

November 8, 2023

**Markets at a Glance (Index Prices as of 11/03/2023)**

	Current Price	One Month Change	Year to Date Change
S&P 500	\$4,358.3400	3.05	13.51
Dow Jones Industrial	\$34,061.3200	3.21	2.76
MSCI World Index	\$2,883.8000	3.01	9.60
Bloomberg US Aggregate Index	\$337.0465	-0.09	1.54
Bloomberg US Convert Bal TR	\$2,037.8800	2.19	-1.21
S&P Global Clean Energy	\$864.7700	-1.05	-33.92

Source: FactSet and Bloomberg

**Markets at a Glance (as of 11/03/2023)**

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	105.0920	-1.78	1.52
Crude Oil WTI	\$80.8700	-9.37	0.76
Crude Oil Brent	\$85.1700	-6.32	-0.86
Natural Gas	\$3.4860	18.21	-22.10
Gold	\$1,999.3000	9.57	9.48
CBOE Silver	\$23.3050	9.02	-3.06
Copper	\$367.4000	1.46	-3.58
Platinum	\$940.0000	8.26	-12.45
Palladium	\$1,129.5000	-5.31	-37.18
Corn	\$478.0000	-1.95	-29.55
Wheat	\$573.0000	0.79	-27.65

Source: Bloomberg 11/03/2023

## S&P 500

### Performance



Previous Close	4,358.34
52 Week High	4,588.96
52 Week Low	3,719.89
Change (%)	-
1 Day	0.94
1 Week	5.85
1 Month	3.05
3 Months	-3.19
6 Months	6.54
YTD	13.51
1 Year	17.16
3 Year	29.36
5 Year	60.05
10 Year	147.40

Currency: U.S. Dollar | Performance data as of: 03 Nov '23

Source: FactSet

## Dow Jones Industrial

### Performance



Previous Close	34,061.32
52 Week High	35,630.68
52 Week Low	31,819.14
Change (%)	-
1 Day	0.66
1 Week	5.07
1 Month	3.21
3 Months	-3.28
6 Months	1.94
YTD	2.76
1 Year	6.44
3 Year	23.95
5 Year	34.79
10 Year	118.12

Currency: U.S. Dollar | Performance data as of: 03 Nov '23

Source: FactSet

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## Russell 1000 Value

Performance



Previous Close	923.21
52 Week High	994.24
52 Week Low	874.15
Change (%)	-
1 Day	1.14
1 Week	5.61
1 Month	2.06
3 Months	-5.63
6 Months	0.48
YTD	-0.14
1 Year	3.56
3 Year	25.16
5 Year	25.83
10 Year	68.58

Currency: U.S. Dollar | Performance data as of: 03 Nov '23

Source: FactSet

## Russell 1000 Growth

Performance



Previous Close	1,821.11
52 Week High	1,898.65
52 Week Low	1,396.17
Change (%)	-
1 Day	0.98
1 Week	6.24
1 Month	3.82
3 Months	-1.40
6 Months	12.44
YTD	27.62
1 Year	30.44
3 Year	27.59
5 Year	92.10
10 Year	235.32

Currency: U.S. Dollar | Performance data as of: 03 Nov '23

Source: FactSet

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## NASDAQ 100 Index

Performance



Previous Close	15,099.49
52 Week High	15,841.35
52 Week Low	10,679.34
Change (%)	-
1 Day	1.21
1 Week	6.48
1 Month	3.67
3 Months	-1.65
6 Months	15.88
YTD	38.02
1 Year	41.24
3 Year	33.86
5 Year	116.78
10 Year	346.76

