Welling on Wall St.
www.WellingonWallSt.com

VOLUME 5
ISSUE 17
NOVEMBER 11, 2016

RESEARCH DISCLOSURES SEE PAGE 15

listeningin

Profiting From Uncertainty

Mark Boyar's Group Finding Mispriced Financials, Media Stocks

Uncertainty. It's hard to remember already, but that was the dominant trope in the market even before Tuesday's election upended much of what the chattering class (manifestly including me) thought they knew about this fair land's economic and political outlook.

Which is why I was drawn to interviewing this week's dynamic duo, the father-son team of Mark and Jonathan Boyar at their eponymous Boyar Value Group. Just a month or so ago, they issued a thought-provoking piece of in-depth investment research, modestly entitled, "Boyar's Guide to Profiting From Uncertainty."

Mark, is an iconoclastic value investor of the old school whom I have known, well, forever. Incredibly precise, detailed and thoughtful in his research, he's stubborn enough to hold onto his painstakingly vetted ideas until they bear fruit. Mark has been a securities analyst since 1968 and has been actively managing money since 1975 — accumulating reams and reams of clippings of interviews in Barron's and all the rest of the financial mediasphere over the years. Not to mention a money management record that has created great loyalty among his clients.

Jonathan, trained as a lawyer but a finance aficionado at heart, I only met recently. But he's been working in the family firm since 2008 — after some early tutelage under Mario Gabelli — and seems as much a born value guy as his old man.

The two are convinced they've found an enduring edge in scooping up quality assets when they are temporarily tossed on the bargain counter by the ebb and flow outrageous fortune. Since we've seen a lot of that lately, seems a good idea to listen in. — KMW


Mark Boyar


Jonathan Boyar

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

Welling on Wall St.
Published exclusively for professional investors by
Welling on Wall St. LLC
ISSN 2332-161X

Kathryn M. Welling
Editor, Publisher & Principal
Kate@WellingonWallSt.com
Office. (631)315-5076
Cell. (973)650-2722

Stuart Schwartz
Marketing Consultant
Stu@WellingonWallst.com
(914)768-3133

Donald R. Boyle
Chief Financial Officer
Don@WellingonWallSt.com
Office. (631)315-5077
Cell. (201)394-1548

Distributed biweekly, usually on Fridays, 18 times a year, by
Welling on Wall St. LLC
PO Box 620
Mattituck, NY 11952

Office:(631)315-5076
Fax. (631)315-5077

Copyright Warning and Notice.
It is a violation of federal copyright law to reproduce all or part of this publication or its contents by any means. The Copyright Act imposes liability of up to $150,000 per issue for such infringement.
Welling on Wall St. LLC does not license or authorize redistribution in any form by clients or anyone else. However, clients may print one personal copy and limited reprint/republication permission *may* be made available, in writing, *upon specific request*.

Copyright 2016, K.M. Welling and Welling on Wall St. LLC All rights reserved and vigorously enforced.

Jonathan, I have to say I felt like I was in a time warp as I read Boyar Research's "Guide to Profiting from Uncertainty." A tightly argued investment thesis accompanied with detailed fundamental analysis of a number of stocks is a real throwback.

Jonathan Boyar: Yes, it seems that we're a dying breed, but all this passive investing, I suspect, will eventually give us an opportunity to actually take advantage of the forgotten skill set that is fundamental value analysis.

I know from days gone by that your dad's skill at spotting fundamentally undervalued value stocks established his reputation in the business, but bring me up to date — what exactly is the Boyar Value Group doing these days?

Jonathan: Right, the Boyar Research part of the firm was started in 1975 — we think we're the oldest continuously published institutional research service on Wall Street. We have a terrific client base that reads us — from hedge funds to mutual funds to family offices. Anyone who can afford to be patient and has a value focus. Our research business has undergone significant growth over the last couple of years, really just due to basic marketing. We have a terrific team of four full-time analysts. We tell them they're paid to read and come up with ideas and they haven't disappointed thus far. We are agnostic to market cap, we're agnostic to industry and we write reports on any of them.

Agnostic to market cap? Your institutional clients don't pay you for ideas about companies too small for them to invest in, do they?

Jonathan: No, but because we have been finding such terrific values in micro cap land, we started publishing a separate service in 2010 just dedicated to micro caps. While we recognized that our larger clients obviously couldn't buy a $500 million company in any sort of meaningful way, other investors have more flexibility, so it's a viable niche.

Then the second part of our business is Boyar Asset Management, which my father started in 1983. We have roughly $200 million in separately managed accounts as well as a small limited partnership and a mutual fund, Boyar Value Fund (BOYAX), that's been around since 1998. But the majority of our business is in bread and butter separately managed accounts, either from high net worth individuals, family offices or some institutional accounts.

"Patience is probably one of the most important elements of stock market investing. First, you have to find the great business at a good price, then you have to have patience, the fortitude and the ability to withstand gyrations in the stock market. That element is critically important." — Mark Boyar

It's a constantly repeated truism that the markets hate uncertainty — probably because we're awash in it — so what advantage do you see in staking the contrary claim and trying to profit from it?

Jonathan: There's no doubt that we're surrounded by uncertainty, and not just in the political arena. The financial markets have been sending out lots of conflicting signals, with domestic equity markets bouncing around highs but with few signs of the euphoria among retail investors that often marks tops. The international arena is tenuous, pretty much wherever you look. There's no escaping that uncertainty is just part of the human condition — but we think top-down uncertainty results *inevitably* in attractive investment opportunities — because pockets of the market where controversies hold sway are fertile hunting grounds for undervalued equities.

Why do you think that is?

Jonathan: I think the best place to look for that answer is in behavioral finance and the working of the human brain. Actually, the truism you cited,

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

about the market hating uncertainty more than any known negative, is all one really has to know to understand why value investing works. Where uncertainty is present, there will be fewer analysts doing deep fundamental research, resulting in pricing inefficiencies.

Okay. But that's old news. Why hasn't that opportunity been arbitraged away?

JONATHAN: Good question. After all, when Joel Greenblatt published, *"You Can Be A Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits"* in 1999, he was pretty much single-handedly responsible for a noticeable shrinkage in bargains available in spinoffs. As his book became required reading in the Street, margins of safety in spinoffs narrowed markedly. The thing is, we don't think talking about uncertainty creating valuation discrepancies can spoil the advantage of value investing because of something fundamental in the way the human brain is wired.

Go on —

JONATHAN: Basically, neuroscience has found that the brain is like a pattern-recognition machine that is constantly trying to predict the near future; it craves certainty so that it can make predictions while conserving energy. If it can't make predictions, the brain has to use dramatically more resources involving the more energy-intensive prefrontal cortex, and even a small amount of uncertainty generates an "error" in the orbital frontal cortex. This is sort of like having a flashing printer icon on your desktop when paper is jammed — the flashing can't be ignored and until it is resolved, it's hard to focus on other things. By contrast, anything that creates a sense of certainty in the brain is rewarding — it generates an increase in dopamine levels in the brain, which is a reward response.

And this has what to do with value investing?

JONATHAN: Well, you know the Buffett line about "be fearful when others are greedy, be greedy when others are fearful?" Why is that so hard to do, if investors could follow Greenblatt's advice to pay attention to spinoffs? It turns out that the brain craves certainty using similar circuits as when we crave food and other primary rewards. Information is rewarding and uncertainty about the future sets off a strong threat response, a type of pain to be avoided.

