SoundAdvice

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Infrastructure Investing

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Investment returns in prior years have been calculated independently by the Hulbert Financial Group and concur with ours. From 2000 through 2020, the *Sound Advice* model portfolio averaged a 8.8% annual return versus 4.6% from the S&P 500.

There is little disagreement that America's infrastructure needs renovating. We are beginning to hear regular reports about a bridge or tunnel somewhere in the US that is failing and interfering with transportation of goods, particularly in the eastern US where bridges and tunnels are older and more obsolete.

Accordingly, one of the surest long-term investments is in the companies specializing in repairing and constructing US infrastructure pathways. Benefits flowing to these companies are also likely to be soon because the current Administration is pushing for a 10-year, government-sponsored program targeted at spending billions on rehabbing America's infrastructure. While debates are ongoing regarding the size of the program and how to pay for it, there is common ground between parties regarding making physical renovations, and a sizeable program is bound to be emerging in the months ahead.

Aside from the infrastructure play, the ongoing reopening and recovery of the US economy will be beneficial for the construction industry, as it has in all past economic recoveries.

We are recommending the **Invesco S&P SmallCap Industrials ETF (ticker symbol PSCI)** and adding it to the *Sound Advice* Model Portfolio. Like other ETFs (electronically traded funds), this ETF trades like a stock and can be bought and sold during regular stock market hours. PSCI is based on the S&P SmallCap 600® Capped Industrials Index which is designed to measure the overall performance of the securities of US industrial companies. These domestic companies are engaged in the business of providing industrial products and services, including engineering, heavy machinery, construction, electrical equipment, aerospace and defense, as well as general manufacturing.

Why Small Caps?

Smaller companies have smaller capitalizations (caps). This means they will reflect the positive impact more strongly than larger companies from an increase in infrastructure spending.

Moreover, small cap construction companies are typically domestic companies operating inside the US. It is likely that a government-sponsored program will stipulate that US companies are to be employed to perform the services. Even absent such stipulations, construction projects tend to employ local companies as subcontractors even when general contractors are national companies.

Past Performance

Since the inception of the PSCI in April 2010, this ETF has had an annual return of 13.5 percent. During the last 5 years, the annual return has been 16.6 percent. The accent is on growth. The current income is small, currently close to one percent.

The Portfolio

This ETF rebalances its investments quarterly to maintain an equal weighting in its holdings. This strategy tends to improve and maintain diversification as well as deliver a stronger longer-term performance.

The portfolio consists of 96 securities and assets, and it is more dispersed than the typical peer in the category. Only 23 percent of the portfolio's assets are concentrated in the top 10 fund holdings, in contrast to 72.5 percent in the category's average. Management has maintained an emphasis on stocks with low financial leverage and strong returns on equity.

The average forward price earnings (P/E) ratio of the fund's holdings is 22.5. This is substantially less than that of the S&P 500 which indicates PSCI has a lower risk profile than the market as a whole. Also lowering the risk profile is the fact that the portfolio is concentrated in stocks that will benefit directly from infrastructure spending as well as a general increase in construction spending as the economy continues to open up and recover.

The *Sound Advice* Indicators

The ***Sound Advice*** **Risk Indicator** (page 10) remains substantially above 2.0, revealing that the risk in the stock market is still historically high. Additionally, the ***Sound Advice*** **Diffusion Index of Lagging Indicators** (page 11) is still in caution mode.

In addition to the *Sound Advice* indicators, we can see that the market is substantially over-valued by traditional measures. As we note regularly, a reliable way to evaluate the S&P 500 index is to measure it against the trailing twelve-month (TTM) of "*operating*" earnings of the individual 500 stocks that make up the index.

We use *operating* earnings, which are cash earnings without special, non-cash charges included in so-called GAAP (generally accepted accounting principles) earnings which include non-cash write-offs such as depreciation, impairment charges because of falling commodity prices, or charges for bad loan reserves. Each quarter, companies report GAAP earnings, but they also report *operating* earnings which reflect actual cash results.

With the current S&P 500 Index at 4,200, the TTM price/earnings (P/E) ratio is close to 28, based on the TTM operating earnings of the S&P 500 companies. This is a very high TTM P/E, which confirms that it is a very high-risk time for most stocks. The highest TTM P/E since the late 1980s was in the second quarter of 1999 when it was 29 in the midst of the dot-com bubble. That was less than one year from the market peak and the beginning of an extended bear market.

Since the 1980s, the TTM P/E based on operating earnings has averaged 19.06. To gauge a reasonable value for the market currently as well as a likely path of stock prices ahead, we can reasonably apply a P/E of 19 to the rolling TTM total of operating earnings. The operating earnings projections for the companies comprising the S&P 500 are shown in the following table.

It is worth noting that based on an average P/E of 19, the current downside risk for the S&P index is substantial. The TTM operating earnings of the companies that comprise the S&P 500 index are coming in at $150.42 for the first quarter. At a P/E of 19, the S&P 500 index would be 2,860, which is 32 percent lower than today's level. However, the market is anticipating a steep recovery in earnings.

By the fourth quarter of 2021, TTM operating earnings are projected to increase to $186.18, above the pre-Covid operating earnings recorded in the fourth quarter of 2019. Even assuming this projection is not optimistic, a P/E of 19 still puts the S&P 500 index 16 percent below today's level.

Taper Talk

Clearly, the popular stock market indexes have been pumped up by historically low interest rates and low inflation, neither of which are compatible with a recovering economy with a greatly expanded money supply.

Vaccine rollouts are reopening the economy. Massive government aid and stimulus packages are adding fuel to the recovery. Meanwhile, the Federal Reserve is allowing the money supply to explode. Since the beginning of 2020, the broad measure of the money supply, M2, has increased

Operating Earnings Projections for the S&P 500

Quarter Ending	Quarterly Operating Earnings	Actual/ Projected	TTM Operating Earnings	Value of the S&P 500 @TTM 19 P/E	Difference From Today's S&P 500
12/31/2019	38.18	Actual	157.12		
3/31/2020	0.00	Actual	138.63		
6/30/2020	0.00	Actual	125.28		
9/30/2020	46.37	Actual	123.37		
12/31/2020	48.71	Actual	122.37	2325	-45%
3/31/2021	49.49	Projected	150.52	2860	-32%
6/30/2021	50.32	Projected	167.18	3176	-24%
9/30/2021	49.87	Projected	175.65	3337	-21%
12/31/2021	55.56	Projected	186.18	3537	-16%

Earnings projections are by S&P Senior Index Analyst, Howard Silverblatt who publishes extensive data of the S&P 500 companies. See https://us.spindices.com/documents/additional-material/sp-500-eps-est.xlsx by 29.8 percent. Since 1980, M2 has averaged an annual growth rate of 6 percent, rarely increasing by low double-digit rates.

