LAFFER | TENGLER
INVESTMENTS

RESEARCH BULLETIN
Nancy Tengler, Chief Investment Officer

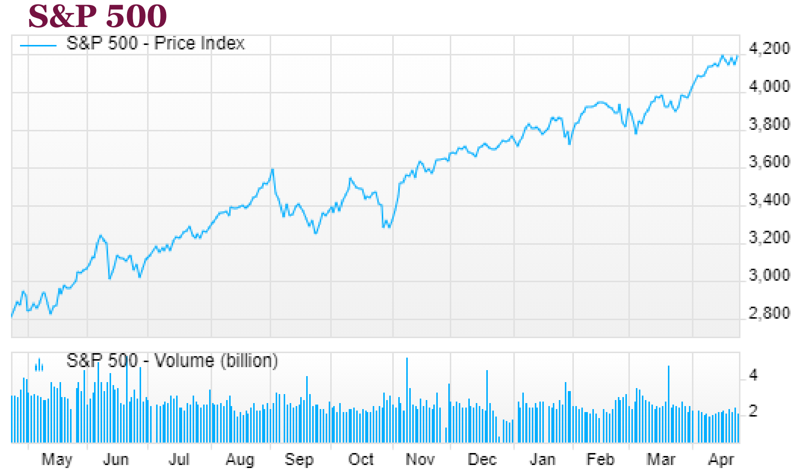
April 27, 2021

Markets at a Glance
Index Prices as of 04/23/2021, Bond Yields as of 04/26/2021

	CURRENT PRICE	ONE MONTH CHANGE	YEAR TO DATE CHANGE
S&P 500	4,180.17	6.90%	11.29%
Dow Jones Industrial	34,043.49	5.00%	11.23%
MSCI World Index	2,946.11	5.67%	9.52%
10-Yr US Treasury Yld	1.5667	-8.28%	71.56%
30-Yr US Treasury Yld	2.2430	-6.77%	36.32%

Source: FactSet and Bloomberg

S&P 500

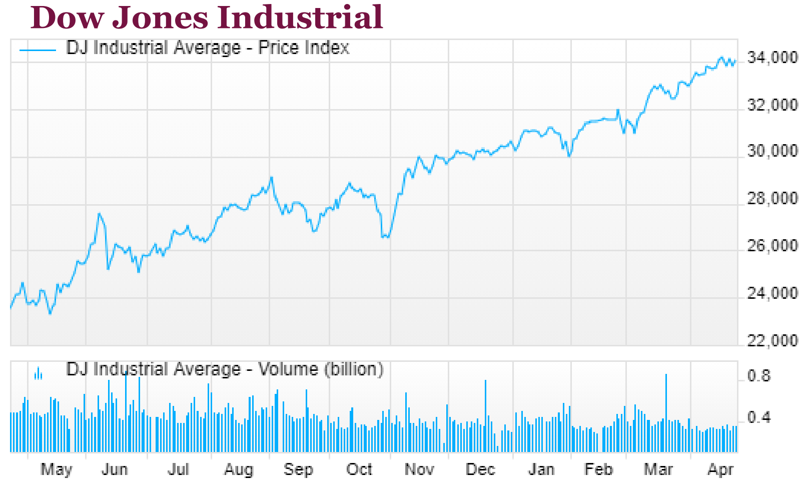


Previous Close	4,180.17
52 Week High	4,185.47
52 Week Low	2,797.80
Change (%)	-
1 Day	1.09
1 Week	-0.13
1 Month	6.90
3 Months	8.82
6 Months	20.63
YTD	11.29
1 Year	49.41
3 Year	56.54
5 Year	99.86
10 Year	212.56

Currency: U.S. Dollar | Performance data as of: 23 Apr '21

Source: FactSet

Dow Jones Industrial



Previous Close	34,043.49
52 Week High	34,200.67
52 Week Low	23,247.97
Change (%)	-
1 Day	0.67
1 Week	-0.46
1 Month	5.00
3 Months	9.83
6 Months	20.14
YTD	11.23
1 Year	44.77
3 Year	39.24
5 Year	89.09
10 Year	172.22

Currency: U.S. Dollar | Performance data as of: 23 Apr '21

Source: FactSet

VALUES AS OF 04/26/2021	CURRENT PRICE	ONE MONTH CHANGE	YEAR TO DATE CHANGE
Crude Oil WTI	$62.01	0.73%	27.80%
Crude Oil Brent	$65.84	1.95%	27.09%
Natural Gas	$2.781	7.71%	9.53%
Gold	$1,779.80 (spot)	3.95%	-6.26%
Silver	$26.19 (spot)	6.23%	-0.82%
Copper	$9,551.50	6.39%	22.99%
Platinum	$1,245.92 (spot)	5.67%	16.21%
Palladium	$2,916.31 (spot)	14.81%	19.09%
Corn	$680.50	23.95%	40.60%
Wheat	$737.75	17.62%	15.18%

