

April 9, 2024

Markets at a Glance (Index Prices as of 4/5/2024)

| | Current Price | One Month Change | Year to Date Change |
|------------------------------|---------------|------------------|---------------------|
| S&P 500 | \$5,204.3400 | 1.57% | 9.11% |
| Dow Jones Industrial | \$38,904.0400 | 0.47% | 3.22% |
| MSCI World Index | \$3,402.3600 | 0.66% | 7.36% |
| Bloomberg US Convert Bal TR | \$361.9359 | -0.79% | -1.84% |
| Bloomberg US Aggregate Index | \$2,122.5000 | -0.86% | -1.83% |
| S&P Global Clean Energy | \$873.9100 | -1.79% | -12.59% |

Source: FactSet and Bloomberg

Markets at a Glance (as of 4/5/2024)

| Values | Current Price | One Month Change | Year to Date Change |
|-------------------------|---------------|------------------|---------------------|
| Dollar Spot Index (DXY) | 104.2980 | 0.51% | 2.88% |
| Crude Oil WTI | \$86.9100 | 11.22% | 21.84% |
| Crude Oil Brent | \$91.1700 | 11.07% | 18.28% |
| Natural Gas | \$1.7850 | -8.37% | -28.51% |
| Gold | \$2,325.7000 | 8.86% | 12.26% |
| CBOE Silver | \$27.5030 | 16.22% | 14.48% |
| Copper | \$423.6000 | 10.20% | 8.85% |
| Platinum | \$928.5000 | 4.77% | -6.63% |
| Palladium | \$1,007.4000 | 5.38% | -8.92% |
| Corn | \$434.2500 | 5.15% | -7.75% |
| Wheat | \$567.2500 | 3.61% | -9.78% |

Source: Bloomberg 4/5/2024

S&P 500



| | |
|----------------|----------|
| Previous Close | 5,204.34 |
| 52 Week High | 5,254.35 |
| 52 Week Low | 4,055.99 |
| Change (%) | - |
| 1 Day | 1.11 |
| 1 Week | -0.95 |
| 1 Month | 2.47 |
| 3 Months | 10.80 |
| 6 Months | 22.22 |
| YTD | 9.11 |
| 1 Year | 27.23 |
| 3 Year | 27.62 |
| 5 Year | 79.91 |
| 10 Year | 179.04 |

Currency: U.S. Dollar | Performance data as of: 05 Apr '24

Source: FactSet

Dow Jones Industrial



| | |
|----------------|-----------|
| Previous Close | 38,904.04 |
| 52 Week High | 39,807.37 |
| 52 Week Low | 32,417.59 |
| Change (%) | - |
| 1 Day | 0.80 |
| 1 Week | -2.27 |
| 1 Month | 0.83 |
| 3 Months | 3.84 |
| 6 Months | 17.47 |
| YTD | 3.22 |
| 1 Year | 16.19 |
| 3 Year | 16.04 |
| 5 Year | 47.22 |
| 10 Year | 137.04 |

Currency: U.S. Dollar | Performance data as of: 05 Apr '24

Source: FactSet

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Russell 1000 Value



| | |
|----------------|----------|
| Previous Close | 1,075.48 |
| 52 Week High | 1,090.45 |
| 52 Week Low | 874.15 |
| Change (%) | - |
| 1 Day | 0.73 |
| 1 Week | -1.37 |
| 1 Month | 2.98 |
| 3 Months | 7.30 |
| 6 Months | 18.99 |
| YTD | 6.89 |
| 1 Year | 15.93 |
| 3 Year | 14.52 |
| 5 Year | 40.67 |
| 10 Year | 83.42 |

Currency: U.S. Dollar | Performance data as of: 05 Apr '24

Source: FactSet

Russell 1000 Growth



| | |
|----------------|----------|
| Previous Close | 2,228.86 |
| 52 Week High | 2,257.43 |
| 52 Week Low | 1,592.35 |
| Change (%) | - |
| 1 Day | 1.43 |
| 1 Week | -0.67 |
| 1 Month | 2.05 |
| 3 Months | 13.55 |
| 6 Months | 25.39 |
| YTD | 10.46 |
| 1 Year | 38.65 |
| 3 Year | 33.33 |
| 5 Year | 116.53 |
| 10 Year | 290.72 |

