RESEARCH BULLETIN

Nancy Tengler
Chief Investment Officer

LAFFER | TENGLER INVESTMENTS

January 18, 2024

Markets at a Glance (Index Prices as of 1/12/2024)

	Current Price	One Month Change	Year to Date Change
S&P 500	$4,783.8400	3.02%	0.29%
Dow Jones Industrial	$37,592.9800	2.78%	-0.26%
MSCI World Index	$3,168.3100	3.29%	-0.12%
Bloomberg US Aggregate Index	$360.4700	2.07%	-2.23%
Bloomberg US Convert Bal TR	$2,155.6500	2.30%	-0.29%
S&P Global Clean Energy	$933.1600	5.81%	-6.65%

Source: FactSet and Bloomberg

Markets at a Glance (as of 1/12/2024)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	102.4340	-1.31%	1.04%
Crude Oil WTI	$72.7500	5.80%	1.99%
Crude Oil Brent	$78.3800	6.90%	1.69%
Natural Gas	$3.3560	47.26%	34.40%
Gold	$2,051.8000	3.63%	-0.97%
CBOE Silver	$23.3250	2.48%	-2.91%
Copper	$374.0500	-1.42%	-3.88%
Platinum	$910.1000	-2.66%	-8.48%
Palladium	$978.5000	0.51%	-11.53%
Corn	$448.7500	-3.08%	-4.67%
Wheat	$597.0000	-4.13%	-5.05%

Source: Bloomberg 1/12/2024

S&P 500

Previous Close	4,783.83
52 Week High	4,783.83
52 Week Low	3,855.76
Change (%)	-
1 Day	0.08
1 Week	1.84
1 Month	3.02
3 Months	9.98
6 Months	6.97
YTD	0.29
1 Year	20.10
3 Year	25.85
5 Year	84.26
10 Year	159.66

Currency: U.S. Dollar | Performance data as of: 12 Jan '24

Source: FactSet

Dow Jones Industrial

Previous Close	37,592.98
52 Week High	37,715.04
52 Week Low	31,819.14
Change (%)	-
1 Day	-0.31
1 Week	0.34
1 Month	2.78
3 Months	11.78
6 Months	9.45
YTD	-0.26
1 Year	9.95
3 Year	21.00
5 Year	56.66
10 Year	128.71

Currency: U.S. Dollar | Performance data as of: 12 Jan '24

Source: FactSet

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.

Russell 1000 Value

Previous Close	999.10
52 Week High	1,009.83
52 Week Low	874.15
Change (%)	-
1 Day	0.00
1 Week	-0.32
1 Month	2.96
3 Months	9.33
6 Months	3.00
YTD	-0.70
1 Year	3.82
3 Year	15.86
5 Year	42.71
10 Year	74.60

Currency: U.S. Dollar | Performance data as of: 12 Jan '24

Source: FactSet

Russell 1000 Growth

Previous Close	2,034.38
52 Week High	2,034.38
52 Week Low	1,458.14
Change (%)	-
1 Day	0.09
1 Week	3.64
1 Month	3.18
3 Months	11.12
6 Months	10.56
YTD	0.82
1 Year	37.40
3 Year	26.95
5 Year	125.14
10 Year	257.24

