RESEARCH BULLETIN

Nancy Tengler
Chief Investment Officer

LAFFER | TENGLER
INVESTMENTS

February 27, 2024

Markets at a Glance (Index Prices as of 2/23/2024)

	Current Price	One Month Change	Year to Date Change
S&P 500	$5,088.8000	4.61%	6.69%
Dow Jones Industrial	$39,131.5300	3.23%	3.83%
MSCI World Index	$3,334.0400	4.49%	5.20%
Bloomberg US Aggregate Index	$356.4883	-1.12%	-3.31%
Bloomberg US Convert Bal TR	$2,123.8100	-0.40%	-1.76%
S&P Global Clean Energy	$875.2100	-2.42%	-12.46%

Source: FactSet and Bloomberg

Markets at a Glance (as of 2/23/2024)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	103.9520	0.41%	2.54%
Crude Oil WTI	$76.5500	2.74%	7.32%
Crude Oil Brent	$81.6800	2.45%	5.97%
Natural Gas	$1.5870	-36.34%	-36.44%
Gold	$2,037.2000	0.33%	-1.67%
CBOE Silver	$22.9550	1.68%	-4.45%
Copper	$386.9000	1.66%	-0.58%
Platinum	$906.5000	-0.02%	-8.81%
Palladium	$978.5000	2.68%	-11.53%
Corn	$399.7500	-10.52%	-15.08%
Wheat	$573.5000	-4.14%	-8.79%

Source: Bloomberg 2/23/2024

S&P 500

Previous Close	5,088.80
52 Week High	5,088.80
52 Week Low	3,855.76
Change (%)	-
1 Day	0.03
1 Week	1.66
1 Month	4.61
3 Months	11.68
6 Months	14.72
YTD	6.69
1 Year	26.83
3 Year	31.11
5 Year	82.22
10 Year	177.13

Currency: U.S. Dollar | Performance data as of: 23 Feb '24

Source: FactSet

Dow Jones Industrial

Previous Close	39,131.53
52 Week High	39,131.53
52 Week Low	31,819.14
Change (%)	-
1 Day	0.16
1 Week	1.30
1 Month	3.23
3 Months	10.94
6 Months	13.51
YTD	3.83
1 Year	18.03
3 Year	24.08
5 Year	50.32
10 Year	143.00

Currency: U.S. Dollar | Performance data as of: 23 Feb '24

Source: FactSet

Russell 1000 Value

Previous Close	1,038.06
52 Week High	1,038.06
52 Week Low	874.15
Change (%)	-
1 Day	0.26
1 Week	1.39
1 Month	3.56
3 Months	9.88
6 Months	8.84
YTD	3.17
1 Year	10.01
3 Year	16.92
5 Year	38.30
10 Year	82.87

Currency: U.S. Dollar | Performance data as of: 23 Feb '24

Source: FactSet

Russell 1000 Growth

Previous Close	2,201.65
52 Week High	2,203.99
52 Week Low	1,489.75
Change (%)	-
1 Day	-0.11
1 Week	1.64
1 Month	5.32
3 Months	13.67
6 Months	20.22
YTD	9.11
1 Year	42.73
3 Year	35.51
5 Year	124.51
10 Year	283.69

Currency: U.S. Dollar | Performance data as of: 23 Feb '24

Source: FactSet

NASDAQ 100 Index

Previous Close	17,937.61
52 Week High	18,004.70
52 Week Low	11,830.28
Change (%)	-
1 Day	-0.37
1 Week	1.42
1 Month	3.06
3 Months	12.10
6 Months	18.42
YTD	6.61
1 Year	47.27
3 Year	35.95
5 Year	152.98
10 Year	389.75

Currency: U.S. Dollar | Performance data as of: 23 Feb '24

Source: FactSet

S&P 500 Index vs. S&P 500 Equal-Weighted Index (1 year)

Source: FactSet

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The securities identified and described do not represent all of the securities purchased, sold, or recommended by advisory clients, and it should not be assumed that investments in the securities were or will be profitable.

www.laffertengler.com

LAFFER TENGLER EQUITY INCOME ETF

Laffer Tengler investments launched an ETF in partnership with Tuttle Capital Management called, **The Laffer Tengler Equity Income ETF (SYMBOL: TGLR).**

TGLR follows our flagship Equity Income Strategy managed by Nancy Tengler.

