



Where to Invest in 2024 & Beyond

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February 10, 2024***



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- ***John joined Al Frank Asset Management (AFAM) in 1987***
 - ***Worked with Al Frank, founder of AFAM***
 - ***Chief Portfolio Manager since 1990***
 - ***Manager of Al Frank proprietary mutual fund***
 - ***AFAM Merged with Kovitz in 2018***





“Successful speculating is more a matter of character than mathematics, analysis or luck.”

– Al Frank



Where to Invest in 2024 & Beyond

- ❖ **Secret to Success**
- ❖ **The Case for Value**
- ❖ **7 Investment Themes**



Where to Invest in 2024 & Beyond

❖ The Secret to Success



“If you do not change direction, you may end up where you are heading”

—Lao Tzu



Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets						
Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	110.7%	976	28	3.3	10/12/2022	2/7/2024
17.5%	67.5%	580	40	2.3	10/12/2022	2/7/2024
15.0%	65.1%	553	47	2.0	10/12/2022	2/7/2024
12.5%	44.6%	338	74	1.3	10/12/2022	2/7/2024
10.0%	34.8%	244	102	0.9	10/27/2023	2/7/2024
7.5%	23.6%	148	162	0.6	10/27/2023	2/7/2024
5.0%	14.7%	72	317	0.3	10/27/2023	2/7/2024

Declining Markets						
Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.1%	286	27	3.4	1/3/2022	10/12/2022
-17.5%	-30.3%	219	39	2.4	1/3/2022	10/12/2022
-15.0%	-28.0%	185	46	2.0	8/16/2022	10/12/2022
-12.5%	-22.7%	137	73	1.3	8/16/2022	10/12/2022
-10.0%	-19.5%	101	101	0.9	7/31/2023	10/27/2023
-7.5%	-15.4%	65	161	0.6	7/31/2023	10/27/2023
-5.0%	-10.9%	36	316	0.3	7/31/2023	10/27/2023

From 02.20.28 through 2.7.24. S&P 500 Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.0%	25.9%
Growth Stocks	9.5%	21.4%
Dividend Paying Stocks	10.6%	18.0%
Non-Dividend Paying Stocks	9.0%	29.2%
Long-Term Gov't Bonds	5.0%	8.8%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 11.30.23. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates


SUMMARY RETURNS: DALBAR'S 2022 QAIB STUDY

Period	Average Equity Fund Investor	S&P 500 Index Return	Difference	Average Fixed Income Fund Investor	Bloomberg U.S. Aggregate Bond Index Return	Difference	Inflation (U.S. Consumer Price Index)
1 Year	-21.2%	-18.1%	-3.1%	-13.8%	-13.0%	-0.8%	6.5%
3 Years	4.0%	7.7%	-3.6%	-5.2%	-2.7%	-2.4%	4.9%
5 Years	5.2%	9.4%	-4.2%	-2.3%	0.0%	-2.3%	3.8%
10 Years	9.3%	12.6%	-3.2%	-1.3%	1.1%	-2.4%	2.6%
20 Years	9.0%	9.8%	-0.8%	-0.3%	3.1%	-3.4%	2.5%
30 Years	6.8%	9.7%	-2.8%	-0.1%	4.6%	-4.7%	2.5%

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently...The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.

Verizon LTE 10:57 PM 80%

DOW 30

MARKET CLOSE EXTENDED HOURS

A-Z ▲	PRICE ↓	CHG % ↓
AAPL	197.18	-2.77
Apple Inc	Vol 37.9M 05/10/19 EDT	-1.39%
AXP	118.46	+1.20
American Express Co	Vol 2.4M 05/10/19 EDT	+1.02%
BA	354.67	+0.54
Boeing Co	Vol 4.2M 05/10/19 EDT	+0.15%
CAT	131.34	+0.14
Caterpillar Inc	Vol 4.3M 05/10/19 EDT	+0.11%
CSCO	53.36	+0.44
Cisco Systems Inc	Vol 21.0M 05/10/19 EDT	+0.83%
CVX	121.99	+0.80
Chevron Corp	Vol 8.6M 05/10/19 EDT	+0.66%
DIS	134.04	+0.45

News Markets Watchlists CNBC TV

http://qje.oxfordjournals.org/cor The Effect of Myopia and L...

Oxford Journals > Social Sciences > Quarterly Journal of Economics > Volume 112, Issue 2 > Pp. 647-661.

Click here to read a free collection of highly cited articles.

The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test*

Richard H. Thaler, Amos Tversky, Daniel Kahneman and Alan Schwartz
[+ Author Affiliations](#)

Abstract

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently. Two implications of myopic loss aversion are tested experimentally. 1. Investors who display myopic loss aversion will be more willing to accept risks if they evaluate their investments less often. 2. If all payoffs are increased enough to eliminate losses, investors will accept more risk. In a task in which investors learn from experience, both predictions are supported. The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.

Footnotes

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This Article

The Quarterly Journal of Economics (1997) 112 (2): 647-661.
 doi: 10.1162/003355397555226

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“What the mass media offers is not popular art, but entertainment which is intended to be consumed like food, forgotten and replaced by a new dish.”

—W.H. Auden

Tonight, fear and uncertainty grip the world markets, and everything is spiraling out of control. What can you do to keep your money safe?

CNBC March 23, 2020

MARKET SELL-OFF

INDEX	CHANGE	PERCENTAGE	VALUE
DOW INDUSTRIALS	▼582.05	[-3.04%]	18,591.93
S&P 500	▼67.52	[-2.93%]	2,237.40
NASDAQ COMPOSITE	▼18.84	[-0.27%]	6,860.67

MARKETS IN TURMOIL

CNBC

01:16 / 44:17



Ray Dalio predicts a coronavirus depression: 'This is bigger than what happened in 2008'

Published Thu, Apr 9 2020-5:09 PM EDT

Tom Huddleston Jr.

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April 9, 2020

Hedge fund Elliott says stocks could fall 50% from February highs

PUBLISHED THU, APR 16 2020-9:58 AM EDT | UPDATED THU, APR 16 2020-11:50 AM EDT

REUTERS

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KEY POINTS

- The novel coronavirus erupted against a backdrop of record low interest rates coupled with record high leverage as markets were propped up by excessive government debt, the fund said.
- "Our gut tells us that a 50% or deeper decline from the February top might be the ultimate path of global stock markets," the letter said.



April 16, 2020

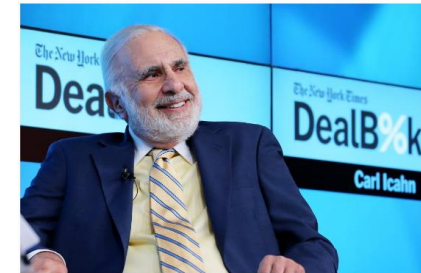
Icahn Sees Further Market Crash From Coronavirus, Says He's Shorting Commercial Real Estate



Sergel Klebnikov Forbes Staff
Markets
I cover billionaires and their wealth.

Updated Apr 25, 2020, 03:27pm EDT

TOPLINE One of Wall Street's most successful investors, billionaire Carl Icahn, warned in a recent interview with Bloomberg that stocks are overvalued, and although there will be "good opportunities" to buy, he expects that the coronavirus will lead to a further market sell-off.



The billionaire investor said he isn't buying stocks right now. NELSON BARNARD/GETTY IMAGES

April 25, 2020

Jeffrey Gundlach is shorting the market, says a retest of the low 'very plausible'

PUBLISHED MON, APR 27 2020-12:49 PM EDT | UPDATED MON, APR 27 2020-7:08 PM EDT

Yun Li @YUNLI026

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KEY POINTS

- DoubleLine CEO Jeffrey Gundlach said the market could retest its March low as investors could be underestimating the social disruptions from the coronavirus.
- "I think a retest of the low is very plausible," Gundlach said. "People don't understand the magnitude of... the social unease at least that's going to happen when... 26 million-plus people have lost their job."
- The so-called bond king revealed he just initiated a short position against the stock market.



April 25, 2020

Legendary investor Stanley Druckenmiller says he doesn't like the way the market is set up

PUBLISHED TUE, MAY 12 2020-5:39 PM EDT | UPDATED TUE, MAY 12 2020-6:03 PM EDT

Jesse Pound @JESSEPOUND

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KEY POINTS

- Hedge fund manager Stanley Druckenmiller told the Economic Club of New York on Tuesday that, "the risk-reward for equity is maybe as bad as I've seen it in my career," Druckenmiller said, according to the organization's Twitter account.
- The hedge fund manager also said he thought the market was overreacting to news of progress on antiviral drugs, such as Gilead's remdesivir.
- "I don't see why anybody would change their behavior because there's a viral drug out there," he said, according to the club.



May 12, 2020

David Tepper says this is the second-most overvalued stock market he's ever seen, behind only '99

PUBLISHED WED, MAY 13 2020-12:04 PM EDT | UPDATED WED, MAY 13 2020-2:39 PM EDT

Yun Li @YUNLI026

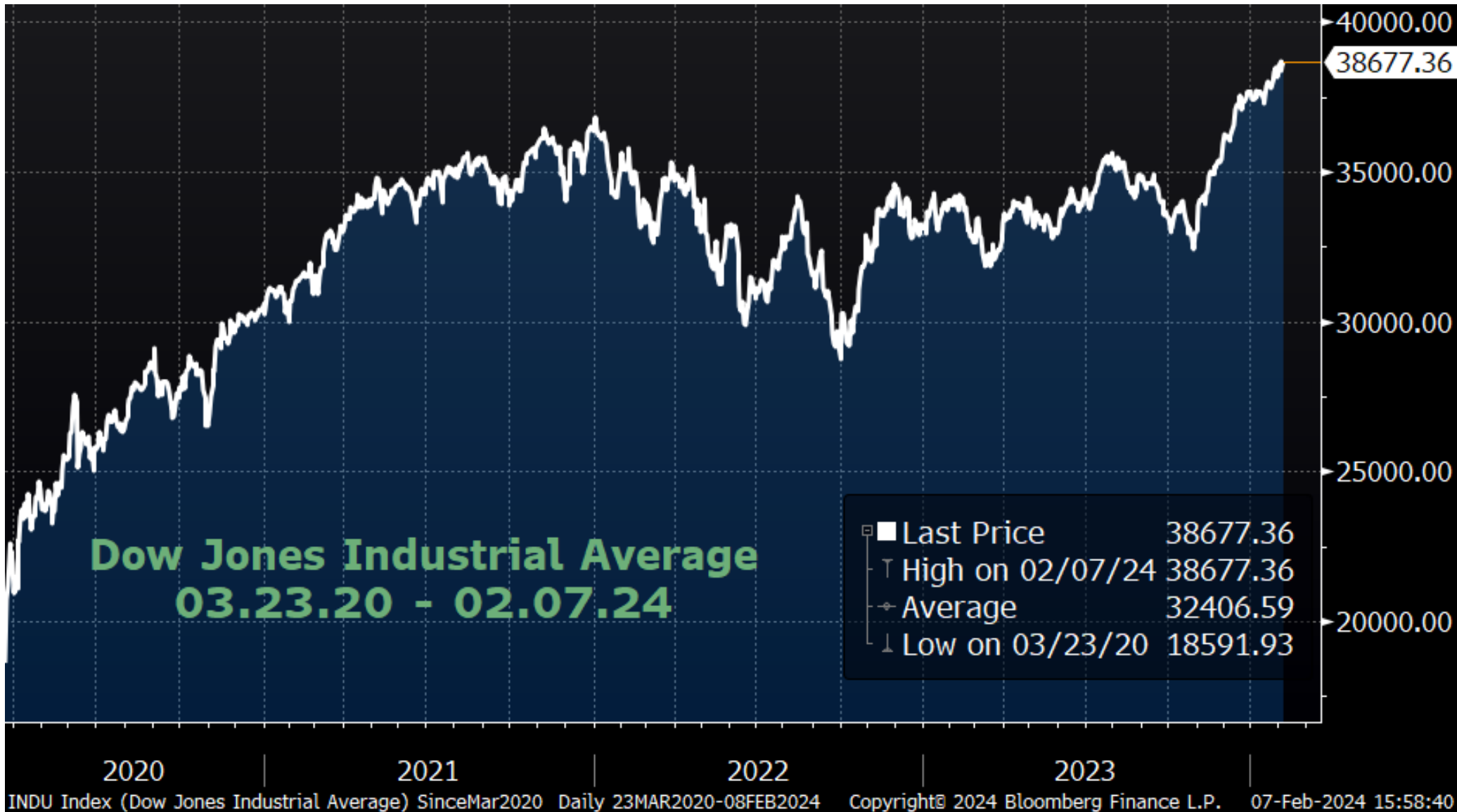
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KEY POINTS

- Appaloosa Management founder David Tepper's comments helped escalate a stock sell-off.
- The S&P 500's forward price-earnings ratio based on estimates for the next 12 months has ballooned to above 20, a level not seen since 2002.
- "The market is pretty high and the Fed has put a lot of money in here," Tepper said. "There's been different misallocation of capital in the markets... The market is by anybody's standard pretty full."
- He also said some Big Tech stocks like Amazon, Facebook and Alphabet may be "fully valued."



May 13, 2020



The Fall of 2022 again saw the airwaves filled with purveyors of doom-and-gloom, which is par for the course whenever stocks have headed south. Of course, about all the supposed experts have proved over the years is to remind that time in the market trumps market timing.

PRO: FOLLOW THE PROS

Ray Dalio says higher interest rates to squash inflation could tank stock prices by 20%

Billionaire investor Ray Dalio issued a dismal outlook for the markets and the economy, predicting a 20% plunge in stock prices, as the Federal Reserve ...

Yun Li 9/15/2022 6:42:14 AM PST



PRO: FOLLOW THE PROS

Hedge fund Elliott Management sees world on path to hyperinflation and worst crisis since WWII

Elliott Management, one of the world's biggest hedge funds, issued a dire warning on the markets and the economy, saying the world could be headed ...

Yun Li 11/3/2022 2:53:40 PM PST



MARKETS

Carl Icahn says he still thinks we are in a bear market despite Thursday's rally

Famed investor Carl Icahn said Thursday's relief rally didn't change his negative view on the market, and he believes a recession is still on the ...

Yun Li 11/10/2022 1:03:56 PM PST



PRO: FOLLOW THE PROS

Jeffrey Gundlach says yield curve inversions are 'reliable signals of economic trouble'

DoubleLine Capital CEO Jeffrey Gundlach urged investors to pay attention to the worsening recession signals from the bond market. In a tweet Tuesday evening, Gundlach pointed ...

Yun Li 8/31/2022 6:02:36 AM PST



DELIVERING ALPHA

Stanley Druckenmiller sees 'hard landing' in 2023 with a possible deeper recession than many expect

Billionaire investor Stanley Druckenmiller believes the Federal Reserve's attempt to quickly unwind the excesses it helped build up for a decade with easy monetary policy ...

Yun Li 9/28/2022 6:00:01 AM PST



PRO: FOLLOW THE PROS

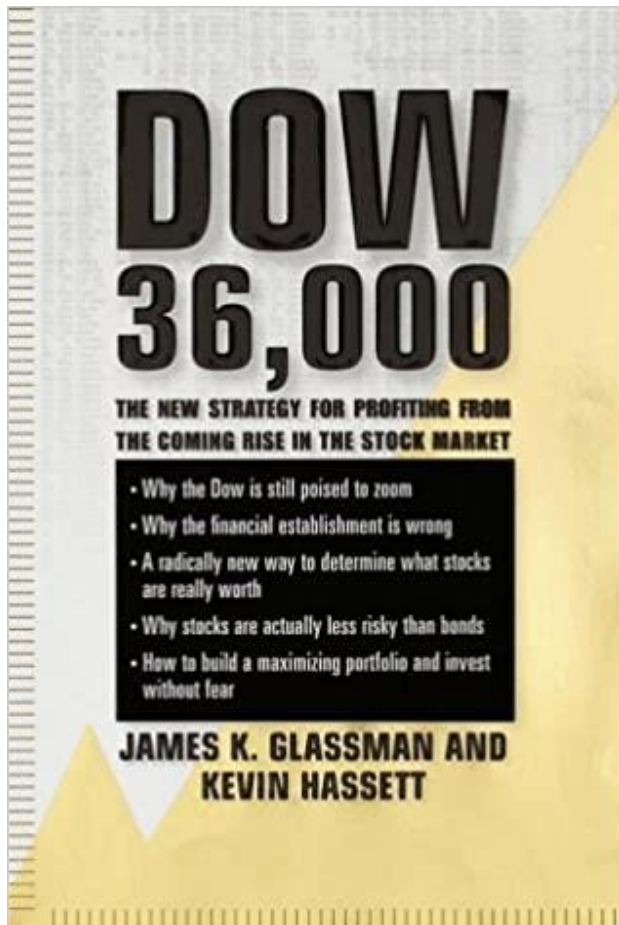
Leon Cooperman still sees a recession coming, but he is finding stocks to buy

Billionaire investor Leon Cooperman cautioned that the final bottom of the stock market is yet to come as the economy is poised to hit a ...