Source: Bloomberg

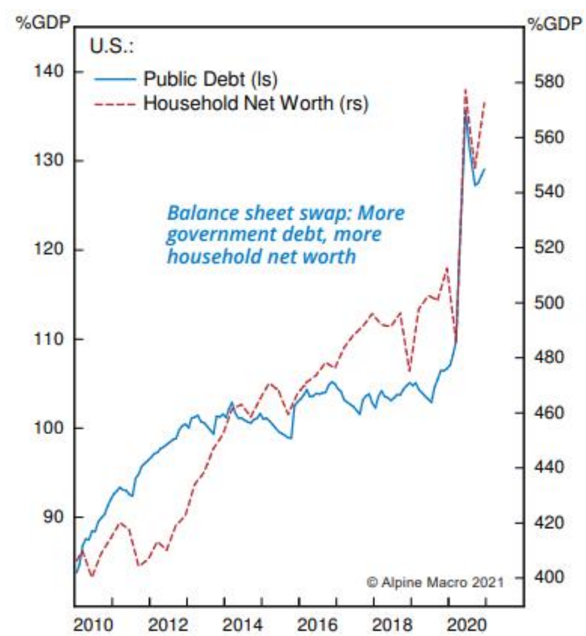
The Outlook for Equities

from Nancy Tengler, Portfolio Manager & Chief Investment Officer

U.S. Covid-Related Fiscal Packages, while enormous and unprecedented, did not provide the demand expected. Despite fiscal stimulus of $5.7 trillion, or over 25% of GDP, demand as expressed by personal consumption expenditure (the component statistic for consumption in GDP) is $2 trillion less than pre-pandemic levels. This, as the Federal government has significantly increased its debt, and the Fed's balance sheet has expanded to $7.7 trillion to 35% of GDP.

Date	Amount (Bn$)	Key Fiscal Response
Mar 11, 2021	1,844	American Rescue Plan
Dec 21,2020	868	Consolidated Appropriations Act
Aug 8, 2020	44	Allocation from Disaster Relief Fund
Apr 23, 2020	483	Paycheck Protection Program and Health Care Enhancement Act
Mar 27, 2020	2,300	Coronavirus Aid, Relief and Economy Security Act
Mar 6-18, 2020	200	Coronavirus Preparedness and Response Supplemental Appropriations Act and Families First Coronavirus Response Act
Total	5,739	

Source: IMF

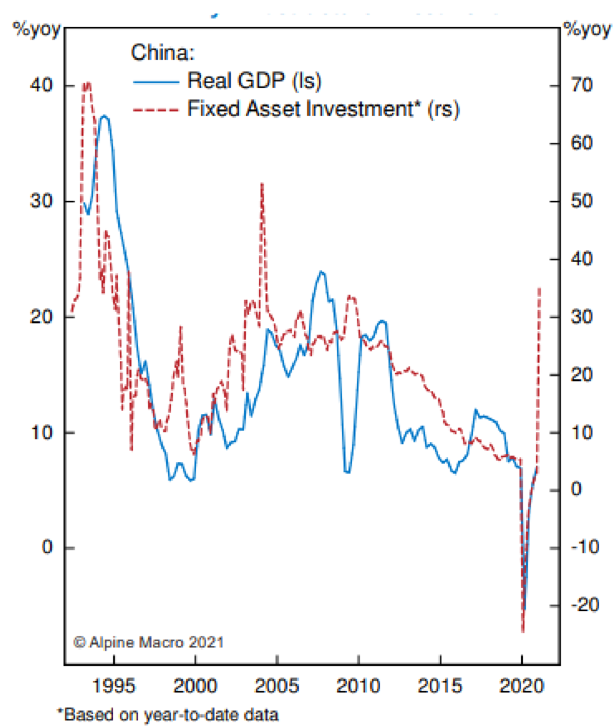


Meanwhile, net worth for households has jumped by $18 trillion from pandemic lows and by $12 trillion from pre-pandemic highs.

We worry about the seemingly profligate spending, and we worry more about the proposed tax increases, but with the Fed remaining easy for the foreseeable future and massive amounts of cash sloshing around the system (M2 has increased by $4.3 trillion), the conditions remain bullish for stocks. Until they aren't. Higher taxes may finally get the market's attention, and we could get the near-term correction we have been expecting.

