RESEARCH BULLETIN

Nancy Tengler
Chief Investment Officer

LAFFER | TENGLER
INVESTMENTS

April 24, 2024

## Markets at a Glance (Index Prices as of 4/19/2024)

| | Current Price | One Month Change | Year to Date Change |
|---|---|---|---|
| S&P 500 | $4,967.2300 | -4.08 | 4.14 |
| Dow Jones Industrial | $37,986.4000 | -2.87 | 0.79 |
| MSCI World Index | $3,255.6200 | -4.06 | 2.73 |
| Bloomberg US Convert Bal TR | $350.8602 | -2.59 | -4.84 |
| Bloomberg US Aggregate Index | $2,094.6700 | -1.58 | -3.11 |
| S&P Global Clean Energy | $832.5200 | -2.82 | -16.73 |

*Source: FactSet and Bloomberg*

## Markets at a Glance (as of 4/19/2024)

| Values | Current Price | One Month Change | Year to Date Change |
|---|---|---|---|
| Dollar Spot Index (DXY) | 106.1290 | 2.23 | 4.69 |
| Crude Oil WTI | $83.2600 | 0.07 | 16.73 |
| Crude Oil Brent | $87.1800 | -0.06 | 13.10 |
| Natural Gas | $1.7600 | 0.69 | -29.52 |
| Gold | $2,399.8000 | 11.06 | 15.83 |
| CBOE Silver | $28.7150 | 15.11 | 19.52 |
| Copper | $449.0500 | 10.82 | 15.39 |
| Platinum | $934.1000 | 3.99 | -6.06 |
| Palladium | $1,032.0000 | -4.44 | -6.69 |
| Corn | $433.5000 | -1.31 | -7.91 |
| Wheat | $551.0000 | -0.45 | -12.37 |

*Source: Bloomberg 4/19/2024*

## S&P 500


| | |
|---|---|
| Previous Close | 4,967.23 |
| 52 Week High | 5,254.35 |
| 52 Week Low | 4,055.99 |
| Change (%) | - |
| 1 Day | -0.88 |
| 1 Week | -3.05 |
| 1 Month | -4.08 |
| 3 Months | 2.63 |
| 6 Months | 16.11 |
| YTD | 4.14 |
| 1 Year | 19.56 |
| 3 Year | 19.31 |
| 5 Year | 70.99 |
| 10 Year | 166.36 |

Currency: U.S. Dollar | Performance data as of: 19 Apr '24

*Source: FactSet*

## Dow Jones Industrial


| | |
|---|---|
| Previous Close | 37,986.40 |
| 52 Week High | 39,807.37 |
| 52 Week Low | 32,417.59 |
| Change (%) | - |
| 1 Day | 0.56 |
| 1 Week | 0.01 |
| 1 Month | -2.87 |
| 3 Months | 0.32 |
| 6 Months | 13.68 |
| YTD | 0.79 |
| 1 Year | 12.06 |
| 3 Year | 11.47 |
| 5 Year | 43.02 |
| 10 Year | 131.50 |

Currency: U.S. Dollar | Performance data as of: 19 Apr '24

*Source: FactSet*



*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.*

***www.laffertengler.com***

## Russell 1000 Value


| | |
|---|---|
| Previous Close | 1,037.45 |
| 52 Week High | 1,090.45 |
| 52 Week Low | 874.15 |
| Change (%) | - |
| 1 Day | 0.61 |
| 1 Week | -0.72 |
| 1 Month | -2.27 |
| 3 Months | 4.08 |
| 6 Months | 14.44 |
| YTD | 3.11 |
| 1 Year | 9.88 |
| 3 Year | 9.20 |
| 5 Year | 35.38 |
| 10 Year | 77.12 |

