RESEARCH BULLETIN

Nancy Tengler
Chief Investment Officer

LAFFER | TENGLER INVESTMENTS

February 14, 2024

Markets at a Glance (Index Prices as of 2/9/2024)

	Current Price	One Month Change	Year to Date Change
S&P 500	$5,026.6100	5.68%	5.38%
Dow Jones Industrial	$38,671.6900	3.06%	2.61%
MSCI World Index	$3,281.4200	4.27%	3.54%
Bloomberg US Aggregate Index	$361.1768	-0.46%	-2.05%
Bloomberg US Convert Bal TR	$2,130.2100	-0.63%	-1.47%
S&P Global Clean Energy	$916.9000	-3.73%	-8.29%

Source: FactSet and Bloomberg

Markets at a Glance (as of 2/9/2024)

Values	Current Price	One Month Change	Year to Date Change
Dollar Spot Index (DXY)	104.0640	1.52%	2.65%
Crude Oil WTI	$76.5300	5.95%	7.29%
Crude Oil Brent	$81.9100	5.70%	6.27%
Natural Gas	$1.8560	-41.28%	-25.67%
Gold	$2,024.0000	-0.58%	-2.31%
CBOE Silver	$22.6750	-2.12%	-5.62%
Copper	$368.7500	-1.97%	-5.24%
Platinum	$880.9000	-5.44%	-11.41%
Palladium	$864.5000	-12.05%	-21.84%
Corn	$430.5000	-6.21%	-8.55%
Wheat	$597.7500	-1.89%	-4.93%

Source: Bloomberg 2/9/2024

S&P 500

Previous Close	5,026.61
52 Week High	5,026.61
52 Week Low	3,855.76
Change (%)	-
1 Day	0.57
1 Week	1.37
1 Month	5.68
3 Months	15.62
6 Months	12.51
YTD	5.38
1 Year	23.16
3 Year	28.52
5 Year	85.63
10 Year	179.72

Currency: U.S. Dollar | Performance data as of: 09 Feb '24

Source: FactSet

Dow Jones Industrial

Previous Close	38,671.69
52 Week High	38,726.33
52 Week Low	31,819.14
Change (%)	-
1 Day	-0.14
1 Week	0.04
1 Month	3.06
3 Months	14.10
6 Months	10.10
YTD	2.61
1 Year	14.75
3 Year	23.25
5 Year	54.03
10 Year	144.85

Currency: U.S. Dollar | Performance data as of: 09 Feb '24

Source: FactSet

Russell 1000 Value

Previous Close	1,015.25
52 Week High	1,016.85
52 Week Low	874.15
Change (%)	-
1 Day	0.07
1 Week	0.11
1 Month	1.20
3 Months	12.27
6 Months	4.09
YTD	0.90
1 Year	5.92
3 Year	16.35
5 Year	39.84
10 Year	82.90

Currency: U.S. Dollar | Performance data as of: 09 Feb '24

Source: FactSet

Russell 1000 Growth

Previous Close	2,193.52
52 Week High	2,193.52
52 Week Low	1,489.75
Change (%)	-
1 Day	1.01
1 Week	2.56
1 Month	9.22
3 Months	19.23
6 Months	20.36
YTD	8.71
1 Year	39.84
3 Year	30.46
5 Year	130.26
10 Year	292.07

Currency: U.S. Dollar | Performance data as of: 09 Feb '24

Source: FactSet

NASDAQ 100 Index

Previous Close	17,962.41
52 Week High	17,962.41
52 Week Low	11,830.28
Change (%)	-
1 Day	1.01
1 Week	1.81
1 Month	7.70
3 Months	18.27
6 Months	18.94
YTD	6.75
1 Year	45.08
3 Year	31.24
5 Year	159.83
10 Year	404.29

Currency: U.S. Dollar | Performance data as of: 09 Feb '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

