

November 21, 2023

Markets at a Glance (Index Prices as of 11/17/2023)

	Current Price	One Month Change	Year to Date Change
S&P 500	\$4,514.0600	3.22%	17.57%
Dow Jones Industrial	\$34,947.2800	2.79%	5.43%
MSCI World Index	\$2,985.1900	3.34%	14.69%
Bloomberg US Aggregate Index	\$342.2946	0.10%	4.71%
Bloomberg US Convert Bal TR	\$2,059.8600	3.21%	0.54%
S&P Global Clean Energy	\$888.5400	-2.35%	-30.17%

Source: FactSet and Bloomberg

Markets at a Glance (as of 11/17/2023)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	103.8630	0.36%	1.52%
Crude Oil WTI	\$75.7600	-5.90%	0.76%
Crude Oil Brent	\$80.5100	-6.37%	-0.86%
Natural Gas	\$2.9730	-32.89%	-22.10%
Gold	\$1,983.1000	8.36%	9.48%
CBOE Silver	\$23.7900	-1.61%	-3.06%
Copper	\$373.7000	-2.17%	-3.58%
Platinum	\$904.0000	-16.10%	-12.45%
Palladium	\$1,062.5000	-40.61%	-37.18%
Corn	\$468.0000	-31.02%	-29.55%
Wheat	\$552.5000	-30.15%	-27.65%

Source: Bloomberg 11/17/2023

RESEARCH BULLETIN

S&P 500



Previous Close	4,547.38
52 Week High	4,588.96
52 Week Low	3,783.22
Change (%)	-
1 Day	0.74
1 Week	3.08
1 Month	7.65
3 Months	4.07
6 Months	8.48
YTD	18.44
1 Year	14.68
3 Year	27.82
5 Year	72.13
10 Year	155.27

Currency: U.S. Dollar | Performance data as of: 20 Nov '23

Source: FactSet

Dow Jones Industrial



Previous Close	35,151.04
52 Week High	35,630.68
52 Week Low	31,819.14
Change (%)	-
1 Day	0.58
1 Week	2.37
1 Month	6.11
3 Months	1.89
6 Months	5.16
YTD	6.05
1 Year	4.16
3 Year	20.12
5 Year	43.68
10 Year	121.06