For centuries, there has been an undeniably strong correlation between changes in the money supply and changes in the inflation rate in developed countries. According to the widely held correlation, this unprecedented money supply growth will lead to increases in inflation in the months and years ahead.

It is only a matter of time until the Federal Reserve will have to start backing off its highly stimulative monetary policy, underpinned by its latest "quantitative easing" program of purchasing massive quantities of Treasury bonds. The first sign will be tapering its massive Treasury bond purchases, followed by upticks in the Federal Reserve's discount rate.

In late May, Federal Reserve Bank of St. Louis President, James Bullard said Monday that the central bank is not yet ready to begin tapering its aggressive monetary stimulus but could be ready soon. He added that vaccinations are bringing the economy "closer and closer" to pre-pandemic form. He added that he expects inflation to rise above 2% in 2021 and into 2022.

Other Fed officials feel the time to have that conversation is near. Philadelphia Federal Reserve President, Patrick Harker, said that he would like to begin talking about tapering "sooner rather than later." Dallas Federal Reserve President, Robert Kaplan, said, "Maybe taking the foot gently off the accelerator would be the wise thing to do here,"

The *Sound Advice* Portfolio

All of the *Sound Advice* model portfolio recommendations are summarized in the table on page 9 and sorted by investment objective categories and then in alphabetical order. Our portfolio recommendations are made in accordance with our current cautionary mode. Our individual stock recommendations are special situations offering a compelling value proposition. We are also recommending liquid electronically traded funds (ETFs) and mutual funds investing in sectors that are bound to benefit in the months and years ahead from fundamental changes in geopolitical, medical, and economic landscapes.

A Downside Hedge

Because of the unusually high downside risk in the S&P 500, we are including the **ProShares UltraShort S&P 500 (SDS)** as a necessary holding in the *Sound Advice* model portfolio. This ETF essentially short-sells the market and will benefit from down-drafts in the S&P 500. It is designed to produce two times the daily fluctuations of the S&P 500 index. A decline of say, 1.0 percent in the S&P 500 will cause SDS to increase by 2.0 percent. Conversely, an increase in the S&P 500 will cause SDS to decline in the same fashion. We have been tracking SDS and confirmed that it is performing as it should, with daily premiums and discounts within 0.5 percent. It is also very liquid.

ETFs for Rising Bond Yields

Long-term Treasury bond yields have climbed 62 basis points, from 1.64 percent at the beginning of this year to 2.26 percent. The three ETFs listed below have risen sharply in value since the beginning of the year and will continue to benefit from rising long-term Treasury bond yields. They differ in the amount of leverage used. You can choose among them depending on your investment objectives and risk tolerance.

The **Direxion Daily 20 Plus Year Bear 3 Shares (TMV)** uses 3:1 leverage. It is up 39 percent so far this year.

The **Proshares UltraShort Lehman 20 Plus Year Treasury (TBT)** uses 2:1 leverage. It is up 26 percent so far this year.

The **Proshares Short 20 Plus Year Treasury (TBF)** uses no leverage. It is up 12 percent so far this year.

The price action of these ETFs is based on the changes in long-term Treasury bond indexes, only in the opposite direction, and then multiplied by the leverage each ETF uses. For example, a decline of say, 1.0 percent in their respective benchmark bond indexes will cause TMV to increase by 3.0 percent, TBT by 2.0 percent, and TBF by 1.0 percent.

Historic Norms

We can see from the table below that historically since 1980, investors have demanded a real return (above the inflation rate) of close to 3 percent on long-term treasury bonds. That means 30-year treasury bonds should be yielding close to 5 percent with an inflation rate in the vicinity of 2 percent.

If we only look at recent history, since 2000, which has been a low inflationary period, investors have demanded a lower real return of 1.79 percent. With the Federal Reserve's inflation target of 2 percent, this would put the yield on long-term treasury bonds in the vicinity of 3.79 percent.

Historical Real Rates of Return

Years	30 Yr Note (Avg. Yield)	CPI Annual Increase	Real Rate
1980 - 2000	8.61	4.33	4.28
2000-04	5.70	2.60	3.10
2005-09	4.52	2.60	1.92
2010-14	3.57	2.00	1.57
2015-18	2.87	1.93	0.94
2019	2.58	1.81	0.77
2020	1.56	0.62	0.94
Average			**2.98**
Average Since 2000			**1.79**

Target Date	Bond Yields	ETF Prices TBF	TBT	TMV
5/28/2021	2.26	17.68	20.65	74.95
12/31/2021	3.00	19.87	25.45	98.29
12/31/2021	4.00	22.32	31.18	129.52
12/31/2021	5.00	24.30	35.79	154.63

The table above shows the approximate upside potential of our selected ETFs at the end of 2021 at various long-term Treasury bond yields. The first row shows today's ETF prices at today's long-term Treasury bond yields. Note that the approximate price of these ETFs would rise dramatically as Treasury bond yields rise.

With long-term bond yields bouncing off historic lows, the upside potential is significant.

The Erosion Factor

These ETFs suffer from erosion because they decline slightly faster than they increase with an equivalent change in bond yields, particularly with higher leverage. To gauge this factor, we can assume that Treasury bond yields simply tread water, rising and falling by an unusually large amount, say, 0.03 percentage points (3 basis points) every day, and thus go nowhere. By the end of 2021, TMV would decline by 2.3 percent, TBT by 1.1 percent, and TBF by 0.3 percent. While not insignificant, this erosion factor is nominal in comparison to the price swings caused by a change in bond yields.

