Why Our Methodology Works

Valuentum Securities Inc.
"From Value Through Momentum Investing"
www.valuentum.com

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About the Speaker

Brian Nelson is the President of Equity Research and ETF Analysis at Valuentum Securities. Before founding Valuentum in early 2011, Mr. Nelson worked as a director at Morningstar, where he was responsible for training and methodology development within the firm's equity and credit research department. Prior to that position, he served as a senior industrials securities analyst, covering aerospace, airlines, construction and environmental services companies. Before joining Morningstar in February 2006, Mr. Nelson worked for a small capitalization fund covering a variety of sectors for an aggressive growth investment management firm in Chicago. He holds a Bachelor's degree in finance and a minor in mathematics, magna cum laude, from Benedictine University. Mr. Nelson has an MBA from the University of Chicago Booth School of Business and also holds the Chartered Financial Analyst (CFA) designation.

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Agenda

- Piquing Your Interest in Valuentum Investing
- Valuentum's Investment Research Services
  - Firm Structure
  - Serving Financial Advisors, Individual Investors, and Institutions
- Our Security-Selection Methodology
  - Qualitative
    - Competitive Advantages (ValueCreation™, ValueRisk™, etc.)
    - Long-term Growth (revenue, earnings, cash flow etc.)
  - Quantitative
    - Valuentum® Value Rating™
    - Valuentum® Buying Index™
    - Valuentum® Dividend Cushion™
- Examples

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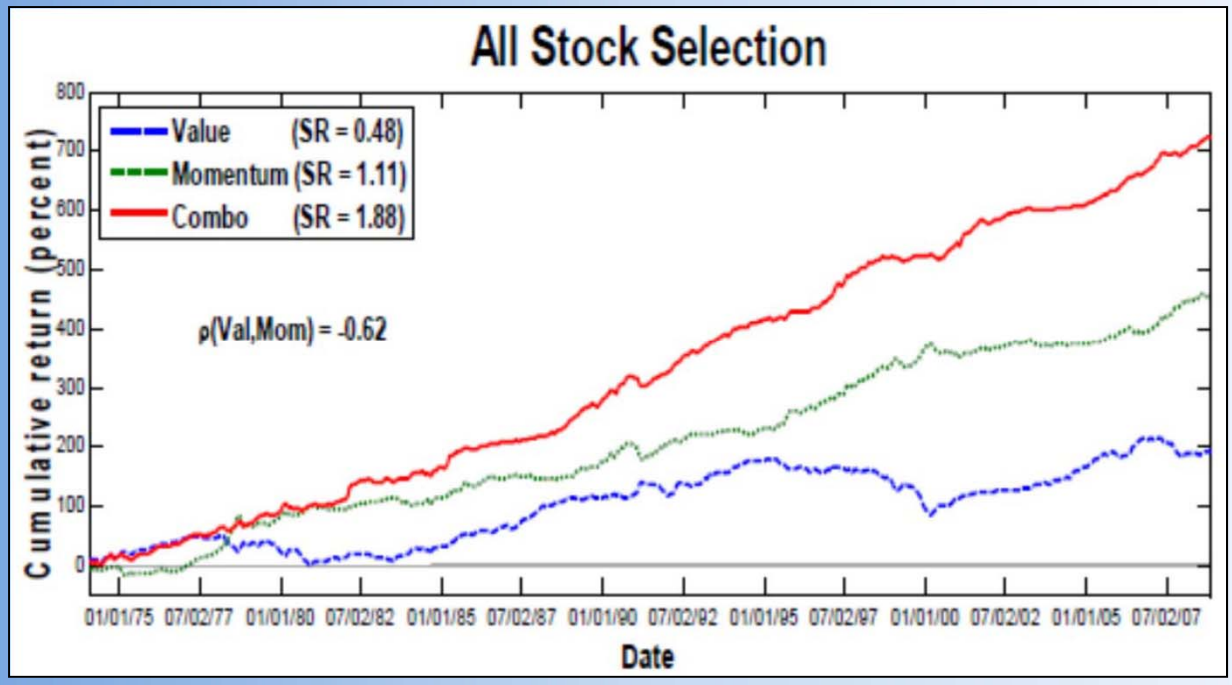
Historical Back-testing

- The benefits of a combined value-momentum portfolio have been well-documented in academic literature.



Source: Asness, et al (2009)

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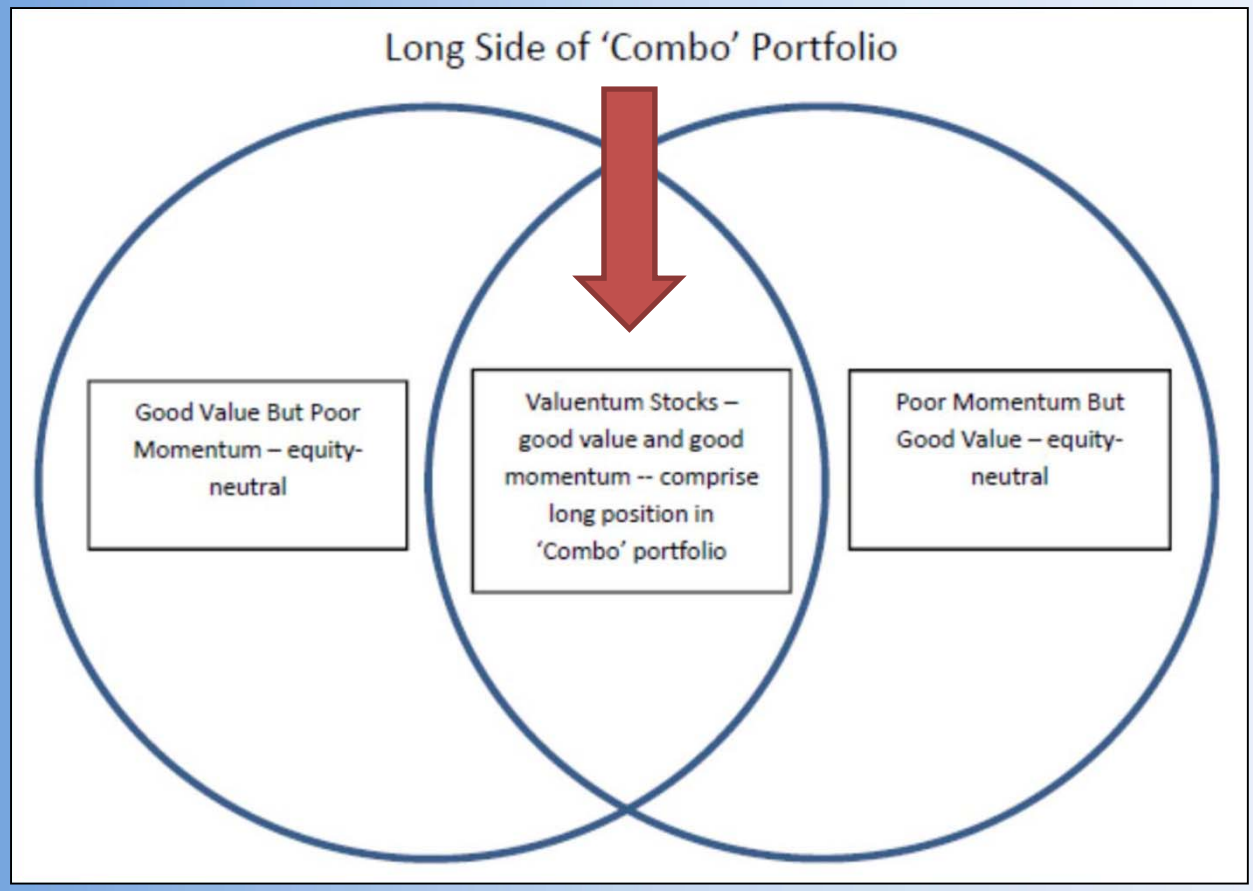
We Focus on the Sweet Spot



Source: Nelson (2012)

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Was Warren Buffett a Valuentum Investor?

- Mr. Buffett has invested in undervalued stocks that have generated significant outperformance over time.
- By definition, these stocks have had both good value and good momentum characteristics.
- The Oracle of Omaha's outperformance in part can be attributed to the Valuentum Style of Investing!

A Young Warren Buffett

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How Valuentum Stocks in the DJIA Outperformed

- Our approach identified the best- and worst-performing portfolios (Jan 1995 - May 2012).

Momentum (LR - SR)	Value (LR - SR)	Combined (LR - SR)
321.0%	72.9%	426.7%

* LR = Long Return; SR = Short Return

Source: Nelson (2012)

Portfolio	Return
Valuentum Long Average	776.7%
Momentum Long Average	672.3%
Value Long Average	548.2%
Data Universe Average	511.8%
Data Universe Median	482.9%
Growth Long Average	475.3%
Weak Momentum Long Average	351.3%
Valuentum Short Average	350.0%

Source: Nelson (2012)

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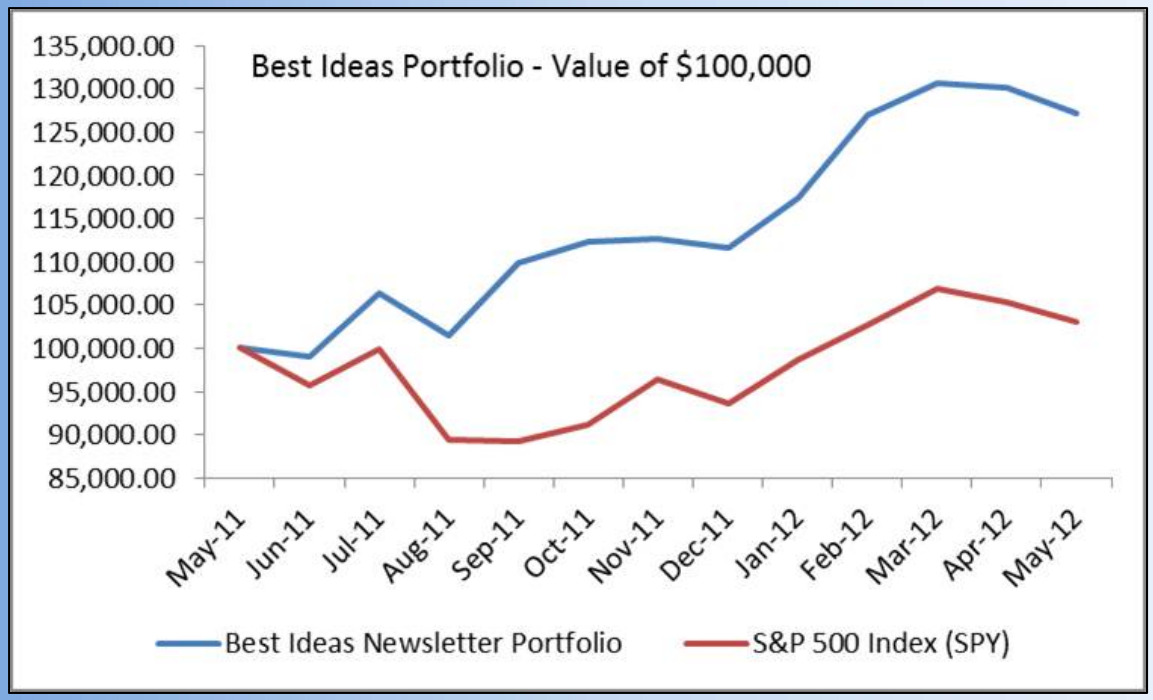
Empirical Evidence Reinforces Academia

- Our Best Ideas portfolio continues to outperform against a broad market benchmark…in a big way.