Currency: U.S. Dollar | Performance data as of: 12 Jan '24

Source: FactSet

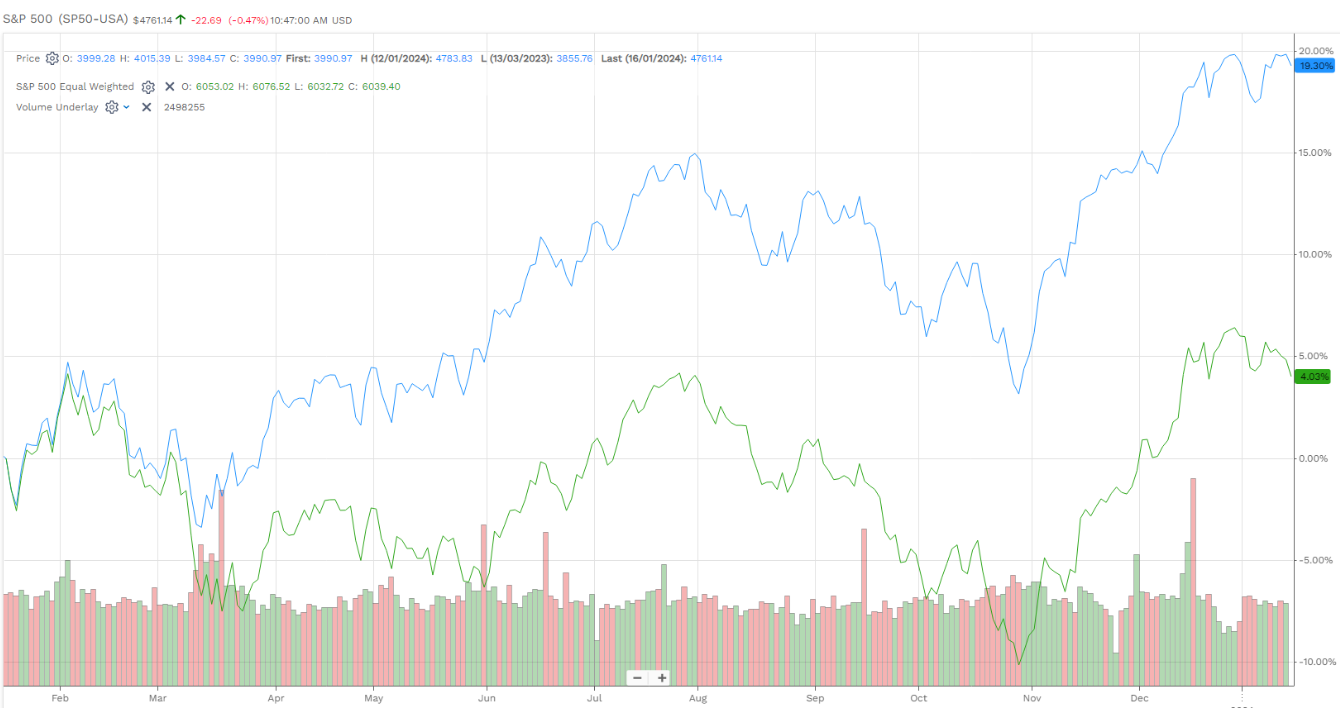
NASDAQ 100 Index

Previous Close	16,832.92
52 Week High	16,906.80
52 Week Low	11,295.67
Change (%)	-
1 Day	0.07
1 Week	3.23
1 Month	2.93
3 Months	10.86
6 Months	9.97
YTD	0.04
1 Year	46.89
3 Year	30.57
5 Year	154.99
10 Year	372.16

Currency: U.S. Dollar | Performance data as of: 12 Jan '24

Source: FactSet

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



Source: FactSet

EXCITING NEWS!

Laffer Tengler investments has 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

Why Dividends and Dividend Growth Should Matter to Investors: It is no secret that the team at LTI loves dividends, and more specifically **growing dividends.** Why? Well for one reason dividends contributed significantly to total return. Particularly in difficult markets. But, the primary reason is because dividend policy reflects management and the board of directors' view about future earnings growth for the company. Remember: companies are loathe to cut the dividend, so they are careful to raise dividends in a manner that reflects potential growth of the business. I co-authored a book entitled Relative Dividend Yield *Common Stock Investing for Income and Appreciation* with my mentor, Tony Spare in the early 1990s. (Decades later when I was teaching college one of my students brought the book in for me to sign. I expressed concern that he had paid the very high price for the book set by Wiley as part of their Finance series. No, he reassured me, he bought it on eBay for 50 cents!) But, the point is this: you don't need to read a book to understand dividends contribute materially to total return and give you great insight into management's confidence in the business.

Dividend Contribution to Total Return

Decade	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg Payout Ratio
1930s	-41.9%	56.0%	14.1%	100.0	90.1
1940s	34.5%	100.1%	134.6%	74.4	59.4
1950s	257.3%	180.3%	437.7%	41.2	54.6
1960s	53.7%	54.2%	107.9%	50.2	56.0
1970s	17.2%	59.1%	76.4%	77.4	45.5
1980s	227.4%	143.1%	370.5%	38.6	48.6
1990s	315.7%	115.7%	431.5%	26.8	47.6
2000s	-24.1%	15.0%	-9.1%	100.0	35.3
2010s	189.7%	66.9%	256.7%	26.1	35.2
2020s	47.6%	10.0%	57.6%	17.3	36.0
Average	**114.4%**	**87.8%**	**202.2%**	**59.4**	**52.5**

Source: Strategas, January 11, 2023

The consumer: We have been hearing rumors about the death of the consumer since 2022. They are, as Mark Twain would say, "greatly exaggerated." At LTI we have maintained that when people are working they spend. And we have further added that when their net worth is high (the "wealth effect") consumers spend. American balance sheets are healthy with the collective net worth at $155 trillion (well above pre-pandemic levels) and Baby Boomers hold nearly half of that. Spend on! December retail sales surprised the market into a sell-off. They were strong, to say the least, and the market narrative shifted back to good news is bad news for stocks because strong economic numbers will force the Fed to hold higher for longer. We disagree. Our 1990s analog is the reason why. Strong economic growth, higher inflation and a 10-year yield that averaged between 5.0% to 7.0% for the entire decade coexisted with very strong returns for stocks. (I have written extensively on this subject, please reach out to LTI if you would like to see past commentaries.) A healthy consumer and expanding real (after inflation) wages IS good news and as companies continue to spend on technology in a tight labor market, productivity will improve (it already has) and do the heavy lifting for the Fed.