Currency: U.S. Dollar | Performance data as of: 20 Nov '23

Source: FactSet

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Russell 1000 Value



Currency: U.S. Dollar | Performance data as of: 20 Nov '23

Source: FactSet

Russell 1000 Growth



Currency: U.S. Dollar | Performance data as of: 20 Nov '23

Source: FactSet

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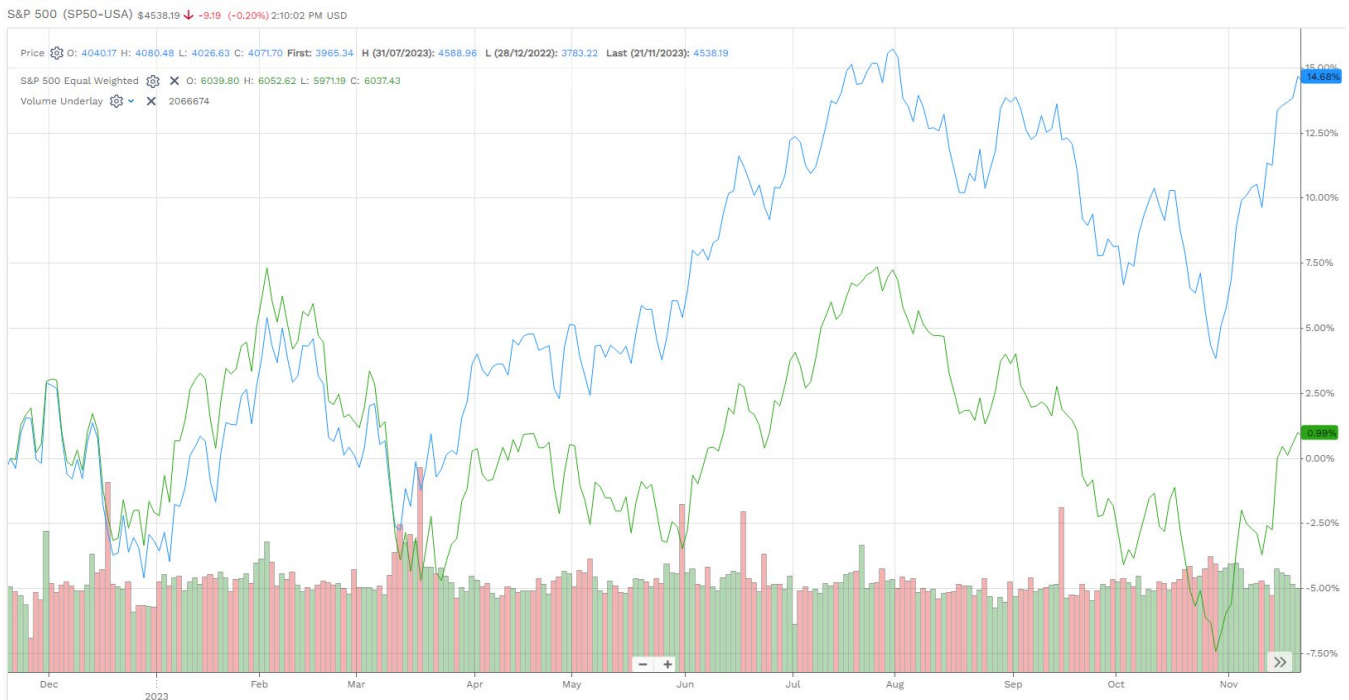
NASDAQ 100 Index



Currency: U.S. Dollar | Performance data as of: 20 Nov '23

Source: FactSet

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



Source: FactSet

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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 we STILL like select technology stocks and will for the foreseeable future.

Let's start with the broader market, which as we know, is dominated by the Magnificent 7. There were many reasons at the beginning of the year for stocks to sell off. The Fed was still hawkish—shrinking the balance sheet and raising rates—and the message was muddled adding to investor uncertainty. S&P 500 companies were perceived as being in an earnings recession. War in Ukraine, then the regional bank crisis (the feared systemic break due to aggressive Fed policy). And sticky, persistent inflation was the cherry on the top of what should have been a bear market cake. We wrote a piece in early January stating we thought investors were too pessimistic.

What Could Go Right in 2023?

Sentiment will shift at some point; we want to be ahead of the pack.

Warren Buffett has said many clever things over the decades. But the following is one of my favorites: "In the business world, the rearview mirror is always clearer than the windshield." In other words, the past is crystal clear. The future? Not so much. That is why at turning points so many investors stay too long at bull market parties and bail out when bear market routs become too much to bear (pun not intended).

I know I will offend every technical, engineering-focused mind who reads this, but in my experience, investing is about being mostly right. (Yes, I know, I know, you can't build a bridge by being mostly right!) An important investing skill lies in sensing when to pivot. While it is nearly impossible to bottom tick the stock market—getting it mostly right can be a victory that pays off in subsequent years. If an investor buys a stock at \$100 and it declines to \$80 shortly thereafter but hits \$300 a few years later, the best question to ask, perhaps, is why that investor didn't buy more. Not why did he buy the stock at all.

