Market Commentary Monday, April 15, 2024

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April 14, 2024

EXECUTIVE SUMMARY

Week in Review – Stocks Retreat Again

Volatility – Normal Part of the Equity Process

Middle East – Perspective on Geopolitical Events

Inflation – CPI Higher and PPI Lower than Expected

Interest Rates – 10-Year Yield Jumps

History Lessons – Stocks Haven't Minded Rising Inflation or Rising Rates, on Average

Econ News – Labor Market Strong; GDP Solid; Sentiment Weakens

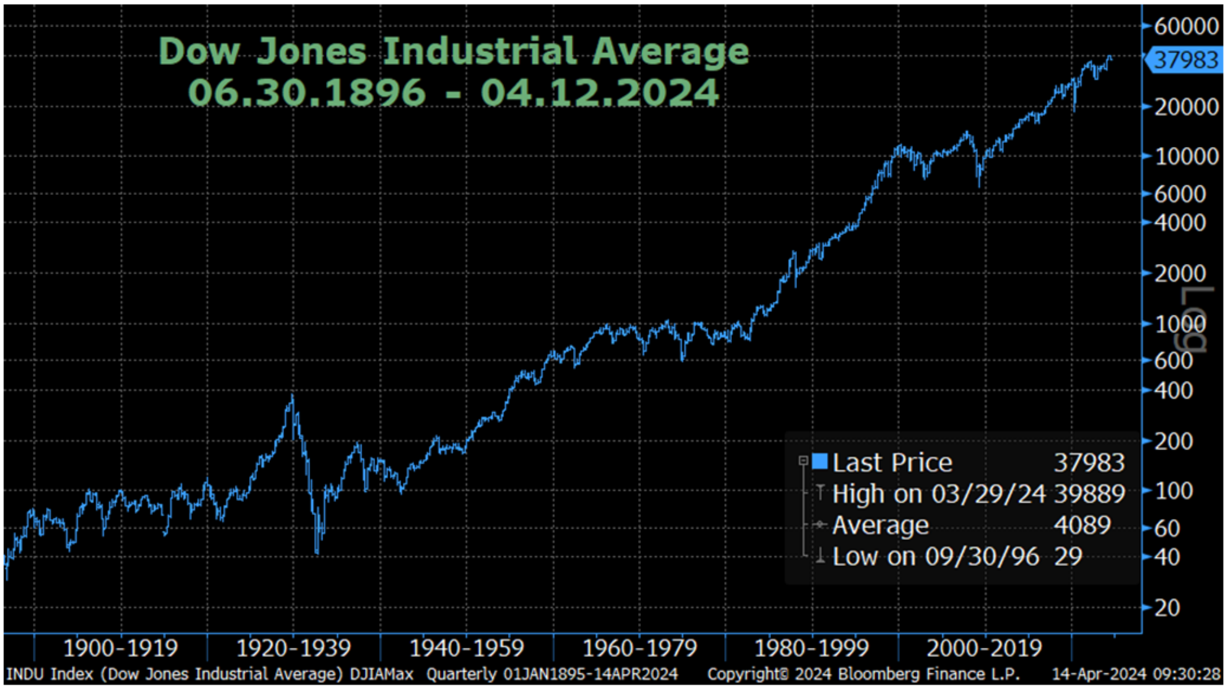
Corporate Profits – Healthy EPS Growth Projected for '24 and '25

Valuations – Value Stocks Still Attractively Priced

Stock News – Updates on JPM, C & BLK

Market Review

With the Dow Jones Industrial Average enduring two days last week of losses of more than 400 points and the popular index ending the five days with a more-than-900-point skid, the equity markets offered yet another reminder that short-term setbacks are always part of the equation. Of course, a simple price chart (ignores dividends and the impact of their reinvestment) shows that the long-term trend in the Dow has been markedly higher.



Alas, the Russell 3000 Value index suffered an even steeper percentage decline than the Dow last week with a loss of 2.84%. Believe it or not, this marked the 119th worst week since the formation of that benchmark in 1995, so 118 weeks were worse over the past 29 years. Happily, there have been 141 weeks where the gains have been 2.84% or greater during the same nearly three-decade period, and the overall return for Value stocks since the launch of *The Prudent Speculator* more than 47 years ago has been an excellent 13.8% per annum.

Volatility in stocks is hardly unusual, with last week's 2.84% skid in the Russell 3000 Value index the 119th worst weekly price change since 1995. Happily, there have also been more weeks of comparable or greater magnitude in the green and the overall return on Value since the launch of *TPS* in 1977 has been terrific.

	1990's	2000's	2010's	2020's	Totals
Years Ending in 0	0	3	7	9	19
Years Ending in 1	0	6	7	2	15
Years Ending in 2	0	6	2	9	17
Years Ending in 3	0	4	0	1	5
Years Ending in 4	0	2	2	1	5
Years Ending in 5	0	2	5		7
Years Ending in 6	1	0	1		2
Years Ending in 7	1	5	0		6
Years Ending in 8	5	16	7		28
Years Ending in 9	3	10	2		15
Totals	10	54	33	22	119

From 6.9.95 through 4.12.24. Weeks of Russell 3000 Value index price declines of greater than 2.84%. SOURCE: Kovitz using data from Bloomberg

	1990's	2000's	2010's	2020's	Totals
Years Ending in 0	0	7	10	12	29
Years Ending in 1	0	4	7	4	15
Years Ending in 2	0	6	2	9	17
Years Ending in 3	0	5	2	5	12
Years Ending in 4	0	4	2	0	6
Years Ending in 5	1	2	3		6
Years Ending in 6	2	3	4		9
Years Ending in 7	5	2	0		7
Years Ending in 8	7	7	4		18
Years Ending in 9	7	14	1		22
Totals	22	54	35	30	141

From 6.9.95 through 4.12.24. Weeks of Russell 3000 Value index price increases of greater than 2.84%. SOURCE: Kovitz using data from Bloomberg

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.8%	18.0%
Growth Stocks	11.0%	18.9%
Dividend Paying Stocks	12.4%	14.7%
Non-Dividend Paying Stocks	12.1%	22.4%
Long-Term Corporate Bonds	7.6%	10.3%
Long-Term Gov't Bonds	7.1%	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 02.29.24. 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

Volatility is very much par for the course as looking at the S&P 500 going all the way back to 1928, there have been 5% or greater drops without a gain of equal magnitude three times a year on average, while corrections of 10% have happened every 11 months on average and 20% Bear Markets have occurred every 3.4 years on average. And, despite those trips south, the overall return on Value stocks has been 13.1% per annum going back more than nine decades.

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%	111.0%	978	28	3.3	10/12/2022	3/28/2024
17.5%	67.7%	581	40	2.3	10/12/2022	3/28/2024
15.0%	65.3%	554	47	2.0	10/12/2022	3/28/2024
12.5%	44.7%	339	74	1.3	10/12/2022	3/28/2024
10.0%	34.9%	244	102	0.9	10/27/2023	3/28/2024
7.5%	23.6%	148	162	0.6	10/27/2023	3/28/2024
5.0%	14.7%	72	317	0.3	10/27/2023	3/28/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.1%	286	27	3.4	1/3/2022	10/12/2022
-17.5%	-30.3%	219	39	2.4	1/3/2022	10/12/2022
-15.0%	-28.0%	185	46	2.0	8/16/2022	10/12/2022
-12.5%	-22.7%	137	73	1.3	8/16/2022	10/12/2022
-10.0%	-19.5%	101	101	0.9	7/31/2023	10/27/2023
-7.5%	-15.4%	65	161	0.6	7/31/2023	10/27/2023
-5.0%	-10.9%	36	316	0.3	7/31/2023	10/27/2023

From 02.20.28 through 3.28.24. 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
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Growth Stocks	9.6%	21.4%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.1%	29.2%
Low 30% Dividend Payers	9.8%	19.5%
Middle 40% Dividend Payers	10.6%	17.7%
High 30% Dividend Payers	11.2%	19.6%
Long-Term Gov't Bonds	5.0%	8.8%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 02.29.24. 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

No doubt, there have been plenty of disconcerting events on the geopolitical stage along the way with which long-term-oriented investors have had to contend, including more than a few Arab-Israeli conflicts and Saturday's launch of a drone and missile attack on Israel by Iran adds to the risk of a dangerous escalation cycle in the Middle East.