Please click here or visit tglretf.com to learn more about **TGLR or call us at 800.838.3468.**

EQUITIES

from Nancy Tengler, CEO & Chief Investment Officer

Target-Date Funds—the real scoop. I have written about target-date funds extensively. Most recently in the second edition of my book, *The Women's Guide to Successful Investing*. I don't like them. Asset allocation decisions are made solely on the target date of an investor's retirement date rather than the valuation and fundaments of stocks and bonds. Further, there is no magic in a retirement target date—you do not need all the money on day one—rather investors will benefit from growth (read: exposure to equities) during the golden years. In addition to my objection over the auto allocation changes is a new debate that the typical fixed income exposure also takes on unintended risk in investment grade bonds. According to Barron's, "T. Rowe Price compared the performance of its target-date fixed-income allocation to the benchmark, and found that for the five-year period ended on Dec. 31, 2023, a 65-year-old investor returned 1.43% annualized, compare with 1.10%% for the Bloomberg Agg." Add dismal performance to the list.

$470.00 at WMT?! I was gobsmacked when I glanced at my receipt after a routine shopping run to WMT this weekend. I went for dogfood and treats and some household items. No electronics or sporting equipment just basic pet supplies—carrots for the horse, dry dog food, some bones and treats—and cleaning and laundry items. Emblematic of sticky inflation, was the over $7 jug of Clorox bleach I purchased. That same size (64 ounces) sold for between $2.50 to $3.50 in 2019. So, when you hear the pundits and politicians wax victorious over the decline in inflation remember that according to the FDA U.S. food prices have risen by 25% from 2019-2023. Unless you drive a delivery truck for UPS, odds are your wages haven't kept up. The rate of change in inflation matters very little to consumers if embedded costs for primary household expenses are 25% higher. For my part, I am giving up wearing white. Take that Clorox! (Statistics powered by ChapGPT. 😳)

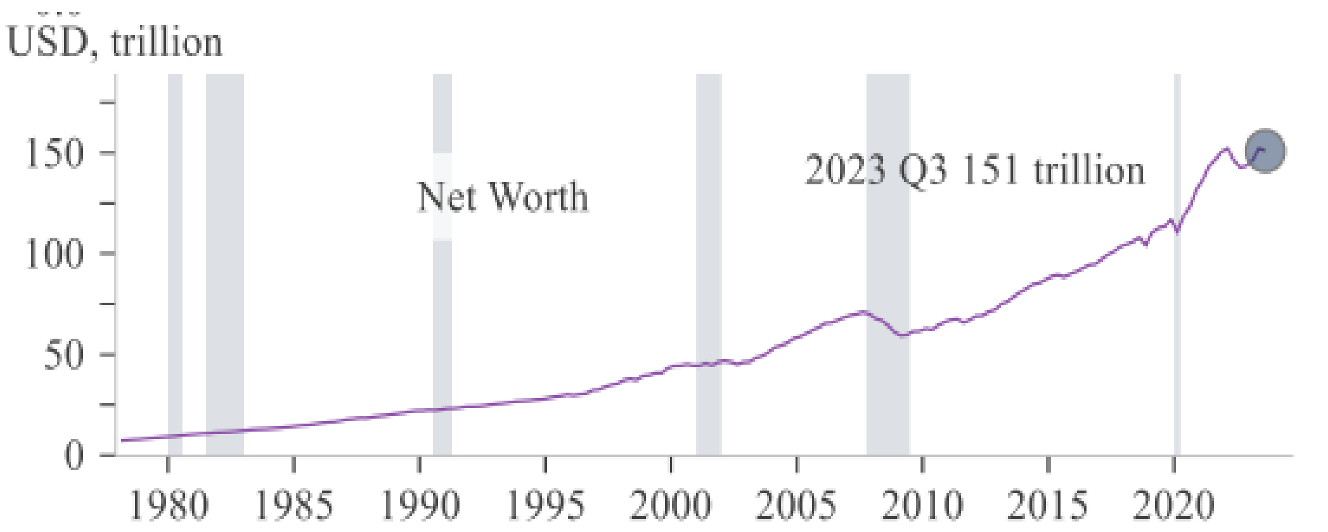
WMT has been a holding for many years. It is emblematic of our investing theme which includes old economy companies who are embracing the digital revolution. WMT stock just split three-for-one and the company announced a 9% dividend increase (indicating the company's confidence in future earnings growth). Add to that the nascent global advertising segment grew

