RESEARCH BULLETIN

Nancy Tengler
Chief Investment Officer

LAFFER | TENGLER INVESTMENTS

January 30, 2024

Markets at a Glance (Index Prices as of 1/26/2024)

	Current Price	One Month Change	Year to Date Change
S&P 500	$4,890.9700	2.43%	2.54%
Dow Jones Industrial	$38,109.4300	1.50%	1.11%
MSCI World Index	$3,216.2300	1.69%	1.48%
Bloomberg US Aggregate Index	$359.4382	-2.41%	-2.41%
Bloomberg US Convert Bal TR	$2,133.9900	-0.97%	-1.19%
S&P Global Clean Energy	$889.4600	-10.29%	-10.56%

Source: FactSet and Bloomberg

Markets at a Glance (as of 1/26/2024)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	103.4570	1.98	2.05
Crude Oil WTI	$77.9800	3.38	9.32
Crude Oil Brent	$83.5500	3.14	8.39
Natural Gas	$2.7720	7.94	11.01
Gold	$2,018.7000	-1.88	-2.56
CBOE Silver	$22.9250	-5.03	-4.58
Copper	$385.4500	-0.96	-0.95
Platinum	$911.3000	-7.49	-8.36
Palladium	$961.4000	-15.75	-13.11
Corn	$446.5000	-7.08	-5.15
Wheat	$601.5000	-5.61	-4.33

Source: Bloomberg 1/26/2024

S&P 500

Previous Close	4,890.97
52 Week High	4,894.16
52 Week Low	3,855.76
Change (%)	-
1 Day	-0.07
1 Week	1.06
1 Month	2.43
3 Months	18.22
6 Months	7.10
YTD	2.54
1 Year	20.45
3 Year	27.05
5 Year	83.54
10 Year	173.20

Currency: U.S. Dollar | Performance data as of: 26 Jan '24

Source: FactSet

Dow Jones Industrial

Previous Close	38,109.43
52 Week High	38,109.43
52 Week Low	31,819.14
Change (%)	-
1 Day	0.16
1 Week	0.65
1 Month	1.50
3 Months	16.24
6 Months	7.29
YTD	1.11
1 Year	12.25
3 Year	23.18
5 Year	54.06
10 Year	140.00

Currency: U.S. Dollar | Performance data as of: 26 Jan '24

Source: FactSet

Russell 1000 Value

Previous Close	1,009.07
52 Week High	1,009.83
52 Week Low	874.15
Change (%)	-
1 Day	0.08
1 Week	1.23
1 Month	0.21
3 Months	13.81
6 Months	1.49
YTD	0.29
1 Year	4.23
3 Year	18.83
5 Year	40.65
10 Year	82.21

Currency: U.S. Dollar | Performance data as of: 26 Jan '24

Source: FactSet

Russell 1000 Growth

Previous Close	2,097.35
52 Week High	2,100.07
52 Week Low	1,489.75
Change (%)	-
1 Day	-0.13
1 Week	0.87
1 Month	3.71
3 Months	22.68
6 Months	12.09
YTD	3.94
1 Year	36.72
3 Year	26.57
5 Year	125.40
10 Year	277.04