Real Estate Stocks

Our three cumulative preferred stocks are inherently safe because any unpaid dividends must be retroactively restored first before any common dividends can be paid. Additionally, in the event of a liquidation of the company, these preferred stocks have a "Liquidation Preference" which must be paid out in full before any proceeds are paid to common stockholders. In all three cases, there is substantial equity in the common stocks of all three companies, evidencing that the market does not expect liquidation to be plausible.

These preferred stocks are trading substantially below the company's call price (the right of the company to purchase the preferred at a certain "call" price), or have no call feature at all, which is very unusual for preferred stocks. These preferred stocks have a small number of outstanding shares, which is typical for preferred stocks in general. Accordingly, we recommend using limit orders rather than market orders.

Hersha's Preferred D (HTPRD) was recommended when the stock price was under $4.00 a share as the pandemic was gaining momentum in early 2020 and the company suspended all dividends to preserve liquidity. We believed that the eventual resumption and payment of dividends would prompt this stock back to its call price and liquidation value of $25. That officially happened in March when the company announced that it is making up for unpaid preferred dividends and resuming regular quarterly dividends in April at the annual rate of $1.64 per share.

During the first quarter, Hersha secured a financing commitment from affiliates of Goldman Sach's that eliminates term loan maturities until August 2022 and waives all financial covenants through March 31, 2022. The new financing also enables HT to pay down the accrual of its preferred dividends and keep them current. Also restoring liquidity were recent asset sales that generated net proceeds totaling $142 million.

Recent travel demand outperformed expectations and coupled with the asset management initiatives adopted over the past twelve months, property-level cash flow year-to-date has turned positive during the first quarter and rose by $3.8 million in April, 15 percent above management's forecast.

The price of this preferred is currently below its call price of $25. The current yield is slightly above 7 percent for solid income. More can be accumulated on dips but don't purchase above the call price of $25.

RLJ's $1.95 Series A Cumulative Convertible Preferred (RLJPRA) is presenting an exceptional value with a current yield of 7 percent. This is the only RLJ preferred stock and the dividend in 2019 amounted to only 6.8 percent of the company's pre-covid funds from operations (FFO).

The improving trends during the first quarter led the company's portfolio to achieve the first quarter of positive cash flow since the start of the pandemic.

RLJ-A is convertible into 0.2806 common shares in RLJ. This sets the conversion price at $89.09 per common share. RLJ cannot force conversion unless their common shares are trading at 130% of the conversion price, or at a price of $115.82. Since the price of RLJ is close to $16, the preferred is essentially not callable without a seven-fold rise in the price of the common. This is an opportunity to lock in a safe extraordinary current yield. It is hard to imagine that this yield will remain this high as the economy recovers, which means the price of this preferred stock will rise significantly.

RPT Realty 7.25% Series D Cumulative Convertible Perpetual Preferred (RPTPRD) is not callable by the company. This means that we can lock in a very high yield for as long as we desire. It pays an annual dividend of $3.62, which is a current yield of 6.3 percent. This is the only RPT preferred stock for RPT Realty. This is a convertible preferred stock, convertible into 3.47 shares of the common stock (RPT) at the holder's option.

RPT Realty is a real estate investment trust (REIT) that owns 49 shopping centers across the eastern US, consisting of urban-infill neighborhoods, and power center properties with national chain store tenants, market-leading supermarket tenants, as well as a strong lineup of smaller national retailers. In the first quarter, 94% of total tenants were open and operating and 91% of fourth quarter 2020 rent and recovery income had been paid.

In 2020, the company maintained the dividend on its preferred stock but suspended the dividend on its common stock. The dividend on the common stock was resumed for the first quarter of 2021. That means the preferred dividend is more secure because common dividends cannot be paid without paying the preferred dividend.

Third Avenue Real Estate Value Investor Fund (TVRVX) has an advantage over other mutual funds during recessions. Unlike the typical REIT, management will go to cash when asset prices are generally high. Cash is preserved for scooping up opportunities. It is a global real estate fund which means it is not confined to US real estate with low cap rates which translate to high valuations. Management looks for growth more than current income by focusing on real estate operating companies which, unlike REITs, can reinvest profits back into the business. Management also searches for opportunities in different aspects of a real estate company's capital structure by investing in senior debt in addition to equity.

Management is very price conscious, especially in relation to net asset value. Just as we do at *Sound Advice*, they eat their own cooking – they invest a substantial amount of their personal assets into their funds.

Basic Materials

Invesco S&P 500 Equal Weight Materials ETF (RTM) invests in the common stocks that comprise the S&P 500 Equal Weight Materials Index. That Index, as well as this ETF, rebalances holdings quarterly to equalize their values. Calendar rebalancing ensures a greater degree of evenly weighted diversification which adds stability and safety to a portfolio. This practice often provides a superior performance because it offers exposure to many stocks that are under-weighted in most other portfolios and are therefore targets for new capital.

RTM's current portfolio is shown in the table. All 29 sections are prime examples of basic materials companies outside of the oil and gas industries. Basic materials companies are particularly sensitive to economic changes. They thrive when the economy strengthens and are bound to benefit substantially in the months and years ahead as economic activity increases. Basic materials are also classic inflation hedges. Prices are typically pushed upward by increasing inflation, benefiting the entire sector.

This ETF has enjoyed high ratings from Morningstar, an investment advisory service noted for its ratings of mutual funds and ETFs. Morningstar's ratings are based on a risk-adjusted return measure, which takes into account variations in monthly performance. RTM has consistently had Morningstar's highest ratings of 4 and 5 stars over various periods during the last 10 years.