Currency: U.S. Dollar | Performance data as of: 19 Apr '24

*Source: FactSet*

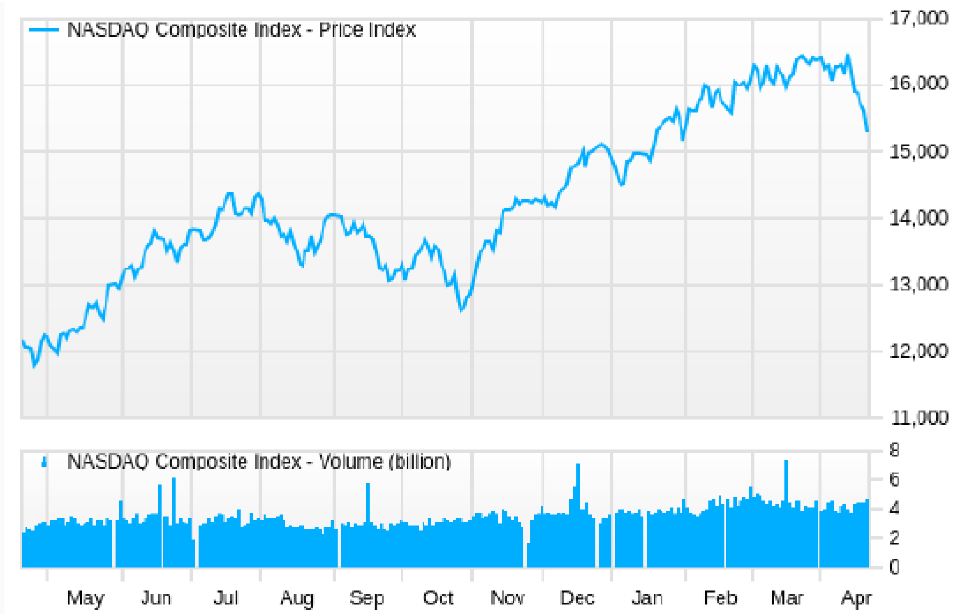
## Russell 1000 Growth


| | |
|---|---|
| Previous Close | 2,105.41 |
| 52 Week High | 2,257.43 |
| 52 Week Low | 1,592.35 |
| Change (%) | - |
| 1 Day | -1.96 |
| 1 Week | -4.94 |
| 1 Month | -5.55 |
| 3 Months | 1.26 |
| 6 Months | 17.88 |
| YTD | 4.34 |
| 1 Year | 29.04 |
| 3 Year | 22.02 |
| 5 Year | 103.49 |
| 10 Year | 269.69 |

