%	
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2801%	
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1819%	
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1989%	
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1386%	
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1148%	
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1041%	
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	959%	
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	928%	
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	830%	
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	436%	
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	390%	
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	282%	
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	250%	
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	386%	
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	413%	
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	330%	
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	292%	
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	594%	
Price Changes Only - Does Not Include Dividends			Averages:		-7%	18%	39%	66%	6470%	
As of 1.5.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates.										

As of 1.5.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates





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.

## Russell 3000 Value Index

### Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	73.1%	814	8	2.8	9/30/2022	12/28/2023
17.5%	53.1%	527	13	2.0	9/30/2022	12/28/2023
15.0%	47.8%	447	15	1.7	9/30/2022	12/28/2023
12.5%	45.7%	423	16	1.6	9/30/2022	12/28/2023
10.0%	29.2%	231	30	0.9	10/27/2023	12/28/2023
7.5%	21.2%	143	51	0.5	10/27/2023	12/28/2023
5.0%	13.5%	71	104	0.3	10/27/2023	12/28/2023

### Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.8	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.8%	178	15	1.7	1/12/2022	9/30/2022
-12.5%	-24.0%	163	16	1.6	8/16/2022	9/30/2022
-10.0%	-18.1%	82	30	0.9	7/26/2023	10/27/2023
-7.5%	-14.2%	55	51	0.5	7/26/2023	10/27/2023
-5.0%	-10.1%	30	103	0.3	7/26/2023	10/27/2023

From 10.19.95 through 12.28.23. 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.

## LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.6%	18.0%
Growth Stocks	10.8%	18.9%
Dividend Paying Stocks	12.2%	14.7%
Non-Dividend Paying Stocks	11.8%	22.4%
Long-Term Corporate Bonds	7.5%	10.2%
Long-Term Gov't Bonds	7.0%	11.3%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.77 through 11.30.23. 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

## SUMMARY RETURNS: DALBAR'S 2022 QAIB STUDY

Period	Average Equity Fund Investor	S&P 500 Index Return	Difference	Average Fixed Income Fund Investor	Bloomberg U.S. Aggregate Bond Index Return	Difference	Inflation (U.S. Consumer Price Index)
1 Year	-21.2%	-18.1%	-3.1%	-13.8%	-13.0%	-0.8%	6.5%
3 Years	4.0%	7.7%	-3.6%	-5.2%	-2.7%	-2.4%	4.9%
5 Years	5.2%	9.4%	-4.2%	-2.3%	0.0%	-2.3%	3.8%
10 Years	9.3%	12.6%	-3.2%	-1.3%	1.1%	-2.4%	2.6%
20 Years	9.0%	9.8%	-0.8%	-0.3%	3.1%	-3.4%	2.5%
30 Years	6.8%	9.7%	-2.8%	-0.1%	4.6%	-4.7%	2.5%

**“The investor's chief problem—and even his worst enemy—is likely to be himself.”**

**—Benjamin Graham**



# ***Where to Invest in 2024***

## **❖ The Case for Value**

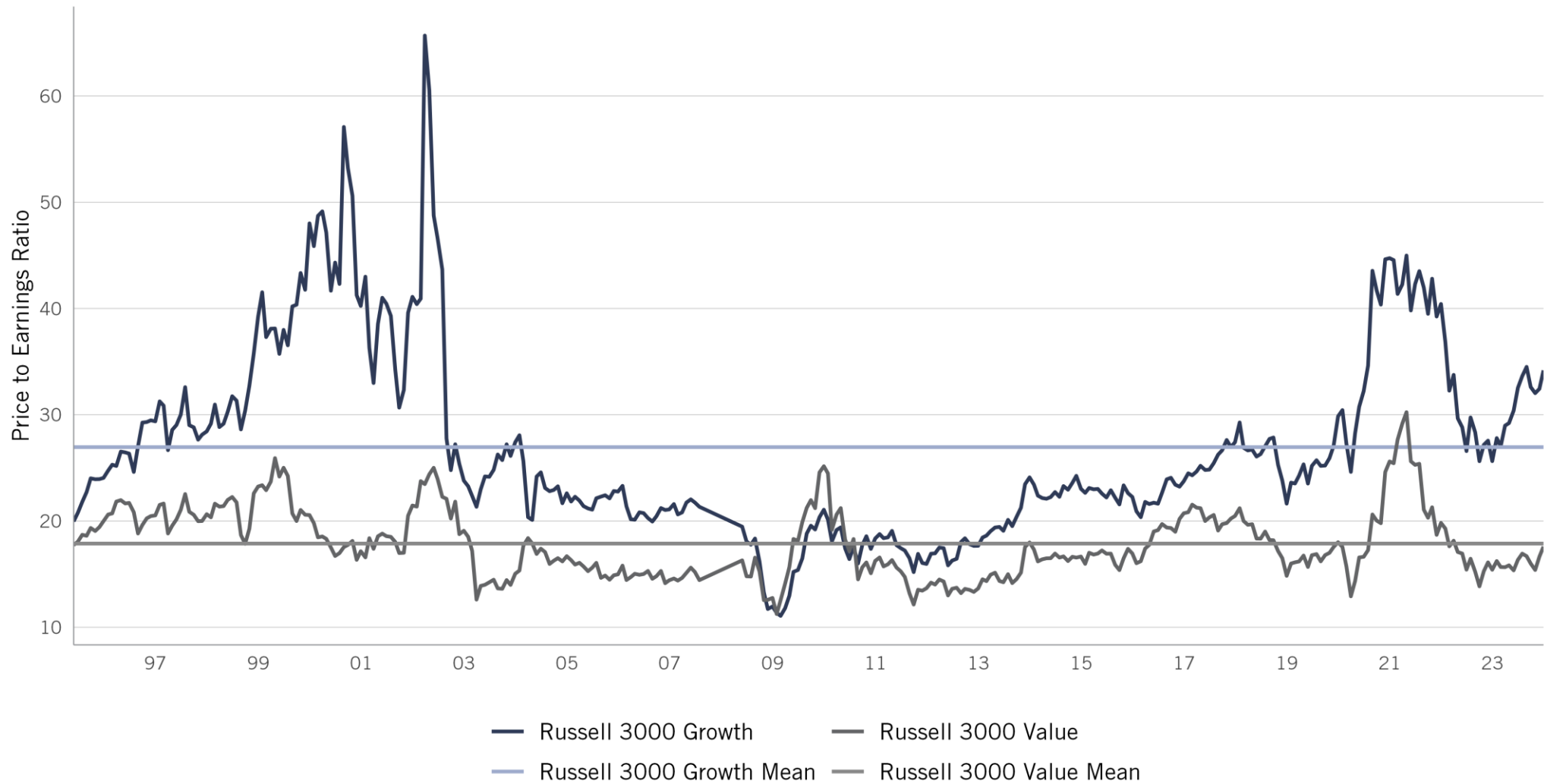
**“Fear cannot be banished,  
but it can be calm and  
without panic; it can be  
mitigated by reason and  
evaluation.”**