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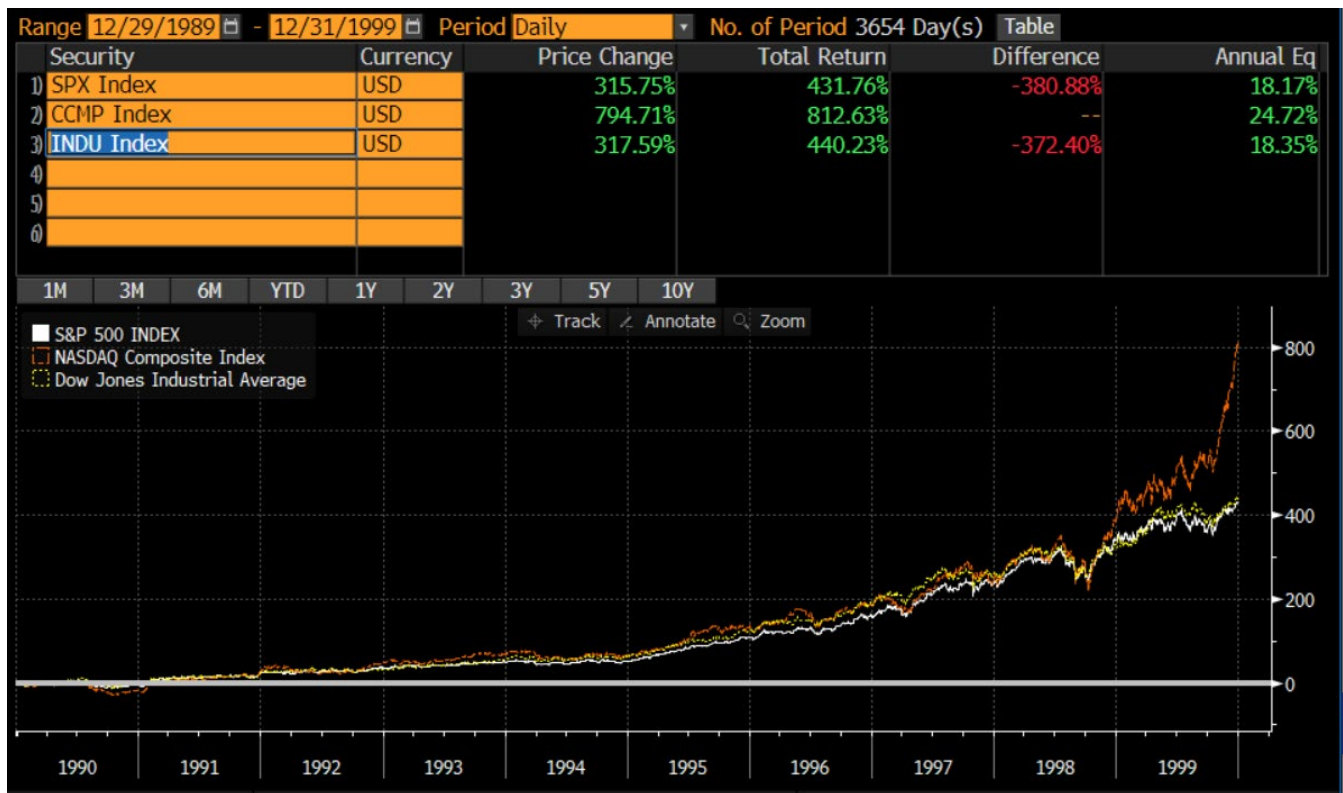
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COMMENTARY

The market had every reason to sell-off but because it is a forward discounting mechanism, 2022's bear market sell-off did the heavy lifting. Investors began to look past the Fed, past inflation with a focus on companies who could deliver reliable earnings. This is why we began adding to technology in fall of 2022.

We have also argued this market is analogous to the 1990s when inflation averaged above 3.0% (and it should be noted here that since 1982 CPI has averaged 2.8% not the Fed's target of 2.0%), 10-year yields averaged between 5.0%-8.0%, the yield curve inverted yet resulted in a soft landing. Finally, the decade started off with war in the Middle East and a recession. Yet, stocks had a helluva run supported by technology driven productivity growth in a tight labor market. Sound familiar?



Source: Bloomberg

Tech stocks performed well in the 90s (though we know what followed in 2000) thanks in part to a shortage of labor. Consider the U.S. Census Bureau is projecting an 8.3MM shortfall of workers by 2030. Fundstrat's Lee estimates companies will need to spend \$50,000 per worker per year to offset the labor shortfall or \$415 billion in "automation" capex per year. And that is just part of the story.

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COMMENTARY

But, the naysayers claim technology stocks are overvalued and that the market lacks breadth yet the average forward price to earnings ratio of between 20x to 37x for META, AMZN, AAPL, GOOGL MSFT, NVDA. At the end of the 1990s the Four Horsemen INTC, CSCO DELL and MSFT traded at forward multiples of 41x to 100x of peak earnings.