Certainly, it is tough to watch the news these days, given the bloodshed on both sides of the Gaza/Israel border and the escalation of hostilities between Israel and Iran. 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 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
War of Independence	11/29/1947	14.98	11%	-1%	29%	71%	34102%
Suez Crisis	10/29/1956	46.40	-1%	-12%	24%	47%	10942%
Six-Day War	6/5/1967	88.43	8%	13%	-14%	23%	5694%
Yom Kippur War	10/6/1973	109.85	-15%	-43%	-6%	-6%	4564%
Lebanon War	6/5/1982	110.09	26%	49%	73%	167%	4554%
First Intifada	12/8/1997	982.37	14%	20%	39%	-7%	422%
Second Intifada	9/28/2000	1,458.29	-21%	-29%	-32%	-17%	251%
Second Lebanon War	7/12/2006	1,258.60	14%	23%	-30%	4%	307%
2008 Gaza War	12/27/2008	872.80	5%	29%	45%	111%	487%
Israel Gaza Strip Operation	11/14/2012	1,355.49	22%	32%	49%	90%	278%
2014 Gaza War	7/8/2014	1,963.71	5%	4%	23%	52%	161%
11-Day War	5/6/2021	4,201.62	12%	-2%			22%
Israel-Hamas War	10/7/2023	4,308.50	21%				19%
Price Changes Only - Does Not Include Dividends		**Averages:**	**8%**	**7%**	**18%**	**49%**	**4754%**

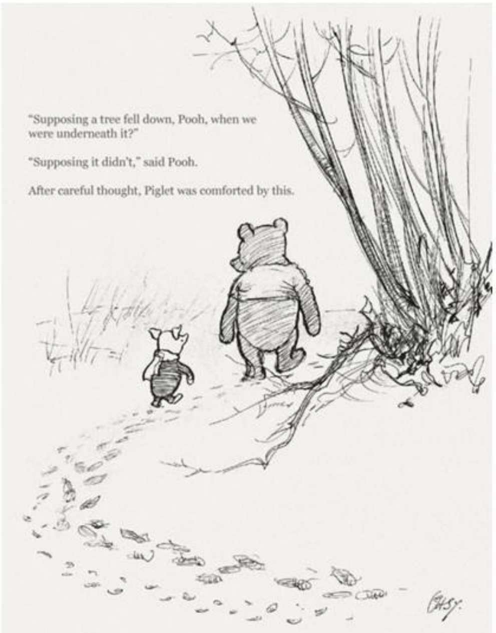
As of 4.12.24. Source: Kovitz using Bloomberg, New York Times, Wikipedia and https://www.britannica.com/event/Arab-Israeli-wars

While the method of the so-called retaliatory attack (from Iranian soil) was a surprise, the plunge in stock prices on Friday had a lot to do with news that an Iranian strike on Israel was imminent, so the U.S. equity market futures on Sunday evening were suggesting that some traders sold the rumor last week and may now be buying the news as the new week begins.

Time will tell if cooler heads prevail as the Iranian attack thus far was more bark than bite and the Israeli missile defense systems with help, evidently, from the U.S., U.K. and France, managed to shoot down or neutralize some 300 projectiles. It is hard to believe that Israel will not respond in some fashion, but history shows that every near-term stock market setback has been overcome in the fullness of time, including conflagrations that have directly involved the United States. So, while we must be braced for additional downside volatility, as Israel's War Cabinet Minister Benny Gantz said his country would "exact a price from Iran in a way and time that suits us," we are planning no changes to our portfolios due to this past weekend's developments.

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 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%	58925%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	34056%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	30597%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	11924%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	11140%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	13044%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	9478%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	7260%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	5392%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6691%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	5459%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	7220%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4769%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	5116%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4188%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3064%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1993%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2179%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1520%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1261%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1144%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1056%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1021%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	914%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	484%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	434%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	316%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	282%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	430%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	459%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	369%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	328%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	657%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**7066%**