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EDAC Tech (EDAC): Significantly Undervalued

Image Source: BigCharts

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Apple (AAPL): Material Upside Potential

Image Source: BigCharts

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Netflix (NFLX): Absurdly Overvalued

Image Source: BigCharts

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AMR Corp: Predicting Worthless Equity

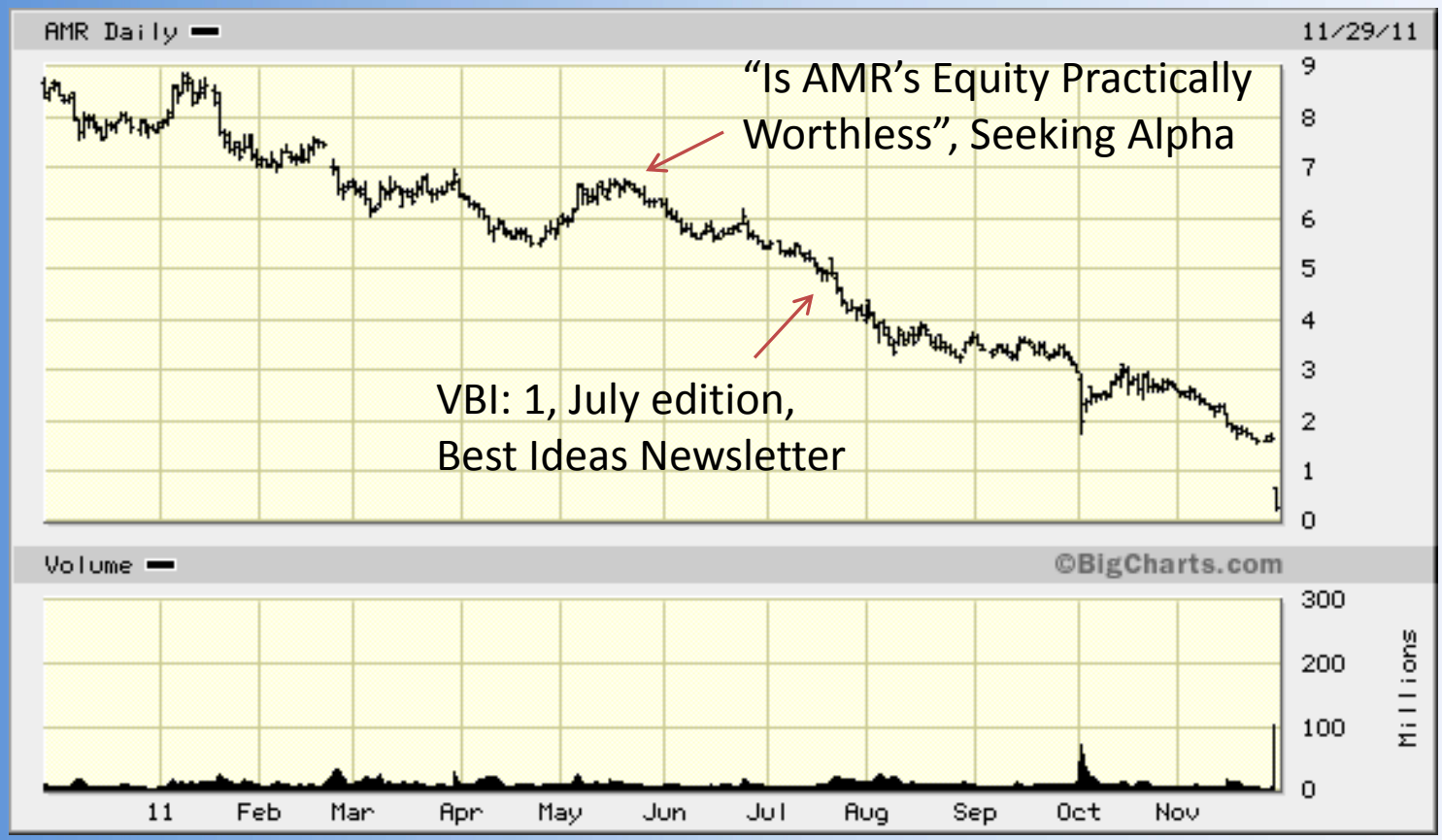

Image Source: BigCharts

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Valuentum Organizational Structure

- Two teams
  - Quantitative: Focused on Optimizing the Valuentum® Value Rating™, Valuentum® Buying Index™, and Valuentum® Dividend Cushion™
  - Qualitative: Focused on Competitive Advantages and Long-term Growth Potential of Firms

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Investment Research Services

- For Financial Advisors & Individual Investors
  - 16-page Stock Reports (available in PDF form)
  - Stock Dividend Reports (available in PDF form)
  - Earnings Reports, Industry Outlooks and Company Spotlights
  - Quarterly Publications: *Dividend100*, *Ideas100*, *DataScreener500*
  - Actively Managed Portfolios
    - Best Ideas Newsletter (available in PDF form)
    - Dividend Growth Newsletter (available in PDF form)
  - Online Tools
    - DCF Valuation Model Template and Fully-Populated Models
- For Institutional Customers
  - Licensed Proprietary Data Feed (VVR, VBI, VDC)
  - Customized Research & Analysis
  - Development & Maintenance of Valuation Infrastructure

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Investment Research Services

- Stocks, Dividends, and ETFs
  - An unmatched value for the Financial Advisor and Individual Investor
  - Fully transparent research services and best-in-class support

Valuentum's Investment Research	FREE	PREMIUM	ADVISOR	INSTITUTION
Premium Valuentum Commentary & Articles		X	X	X
16-page Stock Research Reports		**X**	**X**	**X**
Fair Value Estimates		**X**	**X**	**X**
Valuentum Value Rating™		**X**	**X**	**X**
Valuentum Buying Index™ Scores		**X**	**X**	**X**
Valuentum Proprietary Stock Information		X	X	X
Valuentum ValueCreation™ Rating		X	X	X
Valuentum ValueRisk™ Rating		X	X	X
Valuentum ValueTrend™ Rating		X	X	X
Dividend Reports		X	X	X
Valuentum Dividend Cushion™		X	X	X
Discounts on Modeling Tools & Products		X	X	X
Access to Actively-Managed Portfolios*		**X**	**X**	**X**
Best Ideas Portfolio*		**X**	**X**	**X**
Dividend Growth Portfolio*		**X**	**X**	**X**
Our Best Ideas Newsletter*		**X**	**X**	**X**
Our Dividend Growth Newsletter*		**X**	**X**	**X**
An Experienced Opinion on Stocks in Your Portfolio		X	X	X
Valuentum *Ideas100*			X	X
Valuentum *Dividend100*			X	X
Valuentum *DataScreener500*			X	X
Training & Support			X	X
Distribution Rights to Clients/Prospects			X	X
Access to DCF Valuation Models (a $10,000 value)			**X (thru 2013)**	**X**
Customized Research & Analysis				X
Advanced Access to Valuentum Analyst Team				X
Advanced Valuation Infrastructure				X
Public Valuentum Commentary	X	X	X	X
New Investing Book Reviews, pre-public release	X	X	X	X
Basic Access to Valuentum Analyst Team	X	X	X	X
Open Forum – Discussion Board	X	X	X	X

* Dependent on Choice of Membership Plan.

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VALUENTUM

Analyst Research Reports & Updates

- Valuentum's reports are easy-to-use and to-the-point. The front page is a nice summary of everything in the report.
- The reports are available on companies spanning our entire coverage universe.
- Our 16-page Equity Reports are updated regularly, and accompanying earnings commentary and long-term fundamental outlooks can be found on our website.
- Research reports, industry outlooks, company spotlights are available in PDF format.

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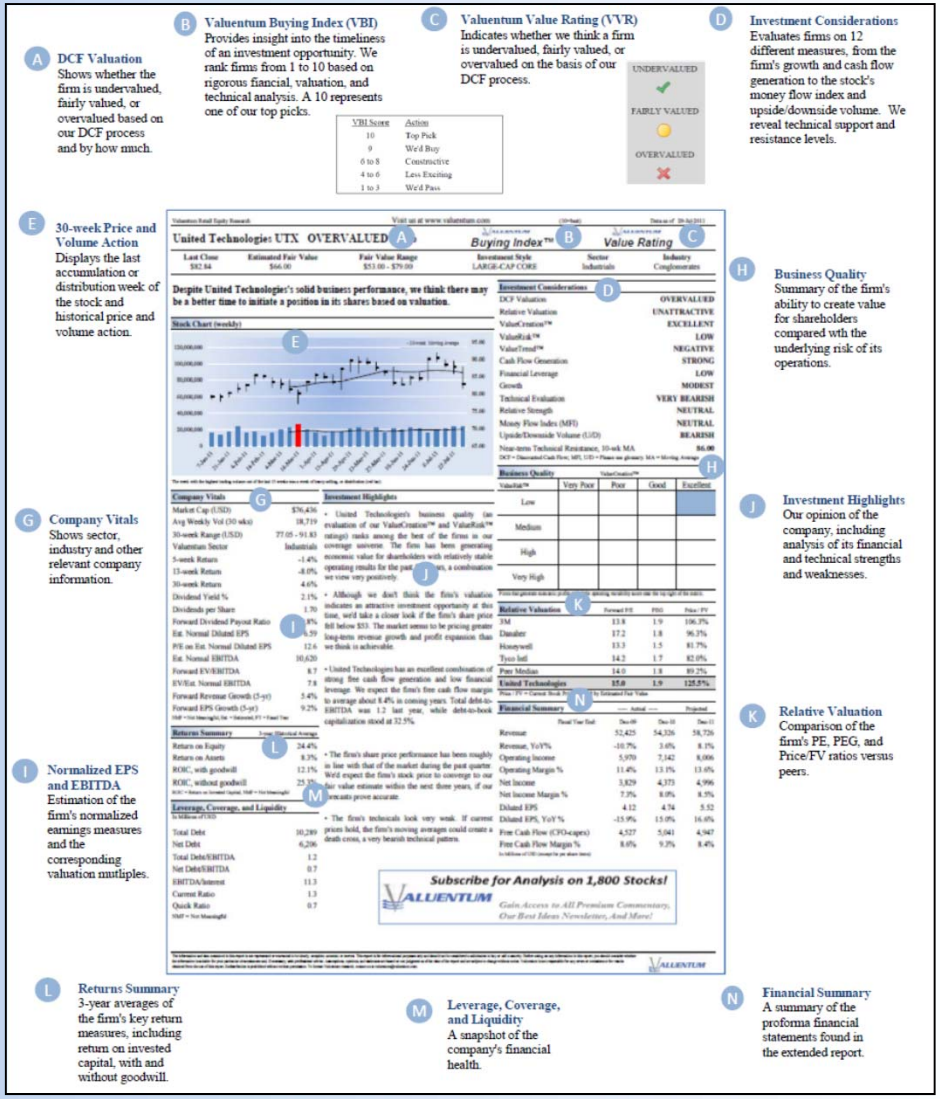
- Our 16-page Stock Report Covers a Variety of Investment Perspectives

- Evaluates firms on 12 different measures, from the firm's ROIC (economic value creation), growth and cash flow generation to the stock's money flow index and upside/downside volume