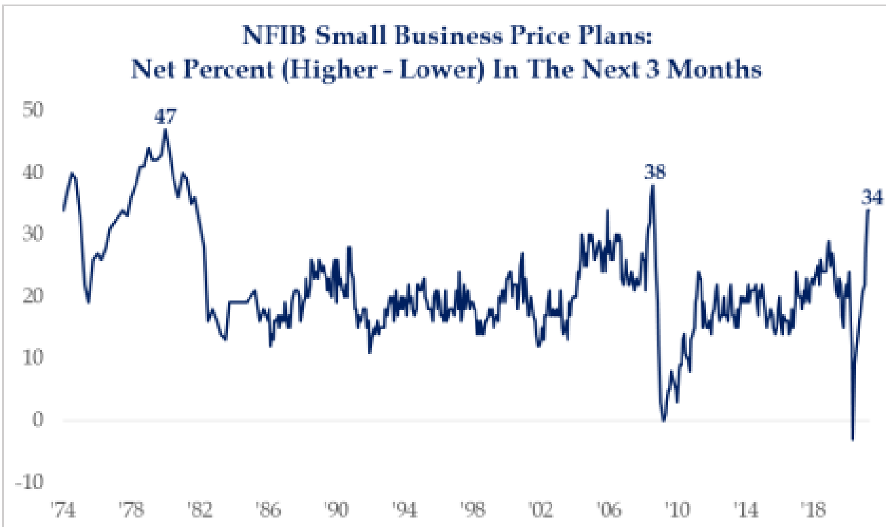
Transfer payments do not create demand. Government spending only creates demand if it represents a direct purchase: infrastructure investment, defense spending, R&D… These government procurements directly add to GDP. Transfer payments to families are viewed more as a temporary tax cut. Spending patterns are determined by sustainable increases in income, not by temporary tax cuts/transfer payments.

China seems to understand this better than U.S. policy makers. China's fiscal stimulus has been almost entirely infrastructure investment. The Chinese have spent 4.7% of GDP and were able to avoid recession because their deficit spending increased GDP.

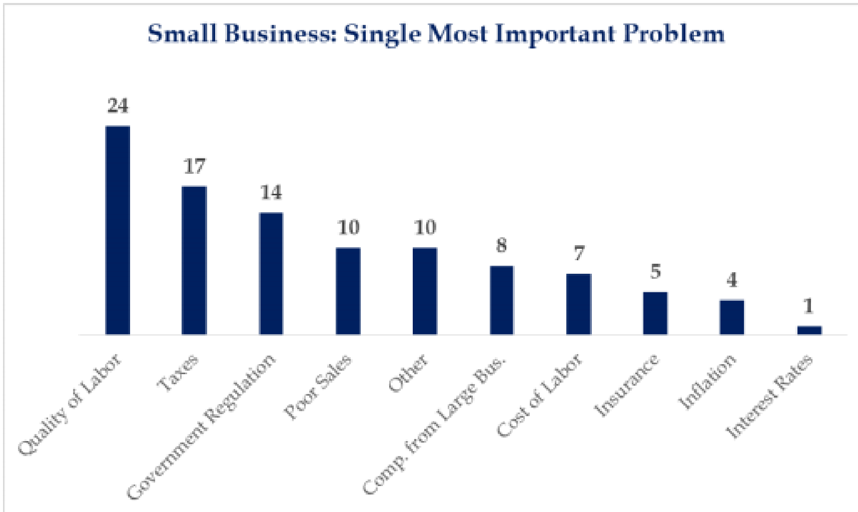


We do believe pent up consumer demand will continue to show up in spending as the country re-opens, so we retain our overweight in Consumer Discretionary and most particularly in companies where the consumer meets digital. But we would much rather see a real infrastructure bill that will produce jobs and improve our tired roads and bridges. We have positioned our portfolios to benefit.

Small business and inflation: As though small businesses have not had enough to deal with, now they are wrestling with higher input costs and a lack of labor. With unemployment benefits equal to $23/hour, marginal workers seem to be sitting on the sidelines. P&G also announced price increases due to hit consumers in the fall. We think the market will be caught flat footed when inflation comes in higher than many expected. We are still in the camp that thanks to capex spending— in particular technology capex—unit labor costs will remain muted. For now.



Source: Strategas, April 16, 2021



Source: Strategas, April 16, 2021

A potential correction from higher than anticipated inflation will be a buying opportunity. But at some point, this liquidity driven party needs to transition to a fundamentally driven, growth party. Make no mistake: it will be messy.