Yun Li 11/1/2022 5:49:42 AM PST



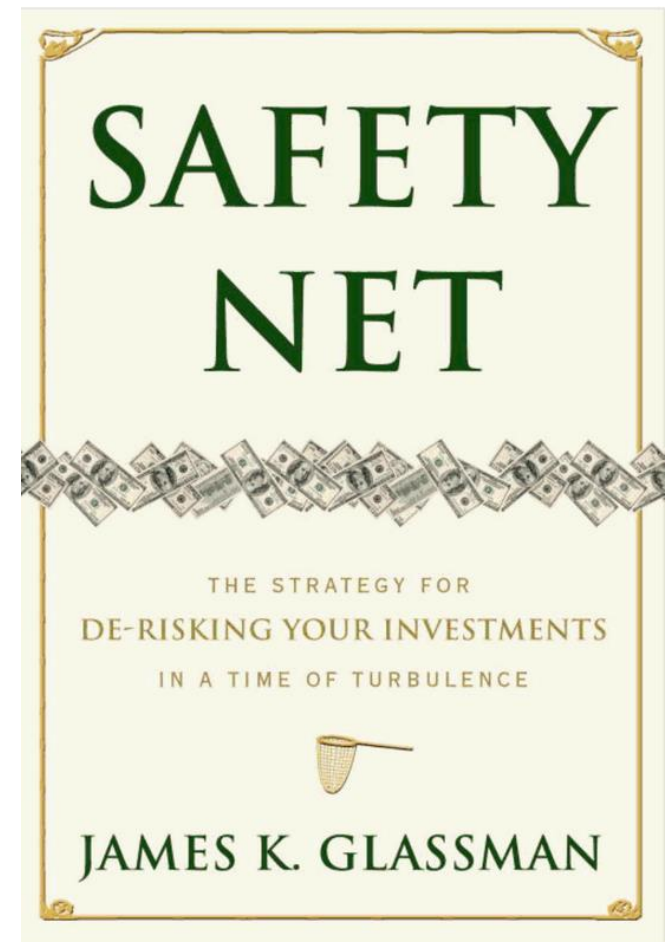
There is no assurance that the Dow Jones Industrial Average will hold above the 36,000 level, but James K. Glassman's famous Dow projection was eclipsed in 2021. Alas, he advised loading up on stocks at Dow 10,000 in 1999 and de-risking portfolios at Dow 12,000 in 2011...the only problem with market timing is getting the timing right.



September 20, 1999

“In theory, historical averages show that stocks are a good buy if you can hang on through the miserable periods. But most investors find that excruciatingly difficult to do—a fact that I never fully appreciated in my 30 years of writing about investing.”

— James K. Glassman,
February 24, 2011



February 22, 2011



“Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation.”

– Vannevar Bush



Certainly, it is tough to watch the news these days, given the bloodshed on both sides of the Gaza/Israel border. Unfortunately, war in this part of the world has occurred before and will likely happen again. That is not meant to diminish the current or past humanitarian crises, but we continue to think that long-term-oriented investors should stick with stocks even with turmoil in the Middle East.

Arab-Israeli Conflicts	Date	S&P 500 Value	6	12	36	60	Event
			Months	Months	Months	Months	thru
			Later	Later	Later	Later	Present
War of Independence	11/29/1947	14.98	11%	-1%	29%	71%	33245%
Suez Crisis	10/29/1956	46.40	-1%	-12%	24%	47%	10665%
Six-Day War	6/5/1967	88.43	8%	13%	-14%	23%	5549%
Yom Kippur War	10/6/1973	109.85	-15%	-43%	-6%	-6%	4447%
Lebanon War	6/5/1982	110.09	26%	49%	73%	167%	4437%
First Intifada	12/8/1997	982.37	14%	20%	39%	-7%	408%
Second Intifada	9/28/2000	1,458.29	-21%	-29%	-32%	-17%	243%
Second Lebanon War	7/12/2006	1,258.60	14%	23%	-30%	4%	297%
2008 Gaza War	12/27/2008	872.80	5%	29%	45%	111%	472%
Israel Gaza Strip Operation	11/14/2012	1,355.49	22%	32%	49%	90%	269%
2014 Gaza War	7/8/2014	1,963.71	5%	4%	23%	52%	154%
11-Day War	5/6/2021	4,201.62	12%	-2%			19%
Price Changes Only - Does Not Include Dividends		Averages:	7%	7%	18%	49%	5017%

As of 2.7.24. Source: Kovitz using Bloomberg, New York Times, Wikipedia and <https://www.britannica.com/event/Arab-Israeli-wars>



Disconcerting Headlines

"All the News That's Fit to Print"

The New York Times Late Edition Today, cloudy, breezy, showers, high 52. Tonight, showers, clearing late, low 39. Tomorrow, increasing sunshine will fade behind clouds, high 56. Weather map is on Page 24.

VOL. CLXXI ... No. 59,382 • © 2022 The New York Times Company NEW YORK, SUNDAY, APRIL 3, 2022 \$6.00



RUSSIA'S RETREAT FROM KYIV IS SEEN AS A MAJOR TURN

Putin Reminds West He Has Economic Weapons as Well

Dead Bodies, Mines and Charred Tanks Left in Wake

By PATRICIA COHEN
LONDON — In the five weeks since Russia invaded Ukraine, the United States, the European Union and their allies began an economic counteroffensive that has cut off Russia's access to hundreds of billions of dollars of its own money and halted a large chunk of its international commerce. More than 1,000 companies, organizations and individuals, including members of President Vladimir V. Putin's inner circle, have been sanctioned and relegated to a financial limbo. But Mr. Putin reminded the

By ANDREW E. KRAMER and NEIL MACFARQUHAR
BUCHIA, Ukraine — The Russian forces that were meant to overwhelm Kyiv at the war's start with tanks and artillery retreated under fire across a broad front on Saturday, leaving behind them dead soldiers and burned vehicles, according to witnesses, Ukrainian officials, satellite images and military analyses. The withdrawal suggested the possibility of a truce in the six-week war — the collapse, at least for now, of Russia's initial attempt to seize Kyiv, the Ukrainian

The crisis in the Ukraine continues to drag on and the world remains on edge, with investors concerned about potential market fallout. No doubt, nobody knows how these tense events will play out, but the equity markets, in the fullness of time, have overcome every other disconcerting entry on the timeline of U.S.-Russia relations.

How Microsoft Plays Politics

EXCHANGE

DO WJONES | News Corp *****

WSJ

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The Problematic Train Trend OFF DUTY

What's News

World-Wide

- Ukrainian attack helicopters executed a low-flying predawn raid on Russian territory, Russian officials said, eluding air defenses to strike an oil depot as peace talks over the war resumed. Ukrainian officials didn't claim responsibility for the attack. **A1, A6-2**
- The eurozone's inflation rate jumped to another record high in March as Russia's invasion of Ukraine pushed energy and food prices higher. **A10**
- More American voters favor the idea of a 15-week abortion ban than oppose it, according to the latest Wall Street Journal poll. **A1**
- Will Smith resigned from the Academy of Motion Picture Arts and Sciences in the wake of his slap of Chris Rock at the Oscars. **A3**
- Pope Francis asked forgiveness for the abuse of Canadian indigenous children at Catholic Church-run residential schools over more than a century. **A10**
- Saudi Arabia and Iran-backed Houthi fighters



A fire burned Friday after what Moscow said was a strike by Ukrainian helicopters on a civilian oil-storage facility near Belgorod, Russia. Ukrainian officials didn't claim responsibility; it would be the first Ukrainian strike inside Russia in the war.

Kremlin Accuses Ukraine Of Strike In Russia

Kyiv hasn't claimed credit for oil depot raid; aid groups struggle to make way to Mariupol

By BARRY FORBES

KYIV, Ukraine—Ukrainian attack helicopters executed a low-flying predawn raid on Russian territory, Russian officials said, eluding air defenses to strike an oil depot as peace talks over the war resumed. Security-camera footage released by Russian state-owned media channel RIA Novosti appeared to show several missiles firing at the depot and setting off explosions. Vyacheslav Gladkov, the regional governor of Belgorod, where the attack took place close to the Ukrainian border, wrote on social media that two Ukrainian helicopters carried out the operation. Ukrainian officials didn't claim responsibility for the at-

Major Events in Russia - U.S. History	Date	S&P 500 Value	6 Months Before	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Korean War Begins	6/25/1950	19.14	15%	5%	11%	26%	114%	25997%
Death of Stalin	3/5/1953	25.79	2%	-9%	3%	79%	61%	19268%
Creation of the Warsaw Pact	5/14/1955	37.44	12%	24%	25%	15%	48%	13242%
Sputnik & The Space Race	10/4/1957	42.79	-4%	-3%	18%	24%	33%	11573%
The U-2 Incident	5/1/1960	54.37	-5%	-1%	20%	29%	64%	9087%
Cuban Missile Crisis	10/16/1962	57.08	-16%	21%	28%	60%	67%	8651%
Soviet Invasion of Czechoslovakia	8/20/1968	98.96	9%	1%	-4%	-1%	3%	4948%
Soviet Invasion of Afghanistan	12/24/1979	107.66	5%	7%	26%	30%	55%	4540%
U.S. Moscow Olympics Boycott	3/21/1980	102.31	-7%	26%	31%	48%	75%	4782%
Downing of Korean Air Flight 007	9/1/1983	164.23	9%	-4%	1%	54%	57%	2942%
Soviet Los Angeles Olympics Boycott	7/28/1984	151.19	-8%	17%	27%	107%	126%	3204%
Chernobyl Disaster	4/26/1986	242.29	29%	-2%	16%	27%	56%	1962%
Fall of Communism in Eastern Europe	8/19/1989	346.03	17%	-4%	-5%	21%	34%	1344%
German Reunification	10/3/1990	311.40	-9%	22%	23%	48%	87%	1504%
Dissolution of the Soviet Union	12/26/1991	404.84	9%	0%	9%	14%	87%	1134%
Black Brant: Mistaken Nuclear War Scare	1/25/1995	467.44	3%	20%	32%	105%	202%	969%
Russo-Georgian War	8/7/2008	1,266.07	-5%	-31%	-20%	-5%	34%	295%
Putin Reelected	3/4/2012	1,369.63	17%	3%	11%	53%	74%	265%
Annexation of Crimea	3/21/2014	1,866.52	9%	8%	13%	26%	53%	168%
Skripal Poisoning & Diplomatic Expulsion	3/1/2018	2,473.92	0%	17%	13%	58%	60%	102%
Escalation of Russo-Ukrainian War	2/24/2022	4,288.70	-4%	-3%	-7%			16%
Price Changes Only - Does Not Include Dividends	Averages:		4%	5%	13%	41%	69%	5523%

As of 2.7.24. Source: Kovitz using Bloomberg, usrussiarelations.org, state.gov and Wikipedia

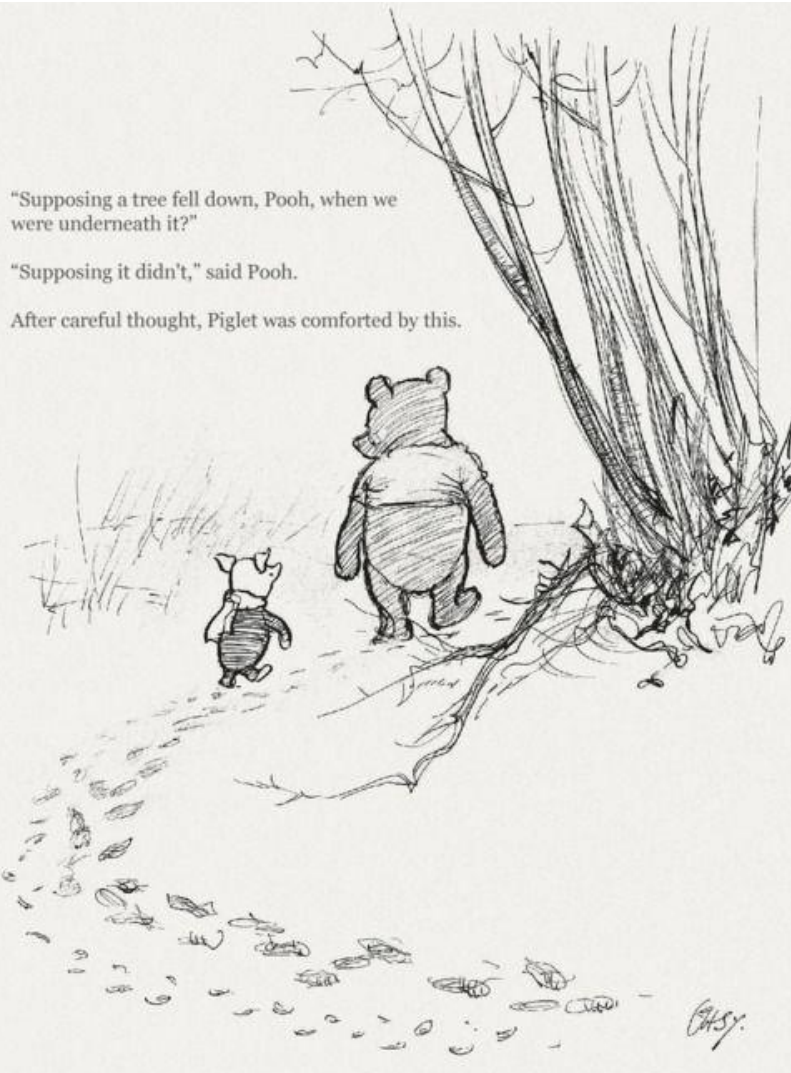
Moscow Regroups, Signaling It's Ready for a Prolonged War

There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.

"Supposing a tree fell down, Pooh, when we were underneath it?"

"Supposing it didn't," said Pooh.

After careful thought, Piglet was comforted by this.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present	
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	57447%	
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	33200%	
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	29828%	
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	11623%	
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	10859%	
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	12714%	
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	9238%	
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	7076%	
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	5254%	
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6521%	
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	5320%	
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	7037%	
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4647%	
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4986%	
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4081%	
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2985%	
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1941%	
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2122%	
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1480%	
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1227%	
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1113%	
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1027%	
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	993%	
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	889%	
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	470%	
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	421%	
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	306%	
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	272%	
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	417%	
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	445%	
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	358%	
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	317%	
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	638%	
Price Changes Only - Does Not Include Dividends					Averages:	-7%	18%	39%	66%	6886%

As of 2.7.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

THE PRUDENT SPECULATOR



September 29, 2014



March 30, 2020

Magazine Cover	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
<i>Time Magazine: The Aids Hysteria</i>	7/4/1983	168.91	-2%	-1%	-9%	49%	61%	2857%
<i>Time Magazine: The Truth About SARS</i>	5/5/2003	926.55	4%	14%	21%	43%	52%	439%
<i>Time Magazine: Avian Flu Death Threat</i>	9/26/2005	1,215.63	4%	7%	10%	0%	-6%	311%
<i>Time Magazine: H1N1 How Bad Will It Get?</i>	8/24/2009	1,025.57	8%	8%	3%	38%	94%	387%
<i>Bloomberg BusinessWeek: Ebola Is Coming</i>	9/29/2014	1,977.80	6%	4%	-5%	27%	50%	153%
<i>Time Magazine: Coronavirus</i>	3/30/2020	2,626.65	18%	28%	51%	54%		90%
Price Changes Only. Does not Include Dividends								
Averages:			6%	10%	12%	35%	50%	706%

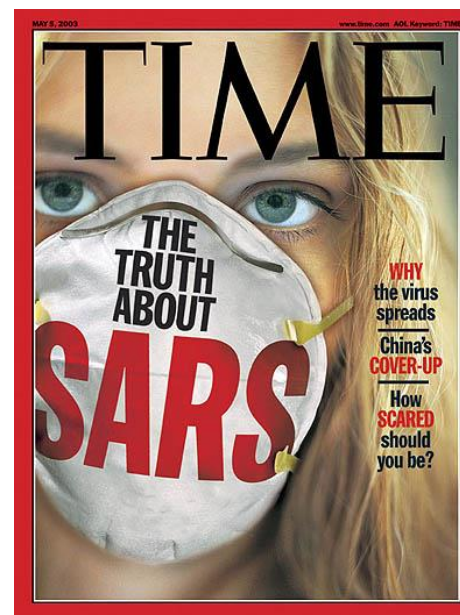
Source: Kovitz using data from Bloomberg. As of 2.7.24



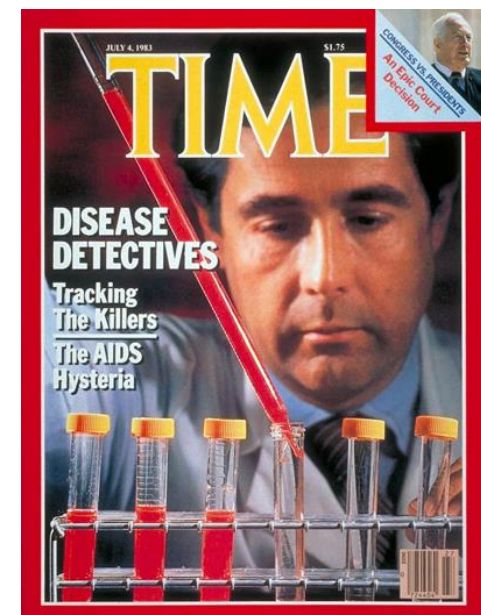
August 24, 2009



September 26, 2005



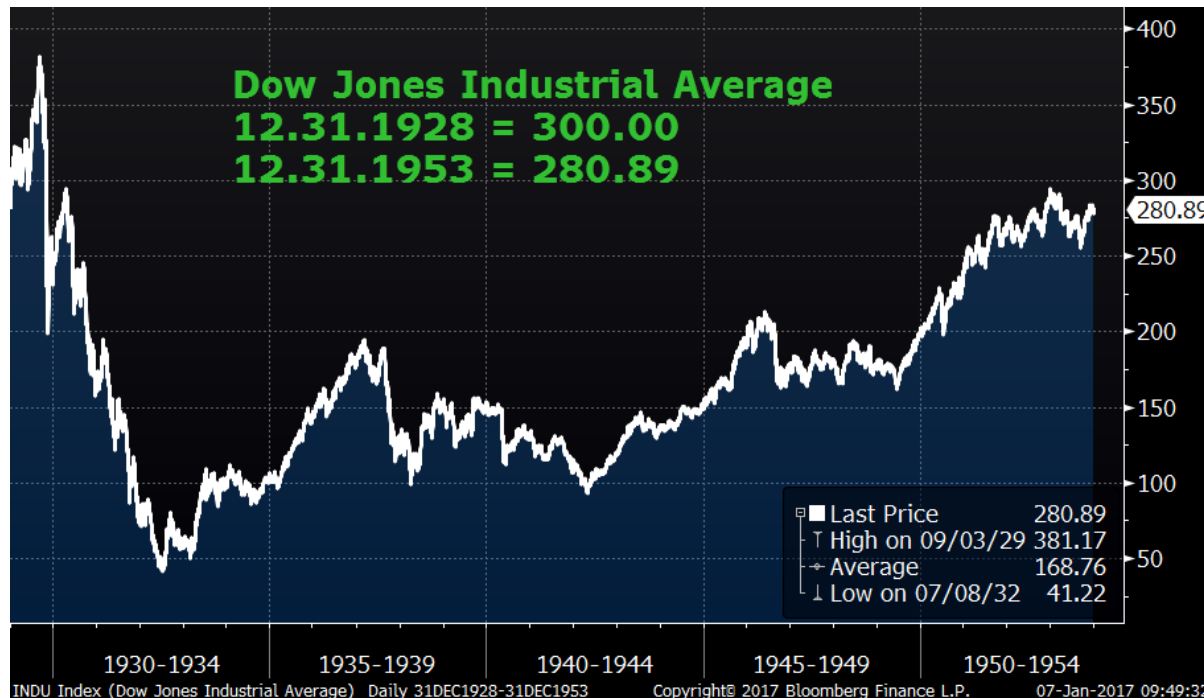
May 5, 2003



July 4, 1983



Illustrating that index values tell only part of the story, the Dow Jones Industrial Average actually lost ground over a 25-year time span from the beginning of 1929 to the beginning of 1954, yet the total return on stocks ranged from 4.02% to 8.32% per annum, with Large Caps annualized return coming in at a respectable 5.90%. The reason for the difference between the price-return-only Dow measure and the actual returns investors might have earned is dividends and their reinvestment.