**– Vannevar Bush**



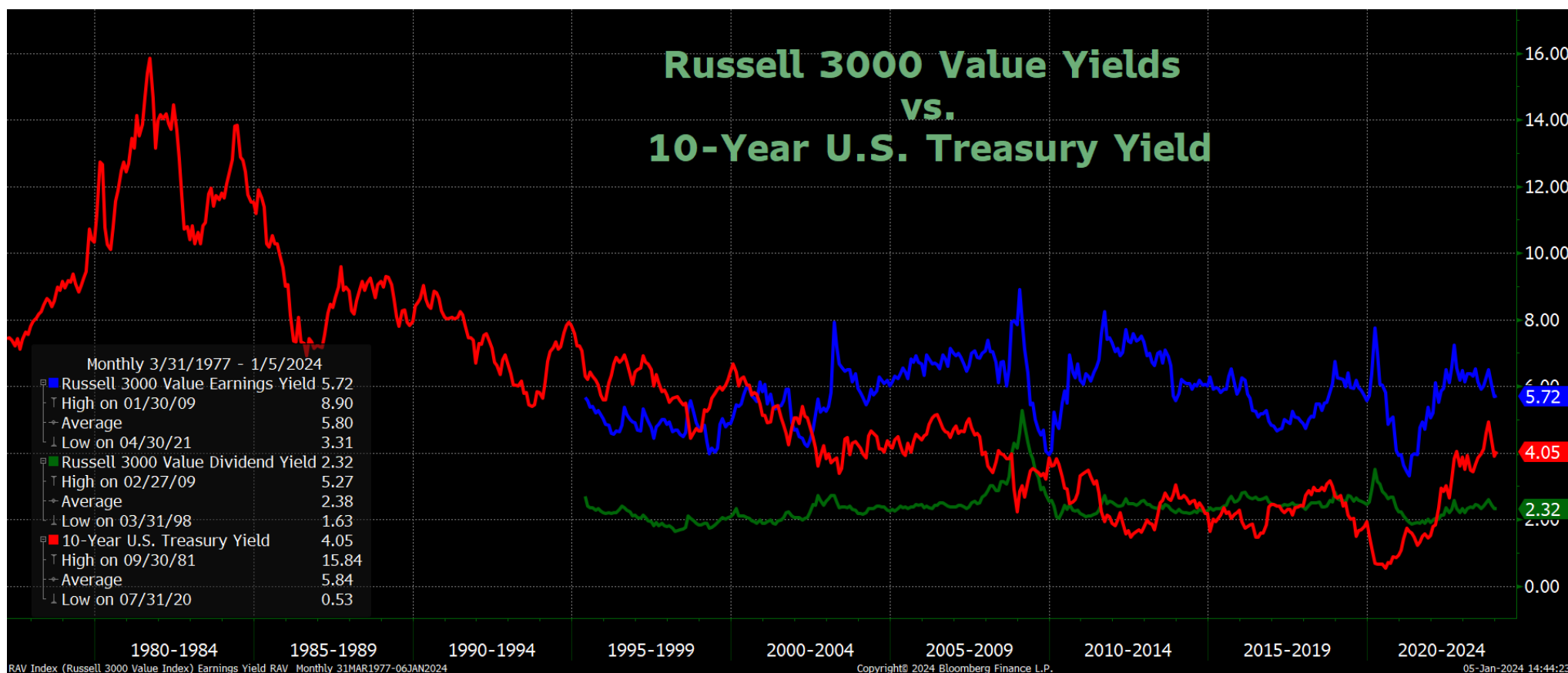
From 06.30.26 through 11.30.23. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Logarithmic scale. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