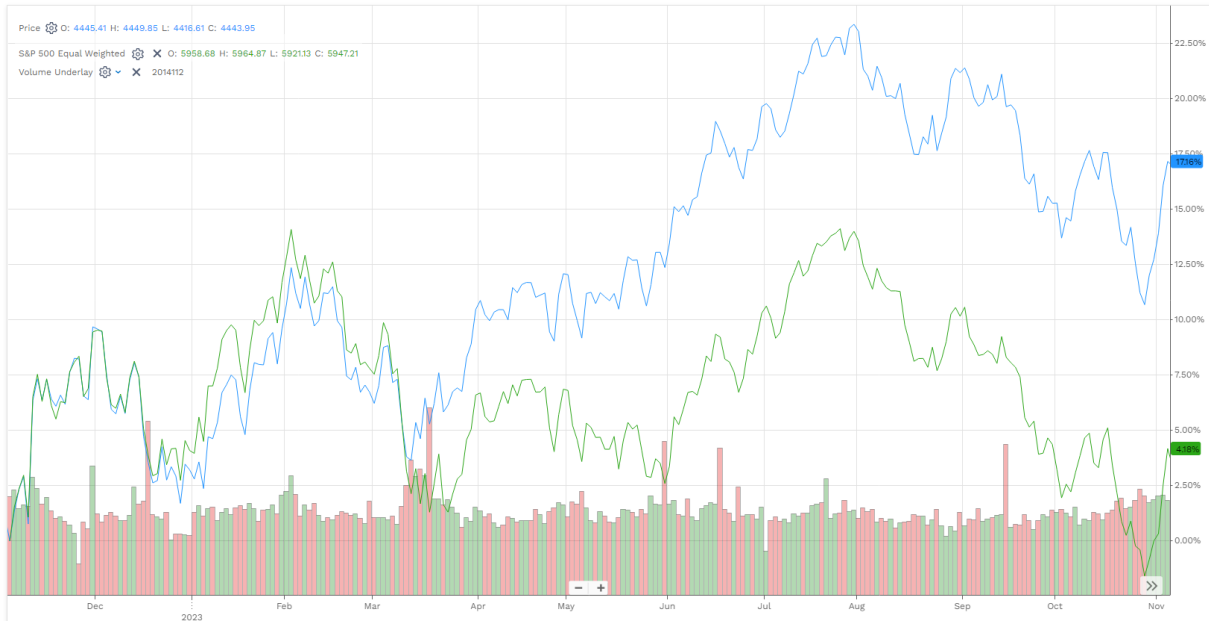
Currency: U.S. Dollar | Performance data as of: 03 Nov '23

Source: FactSet

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

S&P 500 (SP50-USA) \$435130 ↓ -7.24 (-0.17%) 12:22:30 PM USD

Nov 3, 2022 - Nov 3, 2023, Daily



Source: FactSet

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## EXCITING NEWS

Nancy Tengler and Arthur Laffer, Jr. of Laffer Tengler Investments are hosting a virtual Lunch & Learn event this Thursday, November 9, at 11:00 AM MST. The topic is, “Investing Implications for an Election Year”. Use the link below to register:

[https://us06web.zoom.us/webinar/register/WN\\_w8uVyfBaSz-idtWJFHqcBw](https://us06web.zoom.us/webinar/register/WN_w8uVyfBaSz-idtWJFHqcBw)

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.

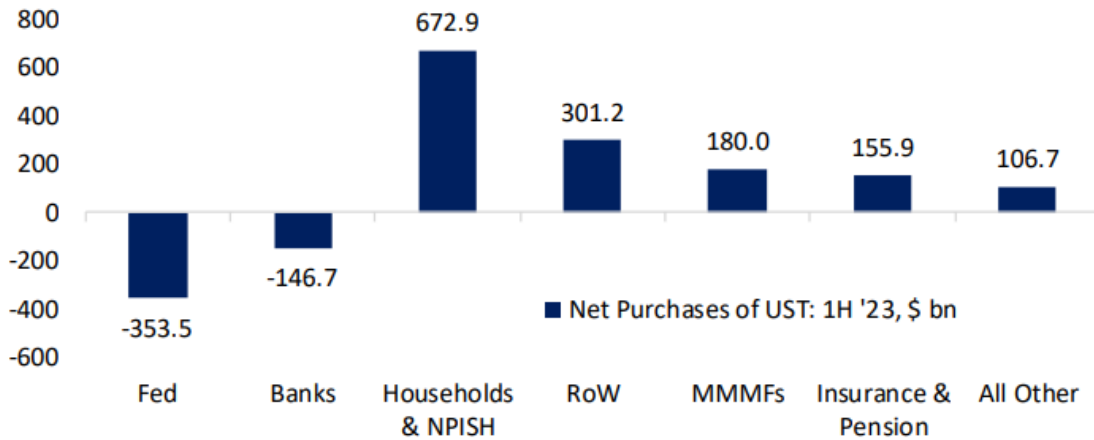
Please click [here](#) or visit [tglretf.com](http://tglretf.com) to learn more about **TGLR** or call us at **800.838.3468**.