Finally, Jason Trennert of Strategas recently considered the Magnificent 7 as if they were their own sector in the SPX. These stocks are expected to lead earnings growth in 2024 by a wide margin compared to the 12 sectors in the SPX: 22.1% versus 7.9% for the remaining 493 stocks. The strongest sales growth as well—again by a wide margin: 12.5% for the Magnificent 7 versus 3.9% for the remaining 493 stocks. And net profit margins, too, outpace the rest of the market, expected to expand 21.7% vs. 11.4%.

EARNINGS

from Jamie Meyers, CFA®, Securities Analyst

A Draft of Deflation

In our last Research Bulletin, we wrote about the preponderance of price increase within the convenient food segment. But we *also* have been writing that inflation continues to cool, and we are starting to see hints of *deflation* actually starting to work their way through the system. Let's look at a few indicators:

Oil – after hitting a peak of just under \$94 a barrel in late September, West Texas Intermediate (WTI) tumbled 21% to \$73.99 as of the time of this writing (below). With two major wars waging and continued production cuts by the cartel formally known as OPEC, this trend continues to befuddle even the most seasoned investors (and we think there remains a risk that oil could lift off should things escalate).



Source: Bloomberg

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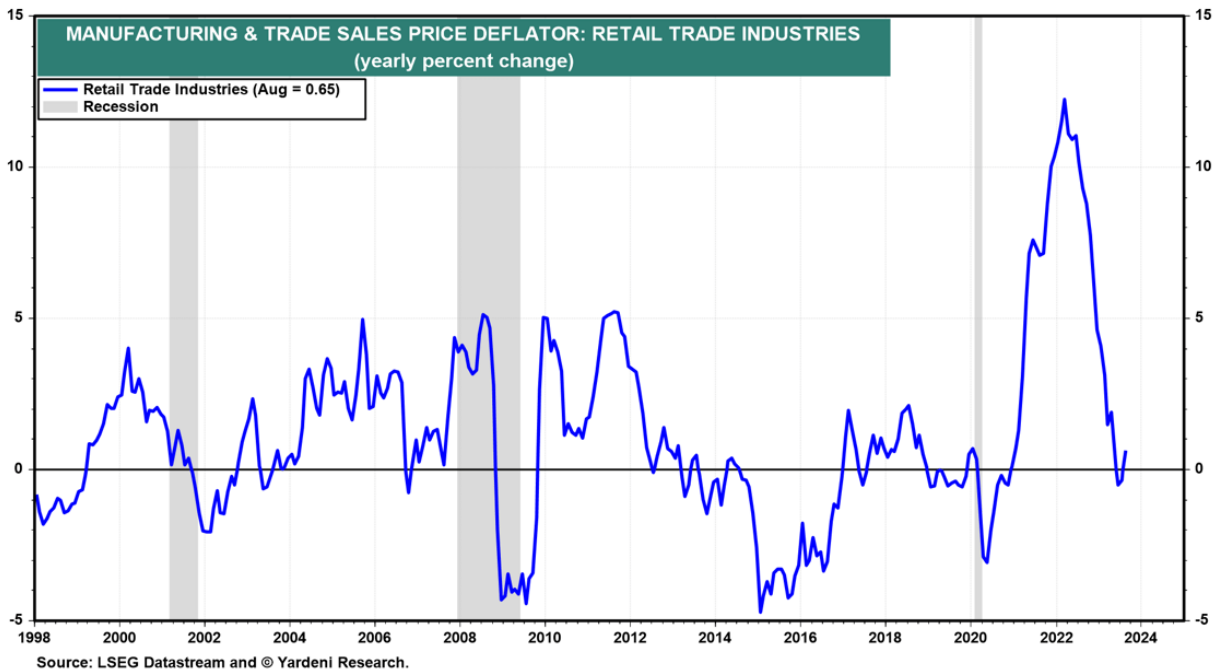
COMMENTARY

And of course, following the oil trend are prices at the pump, that have come down 14% from peaks in August and September (below). It may be hard to see, but the average price of gas at the time of this writing is \$3.35 per gallon.