As of 4.12.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

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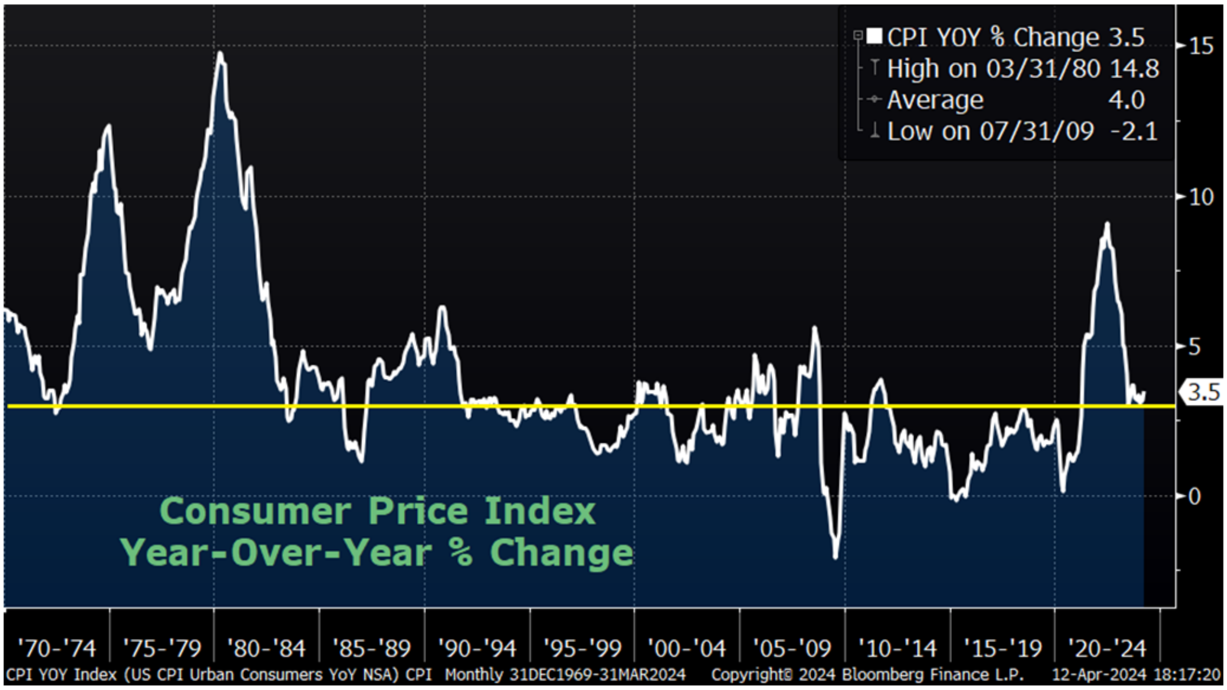
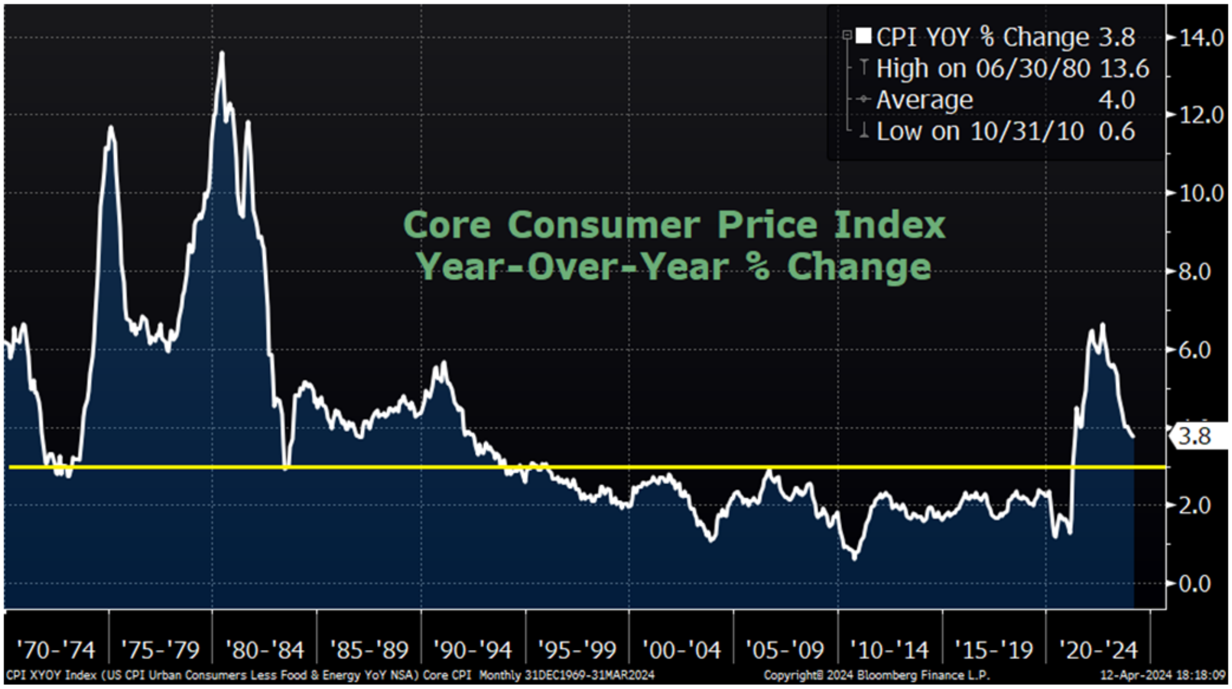
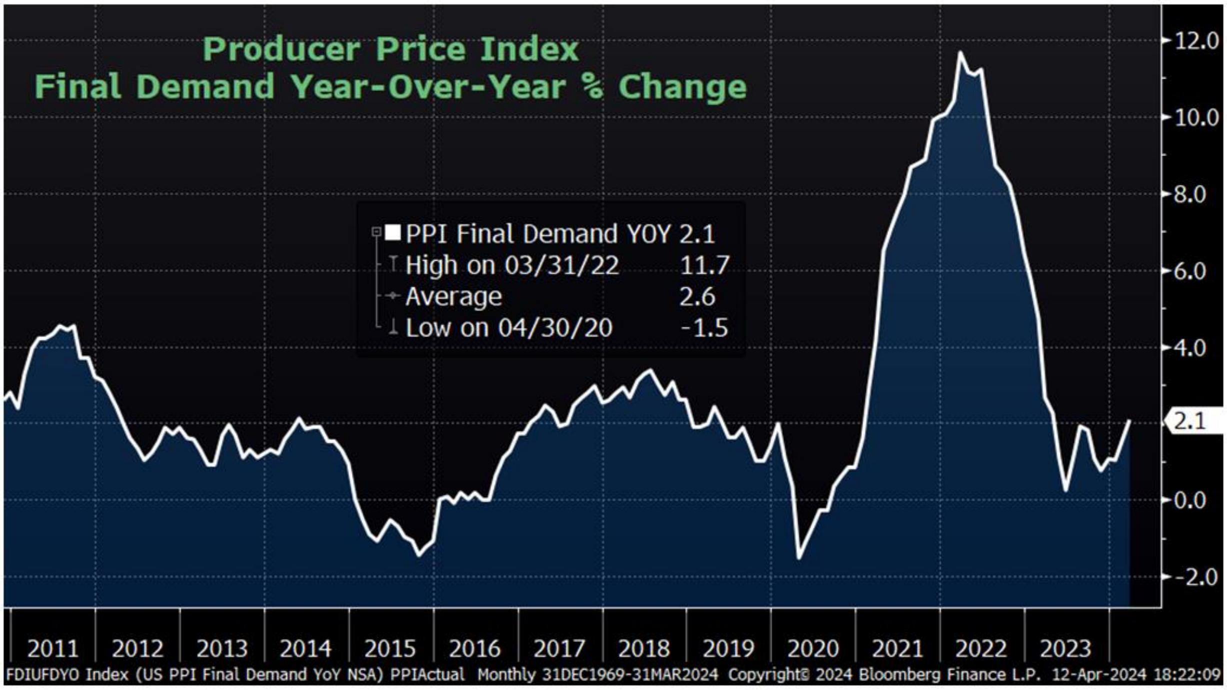
To be sure, unrest in the Middle East was not the only issue troubling traders last week as inflation at the consumer level for March came in higher than expected with the full Consumer Price Index (CPI) rising 3.5% (est. 3.4%) on a year-over-year basis,...



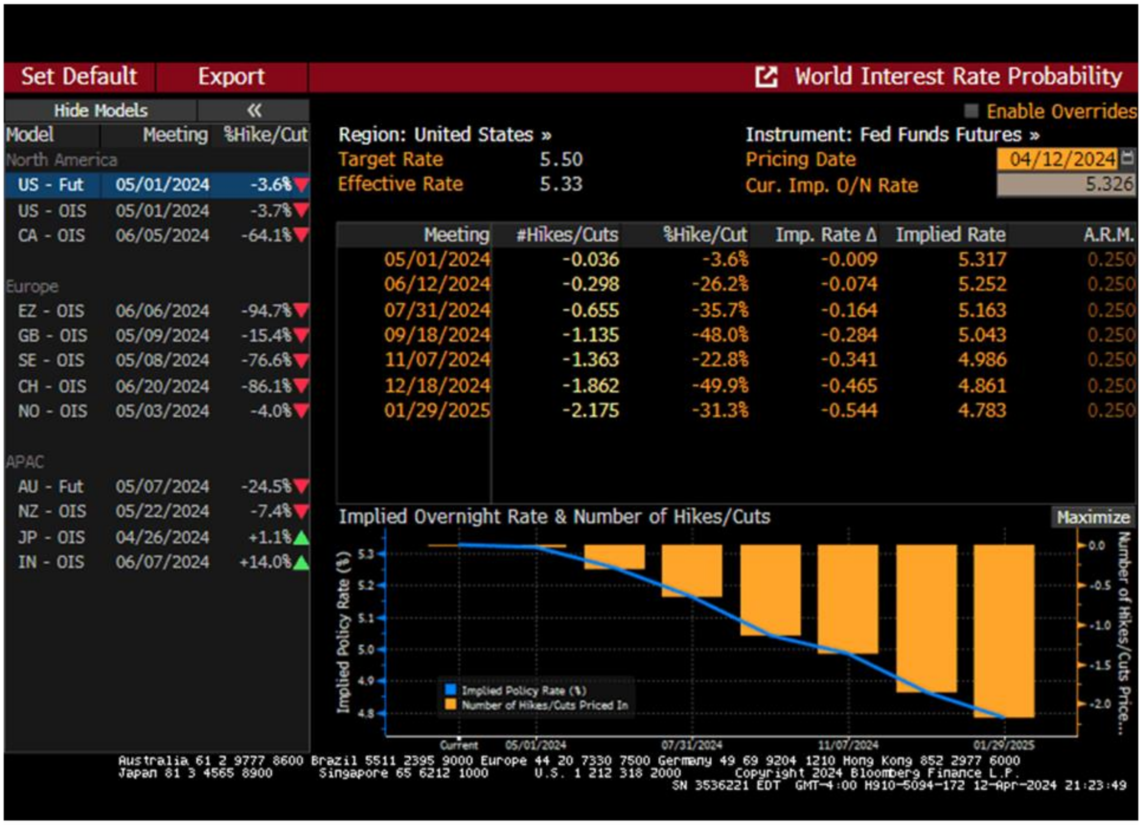
...and the core CPI (excludes volatile food and energy prices) climbing 3.8% (est. 3.7%).