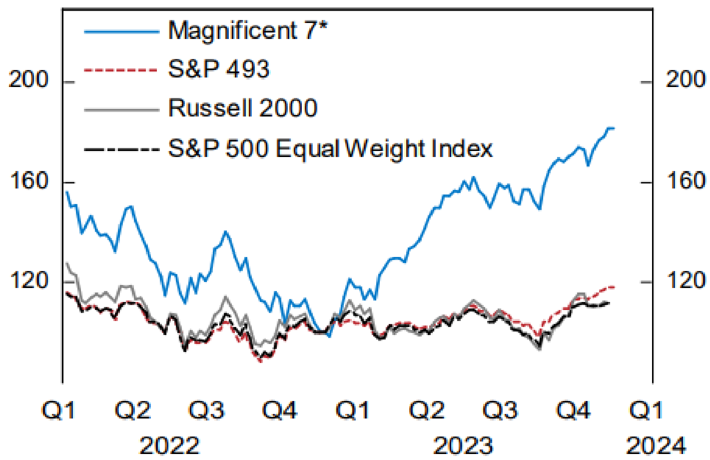
Things we are thinking about

Earnings season has been better than expected and as we have argued, technology stocks are the new defensives—reliable earnings growth and margin expansion in a (potentially) slowing economic environment. We are not necessarily talking about the Magnificent 7 but a broader focus on companies well positioned to ride the generative AI cloud computing tailwind. I recently wrote a commentary (click here to read) where I penned about **the optimal number of stocks to ensure diversification**. Hence, our Concentrated portfolio which returned 40.69% last year and 3.76% in January of this year. Most portfolio managers over diversify because they lack conviction. We use rigorous valuation metrics I have been employing for decades plus our proprietary 12 Fundamental Factors research to avoid owning what we call terminally cheap stocks (the bane of the investor's existence!).

Concentrated Portfolio	Jan-24	1 year (2023)	Since Inception*
Concentrated (Gross)	3.76%	40.69%	14.51%
Concentrated (Net)	3.66%	39.12%	13.39%
DJIA	1.22%	16.26%	10.86%
S&P 500	1.68%	26.37%	13.60%

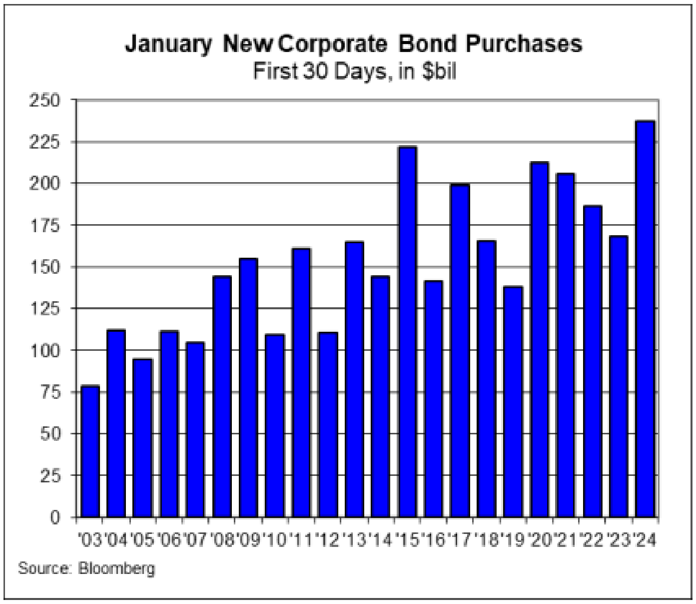
* Inception date: 9/1/2019

Will the rally broaden? Eventually, but we think it is still a bit early. In the 1990s/2000s small cap outperformed *after* the tech bubble popped. Tech is not even close to the lofty valuations of the Four Horsemen at the close of the 90s decade, which are often cited as a parallel. This is not that (yet) and remember CSCO, for example, was trading at 100x peak earnings. This is not that. We are not at peak earnings and these companies are earnings juggernauts with a much more robust future. We are preparing for a broadening as we get closer to easing by the Fed. But we still very much like our overweight to tech, industrials and consumer discretionary.



Source: Alpine Macro, February 2024

Share buybacks will put a floor under the market. While we believe a correction would be healthy for the market, ultimately one will be short-lived as a massive amount of share buybacks will put a floor under share prices. We have drawn a number of analogies to the economy and the market in the 1990s—share buybacks are another factor that supports this view. With the emergence of the shadow banking system in the 1990s, share buybacks became an engine for stock price performance then and continue to now. See the following chart from the great Brian Reynolds. New corporate bond issuance continues to exceed expectations as public funds and insurance companies have a seemingly insatiable appetite for credit. Companies will use the proceeds to, among other things, buy back shares. The Mag 7 alone are slated to repurchase approximately $190B in shares in the coming year.



Source: Reynolds Strategy, January 31, 2024

Analogy to the 1990s:

- The decade started out with geopolitical shock and a recession. We may have already had a recession but let's put that in the not yet camp.
- Inflation averaged above 3% for the entire decade.
- The yield on the 10-year averaged between 5-7% for the entire decade yet stock prices soared (NASDAQ greater than 800%, INDU and SPX up over 400%).
- Stock buybacks goosed stock returns.
- Inverted yield curve and a soft landing.
- VIX (Market Volatility Index) that was tame.
- Labor shortage and, therefore, tech spending to improve productivity. We saw strong gains.
- Potential tech bubble, but I really don't think we are even close.