Invesco (RTM) Portfolio of Basic Materials

Company Name	Weight %
Albemarle Corp	4.335
Freeport-McMoRan Inc	4.137
DuPont de Nemours Inc	3.979
Mosaic Co/The	3.954
Vulcan Materials Co	3.81
Martin Marietta Materials Inc	3.763
Newmont Corp	3.614
LyondellBasell Industries NV	3.598
Corteva Inc	3.557
Avery Dennison Corp	3.549
CF Industries Holdings Inc	3.549
Linde PLC	3.546
Dow Inc	3.539
International Paper Co	3.497
Packaging Corp of America	3.492
International Flavors & Fragrances Inc	3.49
Air Products and Chemicals Inc	3.486
Celanese Corp	3.476
PPG Industries Inc	3.447
Sealed Air Corp	3.445
Westrock Co	3.439
Eastman Chemical Co	3.429
FMC Corp	3.419
Sherwin-Williams Co/The	3.342
Amcor PLC	3.335
Ecolab Inc	3.333
Nucor Corp	3.24
Ball Corp	3.199

RTM has done well over the last decade. For ten years through the end of 2020, RTM returned a compounded annual return of 11.6 percent. For the five years through the end of 2020, RTM returned a compounded annual return of 15.2 percent. In 2020, RTM had an investment return of 24.2 percent.

RTM has been a good investment during years when the timing for investing in basic materials was not particularly good. It should prove to be an even better investment now that the timing is good.

Medically-Related Selections

Both of our selections make medical devices and products which are well-suited for an aging population. They have both been negatively impacted by deferrals of elective surgical procedures during the COVID-19 pandemic. However, these deferrals have built up a pent-up demand because most of these procedures are essential and need to be performed sooner or later to treat debilitating, painful, and sometimes life-threatening conditions.

Boston Scientific (BSX) has been a global medical technology leader for three decades by providing a range of high-performance solutions aimed at addressing medical needs and reducing healthcare costs in a wide range of critical areas, including cardiac rhythm and intervention, oncology, urology, and neuromodulation. The company's stream of new inventions acquisitions continues to add to promising growth prospects. To see the massive array of the company's products and treatments, go to the company's website.

Stryker (SYK) has a diverse array of innovative medical technologies, including reconstructive, medical and surgical, as well as neuro-technological and spine products. Its orthopaedic devices for artificial knees and hips lead the industry. SYK has a very high return on equity which is propelled by its strong balance sheet and its ability to continue to make strategic acquisitions.

The Best in Biotech ETFs

Biotech companies offer the most explosive profits because they are the source of the world's top breakthrough drugs. Their stocks are often volatile, making diversification essential. This can be accomplished by investing in a diversified electronically traded fund (ETF) investing exclusively in a portfolio of biotech companies. We are recommending three top performers.

ARK Genomic Revolution Multi-Sector (ARKG) is an actively managed biotech ETF investing in companies expected to benefit by incorporating technological and scientific developments and advancements stemming from mapping the human genome. Breakthroughs and advancements have cut the cost substantially of mapping the human genome which is opening new opportunities and putting this sector on the cutting edge of new innovations. ARKG was our stellar performer in 2020, delivering a 178 percent profit.

Virtus LifeSci Biotech Products (BBP) is a passively managed biotech ETF that weighs the portfolio selections essentially equally, as opposed to the more typical practice of weighing selections according to market capitalization. This is an important aspect because biotech ETFs who weigh their portfolio selections essentially equally have been the best performers by far because they have larger investments in smaller biotechnology companies which are acquisition targets for large pharmaceutical companies looking for ways to revitalize their drug portfolios by scooping up smaller companies.

Invesco DWA Healthcare Momentum Portfolio ETF (PTH) has been a stellar performer in recent years and has consistently had Morningstar's highest ratings of 4 and 5 stars over various periods during the last 10 years.

The secret to the strong performance of PTH is its focus on relative strength -- the measurement of a security's performance in a given sector over time as compared to the performance of all other securities in that sector.

PTH bases its holdings on the Dorsey Wright Healthcare Technical Leaders Index which is designed to identify companies that are showing relative strength (momentum) and is composed of at least 30 securities from the NASDAQ US Benchmark Index. Many of PTH holdings are involved in developing COVID vaccines and much more.

Small Caps

Small caps and this fund are bound to continue to benefit from a shift to value as investors look for undiscovered bargains. Small caps are relatively small companies that are pure plays on the early stages of new industries and inventions. They have more dynamic and entrepreneurial management, and they are much more likely to be the target of an acquisition or merger, which is usually quite profitable. Numerous studies show that small caps perform better over the long run than the market as a whole.

Third Avenue Small-Cap Value Investor Fund (TVSVX) is up 21 percent so far in 2021. This mutual fund invests in companies with small capitalizations using the same value-oriented approach. Management scours the investment universe for companies that combine the three main features: creditworthiness, a meaningful discount to a conservatively estimated net asset value, and the ability to consistently grow NAV, with an initial targeted holding period of three to five years. A patient and price conscious acquisition is a critical first step in both protecting capital and in realizing an attractive investment return.

Consumer Staples

Invesco S&P 500 Equal Weight Consumer Staples ETF (RHS) is unique because it invests equal amounts in a collection of 33 consumer staple stocks within the S&P 500 index.

Consumer staples are those unexciting products we use every day without much thought, ranging from food, beverages (including alcohol), household goods (including cleaning supplies), hygiene products, and tobacco. These are products that people are unable (or unwilling) to remove from their budgets regardless of their financial situation. The nature of these products makes this sector defensive and much less vulnerable to recessions and bear markets.

RHS rebalances the investments at the beginning of each calendar quarter, which has given RHS a superior performance over other consumer staples funds because it has given investors exposure to many consumer staple stocks that are under-weighted in most other portfolios, making those stocks targets for new capital. RHS's current portfolio is shown in the following table.