Source: Bloomberg

Retail reflections – the retail trade price deflator measures the cost of manufacturing and trade within retail trade industries, and that indicator was up just 0.7% in August, down from the March 2022 peak (below). So, will consumers feel less pain as they gift-shop this holiday season? Maybe – we’re getting whiffs of deflation as earnings season comes to a close.



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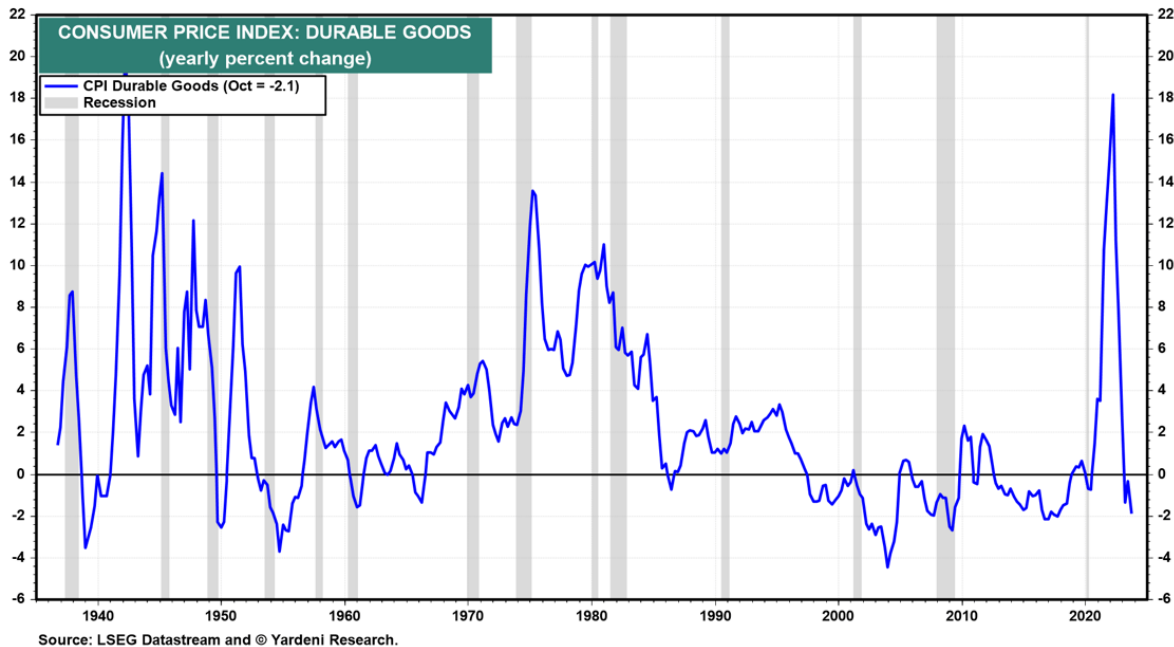
Walmart (WMT) reported earnings this past week, and the company saw U.S. comparable sales rise 4.9%, a slight slowdown from the previous quarter. The company also lifted its full-year sales and earnings outlook. And while overall prices are still elevated compared with past years, prices for nonfood items have come down quicker than anticipated (maybe inflation was transitory after all). In addition, food prices have fallen from earlier this year, and Walmart is closely watching to see if they continue their decline. On the earnings call, CEO Doug McMillon noted, “We may be managing through a period of deflation in the months to come, and while that would put more unit pressure on us, we welcome it, because it’s better for our customers.”

Target (TGT) also reported last week, and concurred on prices, observing that the average price of food, beverage, beauty, and other everyday items fell 3% quarter-over-quarter. And even though deflation inherently makes these retailers less profitable, it comes as a relief to many that quipped inflation had gone too far. “Inflation Has Not Been Rad,” noted Bracken Darrell, CEO of **Vans (VFC)** shoes parent VF, when the company reported in October. But just like McMillon at Walmart, Darrell sees opportunity, as companies can talk up price cuts and value promotion in their marketing. “I think we’re in an economy where value matters,” opined the CEO.