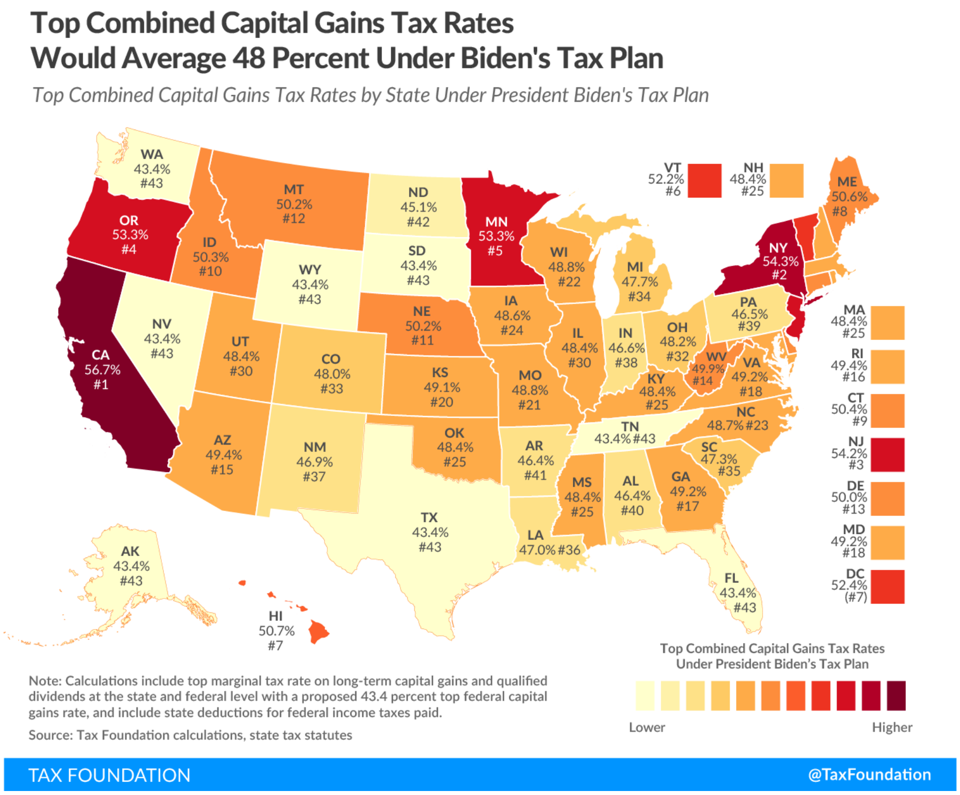
Biden's proposed tax hikes: First, it is important to note that the most recent COVID relief bill, while stimulative to the economy in 2021, will create a fiscal drag going into 2022. Sure, there are aspects of the designated spending (even from the CARES Act) that will be working its way through the economy for years, but the big bang of this last bill will be largely felt in the first half of this year. That puts tremendous importance on the magnitude of the recovery to sustain growth, job creation and wealth creation. Government spending created a powerful "pull-forward" on demand for U.S. consumers and, therefore, the rest of the economy.

And, now—at just about the worse time ever—as the economy is reopening and companies are hiring, Washington is proposing the largest tax increase since 1968 (1.3% of GDP). In their haste to punish the rich and corporations, what many in Washington forget is that companies hire constituents, and the wealthy pay the lion's share of state and local taxes. Just ask the governor of New York, whose wealthiest constituents are fleeing to income tax-free Florida in droves. His public pleas have fallen flat (just like NYC housing prices) while Florida real estate skyrockets.

Though the insiders are still reading tea leaves, here is our best guess where the proposal is likely to end up.

- **Federal Income tax rate is going up:** the top rate will likely rise to **39.6%.** This does not include the 3.8% Obamacare Tax (AGI over $200K individually/$250K filing jointly), nor state and local taxes.

- **Cap gains and dividend tax rates are going up:** Though President Biden recently announced a greater than 40% proposed capital gains tax rate, expectations are that the real rate will settle in around 28% (78 years of data show that above that level government receipts actually decline). Our sources believe the tax rate on both dividends and income will increase from 22% and 20% respectively to 28%.



- **Estate taxes are going up:** The exemption is likely coming down and tax rates going up. Additionally, it is expected that the bill will eliminate the step-up provision and replace it with a carryover provision. In summary, heirs will pay taxes on the difference between the original cost basis of the estate and the current value above the exemption. In summary: individuals pay taxes on income, then pay taxes on their savings and investment while alive and then pay again (bigly!) upon death. This will prove to be a significant burden on small businesses, farmers, and families who have created wealth (think: a house in California—a small fortune!) to leave to their children.

- **Corporate taxes are going up:** The Administration's current proposed rate, at 32.8% all in, would put U.S. corporations once again at the top tax rate among all OECD countries with an average rate of 23.4% and most especially well-above China. The effort to increase taxes world-wide is significant. Two of the largest countries with a world-wide tax system are Mexico and Iraq. This proposal would shave approximately 9% of S&P earnings in 2022, resulting in 5% earnings per share (eps) growth vs. the expected 14% on top of 2021 's 25.0%+ eps growth.