Annualized Total Returns	
25 Years	
12.31.28 - 12.31.53	
FF Value	8.32%
FF Growth	5.64%
FF Divs	6.03%
FF No Divs	4.02%
FF Large Company	5.90%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French



Why an Unpleasant Inflation Surprise Could Be Coming

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predictable, linear way. In fact, he says, the world isn't linear and inflation can change suddenly for unexpected reasons: it "is sluggish and slow-moving, until it isn't."

A case in point: in 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size "is unprecedented outside of these two episodes," they said.

The effect of an overheating economy was then compounded by policy errors. Fed chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Johnson and then Richard Nixon to keep interest rates low. **From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.**

Wall Street Journal, February 28, 2018

In yet another example of fear over facts, *The Wall Street Journal* warned of dire consequences should we have another inflation and interest rate scare like 1965-1981. If past is prologue, as Value investors, we hope they are right.

Annualized Returns December 1965 - December 1981

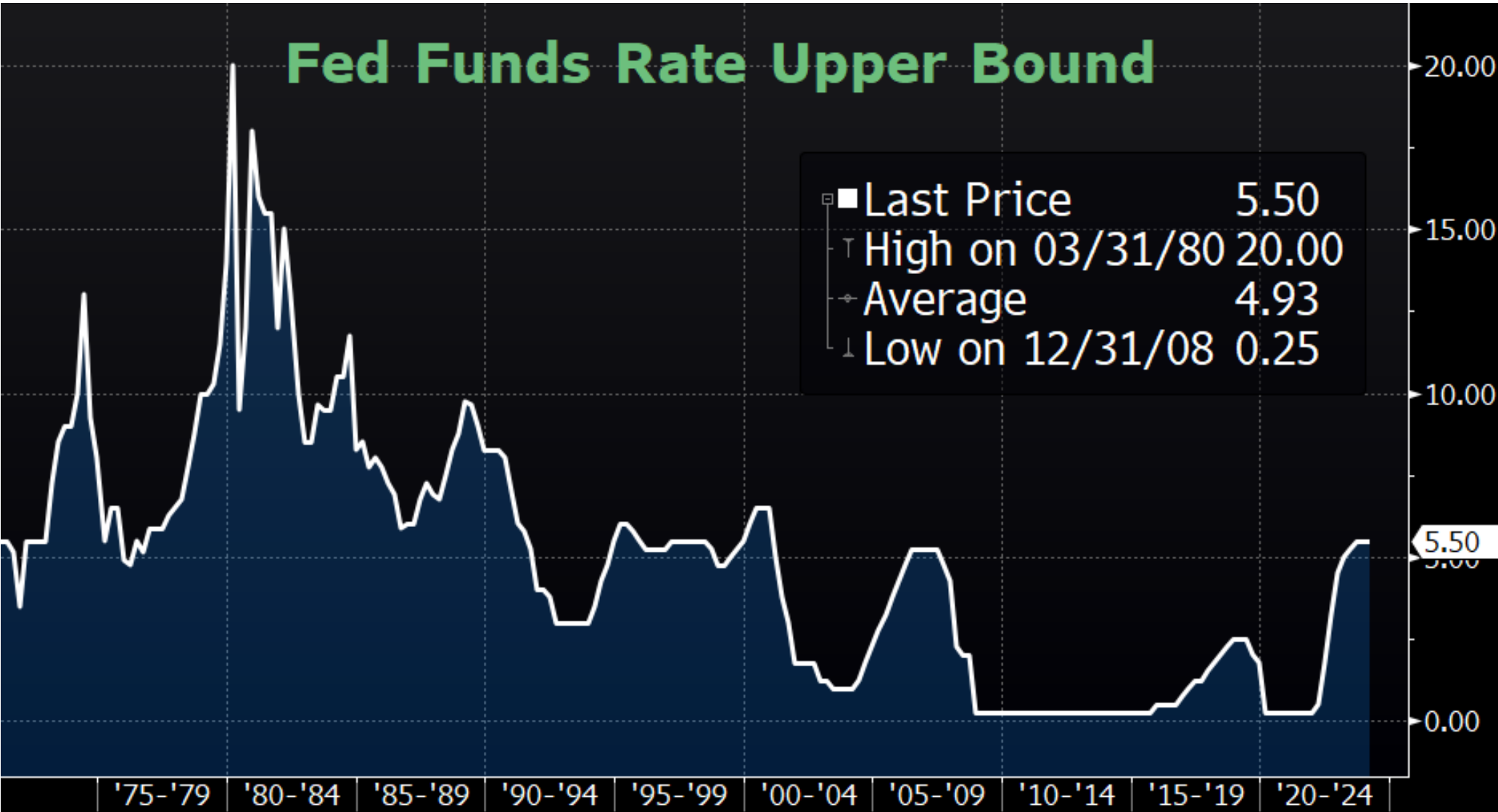
Inflation	7.0%
IA SBBI US 1 Yr Treasury TR	7.1%
IA SBBI US 30 Day TBill TR	6.8%
IA SBBI US LT Govt Bonds TR	2.5%
IA SBBI US IT Govt Bonds TR	5.8%
IA SBBI US LT Corp Bonds TR	2.9%
FF Growth Stocks TR	7.4%
S&P 500 TR	6.0%
Dow Jones Industrials TR	3.9%
FF Value Stocks TR	13.4%

Source: Morningstar



Fed Funds Rate Upper Bound

■ Last Price	5.50
┆ High on 03/31/80	20.00
◆ Average	4.93
┆ Low on 12/31/08	0.25





Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.14%	414	13.4%	10.6%	10.8%	10.7%
More than 4.14%	412	14.6%	9.6%	12.1%	8.9%
3-Month Drop	383	17.5%	12.0%	14.0%	10.5%
3-Month Rise	439	11.1%	8.3%	9.2%	9.0%
6-Month Drop	366	16.2%	12.5%	14.0%	10.7%
6-Month Rise	450	12.3%	7.9%	9.3%	8.7%
12-Month Drop	371	14.4%	11.7%	12.8%	9.6%
12-Month Rise	433	13.5%	8.3%	10.0%	9.1%

Many think the Federal Reserve hiking the Fed Funds is a big headwind for equities. Anything can happen, of course, and stocks prefer falling rates over rising, but seven decades of annualized data show that equities have performed admirably, **ON AVERAGE**, both concurrent with and subsequent to increases (as well as decreases) in the Fed Funds rate over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

From 07.31.54 through 06.30.23. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.14%	415	12.6%	10.5%	10.8%	10.3%
More than 4.14%	413	15.2%	9.1%	11.8%	8.4%
3-Month Drop	383	13.8%	10.3%	11.1%	10.2%
3-Month Rise	430	13.7%	9.2%	11.2%	8.4%
6-Month Drop	366	15.4%	11.8%	12.2%	12.0%
6-Month Rise	444	12.3%	8.0%	10.2%	6.9%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	433	10.9%	7.8%	9.9%	6.8%

From 07.31.54 through 06.30.23. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



“The investor's chief problem—and even his worst enemy—is likely to be himself.”

—Benjamin Graham



Where to Invest in 2024 & Beyond

❖ **The Case for Value**



“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”

—Warren Buffett



Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Russell 3000 Value Index

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	73.2%	818	8	2.8	9/30/2022	1/30/2024
17.5%	53.1%	529	13	2.0	9/30/2022	1/30/2024
15.0%	47.8%	450	15	1.7	9/30/2022	1/30/2024
12.5%	45.7%	425	16	1.6	9/30/2022	1/30/2024
10.0%	29.2%	232	30	0.9	10/27/2023	1/30/2024
7.5%	21.2%	144	51	0.5	10/27/2023	1/30/2024
5.0%	13.5%	71	104	0.3	10/27/2023	1/30/2024

Declining Markets

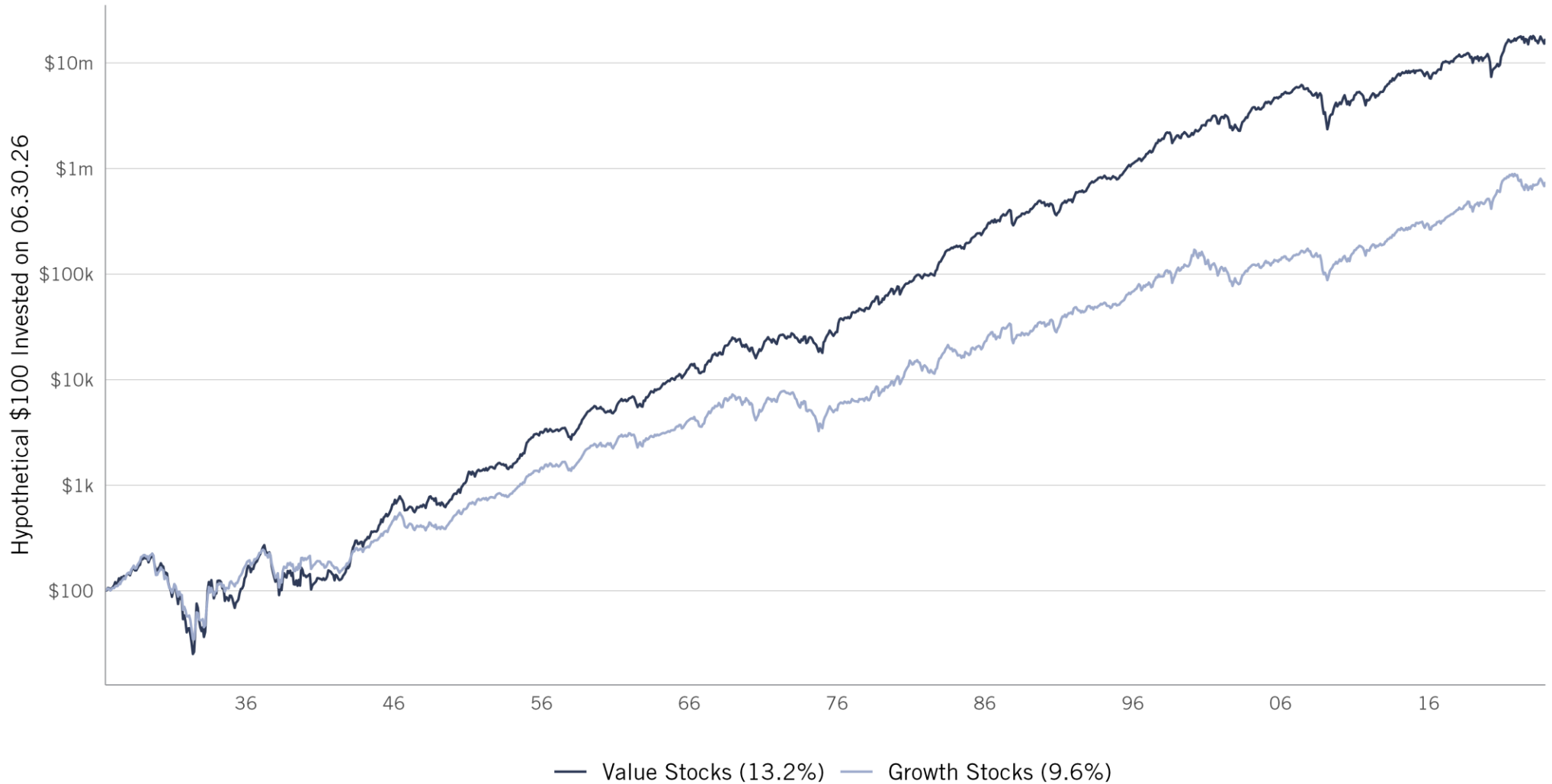
Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.8	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.8%	178	15	1.7	1/12/2022	9/30/2022
-12.5%	-24.0%	163	16	1.6	8/16/2022	9/30/2022
-10.0%	-18.1%	82	30	0.9	7/26/2023	10/27/2023
-7.5%	-14.2%	55	51	0.5	7/26/2023	10/27/2023
-5.0%	-10.1%	30	103	0.3	7/26/2023	10/27/2023

From 10.19.95 through 01.30.24. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as an instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.6%	18.0%
Growth Stocks	10.8%	18.9%
Dividend Paying Stocks	12.2%	14.7%
Non-Dividend Paying Stocks	11.8%	22.4%
Long-Term Corporate Bonds	7.5%	10.2%
Long-Term Gov't Bonds	7.0%	11.3%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

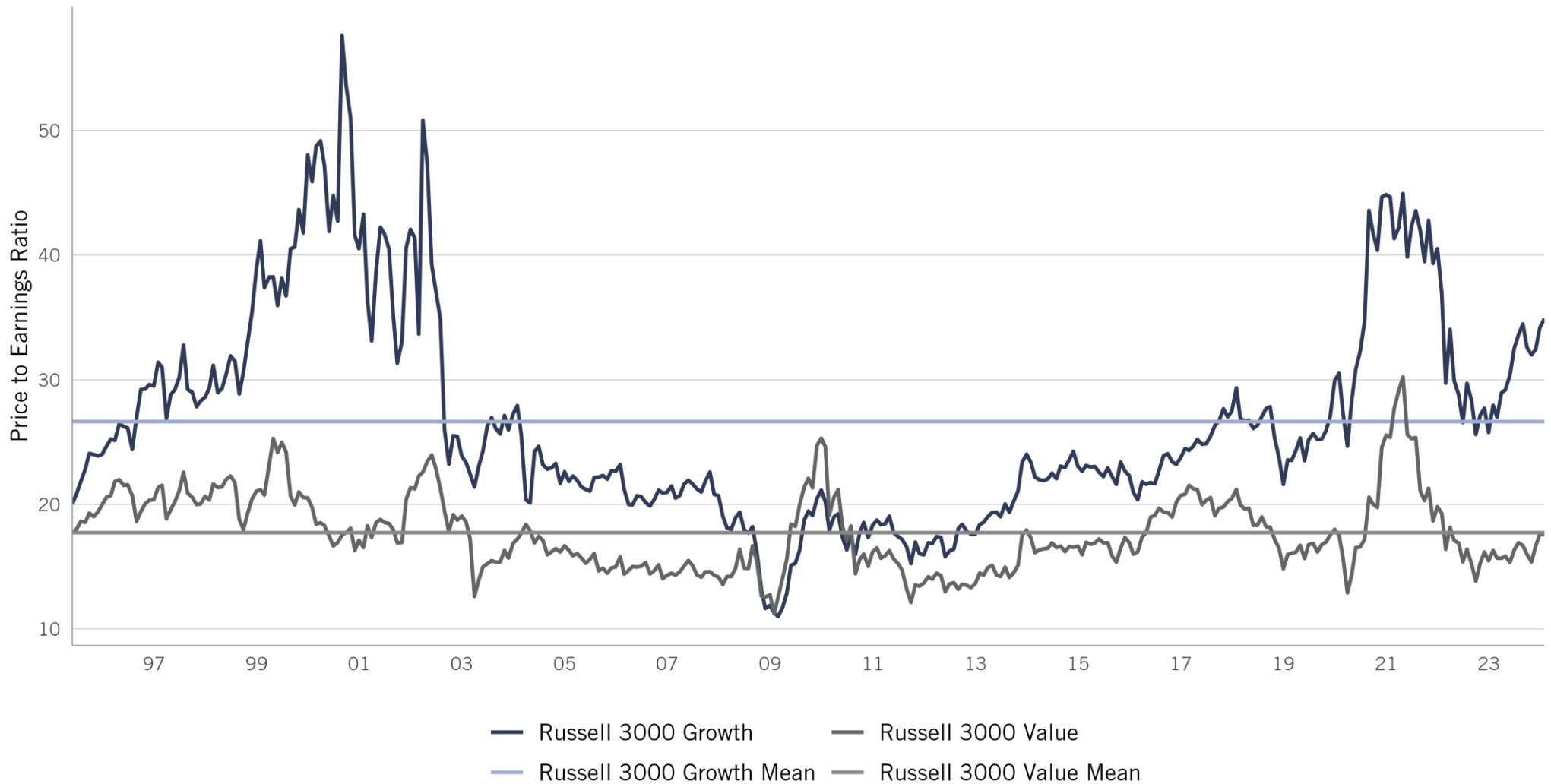
From 03.31.77 through 11.30.23. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates



From 06.30.26 through 11.30.23. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Logarithmic scale. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French



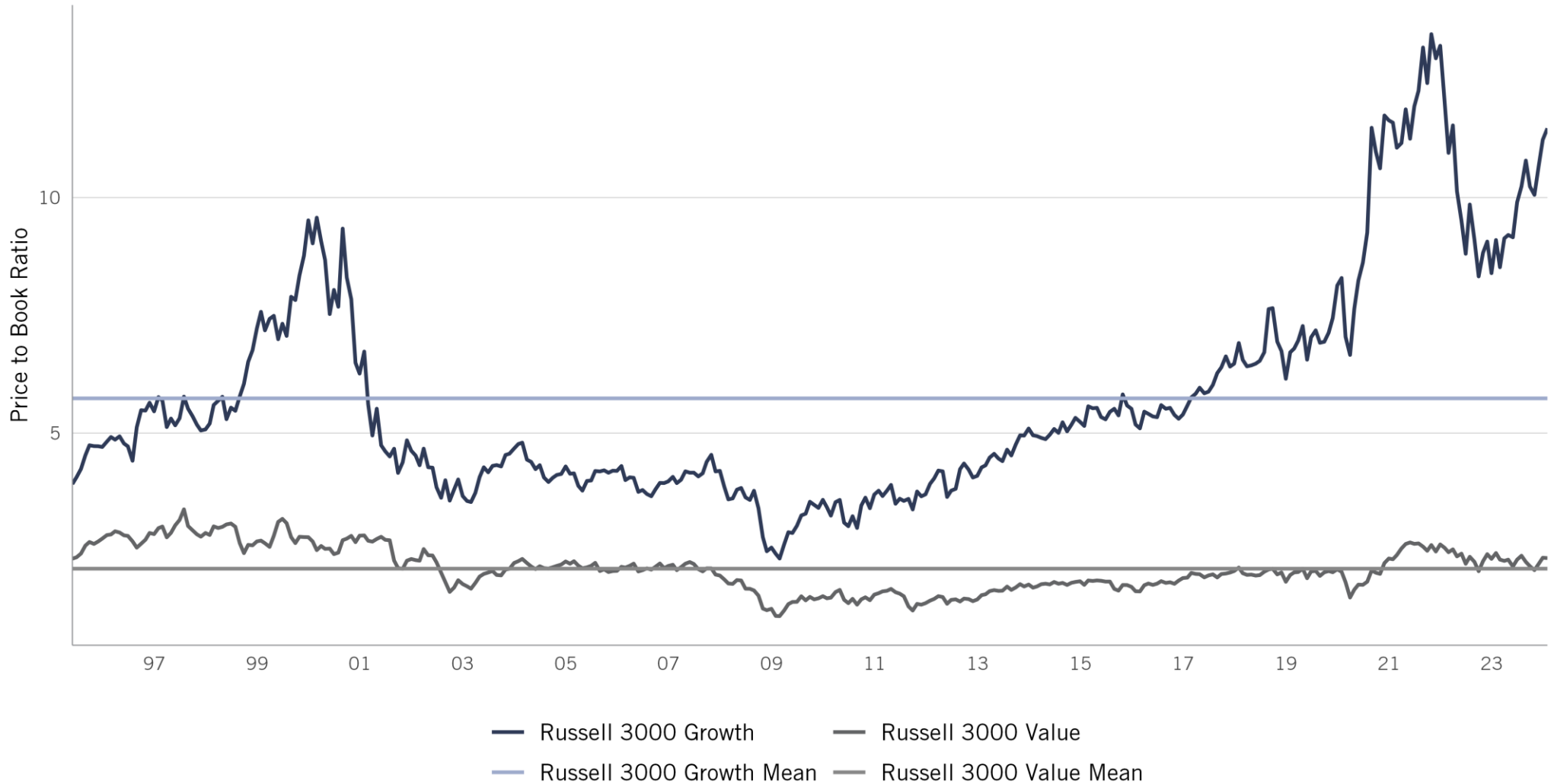
Valuation Comparison: Price to Earnings



From 05.31.95 through 01.31.24. SOURCE: Kovitz using data from Bloomberg Finance L.P.



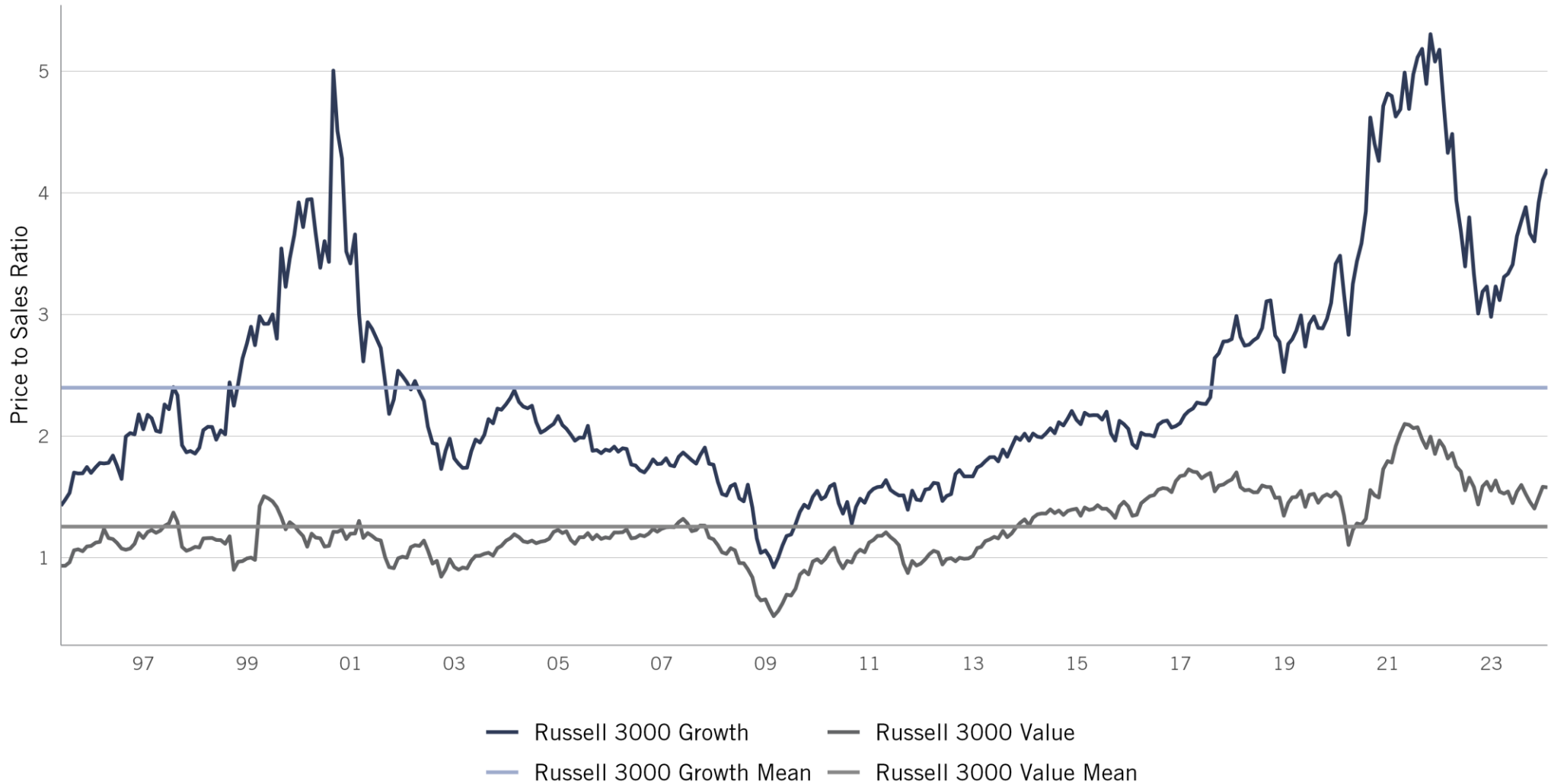
Valuation Comparison: Price to Book Value



From 05.31.95 through 01.31.24. SOURCE: Kovitz using data from Bloomberg Finance L.P.



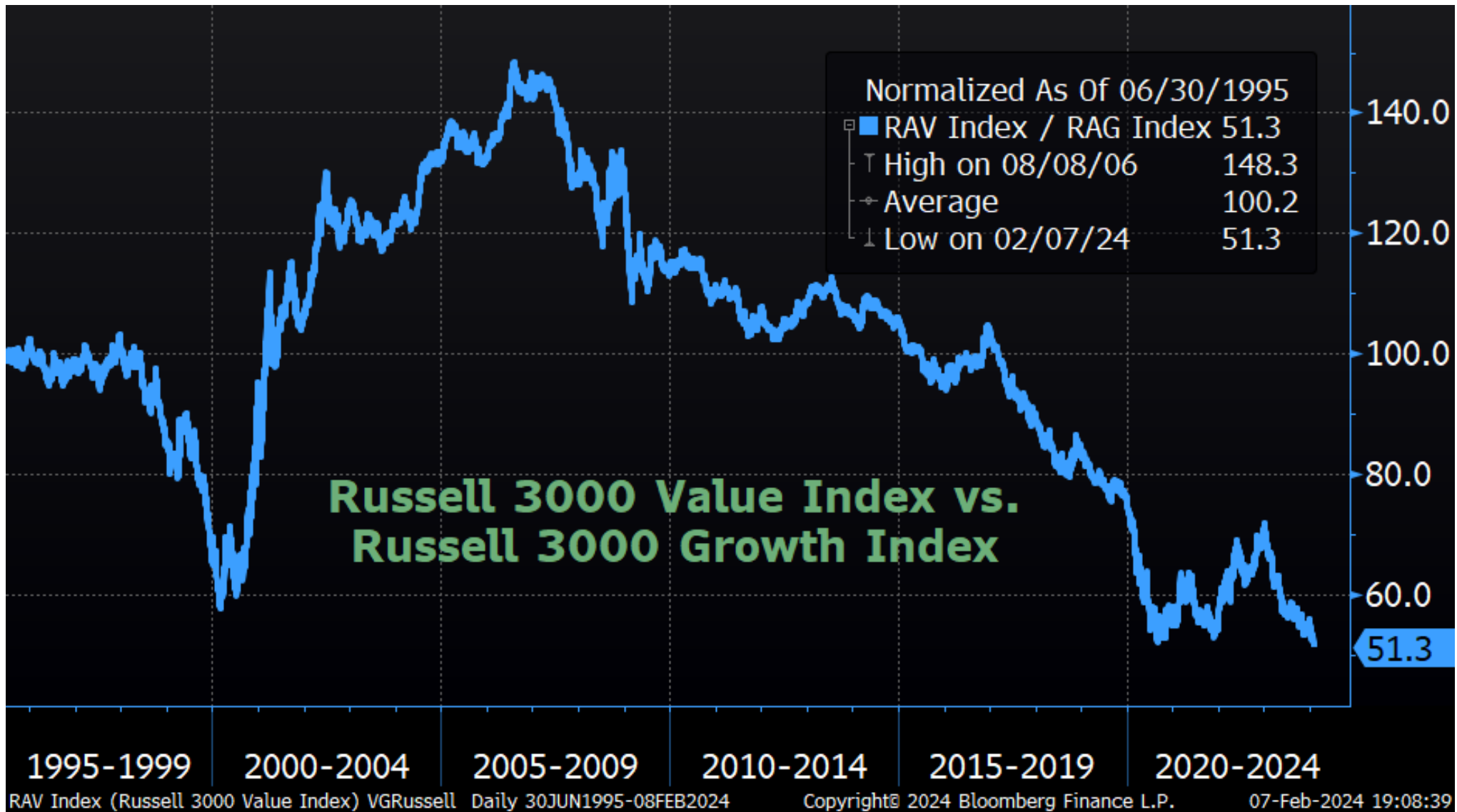
Valuation Comparison: Price to Sales



From 05.31.95 through 01.31.24. SOURCE: Kovitz using data from Bloomberg Finance L.P.



Stocks with inexpensive financial metrics have lagged badly in the wake of COVID-19, but the R3K Value index relative to the R3K Growth index on a price basis is now below 2000 levels.





Despite enduring significant volatility along the way, not to mention suffering through a miserable 2002, 2008 and 2011, Value strategies performed admirably, with the S&P 500 Pure Value index the easy winner, following the bursting of the Tech Bubble in March 2000.

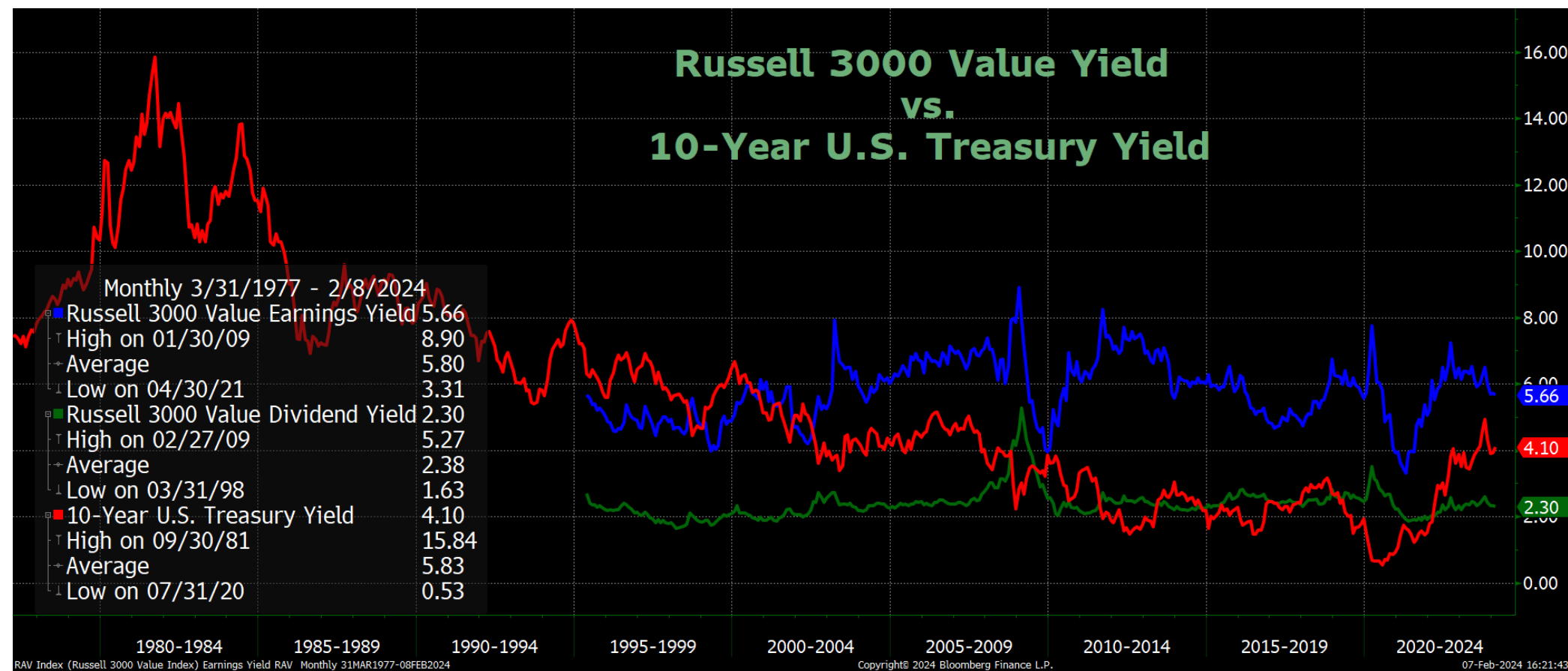
Total Returns Matrix Post March 31, 2000