The chart below from our friends at Bespoke shows how anomalous the retail sales were in 2023. The December numbers showed an increase of 0.6% month over month, exceeding estimates by one-third. Importantly it was the sixth straight month that the headline print exceeded expectations. That is a record going back at least as far as 2001. Never underestimate the American consumer!

Source: Bespoke Investment Group, January 17, 2024

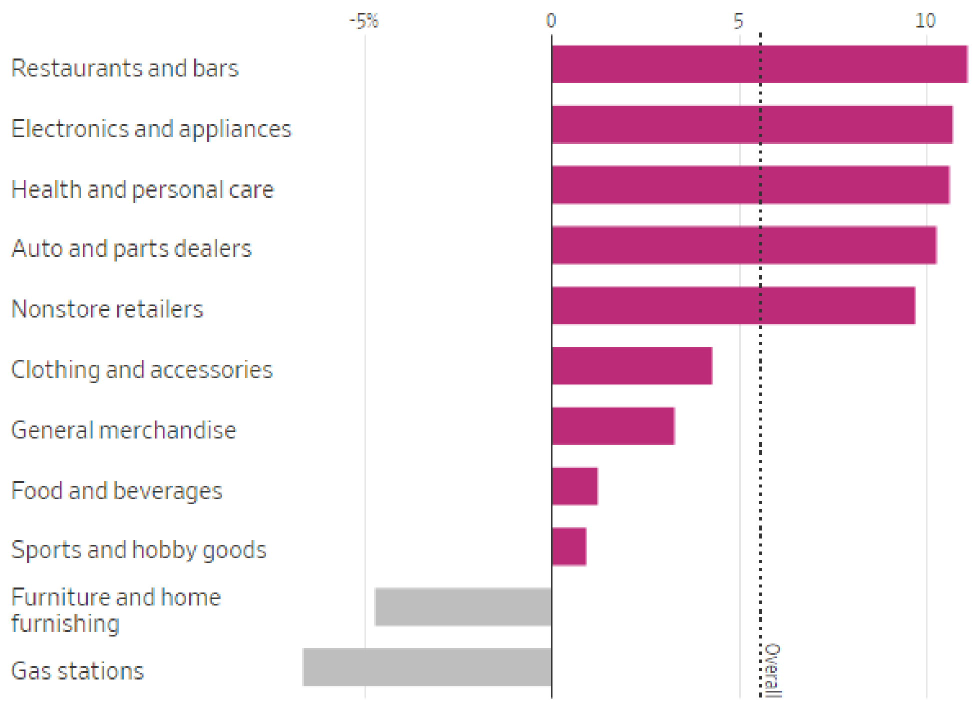
EARNINGS

from Jamie Meyers, CFA®, Securities Analyst

Return to Sender

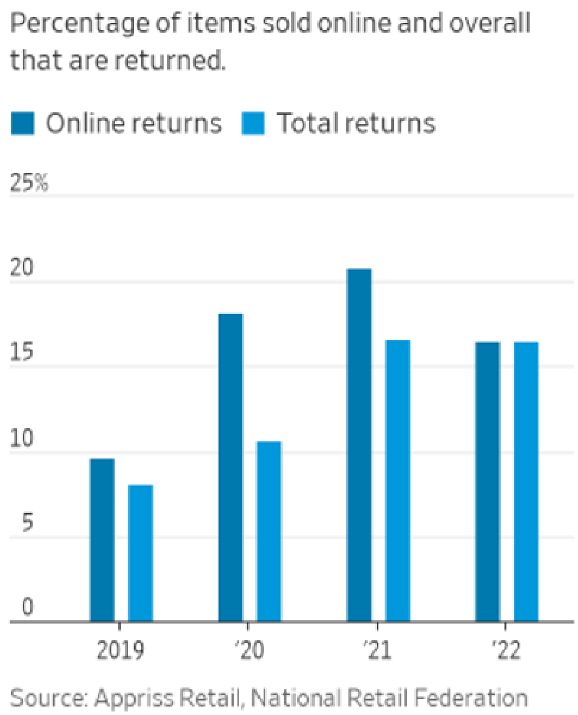
As the new year unfolds and we enter a new earnings season, we remain cognizant of an ongoing issue in the retail industry – customer returns – one of the biggest profit drains for online and brink-and-mortar stores alike. Return rates surged during the COVID-19 pandemic, as more consumers shifted to online shopping, and often bought multiple sizes and colors of the same item to ensure fit, returning what didn't work. Retail sales numbers came out this past week, and total sales were up over 5% year-over-year, with a nearly 4% increase in holiday spending from November through December.