In the three years following the Trump Administration's Tax Cuts and Jobs Act (TCJA) tax cuts, corporations repatriated $1.6T in foreign earnings, about 70% or so of savings from the tax cuts went to increased wages for workers, R&D increased by 25% and capex (the mother's milk of productivity improvements) increased by 20%.

- **Will the tax cuts be retroactive?** Not likely. The effective date will either be the day the bill passes or January 1. For corporate taxes this would mean an additional $100B in earnings realized. There is talk the individual tax rate may be retroactive.

Finally, there are many commentators who say taxes don't matter to markets. They do. Other comparisons are made to the Reagan era increase in the capital gains tax rate, but we would point out during that period, the top individual rate was reduced from 50% to 28% and the corporate rate was reduced as well. Stay tuned.

Bonds & Fixed Income

from Jason Weaver, CFA, Head Trader & Portfolio Manager

In Q2 thus far, rates markets have largely retraced a bit in the first week and have been on a "pause" since given the markets realization that the predicted above trend growth and inflation numbers would largely be transitory. Our own opinion would be in accordance with eh first case but still we are questioning inflation here. While the technological innovations of the prior 30 years have been a huge disinflationary force, the unprecedented rise in monetary and fiscal stimuli would seem to come as an abrupt counterforce over the prior 12 months. I am somewhat optimistic that the Fed will be able to achieve their >2% inflation target this year, yet the question remains, what about after? Will they be able to control it absent punitive austerity measures? I think the answer is yes as long as the dollar retains its status as the world's reserve currency. That said, I would ballpark that the 10yr UST will be in the range of 180-225bps at the end of this year absent some unforeseen macroeconomic shock. The ability for rates to spiral up to the 4-5% levels we saw in the past is just not there under current economic and political conditions.

On the other had spread product has continued to perform exceedingly well alongside the equity market. Investment grade credit spreads are the tightest since early 2018—and when adjusted for ratings quality and duration—are the tightest EVER. We are finding more value in the high yield and securitized products space that offers more upside with less rate sensitivity and have been incrementally moving our portfolio into this area.

Convertible Securities

from Stan Rogers, Portfolio Manager

Splunk (SPLK) stock was weak following the announcement that Chief Technology Officer Tim Tully would resign to join the venture capital firm Menlo Ventures. While he did not move to a competitor, his leaving the company was perceived by some analysts as a negative development.

The company is in the process of transitioning from an on-premises software model to a cloud-based version, and the CTO transition could hamper that migration. We will closely monitor the replacement process and any commentary on the upcoming earnings announcement.

Southwest Airlines (LUV) reported a better-than-expected loss per share for Q1 while revenues were just slightly below consensus. Management expressed optimism for the upcoming months, stating "the worst is behind us in terms of the severity of the negative impact on travel demand". Leisure travel and a domestic focus is providing a boost for bookings. Daily cash burn is expected to continue to decline, and they are adding summer flights back to almost 2019 levels.

Danaher (DHR) had a very impressive Q1 report, easily exceeding estimates on both earnings and sales. Management also raised guidance for the year due to COVID tailwinds and a faster recovery in base businesses. Cytiva, the renamed biopharma division acquired from GE last year, is performing well, and helped drive the Life Sciences segments' revenue growth: an impressive +41.5%.

Transactions:

A 1.3% position was initiated in the recently issued **ViacomCBS (VIAC)** 5.75% mandatory convertible preferred. In late March, the company simultaneously issued the $1 billion mandatory along with $2 billion in common, with the capital raised intended for the buildout of the Paramount+ streaming service. Both issues were priced with a reference price of $85 on the common. Almost immediately after issue, the stock began a precipitous decline, exacerbated by margin calls and forced liquidations on some hedge funds. While the stock was at a lofty valuation when issued, the decline (almost 50%, and the mandatory was off around 35%) presented a compelling risk/reward on the convertible. At purchase the current yield is 8.92% with a 37% conversion premium. Trading on a 90 delta, the security will theoretically participate in +17%/-17% in a +/- 25% move in the common. However, there are some technical factors at play that make it difficult to accurately model. Volatility is exceptionally high, hedge funds are short the security, and long-only funds continue to nibble at it in the hope that the stock will recover. It trades at fair value to the sum-of-the-parts (maximum conversion ratio plus three-years' worth of future dividends).

Our position in **Blackrock TCP Capital (TCPC)** 4.625% convertible bond was sold. This bond matures in early 2021, and with a 30% conversion premium and a relatively short time until maturity, this would have leaked premium, so there was very little upside opportunity. The funds will be re-allocated to a more total-return opportunity.

SEI News/Earnings:

None for this period

SEI Transactions:

None for this period.