Currency: U.S. Dollar | Performance data as of: 19 Apr '24

*Source: FactSet*

## NASDAQ Composite Index

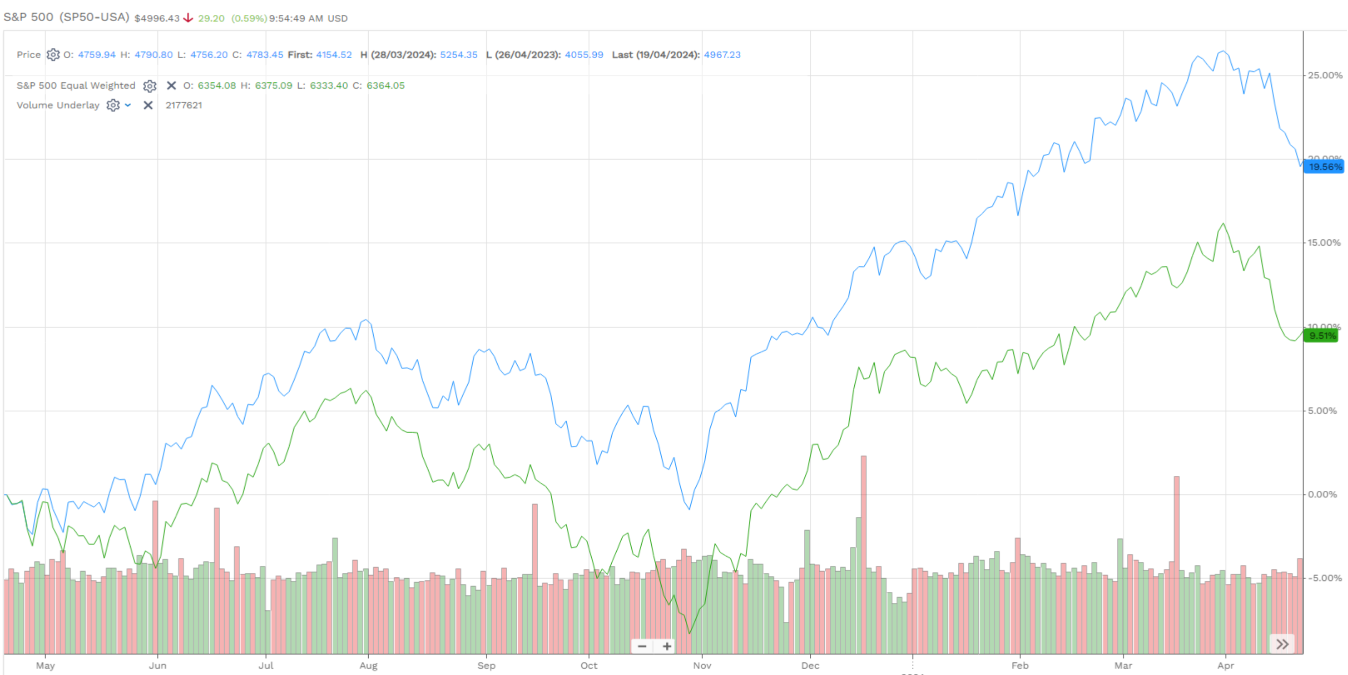



| | |
|---|---|
| Previous Close | 15,282.01 |
| 52 Week High | 16,442.20 |
| 52 Week Low | 11,799.16 |
| Change (%) | - |
| 1 Day | -2.05 |
| 1 Week | -5.52 |
| 1 Month | -5.47 |
| 3 Months | -0.19 |
| 6 Months | 15.89 |
| YTD | 1.80 |
| 1 Year | 25.70 |
| 3 Year | 9.83 |
| 5 Year | 91.07 |
| 10 Year | 273.14 |

Currency: U.S. Dollar | Performance data as of: 19 Apr '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*

Don't Mistake "Data Dependent" with Discipline
*Arthur B. Laffer, Jr.*

It gives me no pleasure but, in my 40+ years as an investment professional, I cannot recall a more hapless and dissatisfactory Fed Chairman. Jerome Powell's flipflops are too many to count and they come with breathtaking rapidity. It was not too many weeks ago when central-bank officials believed they would be able to reduce interest rates several times beginning mid-year 2024. And as early as the end of March when stocks were hitting all-time highs, Powell said he thought "financial conditions are weighing on the economy." Huh?

When you rely on backward looking data that is subject to significant revisions, you guarantee you will always be behind the real story of where the economy is going. As the great Wayne Gretzky said, "Skate to where the puck is going, not where it has been." But the Fed in their collective wisdom declared "data dependence" in Jackson Hole in 2020. And the rest is history. Skating to where the puck has been will continue to result in Fed Flipflops, so flipflop to your heart's content dear Chairman.

The Federal Reserve employs over 400 Ph.D. economists, yet the committee presumably shifted to "data dependence" to get out of the fraught estimation business. But to this observer, visibility has evaporated, and policy volatility has increased, obviously not the intended consequence. Perhaps this is what prompted Joseph C. Sternberg to opine in *The Wall Street Journal* **"Why Is the Federal Reserve Always Surprised by Inflation?"** Sternberg's conclusion? The Fed's primary model of the economy which is based on 500 variables plugged into 170 equations does not "adequately account for the effects of fiscal policy." The Federal Government has spent "$10 trillion in cumulative deficit spending since the start of 2020" and as we have written since July of 2021 in **Mr. Magoo's Washington** and **Mr. Magoo's Washington Redux,** profligate fiscal spending fanned (and continues to fan) the flames of inflation, turning a controlled burn into an inflation wildfire. The rate of change (Wall Street's focus) has indeed come down significantly from over 9.0% to the 3.0% range (depending on your chosen metric) but sticky inflation remains elevated—over 4.5%—and cumulative price increases have risen on average 20% since 2020 (the average American's focus). Deficit spending continues.