## EQUITIES

*from Nancy Tengler, CEO & Chief Investment Officer*

**Unprecedented Bond Market Volatility.** Thank the Fed and Treasury, Congress, and the Biden Administration. While fiscal policy has reached historically farcical levels requiring Treasury to double issuance targets to \$2T from \$1T during the summer. Meanwhile the Fed is selling Treasuries, increasing the supply further. Bond price volatility has responded to the seeming oversupply of bonds relative to demand and worries that the interest on the Federal Government’s \$33T in debt would soon dwarf spending on defense. And then there is the Fed speak coming from all corners adding to the volatility. The irony was not lost on this observer that Neel Kashkari, the perma-dove from easy money days (that caused so many excesses) is now the super hawk looking at backward, short-term data to suggest rates are not coming down anytime soon. In the investment business we call folks like Kashkari the perfect contrary indicator.

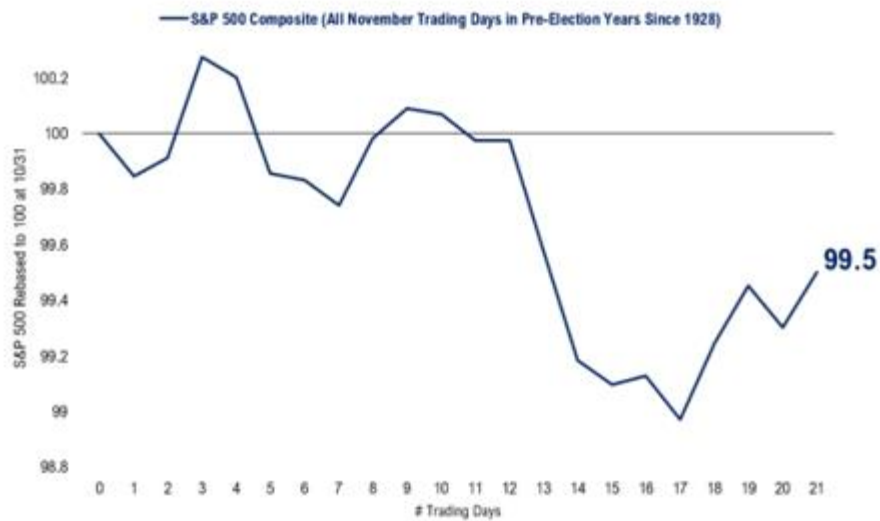
**Net Purchases of UST YTD: Households Binge On Yield**



Source: Bespoke, October 20, 2023

Volatility is exhausting but remember time in the market vs. timing the market is how to make money in stocks. Just managing expectations. (From our friend Matt Newton at Fundstrat.)

**Pre-Election year Novembers start off with gains before weakness between 10<sup>th</sup>-17<sup>th</sup> day of month. I expect this will repeat this November**

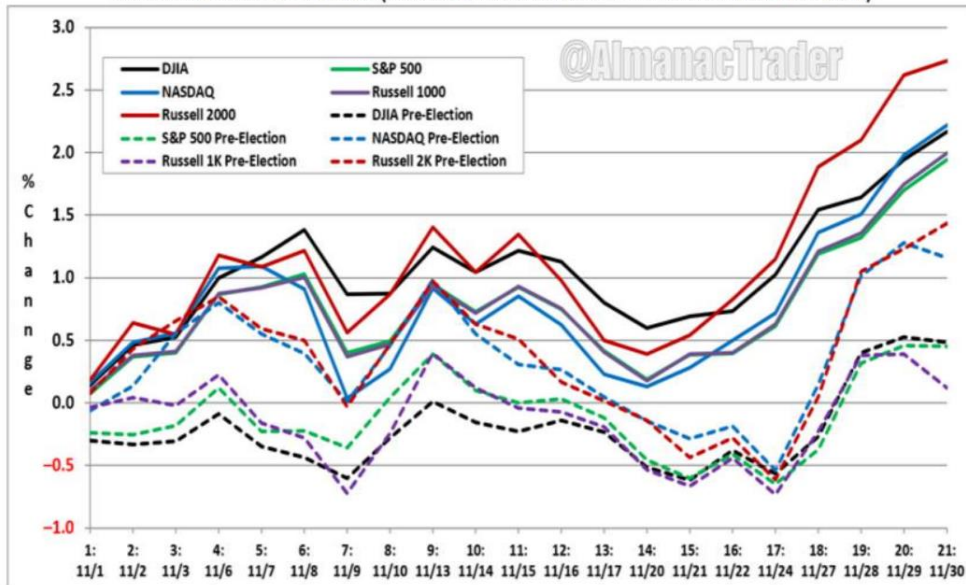


Source: Fundstrat, Bloomberg



## Seasonality studies show early month rally typically gives way to weakness until Thanksgiving holiday before rallies

November Market Performance (Recent 21-Year 2002-2022 & Pre-Election Years 1950-2019)



Source: Stock Traders Almanac

## EARNINGS

from Jamie Meyers, CFA®, Securities Analyst

Who’s paying more? Everyone.