Equity Hedging

from David Jeffress., Portfolio Manager

The quarter is off to a strong start for the equity markets, and we have continued to build our hedge as prices continue to move in our favor. On Friday, April 23, we purchased an additional round of puts on the SPY, and due to the market's performance, we were able to get a higher strike price for a lower cost than previous purchases.

During the brief sell-off we experienced last week, the calls and puts we purchased behaved as expected, which gives us reassurance that in the event of an accelerated downturn, these contracts will perform as anticipated.

And finally, the VXX exchange-traded note that we have purchased calls against experienced a 1-for-4 reverse stock split, and the call options we hold have been adjusted accordingly.

We have one more round of purchases to make this quarter before we are fully hedged; more updates to follow.

Global Revolution

from Jonathan Berkowitz., Securities Analyst

Over the past two weeks, commodity prices have seen a resurgence after trading sideways the month prior. The Bloomberg Commodity Spot Index was up 6.01% for the most recent two-week period, with Palladium and Copper up 8.19% and 7.23% respectively. Oil and Natural Gas saw an uptick as a result of economies reopening and vaccinations progressing ahead of schedule despite the JNJ vaccine concerns. On the COVID-19 front, India continues to see a surge in cases, leaving the international community worried about the spread of mutant strands to other countries. Prime Minister Modi announced last week he would only revert to lockdowns as an absolute last resort. We will continue to monitor policy decisions, which will be critical to determining India's COVID impact on oil demand in the near term.

Dividend Growth

from Steve Shepich., Portfolio Manager

Earnings Season Update: We have had nine companies in the Dividend Growth strategies report quarterly results so far this quarter. The numbers have been coming very in strong. JP Morgan (JPM), Morgan Stanly (MS), and Kinder Morgan (KMI) had significant earnings beats (30% or more). JPM and MS benefited from reserve reversals, as the negative impact from COVID is not expected to be as bad as originally feared. KMI (No K-1 strategy) had a one-time benefit from the Texas winter storm in February. Johnson & (JNJ), Phillip Morris (PM), AT&T (T), and Snap-on Inc. (SNA) reported material earnings beats (10% or better), and Lockheed Martin (LMT) reported a modest beat. The only miss came from Crown Castle (CCI), which missed earnings expectations but beat on EBITDA and increased guidance. Expectations going into this earnings season were high, and valuations have expanded over the last couple quarters, so there hasn't been significant share reaction to the strong reports.

Dividend update: Portfolio income generation is a key component of our investment strategy. Dividend increases are a primary way that we increase portfolio cash flow. It can also be an indication of management's optimism on the future of the underlying business. Over the last couple weeks, three of our invested companies announced dividend increases: Qualcomm (QCOM) and Johnson and Johnson (JNJ) announced dividend increases of 4.6% and 5.0%, respectively. Kinder Morgan (held in the No K-1 strategy) also announced a 2.9% increase.

Portfolio Companies' Earnings Releases for This Period

Fastenal Company (FAST)
Goldman Sachs Group, Inc. (GS)
JPMorgan Chase & Co. (JPM)
BlackRock, Inc. (BLK)
Taiwan Semiconductor Manufacturing Co. (TSM)
PNC Financial Services Group, Inc. (PNC)
Coca-Cola Company (KO)
Procter & Gamble Company (PG)
Johnson & Johnson (JNJ)
Chipotle Mexican Grill, Inc. (CMG)
D.R. Horton, Inc. (DHI)
Lam Research Corporation (LRCX)
Freeport McMoRan, Inc. (FCX)
Intel Corporation (INTC)
American Express Company (AXP)
Honeywell International Inc. (HON)

Nancy Tengler's Recent USA Today Articles

Volatility is Not a Bubble — Here's Why the Market Will Likely Continue to Be Bullish (Feb 24)
Joining a Reddit Revolution is Not an Investment Plan (Jan 28)
As You Reshuffle Your 401(k) for the Biden Administration, Look Across the Pond (Jan 24)

Nancy Tengler's Recent Media Appearances

What Transports Earnings Could Reveal About the Economy (CNBC April 19)
What's Next For Bitcoin (CNBC April 19)
Here's How Much This Strategist Expects the Market To Correct (CNN Business, April 7)
Biden Admin Sued By 13 States Over Stimulus Tax Rule (Fox Business, April 6)
We're Taking a Wait-And-See Approach, Says Veritas' Gregory Branch (CNBC, April 5)
Disney Is A Great, Diversified Way to Play The Reopening, Tengler Says (CNBC, April 5)
We've Recently Been Net Sellers of Deep Cyclicals, Says Nancy Tengler (CNBC, April 5)
Investors' Second-Quarter Playbook (CNBC, April 1)
We're Not Paying Attention to What Higher Tax Rates May Do (CNBC, March 31)
Alphabet Is A 'Recovery Dark Horse,' Says Morgan Stanley.(CNBC, March 25)
Growth Is Going to Be Everywhere in 2021 (Yahoo! Finance, March 23)
Bloomberg Markets: The Close Digital Full Show (Bloomberg Markets, March 22)
How Will the Fed Decision and Tax Hikes Impact the Market? (Fox Business, March 19)