Currency: U.S. Dollar | Performance data as of: 26 Jan '24

Source: FactSet

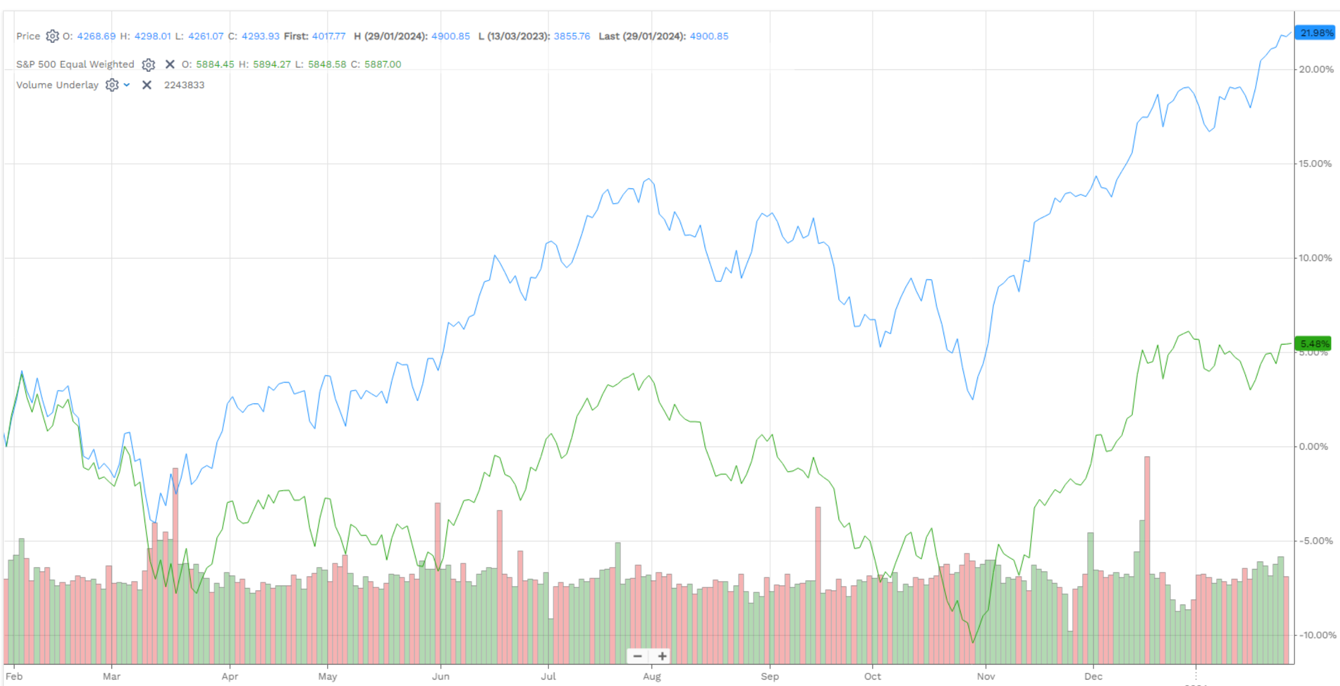
NASDAQ 100 Index

Previous Close	17,421.01
52 Week High	17,516.99
52 Week Low	11,830.28
Change (%)	-
1 Day	-0.55
1 Week	0.62
1 Month	3.21
3 Months	23.47
6 Months	12.40
YTD	3.54
1 Year	44.55
3 Year	29.14
5 Year	156.67
10 Year	391.91

Currency: U.S. Dollar | Performance data as of: 26 Jan '24

Source: FactSet

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



Source: FactSet

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

Below (in blue) are talking points I prepared for one of my media appearances. Thought they would be informative.

What are Nancy's thoughts on tech pushing the S&P 500 to a record close?

It is important to put last year's robust returns into context. When looked at over two years, the S&P 500 produced a total return of 3.4%, the NASDAQ composite is *down –2.4%* and the DJIA is up 8.2%. This is hardly a frothy market. Following previous bear markets, the average gain in the following two years is approximately 60%. When measured from the October 2022 lows, the S&P is up 32%. This bodes well for stock returns in 2024 (though we may have to wait until the back half of the year).

Earnings growth is on the mend—projected to come in between 10-12%--even as economic growth is expected to slow. The bears suggest that a slowing economy will reduce company pricing power and, therefore, earnings. They forget about corporate leverage. Earnings have outgrown nominal GDP by more than 55% since 1980. But they are, it should be noted, notoriously more volatile.

What should investors expect as we get closer to tech earnings? If recent history is any guide the stocks will rally into earnings, retreat on good news and then work their way back up. We would use weakness to add to the names we hold in our 12 best ideas portfolio: PANW, MSFT, NOW, AMZN, AVGO among others.