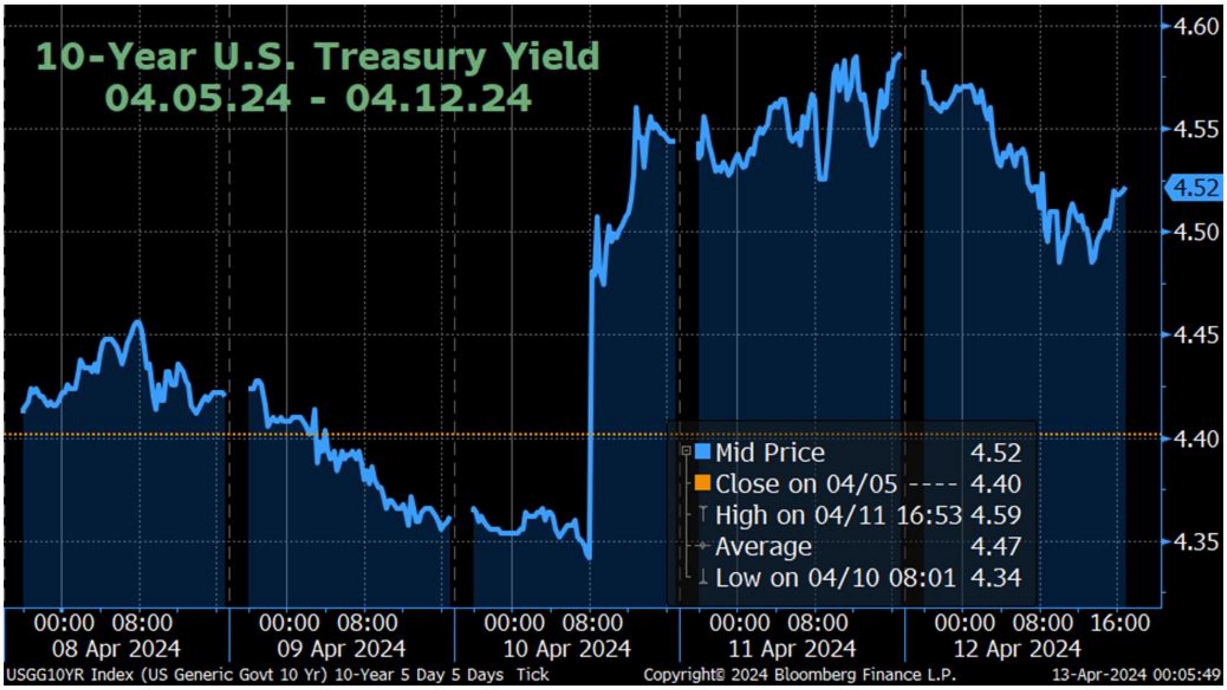
Countering those inflation worries somewhat, the rise in prices at the wholesale level in March came in lower than expected with the Producer Price Index advancing 2.1% (est. 2.2%), though the increase was up from 1.6% in February,...



...and the betting odds in the futures market saw a big jump in the projected year-end 2024 Fed Funds rate to 4.86%, up from 4.68% at the end of the preceding week,...



...while the yield on the benchmark U.S. 10-Year Treasury bond jumped to 4.52%, up from 4.40% the week prior.



Obviously, many traders have been betting on Fed rate cuts and lower bond yields, so the knee-jerk reaction was to sell stocks last week, even as history shows that equities have proved rewarding, on average, whether inflation is rising or falling or whether it is high or low,...

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%	567	11.3%	5.0%	8.8%	3.8%
3-Month Drop	626	14.3%	12.3%	13.0%	11.7%
3-Month Rise	523	11.6%	6.0%	7.6%	5.8%
6-Month Drop	597	14.5%	12.2%	12.6%	11.9%
6-Month Rise	546	11.3%	6.2%	8.1%	5.4%
12-Month Drop	576	13.0%	10.3%	11.5%	9.3%
12-Month Rise	555	12.8%	8.1%	9.2%	8.1%

From 12.31.1927 through 02.29.2024. 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%	568	14.2%	7.8%	10.7%	6.9%
3-Month Drop	618	14.1%	10.1%	11.2%	10.2%
3-Month Rise	522	11.4%	8.0%	9.3%	6.7%
6-Month Drop	591	14.6%	10.3%	11.3%	10.0%
6-Month Rise	546	11.0%	7.9%	9.2%	6.9%
12-Month Drop	576	15.1%	10.7%	11.8%	11.0%
12-Month Rise	555	10.5%	7.5%	8.6%	5.9%

From 12.31.1927 through 02.29.2024. 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 use 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 falling) and after it has risen (or fallen), with it very intriguing that they have done better subsequent to a CPI reading above the 2.7% median than below!

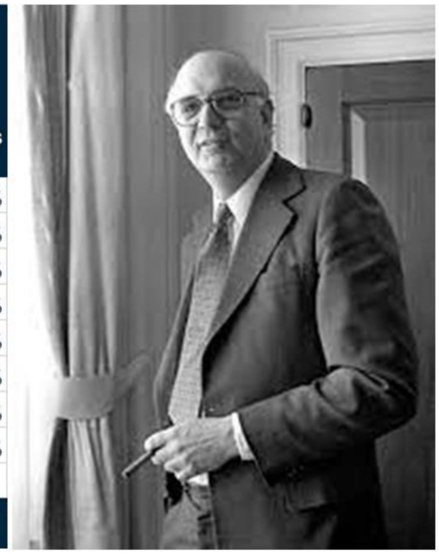
…while the last major Fed battle to contain prices resulted in extraordinary stock-price gains (24.7% per annum for Value from 1978 to 1986), even with two recessions also in the mix!