And the trend is broad – **Levi Strauss (LEVI)** is lowering the prices of several denim styles sold at department stores and discount retailers; **JCPenney (JCP)** is rolling back prices to 2019 levels on many items this holiday season; Airfare is coming down; and even the cost of a Thanksgiving dinner for 10 has come down 4.5% from last year’s record of \$64.05, according to the American Farm Bureau Federation. And for fun, here’s the cost of a Thanksgiving dinner for 10 people, by region:

- Northeast: \$64.38
- South: \$59.10
- Midwest: \$58.66
- West: \$63.89

Finally, we have been writing recently that the current state of global affairs is a lot like the 1990s. So, to tie the analogy together, we observe that the prices of consumer durable goods have been not-so-durable – prices are deflating on a year-over-year basis, just as they were from the mid-1990s onward (below). Also similar to today’s environment, during the 1990s, we had: (1) geopolitical shock followed by war, (2) a banking crisis, (3) inflation above 3%, (4) interest rates between 5% and 8%, and (5) technological advances leading to a productivity boom. See, [Tengler: This Market Is Analogous to The 1990s](#).



But what about the pandemic? Doesn't that change the picture? Maybe, but there are always crosscurrents to navigate. So, we'll leave you with one final observation: what happened after the last pandemic? The Roaring Twenties.

EARNINGS

from John McGinn, Securities Analyst

Two takeaways that I found interesting during my visit last week to NY for the RBC Global Technology, Internet, Media and Telecommunications (TIMT) Conference are in the cybersecurity and advertising industries. The cybersecurity sector is experiencing a recent increase in demand, largely driven by recent high-profile cyber-attacks on institutions like ICBC and MGM two months ago. These incidents have sharply highlighted the critical need for strong cybersecurity measures. Concurrently, management teams are increasingly hesitant to commit to long-term contracts, preferring more flexibility in their cybersecurity arrangements. This change in approach has led to a shift in how bookings revenue is recognized, with many companies now expecting to actualize revenue from their backlog in the first half of 2024. Also, new SEC requirements mandating annual disclosures of cybersecurity incidents and risk management strategies are further amplifying the demand. Interestingly, some management teams perceive these regulations as a tailwind, recognizing the growing importance and urgency of cybersecurity in the modern digital landscape.

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In the realm of advertising, the conversation has largely been centered around machine learning, but the emergence of generative AI is opening new avenues of innovation. This technology, exemplified by tools like Open AI's Chat GPT and Dall-E, which apply deep learning to natural language processing, is revolutionizing programmatic ad buying. Generative AI is not only optimizing ad creation and placement, but also enabling a level of personalization and effectiveness at a scale previously unattainable. This results in more efficient, responsive, and ROI-focused advertising strategies. The following applications of this technology in advertising include automated ad testing and creative innovation, enhanced ad targeting, improved returns, stronger user privacy protection, and hyper-personalization at scale. These advancements are paving the way for a transformative approach in programmatic advertising, aligning with the evolving needs and expectations of both advertisers and consumers.

- **Automated Ad Testing and Creative Innovation:** This application leverages AI to create and test various ad components like images, videos, and text. It allows for rapid iteration and innovation in ad content, ensuring that the most effective and engaging materials are used.
- **Enhanced Ad Targeting:** Generative AI enhances the precision of targeting ads to specific audience segments. By analyzing data on consumer behavior, preferences, and demographics, it can place ads where they are most likely to resonate and be effective.
- **Improved Returns:** The efficiency and precision brought about by generative AI led to better returns on investment (ROI) in advertising. Ads are not only more relevant and engaging but also more cost-effective due to optimized placement and content.
- **Stronger User Privacy Protection:** In an era where user privacy is paramount, generative AI can help in creating advertising strategies that respect and protect user data. It uses advanced algorithms to ensure that personalization does not compromise user privacy.
- **Hyper-Personalization at Scale:** Perhaps one of the most significant applications is the ability to personalize content at a massive scale. Generative AI can tailor ads to individual preferences and behaviors without the need for manual input, making ads more relevant and effective for each user.