Invesco (RHS) Portfolio of Consumer Staples

Company Name	Weight %
Estee Lauder Cos Inc/The	3.727
Walgreens Boots Alliance Inc	3.676
Archer-Daniels-Midland Co	3.642
Kraft Heinz Co/The	3.46
Constellation Brands Inc	3.359
Sysco Corp	3.352
Lamb Weston Holdings Inc	3.289
Altria Group Inc	3.283
Kroger Co/The	3.271
Philip Morris International Inc	3.219
Hormel Foods Corp	3.162
J M Smucker Co/The	3.159
Hershey Co/The	3.13
Tyson Foods Inc	3.119
Conagra Brands Inc	3.093
Monster Beverage Corp	3.067
Molson Coors Beverage Co	3.064
Campbell Soup Co	3.058
Brown-Forman Corp	3.054
Kimberly-Clark Corp	3.037
Kellogg Co	2.991
Mondelez International Inc	2.978
General Mills Inc	2.977
Coca-Cola Co/The	2.974
Procter & Gamble Co/The	2.933
Church & Dwight Co Inc	2.926
Colgate-Palmolive Co	2.864
McCormick & Co Inc/MD	2.858
Clorox Co/The	2.842
Walmart Inc	2.84
PepsiCo Inc	2.837
Costco Wholesale Corp	2.816

Special Situations

The rest of our portfolio are stocks of individual companies that are presenting extraordinary values within their respective industries. Here they are in alphabetical order:

Apple (AAPL) has a TTM price/earnings (P/E) ratio is close to 30. This high price/earnings ratio reveals that the high stock price already anticipated the good news. If, for any reason, the company's high growth rate stumbles, the disappointment will send the stock price down. That is why we have a "hold" on AAPL. The stock price needs to retreat from peak levels to make AAPL a value proposition.

We originally added AAPL to the portfolio in 2016 at $29.08 per share (adjusted for the 4:1 split in 2020). We are recommending continuing to hold and add to the position at our buying target of $100 per share. At that price, the TTM P/E would be 23.5, which is still higher than we like to bet on, but it is much more reasonable than the current ratio.

Crown and Castle International (CCI) has hit new highs since we recommended it. In the May earnings call, the company said that it has seen a significant increase in activity as customers have started to upgrade their networks to 5G. Verizon, one of its major customers, said in May that it is preparing for more expansion of its 5G service and made some new agreements with Crown Castle on process improvements.

The fifth generation (5G) of wireless technology is able to download data 100 times faster than the previous generation of 4G. This is a game-changer in today's world of ever-increasing demand for digital streaming and massive amounts of data. This powerful new technology promises to expand the reach of the digital world, not to just faster cell phones, but to billions of other digital devices (the Internet of Things) and to artificial intelligence networks which can be scaled more readily with the power of 5G.

CCI is well-positioned to benefit because it owns buildings and cell tower sites that are crucial to the function of mobile networks and the US internet infrastructure. The upgrade to 5G requires a substantial increase in the density of cell tower sites and related infrastructure throughout the US.

The company believes its unmatched portfolio of more than 40,000 towers, approximately 80,000 small cells on air or committed in backlog and 80,000 route miles of fiber concentrated in the top US markets have positioned Crown Castle to generate growth in cash flows and dividends per share for years to come.

CCI presents a relatively low risk because of its ownership of hard assets. These assets are difficult to create because of scarce locations in urban areas, zoning and governmental regulations, and shear cost. As a result, there are high barriers to entry for competitors. Furthermore, income is secure and growth is assured because these assets are leased to credit-worthy tenants with pre-determined escalating rent clauses.

Intel (INTC) announced in May, that it will invest $3.5B to expand its New Mexico manufacturing operations for the production of advanced semiconductor packaging technologies.

This follows the announcement last month that Intel is increasing its chip manufacturing capacity with a $20 billion investment in two new state-of-the-art fabrication labs in Arizona, aimed at addressing chip shortages.

As we have been pointing out in recent issues, Intel is developing a key role in providing infrastructure for 5G networks. The company recently added 18 new products in this segment. These are bound to be vital for the 6 million 5G base stations forecasted to be in place by 2024.

Intel has the size, diversity, industry dominance, and financial health to make a relatively safe investment in a high-growth, and often high-risk business. Intel can leverage new technology into its existing large platform without introducing unacceptable risks. INTC is trading at a modest TTM P/E ratio, which is normally reserved for companies with poor growth prospects and weak balance sheets. This makes INTC a good value.

International Business Machines (IBM) announced in May that it has created the world's first 2nm node chip, which is projected to offer 45% higher performance or 75% lower energy than the current most advanced 7nm node chips. The company said the potential benefits include quadrupling cell phone battery life, cutting the carbon footprint of data centers, "drastically" speeding up laptop functions, and providing faster object detection and reaction time for autonomous vehicles.

IBM is a high-tech behemoth with the financial strength to make the per share $6.52 dividend solid, for an attractive yield. The stock was so cheap that any good news was bound to send the stock higher.

The important segments reporting growth were IBM's Hybrid Cloud services and Artificial Intelligence (AI), which we have believed were long-term sources of growth.

The company expanded its suite of Security Services in late-March for customers using Amazon Web Services (AWS), Google Cloud, IBM Cloud and Microsoft Azure, among others. The services leverage IBM's artificial intelligence (AI) services, bolstered by its super-computer called "Watson" that can "think" like a human, to help identify and prioritize risks, respond to potential threats across an organization's cloud environments, and connect that data with their broader security operations and on-premises systems.

JP Morgan Chase (JPM) is up 50 percent since the vaccines were introduced in early November 2020.

Earnings are expected to be in the vicinity of $12.50 per share in 2021, which puts the P/E ratio close to 13. That is far below the market average and relatively cheap by historical standards.

JPM will continue to benefit from an economic recovery which typically steepens the yield curve as long-term bond and mortgage yields rise faster than short-term interest rates, widening profit margins.

NCR Corp (NCR) makes automatic tellers (ATMs), retail point-of-sale (POS) workstations, self-service kiosks, and other self-service checkout systems. Prior to the Covid pandemic, 485 million people used NCR products every day. Of course, the Covid crisis scared shoppers as well as stockholders.

Even during the last year, NCR earned $3.54 per share. Based on those normalized earnings, the current price of this stock is incredibly cheap. As economies open up in the US and around the world, NCR is bound to see substantial growth.

Valero Energy (VLO) is up 30 percent since the beginning of the year as economic re-opening has raised expectations of increasing demand for refined products, especially gasoline and jet fuel. Management maintained the dividend throughout the pandemic, which annualizes to $3.92 per share and is still above 5 percent.

Valero is diversifying from a pure oil refiner to a "green" company through its joint-venture with Diamond Green Diesel, which is producing renewable diesel at large profit margins even during the COVID-19 pandemic. Renewable diesel is made from animal or plant waste material which reduces greenhouse gas emissions up to 80 percent because it only releases as much carbon dioxide that the material originally contained. It does not gel at low temperatures which means it can be easily transported through pipelines. Renewable diesel volumes are expected to quadruple production capacity by 2023. Use for sustainable aviation fuel is expected to be a primary escalating demand factor.

