

March 12, 2024

Markets at a Glance (Index Prices as of 3/8/2024)

	Current Price	One Month Change	Year to Date Change
S&P 500	\$5,123.6900	2.52%	7.42%
Dow Jones Industrial	\$38,722.6900	-0.01%	2.74%
MSCI World Index	\$3,380.1400	3.49%	6.66%
Bloomberg US Aggregate Index	\$364.2253	1.13%	-1.22%
Bloomberg US Convert Bal TR	\$2,151.2200	0.90%	-0.50%
S&P Global Clean Energy	\$917.4000	1.03%	-8.23%

Source: FactSet and Bloomberg

Markets at a Glance (as of 3/8/2024)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	102.7360	-1.36%	1.34%
Crude Oil WTI	\$77.8900	1.87%	9.20%
Crude Oil Brent	\$81.9300	0.22%	6.29%
Natural Gas	\$1.8020	-4.45%	-27.83%
Gold	\$2,185.0000	7.45%	5.46%
CBOE Silver	\$24.3400	7.41%	1.31%
Copper	\$388.4000	4.75%	-0.19%
Platinum	\$916.5000	2.41%	-7.83%
Palladium	\$1,016.0000	14.03%	-8.14%
Corn	\$426.2500	-1.62%	-9.45%
Wheat	\$526.7500	-10.87%	-16.22%

Source: Bloomberg 3/8/2024

RESEARCH BULLETIN

S&P 500



Currency: U.S. Dollar | Performance data as of: 08 Mar '24

Source: FactSet

Dow Jones Industrial



Currency: U.S. Dollar | Performance data as of: 08 Mar '24

Source: FactSet

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Russell 1000 Value



Previous Close	1,055.97
52 Week High	1,056.15
52 Week Low	874.15
Change (%)	-
1 Day	-0.02
1 Week	1.07
1 Month	4.08
3 Months	9.69
6 Months	10.61
YTD	4.95
1 Year	13.20
3 Year	16.92
5 Year	43.63
10 Year	81.59

Currency: U.S. Dollar | Performance data as of: 08 Mar '24

Source: FactSet

Russell 1000 Growth



Previous Close	2,200.62
52 Week High	2,229.30
52 Week Low	1,489.75
Change (%)	-
1 Day	-1.15
1 Week	-1.29
1 Month	1.34
3 Months	12.58
6 Months	18.91
YTD	9.06
1 Year	42.63
3 Year	43.88
5 Year	128.25
10 Year	275.88

Currency: U.S. Dollar | Performance data as of: 08 Mar '24

Source: FactSet

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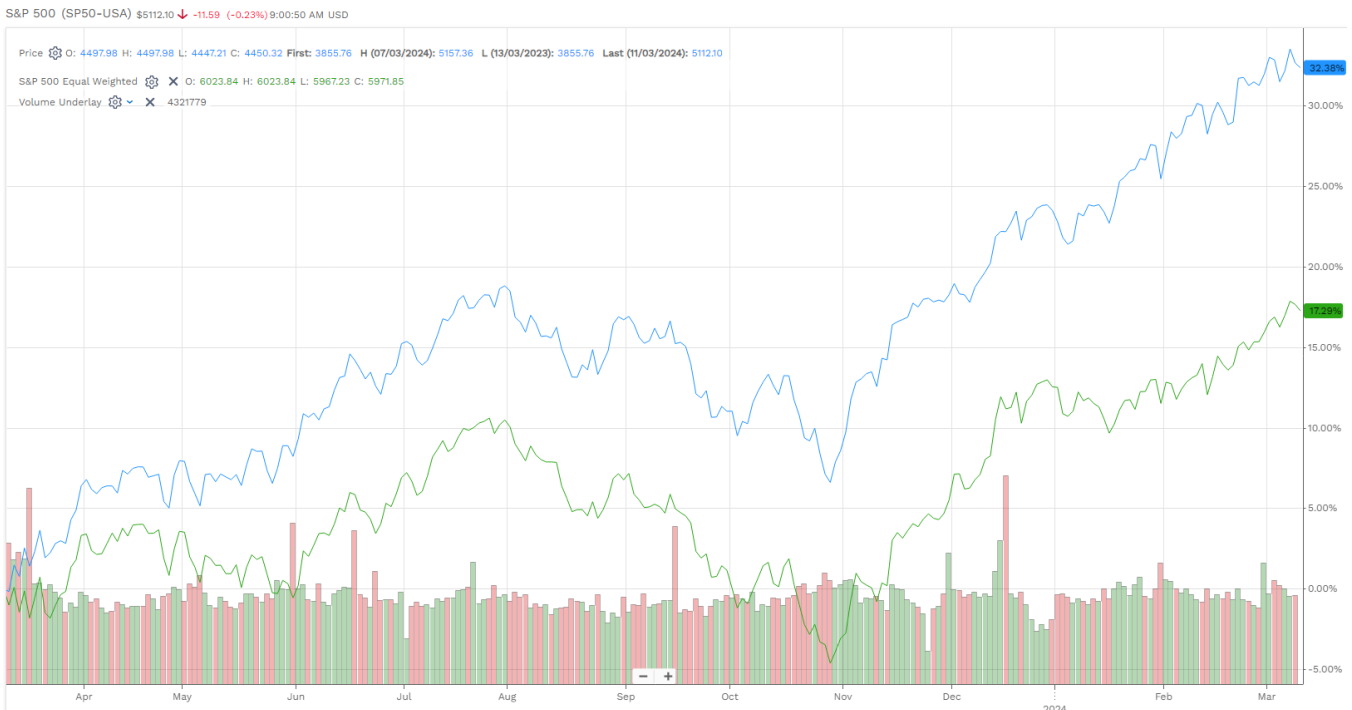
NASDAQ 100 Index