We continue to assess investment opportunities based on catalysts embedded in some of the trending themes across various industries.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

Notable earnings/news reports:

Third quarter earnings season is winding down. For the most part, companies in our portfolio have reported solid results.

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Akamai Technologies (AKAM) reported Q3 results. Earnings, and revenue were above forecasts. The company also raised guidance for Q4 and FY23. While their content delivery network (think moving data around on the internet) is not growing as fast as in the past, the security and edge cloud computing business growth were above projections and now comprise 61% of company revenues.

Bentley Systems (BSY) also reported strong Q3 results, with EPS and revenue above street estimates. Annual recurring revenue advanced 12.5%. Public works and utilities continue to lead growth. Management noted the 50% growth rate year-over-year among state Department of Transportations and IIJA funding beyond transportation projects. There is an increase in global infrastructure spending, and Bentley is positioned to capitalize on this trend with their expertise in engineering and life-cycle management software and applications.

NICE Ltd. (NICE), an Israeli based company specializing in managing and analyzing multimedia content and transactional data, had been weak recently due to the Israeli-Hamas conflict. However, the company reported Q3 earnings and revenue that beat expectations and raised guidance on strong revenue growth. Artificial intelligence (AI) was included in 80% of new deals, and the company is ahead of peers in the integration of AI. Management also provided a positive outlook for 2024. The stock reacted positively on the news.

Palo Alto Networks (PANW) announced Q1 results. Earnings and revenue were above estimates. Management lowered 2024 forecasts on billings but maintained their outlook and revenue and earnings. Regarding billings, they were impacted by the “cost of money” which led to volatility in contract duration. Next-generation security continues to deliver strong results. The mixed results for the quarter caused some weakness in the stock, but our outlook remains positive. PANW is the leader in cyber security and utilizing AI in their product offerings.

Transactions for this period:
None

NANCY TENGLER'S RECENT MEDIA APPEARANCES

[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)
[Tengler On United, Morgan Stanley & P&G Stocks](#) (October 17)
[Tengler: We Need To Encourage, Educate And Embrace Women Investors](#) (October 12)
[Tengler for WSJ: Investors Hope Earnings Season Will Revive Stocks](#) (October 8)
[Investing Fundamentals From Nancy Tengler](#) (October 3)
[Tengler: There's Too Much Money Being Spent](#) (October 2)
[Tengler: Market Rally Will Take Place 'Definitely By Year End'](#) (September 29)
[Tengler Announces New Book For Women Investors](#) (September 26)
[Nancy Tengler On The 5 Essentials For Smart Investing](#) (September 25)
[Tengler: This Fed Has Been Hapless](#) (September 21)
[Tengler: Our Theme Is Old Economy Companies Embracing Digitization](#) (September 16)
[Tengler: Bidenomics Is Spending, Spending, And More Spending](#) (September 14)
[Tengler On Fox Business: Apple Is Not The Company You Want To Underestimate](#) (September 8)
[Tengler: We Are Adding Stocks With China Exposure](#) (September 6)

ARTHUR LAFFER, JR. RECENT MEDIA APPEARANCES

[Unpacking The Latest Fed, Stock Market Moves With Arthur Laffer Jr.](#) (July 5)
[Arthur Laffer Jr. For Barron's: Fed Minutes Come Tomorrow. Here's What To Watch](#) (May 23)
[Arthur Laffer Jr. Comments on Fox Business: ETF's To Play Around The Debt Default Risk](#) (May 18)
[Arthur Laffer Jr. Shares Expectations Ahead Of Fed Chair Speech](#) (Fox Business, August 22)
[President Arthur Laffer Jr. Joins "Mornings With Maria" To Discuss Energy Prices](#) (Fox Business, June 6)
[Arthur Laffer Jr. On Mornings With Maria: "I Don't See Recession Yet."](#) (Fox Business, March 18)
[A Read on Inflation](#) (Fox Business, February 7, 2022)

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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)

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COMPLETED ANALYSIS ITEM(S) FOR PORTFOLIO COMPANIES

Southern Company (SO)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
Anglo American 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 (APTIV) – 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)

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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

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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.

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- **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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