Meanwhile, Valero has the unique flexibility to refine substantial quantities of a variety of crude oil types. Low oil prices add profits because profits come from the "crack-spread", the difference between the cost of oil as a feedstock and the price of refined products, predominantly gasoline and jet fuel. A lid is bound to be kept on oil prices for the foreseeable future as major oil producers compete for portions of the petroleum market, including OPEC nations, Russia, and US frackers.

The company also has access to the US pipeline network for delivery to its gulf coast locations. This flexibility and access allows Valero to capture the highest margins among its competitors because it can take advantage of the temporary local gluts of crude, whether it's low or high-quality crude, or light sweet (low sulfur) or heavy sour (high sulfur), and receive the best discounts for its feedstocks.

Portfolio Summary Table

This table is updated and live on our website:
www.soundadvice-newsletter.com

Income with Growth	Symbol	Price / NAV	Yield	Action	Limit
Hersha Hospitality Trust - Preferred D *	HTPRD	$23.64	6.94%	BUY	$25.00
International Business Machines	IBM	$143.74	4.54%	BUY	$150.93
RLJ Lodging Trust - Preferred A *	RLJPRA	$27.70	7.04%	BUY	$29.50
RPT Realty 7.25% Preferred D *	RPTPRD	$57.27	6.33%	BUY	$58.00
Valero	VLO	$80.40	4.88%	BUY	$84.42
Growth with Moderate Income					
Crown and Castle	CCI	$189.50	2.81%	BUY	$198.98
Intel	INTC	$57.12	2.43%	BUY	$59.98
Invesco Basic Materials ETF	RTM	$173.98	160.00%	BUY	$182.68
Invesco Consumer Staples ETF	RHS	$164.62	1.96%	BUY	$172.85
JP Morgan Chase	JPM	$164.24	2.19%	BUY	$172.45
Growth					
Apple	AAPL	$124.61	0.66%	HOLD	$100.00
Boston Scientific	BSX	$42.55	0.00%	BUY	$44.68
Genomic Revolution Multi-Sector	ARKG	$81.75	0.00%	BUY	$85.84
Invesco DWA Healthcare Momentum ETF	PTH	$155.60	0.00%	BUY	$163.38
Invesco Small Cap Industrials ETF	**PSCI**	**$95.82**	**1.00%**	**BUY**	**$99.00**
NCR Corp	NCR	$48.20	0.00%	BUY	$50.61
Stryker Corp	SYK	$255.27	0.90%	BUY	$268.03
Third Avenue Real Estate Value Investor *	TVRVX	$27.60	0.00%	BUY	$29.00
Third Avenue Small-Cap Value Investor Fund *	TVSVX	$21.58	0.00%	BUY	$23.00
Virtus LifeSci Biotech Products	BBP	$51.72	0.00%	BUY	$54.30
ETFs for Rising Bond Yields					
Direxion Daily 20+Treaury Bear Shares 3X Leverage	TMV	$74.95	0.00%	BUY	$78.70
Proshares Short 20+Treasury - 2X Leverage	TBT	$20.65	0.00%	BUY	$21.68
Proshares Short 20+Treasury - No Leverage	TBF	$17.68	0.00%	BUY	$18.56
Hedges					
S&P 500 ProShares Ultra Short ETF	SDS	$9.50	0.00%	BUY	$9.98

Notes to the table: The right hand column is the highest recommended price limit for purchases.

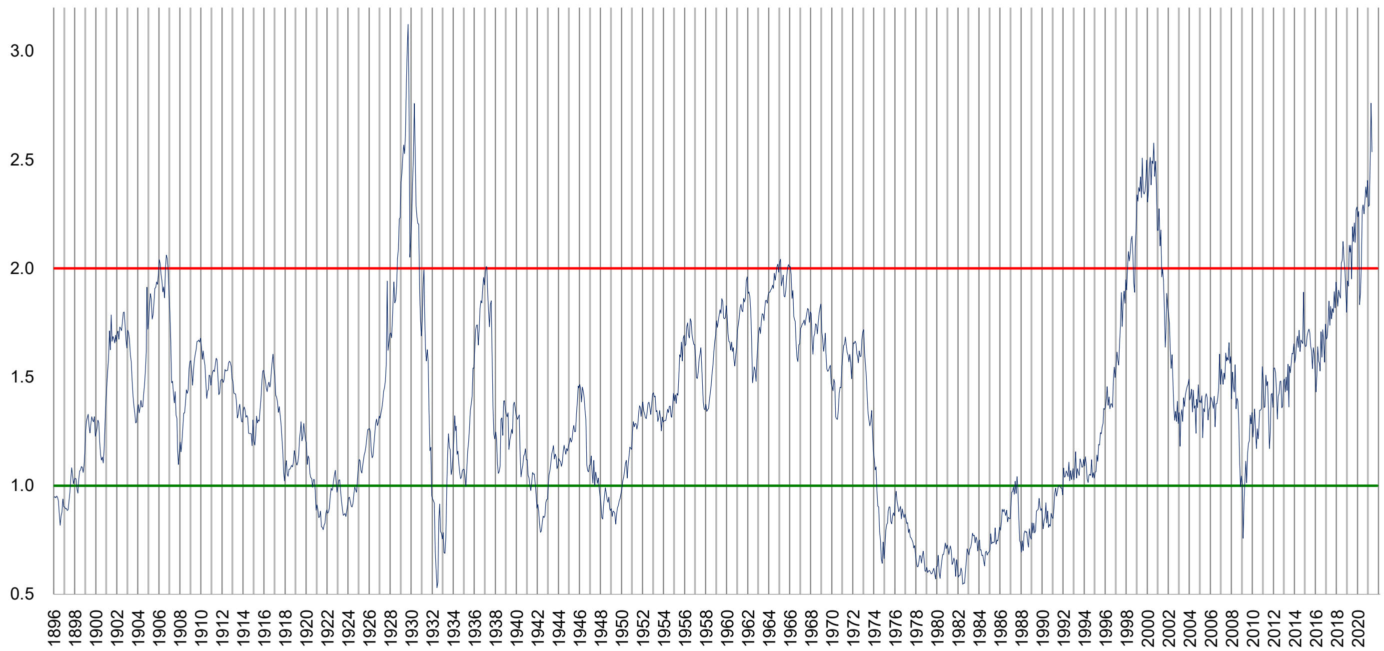
* It is not possible to offer live pricing.