33% and e-commerce grew 23%. Same store comps were up 4% reflecting share gains in grocery and general merchandise as well as an increase in units sold in home, fashion and hardlines. **Automation and digital investments are just beginning to pay off, and management expects continued increases in associate productivity. As we move through the year, these benefits will be more pronounced in the second half.**

We believe old economy companies who have/are pivoting to digitization and generative AI to drive margins will continue to outperform their peers.

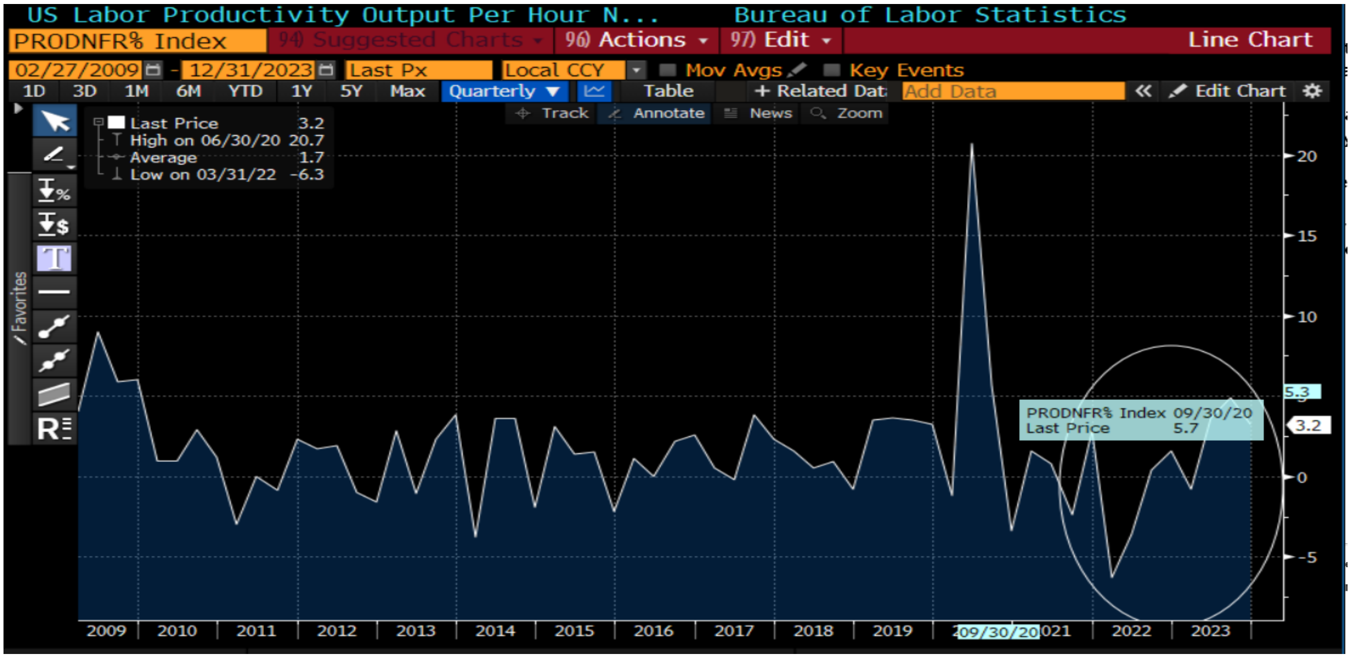
There are a number of things that have supported our bullish thesis since the fall of 2022. In no particular order:

U.S. consumer net worth remains elevated. With the Baby Boomers accounting for just about half of the nation's net worth. This has put a floor under spending—particularly in the consumer discretionary sector which we added to in the fall of 2022. We don't expect retreat at this point.



Source: Strategas Research, February 25, 2024

Productivity remains robust. One of many analogs (we've written about) to the 1990s. When labor markets are tight, companies spend on tech which improves productivity. Full stop.