Why Technology stocks can continue to perform—they are the new defensive names. For at least the third time in the last three years strategists and commentators have declared the end to the tech trade. While we have said repeatedly all tech stocks are not created equal (in other words some segments of tech are strategically stronger than others) we have also advocated our theme of buying old economy companies who are pivoting to digital, cloud

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.

computing and generative AI technologies *and* the suppliers of the picks and shovels needed to succeed.

Tech margins remain impervious. And, although the forward p/e for tech is 7 points higher than the S&P 500 it remains at the low end of range over the past decade. Revenues, earnings and margins are growing much faster than the rest of the market and the secular tailwind behind cloud computing and generative AI should be respected.

	Market Cap Weighting		Operating Margins			
	Current (%)	2014-2019 Average (%)	Current (%)	2014-2019 Average (%)	March 2020 (%)	Change From March 2020 To Current (% Pts)
Big Tech*	24.9	13.7	28.9	24.5	24.2	4.7
S&P 500 ex. Big Tech*	75.1	86.3	8.5	10.6	10.5	-2
S&P 500			13.5	12.9	13.4	0.1

*Apple, Microsoft, Google, Amazon, Nvidia and Meta; source: Bloomberg Finance L.P.

Source: Alpine Macro, December 28, 2023

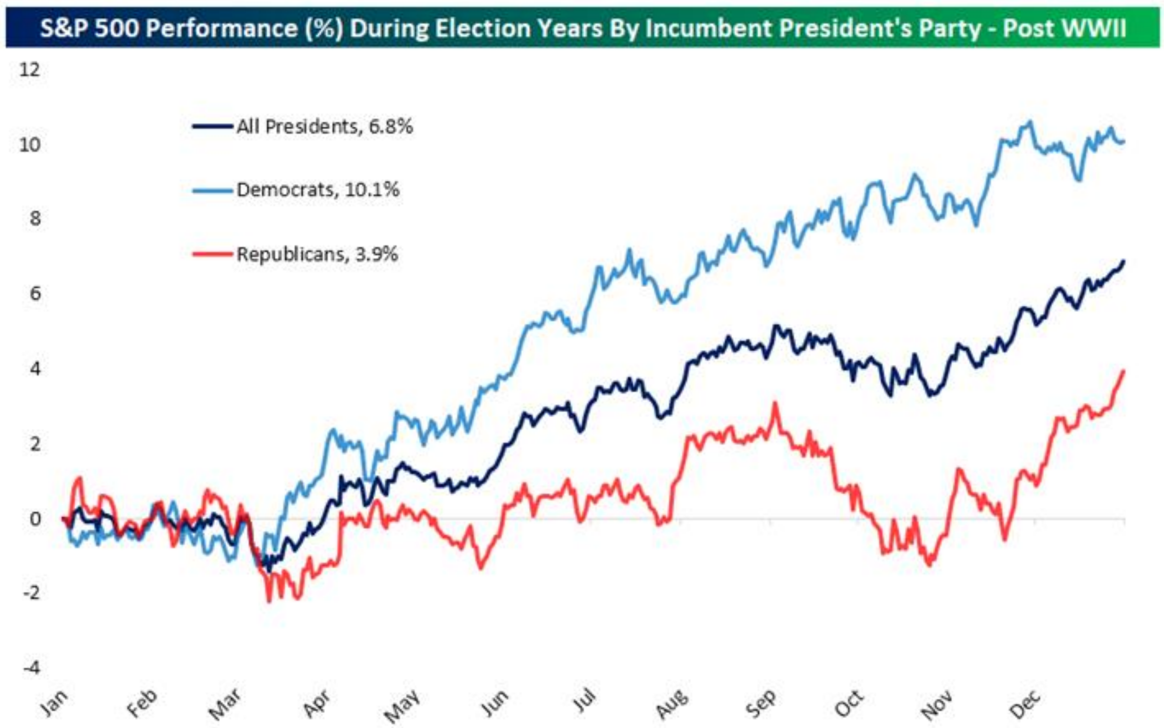
Technology spending is 50% of capital spending and seems increasingly less interest-rate sensitive. Add to that when labor is tight, companies spend on technology to increase productivity. We have further argued that this market and economy are analogous to the 1990s when we were not only alive but managing billions of dollars. Above trend inflation, geopolitical shock, higher than current interest rates on the 10-year, a labor shortage, an inverted yield curve, a soft landing and improving productivity as well as share buybacks (see below) were hallmarks of the 90s. So were robust stock returns. North of 400% returns for the DJIA and S&P 500 and greater than 800% cumulative return for the NASDAQ were realized during the 1990s.