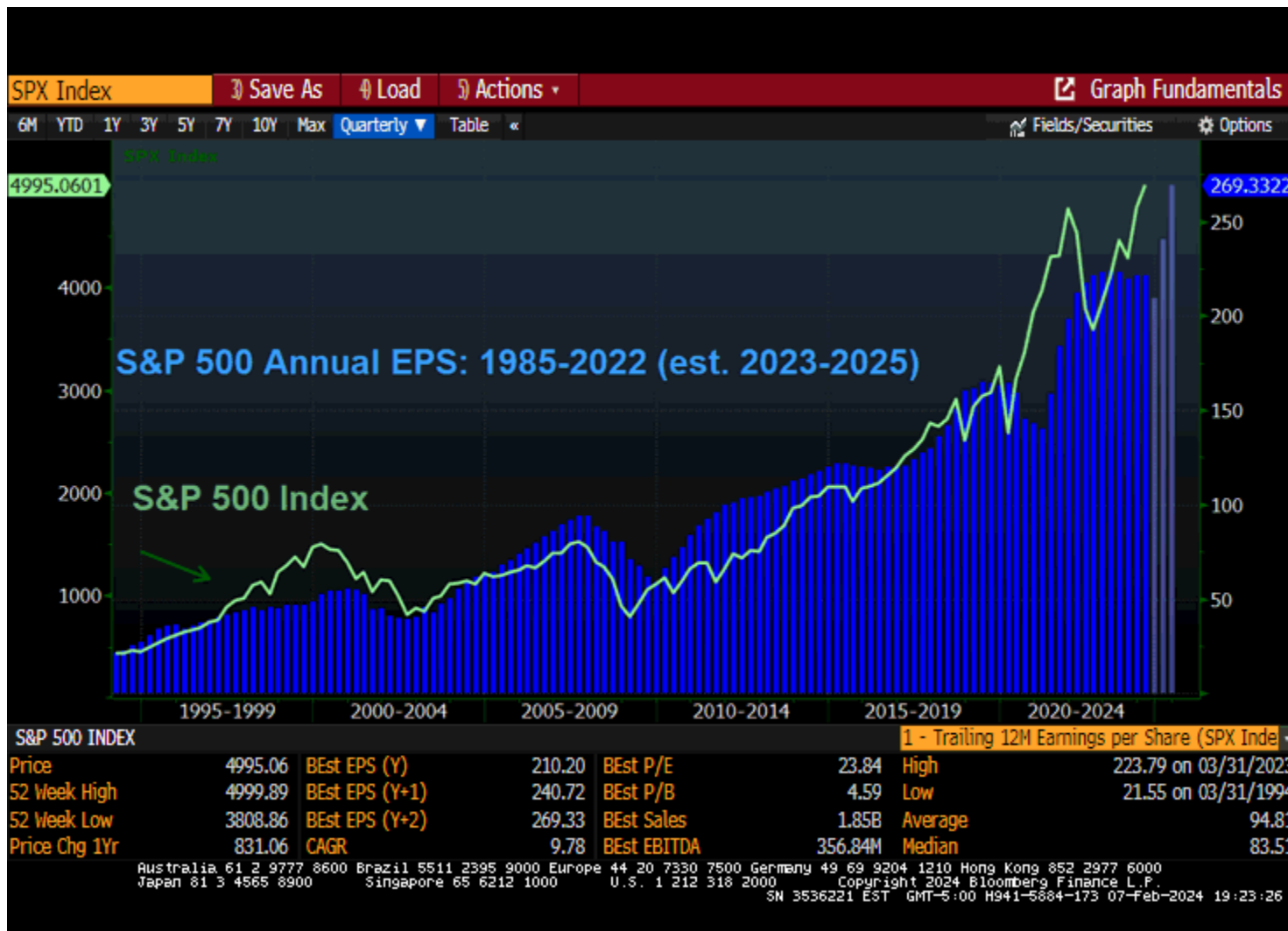
Name	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Symbol
Dow Jones Industrial Average TR	-8.21	-22.70	6.14	30.81	25.09	132.79	224.39	DJITR Index
Russell 3000 Total Return Growth Index	-42.52	-58.70	-43.96	-31.70	-33.57	37.77	119.25	RU30GRTR Index
Russell 3000 Total Return Value Index	1.48	-17.20	33.14	76.71	41.17	167.78	190.12	RU30VATR Index
Russell 3000 Total Return Index	-22.26	-40.39	-11.79	12.17	-0.73	97.19	161.01	RU30INTR Index
S&P 500 Growth Total Return Index	-38.19	-50.50	-34.68	-23.23	-25.53	54.87	143.54	SPTRSGX Index
S&P 500 Value Total Return Index	-1.07	-30.12	10.04	46.09	15.97	114.98	154.67	SPTRSVX Index
S&P 500 Total Return Index	-21.68	-40.93	-14.84	6.40	-6.35	84.03	154.83	SPXT Index
S&P 500 Pure Growth Total Return Index	-31.60	-54.66	-26.15	-10.93	-8.12	119.03	177.90	SPTRXPG Index
S&P 500 Pure Value Total Return Index	23.92	3.59	103.40	183.68	140.69	438.00	352.33	SPTRXPV Index

Source Kovitz using data from Bloomberg. Forward returns starting 03.31.00



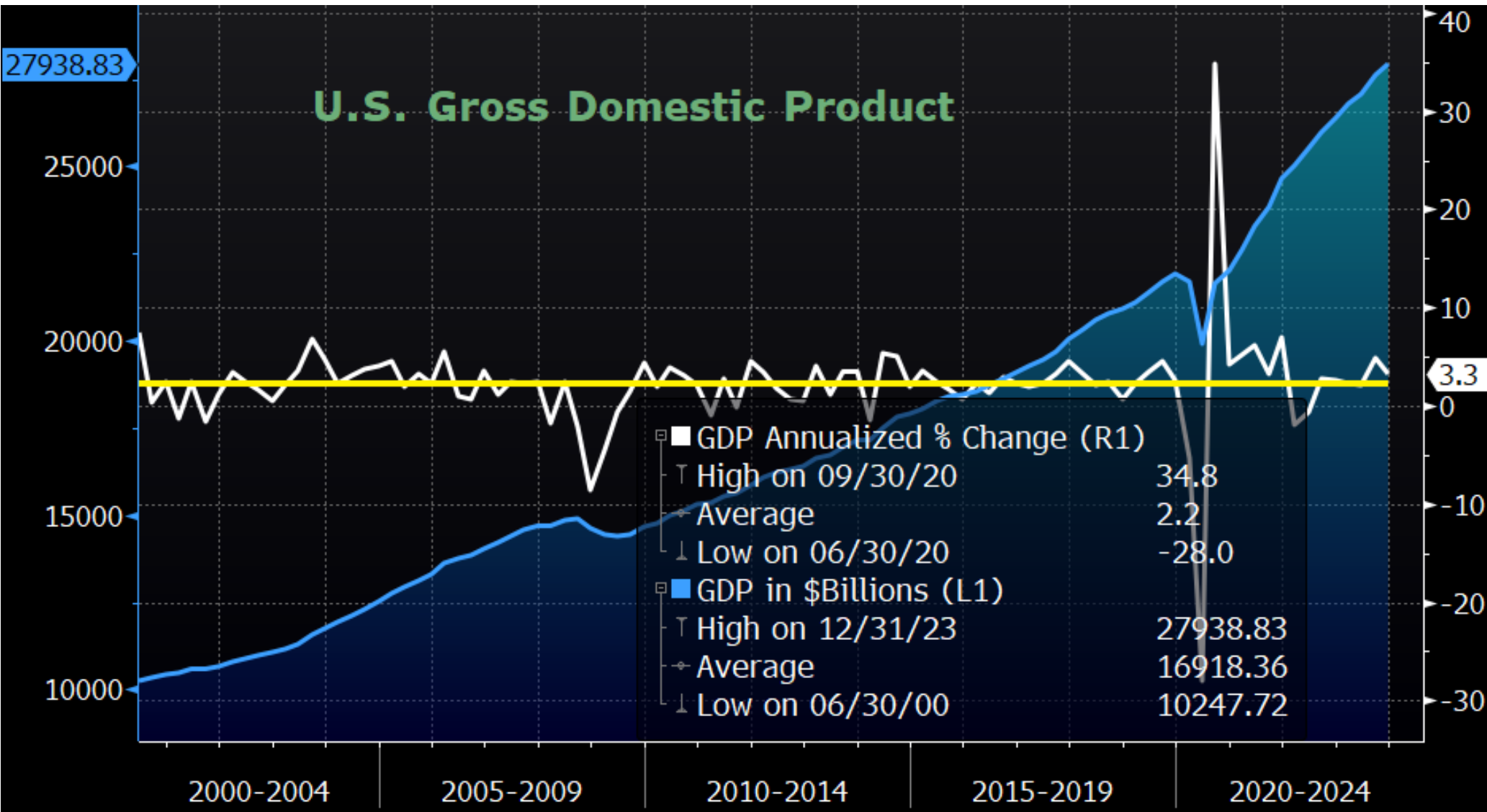
While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (4.16%) is still reasonable relative to the current (and well below average) 4.10% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast an Earnings Yield (5.66%) AND dividend yield (2.30%) near the historical norms for those measures dating back to 1995.





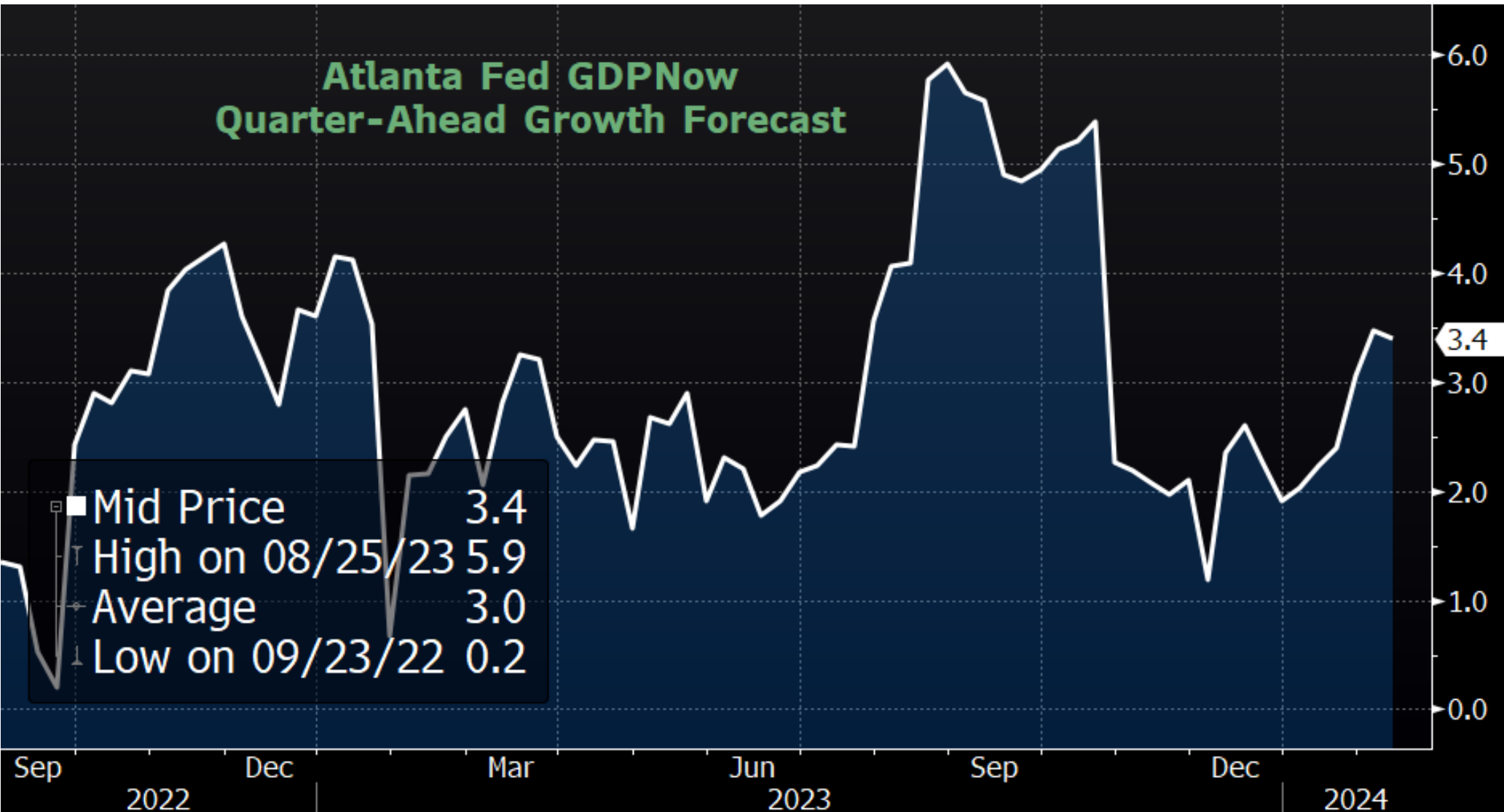
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2024	\$63.17	\$238.95
9/30/2024	\$62.39	\$228.42
6/30/2024	\$58.60	\$218.28
3/31/2024	\$54.79	\$214.52
12/31/2023	\$52.64	\$212.27
ACTUAL		
9/30/2023	\$52.25	\$210.00
6/30/2023	\$54.84	\$208.10
3/31/2023	\$52.54	\$200.13
12/31/2022	\$50.37	\$196.95
9/30/2022	\$50.35	\$203.31
6/30/2022	\$46.87	\$204.98
3/31/2022	\$49.36	\$210.16
12/31/2021	\$56.73	\$208.21
9/30/2021	\$52.02	\$189.66
6/30/2021	\$52.05	\$175.54
3/31/2021	\$47.41	\$150.28
12/31/2020	\$38.18	\$122.37
9/30/2020	\$37.90	\$123.37
6/30/2020	\$26.79	\$125.28
3/31/2020	\$19.50	\$138.63
12/31/2019	\$39.18	\$157.12

Source: Standard & Poor's. As of 1.31.24





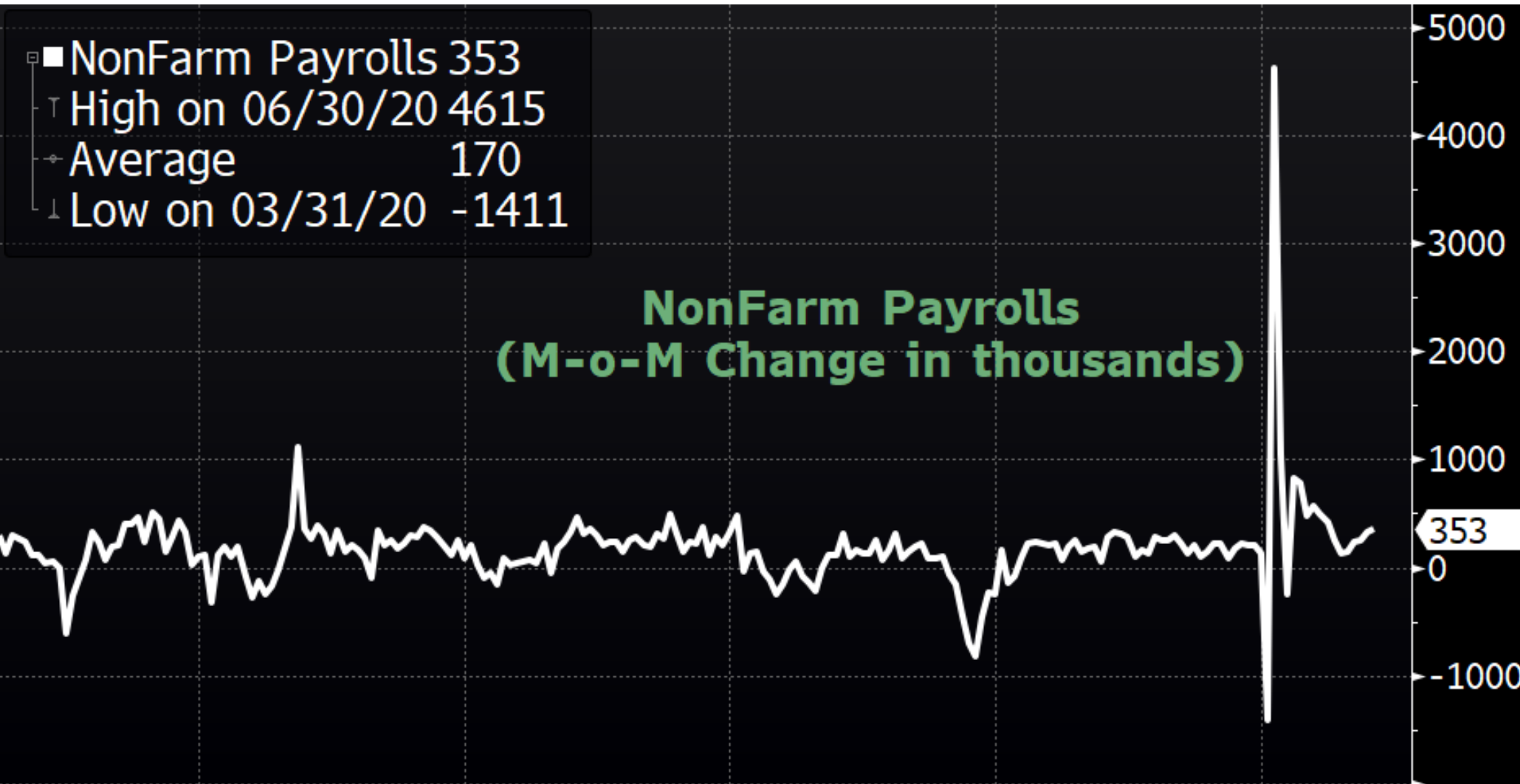
Atlanta Fed GDPNow Quarter-Ahead Growth Forecast





■ NonFarm Payrolls 353
┆ High on 06/30/20 4615
○ Average 170
┆ Low on 03/31/20 -1411

NonFarm Payrolls (M-o-M Change in thousands)