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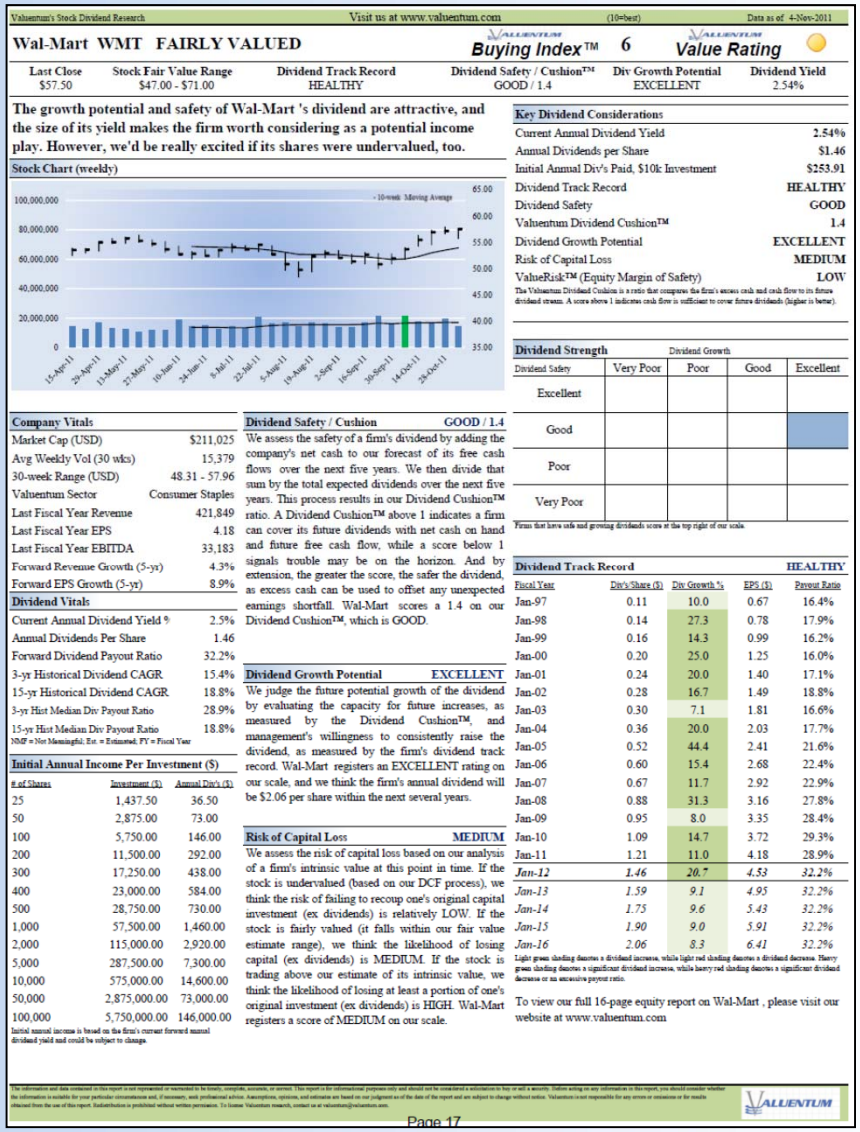
- Our Dividend Reports Assess the Growth and Safety of a Company's Dividend

- Our evaluation is forward-looking, insightful and systematically applied across our coverage universe



Valuentum's Stock Dividend Research — Visit us at www.valuentum.com — (10=best) — Data as of 4-Nov-2011

Wal-Mart WMT FAIRLY VALUED

Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$57.50	$47.00 - $71.00	HEALTHY	GOOD / 1.4	EXCELLENT	2.54%

The growth potential and safety of Wal-Mart 's dividend are attractive, and the size of its yield makes the firm worth considering as a potential income play. However, we'd be really excited if its shares were undervalued, too.

Stock Chart (weekly)

Company Vitals

Market Cap (USD)	$211,025
Avg Weekly Vol (30 wks)	15,379
30-week Range (USD)	48.31 - 57.96
Valuentum Sector	Consumer Staples
Last Fiscal Year Revenue	421,849
Last Fiscal Year EPS	4.18
Last Fiscal Year EBITDA	33,183
Forward Revenue Growth (5-yr)	4.3%
Forward EPS Growth (5-yr)	8.9%

Dividend Vitals

Current Annual Dividend Yield ®	2.5%
Annual Dividends Per Share	1.46
Forward Dividend Payout Ratio	32.2%
3-yr Historical Dividend CAGR	15.4%
15-yr Historical Dividend CAGR	18.8%
3-yr Hist Median Div Payout Ratio	28.9%
15-yr Hist Median Div Payout Ratio	18.8%

NMF = Not Meaningful, Est. = Estimated, FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,437.50	36.50
50	2,875.00	73.00
100	5,750.00	146.00
200	11,500.00	292.00
300	17,250.00	438.00
400	23,000.00	584.00
500	28,750.00	730.00
1,000	57,500.00	1,460.00
2,000	115,000.00	2,920.00
5,000	287,500.00	7,300.00
10,000	575,000.00	14,600.00
50,000	2,875,000.00	73,000.00
100,000	5,750,000.00	146,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — GOOD / 1.4

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Wal-Mart scores a 1.4 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Wal-Mart registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.06 per share within the next several years.

Risk of Capital Loss — MEDIUM

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Wal-Mart registers a score of MEDIUM on our scale.

Key Dividend Considerations

Current Annual Dividend Yield	2.54%
Annual Dividends per Share	$1.46
Initial Annual Div's Paid, $10k Investment	$253.91
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.4
Dividend Growth Potential	EXCELLENT
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jan-97	0.11	10.0	0.67	16.4%
Jan-98	0.14	27.3	0.78	17.9%
Jan-99	0.16	14.3	0.99	16.2%
Jan-00	0.20	25.0	1.25	16.0%
Jan-01	0.24	20.0	1.40	17.1%
Jan-02	0.28	16.7	1.49	18.8%
Jan-03	0.30	7.1	1.81	16.6%
Jan-04	0.36	20.0	2.03	17.7%
Jan-05	0.52	44.4	2.41	21.6%
Jan-06	0.60	15.4	2.68	22.4%
Jan-07	0.67	11.7	2.92	22.9%
Jan-08	0.88	31.3	3.16	27.8%
Jan-09	0.95	8.0	3.35	28.4%
Jan-10	1.09	14.7	3.72	29.3%
Jan-11	1.21	11.0	4.18	28.9%
Jan-12	*1.46*	*20.7*	*4.53*	*32.2%*
Jan-13	*1.59*	*9.1*	*4.95*	*32.2%*
Jan-14	*1.75*	*9.6*	*5.43*	*32.2%*
Jan-15	*1.90*	*9.0*	*5.91*	*32.2%*
Jan-16	*2.06*	*8.3*	*6.41*	*32.2%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an unsustainable payout ratio.

To view our full 16-page equity report on Wal-Mart , please visit our website at www.valuentum.com

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Predicting Dividend Cuts: The Valuentum® Dividend Cushion™

The Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1 Indicates a Firm's Dividend is At Risk in the Years Ahead

Dividend Cutter	Cut Date	Dividend Cushion (Before Cut)	Reason for Dividend Cut
Avery Dennison (AVY)	31-Jul-09	0.66	Reduced dividend to support debt-reduction efforts.
ConAgra Foods (CAG)	16-Mar-06	-0.59 (1)	Restructuring, divestitures.
Constellation (CEG)	18-Feb-09	-4.36	Refocus on core business of generating and selling power.
DR Horton (DHI)	6-May-08	-0.03	Housing turmoil.
Gannett Co. (GCI)	25-Feb-09	-0.06	Excessive debt; preserve cash amid newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of w business travel, but dividend achieve highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in industry. Loss of investment-grade cr
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue ba $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business un divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

(1) Forecast period for ConAgra, 2007 through 2011.

(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high

(3) Forecasts adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.

Backtesting Methodology: Net balance sheet (year prior to dividend cut). Free cash flow for years beginning in year of dividend cut through reported years. If reported years do not total five, last reported year is extrapolated for remainder of forecast period. Dividends paid reflects what the dividends would be ex dividend cut.

Company Name	Dividend Cushion
Abbott Labs (ABT)	2.3
Coca-Cola (KO)	1.9
Family Dollar (FDO)	4.4
International Business Machines (IBM)	3.7
Johnson & Johnson (JNJ)	2.5
Merck (MRK)	2.5
Molex (MOLX)	2.5
Pepsi (PEP)	1.3
Proctor & Gamble (PG)	1.4
Wal-Mart (WMT)	1.4

Subscribe to Valuentum to monitor the Dividend Cushion of firms you own.

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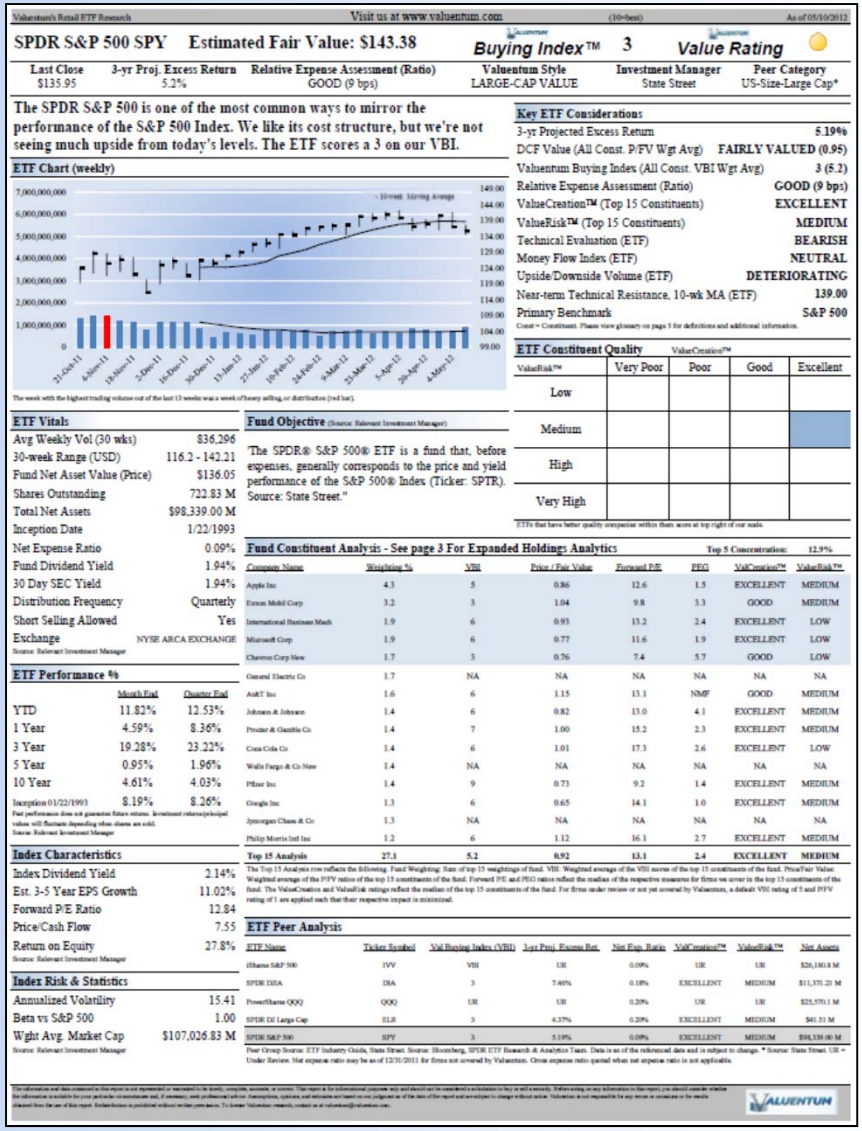
VALUENTUM

- The breadth of our equity coverage universe allows us to peg an estimated fair value on each ETF

- Our ETF ratings are actionable and forward-looking



Valuentum's Retail ETF Research — Visit us at www.valuentum.com — (10=best) — As of 05/10/2012

SPDR S&P 500 SPY Estimated Fair Value: $143.38 — Buying Index™ 3 — Value Rating

Last Close	3-yr Proj. Excess Return	Relative Expense Assessment (Ratio)	Valuentum Style	Investment Manager	Peer Category
$135.95	5.2%	GOOD (9 bps)	LARGE-CAP VALUE	State Street	US-Size-Large Cap*

The SPDR S&P 500 is one of the most common ways to mirror the performance of the S&P 500 Index. We like its cost structure, but we're not seeing much upside from today's levels. The ETF scores a 3 on our VBI.

ETF Chart (weekly)

The week with the highest trading volume out of the last 13 weeks was a week of heavy selling, or distribution (red bar).

Key ETF Considerations

3-yr Projected Excess Return	5.19%
DCF Value (All Const. P/FV Wgt Avg)	FAIRLY VALUED (0.95)
Valuentum Buying Index (All Const. VBI Wgt Avg)	3 (5.2)
Relative Expense Assessment (Ratio)	GOOD (9 bps)
ValueCreation™ (Top 15 Constituents)	EXCELLENT
ValueRisk™ (Top 15 Constituents)	MEDIUM
Technical Evaluation (ETF)	BEARISH
Money Flow Index (ETF)	NEUTRAL
Upside/Downside Volume (ETF)	DETERIORATING
Near-term Technical Resistance, 10-wk MA (ETF)	139.00
Primary Benchmark	S&P 500

Const = Constituent. Please view glossary on page 5 for definitions and additional information.

ETF Constituent Quality (ValueCreation™ / ValueRisk™)

	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

ETFs that have better quality companies within their scoe at top right of our scale.