Currency: U.S. Dollar | Performance data as of: 08 Mar '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

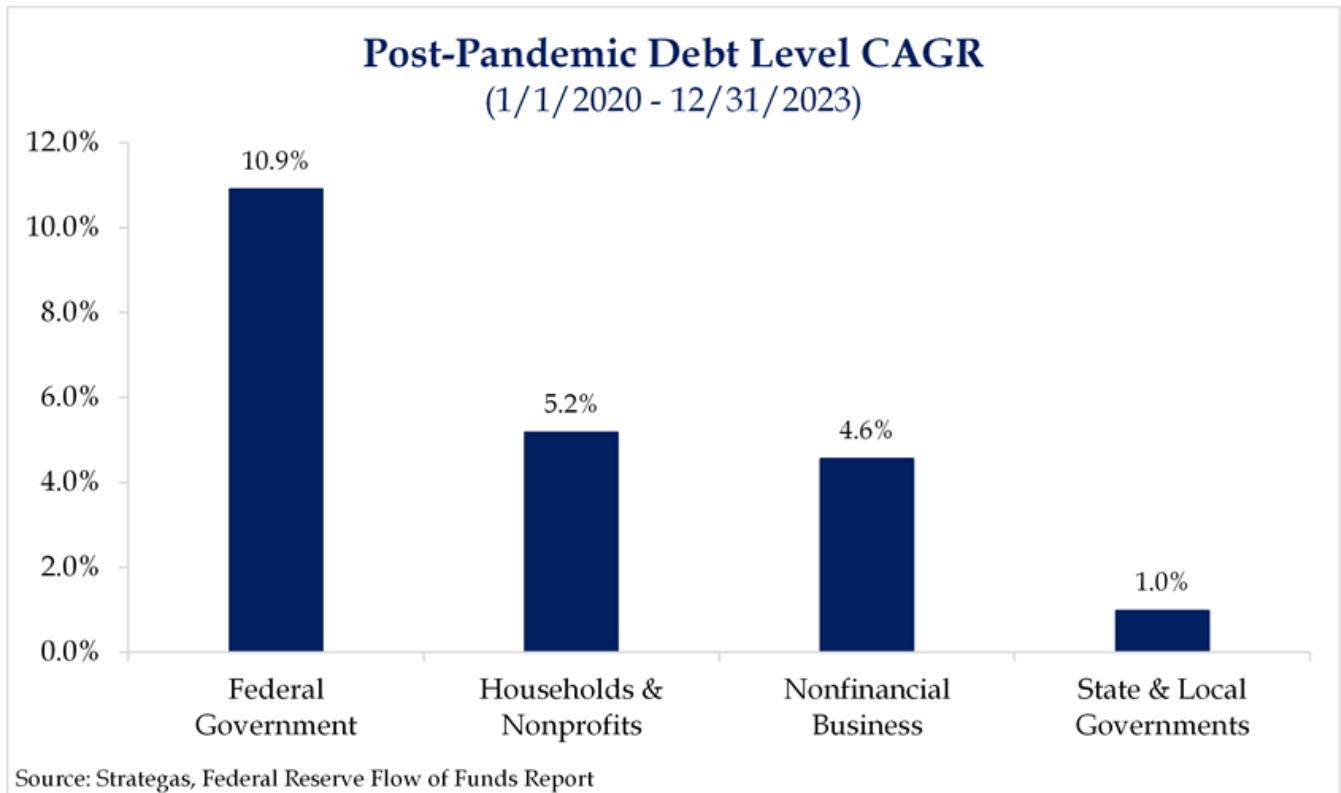
from Nancy Tengler, CEO & Chief Investment Officer