General Comments: Our statistics are based on the assumption that $10,000 is invested in each position. When a new position is added, we assume the same $10,000 amount is invested in the new recommendation. When we recommend adding to a particular position, as we have done over the years, we assume another $10,000 is invested again in that position.

If you are picking and choosing, you can focus on the sector of the portfolio that matches your investment objectives. Alternatively, you may have a higher degree of comfort with certain industries, funds, or stocks because of past experience or your profession. In that case, you may want to invest more heavily in one sector, or in one or more individual recommendations.

As always, broad diversification will temper volatility, add to safety, and improve long-term performance.

Capital Competition: Real Estate versus Stocks: The **Sound**Advice Risk Indicator



There are few forces that are more important to a market's destiny than the amount of capital that is available to it. In a normal situation, capital will flow easily between markets as their underlying conditions change. But if a market becomes dangerously superheated, it will absorb a larger proportion of available investment capital than economic conditions and market demand can justify. This change will be reflected not only in the rising market's prices but also in the prices of competing markets, which will be lower than their underlying fundamentals would indicate they should be. Over the last 120+ years, we can see this titanic struggle between the stock market and its foremost competitor for investment dollars: real estate.

To reveal this phenomenon, we have set up an equation based on the ratio of the S&P 500 Stock Index to median price of new houses for each month over the last 100+ years. This equation exhibits an elegant financial minuet as each market has taken turns outperforming the other.

As we look at the historical data, we find that there is a range in which the price disparities are so strong that they are too great to be accounted for by the fundamental economic conditions underlying each market. Every time prices get into these danger zones it has meant that the prices in one market or the other have gone too high, and that they are in imminent danger of falling.

We label this new tool the ***Sound Advice*** "Risk Indicator," since it will allow us to locate the point at which prices are so high when compared to competing markets that they have come loose from their moorings and are on the verge of declining or under performing the other market.

What is too high? When stock prices are very high relative to house prices, the ***Sound Advice*** Risk Indicator will rise over the line marked 2.0, revealing a high-risk time for stocks. In contrast, when the indicator drops below the line marked 1.0, it means that it is a very low-risk time to buy stocks. Notice from the chart how the ***Sound Advice*** Risk Indicator has oscillated back and forth, revealing the ongoing struggle between Stocks and houses for investment capital. We have labeled these long vacillations Supercycles.

But though an investment beginning with $25,000 in 1895 could have made money being in either stocks or housing, had an investor followed the signals of the ***Sound Advice*** Risk Indicator, he or she would have made $655 million, or 26.5 times more money than by simply holding stocks though the ups and downs.

A brief walk through history shows just how reliable this indicator is. The first recorded time the Risk Indicator rose above 2.0 was in February 1906, after the eight-year-old Dow-Jones average doubled since 1903. The market peaked in September of 1906. A massive sell-off in October would later be labeled the Panic of 1907. Stock prices trended downward for 14 more years until the end of 1921 while, searing inflation after World War I boosted house prices 48 percent. The combination of falling stock prices and rising real estate prices forced the Risk Indicator to fall below 1.0 in 1920, just in time for the Roaring 20's when stock prices tripled. Then, in October 1928, the Risk Indicator rose above 2.0 again. On Tuesday, September 3, 1929,

> The New York Times
>
> ***"Cardiff's equation reveals an elegant financial minuet as each market takes turns outperforming the other."***

the Dow peaked at 318.17. The October crash marked the beginning of a decline that lasted until July 8, 1932. Houses had declined only by 15 percent compared with the 85 percent loss in stocks. The relative superior performance of houses caused our Risk Indicator to fall below 1.0 at the beginning of 1932.

As America's GNP began posting positive gains and with 46 percent growth in three short years, stock prices would triple. Then the Risk Indicator crossed 2.0 in March 1937. This time, the signal came only one month after the zenith in stock prices. As stock prices retreated 50 percent, house prices remained relatively steady, causing the Risk Indicator to fall below 1.0 again in June 1941, within 9 months from the bottom.

As U.S. corporations expanded to meet growing demand, and the economy came to a rolling boil during the Eisenhower years, the stately rise would multiply stock prices by ten times until November 1964, when the Risk Indicator crossed over 2.0 again. The stock market would continue to climb into 1968, and then crashed into late 1974, wiping out the inflation-adjusted gains scored by investors since 1954. However, a switch to an investment in houses would avoid all that and double in price by the time the next signal came for stocks in May 1974, as the Risk Indicator fell below 1.0 again, as the Dow careened below 700.

It would not be until March 1998 when the Risk Indicator would cross 2.0 again, after stocks were up by more than tenfold. The Dot-Com bubble would push stocks higher into early 2000, but then began another 50 percent retracement. A switch to houses would produce a 44 percent gain through the end of 2008 while stock prices were lower by 17 percent. In February 2009, with the Dow careening below 700 once again, the Risk Indicator quietly dropped below 1.0 to 0.77 as the S&P tumbled under 700. Since then, the stock market has delivered stunning gains as the S&P 500 has quadrupled. For the sixth time in the last 125 years, the Risk Indicator rose above 2.0 again in July 2018. The Risk Indicator remained above 2.0 through the high-point of the market in February 2020.

With the latest median house price at $372,400 in March (the latest data) and with the S&P 500 at 4,200, the *Sound Advice* Risk Indicator reads 2.54, revealing the risk in stocks is very high.

As remarkable as the ***Sound Advice*** Risk Indicator has been, it does not pinpoint the exact time. In the past 125 years, its signal has ranged from being only one month after the zenith to as much as four years early. While the Risk Indicator has been early, it has never been wrong. An expensive crash was inevitable. This time, the signal was 8 months prior to the peak.