ETF Vitals

Avg Weekly Vol (30 wks)	836,296
30-week Range (USD)	116.2 - 142.21
Fund Net Asset Value (Price)	$136.05
Shares Outstanding	722.83 M
Total Net Assets	$98,339.00 M
Inception Date	1/22/1993
Net Expense Ratio	0.09%
Fund Dividend Yield	1.94%
30 Day SEC Yield	1.94%
Distribution Frequency	Quarterly
Short Selling Allowed	Yes
Exchange	NYSE ARCA EXCHANGE

Source: Relevant Investment Manager

Fund Objective (Source: Relevant Investment Manager)

"The SPDR® S&P 500® ETF is a fund that, before expenses, generally corresponds to the price and yield performance of the S&P 500® Index (Ticker: SPTR). Source: State Street."

ETF Performance %

	Month End	Quarter End
YTD	11.82%	12.53%
1 Year	4.59%	8.36%
3 Year	19.28%	23.22%
5 Year	0.95%	1.96%
10 Year	4.61%	4.03%
Inception 01/22/1993	8.19%	8.26%

Past performance does not guarantee future returns. Investment returns/principal values will fluctuate depending when shares are sold.
Source: Relevant Investment Manager

Fund Constituent Analysis - See page 3 For Expanded Holdings Analytics — Top 5 Concentration: 12.9%

Company Name	Weighting %	VBI	Price / Fair Value	Forward P/E	PEG	ValCreation™	ValueRisk™
Apple Inc	4.3	5	0.86	12.6	1.5	EXCELLENT	MEDIUM
Exxon Mobil Corp	3.2	3	1.04	9.8	3.3	GOOD	MEDIUM
International Business Mach	1.9	6	0.93	13.2	2.4	EXCELLENT	LOW
Microsoft Corp	1.9	6	0.77	11.6	1.9	EXCELLENT	LOW
Chevron Corp New	1.7	3	0.76	7.4	5.7	GOOD	LOW
General Electric Co	1.7	NA	NA	NA	NA	NA	NA
AT&T Inc	1.6	6	1.15	13.1	NMF	GOOD	MEDIUM
Johnson & Johnson	1.4	6	0.82	13.0	4.1	EXCELLENT	MEDIUM
Procter & Gamble Co	1.4	7	1.00	15.2	2.3	EXCELLENT	MEDIUM
Coca Cola Co	1.4	6	1.01	17.3	2.6	EXCELLENT	LOW
Wells Fargo & Co New	1.4	NA	NA	NA	NA	NA	NA
Pfizer Inc	1.4	9	0.73	9.2	1.4	EXCELLENT	MEDIUM
Google Inc	1.3	6	0.65	14.1	1.0	EXCELLENT	MEDIUM
Jpmorgan Chase & Co	1.3	NA	NA	NA	NA	NA	NA
Philip Morris Intl Inc	1.2	6	1.12	16.1	2.7	EXCELLENT	MEDIUM
Top 15 Analysis	**27.1**	**5.2**	**0.92**	**13.1**	**2.4**	**EXCELLENT**	**MEDIUM**

The Top 15 Analysis row reflects the following. Fund Weighting: Sum of top 15 weightings of fund. VBI: Weighted average of the VBI scores of the top 15 constituents of the fund. Price/Fair Value: Weighted average of the P/FV ratios of the top 15 constituents of the fund. Forward P/E and PEG ratios reflect the median of the respective measures for firms we cover in the top 15 constituents of the fund. The ValueCreation and ValueRisk ratings reflect the median of the top 15 constituents of the fund. For firms under review or not yet covered by Valuentum, a default VBI rating of 5 and P/FV rating of 1 are applied such that their respective impact is minimized.

Index Characteristics

Index Dividend Yield	2.14%
Est. 3-5 Year EPS Growth	11.02%
Forward P/E Ratio	12.84
Price/Cash Flow	7.55
Return on Equity	27.8%

Source: Relevant Investment Manager

Index Risk & Statistics

Annualized Volatility	15.41
Beta vs S&P 500	1.00
Wght Avg. Market Cap	$107,026.83 M

Source: Relevant Investment Manager

ETF Peer Analysis

ETF Name	Ticker Symbol	Val Buying Index (VBI)	3-yr Proj. Excess Ret.	Net Exp. Ratio	ValCreation™	ValueRisk™	Net Assets
iShares S&P 500	IVV	VBI	UR	0.09%	UR	UR	$26,180.8 M
SPDR DIA	DIA	3	7.46%	0.18%	EXCELLENT	MEDIUM	$11,371.21 M
PowerShares QQQ	QQQ	UR	UR	0.20%	UR	UR	$25,570.1 M
SPDR DJ Large Cap	ELR	3	4.37%	0.20%	EXCELLENT	MEDIUM	$41.51 M
SPDR S&P 500	SPY	3	5.19%	0.09%	EXCELLENT	MEDIUM	$98,339.00 M

Peer Group Source: ETF Industry Guide, State Street. Source: Bloomberg, SPDR ETF Research & Analytics Team. Data is as of the referenced date and is subject to change. * Source: State Street. UR = Under Review. Net expense ratio may be as of 12/31/2011 for firms not covered by Valuentum. Gross expense ratio quoted when net expense ratio is not applicable.

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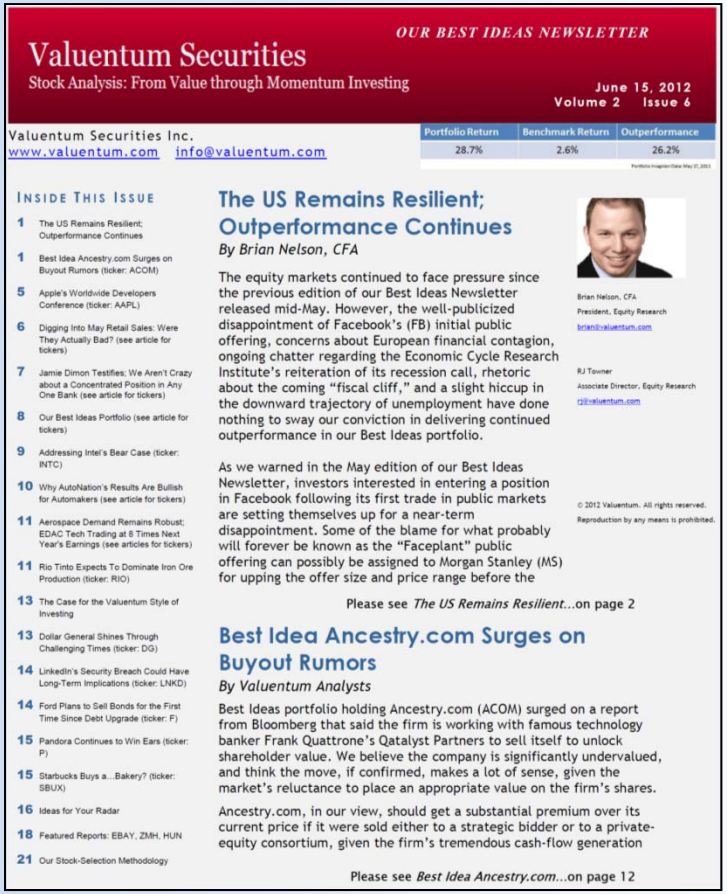
Actively Managed Portfolios

- Valuentum offers two model portfolios that generate rewarding ideas to help with various investing decisions.
  - Best Ideas Newsletter
  - Dividend Growth Newsletter



OUR BEST IDEAS NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

June 15, 2012
Volume 2 Issue 6

Valuentum Securities Inc.
www.valuentum.com info@valuentum.com

Portfolio Return	Benchmark Return	Outperformance
28.7%	2.6%	26.2%

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The US Remains Resilient; Outperformance Continues

By Brian Nelson, CFA

The equity markets continued to face pressure since the previous edition of our Best Ideas Newsletter released mid-May. However, the well-publicized disappointment of Facebook's (FB) initial public offering, concerns about European financial contagion, ongoing chatter regarding the Economic Cycle Research Institute's reiteration of its recession call, rhetoric about the coming "fiscal cliff," and a slight hiccup in the downward trajectory of unemployment have done nothing to sway our conviction in delivering continued outperformance in our Best Ideas portfolio.

As we warned in the May edition of our Best Ideas Newsletter, investors interested in entering a position in Facebook following its first trade in public markets are setting themselves up for a near-term disappointment. Some of the blame for what probably will forever be known as the "Faceplant" public offering can possibly be assigned to Morgan Stanley (MS) for upping the offer size and price range before the

Please see *The US Remains Resilient*...on page 2

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Best Idea Ancestry.com Surges on Buyout Rumors

By Valuentum Analysts

Best Ideas portfolio holding Ancestry.com (ACOM) surged on a report from Bloomberg that said the firm is working with famous technology banker Frank Quattrone's Qatalyst Partners to sell itself to unlock shareholder value. We believe the company is significantly undervalued, and think the move, if confirmed, makes a lot of sense, given the market's reluctance to place an appropriate value on the firm's shares.

Ancestry.com, in our view, should get a substantial premium over its current price if it were sold either to a strategic bidder or to a private-equity consortium, given the firm's tremendous cash-flow generation

Please see *Best Idea Ancestry.com*...on page 12

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The Outperformance of our Best Ideas Newsletter

Value of a $100,000 Investment (includes dividends)														
	5/17/2011	6/15/2011	7/13/2011	8/12/2011	9/13/2011	10/11/2011	11/11/2011	12/12/2011	1/13/2012	2/12/2012	3/14/2012	4/13/2012	5/14/2012	Avg
Best Ideas Newsletter Portfolio	100,000.00	99,013.62	106,457.85	101,415.15	109,865.95	112,285.02	112,646.21	111,608.10	117,311.19	126,944.51	130,603.74	130,093.74	127,128.46	
SPY	100,000.00	95,773.08	99,832.69	89,492.80	89,206.42	91,154.57	96,399.88	93,679.25	98,623.11	102,783.18	106,965.86	105,341.02	103,057.16	
Outperformance	0.00	3,240.54	6,625.16	11,922.35	20,659.53	21,130.45	16,246.33	17,928.85	18,688.08	24,161.33	23,637.88	24,752.72	24,071.30	
Long Percentage (%)	10.0	49.7	90.9	86.8	83.7	89.2	95.0	94.5	86.4	82.8	83.3	83.2	68.3	77.2
Cash & Short Percentage (%)	90.0	50.3	9.1	13.2	16.3	10.8	5.0	5.5	13.6	17.2	16.7	16.8	31.7	22.8