Source: Bloomberg February 27, 2024

Revenue and earnings growth came in much better than expected for Q4. Ultimately earnings growth drives stock prices. Pre-NVDA with 401 companies reporting 63.6% beat on revenues and 80.3% beat on earnings. Margins expanded to 11.2% versus estimates of 10.6%. After NVDA reported blowout earnings they were responsible for 31% of all profit growth (not reflected in the numbers above).

ISM Manufacturing Index turning. Industrials and transports have begun to take off.

Source: Bloomberg February 27, 2024

EARNINGS

from Jamie Meyers, CFA®, Senior Securities Analyst

Volatility, Our Friend

Palo Alto Networks (ticker: PANW) reported second quarter earnings last week and the stock took a nosedive, closing the day down -28%. Including that decline, the stock is still up 54% year-over-year.

Why did the stock selloff? Very simply, the company is shifting strategies to lead with a "platform offering" rather than selling individual cybersecurity products. In doing so, Palo Alto is offering its platform for free as customers let old cybersecurity contracts lapse (the equivalent of six free months) – this should drive more robust subscription adoptions.

How does this affect Palo Alto? On the earnings call, CEO Nikesh Arora explained, "As these programs ramp up over the next year, we **expect a change to our billings and revenue growth for the next 12 to 18 months.** As customers move into the period where contracts have full billing and revenue contribution, we expect to see an acceleration in our top-line metrics. Beyond this **dip and acceleration, we believe we can sustain higher growth rates for longer,** driven by sticky and broad platform relationships with incremental customers, allowing us to aspire to a goal of $15 billion in next-generation security in 2030 [currently $3.5 billion]" (**emphasis added**). Simply put, things are being pushed out a little.

Popeye's friend Wimpy said, "I'll gladly pay you Tuesday for a hamburger today" (from the old cartoon or the 1980 film). Unfortunately, that's what Palo Alto customers are doing, and the market doesn't like it. Sell-side analysts (those are the large Wall Street firms) arrive at their **1-year price targets** based on discounted cash flows – all else equal, if you push out those cash flows, the value goes down. While Palto Alto lowered its revenue and billings guidance, the company actually raised its EPS and free cash flow guidance for the year. Moreover, **Palo Alto management is demonstrating a strong preference for long-term sustainable growth over short-term stock price performance** – a quality we seek in management teams.

Last September, I wrote about the benefits of Palto Alto's consolidation opportunity, partially reproduced here:

> "The benefits of consolidation are simple – consolidated platforms offer a single dashboard that provides visibility across all endpoints in an organization; they allow a company to consolidate many vendors into a unified solution; and they allow for automation by leveraging data across systems to accelerate threat identification and response times… Unlike other fragmented cybersecurity companies, Palo Alto is a leader in next-generation security and offers a complete platform – by standardizing on

something like Palo Alto's Prisma Access platform, customers can consolidate legacy offerings to a single solution."

The long-term story of Palo Alto remains intact – this stock price drop, this volatility – is noise. And in fact, Palo Alto is *leaning even more into* the "platformization" opportunity we described and enjoy. Our CEO Nancy Tengler always says, "volatility is the friend of the long-term investor," and I wholeheartedly agree – it creates buying opportunities in stocks you wished you owned more of.