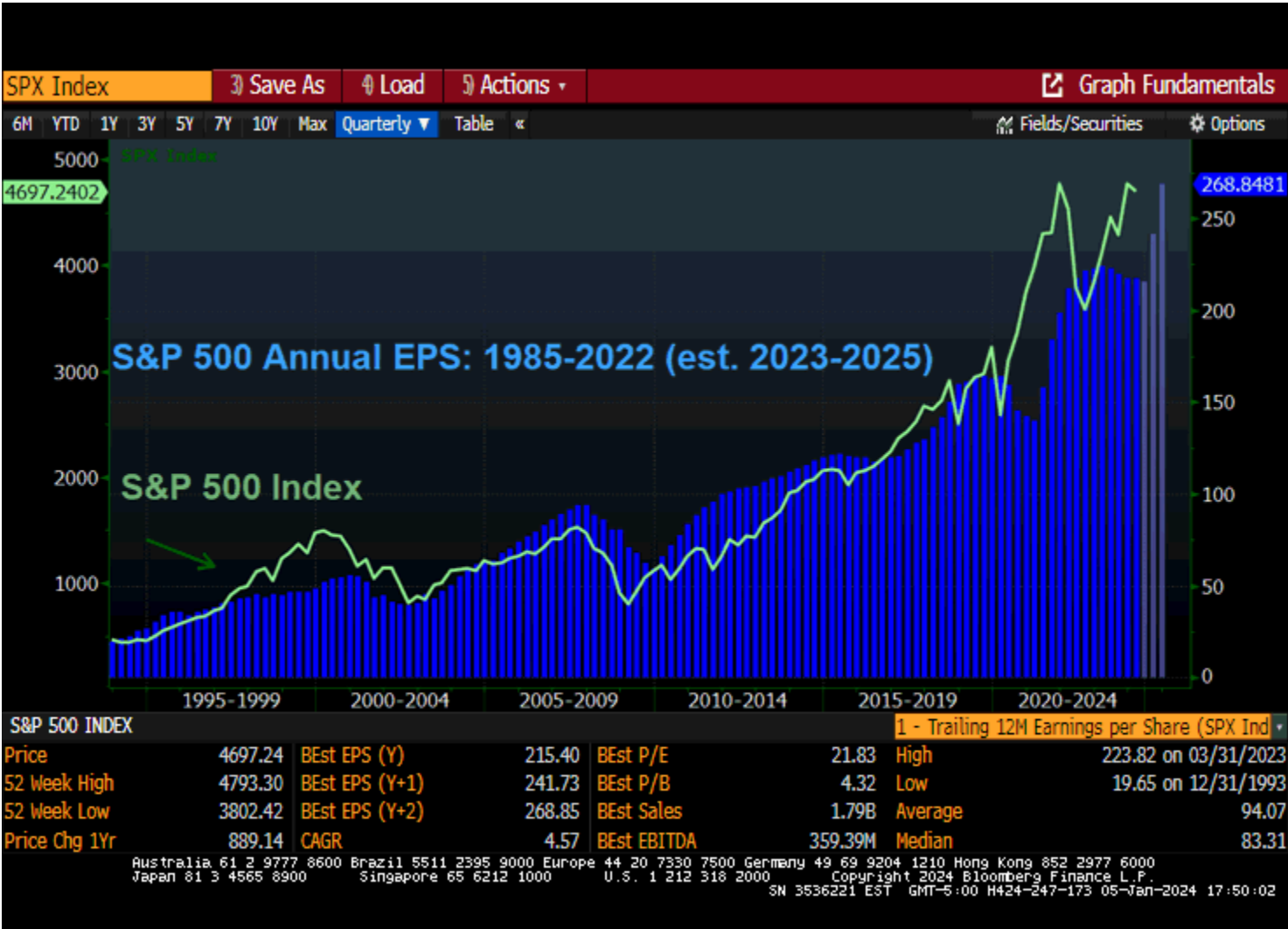




From 05.31.95 through 12.29.23. SOURCE: Kovitz using data from Bloomberg Finance L.P.

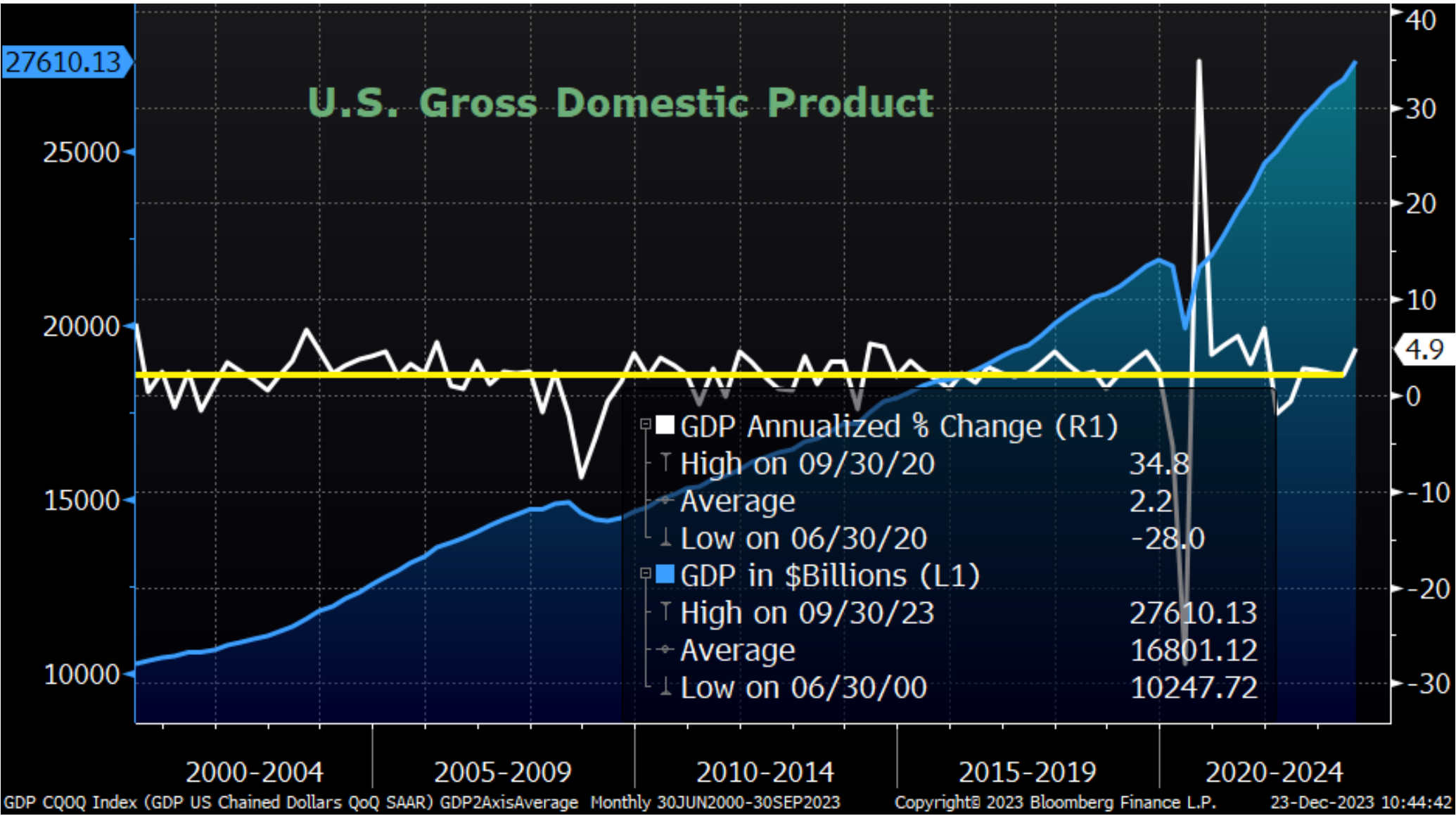
While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (4.42%) is still reasonable relative to the current (and well below average) 4.05% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast an Earnings Yield (5.72%) AND dividend yield (2.32%) near the historical norms for those measures dating back to 1995.





S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2024	\$63.63	\$241.93
9/30/2024	\$63.03	\$232.22
6/30/2024	\$59.48	\$221.44
3/31/2024	\$55.79	\$216.80
12/31/2023	\$53.92	\$213.55
ACTUAL		
9/30/2023	\$52.25	\$210.00
6/30/2023	\$54.84	\$208.10
3/31/2023	\$52.54	\$200.13
12/31/2022	\$50.37	\$196.95
9/30/2022	\$50.35	\$203.31
6/30/2022	\$46.87	\$204.98
3/31/2022	\$49.36	\$210.16
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