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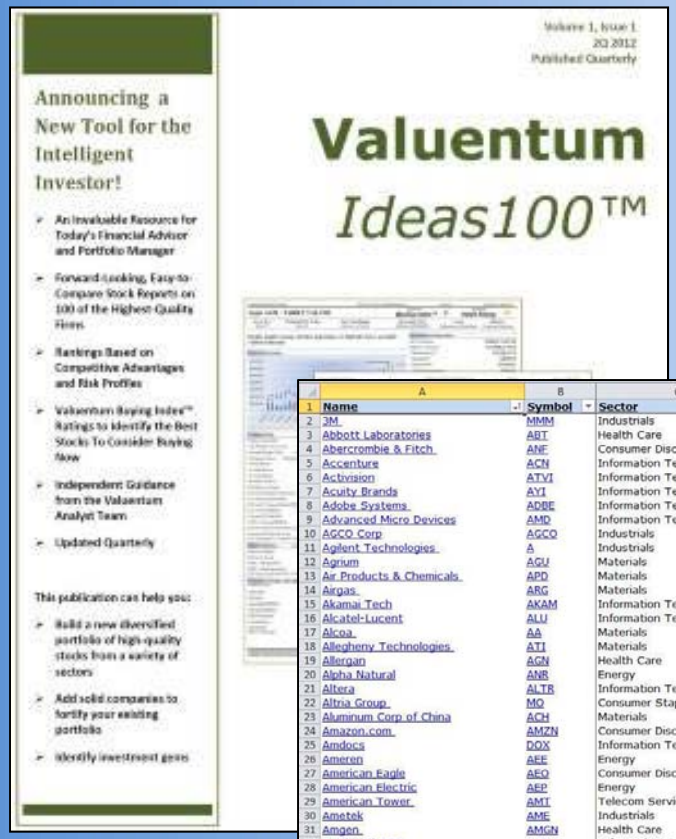
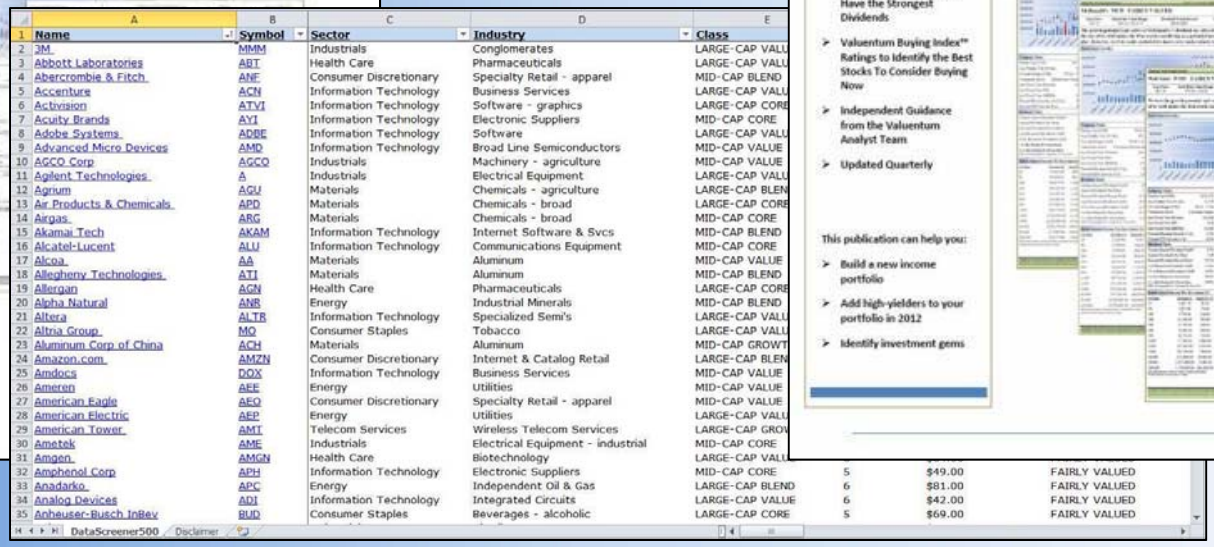
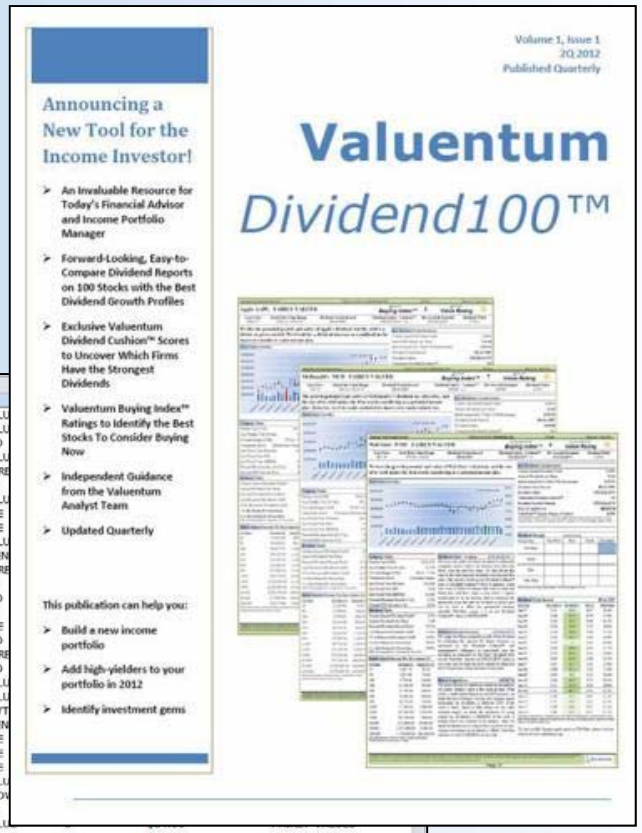
Dividend100, *Ideas100*, and *DataScreener500*





	A	B	C	D	E			
1	Name	Symbol	Sector	Industry	Class			
2	3M	MMM	Industrials	Conglomerates	LARGE-CAP VALU			
3	Abbott Laboratories	ABT	Health Care	Pharmaceuticals	LARGE-CAP VALU			
4	Abercrombie & Fitch	ANF	Consumer Discretionary	Specialty Retail - apparel	MID-CAP BLEND			
5	Accenture	ACN	Information Technology	Business Services	LARGE-CAP VALU			
6	Activision	ATVI	Information Technology	Software - graphics	LARGE-CAP CORE			
7	Acuity Brands	AYI	Information Technology	Electronic Suppliers	MID-CAP CORE			
8	Adobe Systems	ADBE	Information Technology	Software	LARGE-CAP VALU			
9	Advanced Micro Devices	AMD	Information Technology	Broad Line Semiconductors	MID-CAP VALUE			
10	AGCO Corp	AGCO	Industrials	Machinery - agriculture	MID-CAP VALUE			
11	Agilent Technologies	A	Industrials	Electrical Equipment	LARGE-CAP VALU			
12	Agrium	AGU	Materials	Chemicals - agriculture	LARGE-CAP BLEN			
13	Air Products & Chemicals	APD	Materials	Chemicals - broad	LARGE-CAP CORE			
14	Airgas	ARG	Materials	Chemicals - broad	MID-CAP CORE			
15	Akamai Tech	AKAM	Information Technology	Internet Software & Svcs	MID-CAP BLEND			
16	Alcatel-Lucent	ALU	Information Technology	Communications Equipment	MID-CAP CORE			
17	Alcoa	AA	Materials	Aluminum	MID-CAP VALUE			
18	Allegheny Technologies	ATI	Materials	Aluminum	MID-CAP BLEND			
19	Allergan	AGN	Health Care	Pharmaceuticals	LARGE-CAP CORE			
20	Alpha Natural	ANR	Energy	Industrial Minerals	MID-CAP BLEND			
21	Altera	ALTR	Information Technology	Specialized Semi's	LARGE-CAP VALU			
22	Altria Group	MO	Consumer Staples	Tobacco	LARGE-CAP VALU			
23	Aluminum Corp of China	ACH	Materials	Aluminum	MID-CAP GROWT			
24	Amazon.com	AMZN	Consumer Discretionary	Internet & Catalog Retail	LARGE-CAP BLEN			
25	Amdocs	DOX	Information Technology	Business Services	MID-CAP VALUE			
26	Ameren	AEE	Energy	Utilities	MID-CAP VALUE			
27	American Eagle	AEO	Consumer Discretionary	Specialty Retail - apparel	MID-CAP VALUE			
28	American Electric	AEP	Energy	Utilities	LARGE-CAP VALU			
29	American Tower	AMT	Telecom Services	Wireless Telecom Services	LARGE-CAP GROW			
30	Ametek	AME	Industrials	Electrical Equipment - industrial	MID-CAP CORE			
31	Amgen	AMGN	Health Care	Biotechnology	LARGE-CAP VALU			
32	Amphenol Corp	APH	Information Technology	Electronic Suppliers	MID-CAP CORE	5	$49.00	FAIRLY VALUED
33	Anadarko	APC	Energy	Independent Oil & Gas	LARGE-CAP BLEND	6	$81.00	FAIRLY VALUED
34	Analog Devices	ADI	Information Technology	Integrated Circuits	LARGE-CAP VALUE	6	$42.00	FAIRLY VALUED
35	Anheuser-Busch InBev	BUD	Consumer Staples	Beverages - alcoholic	LARGE-CAP CORE	5	$69.00	FAIRLY VALUED

DataScreener500 Disclaimer



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Valuentum's Breadth of Coverage

- Analyst Coverage
  - Two Specialized Teams – collectively focused on breadth and depth of coverage via qualitative and quantitative analysis.
  - Extensive Coverage across Market Capitalizations
  - Serving our Subscriber Base
    - We allocate resources to cover firms that are of interest to our subscribers and clients.

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Institutional Services

- Our data feed runs the gamut of Valuentum data points from our estimated fair value, price-to-fair value, Valuentum® Buying Index™ to normalized earnings and EBITDA and a variety of technical and momentum measures.
- Our customized research and analysis provide an objective opinion on under-followed firms. Each opinion is backed by extensive qualitative analysis and an interactive discounted cash-flow model. You also have access to our analyst team.
- We develop and maintain your valuation infrastructure and build customized platforms that meet your screening and analytical needs.

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Our Approach

But how, you will ask, does one decide what [stocks are] "attractive"? Most analysts feel they must choose between two approaches customarily thought to be in opposition: "value" and "growth,"...We view that as fuzzy thinking...Growth is always a component of value [and] the very term "value investing" is redundant.

-- Warren Buffett, Berkshire Hathaway annual report, 1993

At Valuentum, we take Buffett's thoughts one step further. We think the best opportunities arise from a complete understanding of all investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through momentum investing. We think companies that are attractive from a number of investment perspectives--whether it be growth, value, income, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance.

-- Brian Nelson, President, Valuentum Securities, 2011

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Our Approach -- continued

- Not Value Investing – Benjamin Graham
- Not Growth Investing – T. Rowe Price, Jr.
- Not GARP Investing – Peter Lynch
- Not Momentum Investing – Richard Driehaus

- But "Valuentum" Investing
  - Finding technically-attractive growth stocks that are trading at deep discounts to intrinsic value and their peers.

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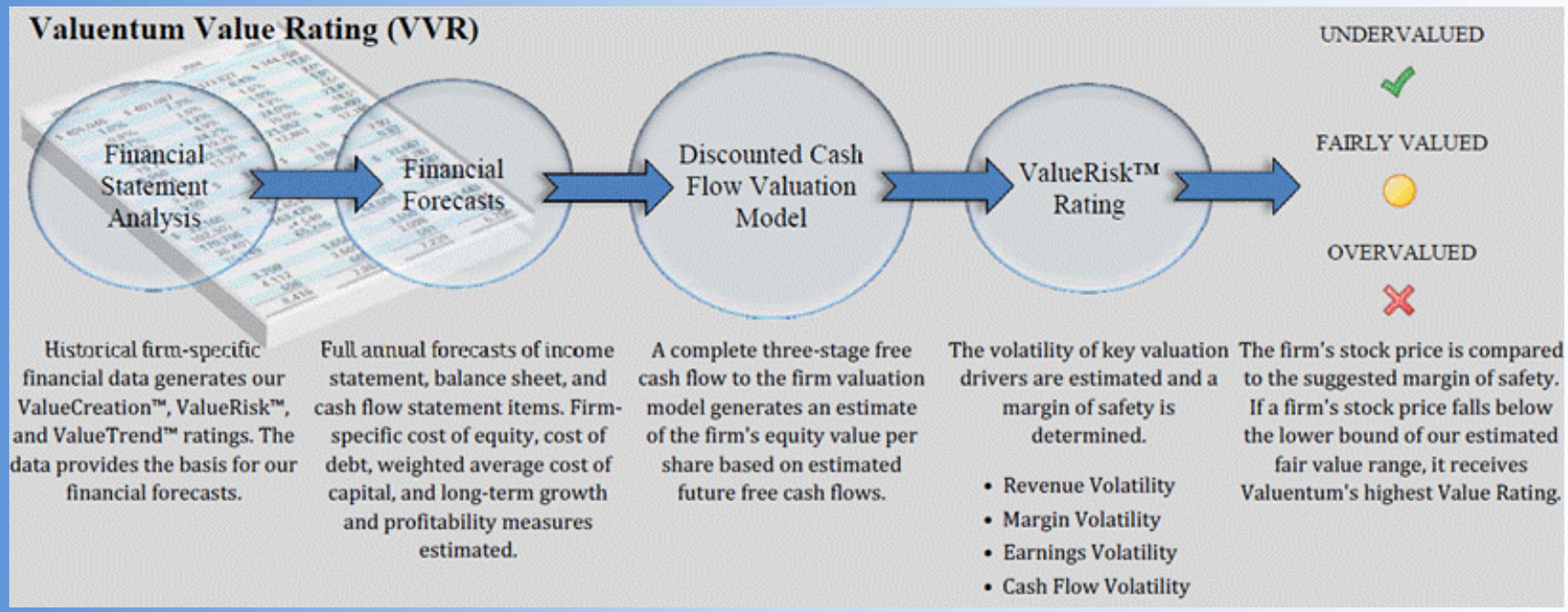
First & Foremost: An Extensive Discounted Cash-Flow Process to Arrive at a Fair (Intrinsic) Value for Each Company



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Why Use DCF Analysis?