December retail spending for select categories, change from a year earlier



Note: Seasonally adjusted
Source: Census Bureau

Americans purchased nearly $1 trillion worth of goods this holiday season, yet shoppers the previous year returned 16.5% of items purchased both online and in-stores. That was double the percentage of goods returned in 2019, according to the National Retail Federation. And the problem has grown more pressing as inflation crimps both consumers' wallets and retailers' bottom lines. According to returns-service provider Optoro, U.S. consumers will return $173 billion of goods between Thanksgiving and the end of January.



Tom Enright, a retail analyst at Gartner put it this way: "We're heading for a trillion-dollar problem here." Enright continued to explain that companies lose about 50% of their margin on returns when accounting for cost of initially selling the item plus processing the return. Retailers have generally absorbed those costs, trusting liberal return policies help attract customers and increase sales. But now the number of returns has gotten "to a point where everyone's starting to take notice," Enright said.

Do we need free returns? Probably. According to a November poll of 3,000 U.S. and U.K. consumers by Quantum Metric, a digital analytics company, some 69% of shoppers said they would stop shopping at retailers who charge for returns, and 49% said they would pay more up front for free returns. Moreover, about a third of companies surveyed by logistic company Happy Returns said they lost customers since they began charging fees to return items purchased online; and Blue Yonder, a supply-chain software provider, found 59% of consumers reported tighter return policies such as return fees have deterred them from making a purchase. Gartner's Enright agreed: "By bringing in a returns fee, you're at very best going to lose customers. You're certainly not going to gain anyone because you won't attract people to buy from you by making it more expensive for them to do so."

So, what are retailers doing? Generally, retailers are shortening return windows and offering incentives to shoppers who return items to stores. According to a September survey of 500 U.S. retailers by goTRG, a returns software and management company, 29% of retailers have shortened their return windows, and 17% have begun offing store credit instead of refunds. Happy Returns' own experience concurred – its survey found 81% of retailers have implemented

some form of return fee within the past year, including for mailing items and for home pickup (but fees are often relatively low and don't cover the full cost of processing the returns).
Take Dress the Population, for example, which sells dresses itself and through retailers such as Nordstrom and Saks Fifth Avenue – returns average 55%, according to CEO Adam Schoenbaum. And it costs the company about $25 to cover return, shipping, and processing costs for each item sent back. So, the company offers discounts of 10 – 70% if the customer agrees to keep the items, with roughly 14% of customers opting for the discounts. This has decreased overall return rates by 7% and reduced the cost of returns by half.

Retailers are also enlisting AI to help make sure their online products reach the right customers. They are using AI to: (1) sharpen product descriptions and recommendations, (2) steer certain ads away from shoppers most likely to return those products, and (3) aim advertising toward shoppers they believe will hold onto their purchases. "What we can't do is stop Amazon [from] letting somebody purchase. But what we can do is boost the targeting for the audiences that we think are less likely to return," observed James Poll, Chief Technology Officer at Acorn-i, an e-commerce agency.

So, is AI having an impact? Not really, said Brad Herndon, partner at consulting firm PwC: "For a while now, retailers have been trying to trim return rates with AI by, for example, using machine-learning to place shoppers into smaller and smaller groups based on shared characteristics… Despite limit successes, however, the AI isn't mature enough to address these sorts of problems on a large scale." At this point in time, there is no simple way to tackle the return conundrum other than either swallowing the costs or charging loyal customers more money. But it won't be easy – according to Brian Kalms, partner at consulting firm AlixPartners, "People have become more addicted to the drug of returns, and you don't want to take that away."