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

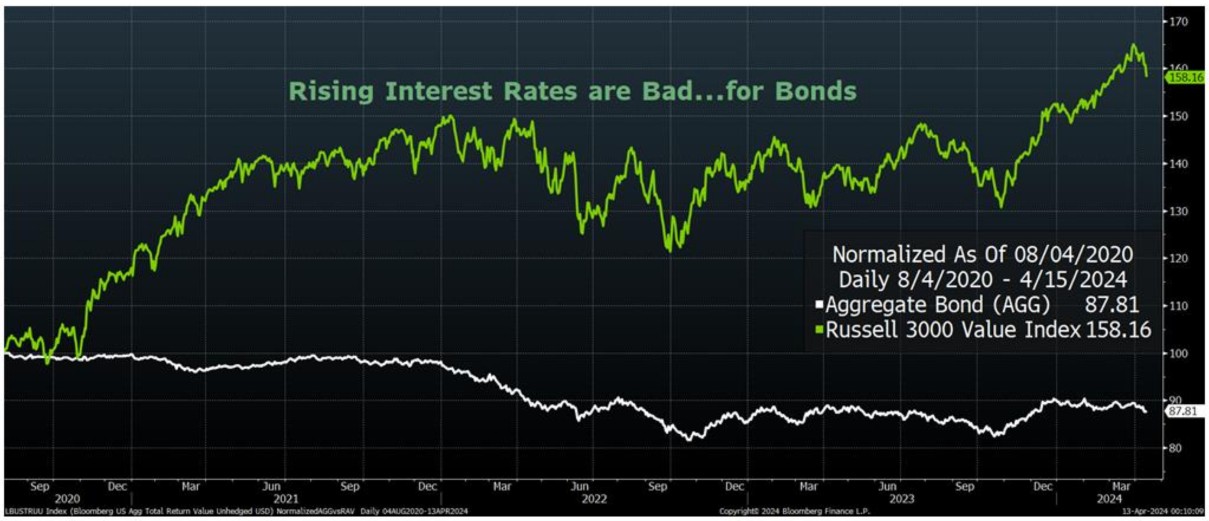
Year	FF Value	FF Growth	FF Div Payers	FF Non Div	Inflation	Fed Funds Rate
1979	30.5%	32.3%	22.5%	60.5%	13.3%	14.0%
1980	19.5%	44.2%	30.8%	63.3%	12.4%	18.0%
1981	16.0%	-9.0%	-1.1%	-16.1%	8.9%	12.0%
1982	34.1%	20.8%	21.7%	13.6%	3.9%	8.5%
1983	37.5%	17.5%	22.8%	20.7%	3.8%	9.5%
1984	11.9%	-7.3%	5.1%	-18.3%	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%
Annualized	**24.7%**	**15.9%**	**18.7%**	**15.3%**	**6.3%**	

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



Further, we note that rising Treasury yields in the fullness of time historically have proved only to be bad…for bonds!

The yield on the 10-Year U.S. Treasury bottomed at 0.51% on 08.04.20. Today, the benchmark government bond yield stands at 4.52%, yet the Russell 3000 Value index has enjoyed a 58.16% total return in the 3.7 years since. Contrary to popular belief, higher bond yields, on average, have not been a headwind for stocks. On the other hand, the Aggregate Bond Index lost 12.19% during the same time span, which makes sense as bond prices fall when yields rise.



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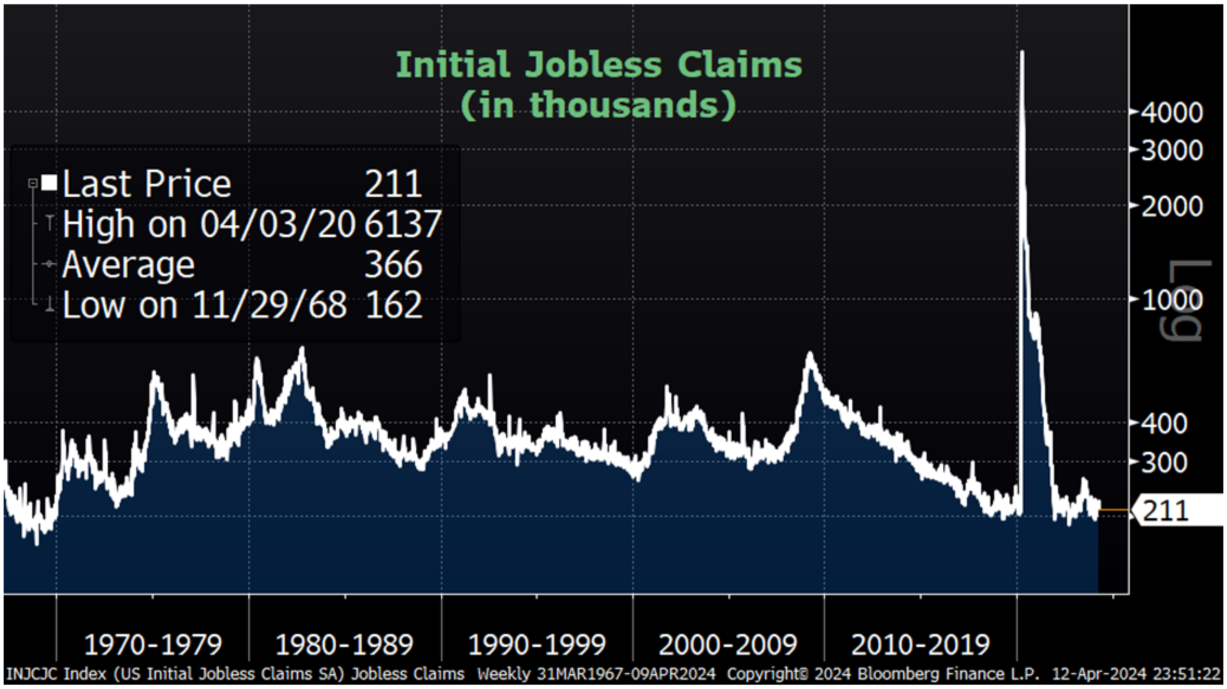
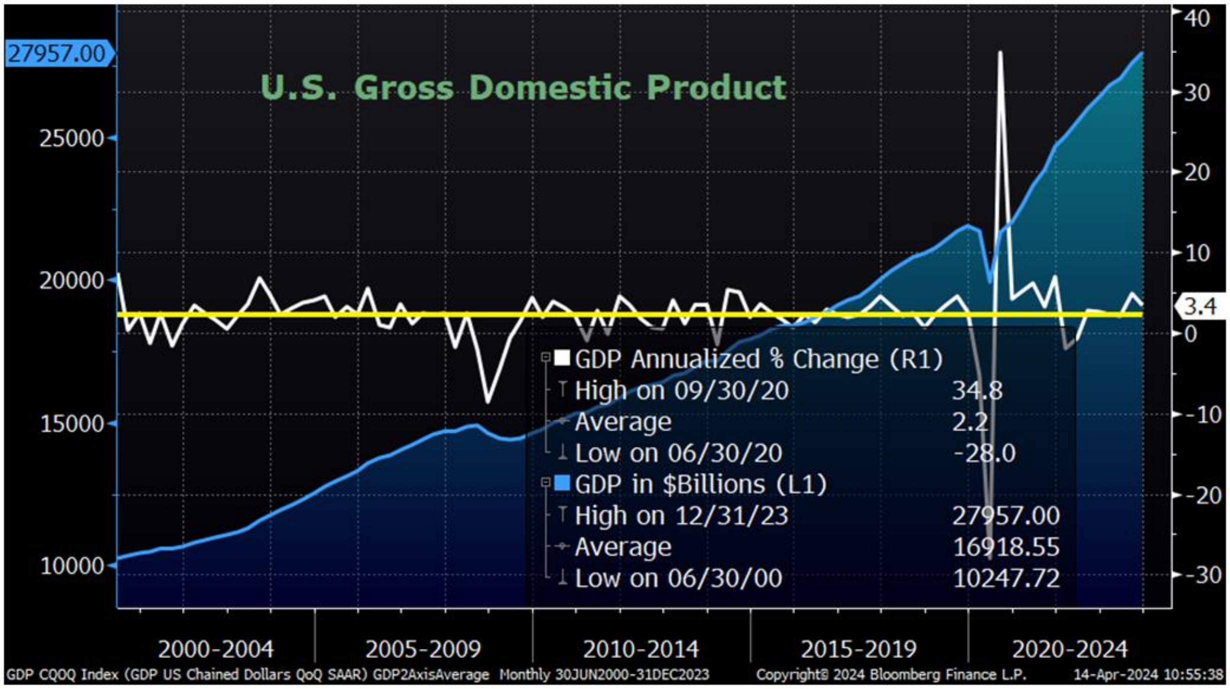
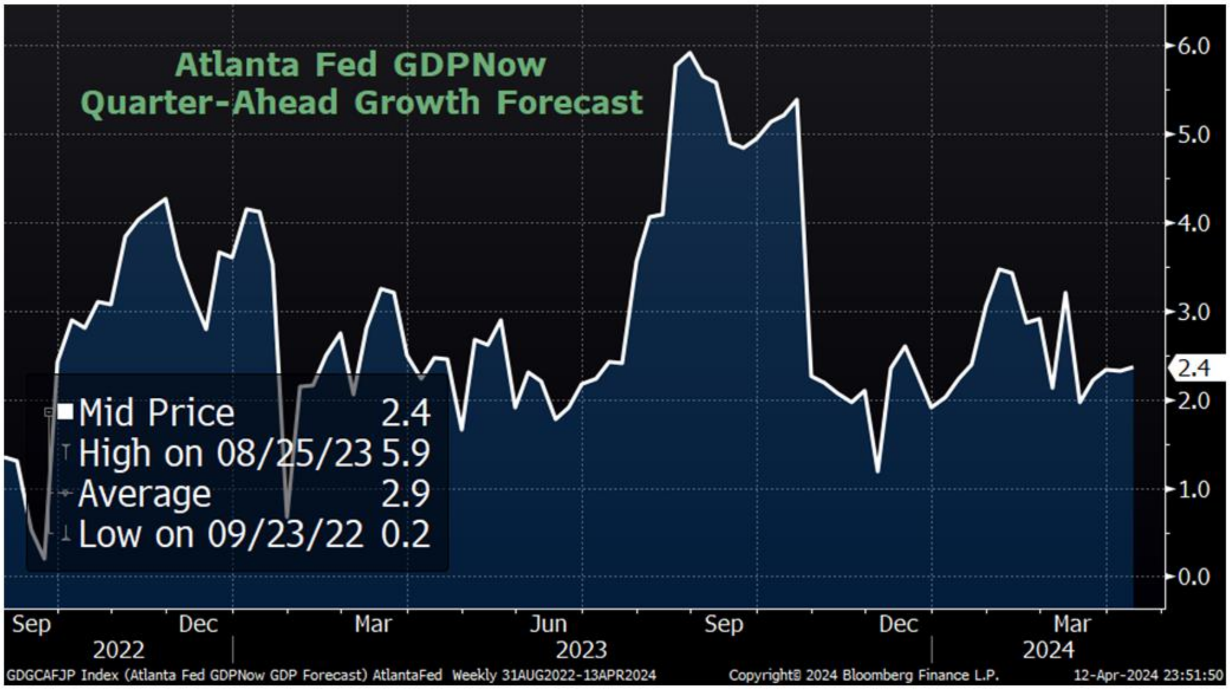
Certainly, we realize that the major U.S. equity market indexes across the board have rallied significantly off the October lows, so there is some good news baked into prices. The economy has proved more resilient than most had projected, with the labor market remaining very robust,...