To help us narrow down the timing as well as gage the potential severity of an upcoming decline, we have our Diffusion Indexes.

Business Cycles and Stocks: The **Sound**Advice Diffusion Indexes

Track Record of the **Sound**Advice Diffusion Indexes

After each "Aggressive" signal, the S&P 500 climbed an average of 30.8 percent. During "Caution" signals, the S&P 500 either crashed, meandered, or climbed, recording an average increase of 4.2 percent.

Aggressive	S&P	Caution	S&P
Sep-74	68.1	Apr-76	101.9
Jul-76	104.2	Dec-76	104.7
Oct-78	100.6	Jun-79	101.7
Nov-79	100.0	Oct-83	167.7
Aug-84	164.5	Jun-85	188.9
Jul-86	240.2	Aug-87	329.4
Feb-88	258.1	Jun-88	270.7
Mar-89	280.0	Mar-93	449.7
Mar-95	493.2	Dec-98	1,141.0
Jun-00	1,429.4	Dec-00	1,320.3
Jun-03	974.5	May-05	1,191.5
Jun-06	1,276.7	Mar-08	1,325.4
Apr-09	848.2	Mar-12	1,370.3
Mar-15	2,080.0	May-15	2,111.9
Sep-17	2,492.8	Jan-18	2,823.8
Ave +/-	30.8%		6.3%

If the Supercycles identified by our Risk Indicator are the solemn, inexorable seasons that roll across the market's landscape, business cycles are the highly visible, sometimes serene but frequently blustery fronts and storms that we actually perceive as weather. The Risk Indicator has given us a reliable tool to determine the investment season in the stock market. This information is all-important; there will be no heat waves in January, no blizzards in July. But in our search for fair winds, we need to know more than the season. We also must be able to predict the shorter-term weather -- the bull and bear markets that fluctuate along the path of Supercycles.

The data we need is contained in the leading and lagging economic indicators published monthly by The Conference Board. We have hand picked the most sensitive of these economic indicators to produce our "Diffusion Indexes" which function with amazing accuracy as predictors of the birth of cyclical bull and bear markets in stocks.

To construct our ***Sound Advice*** Diffusion Indexes, we observe changes in each of our selected indicators

Over Please...

over a six-month period, and take the percentage of those increasing.

When the ***Sound Advice*** **Diffusion Index of LEADING Indicators** drops to zero, it is time to buy stocks aggressively, regardless of how negative the atmosphere may be. This is not just an empirical coincidence. It is also logical. In order for all of the leading economic indicators to be giving off a zero value compared to six months before, it is nearly certain that the soft economy is providing an atmosphere for stable or declining interest rates.

This Diffusion Index gave us a zero reading in April, 2009, close to the bottom, officially giving us an “Aggressive” signal. That signal came at a time when the Risk Indicator was below 1.0, which revealed that Supercycle 5 came to an end, and that Supercycle 6 was born.

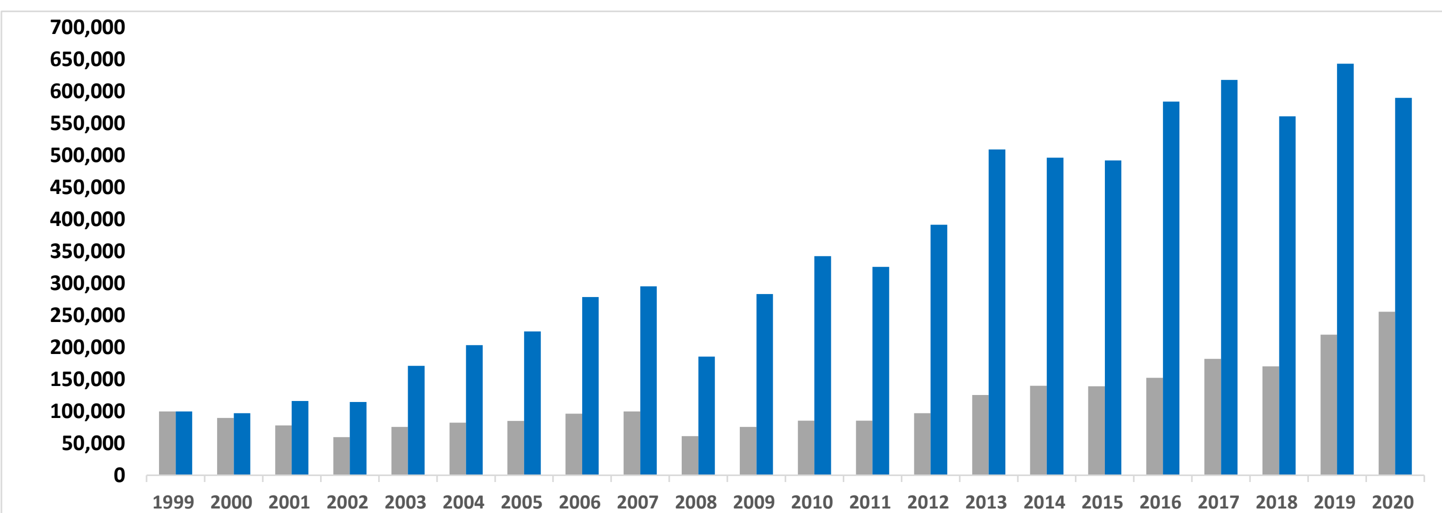
The ***Sound Advice*** **Diffusion Index of LAGGING Indicators** gives “Caution” signals when all three of its individual lagging economic indicators rise above their respective levels of six months earlier, providing a 100 percent reading. This reading reveals that the US economy is strong enough to put upward pressures on interest rates.

Current Status

The Diffusion Index of LAGGING Indicators has been in caution mode. **The latest data for April (reported in late April) caused a 33 percent reading.**

Our next signal will come from the Diffusion Index of LEADING Indicators, when it drops to zero. **The latest reading was 100 percent.** We remian in Caution mode until the Diffusion Index of LEADING Indicators drops to zero.

Sound Advice versus the S&P 500



This chart shows the growth of $100,000 invested in the S&P 500 (in gray), which would have grown to $255,682, versus $590,204 if it was invested in the *Sound Advice* recommendations (in blue).