EARNINGS

from Tayo Adeyi, Securities Analyst

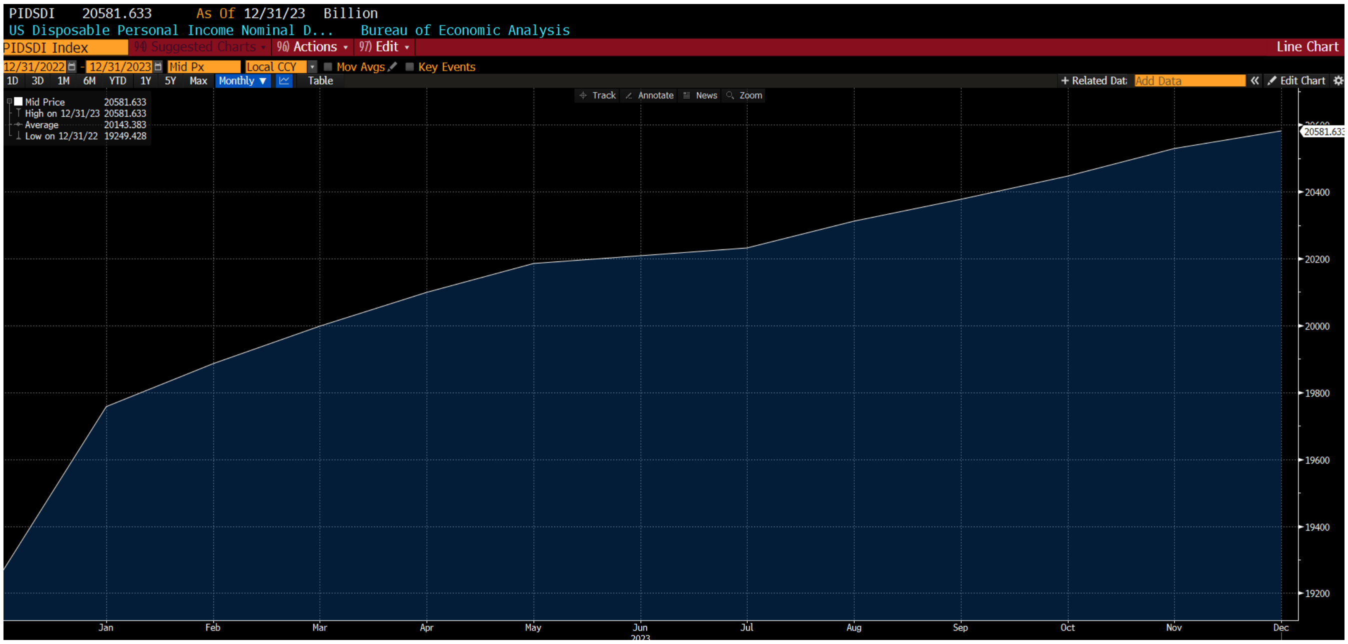
Pan American Silver Corp. (ticker: PAAS) Q3 revenue of $670 million beat consensus estimates despite a temporary suspension of operations in October at the La Colorada silver mine due to ventilation constraints, whilst EPS of (-$0.19) was shy of consensus due to 3 major non-cash charges from the company's Yamana assets, the Shahuindo mine and Alamo Dorado. Production of silver was down 15.8% quarter-on-quarter while gold was up 9.4% over the same period, with the decline in silver's production due to the constraint in La Colorada. Going into 2024, production is estimated to grow by 7.8% and 1.9% for silver and gold respectively, while all-in sustainable costs decline significantly in the second half of the year by an average of 40% in silver and 5.7% in gold. The improvement in costs will be driven by the implementation of a new ventilation system in La Colorada and by-products from backend loaded gold production in Cerro Moro. Management remains positive on recent acquisitions, as they have contributed positively to production numbers by 11% and 60% for silver and gold respectively in the last 9 months compared to 2022, despite the drawbacks at La Colorada. For capital return, management announced a cash dividend of $0.10 and plans to buy back 5% of its outstanding shares between the 6th of March 2024 and 5th of March 2025.

EARNINGS

from Alex Van Iderstine, CFA®, Investment Analyst Associate

Consumer Check

Last week, Walmart and Home Depot provided valuable insight on where consumers are choosing to spend their hard-earned dollars. Walmart reported that US same-store-sales (SSS) were up 4.0% year over year in Q4, while Home Depot saw SSS fall by 4.0% in the same timeframe. So, what does that tell us? Consumers are choosing to feed themselves and make smaller purchases, while at the same time putting off larger, big-ticket items. That may sound like consumers are tightening up their budgets, but the data doesn't justify it. For starters, the unemployment rate has remained relatively stable near historical lows, real wages are growing faster than inflation, and monthly disposable income for consumers has consistently risen over the past year (see chart below).



Source: Bloomberg 12/31/2022-12/31/2023

Can the resilience of consumers continue? Walmart believes so. The retail giant expects more of the same, guiding for full year sales to increase 3.0%-4.0% in 2024. With potential rate cuts looming in the future, jobs plentiful, and real wages rising, Home Depot's CEO Ted Decker on the recent earnings call said it best, "the consumer is healthy, and the consumer is engaged." We tend to agree.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

The primary market came to life with four deals coming to market for total proceeds of $4.8 billion. LYFT, Sun Run, Parsons, and Super Micro all brought 144a issues. While we were not involved, this is a good development for the convertible space. Parsons is an interesting one. They brought an overnight deal for $700 million, and some of the proceeds will be used to repurchase the existing 0.25% convertible that we own. It will be interesting to see how much actually gets repurchased. Also, Southern Company, PPL Corp., and On Semiconductor all began the process of registering the existing convertibles that were originally issued as 144a last year. As those become registered, they will be candidates for inclusion in the portfolio.