...GDP growth last year exceeding expectations, with a 3.4% real (inflation-adjusted) rate of growth in Q4 2023...

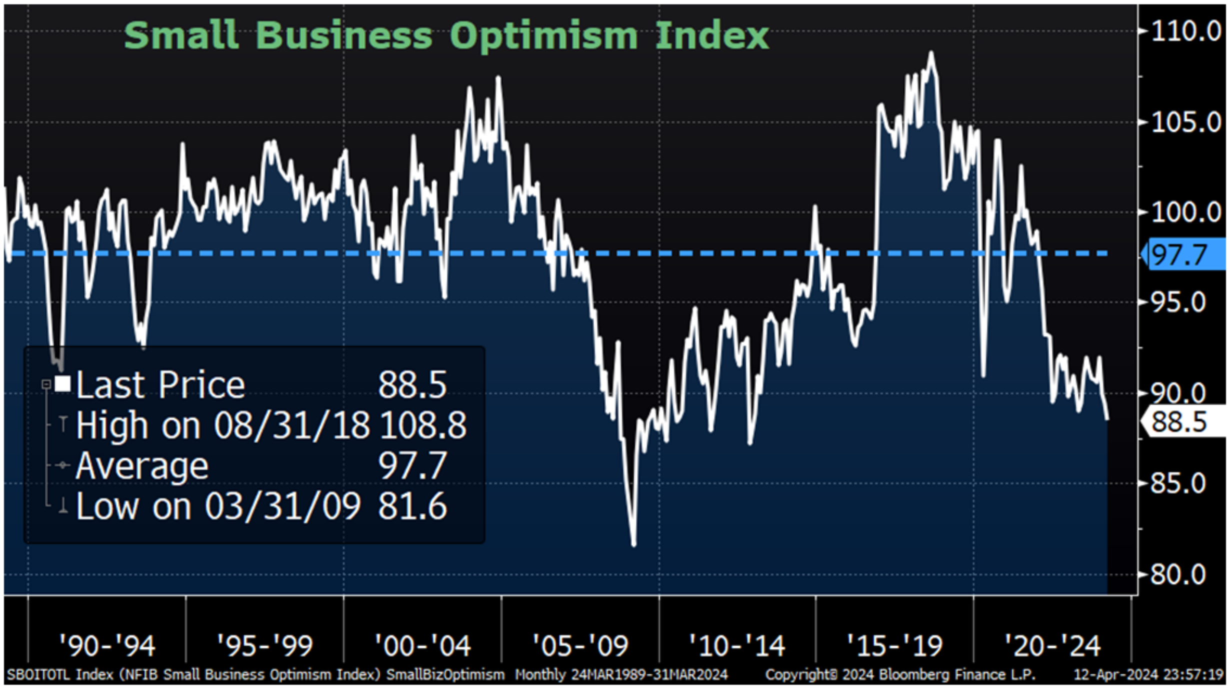


...and a 2.4% rate of growth currently predicted for Q1 2024,...