Fortress balance sheets. According to *The Wall Street Journal,* Amazon and Alphabet enjoy a combined $180 billion in cash. *Investor's Business Daily* reports that the 13 non-financial companies in the S&P are sitting on cash and investments of more than $1 trillion. Most of these companies are technology companies with Microsoft holding the largest cash pile of $136.6 billion. Never mind the free cash flow these companies produce. AMZN is set to grow FCF by 66% in 2024 and earnings per share by 36%.

In a slowing economy growing earnings and free cash flow plus a strong balance sheet collecting high levels of interest are the best defense.

Does she expect stocks to pullback after this week's run? We could rally a bit more but then we think you get choppiness through Q1. Typical pattern for election years past. But we also have the tug of war between the Fed and markets. We think rates could go higher from here before they begin a march down. Earnings will also draw a line between great companies and the indices. But what will put a floor under the market is **share buybacks.**

Averages belie the exception. But the chart below is interesting, nonetheless. For many reasons including the typical SPX performance in election years, we expect stocks to be volatile in Q1. Jitters around Fed action may keep investors on the sidelines but as we have suggested many times, expect share buybacks to put a floor under stocks—especially large caps.



Source: Bespoke, January 26, 2024

Gee Whiz Factoids:

Earnings: 124 companies have reported so far and 108 will report this week including many of the tech behemoths. 71% have beat earnings estimates by a median of 7%. On the top line 68% of companies have beat by a median of 2%.

Hedge fund returns worth 2% and 20%? We have long argued "no" due to lagging returns. For over a decade, actually. 2023 was no exception. According to Barron's the average fund in the multi-strategy hedge fund class returned 5.4% vs. 26% for the S&P 500.

CHINA – GRASPING AT STRAWS

from Arthur B. Laffer Jr. President & Senior Portfolio Manager

In the latest move to prop up a flailing stock market and economy, China policy makers just announced measures to limit short selling of Chinese stocks. Additionally, increased restrictions on securities lending will start in March in an attempt to limit the borrowing of Chinese stocks and curb leverage.

Regulators are coming under increasing pressure to halt the stock sell-off, which has been fueled by uncertainty over the country's economic growth prospects.

The CSI 300 fell 11% in 2023, its 3rd consecutive year of decline. The Hang Seng index, where many of China's biggest companies are dual listed, fell 14% over the same period, its 4th consecutive annual drop.

This latest regulatory move marks an escalation from using informal market curbs to try and stem stock market outflows since October. Regulators have been issuing private instructions — known as "window guidance" — to some investors, preventing them from being net sellers of equities on certain days.

Additionally, Chinese authorities have tightened capital outflow movements by limiting access to funds that invest in offshore securities.

In order to spur decades low economic growth figures, China's central bank will next month cut the amount of reserves banks must maintain, a move that is part of efforts to boost growth as investors sour on the outlook for the world's second-largest economy.

The 0.5 % cut to the People's Bank of China ("PBoC") reserve requirement ratio, announced by PBoC, will inject $140 billion of liquidity into the financial system.

This announcement follows a brutal sell-off in Chinese stocks this month on investor concerns over the outlook for economic growth and corporate earnings.