Notable earnings/news reports:

Parsons Corp. (PSN) reported earnings and revenue that exceeded estimates. Management also raised expectations for 2024. The Q4 results included record revenue, net income, and cash flow. Two contracts in excess of $100 million were also awarded, bringing the 2023 total to 15 such projects. Parsons is focused on defense, intelligence, and critical infrastructure projects around the world. Total project backlog stood at $8.6 billion at year's end.

Akamai Technology (AKAM) announced Q4 results which were largely in line. Earnings were above expectations, but revenue fell just slightly below. Security and content delivery revenues fell just shy of guidance, while compute revenue surprised to the upside. Compute and security now account for 60% of total revenue, and management announced plans to expand their cloud computing platform to the "edge" to compete with Amazon, Google, and Microsoft for cloud workloads. The commentary on the outlook for the content delivery network was disappointing, and the stock came under some pressure as a result.

Palo Alto Networks (PANW) reported Q2 results that on the surface were mixed. Earnings were above estimates while revenue was in line. However, guidance was lowered for Q3 and FY24 due to a slowdown in billings growth. PANW is shifting towards "platformization" by consolidating security products onto one of their three platforms, which caused some concerns over execution risk and a slower path to achieving their goals. The stock suffered some weakness after the report, but it still has tremendous support in the research community, and we are still positive on the story.

Expectations were low for **Blackstone Mortgage Trust (BXMT)** going into their Q4 earnings due to concerns about commercial real estate loans. Earnings and net income were above consensus while revenues fell just shy. The stock had a "relief" rally, as credit metrics on the loan portfolio held steady. While reserves were raised and some credits trended down, several lower-rated loans were resolved during the quarter. BXMT benefits from their relationship with Blackstone, the largest owner of real estate globally. Management expressed confidence in navigating the current commercial market and macro weakness. Eventual Fed rate cuts will benefit the company.

Booking (BKNG) results for Q4 were solid, with earnings, revenue, and gross bookings all above consensus. However, the booking growth slowed some due to tough comparisons and the outlook provided by the company was somewhat disappointing. Headwinds from the Middle East conflict were highlighted. Concerns over online travel agencies and travel normalization weighed on the group, but BKNG is the best operator in the group and guidance could prove to be conservative. Booking did initiate an $8.75 per quarter dividend, representing a 0.90% yield on the common.

Block (SQ) reported Q4 results that were largely in line. While earnings were below estimates, revenue was above. More importantly, the company guided Q1 and FY24 numbers substantially higher. CashApp momentum, operating leverage with cost controls were drivers of the improved outlook. The Block ecosystem utilized by sellers is gaining share and expanding globally.

NICE Systems (NICE) also posted stellar results. The company beat on both the top and bottom line and raised guidance above the existing midpoint of estimates. NICE has strong visibility going forward, with strength driven by cloud-based adoption. Artificial intelligence (AI) is having a huge impact on this fundamental story, and NICE has industry-leading AI capabilities in their digital and call center offerings.

Transactions for this period:

With the pending March 1st maturity of **Ares Capital (ARCC)** convertible bond, we exited our position in this business development company.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

Tengler Joins Kudlow To Talk AI (February 24)

Tengler Insights On Magnificent 7 (February 23)

Tengler: The 12 Best Ideas Portfolio (February 9)

Tengler: Don't Fight AI (February 8)

Tengler: The Market Isn't Listening To The Fed (February 6)

Tengler On Spirit AeroSystems: I Think There's A Big Problem Here (February 5)

Tengler: Microsoft Is A-Must Hold Name (February 1)

Tengler: Not All Tech Companies Are Created Equal (January 22)

Tengler: You've Got To Own The Tech Names (January 19)

Tengler: Soft Landing Is Possible (January 15)

Tengler: Look For Great Companies Pivoting To The Digital Revolution (January 5)

Tengler: This Market Is Analogous To The 1990s (December 30)

Tengler: We Have The Opportunity To Move Up (December 27)