Which has led some to speculate that Buffett, among others, is a sociopath — or that his brain is wired differently.

JONATHAN: Yes, but our research leads us to think that Buffett's brain isn't wired differently — he simply uses it differently, creating an advantage for himself when others become paralyzed by uncertainty. What if he focuses instead on an empowering reward response? By finding wide moat businesses whose stocks are on the bargain counter due to the uncertainty, he puts his mind in a pleasurable state of certainty because he knows he has history and data on his side supporting the outperformance of wide moat businesses through crises and beyond.

Actually, he said as much in Berkshire Hathaway's 1994 shareholder letter, if I can find it here: *"We will continue to ignore political and economic forecasts, which are an expensive distraction for*

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

many investors and businessmen...Indeed, we have usually made our best purchase when apprehensions about some macro event were at a peak...If we can identify businesses similar to those we have purchased in the past, external surprises will have little effect on our long-term results."

Still, it's no mean feat to concentrate on long-term rewards, when all around you, Henny Penny is shouting that the sky is falling —

JONATHAN: Absolutely, the brain was wired for physical survival, and we can't change that. But astute investors need to be aware of that, and try to use their brains to their advantage. Since that's not easy, however, we don't expect a substantial portion of investors will ever adopt the change of focus that has allowed Warren Buffett to become extraordinarily wealthy — and we expect uncertainty to continue to serve up wide moat businesses trading at substantial discounts to intrinsic value for us to invest in.

I should have asked earlier, when did you join the family business?

JONATHAN: My timing was terrific — in 2008. I had I started my career working for Mario Gabelli, which was a great learning experience. He's one of the smartest guys you'll ever meet. Seeing how he did things was definitely eye-opening. Their style is a little bit different than what we do, but there's more than one way to skin a cat. But then, I made I guess my biggest professional mistake — I decided to become an attorney.

You didn't like law school?

JONATHAN: Well, I graduated from Cardozo School of Law and went to work as a litigator for a while in a big firm, but found that I either didn't like the profession or didn't like what I was doing. So I ended up working for my father — who had greatly discouraged me from joining his firm. Against his better judgment, I guess, he let me do so, and here I am, almost eight years later.

Are you two still speaking?

JONATHAN: Still speaking. I think we're having Thanksgiving together and do all sorts of family things. Family businesses have their own unique set of issues but it's been great. We both love what we do and it's a great way to make a living.

Come on. Practicing active money management — as value investors? Investment dollars are fleeing the space.

JONATHAN: Yes. Though we haven't felt that trend on the money management side of our business yet. Our client base has been with us for a really long time. Fortunately, my father has done well by them over the long run and they appreciate that. They see that things move in cycles.

I think what we do really resonates with individuals because they can understand what we do. We want to buy something for less than it's worth. I mean, anyone can understand that. And we love buying great consumer franchises, so when they see in their portfolio an Energizer or a Home Depot or a Madison Square Garden, or whatnot they get what we're doing.

Passive investing certainly seems to be taking away share from active strategies like ours, among the younger generation. But I'm not sure how sustainable that is. Just thinking in terms of our high net worth business, someone who has accumulated over a million dollars of investable net worth — I don't think they want to settle for mediocrity.

That's probably not how they've accumulated those assets —

JONATHAN: Yet that's exactly what you're doing — locking in mediocrity — by choosing index funds. And I think that they understand that. As you know, as value investors we don't claim that timing is our forte. But, at some point, the downside of this passive investing fad and also the increasingly popular "safety strategies" or low volatility investing, are going to come home to roost.

How so?

JONATHAN: In the report we sent you, we quote Jeffrey Gundlach of Doubleline Investments saying that low volatility stock funds are probably the most dangerous thing out there." Gundlach is a very smart guy and he's usually pretty good about seeing around corners. He talks about how dangerous these low-volatility strategies are. As he said, "It's when you think it's safe and it starts going down that you get mass selling." I completely agree with him because they're being sold on the premise that they're *not* going to go down. But if you look at them, what they're putting in them are the things that worked for the last five years. I mean, I'm someone, and my father's someone, who believes in mean reversion —

Indeed. You may not be old enough to remember portfolio insurance, but I know your dad does.

MARK: Yes, I also remember the Nifty Fifty and I remember that we were dinosaurs back in the days of the internet bubble. That was a rough period for us, I

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

mean, we underperformed for about four years and I remember people coming to us and saying that we're dinosaurs and that analyzing companies like we do was passé and was never ever going to come back.

Then in March of 2001, when the unwinding of the internet stocks began — and for the next three or four years — our performance was great relative to the market. Not only did we significantly outperform for four years, but we wound up having very positive absolute performance over that span.

So I really believe, as Jon said, that the fads *du jour* — whether it's ETFs or low-vol funds — will have their day and then something will happen that will cause them to self-destruct. So people will come back — perhaps not in droves as they once did — but they'll come back to buying a great business at a significant discount to what it's worth. That's our mission at Boyar Asset Management, to buy those businesses at a significant discount and then to hold them for many years, letting the magic of compounding work while delaying taxation.

That sounds so simple, until you consider all the reasons why the market may be low-balling the price of a great business —

Mark: That's what makes what we do a challenge. But that's basically what we try to do; we try to find businesses that are selling well-below their intrinsic value, or private market value. So we take the balance sheet and we tear it apart and we reconstruct it and we place our own values on the business. If the market isn't currently reflecting the value we see in the company, our feeling is that either over time the market will come to accurately assess the value of the company, or — if not — somebody will come in and acquire it.

It's interesting, about 40% of the businesses we've either invested in or written about have ultimately been acquired by a third party. Lightening struck again just a couple of weeks ago — when Time Warner (TWX) got the bid from AT&T (T). This is a stock we've held — I went back and looked — most of our position, we'd bought back in 2009, when it was selling for around $20 or $21 a share.

Because?

Mark: Warner is a stock I've been in and out of numerous times in my career, But in each instance, I held it for very long periods of time.

I remember, we owned Warner Communications before they bought Time. Then they bought Time and for three or four years the stock did absolutely nothing because people looked at it and said, "It's a silly acquisition." Then all of the sudden it had its run. That's one of the things you have to get used to when you're a value investor; there will be long periods of time when your stocks go down or they do nothing, and then they will have a run. I remember coming into the office in 2001, in January, and hearing the announcement that AOL and Time Warner were going to merge — and seeing the stock take off on its last leg up.

Did you sell into the euphoria?

Mark: Not that we were smart, but it was a substantial presence in the portfolios — the holding represented about 10% of the portfolio — so that day we sold half of the position. We didn't sell the entire position, we only sold half of it, unfortunately, because then the stock started going down and down and down —

But when you saw Time Warner at 20, amid the financial crisis, you knew it was as badly mispriced in one direction as it had been in the opposite direction in the AOL deal?

Mark: That's the advantage we gain from years of doing the fundamental work on corporate valuations. One of the things that people miss out on when they are investing in ETFs or index funds — and one of the things that we like to look for — are stocks that we can hold for long periods of time. And I'm not talking about a year or five years, but 10 years or 15 years, so that compounding can work its magic, if you pick great businesses.