Source: Standard & Poor's. As of 1.4.24





Atlanta Fed GDPNow  
Quarter-Ahead Growth Forecast

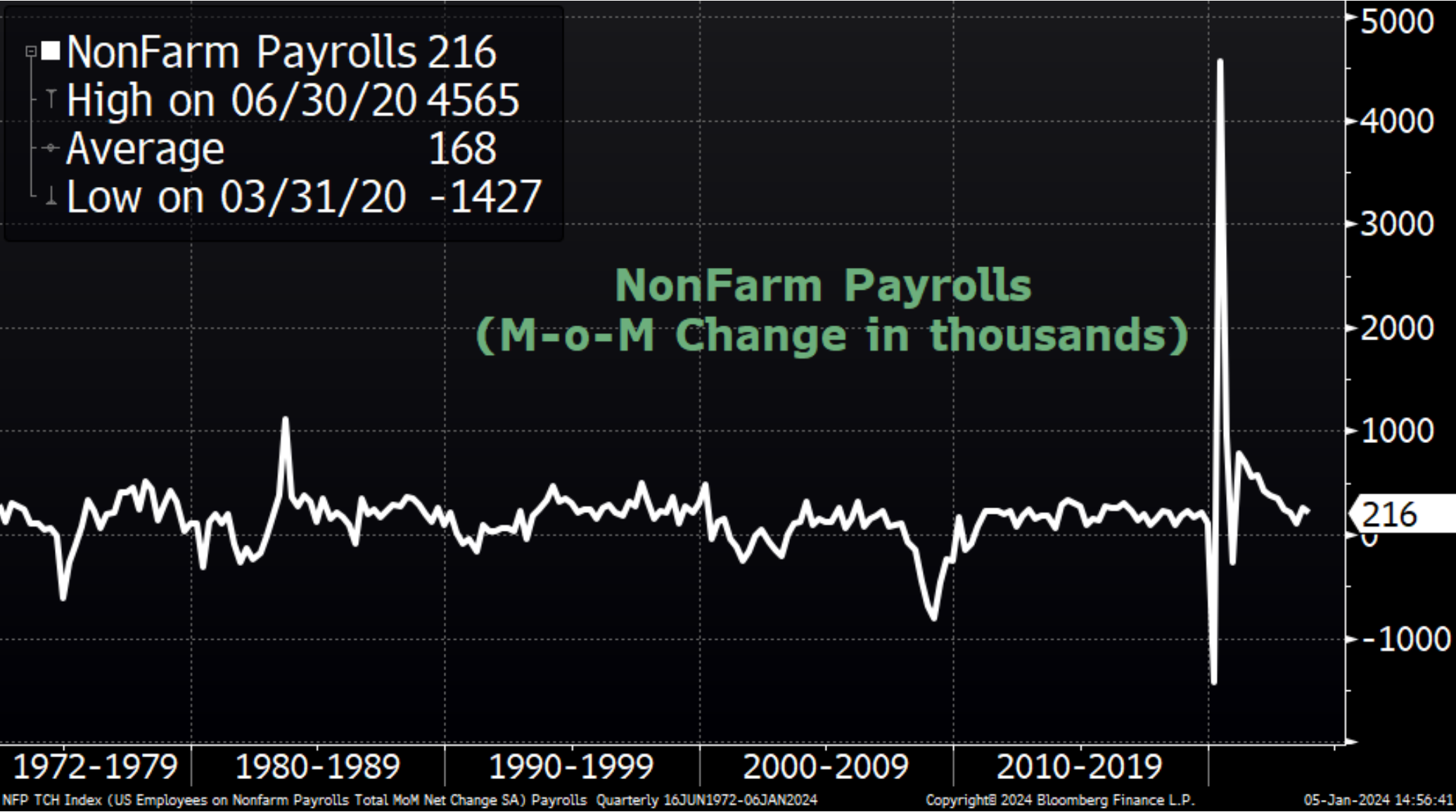
■ Mid Price 2.5

High on 08/25/23 5.9

Average 3.0

Low on 09/23/22 0.2









Set Default

Export

World Interest Rate Probability

Hide Models

«

Enable Overrides

Model

Meeting

%Hike/Cut

Region: United States »

Instrument: Fed Funds Futures »

Target Rate

5.50

Pricing Date

01/05/2024

Effective Rate

5.33

Cur. Imp. O/N Rate

5.329

North America		
US - Fut	01/31/2024	-6.5%▼
US - OIS	01/31/2024	-7.2%▼
CA - OIS	01/24/2024	-5.9%▼
Europe		
EZ - OIS	01/25/2024	-3.9%▼
GB - OIS	02/01/2024	-2.7%▼
SE - OIS	02/01/2024	-19.1%▼
CH - OIS	03/21/2024	-51.2%▼
NO - OIS	01/25/2024	+1.0%▲
APAC		
AU - Fut	02/06/2024	-8.8%▼
NZ - OIS	02/28/2024	-7.4%▼
JP - OIS	01/23/2024	+4.3%▲
IN - OIS	02/08/2024	-16.1%▼

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
01/31/2024	-0.065	-6.5%	-0.016	5.313	0.250
03/20/2024	-0.733	-66.8%	-0.183	5.145	0.250
05/01/2024	-1.593	-86.0%	-0.398	4.931	0.250
06/12/2024	-2.519	-92.6%	-0.630	4.699	0.250
07/31/2024	-3.345	-82.6%	-0.836	4.493	0.250
09/18/2024	-4.218	-87.3%	-1.054	4.274	0.250
11/07/2024	-4.893	-67.6%	-1.223	4.105	0.250
12/18/2024	-5.527	-63.3%	-1.382	3.947	0.250
01/29/2025	-6.145	-61.8%	-1.536	3.793	0.250

Implied Overnight Rate & Number of Hikes/Cuts

Maximize

Implied Policy Rate (%)

Number of Hikes/Cuts Priced In

Implied Policy Rate (%)