Currency: U.S. Dollar | Performance data as of: 05 Apr '24

Source: FactSet

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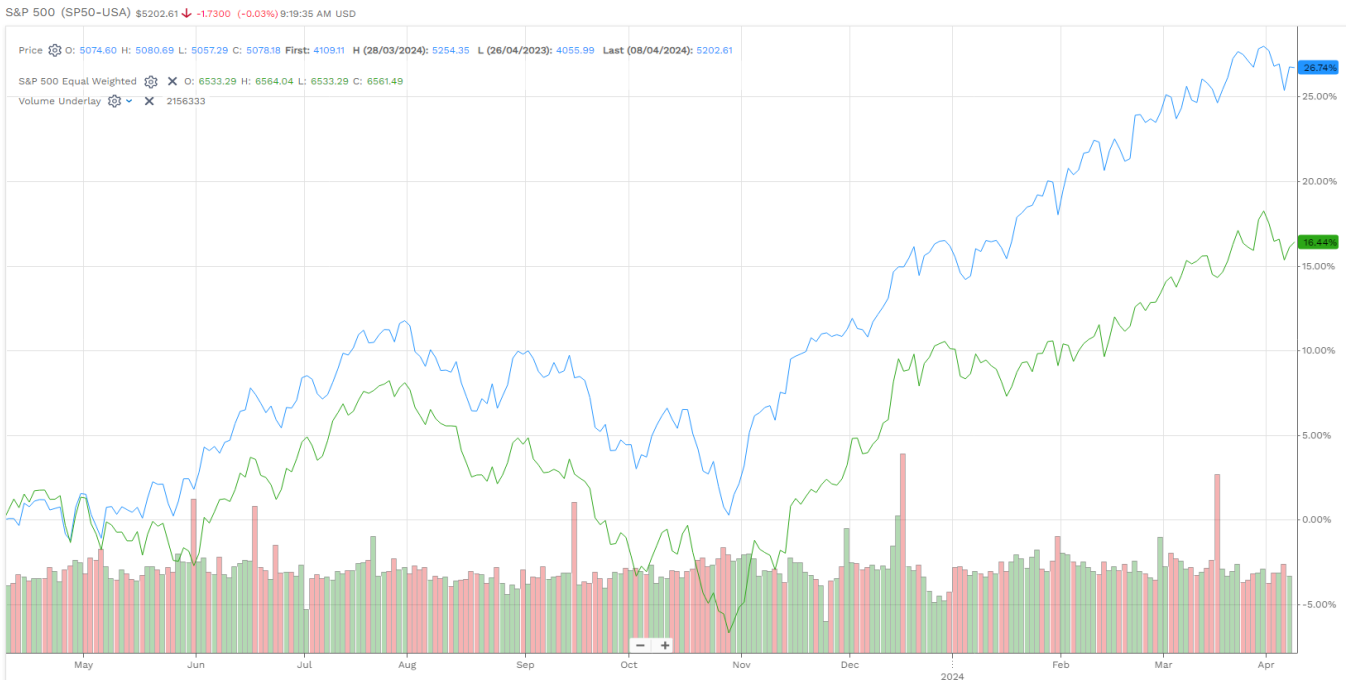
NASDAQ Composite Index



Currency: U.S. Dollar | Performance data as of: 05 Apr '24

Source: FactSet

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



Source: FactSet

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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

Watching Paint Dry. Nobel Prize in economics winner, Daniel Kahneman died on March 27. Kahneman along with his partner, Amos Tversky pioneered what came to be known as behavioral economics. He frequently said, “All of us would be better investors if we just made fewer decisions.” We agree and that belief drives our low turnover strategies at LTI. I recently penned a commentary entitled *Watching Paint Dry* on this very topic. Our knee-jerk reaction is to run for the exits when stocks sell-off which is precisely the wrong thing to do. (Please reach out to lmitchell@laffertengler.com if you did not receive a copy.) *The Wall Street Journal’s* Jason Zweig wrote the following about Kahneman, “noting that the stocks people sell beat the ones they buy, Kahneman joked that ‘the cost of having an idea is 4%.’ Our experience would suggest that is a maxim to live by.