What worries us at LTI? Though we don't expect this problem to be solved anytime soon, exploding Federal debt is on our minds. According to our friends at Strategas, Federal government debt has been growing by \$1 trillion every six months for the last six years. It took 232 years for the U.S. to amass the first \$10 trillion in debt, 9 years for the next \$10 trillion and five years for the next \$10 trillion. And there appears to be no end in sight.

Time Required to Reach Total U.S. Debt Levels	
Of:	
\$10 Trillion	232 Years
\$20 Trillion	9 Years
\$30 Trillion	5 Years
Last Trillion \$	100 Days
Latest Level	\$34.4 + Trillion

Source: Strategas, March 8, 2024

Since the onset of the pandemic, the U.S. government has incurred twice as much debt as households and nonprofits and far outpaced state and local governments. For now, however, the politicians are focused on more spending and entitlements take up the lion's share of spending which exist outside the budget process. If not this presidential cycle we expect the topic to dominate the next. Stay tuned.



Source: Strategas, March 8, 2024

EARNINGS

from Jamie Meyers, CFA®, Senior Securities Analyst

Joining the Crowd

Laffer Tengler recently initiated a position in CrowdStrike (ticker: CRWD), a best-in-class cybersecurity solutions provider. Here’s why (briefly):

Cybers-secular tailwinds: JP Morgan Chase recently reported that it is the recipient of **45 billion hacking attempts per day** – enough said about the increasing importance of cybersecurity. Additionally, Wells Fargo recently conducted a Chief Information Officer (CIO) survey that captured 2024 spending plans – endpoint security was the #1 spending priority, and CrowdStrike is the #1 vendor of endpoint solutions.

Platformization: Two weeks ago (and previously), we wrote about Palo Alto’s opportunity to become a spend consolidator in the cybersecurity space. Well, CrowdStrike has that opportunity too – it offers the only cloud-native cyber solution, and “best-of-breed” products will likely allow the company to continue to take share from legacy providers that offer “good enough” solutions.