By contrast, if I look to buy all the stocks in the S&P 500, the probability is I don't know a lot about most of those stocks. Certainly, the index funds don't know anything about them because they *have* to buy these 500 stocks. Some are good companies and some are cheap, but some are expensive. And because so much money is gravitating to these index funds, there are a whole bunch of stocks within the index funds that have been pushed to over-valuations, simply by being bought as part of the index.

I don't have to worry about that because what I'm doing is trying to find the cheapest of the cheap. I'm looking for good businesses that Mr. Market, for whatever reason, has abandoned. My feeling is that, over time, I'll do well with this approach.

If you have preternatural patience —

Mark: Patience is probably one of the most impor-

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

tant elements of stock market investing. First, you have to find the great business at a good price, then you have to have patience, the fortitude and the ability to withstand gyrations in the stock market. That element is critically important.

Looking at your quote machine every single day is hazardous to your portfolio's health — and I do look at it every day. But fortunately I have the discipline not to act upon what's going on intraday or react to what's going on day-to-day. Because by looking at that machine every single day — particularly on days when the market goes down dramatically — you tempt yourself to sell, perhaps, when you shouldn't be selling. And conversely, when one sees euphoria — you're tempted to buy when you shouldn't be buying.

The better thing to do is really to turn off CNBC, don't look at the Bloomberg machine on a daily basis and to know full well that if you own a stock in a good business and you own it for a very, very long period of time, there are going to be years when that stock might decline in value by 50% or 60% or perhaps more. But over time, if you've done your valuation work properly, it will eventually reach or come close to the intrinsic valuation that you've placed on the business.

How about an example?

Mark: I'll give you two examples of stocks that have increased by 100% or more over a period of years. A friend of ours, Chris Mayer, who is the CIO of Bonner Private Portfolio, wrote a book called, "100 Baggers: Stocks That Return 100-to-1 rand How To Find Them" in which he agrees that if you pay too much attention to stock swings, in all likelihood you'll be scared out of even the best stocks. Chris compiled a long list of examples. I'll just give you one, which is Apple. (AAPL)

Jonathan: It's a 100-bagger.

Mark: But its ups and downs are incredible. From the time that Apple went public in 1980 through 2012, Apple was at a 225- bagger. So if you had invested $10,000, it would have turned into $2.25 million over that span. But you would have had to suffer through *two* 80% declines and several 40% retreats in stock, during that time, *without selling*, to do that. If you did, you made 225 times your money without having to pay any taxes. But if you sold into any of those drastic declines, you missed out on a spectacular opportunity. And that's what's so interesting about a value investor.

What do you mean?

Mark: A good value investor is going to find a great company, he's going to hold it for a long period of time, he's not going to wind up panicking and selling at the worst moment. And there's a high degree of probability that if the stock got cheap enough during his holding period he would add to his position. At some point it's likely to become one of these outsized holdings that really make him a great deal of money — not only on a percentage increase but on a dollar basis.

In fact, most accounts that have been with our firm through an investment cycle find that a good portion of their portfolio is represented by unrealized gains. We effectively postpone paying taxes and allow our clients' capital to grow at a better rate than if we turned over the portfolio more rapidly, because their partner, Uncle Sam, doesn't get his cut until we sell their holdings. Sometimes our short-term performance is penalized by using this approach, but over the long haul it has served us, and our clients, well.

Jonathan: That's pretty much what we do — or try to do. What I do with the analysts here is not only find the businesses that get mispriced every so often, but I want to find ones where we can see a catalyst, something that's going to make the stock go up in value over a reasonable period of time.

To avoid value traps?

Mark Boyar: Sure, we want to avoid value traps, but I also want to see an upward trajectory for us, so that our return is there. When an analyst comes in with a stock idea, I say, "Tell me a story. Tell me what makes that stock increase in value over a reasonable period of time?" Our performance can sometimes be "lumpy" because we don't try to mimic the indexes in sector weightings in our portfolio. We believe that over the long haul you are better off structuring your portfolio on a best ideas basis, and so it can often look quite different — contrary — to the major indexes. And that suits us just fine. We believe, over time, a well-researched portfolio of high quality undervalued businesses will lead to superior long term appreciation potential — and reduced risk.

If you pick the right stocks —

Mark: That's also key, of course. The two things that drive long-term success as an investor are time and quality. You have to give your ideas time to work. And you need to buy high-quality assets when the market offers them up at a discount. No amount of time will salvage garbage assets. But if

Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

you combine the two, time and quality, there's no need to worry about the crazy ups and downs of the markets — or what the Fed is doing — or the state of the economy.

So what sort of catalysts are you seeking?
Jonathan: One of the best catalysts is find a octogenarian who owns a significant amount of stock, with no heir apparent. Because over time either he or his heirs are going to wind up selling the business. No matter how healthy that 80-year-old is the odds are against him, and they are for me, as an investor. That, we believe, works well. Of course, there are all sorts of other catalysts than we can have. But what we always want to know is what is going to make that stock go up.

Like what, besides a doddering owner?
Mark: I'll give you a couple examples of stocks that we like where I think there is a catalyst. Madison Square Garden (MSG) is a stock that, on first blush, people say, "I don't want to invest with the fellows who run the company."

The Dolans have a reputation for looking out for themselves, at the expense of other shareholders —
Mark: Well, that's the *perception*. But let's go back and talk about our experience with the Dolans. We were holders of some Cablevision and Cablevision always sold at a discount — we called it the Dolan discount, because people just didn't like them, didn't trust them. But it sold at a big enough discount for us to be intrigued.

So we did the work on it and came to the conclusion that it was a very inexpensive stock, so we bought the stock and — I don't remember how long we held it — but we did relatively well in it.

Then the Dolans decided that they were going to try to take Cablevision private. And this is why I became somewhat intrigued by them — because what they said was, "We'll take it private — but if the minority shareholders vote against it, we won't." Remember, they have super-voting stock. So the minority of shareholders voted against the transaction, and they didn't take it private. But what they did shortly thereafter was they levered up the balance sheet and they paid out a $10 a share special dividend.

That was the first real shareholder-friendly thing the Dolans did, other than not taking Cablevision private against the wishes of the minority shareholders. Then they started paying down the debt that they had put on the balance sheet, they started paying a regular dividend, they started repurchasing the stock and then they spun out Madison Square Garden and the AMC networks into two separate businesses. As a result, Cablevision stock had a reasonably — not reasonably — had a very, very good run.

Then, last year — or I guess the deal didn't close until early this year — they sold Cablevision for $36 a share, which is more than we thought we could ever get for Cablevision. And we still own AMC and we own Madison Square Garden.

Jonathan: As well as Madison Square Garden Networks —

Mark: That's right. They then took Madison Square Garden and they broke it up into two businesses, the sports networks and the arena and teams. What we did is when they spun them out — and the shares went down — is we bought more shares.

So today Madison Square Gardens sells at roughly $165 a share, it has a market cap of roughly $3.9 billion. It has $1.2 billion in cash, so it has an enterprise value of $2.7 billion. So for $2.7 billion I'm able to buy the New York Knicks, the NY Rangers, I get long-term leases on the Beacon Theater, Radio City Music Hall and they own the Forum in California — they have two entertainment businesses that are starting to show some real growth.

In addition, they own the Madison Square Garden and they own the air rights to Madison Square Garden which are worth, we think, as much as $400 million.