Chief among the root causes of the stock rout is the continued failing real estate sector. Chinese investors, local governments and the central government are heavily exposed to real estate prices and construction activity. Just this week, a Hong Kong court ordered China Evergrande, once the country's largest builder by sales, to be liquidated. The effect will spread far beyond Evergrande's creditors.

The sheer number of Evergrande homes that still require construction work to be completed may simply push other developers to the back of the line for any government support. As the number of delayed, pre-sold homes surge, homebuyer sentiment and demand can only suffer.

Moreover, Evergrande's break-up sets a precedent for struggling peers. Investors have clung to hopes of a bailout for years, as the rollercoaster ride in local developers' share prices reveals. Stock prices have surged following each speculative local media report of a looming government bailout, only to crash days later.

Evergrande on its own may not pose an immediate systemic threat to China's financial system but it's not alone. Country Garden, another major player, is in a similar situation having missed bond interest payments in late December. But the repercussions for China's shadow banking system — non-bank financial institutions that lend to higher-risk industries does look serious. Zhongzhi, one of the biggest private lenders, filed for bankruptcy earlier this month. As smaller peers follow suit, investors should assume the looming fallout throughout Chinese asset markets will persist.

EARNINGS

from Jamie Meyers, CFA®, Senior Securities Analyst

RTX Corp. (ticker: RTX) reported strong fourth quarter results last week, with 10% organic sales growth and adjusted EPS of $1.29, 4% ahead of consensus. However, the company lowered its 2020-2025 estimates and is now forecasting sales growth of 5.5 – 6% (down from 6 – 7%) and segment margin expansion of 500 – 550 basis points (down from 550 – 650). All this comes as the company grapples with ongoing challenges in its GTF fleet due to a rare condition in powder metal used to manufacture certain engine parts. Repair plans remain on track from October, as the company is now shipping new metal for each new engine, but it will continue to ship old metal for aftermarket blades through 2024. We are encouraged by this execution, as management seemed more confident in its fleet management plan than it did during the third quarter call. As pending CEO Chris Calio takes the reins in May (he is currently COO), we will be watching RTX Corp's ability to deliver on its free cash flow cadence in 2024, its assumptions around payments to airlines for grounded aircraft, and, as the company produces missiles, we will also be monitoring defense budgets and geopolitics.

Lam Research (ticker: LRCX) posted solid second quarter results last week, beating sales, earnings, and gross margin expectations by 110, 150, and 60 basis points respectively, as the company benefited from a "stable" China, robust NAND spending, and technology upgrades. Looking forward, as memory markets begin to recover later this year, Lam anticipates growing faster than the recovery due to its massive installed base (90,000 strong, up 50% since 2019). Overall guidance was consistent with expectations, and the company sees all segments growing, driven by the start of a memory recovery and stronger leading-edge Foundry/Logic spending. As such, we remain steadfast and invested ahead of the anticipated recoveries in Lam's end-markets.

EARNINGS

from John McGinn, Securities Analyst

We recently added Vertex Pharmaceuticals (VRTX) to our Equity Growth Strategy, focusing on the healthcare sector. Vertex has shown impressive growth in Europe, with a revenue compounded annual growth rate of over 43% for the last 3 years thanks to its cystic fibrosis treatments like Trikafta and Kaftrio, which are now approved for younger patients. The future of Vertex's CF revenue will be catalyzed by new treatments like Vanza Triple, which is expected to be more effective than their existing cystic fibrosis portfolio. Vertex is not only dominating cystic fibrosis, but the company is making strides in other medical areas too. Vertex is developing VX-548, a promising nonaddictive pain medication that could be an alternative to opioids, with critical trials coming up this quarter. This could significantly change how pain is treated with a large total addressable market that could help in the fight against the opioid crisis. The company is also researching treatments for other diseases like sickle cell disease, beta-thalassemia, and type I diabetes, with promising early results. For example, their gene-editing treatment Casgevy (exa-cel) has already been approved in both the US and UK, demonstrating better efficacy and cost-effectiveness compared to some of their closest competitors in the space. Vertex stands out in the biotech field with high operating margins and efficient use of cash for research and development. Its low correlation with the broader market, reflected in a beta below 0.75, offers diversification and risk reduction as the company's capital appreciation largely hinges on the success of its numerous ongoing clinical trials.