Set Default
Export
World Interest Rate Probability

Hide Models <<

Model	Meeting	%Hike/Cut
North America		
US - Fut	03/20/2024	-21.2% ▼
US - OIS	03/20/2024	-19.6% ▼
CA - OIS	03/06/2024	-9.3% ▼
Europe		
EZ - OIS	03/07/2024	-11.1% ▼
GB - OIS	03/21/2024	-9.7% ▼
SE - OIS	03/27/2024	-25.1% ▼
CH - OIS	03/21/2024	-37.3% ▼
NO - OIS	03/21/2024	-6.8% ▼
APAC		
AU - Fut	03/19/2024	-49.1% ▼
NZ - OIS	02/28/2024	+16.6% ▲
JP - OIS	03/19/2024	+17.0% ▲
IN - OIS	02/08/2024	+31.0% ▲

Region: United States »

Target Rate 5.50

Effective Rate 5.33

Instrument: Fed Funds Futures »

Pricing Date 02/08/2024

Cur. Imp. O/N Rate 5.324

Enable Overrides

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
03/20/2024	-0.212	-21.2%	-0.053	5.271	0.250
05/01/2024	-0.815	-60.3%	-0.204	5.120	0.250
06/12/2024	-1.707	-89.1%	-0.427	4.897	0.250
07/31/2024	-2.545	-83.8%	-0.636	4.688	0.250
09/18/2024	-3.458	-91.3%	-0.864	4.459	0.250
11/07/2024	-4.084	-62.7%	-1.021	4.303	0.250
12/18/2024	-4.777	-69.3%	-1.194	4.130	0.250
01/29/2025	-5.385	-60.8%	-1.346	3.977	0.250

Implied Overnight Rate & Number of Hikes/Cuts

Date	Implied Policy Rate (%)	Number of Hikes/Cuts Priced In
Current	5.324	0.000
03/20/2024	5.271	-0.212
05/01/2024	5.120	-0.815
06/12/2024	4.897	-1.707
07/31/2024	4.688	-2.545
09/18/2024	4.459	-3.458
11/07/2024	4.303	-4.084
12/18/2024	4.130	-4.777
01/29/2025	3.977	-5.385

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2024 Bloomberg Finance L.P.
 SM 3536221 EST GMT-5:00 H941-5884-173 07-Feb-2024 19:30:53



Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2023

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8	2.5-2.7	1.2-1.7	1.5-2.0	1.8-2.0	1.7-2.0	2.5-2.7	0.8-2.5	1.4-2.5	1.6-2.5	1.6-2.5
September projection	2.1	1.5	1.8	1.8	1.8	1.9-2.2	1.2-1.8	1.6-2.0	1.7-2.0	1.7-2.0	1.8-2.6	0.4-2.5	1.4-2.5	1.6-2.5	1.6-2.5
Unemployment rate	3.8	4.1	4.1	4.1	4.1	3.8	4.0-4.2	4.0-4.2	3.9-4.3	3.8-4.3	3.7-4.0	3.9-4.5	3.8-4.7	3.8-4.7	3.5-4.3
September projection	3.8	4.1	4.1	4.0	4.0	3.7-3.9	3.9-4.4	3.9-4.3	3.8-4.3	3.8-4.3	3.7-4.0	3.7-4.5	3.7-4.7	3.7-4.5	3.5-4.3
PCE inflation	2.8	2.4	2.1	2.0	2.0	2.7-2.9	2.2-2.5	2.0-2.2	2.0	2.0	2.7-3.2	2.1-2.7	2.0-2.5	2.0-2.3	2.0
September projection	3.3	2.5	2.2	2.0	2.0	3.2-3.4	2.3-2.7	2.0-2.3	2.0-2.2	2.0	3.1-3.8	2.1-3.5	2.0-2.9	2.0-2.7	2.0
Core PCE inflation ⁴	3.2	2.4	2.2	2.0		3.2-3.3	2.4-2.7	2.0-2.2	2.0-2.1		3.2-3.7	2.3-3.0	2.0-2.6	2.0-2.3	
September projection	3.7	2.6	2.3	2.0		3.6-3.9	2.5-2.8	2.0-2.4	2.0-2.3		3.5-4.2	2.3-3.6	2.0-3.0	2.0-2.9	
Memo: Projected appropriate policy path															
Federal funds rate	5.4	4.6	3.6	2.9	2.5	5.4	4.4-4.9	3.1-3.9	2.5-3.1	2.5-3.0	5.4	3.9-5.4	2.4-5.4	2.4-4.9	2.4-3.8
September projection	5.6	5.1	3.9	2.9	2.5	5.4-5.6	4.6-5.4	3.4-4.9	2.5-4.1	2.5-3.3	5.4-5.6	4.4-6.1	2.6-5.6	2.4-4.9	2.4-3.8

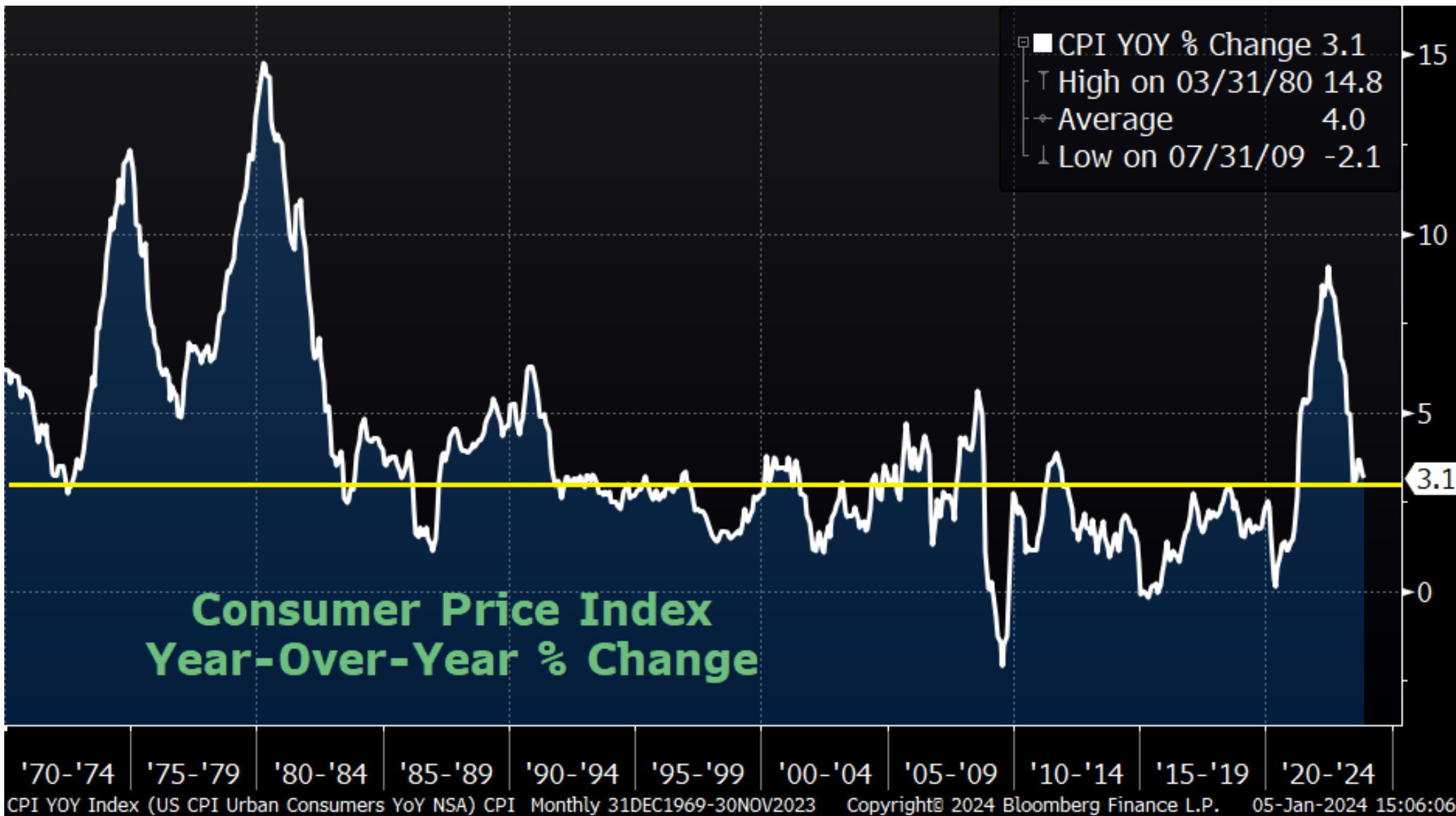
NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 19-20, 2023. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the September 19-20, 2023, meeting, and one participant did not submit such projections in conjunction with the December 12-13, 2023, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

4. Longer-run projections for core PCE inflation are not collected.





Concurrent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	586	14.7%	13.9%	12.2%	14.2%
More than 2.7%	559	11.2%	4.9%	8.6%	3.5%
3-Month Drop	619	14.1%	12.3%	12.9%	11.4%
3-Month Rise	522	11.6%	5.9%	7.6%	5.7%
6-Month Drop	589	14.6%	12.2%	12.6%	11.7%
6-Month Rise	546	11.2%	6.1%	8.1%	5.4%
12-Month Drop	573	13.1%	10.3%	11.5%	9.1%
12-Month Rise	550	12.8%	8.1%	9.2%	8.1%

Believe it or not, equities, ON AVERAGE, have been a strong hedge against inflation through the years, yet many supposed experts are using an elevated Consumer Price Index (CPI) as a warning against stock market investments. As our tables illustrate, we like how Value stocks have performed both as the CPI is rising and after it has risen, with it very intriguing that they have done better subsequent to a CPI reading above 2.7% than below!

From 12.31.27 through 06.30.23. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	587	11.7%	10.6%	10.1%	10.4%
More than 2.7%	560	14.4%	7.7%	10.6%	6.7%
3-Month Drop	611	14.3%	10.1%	11.2%	10.1%
3-Month Rise	521	11.4%	8.0%	9.3%	6.6%
6-Month Drop	585	14.7%	10.2%	11.3%	9.8%
6-Month Rise	544	11.0%	7.9%	9.1%	6.9%
12-Month Drop	573	15.2%	10.7%	11.8%	10.9%
12-Month Rise	550	10.6%	7.4%	8.5%	5.8%

From 12.31.27 through 06.30.23. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

With the Consumer Price Index (CPI) hitting 9.1% in June 2022, the Federal Reserve has had to fight inflation levels not seen in more than forty years ago. Back then, under Chair Paul Volcker, the Fed markedly boosted interest rates, which contributed to two economic recessions in 1980 and 1982, yet equities, particularly Value Stocks and Dividend Payers, enjoyed sensational returns.

Volcker Vanquishes The Great Inflation Equity Returns

Year	FF Value	FF Growth	FF Div Payers	FF Non Div	Inflation	Fed Funds Rate
1979	30.5%	32.3%	22.5%	60.5%	13.3%	14.0%
1980	19.5%	44.2%	30.8%	63.3%	12.4%	18.0%
1981	16.0%	-9.0%	-1.1%	-16.1%	8.9%	12.0%
1982	34.1%	20.8%	21.7%	13.6%	3.9%	8.5%
1983	37.5%	17.5%	22.8%	20.7%	3.8%	9.5%
1984	11.9%	-7.3%	5.1%	-18.3%	4.0%	8.3%
1985	32.5%	31.2%	33.7%	24.0%	3.8%	7.8%
1986	18.1%	8.6%	18.2%	2.2%	1.1%	6.0%
Annualized	24.7%	15.9%	18.7%	15.3%	6.3%	

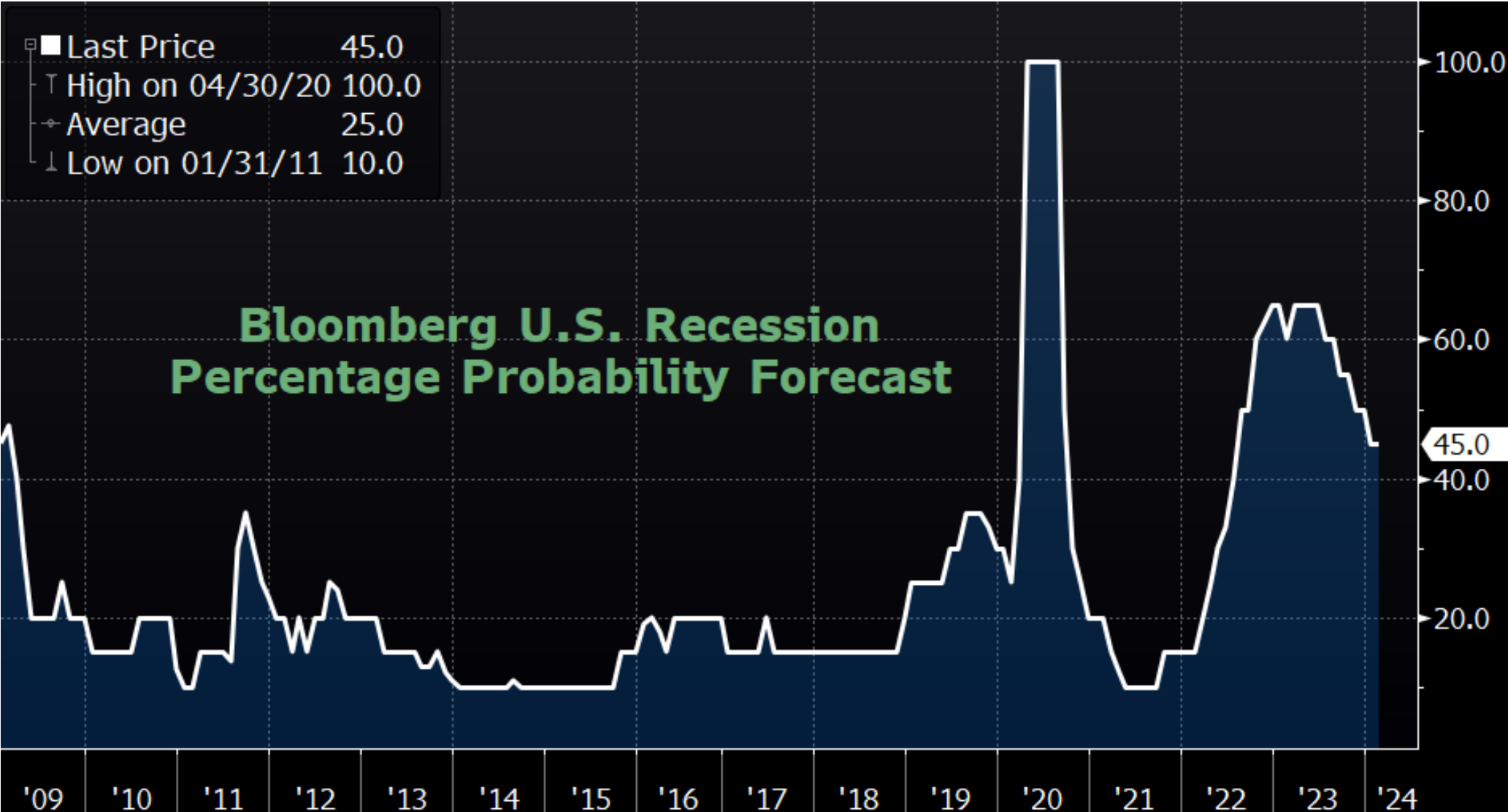
Total Return. Value Weighted Equity Portfolios. Year-End Federal Funds Rate. Source: Kovitz Investment Group using data from Bloomberg and Professors Eugene F. Fama & Kenneth R. French





■ Last Price 45.0
┆ High on 04/30/20 100.0
◆ Average 25.0
┆ Low on 01/31/11 10.0

Bloomberg U.S. Recession Percentage Probability Forecast





Modest equity losses could be avoided if one knew in advance when a recession officially began and when it ended, but unless one's timing was perfect, it is likely that a trader would be sitting on the sidelines before and after an economic contraction, missing out on sizable rewards.

Recession Start Date	Recession End Date	One Year Prior Value	One year Prior Div Payers	Return During Value	Return During Div Payers	One Year Post Value	One Year Post Div Payers	Five Years Post Value	Flve Years Post Div Payers
08.31.1929	03.31.1933	30.9%	44.4%	-81.0%	-77.8%	205.5%	101.9%	123.3%	99.3%
05.31.1937	06.30.1938	42.0%	14.3%	-43.1%	-21.5%	-14.5%	2.1%	128.7%	58.2%
02.28.1945	10.31.1945	54.5%	30.0%	25.6%	20.0%	-2.3%	-4.5%	75.7%	58.1%
11.30.1948	10.31.1949	4.8%	2.4%	11.4%	15.7%	43.4%	31.2%	174.6%	153.9%
07.31.1953	05.31.1954	4.7%	3.0%	13.6%	22.8%	60.2%	38.1%	200.7%	151.2%
08.31.1957	04.30.1958	-0.4%	-1.0%	-2.0%	-0.2%	61.1%	42.7%	129.3%	102.3%
04.30.1960	02.28.1961	-6.4%	-2.5%	21.5%	21.5%	16.9%	14.6%	136.8%	73.7%
12.31.1969	11.30.1970	-20.9%	-10.9%	1.1%	-2.3%	11.1%	12.5%	44.1%	28.7%
11.30.1973	03.31.1975	-19.3%	-17.5%	13.0%	-3.3%	51.7%	31.4%	156.1%	76.4%
01.31.1980	07.31.1980	30.5%	24.0%	3.5%	8.7%	23.2%	16.4%	207.3%	109.4%
07.31.1981	11.30.1982	23.2%	16.4%	33.1%	15.7%	39.5%	25.6%	122.8%	99.8%
07.31.1990	03.31.1991	-7.3%	4.2%	5.1%	8.6%	25.6%	13.4%	150.6%	102.1%
03.31.2001	11.30.2001	22.3%	7.9%	3.7%	0.5%	-11.6%	-10.1%	93.4%	47.3%
12.31.2007	06.30.2009	-7.9%	4.9%	-39.2%	-34.4%	24.5%	14.2%	156.5%	136.5%
02.29.2020	04.30.2020	-9.7%	5.6%	-16.9%	-3.4%	85.8%	47.0%	N/A	N/A
AVERAGE		9.4%	8.4%	-3.4%	-2.0%	41.3%	25.1%	126.7%	86.5%

Returns are not annualized. SOURCE: Kovitz using data from Bloomberg Finance LP and Professors Fama and French



“The secret to making money in stocks is not to get scared out of them.”