Tengler: The Importance Of Discipline (December 27)

Tengler's Hot-Takes On This Week's Media And Tech Events (December 22)

Tengler: The Market Has Stopped Listening (December 18)

Tengler: Lots Of Reasons To Buy Tech (December 8)

Tengler On Bloomberg Radio: Stocks Can Continue To Do Well From Earnings (December 8)

Tengler: Investors Should Own Reliable Growing Stocks In A Slowing Economy (December 7)

Tengler On Yahoo Finance: Broadcom Is Ahead Of The Game (December 7)

Tengler On Disney's Board Election (December 5)

Tengler Joins Forbes On Fox Business (November 16)

Tengler: You Need Tech In Your Portfolio (November 14)

Tengler: This Market Is Analogous To The 1990s (November 11)

Tengler: A Lot Of The Fed Chairman's Policies Have Been Wrong (November 9)

Tengler: We Rally Into The End Of The Year November 8)

ARTHUR LAFFER, JR. RECENT MEDIA APPEARANCES

Arthur Laffer Jr. On CNBC.Com: A Decade Of Debt (February 7)

Unpacking The Latest Fed, Stock Market Moves With Arthur Laffer Jr. (July 5, 2023)

Arthur Laffer Jr. For Barron's: Fed Minutes Come Tomorrow. Here's What To Watch (May 23, 2023)

Arthur Laffer Jr. Comments on Fox Business; ETF's To Play Around The Debt Default Risk (May 18, 2023)

Home Depot, Inc. (HD)
Facebook, Inc. (FB)
Walmart Inc. (WMT)
Apple Computer, Inc. (AAPL)
Microsoft Corp. (MSFT)
Starbucks Corporation (SBUX)
Broadcom Inc. (AVGO)
FedEx (FDX)
Intl. 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)
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)
PNC Fin. Serv. Group, Inc. (PNC)
BlackRock, Inc. (BLK)
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)
NVR, Inc. (NVR)
Twitter, Inc. (TWTR)
Freeport-McMoRan, Inc. (FCX)
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
Unilever (UL)
AES Corp. (AES) – convertible
Americold Realty Trust (COLD)
Xylem Inc. (XYL)
Quest Diagnostics Inc. (DGX)
Viacom CBS (convertible)
Winnebago Industries Inc. (WGO)
Twitter Inc. (TWTR) - convertible
Enbridge (ENB)
Vertex Pharmaceuticals (VRTX)
Lumentum Holdings, Inc. (LITE)
Stryker (SYK)
Phillips 66 (PSX)
Hormel Foods Corp. (HRL)
Public Storage (PSA)
DexCom Inc. (DXCM)
UnitedHealth Group Inc. (UNH)
LyondellBasell Industries NV (LYB)
Kimberly-Clark Corporation (KMB)
Caterpillar Inc. (CAT)
Molson Coors Beverage Co. (TAP)
Oracle Corporation (ORCL)
Kimco Realty Corporation (KIM)
Weyerhaeuser Company (WY)
Zscaler, Inc. (ZS)
Fortinet Inc. (FTNT)
Palantir (PLTR)
Bank of New York Mellon (BK)
PulteGroup, Inc. (PHM)
Amphenol Corporation Class A (APH)
Discovery, Inc. Class C (DISCK)
Fox Corporation (FOXA)
Arista Networks Inc. (ANET)
BJ's Wholesale Club (BJ)
AutoNation, Inc. (AN)
Dollar Tree, Inc. (DLTR)
Charter Communications, Inc. (CHTR)
TJX Companies, Inc. (TJX)
Discover Financial Services (DFS)
O'Reilly Automotive, Inc. (ORLY)
Exelixis, Inc. (EXEL)
Chubb Limited (CB)
Gilead Sciences, Inc. (GILD)
Hershey Company (HSY)
Interpublic Group of Companies (IPG)
Zebra Technologies Corp. (ZRBA)
Lincoln National Corporation (LNC)
FMC Corporation (FMC)
National Instruments Corp (NATI)
Newell Brands Inc. (NWL)
JM Smucker Company (SJM)
Darden Restaurants Inc. (DRI)
Adobe Inc. (ADBE)
Polaris, Inc. (PII)
Compass Minerals International (CMP)
Electronic Arts Inc. (EA)
iRobot Corporation (IRBT)
Constellation Brands, Inc. (STZ)
Best Buy Co., Inc. (BBY)
CME Group Inc. Class A (CME)
Nasdaq, Inc. (NDAQ)
Bunge Limited (BG)
DTE Energy Company (DTE)