Completed Analysis Item(s) for Portfolio Companies

**To request any company analyses, please email info@laffertengler.com.*

Broadcom Inc. (AVGO)
FedEx (FDX)
International Flavors & Fragrances, Inc. (IFF)
Palo Alto Networks, Inc. (PANW)
Morgan Stanley (MS)
Boeing (BA)
Goldman Sachs (GS)
Visa (V)
AbbVie (ABBV)
Tiffany & Co. (TIF)
Walt Disney Company (DIS)
International Paper Co. (IP)
Salesforce.com (CRM)
Micron (MU)
Pfizer (PFE)
AT&T (T)
Boston Scientific Corp. (BSX)
Western Digital Corp. (WDC)
Fortive Corp. (FTV)
Pinnacle West Capital (PNW)
Danaher Corporation (DHR)
Southwest Airlines Co. (LUV)
QUALCOMM Inc. (QCOM)
Dominion Energy (D)
Booking.com (BKNG)
Hannon Armstrong Sustainable Infrastructure Capital, Inc. (HASI)
Becton, Dickinson and Co. (BDX)
American Tower Corp. (AMT)
Illinois Tool Works (ITW)
Square, Inc. Class A (SQ)
Ecolab Inc. (ECL)
Snap-on Incorporated (SNA)
Prudential Financial, Inc. (PRU)
ServiceNow, Inc. (NOW)
Facebook, Inc. (FB)
Home Depot, Inc. (HD)
Apple Computer, Inc. (AAPL)
Walmart Inc. (WMT)
Starbucks Corporation (SBUX)
Microsoft Corp. (MSFT)
Johnson & Johnson (JNJ)
Cisco Systems, Inc. (CSCO)
Amgen Inc. (AMGN)
JPMorgan Chase & Co. (JPM)
Texas Instruments Inc. (TXN)
United Parcel Service, Inc. (UPS)
McDonald's Corporation (MCD)
PepsiCo, Inc. (PEP)
Medtronic Plc (MDT)
Dominion Energy (D)
PNC Financial Services Group, Inc. (PNC)
BlackRock, Inc. (BLK)
Roku, Inc. (ROKU)
Chevron Corporation (CVX)
Lam Research Corp. (LCRX)
II-VI Incorporated (IIVI)
3M Company (MMM)
Roku, Inc. (ROKU)
Coca-Cola Company (KO)
Comcast Corporation (CMCSA)
D.R. Horton, Inc. (DHI)
Fastenal Company (FAST)
Intel Corporation (INTC)
Procter & Gamble Company (PG)
T. Rowe Price Group (TROW)
Raytheon Tech. Corp. (RTX)
Chipotle Mexican Grill (CMG)
Target Corporation (TGT)
Alphabet Inc. Class A (GOOGL)
American Express Co. (AXP)
Honeywell Int'l Inc. (HON)
Lowe's Companies, Inc. (LOW)
Splunk Inc. (SPLK)
Ulta Beauty Inc. (ULTA)
Amazon.com Inc. (AMZN)
Emerson Electric Co. (EMR)
BCE Inc. (BCE)
Tyson Foods (TSN)
Magellan Mid. Partners (MMP)

Lululemon Athletica Inc. (LULU)
CVS Healthcare Corp. (CVS)
Taiwan Semi. Manuf. Co. (TSM)
Truist Financial Corp. (TFC)
Lockheed Martin Corp. (LMT)
BHP Group (ADR) (BHP)
Lumentum Holdings, Inc. (LITE)
NVR, Inc. (NVR)
Twitter, Inc. (TWTR)
Freeport-McMoRan, Inc. (FCX)
Dominion Energy, Inc. (D)
Trimble Inc. (TRMB)
Littelfuse, Inc. (LFUS)
Jacobs Engineering Group (J)
Air Prod. and Chemicals (APD)
Steel Dynamics Inc. (STLD)
BorgWarner, Inc. (BWA)
Lear Corporation (LEA)
Exelon Corporation (EXC)
L3Harris (LHX)
Corning Inc. (GLW)
Diamondback Energy (FANG)
EOG Resources, Inc. (EOG)
Splunk, Inc (SPLK) – convertible
Oracle Corporation (ORCL)
Unilever (UL)
AES Corp. (AES) – convertible
Martin Marietta Materials, Inc. (MLM)
Americold Realty Trust (COLD)
Xylem Inc. (XYL)
Quest Diagnostics Incorporated (DGX)
Viacom CBS (convertible)
Winnebago Industries Inc. (WGO)
Twitter Inc. (TWTR) - convertible