—Peter Lynch



Where to Invest in 2024 & Beyond

❖ 7 Investment Themes



With lots of chatter last month about the first five days of the trading year signifying how the full year will go, we do not mind that the Russell 3000 Value index ended the initial-2024 time span modestly in the green, unlike the Russell 3000 Growth index and the S&P 500.

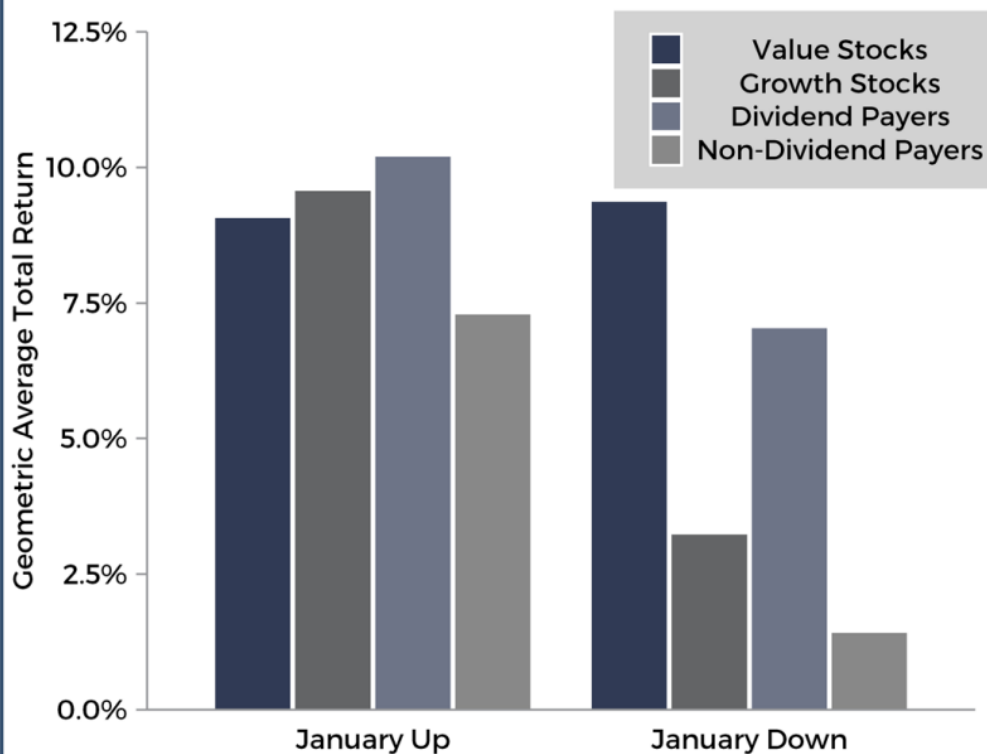
As Goes the First Five Days 1996 - 2023			
Russell 3000 Value Index		Russell 3000 Growth Index	S&P 500 Index
Positive		Positive	Positive
2.1%	Mean First-5-Day Return	2.0%	1.8%
12.0%	Mean Balance of Year	17.3%	15.0%
14.4%	Mean Full Year	19.6%	17.2%
17	Count	19	19
Negative		Negative	Negative
-2.0%	Mean First-5-Day Return	-3.0%	-2.3%
5.4%	Mean Balance of Year	-0.3%	1.0%
3.3%	Mean Full Year	-3.1%	-1.3%
11	Count	9	9
All		All	All
0.5%	Mean First-5-Day Return	0.4%	0.5%
9.4%	Mean Balance of Year	11.6%	10.5%
10.0%	Mean Full Year	12.3%	11.2%
28	Count	28	28

Source: Kovitz Using Data from Bloomberg



JANUARY BAROMETER

An up January generally is preferable for the balance of the year, but Value Stocks and Dividend Payers perform well either way.



From 12.31.1927 through 12.31.2023. Geometric average of 11-month (February through December) total returns. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

CHINESE NEW YEAR

The Year of the Rabbit surpassed the norm, so the past is not always prologue, but Value has liked the Year of the Dragon.

	Value Stocks	Growth Stocks	Dividend Stocks	Non-Div. Stocks
Dragon	23.0%	11.1%	16.1%	11.3%
Snake	7.9%	-0.6%	2.2%	-0.4%
Horse	3.4%	3.0%	5.1%	5.2%
Sheep	12.9%	13.9%	6.7%	20.7%
Monkey	21.8%	13.1%	13.1%	15.3%
Rooster	25.6%	18.6%	16.0%	20.1%
Dog	6.8%	7.7%	9.2%	-1.2%
Pig	19.0%	15.7%	16.7%	16.3%
Rat	5.8%	7.7%	7.3%	3.6%
Ox	11.0%	1.2%	10.3%	-1.3%
Tiger	14.3%	9.4%	13.8%	9.5%
Rabbit	8.2%	13.3%	10.4%	8.3%

From 01.31.1928 through 01.31.2023. Geometric average of monthly returns from February through January (Chinese New Year generally begins within a few weeks after or prior to January 31). Growth stocks = 50% small growth and 50% large growth returns rebalanced monthly. Value stocks = 50% small value and 50% large value returns rebalanced monthly. Dividend payers = 30% top of dividend payers, 40% of middle dividend payers and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. SOURCE: Kovitz using data from Professors Fama and French



Whether Trump '16 or Biden '20, stocks performed admirably in the first three years of their Presidencies and the Fourth Year of the Presidential Cycle historically has been strong for Value.

PRESIDENTIAL OUT-OF-THE-GATE RETURNS

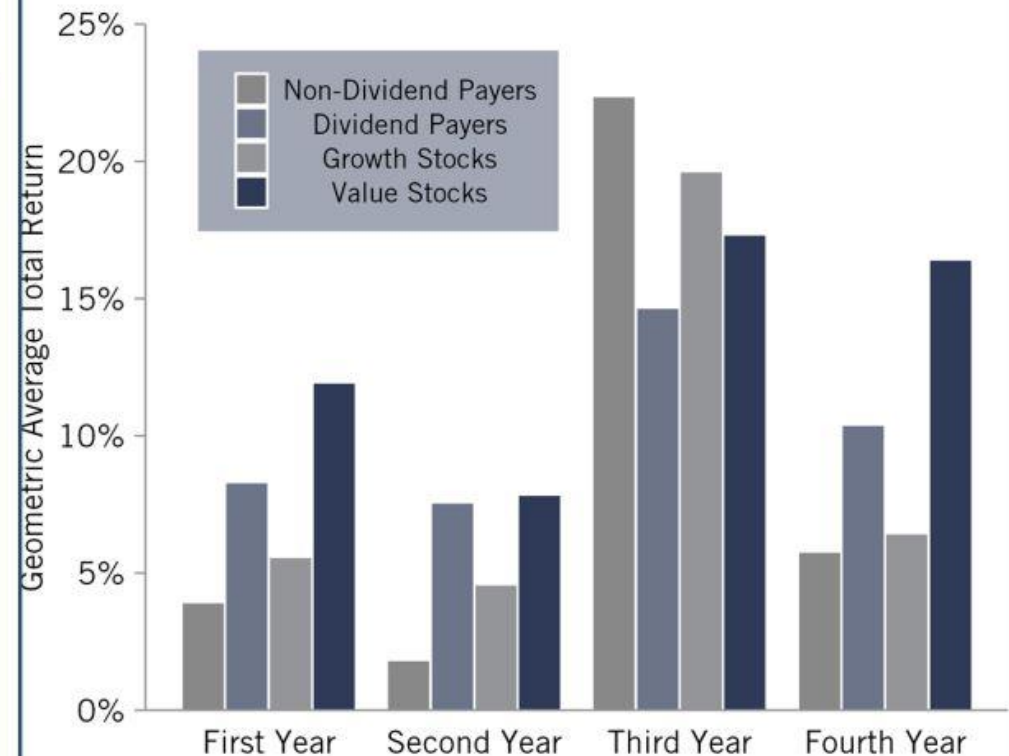
The historically favorable fourth year may change the results but Trump '16 beat Biden '20 in the first-three-years returns race.

President Elected	Election No.	Election Date	S&P Price Return
William Jefferson Clinton	53	11.05.96	90.8%
Dwight D. Eisenhower	42	11.04.52	72.1%
Franklin D. Roosevelt	37	11.08.32	72.1%
Ronald Reagan	50	11.06.84	47.8%
Barack Obama	57	11.06.12	45.6%
George H. Bush	51	11.08.88	42.6%
Donald Trump	58	11.08.16	42.0%
William Jefferson Clinton	52	11.03.92	38.5%
Harry Truman	41	11.02.48	37.4%
George W. Bush	55	11.02.04	37.0%
John F. Kennedy	44	11.08.60	34.3%
Ronald Reagan	49	11.04.80	26.7%
Barack Obama	56	11.04.08	24.6%
Joseph R. Biden	59	11.03.20	24.5%
Dwight D. Eisenhower	43	11.06.56	20.8%
Harry Truman	40	11.07.44	19.1%
Lyndon B. Johnson	45	11.03.64	10.2%
Franklin D. Roosevelt	39	11.05.40	6.7%
James E. Carter	48	11.02.76	-1.2%
Richard M. Nixon	46	11.05.68	-8.6%
Richard M. Nixon	47	11.07.72	-21.9%
Franklin D. Roosevelt	38	11.03.36	-25.3%
George W. Bush	54	11.07.00	-26.6%
Herbert Hoover	36	11.06.28	-53.6%
Average			23.1%

Price returns are calculated from the day after the presidential election through October 31 three years later.
 SOURCE: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama and Kenneth R. French and <https://www.thegreenpapers.com/Hx/PresidentialElectionEvents.phtml>

PRESIDENTIAL CYCLE PERF BY YEAR

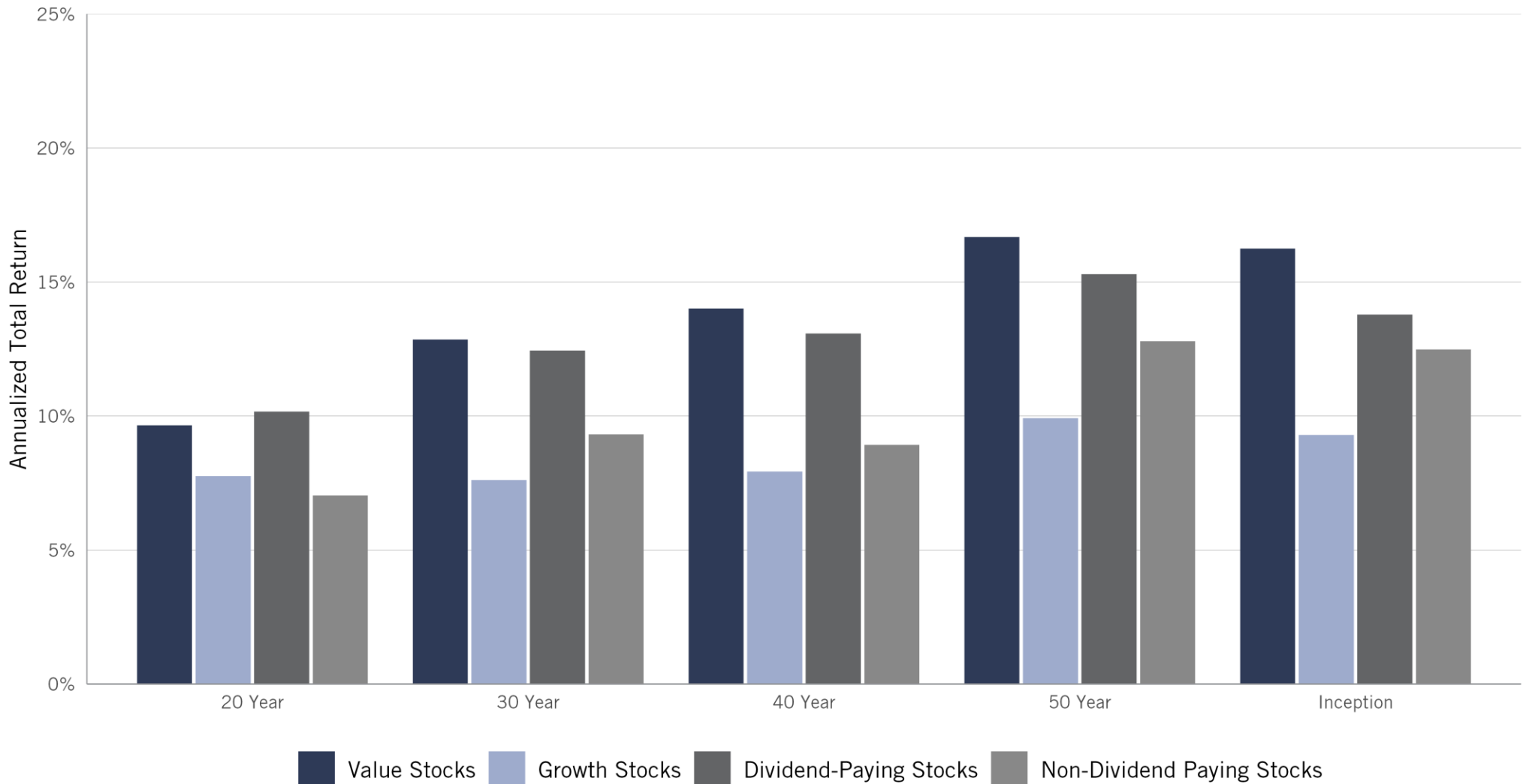
Presidential third years are the best for stocks, on average, but the fourth years have been very good as well, especially for Value.



From 12.31.28 through 12.31.22. Geometric average. SOURCE: Kovitz Investment Group using data from Professors Eugene F. Fama and Kenneth R. French



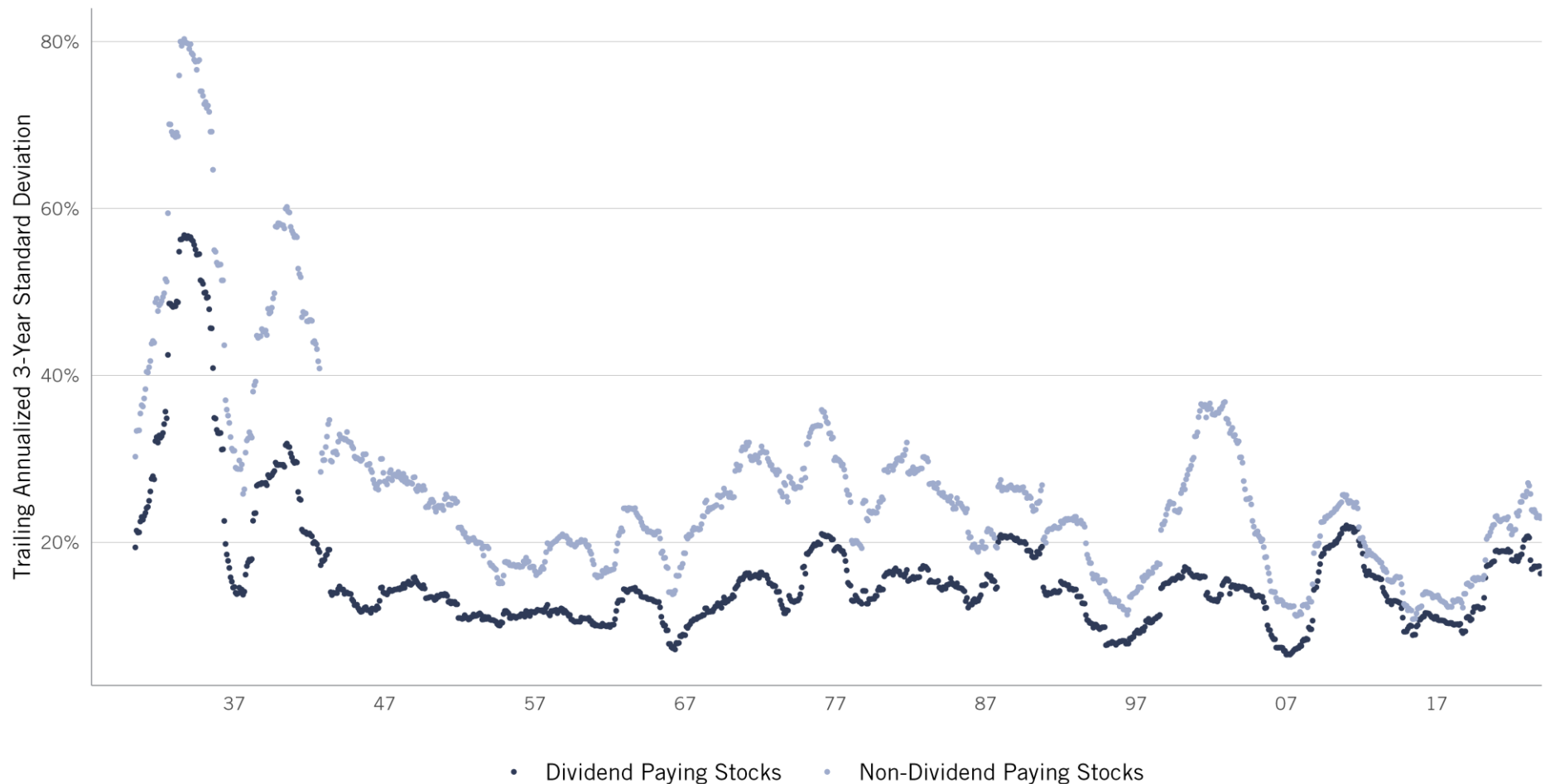
Portfolio created by Professors Eugene F. Fama and Kenneth R. French show that Value Stocks and Dividend Payers have enjoyed the best long-term returns.