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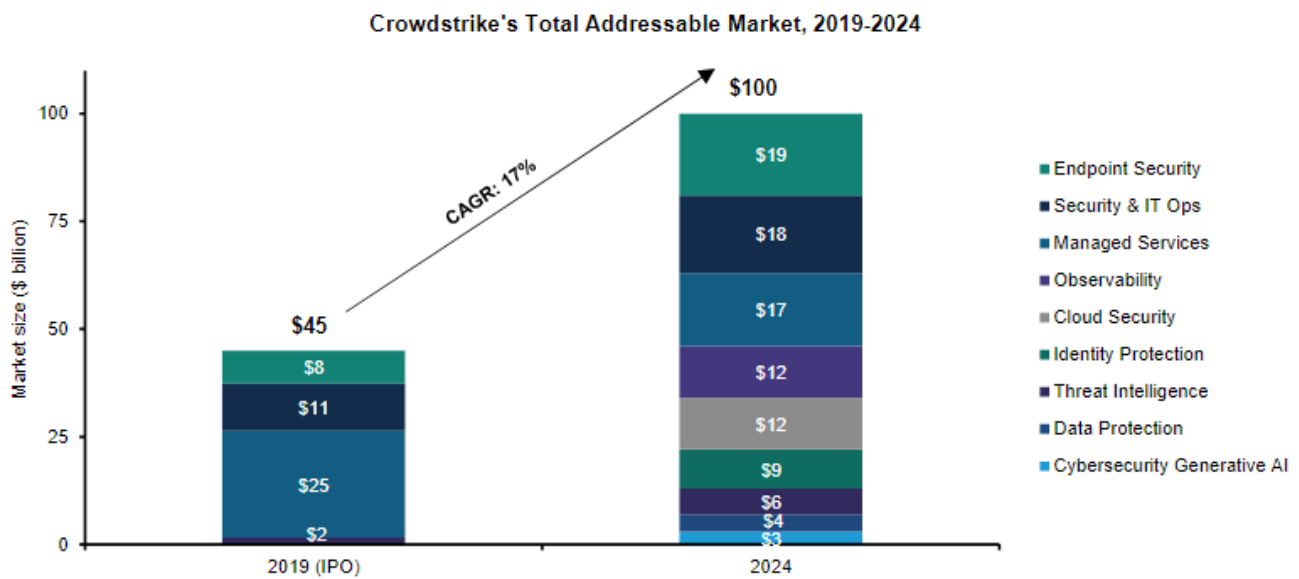
COMMENTARY

Moreover, land-and-expand is the name of the game – as CrowdStrike consolidates spend on its platform, upsell opportunities are numerous.

Top management team: Management has strong relationships with both public and governmental entities. In the past, these relationships allowed CrowdStrike to demonstrate the efficacy of its product, giving it a jumpstart relative to other solutions. It also has allowed the company to form strong partnerships with the likes of Amazon, Dell, and others. In fact, CrowdStrike recently became the first ISV (Independent Software Vendor) to exceed \$1 billion in sales on the AWS marketplace (Amazon Web Services).

Strong franchise value and market growth should allow the company to continue winning larger deals and take share from legacy vendors. CrowdStrike is playing into an expanding market – TAM (total addressable market) has more than doubled since its IPO in 2019 and is expected to double again over the next four years.

EXHIBIT 16: CrowdStrike's TAM, which is ~\$100 billion as of CY 2024, is expected to grow to ~\$225 billion in CY 2028



Source: CrowdStrike's Investor Day Presentation 2023, Bernstein analysis

(Source: Bernstein Research)

Rule of 65: The “rule of 40” is one of the most popular metrics in the SaaS (software-as-a-service) space – it aggregates topline revenue growth and free cash flow margin, and is a benchmark for performance. Well, welcome to the “rule of 65” – CrowdStrike’s own benchmark is more than 50% higher than the rest of the industry. And the company consistently exceeds that benchmark.

So how is the company doing? CrowdStrike reported fourth quarter and full year results last week, and the numbers showed continued industry dominance. For the quarter, annual

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recurring revenue (ARR) grew 34%, revenue grew 33%, and free cash flow margin was 33%. And interestingly enough, the company brushed aside the concept of “spending fatigue” that others called out as a significant headwind. We expect the momentum to continue, bolstered by the company’s Cloud Security, Identity, and LogScale businesses, all of which doubled year-over-year. Finally, guidance was robust across the board, supported by a record pipeline. CrowdStrike’s strategy – one agent, one console, one platform, one trusted cybersecurity solution – is working.

EARNINGS

from Tayo Adeyi, Securities Analyst

Two wholesale membership warehouse companies (**BJ’s wholesale Club Holding Inc. (ticker: BJ)** and **Costco Wholesale Corporation. (ticker: COST)**) released earnings this week for Q4 2023 and Q2 2024 respectively. Both players missed consensus revenue expectations, driven by lower gas prices (averaged \$3.43 between November and February), but overall revenue and earnings numbers were up year-over-year and quarter-over-quarter. The players are positive on demand from customers and are looking to expand by opening new clubs.

BJ’s is looking to increase its personal brand penetration in certain segments, as personal brand margins are about 10% better compared to national brands. In 2024, management expects overall performance to be driven by the company’s ability to provide value from its improved approach to product presentation and assortment. Interestingly, the company is not looking to increase membership fees in the near term but stated that even if it does, the cash will go back into the business, given the company’s plans for expansion. The enhanced assortment process currently being used could offer upside through efficiency.