Strategy Changes

Changes to Concentrated Equity

COMPANY NAME	TICKER	BUY/SELL	CURRENT ALLOCATION	NEW ALLOCATION
Home Depot Inc.	HD	SELL	9.45%	8.70%
Johnson & Johnson	JNJ	BUY	7.46%	8.21%

Changes to Convertibles

COMPANY NAME	TICKER	BUY/SELL	CURRENT ALLOCATION	NEW ALLOCATION
ViacomCBS	VIACP	Buy	0.00%	1.30%
Blackrock TCPC	TCPC 4.625%	Sell	2.20%	0.00%

Changes to Global Revolution

COMPANY NAME	TICKER	BUY/SELL	CURRENT ALLOCATION	NEW ALLOCATION
iShares Exponential Technologies ETF	XT	Sell	12.641%	0.00%
Amplify Transformational Data Sharing ETF	BLOK	Buy	0.000%	12.641%

THE LAFFER TENGLER INVESTMENTS DISCIPLINE

Discipline is key to sustainable long-term total returns:

- At Laffer Tengler Investments we use two, time-proven stock valuation metrics (both pioneered by our team) that are consistent and robust indicators of value: Relative Dividend Yield (RDY) and Relative-Price-to-Sales Ratio (RPSR).

- Why not use earnings like almost everyone else? Because earnings are often an unreliable indicator of value. In May of 2016, I published the following:

Earnings reported by corporations have always been subject to the vagaries of accounting gimmickry. You don't have to be a novice to scratch your head at the way managements (or governments for that matter!) account for various items.

A recent case in point: The Wall Street Journal (Thursday, February 25, 2016) reported that according to FactSet, pro forma earnings for S&P 500 companies rose 0.4% in 2015. Using generally accepted accounting principles or GAAP, earnings per share actually fell 12.7% in 2015 (this according to S&P Dow Jones Indices). The author's point is that according to GAAP earnings, investors are paying a great deal more for stocks than they think. The price-to-earnings ratio (P/E) on pro forma earnings (which is the most commonly accepted method) is 17x 2015 earnings. But when GAAP earnings are considered, the P/E jumps to more than 21x.

It is important to remember that the P/E ratio for any given stock is only as good as the price input (a fact) and the reported earnings input (apparently not a fact at all).

- **RDY** measures the yield of a particular stock compared to the yield on the S&P 500 and does so over long periods of time. Since a stock's relative yield and relative price are inverse, we can generally conclude that as a stock's yield is rising, its price is declining—similar to a bond. Consequently, a rising RDY provides an opportunity for investors to at least consider an underperforming, cheaply valued stock for purchase.

- Company managements and boards of directors pay the dividend out of free cash flow, not earnings. In maturing U.S. companies these seasoned professionals often operate within a "dividend paying culture" and set the dividend as a portion of long-term, sustainable real earnings power because management teams are loathed to cut dividends.

- The relative nature of the RDY metric is also important because it measures the relative attractiveness of a stock compared to its own history and compared to the S&P 500. (In 1992, I co-authored Relative Dividend Yield, Common Stock Investing for Income and Appreciation with Tony Spare)

- **RPSR**: In fallen-angel growth companies where the dividend is less of a factor in management's calculus, we look at sales—a fact. Rarely are sales manipulated and when they are someone usually goes to jail. The price-to-sales ratio measures how much investors are paying for a unit of sales, the relative price-to-sales ratio reveals what investors have historically paid for a particular company's sales compared to what they are paying for the sales of all the companies in the S&P 500. In 2003, I authored New Era Value Investing, John Wiley & Sons where I outline the benefits of RPSR in stock selection.

- Discipline, in summary, is the only way to navigate volatile markets. We remain disciplined and over time that consistency generates excess return.

Fundamental Research reduces the ownership of terminally cheap companies:
Meet the 12 Fundamental Factors.
Our proprietary research approach analyzes fundamental qualitative and quantitative factors.

- **Qualitative Factors:** Catalyst for Outperformance, Franchise Value & Market Growth, Top Management/Board of Directors.

- **Quantitative Factors**: Sales Growth, Operating Margins, Relative P/E, Positive Free Cash Flow, Dividend Coverage/Growth, Asset Turnover Ratio, Use of Cash (buyback, debt, div.), Leverage, Financial Risk.

General Disclosures

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Definitions and Indices

The S&P 500 Index is a stock market index based on the market capitalization of 500 leading companies publicly traded in the U.S. stock market, as determined by Standard & Poor's.

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