Though inflation continues to come down, consumers are still paying more by the month for their most-loved products. This has been a trend all year, so let’s look at how it played out this quarter at three of our companies.

McDonald’s (MCD) increased prices in the third quarter, albeit at a lower rate, but the company still expects pricing to be 10% for the full year. With two years of double-digit price increases on the books, McDonald’s is starting to see slowing traffic in the low-income cohort (those making less than \$45,000) and a little uptick in traffic at the mid- to upper-income levels. Overall traffic ticked down slightly as consumers pinched pennies, and the company began to lean on deals to win back customers – Free Fry Friday through year-end in the U.S. and 60% off Big Macs in the U.K. are two such efforts. “It’s clear that consumers continue to be more discriminating about what and where they spend... [but] McDonald’s brand and positioning on value is an opportunity for us,” noted CEO Chris Kempczinski on the recent earnings call. And while “company-operated

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margin performance remains pressured by continued cost inflation,” McDonald’s remains steadfast in its ability to weather the storm. According to Kempczinski, “When we combine a fully modernized estate, a globally recognized brand, delicious food on our core menu, and a high level of execution across our four Ds [digital, delivery, drive thru, and development], our competitive strength is on full display.” Maybe it’s time for the McRib to make another comeback.

Chipotle (CMG) customers didn’t think twice when facing higher-priced burritos – the company raised prices 4% in the third quarter, following a 5.5% increase in Q2, and overall traffic improved 4% with “mid-single-digits” growth in October. This helped sales rise by more than 11% year-over-year, including a 5% jump in same-store sales. Moreover, CFO John Hartung noted that the company was doing well across all income levels. The CFO specifically noted that sales to lower-income consumers were “holding up really well. They’re really hanging in there at about the same level as our medium- and high-income levels.” Despite record inflation, in terms of both amount and speed, Chipotle’s value proposition continues to impress, as consumers continue to consume. Double meat, please!

PepsiCo (PEP) consumers digested the price hikes well this quarter, as the company raised prices 10% across the board. Not only are PepsiCo’s products getting more expensive, but they’re also getting smaller. “Consumer preferences have continued to evolve towards smaller packages that offer the benefits of convenience, variety, portion control, and good value. We have also taken decisive actions in certain categories and geographies to elevate our focus on selling profitable volume,” CEO Ramon Laguarta shared on the earnings call. So, they don’t just want volume, they want profit – good idea. Efficiency will remain key, as the company continues to invest in all things digital. CFO Hugh Johnston discussed their progress on these efforts later in the call: “Investments we have made in advertising, digitalization, and go-to-market execution have helped drive growth across the portfolio... [we’re] leveraging technology to make our go-to-market systems more flexible and productive.” We agree – PepsiCo is demonstrating its ability to post topline growth towards the high-end of its long-term target range, and we expect the momentum to continue. Regardless of the inflation, we some know people who will continue to buy Cheetos.

## EARNINGS

*from John McGinn, Securities Analyst*

### AI Competition

The competition in AI continues to heat up, with some of the biggest tech names investing heavily in AI. Currently, top players like Amazon, Google, and Microsoft hold over \$300 billion in cash reserves, providing an opportunity to become significant beneficiaries in the rapidly growing AI market. Beyond AI investments, these companies are generating additional revenue

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by servicing AI workloads through their cloud segments. Amazon, Google, and Microsoft have heavily invested in AI startups such as Anthropic and OpenAI, with deals that include significant commitments by these startups to utilize the tech giants' cloud services. Amazon has invested up to \$4 billion in Anthropic, which, in turn, agreed to spend the same amount on Amazon Web Services. Google followed with a \$2 billion investment in Anthropic, after the startup committed to a \$3 billion expenditure on Google Cloud. Microsoft has invested \$13 billion into OpenAI, which also spends billions on Microsoft's cloud. Collectively, these investments approach nearly \$20 billion, with a substantial return in cloud revenue expected for the tech giants.