EARNINGS

from Alex Van Iderstine, CFA®, Investment Analyst Associate

McCormick & Co. (MKC), beat Q4 consensus estimates for EPS by 8% driven by strong increases in both gross and operating margins. However, sales for Q4 fell short of consensus estimates as volume declines in some of their major geographies were greater than anticipated. MKC raised its quarterly dividend by 8%, making that the 38th consecutive increase. 2024 guidance for EPS was in line with analyst estimates, while MKC's sales guidance was on the low end of the range analysts were looking for. MKC's new CEO, Brendan Foley, portrayed 2023 as "moving in the right direction" with margin expansion, improvements in cash flow, and deleveraging ahead of schedule. Foley outlined 2024 as an "important year of investments." In 1H of 2024, MKC is expected to increase brand marketing spend, dedicating more resources to drive volume growth and gain market share in key categories. The hope is for volume to reaccelerate in 1H followed by strong volume and profit growth in 2H 2024. In summary, Foley has laid the groundwork to advance MKC in his first full year as CEO, back to a global leader in flavor. Shares closed up 4.3% in the US following their earnings report on 1/25/24.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

Here at Laffer Tengler Investments, we are always looking ahead for portfolio shifting and new ideas. Some names in the portfolio become stale, while others may be exited due to maturities, or the fundamental equity story has run its course or deteriorated. Over the next few weeks, our positions in **Western Digital (WDC)** 1.5% convertible bond **and AES Corp. (AES)** 6.875% mandatory convertible preferred will mature. There is a plethora of names issued early last year as 144a that will become registered, which we are currently looking into as candidates for the portfolio. Also, the new issue calendar should provide new opportunities. Over the last ten years, the first quarter of each year has averaged 28 new deals for an average of $14.4 billion in proceeds (Barclays). The primary market in January is generally light, as companies are in their quiet period during earnings season, but picks up as the quarter progresses. Activity in mergers and acquisitions are projected to regain some momentum this year since the Fed seems to be done with their interest rate hikes, and often acquiring companies will utilize convertibles (especially mandatory convertible preferred stocks) when financing an acquisition.

Notable earnings/news reports:

Southwest Airlines (LUV) reported a solid Q4. Earnings and revenue were above expectations. Management commented on unit costs pressures from the new pilot's labor agreement and aircraft maintenance but will counter those with "strategic initiatives and already actioned network adjustments". The company is tightening its capacity in order to raise fares so revenue momentum can offset cost pressures. LUV also announced that it will not begin flying the Boeing 737 Max 7 this year as the plane awaits certification from federal safety inspectors and cut the planned number of aircraft deliveries from 85 to 79.

Transactions for this period:

None for this period.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

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)

Tengler On Disney's Board Election (December 5)

Tengler Joins Forbes On Fox Business (November 16)

Tengler: You Need Tech In Your Portfolio (November 14)

Tengler: This Market Is Analogous To The 1990s (November 11)

Tengler: A Lot Of The Fed Chairman's Policies Have Been Wrong (November 9)

Tengler: We Rally Into The End Of The Year November 8)

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

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

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

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

ARTHUR LAFFER, JR. RECENT MEDIA APPEARANCES

Unpacking The Latest Fed, Stock Market Moves With Arthur Laffer Jr. (July 5, 2023)

Arthur Laffer Jr. For Barron's: Fed Minutes Come Tomorrow. Here's What To Watch (May 23, 2023)

Arthur Laffer Jr. Comments on Fox Business; ETF's To Play Around The Debt Default Risk (May 18, 2023)