EARNINGS

from Jamie Meyers, CFA®, Senior Securities Analyst

Inventory Glut? Not Here

A while back (last July) we wrote that the semiconductor space was experiencing a glut of inventory – consumers went on a goods-buying binge, and in response, semiconductor companies overproduced. At that time, we quoted NXP Semi's CEO Kurt Sievers: "We continue to be laser-focused on tightly controlling our channel inventory levels…" Eight months later, we're taking stock to see how that played out…

NXP Semi (ticker: NXPI) delivered fourth quarter and full year 2023 earnings last week that exceeded expectations. However, disparity continued among its segments, with Mobile coming in better than expectations, Automotive and Industrial IoT performing in-line, and Communications Infrastructure hitting a touch below guidance. First quarter 2024 guidance was also issued in-line with expectations, and though the company did not comment on the future of its dividend, we expect an increase is imminent.

NXP's primary end market is Automobiles (mostly internal combustion engines, some electric), which account for over 50% of total revenue. Despite a slowdown in the space, NXP found itself shipping more chips, which we attribute to more chips in every vehicle – ICE and EV alike. And what remains remarkable about NXP versus competitors, is that the company doesn't have an inventory problem. On the earnings call, CEO Kurt Sievers commented, "…we have intentionally under-shipped fundamental end demand in order to limit inventory build in the channel and at our direct customers." Talk about foresight! Management's ability to navigate a softer landing has translated into lower cyclicality, resulting in more resilient gross margins and earnings per share. This is why we focus on management – good management teams find ways through hard times.

EARNINGS

from Tayo Adeyi, Securities Analyst

Chipotle Mexican Grill (Ticker: CMG) EPS beat consensus estimates both quarter-over-quarter and year-over-year by 6.69% and 15.4% respectively, driven by improved restaurant level margins, which were up 25% y/y. This led to 2023 EPS closing the year at $44.86, representing 39% growth year-over-year. In 2023, 271 new restaurants were launched, with 238 being Chipotlanes – Chipotle's faster, more profitable digital pickup lanes. Importantly, Chipotlane orders have higher margins compared to non-Chipotlane orders, and whilst volumes are closing between the two, volumes at Chipotlanes remain higher. We believe the company's strategy to increase penetration of Chipotlanes and surpass $4mn AUV's (average unit per volume) will continue to bode well for margins. Management guided to launching 285-315 new restaurants in 2024, along with mid-single digit growth in comps, which we believe are achievable. Over the long term, we expect the company's overall strategic imperative centered on people, development, and efficiency will positively impact the company's performance.

EARNINGS

from Alex Van Iderstine, CFA®, Investment Analyst Associate

Uber Technologies (Ticker: UBER) posted extremely strong fourth quarter and year-end results last week, beating analyst estimates for revenue by 180 basis points and posting earnings per share of $0.66, $0.50 higher than consensus of $0.16. Guidance for Q1 2024 was in line with expectations, with gross bookings expected between $37 billion to $38.5 billion and adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) between $1.26 billion and $1.34 billion. 2023 marks UBER 's first full year of profitability since going public in 2019. On the earnings call, UBER CEO Dara Khosrowshahi spoke about 2023: "This past year was an inflection point for Uber, proving that we can continue to generate strong, profitable growth at scale." Some of that profitable growth can be seen in the expansion of the company's UberOne membership, which now has over 19 million subscribers across 25 countries. Also reflective of that growth was the surprising performance of UBER's advertising segment, which reached a $900 million run rate this quarter, well ahead of analysts' expectations. UBER is hosting an investor update call February 14th to present an updated view of their strategy and capital allocation plans for the year. We believe UBER can continue to hit on all cylinders as it enters 2024 with tremendous momentum.

CONVERTIBLES

from Stan Rogers, Portfolio Manager

Outside of a few earnings releases, news flow in the convertible space was quiet. Primary market activity was basically non-existent. **Rocket Lab (RKLB)** priced a small $335 million deal. Otherwise, most companies remain in their quiet period during earnings season. Interest rates made a rather substantial move upward, as Chairman Powell dampened rate cut hopes for the March Fed meeting on 60 Minutes. While higher rates negatively impact the bond component of a convertible, equity prices continued to grind higher, which helps offset the rate influence.

Notable earnings/news reports:

Ford Motor Co. (F) had a solid Q4 report. Earnings and revenues were above consensus and the company raised guidance for 2024. Electric vehicle costs and production were negatives in the report, but the company is boosting sales of internal combustion engine vehicles like the F-150, which could help support earnings. Ford Pro, the commercial vehicle business segment, was especially strong for the quarter.

Apollo Global Management (APO) also reported results that were above estimates. While assets under management were slightly below expectations, fee-related earnings were above guidance. Higher interest rates aided growth in their credit-focused products. Management also expressed their desire to grow private credit originations from $100 billion currently to upwards of $250 billion in five years.