Number of Hikes/Cuts Priced In

Current

03/20/2024

06/12/2024

09/18/2024

12/18/2024

Australia 61 2 9777 8600

Brazil 5511 2395 9000

Europe 44 20 7330 7500

Germany 49 69 9204 1210

Hong Kong 852 2977 6000

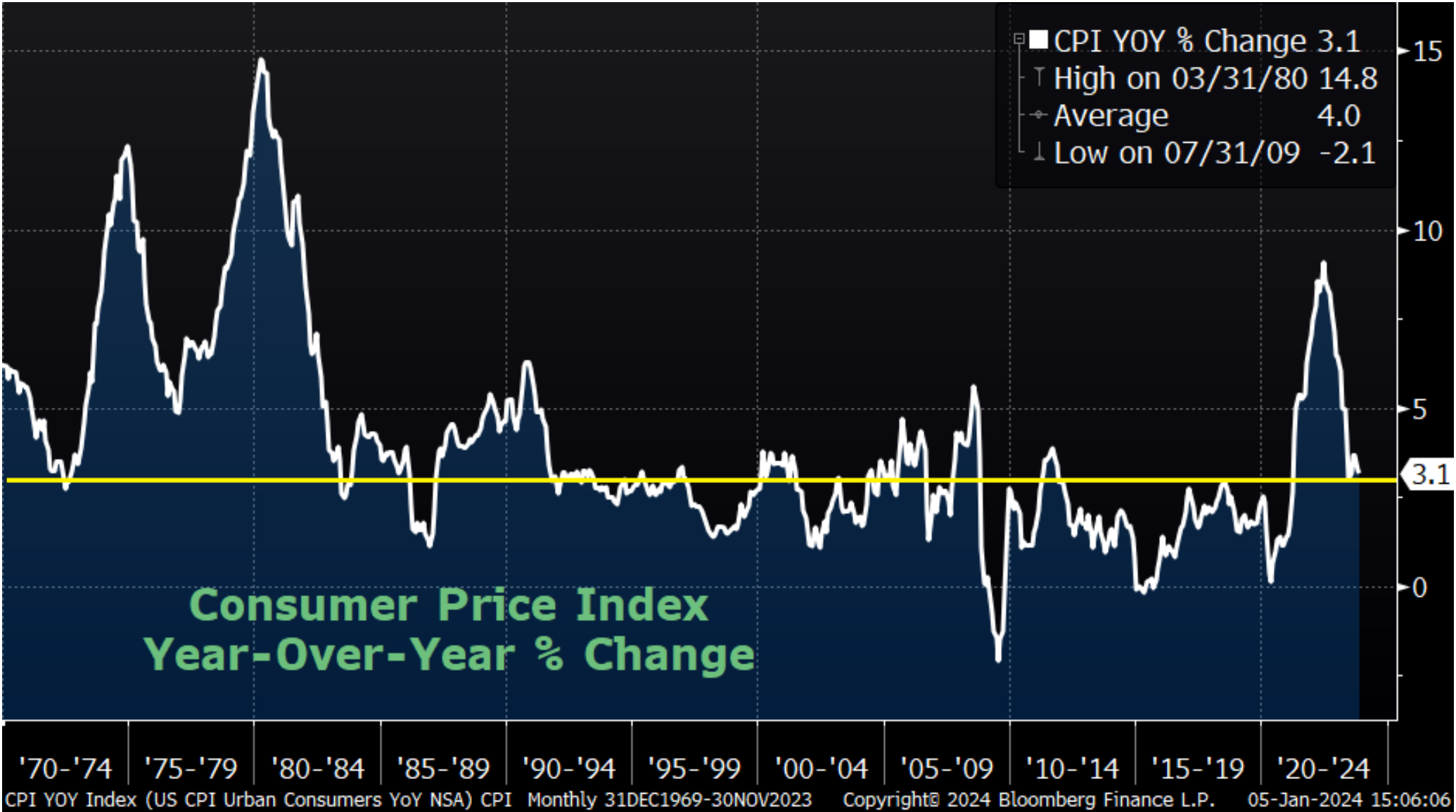
Japan 81 3 4565 8900

Singapore 65 6212 1000

U.S. 1 212 318 2000

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## Concurrent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	586	14.7%	13.9%	12.2%	14.2%
More than 2.7%	559	11.2%	4.9%	8.6%	3.5%
3-Month Drop	619	14.1%	12.3%	12.9%	11.4%
3-Month Rise	522	11.6%	5.9%	7.6%	5.7%
6-Month Drop	589	14.6%	12.2%	12.6%	11.7%
6-Month Rise	546	11.2%	6.1%	8.1%	5.4%
12-Month Drop	573	13.1%	10.3%	11.5%	9.1%
12-Month Rise	550	12.8%	8.1%	9.2%	8.1%

From 12.31.27 through 06.30.23. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

## Subsequent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	587	11.7%	10.6%	10.1%	10.4%
More than 2.7%	560	14.4%	7.7%	10.6%	6.7%
3-Month Drop	611	14.3%	10.1%	11.2%	10.1%
3-Month Rise	521	11.4%	8.0%	9.3%	6.6%
6-Month Drop	585	14.7%	10.2%	11.3%	9.8%
6-Month Rise	544	11.0%	7.9%	9.1%	6.9%
12-Month Drop	573	15.2%	10.7%	11.8%	10.9%
12-Month Rise	550	10.6%	7.4%	8.5%	5.8%

From 12.31.27 through 06.30.23. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Believe it or not, equities, ON AVERAGE, have been a strong hedge against inflation through the years, yet many supposed experts are using an elevated Consumer Price Index (CPI) as a warning against stock market investments. As our tables illustrate, we like how Value stocks have performed both as the CPI is rising and after it has risen, with it very intriguing that they have done better subsequent to a CPI reading above 2.7% than below!