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

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

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

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

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)

COMPLETED ANALYSIS ITEM(s) FOR PORTFOLIO COMPANIES

Southern Company (SO)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
Anglo Americal Plc ADR (NGLOY)
Vale S.A. Sponsored ADR (VALE)
First Quantum Minerals Ltd. (FQVLF)
Southern Copper Corporation (SCCO)
Reliance Steel & Aluminum Co. (RS)
Cleveland-Cliffs Inc. (CLF)
Wheaton Precious Metals Corp. (WPM)
Pan American Silver Corp. (PAAS)
Turquoise Hill Resources Ltd. (TRQ)
Parsons Corp. (PSN) – convertible
Zillow Group, Inc. (Z)
VICI Properties (VICI)
MasTec, Inc. (MTZ)
Blackstone Mortgage Trust (BXMT) convertibles
Teck Resources Limited Class B (TECK)
Quanta Services, Inc. (PWR)
Martin Marietta Materials, Inc. (MLM)
BioMarin Pharmaceutical (BMRN) – convert.
KKR Real Estate Finance Trust Inc. (KREF)
Devon Energy Corporation (DVN)
Camden Property Trust (CPT)
Aflac Incorporated (AFL)
Aptiv PLC (APTV) – convertible
Life Storage (LSI)
Prologis, Inc. (PLD)
Tractor Supply Co. (TSCO)
Newmont Corp. (NEM)
Dollar General (DG)
Tyler Technologies (TYL)
Prospect Capital (PSEC)
Algonquin Power and Utilities (AQN)
Bentley Systems (BSY)
Jazz Pharmaceuticals (JAZZ)
Energy Transfer, LP (ET)
Blackstone, Inc. (BX)
Spotify Technology (SPOT)
MetLife, Inc. (MET)
Expedia Group, Inc (EXPE)
Tesla, Inc. (TSLA)
NRG Energy, Inc. (NRG)
MPLX LP (MPLX)
Merck & Co., Inc. (MRK)
Halozyme Therapeutics, Inc. (HALO)
NXP Semiconductors NV (NXPI)
First Solar, Inc (FSLR)
NICE Ltd. Sponsored ADR (NICE)
Microchip Technology Incorporated (MCHP)
Enphase Energy, Inc. (ENPH)
Starwood Property Trust, Inc. (STWD)
Uber Technologies, Inc. (UBER)

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.

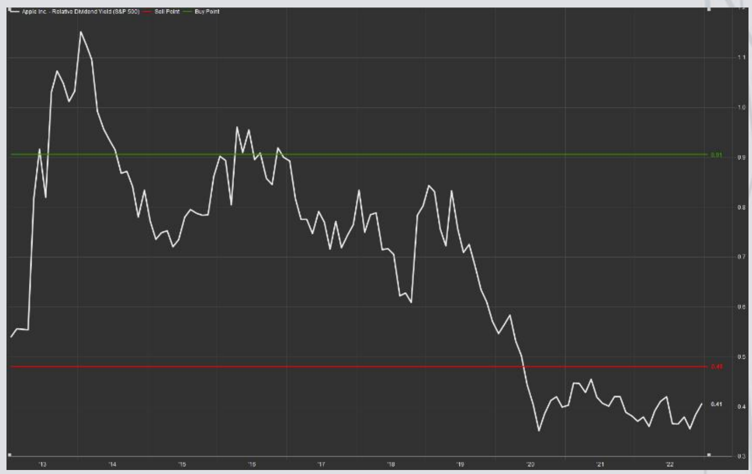
A case in point: The Wall Street Journal (Thursday, February 25, 2016) reported that according to FactSet, pro forma earnings for S&P 500 companies rose 0.4% in 2015. Using generally accepted accounting principles or GAAP, earnings per share actually fell 12.7% in 2015 (this according to S&P Dow Jones 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)

THE LAFFER TENGLER INVESTMENTS DISCIPLINE

- 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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- **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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