But is any of that for sale?
Mark: You're asking what's the catalyst? Well, the catalyst is pretty much the same as it was at Cablevision. They could use the Cablevision playbook and go out and lever the balance sheet because it's a pristine balance sheet — no debt, $1.2 billion in cash — and pay out special dividends to shareholders. They could start a stock repurchase program. They could pay a regular dividend. They could try and take MSG private like they tried taking Cablevision private.

If they could stomach the price.
Mark: They would have to pay a significant premium — and they do have the wherewithal because they got a couple of billion dollars from the sale of their Cablevision stock; so they could clearly do what they wanted. And the reason that they would have to pay a fair price is, in my guess, that if they

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

didn't, there would be multiple bidders coming out of the woodwork to try to get this trophy property.

So when you take all the assets and you mark them to the market, you come up with a value of roughly $260 — plus or minus a couple of dollars — on a stock that sells for $165 a share.

We're convinced the value is there, that something nice will happen over a period of time, and we'll be able to compound at a very favorable rate. That kind of under-appreciated value story runs through each and every company that we invest in.

What about the other piece, MSG Networks?

Jonathan: MSGN is also an interesting company on that score, and it's a perfect acquisition candidate, perhaps, for Fox to get a toehold in New York sports.

Content is king. Everybody wants content.

Jonathan: Exactly. And it's interesting to note that Steven Cohen recently filed a 13D on the company. But I'd rather focus on another really interesting play in the industry, which is Discovery Communications (DISCA).

Why?

Jonathan: This is what we like to refer to as a fallen angel — it was once a darling of Wall Street but is now unwanted and unloved. When it was trading in the high-$40s, everyone wanted to own it; now that it's trading for $24 - $25 a share, and everyone loves to hate it.

So that makes it irresistible to you?

Jonathan: Yes, especially considering that the Time Warner deal was done around 11 or 12 times EBITDA and now this is trading at 8 times. As you said, content is king, and Discovery owns almost all of its content — and they're agnostic about how its delivered to consumers. If you have great content you somehow will get paid for it, and yet Discovery is now being put into the penalty box because everyone is wondering how this whole changing media/technology world will settle out — and how to profit from that uncertainty — which was the theme of our summer research issue, as you know.

Where you argued for embracing uncertainty, as I recall.

Jonathan: To us, when times are uncertain, you buy the best companies — ones that can take share — during times of disruption. And we love the Discovery business model because it is the largest cable network in the world, with over 2 billion subs when you combine all their different channels. When people are asked for the names of the top 20 channels they want included in a skinny bundle, a lot of Discovery channels are always listed.

Then, you also have a great capital allocator — John Malone — owning a fair amount of the stock. They bought back about $1.5 billion of stock over the past year, they have about $500 million left outstanding. They took on some debt to do that, but it is scarcely a pressing burden. Their weighted average debt maturity is about 18 years.

Gee, where would the stock be without those buybacks?

Jonathan: Well, we think the only reason the stock is in the penalty box is the strong dollar — 50% of revenue is generated internationally. And it's never made a lot of sense to me that Wall St. wants a company to grow internationally and have a worldwide presence but then punishes it when there's a currency issue.

So we view currency costs as a transitory thing, We don't really have a view on the dollar, and I think over the long run, they will be fine. They've grown their audience share from 5% seven years ago to 13%. They're doing all the right things.

What do you think Discovery is worth?

Jonathan: We have it valued at $43 a share or so and I think we're being pretty conservative there. It's a logical acquisition candidate. I mean, do they merge with an AMC Networks (AMCX) — which is another Dolan company, possibly? Does Disney (DIS) buy them? Who knows? But it doesn't necessarily make sense for Discovery to be a standalone entity. How it shakes out is anyone's guess. Anyway, John Malone has shown that at the right price and at the right time, he's a seller of assets and we're okay being invested along side him until then.

What's another under-appreciated stock you like?

Jonathan: This next one's stock symbol is EAT — Brinker International. It's a great consumer franchise hidden behind a corporate name — and we've actually had lots of success through the years finding undiscovered values hidden behind corporate names.

For instance?

Jonathan: For example, a few years ago we researched and bought Energizer when everyone

WOWS 2016 Issue Dates

January 15
January 29
February 12
February 26
March 18
April 1
April 15
May 6
May 20
June 3
June 17
July 22
August 26
September 9
September 30
October 14
November 11
December 9

Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

was valuing it like a low-growth battery company. But, in fact, almost 50% of their revenues came from faster-growing consumer products. We knew the valuation disconnect couldn't last forever and we were proven correct, when they split the company in two. Now the slow-growth battery business has its own capital structure — appropriate for a cash machine-type business — and the consumer products company with Banana Boat, Schick razors, etc. is probably an acquisition target.

Mark: Let me just mention, for nostalgia's sake, that looking for companies whose value attributes are masked by a corporate name has long been a wonderful, wonderful way to invest. Years ago, when I taught a class at the New School, I would start off by asking, "Has anybody ever heard of Binney & Smith?" And, of course, no hands would ever go up.

But they'd all used Crayola crayons?

Mark: Crayola Crayons, right. You've got it. Likewise, we liked Quaker Oats years ago. Not because we liked the cereal, but because it owned Gatorade and we saw that Gatorade alone was worth more than the entire market value of the company.

So finding these businesses where a great consumer franchise is masked behind a bland corporate name has proven to be a wonderful way for us to invest.

If you can keep track of them. They've all been rolled up and then spun out or acquired so many times over the course of our careers.

Mark: Oh, absolutely. Quaker Oats certainly has. It's interesting. One of the great benefits of having the research service that we started in 1975 is that we have research reports on every company we have looked at, going back to 1975. All the companies that we've ever written about. You can go back and find some great perspective. Take Tiffany & Co. In 1975, it had a market cap of $24 million.

That's all?

Mark: Yes. The building that they had, on 5th Avenue at 57th Street was worth more than the value of the whole company. So our library is a great resource. Any time we look at a company today, if we invested in it or had written about it many years ago, we take out the report and we look at the balance sheet. Just to say, "Gee, it's amazing what can happen to a company in 40 years." Think of it, a $24 million market cap for a company like Tiffany's. It's unbelievable.

It was another world.

Mark: If it wasn't for that world I would have never gone into this business. I came in in '69, at the end of that great bull market. It was all about the Nifty Fifty and then Polaroid became the first stock that ever sold at 100 times earnings. Five years later, it sold for under $20 a share and it became a net working capital stock.

It will be interesting when we get a big correction like that again. Because, as a value investor, you want that — Jon says is nobody hates losing money more than I do — and he's right. But market corrections are an integral part of the investment process and without them, you never get five or six baggers. So 2008 was the second-best buying opportunity in my life, and the best was 1970.

That only works if you have anything to buy stocks with —

Mark: Interesting you should mention that. One of the things that we do that is contrary to a lot of other investment advisors — and particularly really drives consultants who look at us nuts — is that we always have a large amount of cash available. It's because we are stock pickers. People ask, "Why do you have all this cash?" I say, "Well, I'm a reasonably good stock picker and so while the cash will hurt me, I think I can still get a reasonable return and make more money."