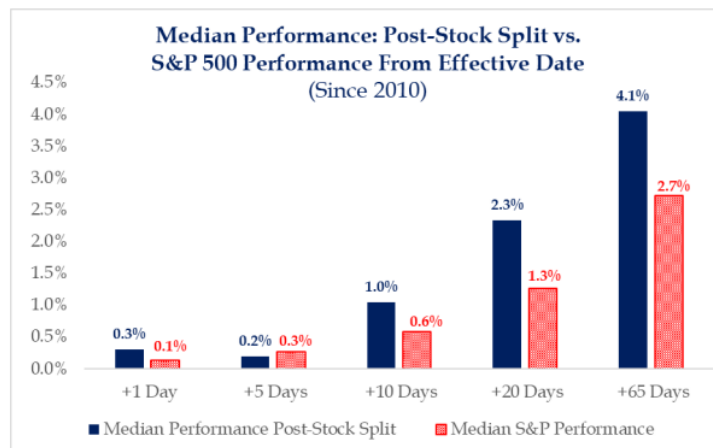
The market is broadening but not necessarily at the expense of Technology. In this nascent bull market that many investors have loved to hate, we have heard that the bull couldn’t gain traction without the leadership broadening out. And, further, that the technology trade was over—in particular the fascination with the Magnificent Seven. As you can see in the table below, Energy, Industrials and Materials have led the performance derby in Q1. And technology is the fifth best performing sector.

| S&P 500 1Q Sector Performance Equal Weight | |
|---|-------|
| Energy | 12.5% |
| Industrials | 10.7% |
| Financials | 9.5% |
| Materials | 8.0% |
| Technology | 7.9% |
| C. Discretionary | 7.4% |
| Healthcare | 6.7% |
| C. Staples | 4.9% |
| Communications | 4.4% |
| Utilities | 3.5% |
| Real Estate | -1.2% |

Source: Strategas, April 1, 2024

Another important measure of market breadth is the number of stocks trading above the 200-day moving average. 86% of individual names trading above the 200-day represents a 3-year high.

Chipotle (CMG) announced a 50 for 1 stock split. The stock split represents the biggest I can recall in my career. While there is no financial benefit for investors in splitting the stock, there are psychological benefits for retail investors and the split allows the company to award shares to employees. And despite the fact that there is no financial benefit for shareholders, for whatever reason stocks tend to appreciate after announcing a split.



Source: Strategas Research Partners, March 25, 2024

CMG is held in our 12 Best Ideas portfolio and our Equity Growth strategy.

EARNINGS

from Jamie Meyers, CFA®, Senior Securities Analyst

Return Fraud

About 12 weeks ago, I wrote about the glut of returns made post-holiday season, and how they detract from company profitability, partially reproduced here:

“...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.”

And 10 months ago, I wrote about “Shrinkage” – the retail industry’s term for loss of inventory due to theft. But even if a customer purchases an item rather than stealing it, they can defraud the company on the other side of transaction – through returns. In the industry, these practices are collectively known as “return fraud.” Here are a few examples:

Wardrobing – purchasing an item, using it for a short time, and returning it as if it were new.
Bracketing – buying multiple sizes with the intent to only keep what fits (technically not illegal).
Bricking – stripping electronics of their components and returning them as defective.
Merchandise Not Received – claiming you didn’t receive the package when you did.
Switch Fraud – purchasing an expensive item, and sending back a cheaper replacement.

Over the past few years, companies have tried to win shoppers and goose sales by offering more lenient return policies (especially online). And it’s worked – according to Appriss Retail, a return management company, 73% of shoppers choose a retailer based on the return experience, and 58% want a no-questions-asked return policy. Unfortunately, this had caused a lot of fraud – based on a survey by the National Retail Federation (NRF), retailers estimated that 13.7%, or \$101 billion worth of returns were fraudulent last year. Though this only equates to a couple of percentage points of total sales, those figures are significant.