As of 12.31.23. Value stocks are the highest 30% of Book Equity to Market Equity (BE/ME). Growth stocks are the lowest 30% of Book Equity to Market Equity (BE/ME). Common inception for the portfolios is 12.31.27. Equal weight portfolios. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French



Though we do not necessarily think that volatility equals risk, most prefer a smoother ride when it comes to their investments. Happily, dividend payers would seem to allow folks to have their cake and eat it too, given higher returns historically and lower standard deviation.





While fixed income investments generally boast lower volatility than equities, it is nice to see the historical odds of Value Stocks and Dividend Payers outperforming the recent 4.1% yield on the 10-year U.S. Treasury increase markedly as the level of patience rises.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >4.1%	Count <=4.1%	Percent >4.1%
1 Month	703	455	60.7%
3 Months	734	422	63.5%
6 Months	759	394	65.8%
1 Year	772	375	67.3%
2 Year	859	276	75.7%
3 Year	922	201	82.1%
5 Year	936	163	85.2%
7 Year	967	108	90.0%
10 Year	983	56	94.6%
15 Year	952	27	97.2%
20 Year	919	0	100.0%

DIVIDEND PAYERS

	Count >4.1%	Count <=4.1%	Percent >4.1%
1 Month	696	462	60.1%
3 Months	737	419	63.8%
6 Months	769	384	66.7%
1 Year	794	353	69.2%
2 Year	880	255	77.5%
3 Year	891	232	79.3%
5 Year	911	188	82.9%
7 Year	948	127	88.2%
10 Year	939	100	90.4%
15 Year	943	36	96.3%
20 Year	908	11	98.8%

From 07.31.27 through 12.31.23. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French



Dividends are never guaranteed, as we saw in the wake of COVID-19 and the Great Lockdown, but the historical data show that Corporate America has a long history of raising payouts. In fact, per share dividends for the S&P 500 were higher (modestly) in 2020 vs. 2019. And dividend payments for TPS Portfolio doubled between 2013 and 2023.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2023	348	11	26	4
2022	377	7	5	0
2021	353	19	4	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22

Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2025 (Est.)	\$80.16
2024 (Est.)	\$74.86
2023	\$70.91
2022	\$67.57
2021	\$60.54
2020	\$58.95
2019	\$58.69
2018	\$53.86
2017	\$50.47
2016	\$46.73
2015	\$43.49
2014	\$39.44
2013	\$34.99
2012	\$31.25
2011	\$26.43
2010	\$22.73

Source: Bloomberg. As of 2.7.24

TPS Annual Dividends	
2023	\$122,361
2022	\$112,179
2021	\$96,562
2020	\$95,753
2019	\$97,995
2018	\$87,802
2017	\$89,787
2016	\$75,460
2015	\$68,785
2014	\$65,357
2013	\$55,847

Source: Kovitz



“Do you know the only thing that gives me pleasure? It's to see my dividends coming in.”

—John D. Rockefeller



Investors gobbled up an Apple 10-Year bond yielding 2.4% in May 2013 when the stock yielded 2.8%. Given an 111% increase in the dividend over the ensuing 10 years, the AAPL buyer back then ended the 10 years with a 6.2% yield to go along with an 1,107% total return! The debt holder received a consistent 2.4% annual coupon and a 28% total return over the decade.





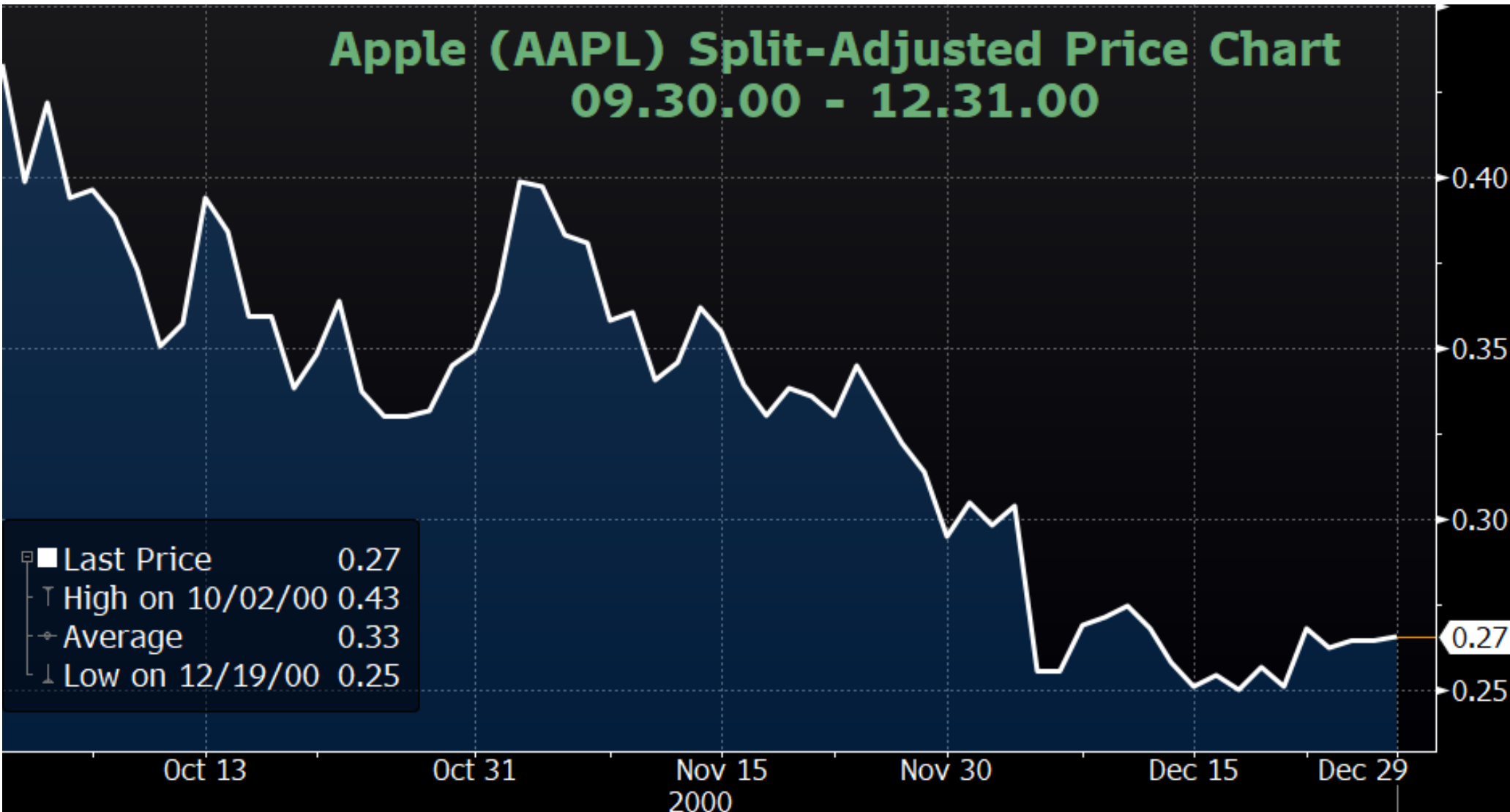
“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”

—Warren Buffett



Even a stock like Apple has endured tremendous volatility, plunging from a split-adjusted \$0.40 in October 2000 to \$0.27 three months later, a stomach-churning short-term loss of more than 30%.

Apple (AAPL) Split-Adjusted Price Chart 09.30.00 - 12.31.00





YELLING FIRE IN A CROWDED THEATRE

PNC Financial (PNC) – Regional Bank

PayPal (PYPL) – Online Payment Solutions



HEALTH CARE (TEMPORARILY) IN THE SICK BAY

Bristol Myers (BMY) – Pharmaceuticals

CVS Health (CVS) – Health Care Services



ELECTRIC CARS WILL ARRIVE, EVENTUALLY

**Albemarle (ALB) – Lithium and Special
Chemicals**

General Motors (GM) – Automaker



DINOSAUR JUICE FOR PORTFOLIOS

Chevron (CVX) – Integrated Oil

**Devon Energy (DVN) – Oil & Gas Exploration &
Development**



INTELLIGENT WAYS TO PLAY A.I.

Digital Realty (DLR) – Data Center REIT

**Kulicke & Soffa (KLIC) – Semiconductor
Capital Equipment**



SMALL COMPANY, BIG POTENTIAL

Fresh Del Monte (FDP) – Food Producer

**World Connect (WKC) – Fuel Supplier &
Logistics Provider**



ENHANCING EXPOSURE BY LEVERAGING THE POWER OF THE WORLD

Manpower Group (MAN) – Staffing Services

**Nutrien (NTR) - Canadian Crop Input and
Service Provider**



CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	16.1	14.1	0.9	2.4	2.7
ValuePlus	15.6	13.9	1.1	2.4	2.4
Dividend Income	14.4	13.6	0.8	2.2	3.1
Focused Dividend Income	16.3	13.5	1.1	2.6	3.1
Focused ValuePlus	17.2	14.0	1.2	2.7	2.6
Small-Mid Dividend Value	10.7	11.0	0.5	1.5	3.1
Russell 3000	24.5	24.0	2.4	4.2	1.4
Russell 3000 Growth	36.1	33.3	4.3	11.9	0.7
Russell 3000 Value	17.6	17.9	1.6	2.4	2.3
Russell 1000	24.3	23.7	2.6	4.5	1.4
Russell 1000 Growth	35.2	32.7	4.6	12.9	0.7
Russell 1000 Value	17.6	17.7	1.7	2.5	2.3
S&P 500 Index	23.8	23.6	2.7	4.7	1.4
S&P 500 Growth Index	27.5	32.2	4.1	8.1	0.7
S&P 500 Value Index	20.5	17.8	1.9	3.0	2.4
S&P 500 Pure Value Index	11.6	10.7	0.5	1.3	3.0

As of 02.07.24. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.



ALL TPS RECOMMENDATIONS

Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company
AAPL	Apple Inc	CMCSA	Comcast Corp	GILD	Gilead Sciences Inc	LRCX	Lam Research Corp	PYPL	PayPal Holdings Inc
ABT	Abbott Laboratories	CMI	Cummins Inc	GLW	Corning Inc	MAN	ManpowerGroup Inc	QCOM	QUALCOMM Inc
ADM	Archer-Daniels-Midland	COF	Capital One Financial Corp	GM	General Motors Co	MDC	MDC Holdings Inc	REG	Regency Centers Corp
ALB	Albemarle Corp	COHU	Cohu Inc	GOOG	Alphabet Inc	MDT	Medtronic PLC	SIEGY	Siemens AG
ALIZY	Allianz SE	CSCO	Cisco Systems Inc	GS	Goldman Sachs	MET	MetLife Inc	SNA	Snap-on Inc
ALL	Allstate Corp	CVS	CVS Health Corp	GT	Goodyear Tire	META	Meta Platforms Inc	SNY	Sanofi SA
AMGN	Amgen Inc	CVX	Chevron Corp	HAS	Hasbro Inc	MMM	3M Co	STX	Seagate Technology
AMT	American Tower Corp	DE	Deere & Co	HMC	Honda Motor Co Ltd	MOS	Mosaic Co/The	SYF	Synchrony Financial
APD	Air Products and Chemicals	DHLGY	Deutsche Post AG	HPE	Hewlett Packard Ent	MRK	Merck & Co Inc	TFC	Truist Financial Corp
ARE	Alexandria Real Estate	DINO	HF Sinclair Corp	IBM	IBM	MRNA	Moderna Inc	TGT	Target Corp
AVGO	Broadcom Inc	DIS	Walt Disney Co/The	INTC	Intel Corp	MS	Morgan Stanley	TKR	Timken Co/The
AXAHY	AXA SA	DKS	Dick's Sporting Goods Inc	IP	International Paper Co	MSFT	Microsoft Corp	TPR	Tapestry Inc
AYI	Acuity Brands Inc	DLR	Digital Realty Trust Inc	JBL	Jabil Inc	MU	Micron Technology Inc	TSN	Tyson Foods Inc
BAC	Bank of America Corp	DOC	Physicians Realty Trust	JNJ	Johnson & Johnson	NEM	Newmont Corp	TTE	TotalEnergies SE
BASFY	BASF SE	DVN	Devon Energy Corp	JNPR	Juniper Networks Inc	NSC	Norfolk Southern Corp	VWAPY	Volkswagen AG
BHE	Benchmark Electronics	ELV	Elevance Health Inc	JPM	JPMorgan Chase & Co	NTAP	NetApp Inc	VZ	Verizon Communications
BK	Bank of New York Mellon	ENS	EnerSys	JWN	Nordstrom Inc	NTR	Nutrien Ltd	WHR	Whirlpool Corp
BLK	BlackRock Inc	EOG	EOG Resources Inc	KEY	KeyCorp	NYCB	NY Community Bancorp	WKC	World Kinect Corp
BMJ	Bristol-Myers Squibb	ETN	Eaton Corp PLC	KIM	Kimco Realty Corp	OMC	Omnicom Group Inc	WM	Waste Management
C	Citigroup Inc	FDP	Fresh Del Monte Produce	KLIC	Kulicke & Soffa Industries	ORCL	Oracle Corp	WMT	Walmart Inc
CAH	Cardinal Health	FDX	FedEx Corp	KR	Kroger Co/The	OZK	Bank OZK	WRK	Westrock Co
CAT	Caterpillar	FITB	Fifth Third Bancorp	KSS	Kohl's Corp	PFE	Pfizer Inc	XOM	Exxon Mobil Corp
CE	Celanese Corp	FL	Foot Locker Inc	LEG	Leggett & Platt Inc	PHG	Koninklijke Philips NV	ZBH	Zimmer Biomet Holdings
CFG	Citizens Financial Group	GBX	Greenbrier Cos Inc	LITE	Lumentum Holdings Inc	PNC	PNC Financial Services		
CIVI	Civitas Resources	GD	General Dynamics Corp	LMT	Lockheed Martin Corp	PNW	Pinnacle West Capital Corp		
CMA	Comerica Inc	GEN	Gen Digital Inc	LOW	Lowe's Cos Inc	PRU	Prudential Financial Inc		



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The list of stocks on Slides 60 to 66 represent what we believe to be stocks that offer capital appreciation potential. The full list of recommendations comprises the Kovitz California Strategies, which is part of Kovitz Investment Group Partners, LLC (KIG).

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Given that it took a big rebound over the final week of the month to cut the average loss for stocks in the broad-based Russell 3000 index to 5.7% during March, we were again reminded that equity prices move in both directions. The long-term trend has been higher, of course, with Value Stocks like those that we have long favored enjoying average annualized returns of 13.2% since 1927, but ups and downs have always been part of the investment process.

In fact, history shows that Value Stocks have lost ground on a one-month basis 36.8% of the time, but that also means that 63.2% of months have been positive. Hold for 12 months and the chance of losing money drops to 26.9%, with red ink shrinking to 12.5% for three-year, 3.4% for seven-year and 0% for 15-year periods, so risk has been mitigated simply by lengthening one's time horizon.

For example, the Russell 3000 Value index eked out a modest gain of less than 1% for the first quarter of 2023, with volatility appearing to be almost non-existent if utilizing a three-month measuring stick. Of course, those who pay attention to the short-term fluctuations know that the equity markets have had plenty of gyrations this year, with the drama really heating up on March 9 after an exodus of deposits via a modern-day electronic bank run at Silicon Valley Bank led to the lightening-quick col-

While Washington appears to have been successful in stemming depositor panic as net outflows from regional banks have slowed to a trickle, we respect that compar-

"The future is never clear; you pay a very high price in the stock market for a cheery consensus."

— Warren Buffett

isons have been made to the collapse of Lehman Brothers and Washington Mutual during the Great Financial Crisis. We think today is far different as banks are far better capitalized and the three banks that failed had unique profiles not present at other institutions. As such, we are taking advantage of the big plunges in shares of banks and insurance companies by adding to our financial holdings in TPS Portfolio.

The banking issues add to the ever-present uncertainty with comments from Jerome H. Powell illustrating the point. The Federal Reserve Chair said, "Since our previous FOMC meeting, economic indicators have generally come in stronger than expected, demonstrating greater momentum in economic activity and inflation." He added, "We believe, however, that events in the banking system over the past two weeks are likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes."

The health of the economy is a conundrum as *Bloomberg* calculates a 65% chance of recession in the next 12 months, but the Atlanta Fed estimates that Q1 GDP growth was 2.5% and the FOMC projects GDP growth of

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