But more importantly I want the optionality that cash provides. When the market has a tremendous dislocation, like it had in '75 or like happened in 1987 or like it had in 2007 and 2008 — If I hadn't had a stash of cash, I couldn't have bought the Columbia Broadcasting System at the great price I did. I couldn't have bought Saks Fifth Avenue for way less than it was worth. I couldn't have bought Time Warner. If you're tapped out during those dislocations, you can't take advantage of them.

So you're willing to let cash weigh on your performance in bull markets?

Mark: Yes, you might underperform for a while but you more than make up for it when you get a market correction like that and you can buy quality stocks at the really, really distressed levels.

Buying at the right price is extremely critical. One of my jobs these days, with our team here, is to say no more than yes when they come up with ideas. Sometimes it's a great idea, it's just that the price isn't right. So it's not enough to have a great idea, you have to be able to buy it at the right price. If you don't buy it at the right price, the great idea

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

Subscribe
to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

not going to be great for your portfolio.

I never followed up and asked why you like Brinker —
Jonathan: Okay, back to EAT, which is a great consumer franchise masked by a bland corporate name —

They obviously tried to make up for that with their in-your-face stock ticker —
Jonathan: Partly, anyway. They own Chili's. They are the franchiser. But that's not widely known. I know that, because when I'm speaking to our research clients and mention "Brinker International," I'd say at least 30% have no idea what I am talking about until I start specifically talking about its Chili's franchising operation. But the shares are off significantly from their 52-week high, largely because of Chili's big exposure to the energy economy. About 17% of Chili's sales are in Texas, Oklahoma and Louisiana, where the economy hasn't been so hot this year. But as oil stabilizes, it should turn better.

The company in 2015 generated $3 billion in revenue. What's interesting is that franchise revenue is only about 3% of Brinker's overall revenue stream but it generates about 35% percent of the company's operating profit.

That much?
Jonathan: It is a cash flow machine, they return it to shareholders. Since 2010, Brinker has returned $2.3 billion to shareholders — that is about 85% of the company's market cap. Meanwhile, they've reduced shares outstanding by 45%. They have also been doing over the last couple of years a significant amount of cap-ex, but that capital spending push is ending, so we think that cap-ex is going to drop from $145 million a year to the low-$100 millions, which will have a significant impact on the bottom line.

They're also doing other things like promoting sales of higher margin stuff like beer. Right now, it's only about 14% of sales; we're thinking it could grow to about 20%.

Another growth-driver for Brinker is take-out business. It's one of the areas that's growing the fastest within the company and they've partnered with a technology company to help with that. They've added kiosks at all the tables for ordering take-out. It's also going to be a part of the Amex rewards network. So they're doing all the right things. Yet the stock is trading at roughly 5.6 times our fiscal year 2018 EBITDA estimate — so at a discount to its long-term average of about 8 times — at roughly $48 - $49 a share. We think it's worth $69 or so.

Hmm. If its franchising business is *that* profitable maybe it should focus on it —
Jonathan: Well, they're pouring the cap-ex into the business and it's just going to make it a much more profitable business down the road. Restaurant franchising is one of the great business models in the world, given its high margins and the recurring nature of the revenue stream. The strong profitability of EAT's company-owned restaurants — it has 17% operating margins at Chili's — has enabled Brinker to generate robust levels of free cash flow and return significant amounts of capital to shareholders. That cash flow is the thing that we really find attractive about the business. EAT has returned $1.9 billion to shareholders in the form of share buy backs and another $384 million in dividends — and it has retired those shares at an average of $32.38 a share, or at roughly a 30% discount to its current share price.

Mark: Plus, Wall Street loves companies that have fee income and they'll put much higher multiples on them than on companies that are operating businesses.

Jonathan: True, look at Wendy's, what they have done. They took the playbook pretty much from Burger King and did it. McDonald's was the first to do it, but they didn't do it as aggressively as Wendy's or Burger King. But they're all doing it now and if Brinker went strictly to franchising, it would be accorded at a much higher valuation than it currently has.

So what's another company that you find intriguing at its current price?
Jonathan: My father mentioned earlier that the stocks outside of the major indices have been ignored. They don't have the first buyers, the index funds, knocking on their door daily. And one of those stocks is QVC Group. It's not in the major indexes. It's actually a tracking stock, which trades under the symbols QVCA and QVCB. The company is a wholly-owned subsidiary of John Malone's Liberty Interactive Corp. (LVNTA and LVNTB).

Too complicated for me —
Jonathan: Yes, this is one of the Liberty entities and it has a very complicated ownership structure. John Malone hates to pay taxes and he creates all these convoluted — I don't want to call them schemes — deals and structures to avoid or post-

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

pone taxes. He's an extremely well-respected businessman but his deals are too complicated for most Wall Street analysts, really.

I was going to say something along those lines when his name came up earlier —

Jonathan: We're aware. But if you actually look, QVC's market cap is roughly $8 billion give or take, and there are just 8 sell side analysts covering them. JCPenney's market cap is $3.1 billion, and they are followed by 21 sell-side analysts. Nordstrom's market cap is $6.9 billion, and they are followed by 27 analysts on the sell side of the Street. Kohl's market cap is $7.7 billion — and they've got 23 analysts following them. Macy's is trading at a market cap of $11 billion and they're followed by 22 sell-side analysts. Yet QVC, with an $8 billion market cap has only 8 sell-side analysts following it.

You mean Wall Street doesn't respect it?

Jonathan: What's misunderstood about QVC is who their core customers are. I'm trying to think of the best way to put this —

They're not all little old ladies with nothing to do but watch TV?

Jonathan: No, though they do skew female —

They're clearly not the highly coveted males between the ages of 25 and 35 —

Jonathan: No, but they are a very attractive, wealthy, demographic. Their best customers typically purchase between 15 and 20 items per month. Let me get the exact data: "QVC's customer base includes women between the ages of 35 and 64 with above-average wealth. The average QVC customer purchases approximately 25 items per month and spends $1,400.00 per year. QVC's best customers purchase an average of 50 items per year and they have great customer loyalty, with 90% of the company's orders coming from existing customers."

Now, QVC recently reported a bad quarter, but we think that was more a matter of them stubbing their toe than anything else. This is a company with a great operating record since the financial crisis, and because of its soft quarter, you can buy this great franchise now at roughly six times our forward EBITDA projections.

Isn't Amazon eating their lunch like it is every other retailers'?

Jonathan: That's what people tend to think, but QVC is really a different business. When you go to Amazon, you know what you want and you're searching for it. When somebody goes to QVC.com, or watches QVC on television, *they are being sold* items — and it's a completely different business. We think there's room for both of those business models to do quite well. Besides, there are lots of ways that QVC could increase shareholder value.

How so?

Jonathan: Well, they own 40%, already, of the Home Shopping Network (HSNI) and they could potentially merge with it, there could be a tremendous amount of synergies there. Right now, QVC is trading around $18 -$19 a share. Putting a 9 times multiple on our estimate of EBITDA, we think it's worth roughly $34 per share, so we see pretty good upside potential in QVC.

So basically, it knows how to get certain women addicted to its shopping experience?

Jonathan: Yes, sure. When you look at retailers, the question is, what's the reason for them to exist? Well, at QVC proprietary products make up a very high percentage of their sales. It's definitely another one of our higher conviction ideas, even though it continues to be overlooked and misperceived by investors. In fact, we wouldn't be surprised to see a hard spin off of QVC Group floated in the not too distant future, as John Malone continues to streamline Liberty Interactive's operations.