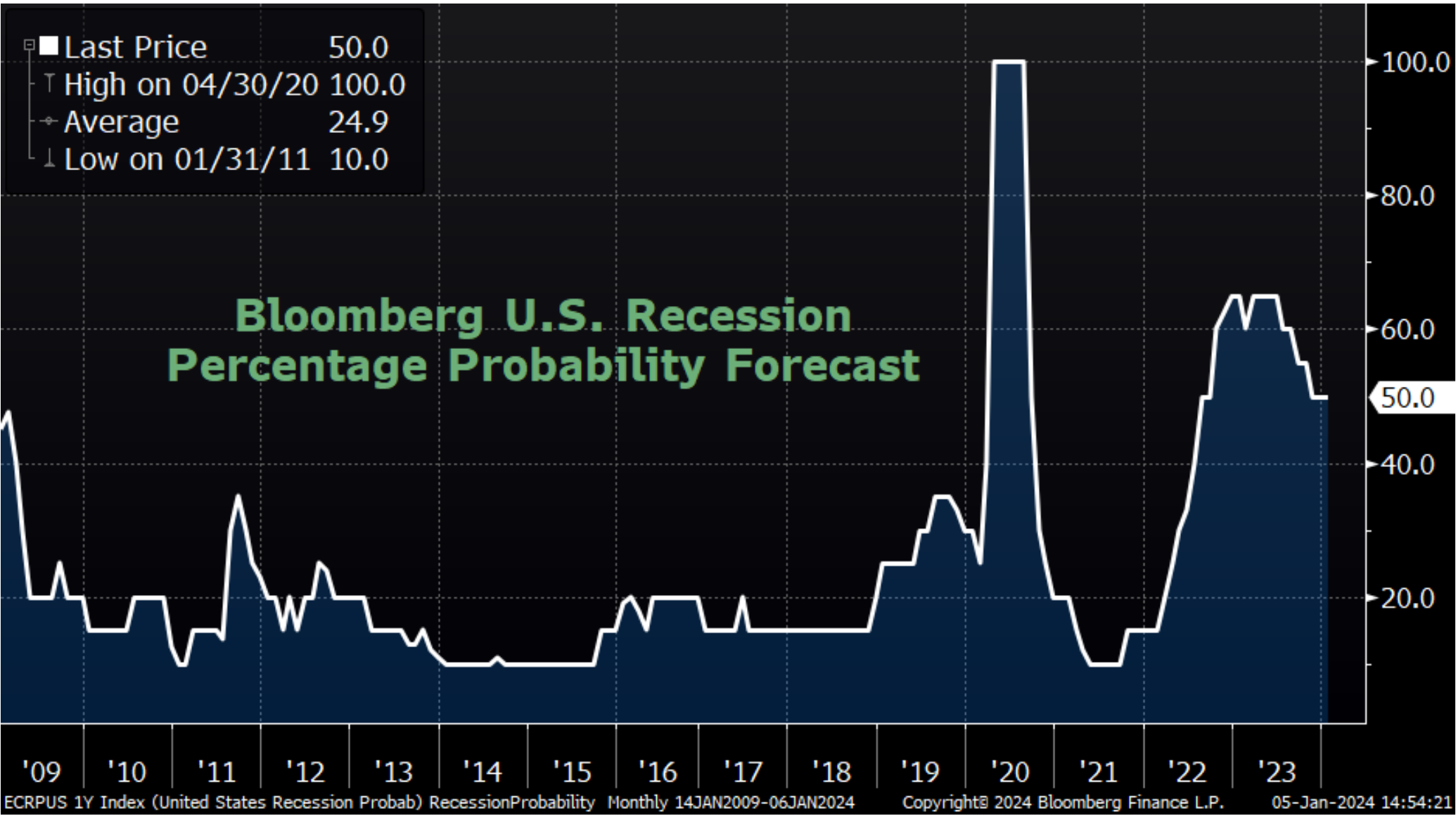
With the Consumer Price Index (CPI) hitting 9.1% in June 2022, the Federal Reserve has had to fight inflation levels not seen in more than forty years ago. Back then, under Chair Paul Volcker, the Fed markedly boosted interest rates, which contributed to two economic recessions in 1980 and 1982, yet equities, particularly Value Stocks and Dividend Payers, enjoyed sensational returns.

## Volcker Vanquishes The Great Inflation Equity Returns

Year	FF Value	FF Growth	FF Div Payers	FF Non Div	Inflation	Fed Funds Rate
1979	30.5%	32.3%	22.5%	60.5%	13.3%	14.0%
1980	19.5%	44.2%	30.8%	63.3%	12.4%	18.0%
1981	16.0%	-9.0%	-1.1%	-16.1%	8.9%	12.0%
1982	34.1%	20.8%	21.7%	13.6%	3.9%	8.5%
1983	37.5%	17.5%	22.8%	20.7%	3.8%	9.5%
1984	11.9%	-7.3%	5.1%	-18.3%	4.0%	8.3%
1985	32.5%	31.2%	33.7%	24.0%	3.8%	7.8%
1986	18.1%	8.6%	18.2%	2.2%	1.1%	6.0%
<b>Annualized</b>	<b>24.7%</b>	<b>15.9%</b>	<b>18.7%</b>	<b>15.3%</b>	<b>6.3%</b>	

*Total Return. Value Weighted Equity Portfolios. Year-End Federal Funds Rate. Source: Kovitz Investment Group using data from Bloomberg and Professors Eugene F. Fama & Kenneth R. French*





Modest equity losses could be avoided if one knew in advance when a recession officially began and when it ended, but unless one's timing was perfect, it is likely that a trader would be sitting on the sidelines before and after an economic contraction, missing out on sizable rewards.

Recession Start Date	Recession End Date	One Year Prior Value	One year Prior Div Payers	Return During Value	Return During Div Payers	One Year Post Value	One Year Post Div Payers	Five Years Post Value	Five Years Post Div Payers
08.31.1929	03.31.1933	30.9%	44.4%	-81.0%	-77.8%	205.5%	101.9%	123.3%	99.3%
05.31.1937	06.30.1938	42.0%	14.3%	-43.1%	-21.5%	-14.5%	2.1%	128.7%	58.2%
02.28.1945	10.31.1945	54.5%	30.0%	25.6%	20.0%	-2.3%	-4.5%	75.7%	58.1%
11.30.1948	10.31.1949	4.8%	2.4%	11.4%	15.7%	43.4%	31.2%	174.6%	153.9%
07.31.1953	05.31.1954	4.7%	3.0%	13.6%	22.8%	60.2%	38.1%	200.7%	151.2%
08.31.1957	04.30.1958	-0.4%	-1.0%	-2.0%	-0.2%	61.1%	42.7%	129.3%	102.3%
04.30.1960	02.28.1961	-6.4%	-2.5%	21.5%	21.5%	16.9%	14.6%	136.8%	73.7%
12.31.1969	11.30.1970	-20.9%	-10.9%	1.1%	-2.3%	11.1%	12.5%	44.1%	28.7%
11.30.1973	03.31.1975	-19.3%	-17.5%	13.0%	-3.3%	51.7%	31.4%	156.1%	76.4%
01.31.1980	07.31.1980	30.5%	24.0%	3.5%	8.7%	23.2%	16.4%	207.3%	109.4%
07.31.1981	11.30.1982	23.2%	16.4%	33.1%	15.7%	39.5%	25.6%	122.8%	99.8%
07.31.1990	03.31.1991	-7.3%	4.2%	5.1%	8.6%	25.6%	13.4%	150.6%	102.1%
03.31.2001	11.30.2001	22.3%	7.9%	3.7%	0.5%	-11.6%	-10.1%	93.4%	47.3%
12.31.2007	06.30.2009	-7.9%	4.9%	-39.2%	-34.4%	24.5%	14.2%	156.5%	136.5%
02.29.2020	04.30.2020	-9.7%	5.6%	-16.9%	-3.4%	85.8%	47.0%	N/A	N/A
<b>AVERAGE</b>		<b>9.4%</b>	<b>8.4%</b>	<b>-3.4%</b>	<b>-2.0%</b>	<b>41.3%</b>	<b>25.1%</b>	<b>126.7%</b>	<b>86.5%</b>

Returns are not annualized. SOURCE: Kovitz using data from Bloomberg Finance LP and Professors Fama and French



Whether Trump '16 or Biden '20, stocks performed admirably in the first three years of their Presidencies and the Fourth Year of the Presidential Cycle historically has been strong for Value.