So, what are companies doing? Not much, apart from beginning to put costs back to the customers. Forter (an anti-fraud software company) Head of Risk Doriel Abrahams noted the same – “It’s not a coincidence, that one bright day, eight months ago, almost every company started to charge for shipping returns, or started to have more restrictive return [policies]... At the end of the day, if you’re seeing that you’re starting to pay too much for restocking, or validating the items that are being returned, or shipping costs for returns, then you’re going to have to hold those costs to your clients.”

The story of shrinkage has begun to die down (though it is still an issue). Perhaps the story of return fraud will begin to pick up. Earnings season kicks off this week – we’ll see what companies have to say.

EARNINGS

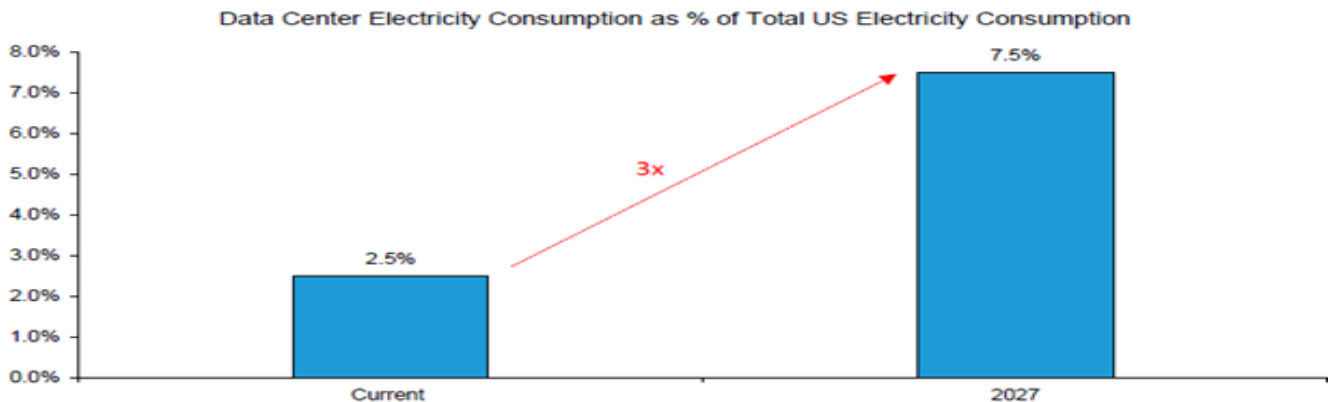
from Alex Van Iderstine, CFA[®], Securities Analyst

Modernization of the U.S. Electrical Grid

At the end of last year, and as we've written before, our CEO Nancy Tengler gave a presentation entitled *The Fourth Industrial [Revolution]* (please reach out to Lauren Mitchell if you would like to see a copy) that, among other things, described overall impact that generative AI & digitization will have on productivity and margins. That all sounds great but, how do we get to that point where this watershed moment comes to fruition and what are the key inputs used along the way?

There are numerous intricate components that play vital roles in this process, but one component that is almost always required is power. According to Bernstein Research, "Electricity demand from data centers is poised to grow at a 10% CAGR (*compounded annual growth rate*) through the end of the decade and could grow from 2.5% to 7.5% of total US electricity consumption, up 3x. The biggest driver is the growing prevalence of AI data centers, whose power needs can be as much as 4-5x the level of traditional data centers."

EXHIBIT 8: Data Centers Could Grow From 2.5% to 7.5% of Total US Electricity Consumption, Up 3x