EARNINGS

from John McGinn, Securities Analyst

Cautiously Bullish: Potential Risks to the Market in 2024

As we navigate today's economy, it's crucial to remain aware of market risks, maintaining a bullish outlook. A primary concern is the slowdown in consumer discretionary spending. While high-income consumers are largely unaffected by spending headwinds, the focus is shifting to the spending habits of middle-income and lower-income groups. Key factors impacting consumer resilience include:

- Analysts generally believe that concerns over restarting student loan payments are overstated. However, reports indicate that only about 60% of borrowers paid their federal student loans by mid-November. KeyBanc points out that resuming these payments could lower retail sales by over 0.8% or $40 billion for the year, mainly affecting non-essential spending.

- Despite high interest rates typically encouraging savings, current consumer behavior shows an increase in spending, challenging this norm. Jefferies observes that this pattern has been inverted in the last two cycles. If consumer confidence in future wage growth and job stability remains, this trend of resilient spending should continue.

Sticky inflation and supply-side inflation are proving to be stubborn challenges, primarily due to persistent labor shortages and a decreasing number of workers in their prime working years. Despite these factors, there's optimism that overall inflation will approach the Federal Reserve's target of 2% by year-end, thanks to improved productivity and reduced demand for non-essential services like travel. While there has been significant progress in lowering inflation, the ongoing challenge lies in controlling wage-driven inflation, especially in sectors marked by low skills and productivity, as well as in essential services.

Another risk we are monitoring is banking headwinds and regulatory constraints that could have an impact on overall economic growth. If the Federal Reserve maintains higher interest rates for an extended period and does not initiate cuts in the first quarter of the year like the market is pricing in, it could negatively impact loan growth for regional banks and the commercial/consumer segments of large diversified financial institutions. This effect is primarily due to the diminished ability of these banks to generate net interest margins from their deposits, potentially dampening spending, and overall economic growth. Additionally, there is an ongoing concern about how higher capital requirements might adversely affect larger banks, with more information on this expected to emerge.

Other themes to consider in the current economic landscape include the increasing US debt and potential issues with the debt ceiling. Important deadlines are looming: January 19th for military and veterans' programs, and departments of transportation, housing and urban development, agriculture, energy, and water; followed by February 2nd for departments like state, justice, defense, commerce, labor, and health and human Services. These deadlines were established as part of a continuing resolution by Congress to extend government funding into early 2024, though they may change due to legislative actions. Additionally, supply shocks and rising oil prices due to geopolitical tensions, particularly war in the Middle East, can be highly impactful. While we remain bullish on the investment team, we are continually assessing scenarios that may increase volatility across our strategies.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

2023 closed on a rather quiet note but it was a relatively good year for the convertible asset class. Despite a tremendous spike in interest rates and volatile equity markets, convertibles posted solid returns. We are optimistic on the potential for convertibles as we look to 2024. With the end of the Fed's rate hiking campaign, benign inflation, and an economy that continues to impress, the backdrop is positive for the equity markets. New issuance should continue to provide pockets of opportunities, and there were many issues that came to market in 2023 as 144a that will become registered, giving us more avenues to invest.

Notable earnings/news reports:

None for this period.

Transactions for this period:

New Mountain Finance (NMFC) issued $260 million of a 7.5% convertible bond last October as a 144a security. It recently became registered, and we initiated a 3% position in this investment grade rated security. NMFC is a high-quality business development company. The bond trades a little above par and had a 7.25% current yield at purchase. Bond floor is at par due to the solid credit, short maturity (October of 2025), and large coupon, so downside is very limited. The conversion premium is about 12% so there is potential upside as well.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

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)

Tengler: A Fed And Fiscal Policy At Odds (November 1)

HerMoney's How She Does It: Invest Like A Woman With Nancy Tengler (October 30)

Tengler On The Larry Kudlow Show: "I Think We're Definitely In For A Slow Down." (October 28)

Tengler: "The Next AI Winners May Be Old Economy Companies Embracing The Revolution" (October 26)

Tengler: Know The Companies That You Own (October 25)

Tengler Talks Microsoft And Alphabet Earnings (October 25)

ARTHUR LAFFER, JR. RECENT MEDIA APPEARANCES

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)

Arthur Laffer Jr. Shares Expectations Ahead Of Fed Chair Speech (Fox Business, August 22, 2022)

President Arthur Laffer Jr. Joins "Mornings With Maria" To Discuss Energy Prices (Fox Business, June 6, 2022)

Arthur Laffer Jr. On Mornings With Maria: "I Don't See Recession Yet." (Fox Business, March 18, 2022)

A Read on Inflation (Fox Business, February 7, 2022)

COMPLETED ANALYSIS ITEM(s) FOR PORTFOLIO COMPANIES

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)

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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)

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THE LAFFER TENGLER INVESTMENTS DISCIPLINE

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).

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- 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

- **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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