Final word on the Fed: as Sternberg observes, "one of the things that makes the Fed's broken economic models so embarrassing is that the central bank keeps talking about them." Oh, how I long for the good old days when the Fed kept its collective mouth zipped and we were left parsing comments from Chairman Greenspan like the following: *"I know you think you understand what you thought I said, but I am not sure you realize that what you heard is not what I meant."* Now that is Fed speak for the ages!

**Focus on earnings and earnings are telegraphing a slowdown…so far. This week is critical.**

The theme so far for Q1 earnings is a beat on earnings, slowing revenues and reduced guidance. The industrials so far have been disappointing. Consistent with a slowing economy and a soft landing.

- **FAST (Fastenal)** missed on revenues and eps and reported fastener sales down -4.0% year over year with prices decelerating at a rapid pace. Fastener sales are a close reflection of manufacturing and construction. This on the heels of increased onshoring and the manufacturing PMI hitting expansionary territory for the first time in years.
- **SNA (Snap-On)** also missed big on sales but beat on eps. The share price was punished.
- **PLD (Prologis)** (an industrial REIT) trimmed guidance on macro impacts—high interest rates, increased supply—pushing vacancies up.
- Last night **CDNS (Cadence Design Systems)** disappointed, **TSM (Taiwan Semiconductor Manufacturing)** gave cautious guidance. **PG (Proctor & Gamble)** raised prices to support earnings, but volumes were down. **PEP (PepsiCo)** is facing the same fate. We are watching.

If the economy is slowing that may be good news for Fed watchers. We continue to rely on our 1990s analogy which we have written about extensively for over a year. Despite higher levels of inflation (on average 3.0% during the decade) and a ten-year which averaged 5.0%-7.0%, geopolitical shock and a war, a labor shortage, an inverted yield curve, soft landing for the economy and productivity improvements which allowed the economy to grow at a nice, non-inflationary clip, stocks enjoyed enviable returns. The Fed raised rates aggressively in 1994, cut three times in 1995, then let it ride.

All of this reinforces our (currently unpopular) view that investors should focus on reliable earners like technology and consumer discretionary (LTI is also overweight in industrials and energy). We added to the names in the fall of 2022 when the market had written off technology for dead. And, again in 2023. That has worked out well.

Large, profitable technology companies, for example, are beneficiaries of higher interest rates. Just take a gander at their balance sheets. In 2023 interest and investment income rose threefold to $1.6B for META, GOOGL's haul increased 78% to $3.9B. AAPL, META, AMZN, MSFT and GOOGL held 23% of aggregate corporate cash among S&P 500 companies. Meanwhile, their corporate debt has declined. These are the new defensive companies in our view.

And despite handwringing over valuations, we are not in euphoria territory. See the following table from our friends at Alpine Macro. And note the yield on the 10-year during the periods featured.

| Magnificent 7 | Forward P/E | Tech's Four Horsemen | March 2000 P/E | Nifty Fifty | 1972 P/E |
|---|---|---|---|---|---|
| Meta | 24 | Intel | 41 | Coca-Cola | 46 |
| Amazon | 36 | Cisco | 100 | McDonalds | 71 |
| Apple | 26 | Dell | 57 | Texas Instrument | 40 |
| Google | 21 | Microsoft | 51 | IBM | 36 |
| Microsoft | 34 | | | Xerox | 46 |
| Nvidia | 35 | | | Polaroid | 95 |
| Tesla | 61 | | | | |
| **S&P 500** | **21** | **S&P 500** | **28** | **S&P 500** | **19** |
| **10-Year Treasury Yield** | **4.6%** | **10-Year Treasury Yield** | **6.2%** | **10-Year Treasury Yield** | **6.5%** |

*Source: Alpine Macro, April 17, 2024*

**Labor market may be softening. Full-time jobs are down 284K year over year in March.** And the average work week is down, part-time jobs are up, wages are rolling over and real wages are below pre-pandemic levels. ISM services and manufacturing employment is still contractionary. Many put great hope in the JOLTS which shows 8.8MM in job openings but the survey, like so many, is flawed, with a response rate that has dropped from 75% to 35%. We are watching. So far, consumer spending remains intact.