The most significant aspect of the synergy between Big Tech and emerging AI companies is that the former can recoup money from their investments while also benefiting from access to AI research and products. One of our most compelling positions is in Microsoft, with their 49% stake in OpenAI. This partnership has proved productive, as Microsoft gains access to OpenAI's large language models for their Office 365 products, while OpenAI continues to use Microsoft Azure as its exclusive cloud provider. Azure's revenue increased by 29% in the latest quarter compared to the same period last year, with AI spending contributing three percentage points to this growth. This implies that AI spending on Azure amounted to approximately \$400 million. We also hold Google in our equity strategies, which has recently reported a significant deal pipeline in their cloud segment related to AI. Additionally, there has been considerable volatility around slight surprises in the cloud segments of these big tech stocks throughout the earnings season, due to the cloud's large Total Addressable Market and the potential for building AI partnerships. We continue to monitor AI catalysts in the tech sector to identify attractive investment opportunities.

## CONVERTIBLES

*from Stan Rogers, Portfolio Manager*

Notable earnings/news reports:

**Dexcom (DXCM)**, which we wrote about adding to in the previous Research Bulletin, reported Q3 results that support our thesis that the GLP-1 drug phenomenon will not be detrimental to the use of continuous glucose monitoring devices. DXCM posted a beat and raise quarter. Revenues and earnings were above consensus, and the company raised expectations for the fiscal year. The company has momentum building, from new product launches and increasing penetration into Type-2 basal-only usage. Sales outside the US were very strong as well. The stock reacted favorably on these results.

**Enphase (ENPH)**, on the other hand, had a disappointing report. While earnings were slightly above estimates, revenues fell short, and more importantly the company lowered expectations for Q4. The company is taking the necessary steps to manage channel inventories. Customer demand is uncertain due to concerns on the economy and higher interest rates. We own the convertible bonds that mature in March of 2026, and is the next sizeable issue in their debt

structure (there are 2 smaller issues that mature prior). The company has over \$1.7 billion in cash, and the bonds held up quite well with the stock's weakness, as they are trading right on investment value.

**Parsons Corp. (PSN)** had another outstanding quarter. Q3 earnings and revenues were above estimates, and management raised expectations for FY23. In the quarter, the company had four contract wins of over \$100 million. The company continues to capitalize on increased global infrastructure spending and demand for national security solutions.

**Apollo Global Management (APO)** report of Q3 results were a mixed bag, but they were better than expected. Earnings were below estimates, while revenues were above. Fee-related earnings (FRE) and assets-under-management were both higher than street estimates. The company reported \$33 billion in inflows for the quarter. While the stock had been weak going into the results, APO rebounded nicely on the news.

Our online travel companies **Expedia (EXPE)** and **Booking (BKNG)** both reported solid quarterly results. Both beat on earnings and revenues and expressed optimism on leisure travel and the resiliency of the consumer. EXPE announced a \$5 billion stock buyback, and the stock reacted favorably to the results. The company's tech-stack integration and One Key program were highlighted as positives for growth in 2024. While the **BKNG** report was above guidance, the company made conservative comments on global travel (89% of revenue is from outside the US) that began in October with the Middle East conflict.

Finally, **Block (SQ)**, which has been an underperformer this year, announced Q3 results that were widely perceived as positive. Earnings and revenue were above expectations. Healthy revenue growth, improving operating margins, and solid inflows for CashApp should help drive valuation going forward.

Transactions for this period:

Approximately 1% was added to our position in **Microchip Technology (MCHP)** 0.125% convertible bond. Trading just a few points north of par, this bond matures in just over one year, so the downside is limited. With the sale of ON Semi recently, we wanted to maintain our allocation to the technology sector, and this quasi-IG bond provides exposure to a high-quality company in mixed-signal, application development systems, embedded control applications, and memory products. The company's products are used by more than 120,000 customers across most sectors and geographies.

## NANCY TENGLER'S RECENT MEDIA APPEARANCES

[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)  
[Tengler: Lululemon's Strong Demand From China Sets The Stock Apart](#) (August 31)  
[Tengler: Long Term Investment Themes From Nancy Tengler](#) (August 29)  
[Tengler: The Fed Is Closer To Being Done](#) (August 25)  
[Tengler: Tengler's Take On ULTA, AFRM, And GPS Stocks](#) (August 25)

## 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)

(Continued)

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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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INVESTMENTS

*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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**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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