Do you want to toss out another idea?

Jonathan: Well, one group we like and we expect that one of these days is going to turn around is the financials — Bank of America (BAC) and Bank of New York (BNY)and JPMorgan (JPM) — would probably be the most favored, but those are all well-covered, well-followed names.

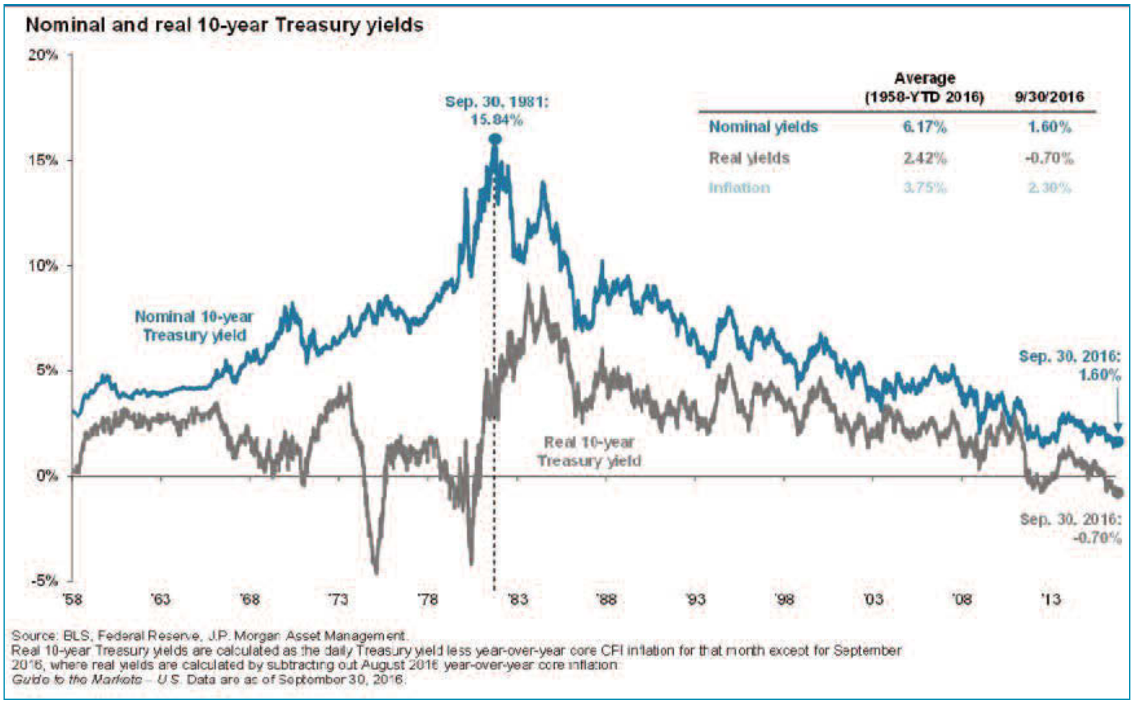
Mark: You know, they have been laggards. They were great off the bottom when the market took off in '08 - '09 but then for the last couple of years they really have done very, very little — if anything. But I think they're much better businesses today, at least in one respect, than they were when they had all sorts of other businesses underneath their umbrella.

They're easier to analyze — you can really dig into them, you can really see what's there. The disclosure is much better. They've raised so much capital that each one of them is way, way, way over-capitalized. The government, in its own infinite wisdom, wanted to make the big banks less meaningful to the economy. But if you take the three largest banks today, relative to the size of the banking system, they are significantly larger than they were before all the regulations were put in place.

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth



Source: J.P. Morgan Asset Management

Unintended consequences —

Mark: Always. But now we have banking businesses that have great balance sheets, they've been operating in an environment that has been horrible for them and to them — and what I mean by horrible for them is that we have virtually zero interest rates, there are no spreads, so they can't make any money that way. Where they make their money is from fees and mergers and acquisitions and borrowings and things of that nature which are very profitable businesses.

So if we get to an environment where — I don't know what normal rates will be, and everybody says you'll never see 5% 10-year Treasuries again — but I've been doing this long enough to know that's not going to be the case. At some point, we're going to have a 5% interest rate. Especially since, historically, if you look at the average yield on the 10-year, going back to 1958, it's higher than 5%.

Jonathan: 6.17%, I think.

Mark: In fact, if you look at this bull market in bonds in a chart [nearby], it's incredible. We've had 35 years of an almost uninterrupted bull market in bonds and declining interest rates ever since the nominal Treasury peaked at 15.84% in September of 1981 — and it seems like it will go on forever — but declining rates are going to come to an end, that much I know.

Jonathan: What I think is really interesting — my father just mentioned the last 30 years of steadily declining rates — but look at the 30 years *before that* — when rates pretty much just went straight *up* for basically the same length of time, with only a few hiccups. Now, I wasn't around then, but forecasters were probably extrapolating recent trends continuing forever then, too.

I was, and you're right. All eyes were on rates continuing into the stratosphere. No one even dreamt of ZIRP.

Jonathan: Yes. You would have been ostracized if you ever made a prediction like that. To me, 10, 15, 20 years is a *very long period of time* and when people say, "Oh, I'm going to lock in a 10-year Treasury at 1.7% because oh, four people on CNBC or are saying interest rates are going to be low for a long time," I think, just remember how long 10 years really is.

Umm, not a good bet.

Jonathan: No, and I'm not by any means predicting rates will bounce back up over 15% for a very long-time (if ever). But forecasters do tend to extrapolate recent trends as if they will continue unabated into infinity. So investors contemplating purchasing long-dated bonds should remember that from 1958-1981 Treasury yields increased virtually every year (with a few exceptions) and our bet is during that time frame no mainstream market forecaster predicted that one day yields would ever fall to 1.6%. We are in a world full of disruptive change and making truly long-term predictions on almost anything (including interest rates) is a fool's errand. In the early 2000s, who would have predicted that Blackberry and Nokia would no longer produce their own phones and that Samsung and Apple would be the market leaders — well, Samsung until a couple of weeks ago?

Mark: My thinking is that you have now banks that have pristine balance sheets. They're as well-capitalized as they've ever been. A good many of them yield 3% or more, their profitability is increasing, the dividends are covered multiple times. The environment has been horrible for the banks, in terms of government intervention. And I

Subscribe to WellingonWallSt. Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com,
(914)768-3133

print, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

I'll say this — nobody is going to believe it — but this over-regulation has really hurt our economy.

They're not very sympathetic characters.

Mark: I know, but if you talk to any banker and you ask, what does he think is the problem? He'll say it's his inability to make loans because he's got 10 times — maybe not 10 times — five times as many people that have to approve each step, and the Fed coming in all the time to examine what they are doing. So you could get some relief from regulation. All I'm saying is the regulatory pendulum could swing back the other way a little. We might get a little less regulation and the banks will earn a lot more money than people perceive they can right now. Most of them trade right now at book value or below, at only modest multiples of earnings. And I could see them becoming market leaders now for a couple of years or more.