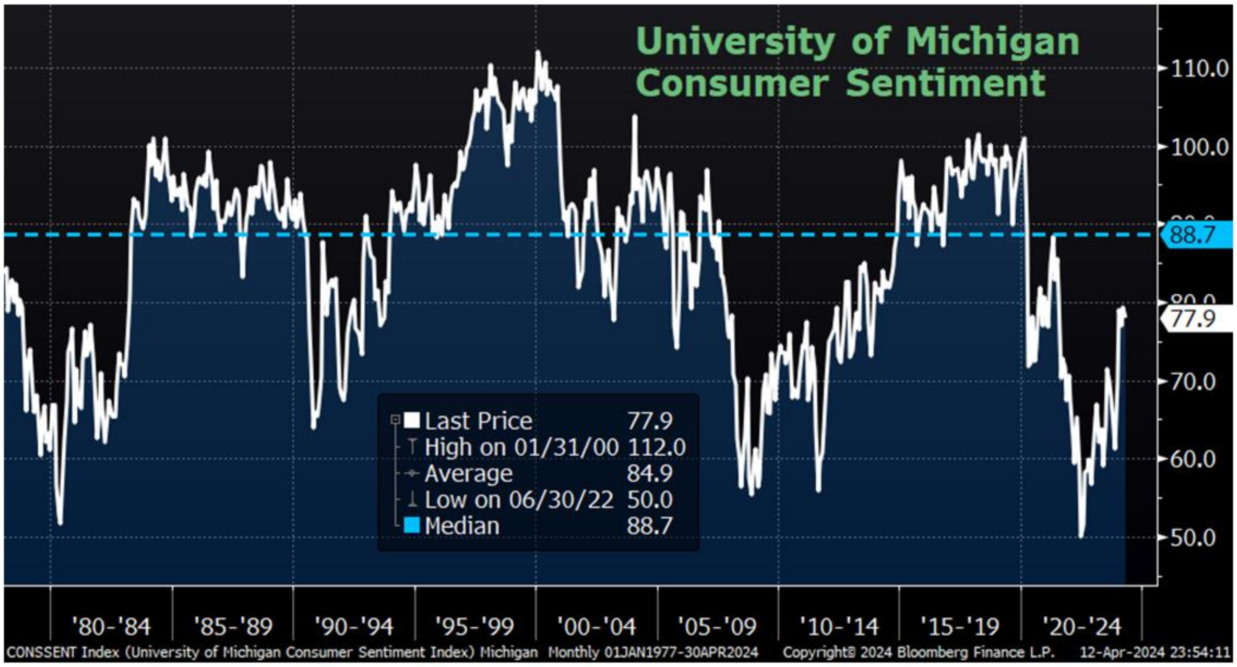


...while the chance of recession in the next 12 months, per calculations from data provider *Bloomberg*, now stand at 35%, down from 55% just six months ago.

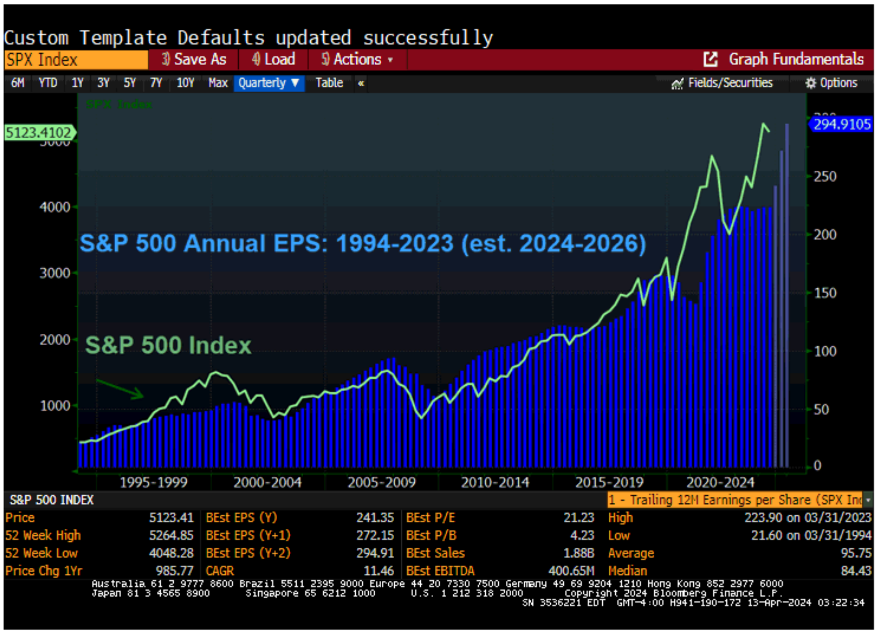
There can be no assurance that the economy will continue to hold up, and we note that reports last week on Small Business Optimism for March,...



...and confidence on Main Street for April both were weaker-than-expected,...



...but the outlook for corporate profit growth this year and next remains very favorable,...

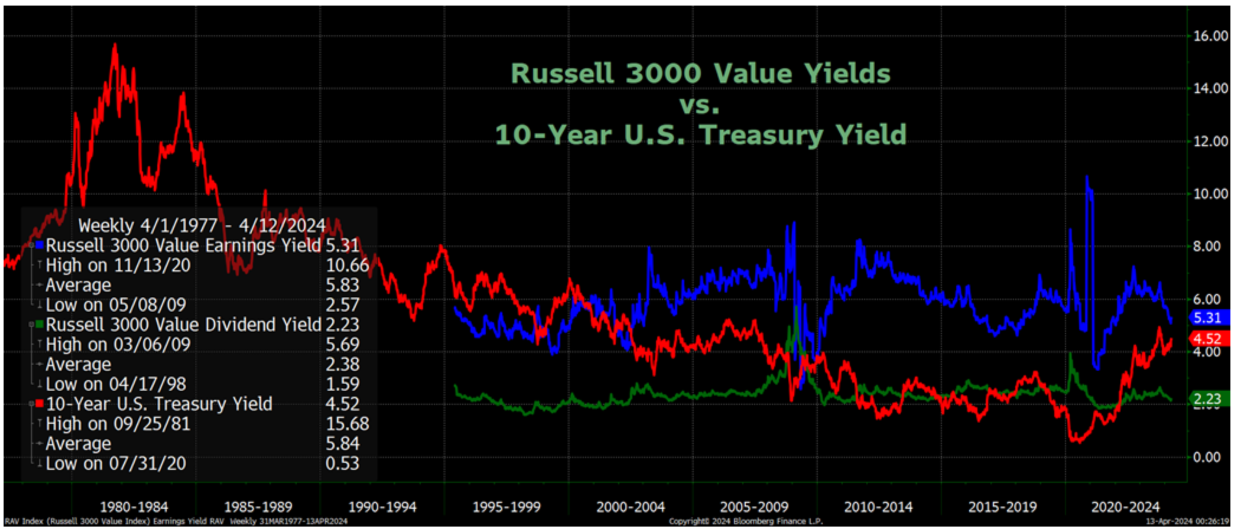


S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2025	$72.60	$273.98
9/30/2025	$71.13	$266.16
6/30/2025	$67.21	$257.96
3/31/2025	$63.04	$249.52
12/31/2024	$64.78	$240.93
9/30/2024	$62.93	$230.05
6/30/2024	$58.77	$219.37
3/31/2024	$54.45	$215.44
ACTUAL		
12/31/2023	$53.90	$213.53
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

Source: Standard & Poor's. As of 4.9.24

...and valuations for Value stocks in general,...

While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (4.08%) is still reasonable relative to the current (and well below average) 4.52% 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 (5.31%) AND dividend yield (2.23%) near the historical norms for those measures dating back to 1995.



...and our broadly diversified portfolios of what we believe are undervalued stocks in particular continue to be attractive.

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	16.8	14.3	0.9	2.3	2.6
ValuePlus	16.5	14.6	1.2	2.3	2.3
Dividend Income	16.8	14.2	0.9	2.1	3.0
Focused Dividend Income	17.2	13.7	1.1	2.3	3.0
Focused ValuePlus	17.8	14.6	1.3	2.7	2.5
Small-Mid Dividend Value	11.6	11.1	0.5	1.5	3.1
Russell 3000	25.3	21.4	2.5	4.2	1.4
Russell 3000 Growth	35.1	28.6	4.4	11.4	0.7
Russell 3000 Value	18.8	16.4	1.6	2.4	2.2
Russell 1000	24.9	21.2	2.6	4.5	1.4
Russell 1000 Growth	34.3	28.2	4.7	12.3	0.7
Russell 1000 Value	18.6	16.2	1.7	2.5	2.2
S&P 500 Index	24.5	21.2	2.7	4.7	1.4
S&P 500 Growth Index	34.1	28.3	5.9	10.9	0.7
S&P 500 Value Index	18.6	16.6	1.7	2.8	2.3
S&P 500 Pure Value Index	11.2	10.2	0.5	1.3	2.7

As of 04.13.2024. 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.