## PRESIDENTIAL OUT-OF-THE-GATE RETURNS

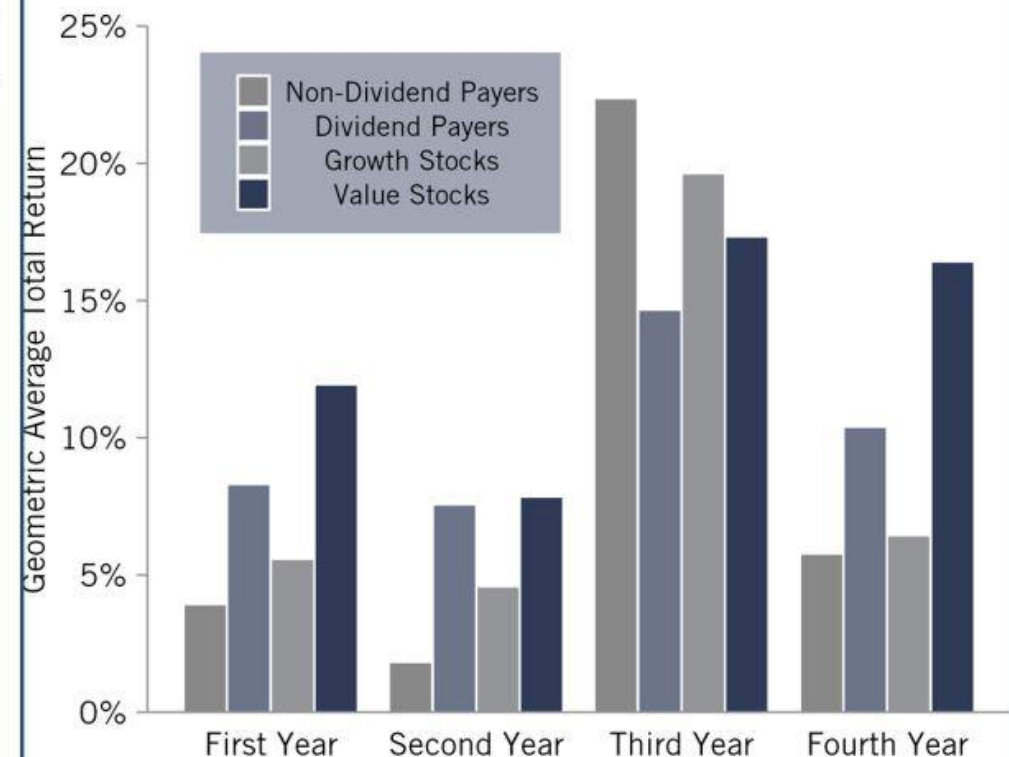
The historically favorable fourth year may change the results but Trump '16 beat Biden '20 in the first-three-years returns race.

President Elected	Election No.	Election Date	S&P Price Return
William Jefferson Clinton	53	11.05.96	90.8%
Dwight D. Eisenhower	42	11.04.52	72.1%
Franklin D. Roosevelt	37	11.08.32	72.1%
Ronald Reagan	50	11.06.84	47.8%
Barack Obama	57	11.06.12	45.6%
George H. Bush	51	11.08.88	42.6%
Donald Trump	58	11.08.16	42.0%
William Jefferson Clinton	52	11.03.92	38.5%
Harry Truman	41	11.02.48	37.4%
George W. Bush	55	11.02.04	37.0%
John F. Kennedy	44	11.08.60	34.3%
Ronald Reagan	49	11.04.80	26.7%
Barack Obama	56	11.04.08	24.6%
Joseph R. Biden	59	11.03.20	24.5%
Dwight D. Eisenhower	43	11.06.56	20.8%
Harry Truman	40	11.07.44	19.1%
Lyndon B. Johnson	45	11.03.64	10.2%
Franklin D. Roosevelt	39	11.05.40	6.7%
James E. Carter	48	11.02.76	-1.2%
Richard M. Nixon	46	11.05.68	-8.6%
Richard M. Nixon	47	11.07.72	-21.9%
Franklin D. Roosevelt	38	11.03.36	-25.3%
George W. Bush	54	11.07.00	-26.6%
Herbert Hoover	36	11.06.28	-53.6%
<b>Average</b>			<b>23.1%</b>

Price returns are calculated from the day after the presidential election through October 31 three years later.  
SOURCE: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama and Kenneth R. French and <https://www.thegreenpapers.com/Hx/PresidentialElectionEvents.phtml>

## PRESIDENTIAL CYCLE PERF BY YEAR

Presidential third years are the best for stocks, on average, but the fourth years have been very good as well, especially for Value.



From 12.31.28 through 12.31.22. Geometric average. SOURCE: Kovitz Investment Group using data from Professors Eugene F. Fama and Kenneth R. French



**“The secret to making money in stocks is not to get scared out of them.”**

**—Peter Lynch**



# ***Where to Invest in 2024***

❖ **7 Investment Themes**



**“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”**

**—Warren Buffett**





# **YELLING FIRE IN A CROWDED THEATRE**

**PNC Financial (PNC) – Regional Bank**

**PayPal (PYPL) – Online Payment Solutions**

# **HEALTH CARE (TEMPORARILY) IN THE SICK BAY**

**Bristol Myers (BMY) – Pharmaceuticals**

**CVS Health (CVS) – Health Care Services**



# **ELECTRIC CARS WILL ARRIVE, EVENTUALLY**

**Albemarle (ALB) – Lithium and Special  
Chemicals**

**General Motors (GM) – Automaker**

# **DINOSAUR JUICE FOR PORTFOLIOS**

**Chevron (CVX) – Integrated Oil**

**Devon Energy (DVN) – Oil & Gas Exploration &  
Development**



# **INTELLIGENT WAYS TO PLAY A.I.**

**Digital Realty (DLR) – Data Center REIT**

**Kulicke & Soffa (KLIC) – Semiconductor  
Capital Equipment**

# **SMALL COMPANY, BIG POTENTIAL**

**Fresh Del Monte (FDP) – Food Producer**

**World Connect (WKC) – Fuel Supplier &  
Logistics Provider**



# **ENHANCING EXPOSURE BY LEVERAGING THE POWER OF THE WORLD**

**Manpower Group (MAN) – Staffing Services**

**Nutrien (NTR) - Canadian Crop Input and  
Service Provider**



## 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	14.9	13.6	0.9	2.3	2.7
ValuePlus	15.0	13.7	1.1	2.3	2.4
Dividend Income	14.2	13.5	0.8	2.1	3.1
Focused Dividend Income	15.2	13.6	1.1	2.3	3.0
Focused ValuePlus	16.4	14.1	1.3	2.6	2.5
Small-Mid Dividend Value	10.9	11.0	0.5	1.5	3.1
Russell 3000	23.3	22.2	2.3	4.0	1.5
Russell 3000 Growth	33.2	30.1	4.0	10.9	0.8
Russell 3000 Value	17.4	17.1	1.6	2.3	2.3
Russell 1000	23.1	21.9	2.4	4.2	1.5
Russell 1000 Growth	32.3	29.5	4.2	11.8	0.8
Russell 1000 Value	17.3	16.8	1.6	2.4	2.3
S&P 500 Index	22.5	21.8	2.5	4.4	1.5
S&P 500 Growth Index	25.0	28.9	3.7	7.4	0.7
S&P 500 Value Index	20.3	17.1	1.9	3.0	2.4
S&P 500 Pure Value Index	11.7	10.4	0.5	1.3	3.0

As of 01.05.24. 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.