That would be quite a change —

Mark: Yes, even in the beginning of this year, the financials were the worst-performing sector of the market; it was one of the reasons that we've underperformed so far in 2016. We're not sector investors, we tend to buy the cheapest companies we can possibly find. But when we go back and look at the portfolio at times we'll see we're more over-weighted in a particular area because that's where the cheapest stocks are found. So we're not overweighted, but we do have a number of financials in our portfolios — which hasn't been helping us — yet.

The big banks just have a habit of surprising investors, and not in a nice way.

Mark: That's true. But I think their below-market multiples pretty well discount their proclivities for ugly surprises. And ugly surprises should be less frequent because of all the regulation, number one, and number two, also because they are so well-capitalized. And not nearly as leveraged as they were heading into the crisis in 2008. Besides, you know as well as I do — we've been in the business so long — that the next bad crisis will not mirror 2007-2008. It will come from somewhere else.

True. Not where everyone is watching.

Mark: Never. So I think the financials are a good bet. Some of the money managers, some of the banks. which have done nothing. We just did a report on Franklin Resources (BEN). If you look at the balance sheet, they have 40% of the market cap in cash. The family that founded it controls 40% of the shares, so could they take it private? Possibly.

Investing in Franklin is really doubling down on active management —

Mark: True, investment management is a cyclical business and it is our way of playing active versus passive and value versus growth. It's kind of interesting that even with the markets in decline there are still pockets of value. And I think that's a direct acknowledgement the flaw in passive investing — that there are a lot of stocks that are outside these indexes — and they've been forgotten. But through the years, we think that these are the kinds of companies that should do well. So even if they don't do well for a while, I can sleep well at night knowing that I have a great business. I don't have to worry about owning a basket of 500 companies where maybe 40% or 50% of them are — who knows. It is crazy that some of these valuations are where they are, but that's creates opportunity for us and we just have to be patient and wait our turn.

Jonathan: We put a good quote from Franklin in our report on that idea, from one of their letters: "U.S. passive funds take no view of business fundamentals or valuation. They are a significant and unnecessary investment risk. For example, investors buying a global index fund in 1989 would have had the bulk of their investment — 34% — in Japan at the absolute worst time to buy Japanese stocks. A decade later, they would have had nearly 25% of their investments in technology companies that were grossly overvalued."

Mark: With funds flowing into ETFs purchasing shares of stocks regardless of valuation or other fundamentals, some stocks and sectors that don't happen to be in their baskets undoubtedly get left behind. Companies in the S&P Staples and Utilities sectors earlier in the year were prominent beneficiaries of flows into supposed "safety products" like low-vol and smart beta ETFs, and so are trading at premiums to their long-term averages. Consumer staples, for instance, have been trading well above their 20-year average multiple of 21.2 times, and utilities, far above their 20-year average multiple of 15.5 times. Investors have been paying more than 20 times trailing earnings for utilities — think of that.

Meanwhile, the S&P financial sector, has been all but abandoned, trading at less than 15 times trailing earnings — versus its long term average of over 17 — and industrials are likewise lagging. We believe that while the shares of Franklin Resources have been adversely affected by the flow of funds from passive to active managers and the outperfor-

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com,
(914)768-3133

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

Subscribe to
WellingonWallSt.
Please contact:

Stuart Schwartz
Stu@WellingonWallSt.com
(914)768-3133

mance of growth style management in recent years, they're now attractive as those trends begin to turn. Sure, its investment style has been out of favor — and I'm all too aware that styles can remain out of favor for a number of years — but for the most part they do eventually come back into vogue.

You're holding out hope that value strategies are coming back —

Mark: Well, last summer — in 2015 — we stuck our neck out and said we thought that value's long period of underperformance to growth styles might be coming to an end. It's too soon to declare victory, but the Russell 1000 value has pulled ahead of the Russell 1000 growth since then. With the prospect of higher rates going forward — including a high probability that the Fed will hike rates again before yearend, we wouldn't be at all surprised if value were able to sustain its current momentum. Especially since the value style has an outsized exposure to financials — they're about a 28% weighting in the Russell value, and only about 6% of the Russell growth.

What about energy stocks — they're also overweighted in value indexes vs. growth —

Mark: That's the other interesting thing — we don't own oil stocks — I've almost never owned oil. I shouldn't say that. Occasionally, I'll buy them. But we missed the entire decline in the oil stocks — and some upside, more recently. But cyclical stocks like energy and materials have drastically underperformed since both the prior market peak and the 2009 bottom. Which makes them the most statistically cheap sectors.

That doesn't excite your value antennae?

Mark: We've generally shied away from commodity-driven, cyclical stocks — given our aversion to playing the fool's game which is macroeconomic forecasting. We'd rather hunt for less cyclically exposed stocks overly punished by investor uncertainty of one sort or another. There are select companies in the energy sector that we've been positive on from time to time, but we don't believe it's necessarily the most fruitful place tor value investors to go hunting for out-of-favor stocks in at this point. We just don't see great prospects for a significant rise in the price of oil within the next few years, given the market's supply and demand dynamics and the significant global macro uncertainties that dampen our expectations for a quick rebound in oil prices.

So at this juncture, we'd rather focus on uncovering individual businesses that are selling below their intrinsic or private market values, as we've said. And we're currently finding those, as we've suggested, among the media stocks, in the financial sector and among the consumer discretionary stocks.

There, we left our interview last Friday, and then came Tuesday's surprise election results. I checked back in with Mark and Jon to gather their thoughts.

What do you think Trump's surprise victory might mean for investors?

Jonathan: The Trump election certainly fits in with our theme of uncertainty! He is an unknown quantity, even now. With Hillary, you basically knew what you were getting and things would have, in all likelihood, remained pretty much constant. Whether that would have been good or bad is a question for another day — but quite frankly it is a moot point.

Mark: As bottom up stock pickers, we should in theory tune out the political and economic noise and just focus on finding undervalued companies regardless of the macro environment. But I think that is an impossible task — and probably not a wise strategy because macro situations certainly affect business values. So we're watching —

Jonathan: In terms of how a Trump victory will impact the economy and therefore the stock market, I just watched a clip of David Rubenstein, the Founder of Carlyle Group, interviewing Jamie Dimon, of JPMorgan Chase back in September. The question of the possibility of a U.S. recession arising from political uncertainty was raised. Mr. Dimon acknowledged that the U.S. faces serious problems but he then said: "America has the best hand ever dealt to any country on this planet."

He went on to discuss the competitive advantages that America has which he does not believe Americans fully appreciate. It's well worth viewing, but I won't keep you in suspense, his main points were:

1) We have peaceful wonderful neighbors in Canada and Mexico
2) We have the best military barriers ever built due to the Atlantic and Pacific oceans
3) We have all the food, water and energy that we will ever need
4) We have the best military on the planet and we will continue to have that as long as we have the best economy on the planet
5) We have the best universities on the planet
6) We have a rule of law that is not duplicated anywhere

Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth

7) We have a magnificent work ethic and innovation from the core of our bones

We certainly have our problems and there are many issues that need to be addressed. But I think, due to the reasons cited above along with many others, America's best days still lie ahead.

We have grown and prospered as a country despite a civil war, The Great Depression, two world wars, the political turmoil of the 1960s including the assassination of a sitting president, Vietnam, Watergate and September 11th. I do not think who will lead us over the next four years will have the long-term impact that people are expecting. We certainly have persevered through worse.