Stock Updates

Keeping in mind that all stocks are rated as a "Buy" until such time as they are a "Sell," a listing of all current recommendations is available for download via the following link: https://theprudentspeculator.com/dashboard/. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sell Alerts*.

Jason Clark, Chris Quigley and Zack Tart take a look at earnings reports and other market-moving news of note out last week for several of our recommendations.

JPMorgan Chase (JPM – $182.79) and **Citigroup** (C – $59.68) kicked off the release of Q1 financial results for money center banks on Friday.

JPM shares sank over 6%, the most in a day since 2020, despite beating the Street's EPS projection ($4.63 vs. 4.17) when adjusted for a $725 million expense attributed to the FDIC's reassessment of expected losses related to the closures of Silicon Valley Bank and Signature Bank and generating a return on tangible common equity of 22%. Excluding First Republic's contributions, the firm reported a revenue increase of 4% year-on-year to $40.9 billion, fueled by non-interest income growth across Asset Management and Investment Banking, partially offset by a decline in Markets revenue. Firmwide Investment Banking fees surged by 18% year-on-year, driven particularly by strong underwriting fees. Credit costs totaled $1.9 billion, driven by increased net charge-offs, notably in the Card sector.

CEO Jamie Dimon commented on the health of the bank's customers, "Whatever happens, the customer is in pretty good shape. If you go to a recession, they're in pretty good shape. Businesses are in good shape. If you look at it today, their confidence is up, their order books are up, their profits are up. But I caution people, these are all the same results of a lot of fiscal spending, a lot of QE, etc. And so, we don't really know what's going to happen. And I also want to look at the year. Look at two years or three years, all the geopolitical effects and oil and gas, and how much fiscal spending will actually take place, our elections, etc. So, we're okay right now. It does not mean we're okay down the road. And if you look at any inflection point, being okay in the current time is always true. That was true in '72, it was true in any time we've had it. So, I'm just on the more cautious side. How people feel and confidence levels and all that, that doesn't necessarily stop you from having an inflection point. And so, everything's okay today, but you've got to be prepared for a range of outcomes, which we are."

Traders seemed hung up on management's cautious tone and conservative guide it gave for net interest income throughout the year given what it cited as ongoing economic, geopolitical and regulatory uncertainties.

Rain or shine, it remains nearly impossible to not like best-in-class JPMorgan, as its fortress balance sheet provides a stable keel to go along with an ability to generate profits in varied environments. And we appreciate the conservative posture its leaders take when running the bank as evidenced by the 15% CET1 ratio. Despite the large capital buffer, the financial behemoth continues to impress with peer-leading returns on tangible common equity using a combination of scale and top-shelf prudent management to keep its leadership position. Despite the drop on Friday, shares have returned over 30% in terms of price alone over the past year, yet trade for just 11.5 times NTM earnings projections. The dividend yield is now 2.5% and our Target Price has been hiked to $213.

Citi earned an adjusted $1.74 per share, handily beating the Street's $1.23 target, but the figure came in 6% lower year-over-year. Excluding divestiture-related impacts, such as gains from the sale of the India consumer business, revenue actually increased by more than 3%, propelled by growth, U.S. Personal Banking, and Services, though the top line was offset by declines in the Markets and Wealth sectors. Expenses surged by 7%, reaching $14.2 billion on a reported basis, primarily driven by divestiture-related impacts and the incremental FDIC special assessment, resulting in a 5% increase excluding these factors. The firm's cost of credit amounted to around $2.4 billion, chiefly influenced by higher card net credit losses, partially mitigated by ACL releases in various sectors.

Restructuring charges aimed at simplifying the organizational structure totaled approximately $1 billion but are expected to yield approximately $1.5 billion in annualized run-rate savings over the medium-term, primarily through a headcount reduction of about 7,000. Additionally, the firm incurred repositioning costs of roughly $260 million, primarily targeting efficiency enhancements across the organization. Looking ahead, management has incorporated a more normalized level of repositioning into the firm's guidance, which aims for a downward trend in quarterly expenses to a range of $53.5 billion to $53.8 billion excluding the FDIC special assessment.

CEO Jane Fraser offered, "I said 2024 will be a pivotal year for us, as we put our business and organizational simplification largely behind us and we focus on two main priorities, the transformation and the performance of our businesses and the firm. Last month marked the end to the organizational simplification that we announced in September. The result is a cleaner, simpler management structure that fully aligns to and facilitates our strategy. We are now more client-centric. We're already seeing faster decision-making and a nimbler organization at work. We have clear lines of accountability starting with my management team, fewer layers, increased spans of control and frankly, much less bureaucracy and needless complexity. This will all help us run the company more efficiently, will enhance our clients' experience and improve our agility and ability to execute."

Citi's balance sheet remains strong as the CET1 ratio ticked up to a preliminary 13.5% and tangible book value per share grew to $86.67 despite the return of $1.5 billion in capital to common shareholders, including $500 million through share buybacks.

Given the greater than 50% return since Halloween, we like that the market has seemingly started to give Citi credit for progress in simplifying and turning around the banking giant. Citigroup continues to travel down its path of transformation, and while the journey hasn't been swift, after a few years of focus on operational transformation and divestitures, it seems that leadership is turning its eyes toward expense reductions and controls, a good thing in our minds.

Ms. Fraser's new flatter Citi structure will eliminate management layers which the C-suite believes will speed decision making, driving increased accountability and strengthening the focus on clients. Patience is one of our core investing tenants, and we have and will continue to need this with C, but we find significant long-term potential upside, as the shares trade for 9.5 times NTM earnings and for less than 70% of tangible book value, while the yield is a solid 3.6%. Our Target Price for C has been boosted to $78.

Asset management giant **BlackRock** (BLK – $763.40) earned $9.81 per share in Q1 vs. $7.93 a year ago, and ahead of the $9.34 estimated by the Street. Revenue was up 11% from the same period a year ago. Total long-term inflows amounted to $76.4 billion, net inflows totaled $57.19 billion and total assets under management stood at $10.47 trillion.

CEO Laurence D. Fink shared thoughts on BlackRock's future:

There is still a record amount of cash on the sidelines and money market fund balances are now approaching $9 trillion. I think this stems from fear and uncertainty, but it's hard to achieve retirement or long-dated objectives by holding cash. Clients worldwide are coming to BlackRock for advice on where and how to deploy their capital and in many ways, how to help them reduce that fear and putting that money to work…

The uncertain backdrop does not mean a lack of opportunities. Instead, we see great opportunities for investors across a number of structural trends with near-term catalysts. These include rapid advancements in technology and AI, the rewiring of globalization, accelerated economic growth in certain emerging markets, and an unprecedented need for new infrastructure.

BlackRock is connecting with clients to these opportunities and providing them the confidence to continue investing in the long run. In a world where clients are looking for more certainty, the higher coupon, longer duration returns of infrastructure private markets are increasingly becoming more attractive. Demand for all forms of infrastructure is surging around the world, from telecom networks to power generation, to transport hubs, for data centers, and new ways of securing energy.

Blackrock repurchased $375 million of stock in the first quarter and expects to buy back the same amount each quarter for the rest of this year. While we thought BLK turned in a solid quarter, the company's net inflows of $57.19 billion missed the Wall Street analyst target of $90.71 billion, causing shares to tumble about 3% in Friday's trading session.

We continue to like that BlackRock's diversified investment & technology platform has demonstrated an all-weather track record of generating positive organic growth across good and bad times. BLK shares gained 18% in 2023 and earnings growth projections hover around 9% for 2024, even as shares have retreated 5% this year. The quarterly dividend is $5.10, resulting in a 2.7% yield. Our Target Price has been lifted to $966.