Costco CFO Richard Galanti will be retiring after about 39 years as CFO. He will be replaced by Gary Millerchip, who brings extensive retail and finance experience from his 35-year career, most recently serving as CFO at Kroger. After making a splash with gold bars, the company started selling silver coins through its e-commerce business unit, which was up 18.4%. Finally, the company is looking to expand, and plans to open two warehouses in Japan, one in both Korea and China, and 15 in the U.S. before the end of 2024.

EARNINGS

from Alex Van Iderstine, CFA®, Securities Analyst

Target Corporation (Ticker: TGT) posted fourth quarter results last week. Revenue was in line with analysts’ estimates at \$31.9 billion, despite comparable sales and visitor traffic (both in-store & digital) declining by 4.4% and 1.7% respectively. Earnings per share came in at \$2.98 - beating analysts' estimates by \$0.56 and representing a 57% increase year over year. Guidance for 2024 is conservative as management’s outlook on the consumer remains mixed, stating -

“consumers say they still feel stretched.” This is a divergence from what we’ve heard on competitor’s (WMT, HD) earnings calls in the fourth quarter, who believe the consumer is healthy and engaged. Moving forward, TGT plans to invest in its guest experience through a refresh of its loyalty program (Target Circle), which will now include a new paid membership option – Target Circle 360. The membership will cost \$99 per year and include free two-day shipping, unlimited free same-day delivery for orders over \$35, and access to Shipt’s retailer marketplace, along with added benefits and perks based on members’ preferences. The refresh will also update the company’s digital platform, management wants to utilize generative AI to position the right products in the right moments and guide the customer through a more pleasurable and simple shopping experience. TGT may be a little late in the retailer space to embrace digitization and generative AI – to that we say, better late than never!

CONVERTIBLES

from Stan Rogers, Portfolio Manager

New issues exploded as earnings season wound down. The first week of March saw 10 deals come to market for total proceeds of \$6.1 billion. Albemarle (ALB) was the largest of the new issues, as their mandatory convertible preferred raised over \$2 billion. The flood of new paper was well-received in the convertible space. Valuations held firm in the secondary market even with any portfolio shifting that took place to make room for the new names, and there was ample cash on the sidelines as well for the absorption of the new names. Expectations are that the primary calendar will continue to be robust.

Notable earnings/news reports:

None

Transactions for this period:

We initiated a 2.5% position in **PPL Corp. (PPL) 2.875%** convertible bond. Originally issued as a 144a security, it just became registered. This investment grade-rated bond that matures in March of 2028 had a current yield of 3.05% at purchase and provides exposure to a high-quality energy and utility company.

With its end-of-life approaching, we exited our position in **Paramount Global (PARA)** mandatory convertible preferred. This was one of our smaller weightings. The stock has been an underperformer, but the company released Q4 results that showed their streaming business beat expectations. We took advantage of the stock’s strength and sold the position prior to the April 1st mandatory conversion and maturity.

Splunk (SPLK) is being acquired by Cisco for \$157.00 per share. SPLK stock is now trading just a fraction below the take-out price. As a result, and with virtually no upside remaining, we

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sold our position in SPLK convertible bonds. We will allocate those proceeds to new positions that will potentially offer more upside.

We were involved in one new issue that fit our strategy. **Albemarle (ALB)** brought to market a \$2.3 billion 7.25% mandatory convertible preferred. While not officially rated, the credit of ALB is investment grade (BAA3/BBB). This security provides exposure to a specialty chemical producer until its March 1, 2027, maturity. ALB is one of the largest lithium producers in the world, a vital input for electric vehicles and battery storage systems.

Finally, **Southern Company (SO)** convertible bond was added to the portfolio. We initiated a 2.5% position just below par in this investment grade rated bond that matures in December of 2025. It has a 3.875% coupon and with the short maturity and high credit quality bond floor sits just below par, which limits our downside considerably. SO is a public utility that provides electricity in the southeastern US.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

[Tengler: We're Seeing Dramatic Gains](#) (March 8)

[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)

[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)

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)
 Trumble 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)

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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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