**What does all this mean?** We are using weakness to add to high quality names. We reiterate our investing theme of old economy companies embracing this new industrial revolution of digitization, generative AI cloud computing and the suppliers of the picks and shovels.

## EARNINGS

*from Jamie Meyers, CFA®, Senior Securities Analyst*

Conflicting Signals

Earnings season is officially underway, and conflicting signals abound – not just from the Fed, but also from banks (and others across the board). On the one hand, deal activity is picking up, and the economy remains strong. On the other hand, people are still proceeding with caution, and commercial banking remains a little weak. We saw this in the bifurcation of bank earnings last week – JPMorgan Chase vs. Goldman Sachs.

**JPMorgan Chase (JPM)** reported numbers in line with consensus estimates, but Dimon and company continued to flash warning signs on the economy. Despite those signals, the CEO insisted the company is prepared for any environment – the bank has a lot of excess capital (which Dimon called "earnings in store"), and if things go south, JPMorgan will be ready to participate in fire sales (ala Bear Stearns and First Republic). Looking forward, the bank sees headwinds for net interest margin (NII) – the spread between what it makes from and what it pays on its deposits. CFO Jeremy Barnum explained, "In a world where we've got something like $900 billion of deposits paying effectively zero, relatively small changes in the product level reprice can change the NII run rate by a lot." In other words, customers are tuning into the negligible rates offered by plain vanilla savings and checking accounts, and are moving money to higher-yielding investments (that are less profitable for the bank).

**Goldman Sachs (GS)** offered a more upbeat tone, and knocked the lights out of consensus numbers, as the epitome of white shoe banks got back to basics – institutional deal making (versus recent unsuccessful commercial endeavors – keep in mind, Goldman only became a bank holding company, regulated by the Federal Reserve, so it could receive much-needed aid in September 2008). Moreover, CEO David Soloman remains "constructive" on the health of the U.S. economy, as M&A activity picked up, and more and more private wealth clients are turning to, well, *private* investments (credit and equity). However, when asked about the massive global expansion of private equity/credit in recent years, Soloman had this to say: "I do think it's important to highlight that we've not been through a credit cycle in a very long time… how those platforms and those businesses will respond when we do go through a credit cycle… is a little bit unclear at the moment." Despite this one-off comment of caution, the stock ended the day up 3%.

We will continue to monitor, cross-reference, and examine the varying factors that might truncate our upward trajectory. As of the time of this writing, only 13% of S&P 500 companies have reported – we're getting the popcorn ready. And as always, we will continue teasing the trends to find signals through the noise.

## EARNINGS

*from Alex Van Iderstine, CFA®, Securities Analyst*

**Procter & Gamble Company (PG)** reported 3rd quarter earnings last week, beating consensus estimates for EPS by nearly 8% *($1.52 actual vs $1.42 consensus)* largely due to strong gross margin performance led by productivity savings. Revenue of $20.2 billion was in line with consensus, even with organic sales growth coming in slightly below what consensus was looking for *(3% actual vs 3.6% consensus).* Despite continued price hikes during the quarter, PG reported that 8 out of 10 categories for its branded household and personal-care products either increased or held its respective global market share. Given the strong results PG has delivered in the first three quarters, management reiterated its organic sales growth guidance for the full year and raised core EPS outlook to +10-11% (previously +8-9%). The company announced a 7% increase to its annual dividend, marking the 68th consecutive annual dividend increase and the 134th consecutive year PG has paid a dividend.

## EARNINGS

*from Tayo Adeyi, Securities Analyst*

**Blackrock Inc. (BLK)** released impressive 1st quarter 2024 earnings, supported by organic growth in fees, capital appreciation, and technology services. Revenue was up 11.4% year-over-year, recording a surprise of 121% growth in performance fees from alternative asset classes. Asset under management currently stands at $10.5 trillion, growing by 15% year-over-year and 3.9% quarter-over-quarter. Management laid emphasis on the need to make private asset investments accessible to investors and touched on the acquisition of GIP (Global Infrastructure Partners) that is expected to be closed in 3rd quarter 2024. The acquisition is expected to create a market-leading, multi-asset class infrastructure investing platform that strengthens deal flow and co-investment opportunities, with combined assets under management of about $150 billion. BLK looks to be well positioned to lead the market in offering private assets.