- The intrinsic value of any asset is based on the discounted future free cash flows generated by that asset.
- We believe the ability of firms to generate returns (ROIC) above their respective cost of capital (WACC) is the best way to assess shareholder value creation. A DCF process allows us to compare historical and projected ROIC with a firm's WACC.
- We care more about what businesses are worth, as eventually investors will pay a fair price for them, their intrinsic value.
- Certain industry groups may become overvalued or undervalued as a whole. Estimating intrinsic value helps to mitigate pitfalls caused by relative value assessments within industry groups.

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Why Use DCF Analysis? - continued

Intrinsic value represents the conclusion to any and all stock research: What is the company worth? DCF valuation captures the expectations of a firm's competitive advantages, growth prospects, strategic endeavors, and any other qualitative factor. No other process does this. Putting to numbers a plethora of advanced fundamental items in arriving at a fair value estimate is the cornerstone--and the most critical component--of any stock research analysis. Without an in-depth intrinsic-value assessment, research is but a story that has no ending.

-- Brian Nelson, President, Valuentum Securities, 2011

- We believe that only through the flexibility of a DCF process can advanced fundamental thoughts be appropriately incorporated into a fair value estimate.

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Our DCF Process Explained

- We use a three-phase discounted cash-flow model.
- Our analysts form explicit forecasts for companies over the next five years, populating all financial statement items. This represents the first phase of our model.
- During the second phase of our process, return on new invested capital fades to a firm's weighted average cost of capital, as we assume competition eats into outsize returns.
- The third phase of our model is a standard perpetuity function.
- We discount these future cash flows by a firm's cost of capital and adjust for the company's capital structure and other items to arrive at an equity value for each firm.

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Our DCF Process Is Second to None

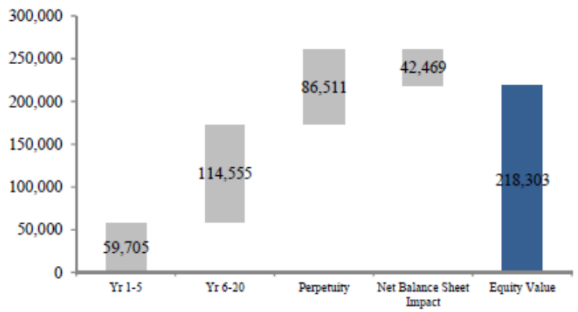
Valuation Assumptions		
In Millions of USD (except for per share items)	5-year Projections	
Revenue CAGR %	4.3%	
Avg. EBIT Margin %	5.8%	
Avg. Cash Tax Rate %	32.2%	
Earnings Before Interest CAGR %	3.6%	
Earnings Per Share CAGR %	8.9%	
Free Cash Flow to the Firm CAGR %	11.4%	
Earnings before interest = Net operating profits less adjusted taxes	Long-term Projections	
Phase II --> III FCFF CAGR %	2.8% (II)	3% (III)
Cost of Equity %	9.8%	
After-tax Cost of Debt %	5.0%	
Discount Rate (WACC) %	8.9%	
Synthetic credit spread = 3%	Results	
Phase I Present Value	59,705	
Phase II Present Value	114,555	
Phase III Present Value	86,511	
Total Firm Value	260,772	
Net Balance Sheet Impact	-42,469	
Total Equity Value	218,303	
Diluted Shares Outstanding	3,670.0	
Fair Value per Share	$59.00	

Enterprise Free Cash Flow	---------- Actual ----------		
Fiscal Year End:	1/31/2009	1/31/2010	1/31/2011
Earnings before Interest	13,122	16,105	16,767
+ Depreciation	6,739	7,157	7,641
- Capital Expenditures	11,499	12,184	12,699
- Change in Working Capital	-871	-2,659	1,030
- Acquisitions	738	0	202
Enterprise Free Cash Flow (FCFF)	8,495	13,737	10,477

In Millions of USD

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Wal-Mart and the break down to the firm's total equity value, which we estimate to be about 218.3USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our $59 per share fair value estimate.



In Millions of USD

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Next: Estimating an Appropriate Margin of Safety, Our ValueRisk™ Rating

ValueRisk™	LOW

Wal-Mart receives a ValueRisk™ rating of LOW based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.

Revenue Volatility	4.3%
Gross Margin Volatility	5.8%
Earnings (EBI) Volatility	12.9%
Cash Flow (FCFF) Volatility	46.6%
Fair Value Range	20.0%

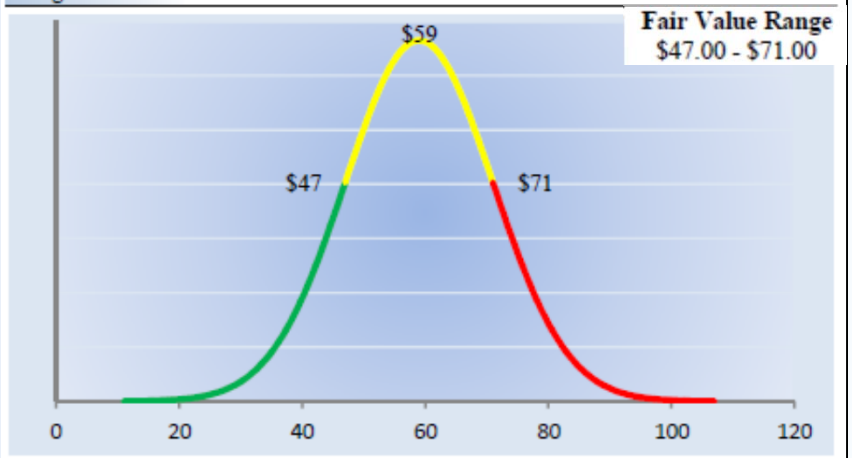
The Fair Value Range sets the premium or discount on our estimate of the firm's fair value.

Upside and Downside Probabilities

Probability (fair value < $0)	Less than 0.1%
Probability (fair value > 2x current share price)	0.00%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

Range of Potential Outcomes



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about $59 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future was known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRisk™ rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for Wal-Mart . We think the firm is attractive below $47 per share (the green line), but quite expensive above $71 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

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Why Use a Margin of Safety?

"If the future were known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values."

-- Brian Nelson, President, Valuentum Securities, 2011

- We look for stocks that are trading at a discount to our estimate of their fair values and use our ValueRisk™ rating to set an appropriate margin of safety.
- The higher the volatility of key valuation drivers (like earnings and cash flow), the higher the ValueRisk™ rating and wider the margin of safety we assign to the stock.
- This ensures that we're buying stocks that are truly cheap--not only relative to their intrinsic value but also relative to the risks inherent to their business models.

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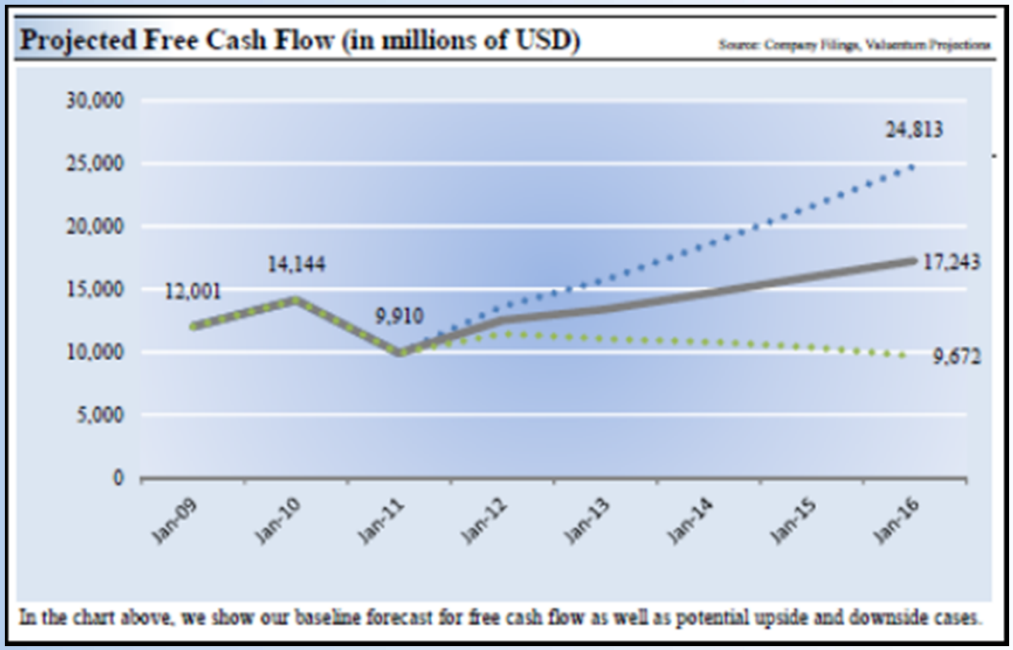
Why Use a Margin of Safety? -- continued

The value of scenario analysis cannot be overestimated in today's market environment. Understanding the upside and downside of every investment opportunity is critical to attaining outperformance while minimizing risk.

-- Brian Nelson, President, Valuentum Securities, 2011



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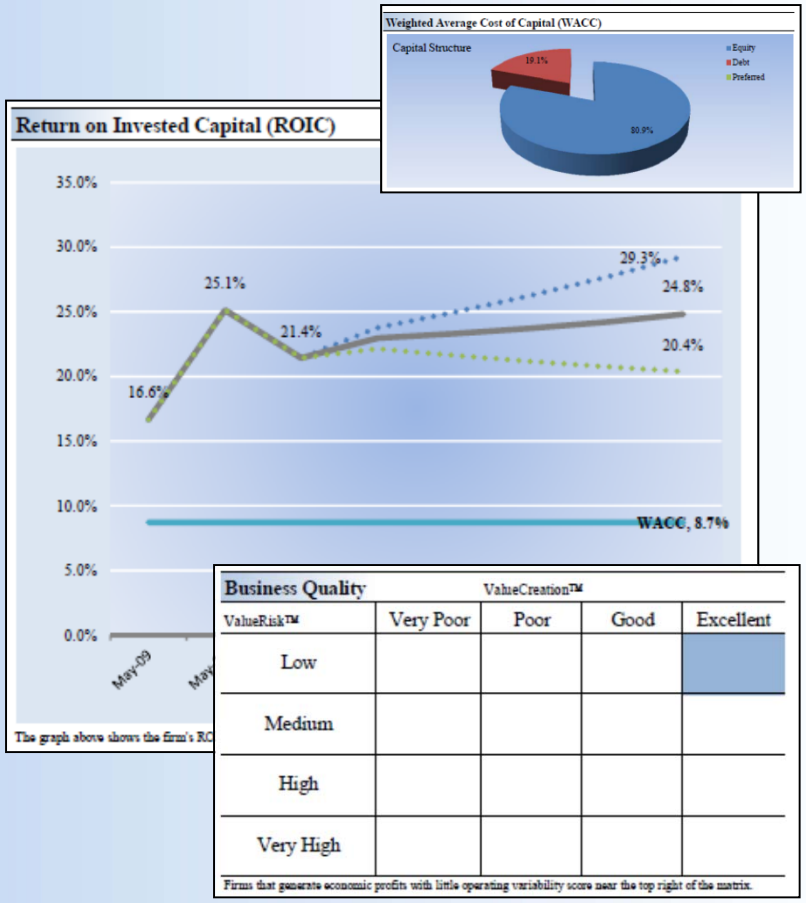
Next: A Focus on Economic Value (ROIC)

- We seek to identify firms that are earning at least their cost of capital, have done so for years, and are expected to do so long into the future.
- Our ValueCreation™ and ValueTrend™ ratings focus on the gap between ROIC and a firm's WACC, and the trend in this gap over time, respectively.
- Our Business Quality matrix provides evidence of the strength and sustainability of the competitive advantages of firms -- based on a cross section of their ValueCreation™ and ValueRisk™ ratings.