Dexcom (DXCM), a continuous glucose monitoring device and diabetes management company, reported earnings and revenues that outpaced estimates. Sensor sales growth and operating margins were stronger than expected. Guidance for 2024 was largely in line, driven by continued growth and adoption of G7 devices, penetration in basal only insulin users, and the summer launch of the Stello device launch for non-insulin using people with diabetes. Thus far, the popularity of GLP-1 drugs has not dampened DXCM's prospects.

Transactions for this period:

Our position in **Western Digital (WDC)** 1.5% convertible bond matured on January 15th. The company redeemed these for cash.

Proceeds from the WDC maturity were allocated to a new position in the **Arbor Realty Trust (ABR)** 7.5% convertible bond. ABR is a specialized real estate finance company. They invest in real estate related bridge and mezzanine loans primarily in the commercial and multifamily real estate markets. The company also has a mortgage servicing rights portfolio. This investment grade rated bond matures in August of 2025. With a high coupon and short maturity (a little over 1.5 years) bond floor is right at par, which limits downside. This position can be considered a yield-alternative security, but with a conversion premium of less than 30% there is potential upside as well.

AES Corp. (AES) 6.875% mandatory convertible preferred will mature on 2-15. We exited the position prior to this date since we do not typically convert to common stock.

NANCY TENGLER'S RECENT MEDIA APPEARANCES

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)

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

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)

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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 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.

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).

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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

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

Laffer Tengler Investments Concentrated Equity Strategy Disclosure

Performance results are based on the Concentrated Equity composite. All performance results are shown on an annualized basis except for periods of less than one year. A composite is an aggregation of one or more portfolios managed by Laffer Tengler into a single group that represents a particular investment objective or strategy. The performance information contained in this presentation is therefore derived from actual results.

Accounts that comprise the Composite are not identical and may have different inception dates, may be subject to client-imposed restrictions or otherwise may have more or less flexibility in achieving their investment objective (including with respect to capitalization, industry, or geography). They also vary in size. Additionally, the firm's views and advice as to portfolio composition and characteristics for accounts following the strategy as reflected in the Composite evolve over time. Decisions made for one account may differ from those made for other accounts. For pre-existing accounts transferred to Laffer Tengler, Laffer Tengler may determine to retain prior holdings or employ different account weightings for a variety of reasons including tax characteristics or consequences, holding periods, transaction costs, legal or client-imposed restrictions. Thus, at any time, any particular account among those comprising the Composite may or may not include some or all of the same securities (or weightings) as other accounts that comprise the Composite. Any particular account may have portfolio characteristics and performance that differs from other accounts within the Composite. The firm's current market outlook is subject to change from time to time and without notice. A change in market outlook would generally lead to changes in account compositions, which may impact the characteristics presented herein. Individual results and portfolio compositions may also vary as a result of market conditions, trading costs, account size, cash flows, account restrictions and other factors that may be unique to each account. The portfolio characteristics, holdings, and related information for any particular account comprising the Composite will vary from time to time based on, among other things, available cash, market conditions and the client's individual investment needs guidelines and restrictions. There is no guarantee that the portfolio characteristics, holdings, and related information for the Composite will remain identical to that presented here; Laffer Tengler may make investment decisions which cause the portfolio characteristics, holdings, and related information to vary from that presented herein over time.

The illustrated performance is historical and does not represent future results. Historical performance is not predictive or indicative of future performance. Your actual return and yield will vary, and your account may generate a gain or a loss. All performance data labeled as "Gross" reflects performance with no deduction of advisory fees or other expenses (except for brokerage commissions where applicable) associated with managing the accounts in the Composite. The returns are calculated pre-tax and would be lower if advisory fees and other expenses were deducted. For example, if a 1.00% annual advisory fee were deducted quarterly and your annual return were 10.00% (based on quarterly returns of approximately 2.41% each) before deduction of investment advisory fees, the deduction of the investment advisory fees would result in an annual return of approximately 8.93% due, in part, to the compound effect of such fees. All performance data labeled as "Net" reflects deduction of fees charged to customers by Laffer Tengler. For the strategy shown, the performance has been reduced by the amount of the highest fee charged to any customer employing the strategy used in managing the accounts within the Composite during the period under consideration. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Laffer Tengler's fees are available upon request and may be found in Part of its Form ADV. All returns reflect reinvestment of dividends and capital gains.

Benchmarks:
The illustrated benchmark for the Laffer Tengler Concentrated Equity Composite is the Dow Jones Industrial Average (DJIA). The DJ Industrial Average is the most relevant index for performance comparison of the Composite. The DJ Industrial Average measures the performance of 30 US blue-chip stocks covering all industries with exception of transportation and utilities. It is price-weighted.

We also reference the S&P 500. The S&P 500 Index is the most relevant index for performance comparison of the Composite. The S&P 500 is an unmanaged index of the common stock of 500 widely held U.S. companies selected for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

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