Let's hope that having plumbed the depths of discord, we can all rediscover better angels in ourselves and others.

Why Subscribe To *WellingonWallSt*?

Many of our institutional clients of every imaginable size and asset class

tell us they subscribe to *WellingonWallSt*.

because it makes them *think*.

If your curiosity is piqued, drop a line directly to

Stuart Schwartz at:

Stu@WellingonWallSt.com

or

(914)768-3133

WellingonWallSt. interviewee disclosure. WellingonWallSt. interviewee disclosure. Mark A. Boyar, is the founder of Boyar Value Group and President of Boyar Asset Management, Inc. a Registered Investment Adviser. Mark has worked as a securities analyst since 1968. He began actively managing money in 1975 and formed Boyar Asset Management in 1983. In October 1987 a group headed by Mark A. Boyar acquired control of American Corporate Ltd., a closed end fund listed on the Sydney Stock Exchange, which was trading at a deep discount to its net asset value. Five years later he liquidated the fund at a premium to net asset value. In May 1998, Mr. Boyar launched his first mutual fund, The Boyar Value Fund (BOYAX). In addition, Mr. Boyar has published a monthly research report since 1975 entitled Asset Analysis Focus (AAF). This publication (which is currently published by Boyar's Intrinsic Value Research LLC.) identifies and evaluates companies Mr. Boyar feels are intrinsically undervalued. Mark's son, Jonathan Boya, is President of Boyar's Intrinsic Value Research. Boyar Research was established in 1975 to provide independent research utilizing a business persons approach to stock market investing. Through various publications, it provides in depth reports profiling companies selling below its estimate of their intrinsic or private market value. Boyar Research takes a company's financial statements, tears them apart and reconstructs them in accordance with economic reality as opposed to generally accepted accounting principles. Boyar Research seeks possible investment opportunities across the market capitalization spectrum and within a diverse range of industries. A large number of the companies featured in Boyar publications are not widely followed by Wall Street. After graduating from Cornell University with a B.S. in Applied Economics and Business Management, Jonathan started his investment career at GAMCO Investors. He then joined Boyar where he established Boyar's Alternative Viewpoint which was a research product specifically designed for the $1.4 billion Global Analyst Research Settlement. This award winning research product was purchased by major banks such as Deutsche Bank, Bear Stearns, Credit Suisse, Lehman Brothers, Morgan Stanley and Merrill Lynch. In 2004 Jonathan received a Dean's Merit Scholarship from Cardozo School of Law. After graduating from law school, he worked as a litigator at the nationally recognized medical malpractice defense law firm of Martin Clearwater & Bell, before rejoining Boyar Value Group in 2008. Jonathan's efforts are focused on helping to improve the firm's research efforts and portfolio management process. Jonathan is also in charge of the firm's institutional sales effort for both the research and money management services. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Carefully consider a fund's investment objectives, risks, charges and expenses before investing. Please view the prospectus or summary prospectus for this and other information. Read it.

This interview was initiated by Welling on Wall St. and contains the current opinions of the interviewees but not necessarily those of Boyar Value Group. Such opinions are subject to change without notice. This interview and all information and opinions discussed herein is being distributed for informational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but is not guaranteed. In addition, forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as gospel or as infallible. Nor should they, in any way shape or form, be considered an offer or solicitation for the purchase or sale of any financial instrument. The price and value of investments may rise or fall. There are no guarantees in investment or in research, as in life.

No part of this copyrighted interview may be reproduced in any form, without express written permission of Welling on Wall St. and Kathryn M. Welling. © 2016 Welling on Wall St. LLC

WellingonWallSt.

Research Disclosure

Welling on Wall St. LLC believes that its reputation for journalistic enterprise, intellectual independence and absolute integrity are essential to its mission. Our readers must be able to assume that we have no hidden agendas; that our facts are thoroughly researched and fairly presented and that when published our analyses and opinions reflect our best judgments - and not the vested pocketbook interests of our sources, our colleagues, our clients or ourselves.

WOWS's mission is to provide our readers with thoroughly independent research, trenchant analysis and opinions that are as considered as they are provocative. We work tirelessly to fulfill that mission. That said, you must also consider that no one, and no organization is perfect, and be assured that our lawyers advise that we tell you so. So here it is, in plain language, not the usual lawyer-ese.

All the material in this publication is based on data from sources that we have every reason to believe are accurate and reliable. But we can't (nor can anyone else) *guarantee* it to be utterly accurate. And there's always a chance, though we strive to avoid it, that we've missed something. So we make no claim that it is complete; the end-all and be-all. Opinions and projections found in this report reflect either our opinion or that of our interviewees or guest authors (all of whom are clearly identified) *as of the original interview/publication date* and are subject to change without notice. When an unaffiliated interviewee's opinions and projections are reported, ***WOWS*** is relying on the accuracy and completeness of that individual/firm's own research and research disclosures and assumes no liability for that research or those disclosures, beyond summarizing their disclosures in an adjacent box.

This report is the product of journalistic enterprise and research. It is NOT a sales tool. It is not intended to be - and should NOT be mistaken for - an offer to sell anything. It is NOT a solicitation for any sort of Investment or speculation. It should NOT form the basis for any decision to enter into any contract or to purchase any security or financial product. It is entirely beyond the scope and, bluntly, competence of this publication to determine if any particular security is suitable for any specific subscriber. In other words, we don't give investment advice. Don't mistake anything you read in ***WOWS*** for investment advice. This publication does not provide sufficient information upon which to base an investment decision. ***WOWS*** does advise all readers to consult their brokers or other financial advisors or professionals as appropriate to verify pricing and all other information. ***WOWS***, its affiliates, officers, owners and associates do not assume any liability for losses that may result if anyone, despite our warnings, relies on any information, analysis, or opinions in the publication. And, of course, past performance of securities or any financial instruments is not indicative of future performance. **Confidentiality and Trading Disclosure:** All information gathered by ***WOWS*** staff or affiliates in connection with her/his job is strictly the property of ***WOWS*** It is never to be disclosed prior to publication to anyone outside of ***WOWS*** and is never to be used, prior to publication-and for two week thereafter-as the basis for any personal investment decision by staff, affiliates and/or members of their immediate households. All staff and affiliates of ***WOWS*** will avoid not only speculation but the appearance of speculation and may not engage in short-term trading, the short selling of securities, or the purchase or sale of options, futures, or other derivatives, including ETFs reliant on derivatives. Any equity or fixed-income investments entered into by ***WOWS*** staff or affiliates will be held for a minimum of six months unless dispensation is received, under extraordinary circumstances, from ***WOWS***'s legal counsel. Any pre-existing direct investment interest in any stock, mutual fund, ETF or partnership portfolio covered in an issue of ***WOWS*** will be specifically disclosed in that edition and that position will be frozen for at least a month. Internet disclosure: **Electronic Communications Disclosure:** The websites and WOWS' electronic communications can, alas, fall prey of all manner of malicious activity. While ***WOWS*** takes reasonable and prudent steps to try to prevent its website, journals and communications from interception, corruption, infection, contamination and other electronic malefactors, there are even fewer guarantees in the realms of software and the web than in finance–where there are none. ***WOWS*** disclaims and cannot accept liability for any damages to computer systems as a result of downloading or opening contaminated versions its website, journals or communications.

Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Authorized WOWS Reprint, Auth