Business Quality	ValueCreation™			
ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

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Why ROIC? Isn't EPS Just as Good?

- Return on invested capital measures the return on the operating assets of a business. It considers the capital costs of generating the firm's earnings stream, and therefore represents a pure measure of a company's ability to generate economic value.
- Without considering the costs of the earnings growth achieved, investors fall short of judging whether the firm is actually creating value for them. Earnings growth at any price is a recipe for disaster.
- If a company's cost of acquiring capital (WACC) is 8%, we expect it to invest this capital in projects that generate returns (ROIC) well in excess of 8%. The bigger and more sustainable this ROIC-WACC spread is, the more valuable growth is to investors.

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Next: A Relative Value Assessment of Each Company Versus Its Peers

Relative Valuation	Forward P/E	PEG	Price / FV
General Dynamics	8.4	2.9	83.7%
Lockheed Martin	9.8	2.6	114.2%
Northrop Grumman	7.6	32.5	76.3%
Raytheon	8.5	2.7	113.5%
Peer Median	8.4	[illegible]	[illegible]
Boeing	**14.1**	[illegible]	[illegible]

Price / FV = Current Stock Price divided by Estimated Fair Val[illegible]

Relative Valuation	Forward P/E	PEG	Price / FV
Campbell Soup	14.0	1.5	110.5%
Dean Foods	14.4	1.7	100.7%
Kellogg	14.3	2.6	110.9%
Kraft Foods	15.3	1.8	74.9%
[illegible]	14.4	1.7	105.6%
[illegible]	**14.7**	**2.0**	**101.8%**

[illegible] Estimated Fair Value

Relative Valuation	Forward P/E	PEG	Price / FV
CSX Corp	13.3	1.5	102.2%
Kansas City Southern	23.3	2.3	115.9%
Norfolk Southern	14.0	1.8	106.6%
Union Pacific	15.6	1.8	107.2%
Peer Median	14.8	1.8	106.9%
Canadian National	**16.3**	**2.5**	**121.0%**

Price / FV = Current Stock Price divided by Estimated Fair Value

Company Metrics versus Peer and Industry Medi[illegible]

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E [illegible] EPS	[illegible] year	Forward EV/EBITDA	EBITDA	[illegible]ward [illegible]per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Eli Lilly	**6**	**8.7**	**9.9**	**NMF**	**5.5**	**6.1**	**-4.7%**	**55.5%**	**5.2%**	**90.3%**
Abbott Laboratories	6	11.4	10.5	1.6	7.6	7.0	10.5%	27.4%	3.6%	80.8%
Bristol-Myers Squibb	4	13.7	14.0	3.4	7.0	7.3	5.0%	-21.2%	4.2%	142.5%
Merck	6	9.0	9.4	1.9	4.7	4.7	63.5%	10.0%	4.9%	74.0%
Pfizer	9	8.6	9.1	1.4	5.6	5.7	14.0%	25.6%	4.1%	72.8%
Peer Median	6.0	10.2	10.0	1.8	6.3	6.4	12.2%	17.8%	4.1%	77.4%
Industry Median	6.0	9.0	9.9	1.8	5.6	6.1	10.5%	25.6%	4.2%	80.8%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.

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Why is Relative Value Important?

- We assess a firm's relative value on the basis of its forward price-to-earnings ratio and its price-earnings-to-growth (PEG) ratio. If both of these measures are attractive relative to peers, we view the firm undervalued from a relative standpoint.
- By identifying firms that are trading at a significant discount based on our DCF process and are trading at a discount relative to its peer group, we gain conviction in our valuation analysis of the firm.
- We understand investors make decisions based on a relative-value process, and these decisions move the market. Armed with this knowledge, we hope to identify firms that are attractive to the entire value-investor community—DCF and relative value--to capitalize on increased buyer interest.

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Next: A Deep Dive Into a Firm's Growth Prospects

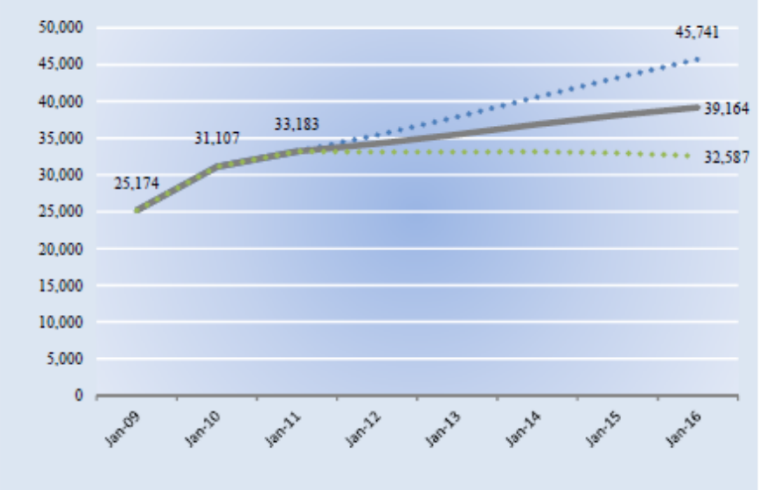
Net Income Growth		Last Fiscal Year Net Income	3-year Historical CAGR	5-year Projected CAGR
Wal-Mart	USD	**15,355**	**6.0%**	**3.4%**
Costco	USD	1,462	4.5%	9.0%
Kroger	USD	1,116	-1.9%	7.1%
Target	USD	2,920	0.8%	3.3%
Walgreen	USD	2,714	8.0%	0.2%
Peer Median			2.6%	5.2%
Industry Median			4.5%	3.4%

Revenue Growth		Last Fiscal Year Revenue	3-year Historical CAGR	5-year Projected CAGR
Wal-Mart	USD	**421,849**	**3.7%**	**4.3%**
Costco	USD	88,915	7.0%	6.6%
Kroger	USD	82,189	5.4%	5.0%
Target	USD	67,390	2.1%	4.2%
Walgreen	USD	72,184	6.9%	2.0%
Peer Median			6.2%	4.6%
Industry Median			5.4%	4.3%

MODEST

Projected EBITDA (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

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Why Value-Creating Growth is Key

- Stocks can often become cheap for a reason, and in many cases, it has to do with either worsening structural characteristics of the industry in which the firm operates (think airlines) or secular declines in the demand for its products or services (think paper newspapers).
- We think finding undervalued stocks that generate high returns on incremental capital <u>and</u> are growing at a nice pace have the greatest potential for their value to be realized by market participants.
- In other words, many of our ideas represent opportunities where the market is not giving sufficient credit for the firm's future and achievable growth potential.

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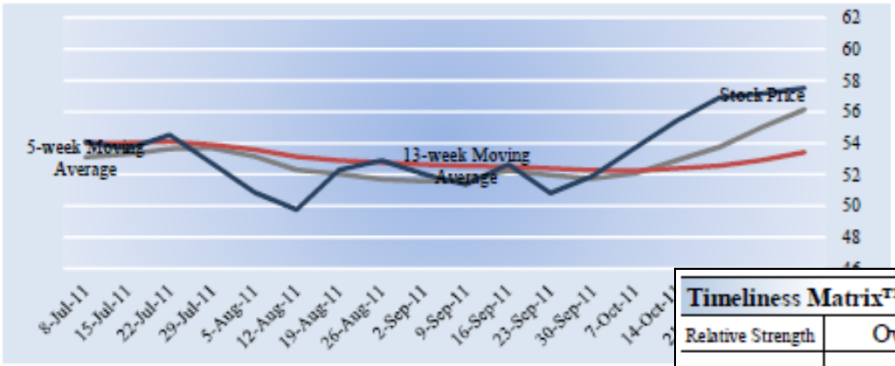
Then: A Technical Assessment

Technical Evaluation **BULLISH**



The firm's near-term moving average (5-week, grey line) and n
average (13-week, red line) are shown in the chart above. Typic
term moving average crosses a medium- or longer-term moving a
represents a bullish signal. If the short-term moving average crosse
often view this as bearish. Wal-Mart 's 5-week moving average
week measure, indicating a BULLISH trend. We'd grow wary of
should its 5-week moving average drop below its 13-week moving

Timeliness Matrix™ Equity Valuation

Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. Although Wal-Mart has outperformed the market during the past 13 weeks, we don't find its valuation compelling enough to initiate a position. We'd wait for a better entry point in the stock.

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Isn't Technical Analysis Voodoo?

- Technical analysis, or chart-reading, is in part a self-fulfilling prophecy. And we seek to capitalize on such market forces, but only after identifying the most undervalued, growth stocks that we expect to generate significant value for shareholders in the future.
- We believe our methodology—as a whole--helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time.
- With a technical analysis and momentum overlay, we increase the probability that our best ideas will realize their true intrinsic value, while minimizing downside risks and exposure to "falling knives."

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On Management

When management with a reputation for brilliance tackles a business with a reputation for poor economics, it is the reputation of the business that remains intact.

-- Warren Buffett, Berkshire Hathaway

- Great stewards may shine through with higher returns on capital over the near term…
- …but business models and industry structure outweigh any management team. And setting a long-term intrinsic value on a firm should be independent of such judgments.
- Management teams don't last forever. Good firms often do.

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How Do We Identify Firms with Both Good Value and Momentum Characteristics?

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Our Valuentum® Buying Index™

The Valuentum® Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company. The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks.

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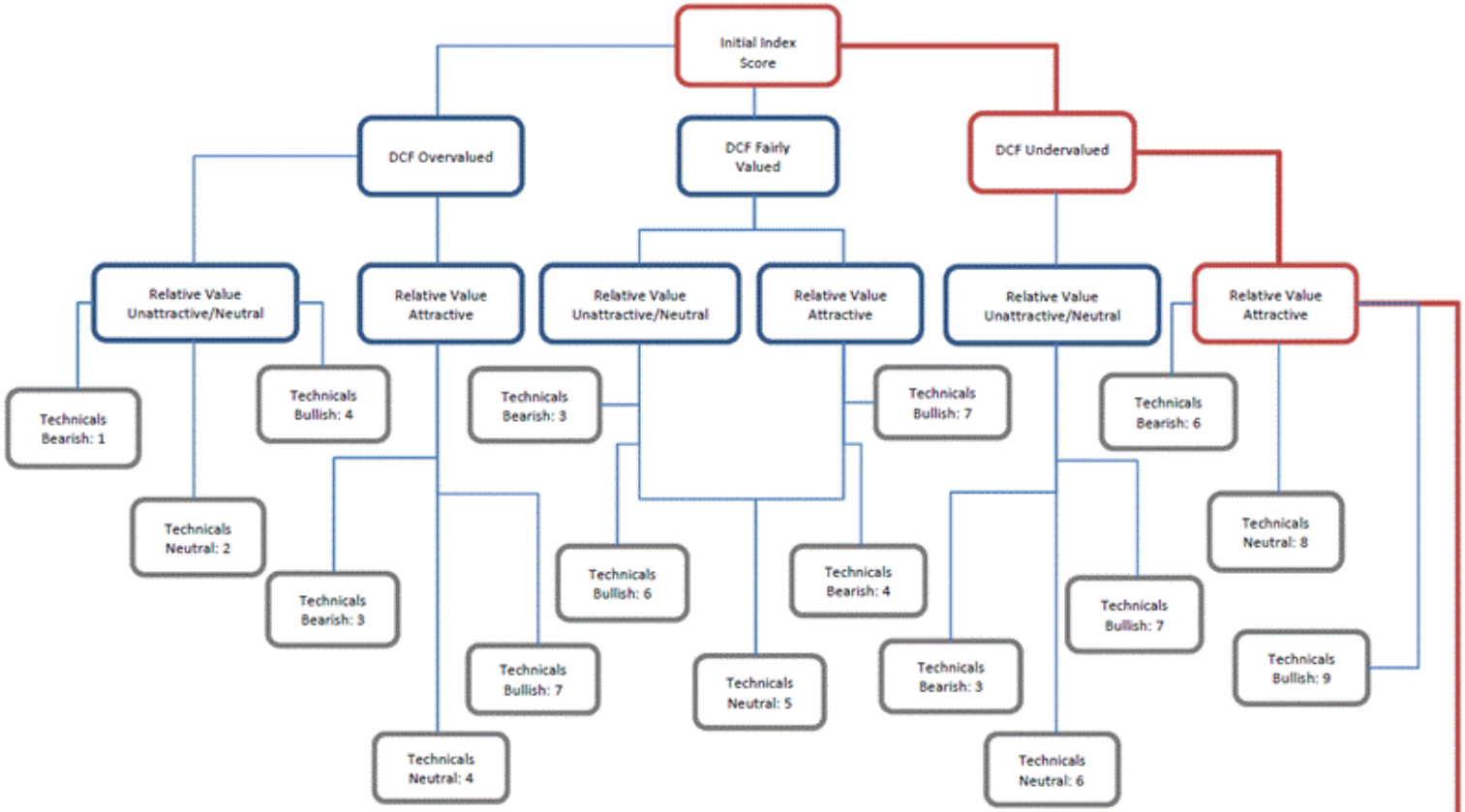