**American Express Co. (AXP)** released impressive results with 10.6% revenue growth year-over-year, closing the quarter at $15.8 billion, supported by a 7% increase in overall spending from customers. The international business recorded double-digit growth of 13% in spending despite the strengthening of the dollar. Spending remains resilient in the international market, and it is not surprising that management has decided to invest more in that space. According to management, “We are also investing, everything else being equal, proportionally a bit more in international”. With new card acquisitions for the period at 3.4 million, AXP continues to attract high spending, high credit quality customers to the business, with fee-based product accounting for approximately 70% of the new account acquisitions globally. Guidance for the full year 2024 implies 9%-11% growth in revenue and 13%-17% growth in earnings per share. The company will be holding an Investors Day on the 29th of April to discuss strategic imperatives for the business.

## CONVERTIBLES

*from Stan Rogers, Portfolio Manager*

Notable earnings/news reports:

None

Transactions for this period:

We exited our position in **Enphase (ENPH)** 0% convertible bond. With the rise in interest rates, it makes financing solar installations more expensive. Coupled with a difficult regulatory environment that diminishes the incentives for solar power, the stock has been exceptionally weak recently. The bond held up due to the perceived credit quality, but because of the bond outperforming the common stock is that the conversion premium widened, and the delta came in. With very little equity sensitivity and no current income due to the 0% coupon, we decided to sell our position and will look to flow those funds into a more attractive alternative.

Proceeds from the **ENPH** sell were reallocated to an initiation of a 2.5% weighting in **Duke Energy (DUK)** 4.125% convertible bond. While we did not pick up much in terms of delta (they both trade with a mid-20s delta) we did pick up an investment grade rating and improved the current yield on the portfolio. ENPH was a 0% coupon, while the DUK had a current yield of 4.20% at purchase. The DUK is a $1.725 billion issue that came to market back in April of 2023 as a 144a security, and it recently became registered. The bond matures on April 15, 2026. With the short maturity and high coupon, bond floor is just below par, so downside is limited. And with a two-year maturity, there is upside potential from moves in the common, especially if the Fed eventually begins to lower interest rates. Duke Energy is an integrated electric and natural gas utility serving gas and electricity customers in North Carolina, South Carolina, Tennessee, Indiana, Ohio, and Kentucky.

## 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)

# 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)*

# 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)

THE LAFFER TENGLER INVESTMENTS DISCIPLINE

**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:**

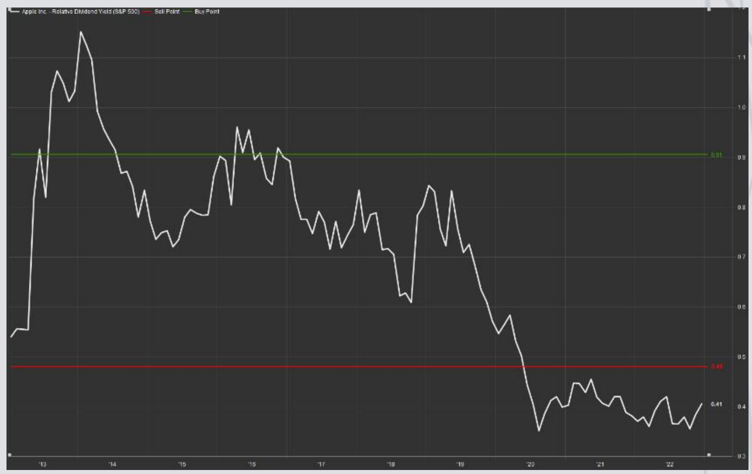
Earnings reported by corporations have always been subject to the vagaries of accounting gimmickry. You don't have to be a novice to scratch your head at the way managements (or governments for that matter!) account for various items.

*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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