Source: BCG, Grid Strategies

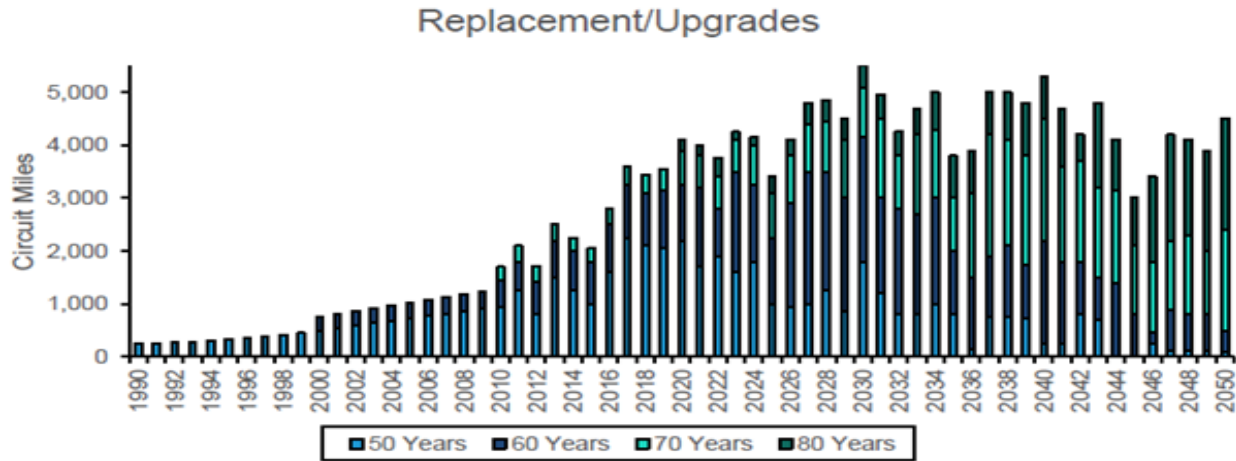
Source: Bernstein Research

On top of data centers demanding more power, the current electrical grid must endure increased demand from reshoring domestic manufacturing capacity, continued adoption of electrical vehicles, and utilities shifting their electricity generation mix towards renewables (*to replace a single MW (megawatt) of fossil fuel generation, 2-3x more electricity capacity is needed*).

According to the Department of Energy, the average U.S. power generating station was built in the 1960s. The average transformer (*the biggest and most expensive equipment at a station*) in the U.S is 38 years old, nearing the end of their expected useful life, and 70% of transformers are

older than 25 years. An aging grid system, coupled with a massive increase in energy demand suggests increased vulnerability to mechanical breakdowns or worse grid failures.

EXHIBIT 16: Brattle Estimates That a ¼ of Historical Transmission Investment is Replaced After 50-80 Years. This Would Likely Account For \$10B in Annual Transmission Investment



Source: Brattle estimate (2021-2050), Bernstein analysis

Source: Bernstein Research

We believe this step change in electricity demand offers an attractive opportunity for several of our holdings – from the actual power generating utilities (such as NextEra Energy, Ticker: NEE) and datacenters that use the electricity (such as Equinix, ticker: EQIX), to picks and shovels that build the grids that transport the power (such as Quanta Services and Jacobs Solutions, tickers: PWR and J, respectively).

CONVERTIBLES

from Stan Rogers, Portfolio Manager

Notable earnings/news reports:

The primary market saw three new issues priced for \$1.2 billion in proceeds. This was a rather subdued number, but interest rate and equity market volatility may have played a role, keeping potential issuers on the sidelines. Companies are also entering their quiet period prior to earnings season, so the new issue market may be quiet for the next few weeks. Interest rates spiked over the last two weeks, as some Fed governors spoke of the lack of need to lower rates, or at least dampening the speculation on the number of cuts for the year. As a result, the equity markets also experienced some weakness. However, convertible valuations held steady despite the negative bias.

Transactions for this period:

None

NANCY TENGLER'S RECENT MEDIA APPEARANCES

[Tengler: This Is Not The American Way](#) (March 29)
[Tengler On Boeing CEO Exit](#) (March 26)
[Tengler On Fox Business: We've Got To Rest A Bit](#) (March 25)
[Tengler: Don't Go Chasing NVIDIA FOMO](#) (March 23)
[Tengler: People Are Worried About Inflation](#) (March 15)
[Tengler: We're Seeing Dramatic Gains](#) (March 11)
[Tengler: Women Are Better Investors Than Men](#) (March 8)
[Is This The 90s? Tengler Says "Yes"](#) (March 7)
[Tengler On Stock Market Rally: So Many Similarities To The 90s](#) (March 5)
[Tengler: Musk's Lawsuit Against OpenAI Is Distraction](#) (March 1)
[Tengler: A Lot Of Reasons To Be Optimistic](#) (February 29)
[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)

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)

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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)
 Trimbly 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)
 Polarix, 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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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)

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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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Laffer | Tengler

6710 N. Scottsdale Rd.

Suite 210

Scottsdale, AZ. 85253

www.laffertengler.com