VBI Score	Action
10	Top Pick
9	We'd Buy
6 to 8	Constructive
4 to 6	Less Exciting
1 to 3	We'd Pass

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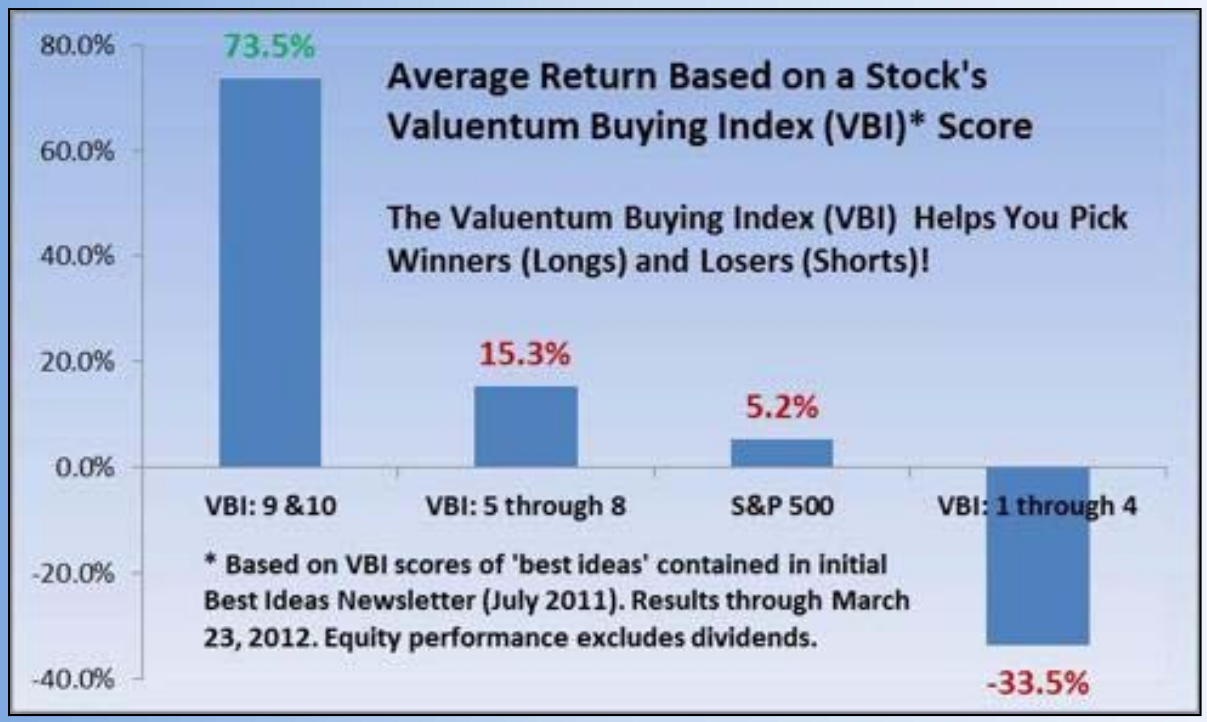
The Performance of Our Valuentum® Buying Index™



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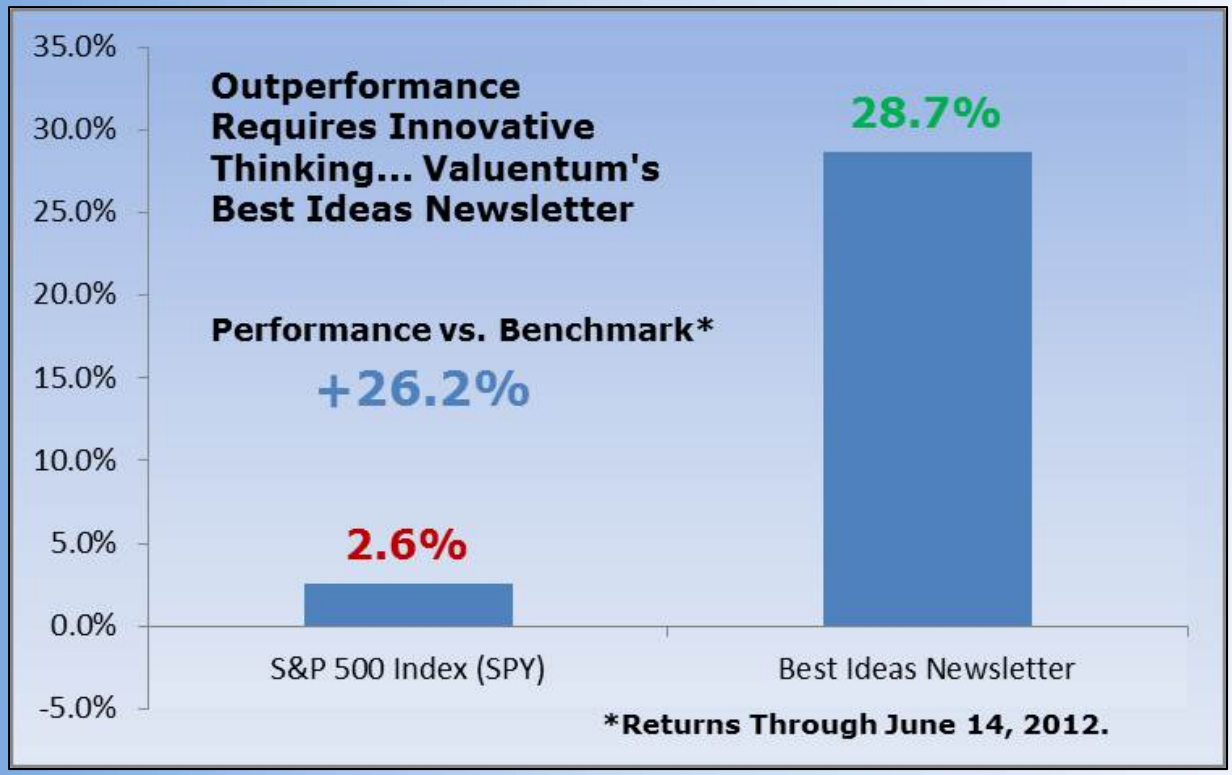
The Performance of Our Best Ideas Newsletter



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Competitive Advantages of Valuentum's Approach

- Completely independent - NO conflicts of interest
- Integrity and systematic application of analytical process
- Comprehensive equity research provider – from deep value through momentum investing
- Breadth and depth of coverage
- Commitment to expanding coverage
- Strong performance track record
- Valuation expertise

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Our Methodology in Action

Longs

- EDAC Tech (EDAC)
- Apple (AAPL)

Shorts

- Netflix (NFLX)
- AMR Corp (AMR)

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EDAC Tech (EDAC): Significantly Undervalued

Image Source: BigCharts

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Apple (AAPL): Material Upside Potential

Image Source: BigCharts

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Netflix (NFLX): Absurdly Overvalued

Image Source: BigCharts

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AMR Corp: Predicting Worthless Equity

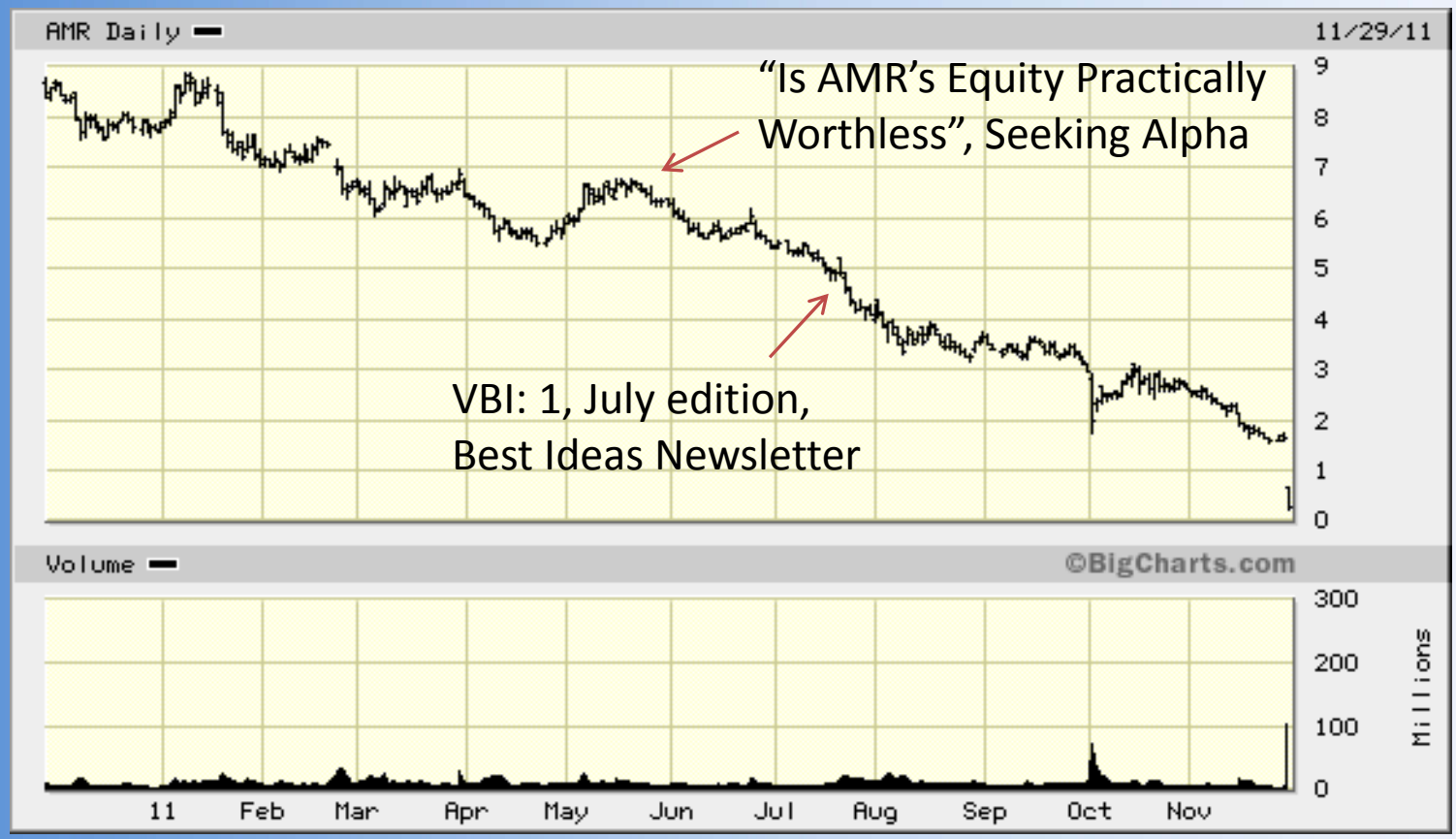

Image Source: BigCharts

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