While fixed income investments generally boast lower volatility than equities, it is nice to see the historical odds of Value Stocks and Dividend Payers outperforming the so-called risk-free rate increase markedly as the level of patience rises.

## PATIENCE IS VIRTUOUS: EXCESS MARKET RETURNS

### VALUE STOCKS

	Count >0%	Count <=0%	Percent >0%
1 Month	729	428	63.0%
3 Months	779	376	67.4%
6 Months	812	340	70.5%
1 Year	835	311	72.9%
2 Year	947	187	83.5%
3 Year	983	139	87.6%
5 Year	983	115	89.5%
7 Year	1038	36	96.6%
10 Year	1004	34	96.7%
15 Year	978	0	100.0%
20 Year	918	0	100.0%

### DIVIDEND PAYERS

	Count >0%	Count <=0%	Percent >0%
1 Month	730	427	63.1%
3 Months	802	353	69.4%
6 Months	831	321	72.1%
1 Year	868	278	75.7%
2 Year	970	164	85.5%
3 Year	964	158	85.9%
5 Year	1012	86	92.2%
7 Year	1031	43	96.0%
10 Year	1002	36	96.5%
15 Year	978	0	100.0%
20 Year	918	0	100.0%

From 07.31.27 through 11.30.23. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. Excess returns are calculated as the monthly return less the intermediate U.S. government bond return.

SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

# ALL TPS RECOMMENDATIONS

Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company
AAPL	Apple Inc	CMCSA	Comcast Corp	GILD	Gilead Sciences Inc	LRCX	Lam Research Corp	PYPL	PayPal Holdings Inc
ABT	Abbott Laboratories	CMI	Cummins Inc	GLW	Corning Inc	MAN	ManpowerGroup Inc	QCOM	QUALCOMM Inc
ADM	Archer-Daniels-Midland	COF	Capital One Financial Corp	GM	General Motors Co	MDC	MDC Holdings Inc	REG	Regency Centers Corp
ALB	Albemarle Corp	COHU	Cohu Inc	GOOG	Alphabet Inc	MDT	Medtronic PLC	SIEGY	Siemens AG
ALIZY	Allianz SE	CSCO	Cisco Systems Inc	GS	Goldman Sachs	MET	MetLife Inc	SNA	Snap-on Inc
ALL	Allstate Corp	CVS	CVS Health Corp	GT	Goodyear Tire	META	Meta Platforms Inc	SNY	Sanofi SA
AMGN	Amgen Inc	CVX	Chevron Corp	HAS	Hasbro Inc	MMM	3M Co	STX	Seagate Technology
AMT	American Tower Corp	DE	Deere & Co	HMC	Honda Motor Co Ltd	MOS	Mosaic Co/The	SYF	Synchrony Financial
APD	Air Products and Chemicals	DHLGY	Deutsche Post AG	HPE	Hewlett Packard Ent	MRK	Merck & Co Inc	TFC	Truist Financial Corp
ARE	Alexandria Real Estate	DINO	HF Sinclair Corp	IBM	IBM	MRNA	Moderna Inc	TGT	Target Corp
AVGO	Broadcom Inc	DIS	Walt Disney Co/The	INTC	Intel Corp	MS	Morgan Stanley	TKR	Timken Co/The
AXAHY	AXA SA	DKS	Dick's Sporting Goods Inc	IP	International Paper Co	MSFT	Microsoft Corp	TPR	Tapestry Inc
AYI	Acuity Brands Inc	DLR	Digital Realty Trust Inc	JBL	Jabil Inc	MU	Micron Technology Inc	TSN	Tyson Foods Inc
BAC	Bank of America Corp	DOC	Physicians Realty Trust	JNJ	Johnson & Johnson	NEM	Newmont Corp	TTE	TotalEnergies SE
BASFY	BASF SE	DVN	Devon Energy Corp	JNPR	Juniper Networks Inc	NSC	Norfolk Southern Corp	VWAPY	Volkswagen AG
BHE	Benchmark Electronics	ELV	Elevance Health Inc	JPM	JPMorgan Chase & Co	NTAP	NetApp Inc	VZ	Verizon Communications
BK	Bank of New York Mellon	ENS	EnerSys	JWN	Nordstrom Inc	NTR	Nutrien Ltd	WHR	Whirlpool Corp
BLK	BlackRock Inc	EOG	EOG Resources Inc	KEY	KeyCorp	NYCB	NY Community Bancorp	WKC	World Kinect Corp
BMJ	Bristol-Myers Squibb	ETN	Eaton Corp PLC	KIM	Kimco Realty Corp	OMC	Omnicom Group Inc	WM	Waste Management
C	Citigroup Inc	FDP	Fresh Del Monte Produce	KLIC	Kulicke & Soffa Industries	ORCL	Oracle Corp	WMT	Walmart Inc
CAH	Cardinal Health	FDX	FedEx Corp	KR	Kroger Co/The	OZK	Bank OZK	WRK	Westrock Co
CAT	Caterpillar	FITB	Fifth Third Bancorp	KSS	Kohl's Corp	PFE	Pfizer Inc	XOM	Exxon Mobil Corp
CE	Celanese Corp	FL	Foot Locker Inc	LEG	Leggett & Platt Inc	PHG	Koninklijke Philips NV	ZBH	Zimmer Biomet Holdings
CFG	Citizens Financial Group	GBX	Greenbrier Cos Inc	LITE	Lumentum Holdings Inc	PNC	PNC Financial Services		
CIVI	Civitas Resources	GD	General Dynamics Corp	LMT	Lockheed Martin Corp	PNW	Pinnacle West Capital Corp		
CMA	Comerica Inc	GEN	Gen Digital Inc	LOW	Lowe's Cos Inc	PRU	Prudential Financial Inc		



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The list of stocks on Slides 33 to 39 represent what we believe to be stocks that offer capital appreciation potential. The full list of recommendations comprises the Kovitz California Strategies, which is part of Kovitz Investment Group Partners, LLC (KIG).

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