(Continued)

COMPLETED ANALYSIS ITEM(s) FOR PORTFOLIO COMPANIES

Southern Company (SO)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
Anglo Americal Plc ADR (NGLOY)
Vale S.A. Sponsored ADR (VALE)
First Quantum Minerals Ltd. (FQVLF)
Southern Copper Corporation (SCCO)
Reliance Steel & Aluminum Co. (RS)
Cleveland-Cliffs Inc. (CLF)
Wheaton Precious Metals Corp. (WPM)
Pan American Silver Corp. (PAAS)
Turquoise Hill Resources Ltd. (TRQ)
Parsons Corp. (PSN) – convertible
Zillow Group, Inc. (Z)
VICI Properties (VICI)
MasTec, Inc. (MTZ)
Blackstone Mortgage Trust (BXMT) convertibles
Teck Resources Limited Class B (TECK)
Quanta Services, Inc. (PWR)
Martin Marietta Materials, Inc. (MLM)
BioMarin Pharmaceutical (BMRN) – convert.
KKR Real Estate Finance Trust Inc. (KREF)
Devon Energy Corporation (DVN)
Camden Property Trust (CPT)
Aflac Incorporated (AFL)
Aptiv PLC (APTV) – convertible
Life Storage (LSI)
Prologis, Inc. (PLD)
Tractor Supply Co. (TSCO)
Newmont Corp. (NEM)
Dollar General (DG)
Tyler Technologies (TYL)
Prospect Capital (PSEC)
Algonquin Power and Utilities (AQN)
Bentley Systems (BSY)
Jazz Pharmaceuticals (JAZZ)
Energy Transfer, LP (ET)
Blackstone, Inc. (BX)
Spotify Technology (SPOT)
MetLife, Inc. (MET)
Expedia Group, Inc (EXPE)
Tesla, Inc. (TSLA)
NRG Energy, Inc. (NRG)
MPLX LP (MPLX)
Merck & Co., Inc. (MRK)
Halozyme Therapeutics, Inc. (HALO)
NXP Semiconductors NV (NXPI)
First Solar, Inc (FSLR)
NICE Ltd. Sponsored ADR (NICE)
Microchip Technology Incorporated (MCHP)
Enphase Energy, Inc. (ENPH)
Starwood Property Trust, Inc. (STWD)
Uber Technologies, Inc. (UBER)

Discipline is key to sustainable long-term total returns:

- **At Laffer Tengler Investments we use two, time-tested 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).**

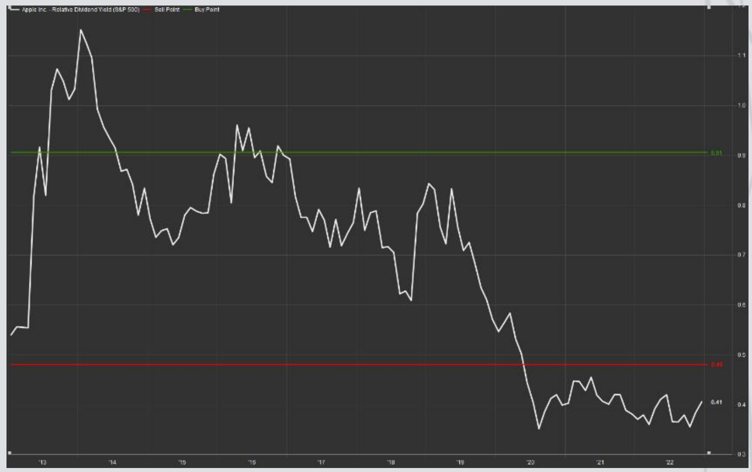
- **Why not use earnings like almost everyone else? Because earnings are often an unreliable indicator of value. In May of 2016, I published the following:**

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 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).

(Continued)



- 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)

(Continued)

Chart Source: FactSet

THE LAFFER TENGLER INVESTMENTS DISCIPLINE

- **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 has the potential to generate 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.

Chart Source: FactSet

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