OUR BEST IDEAS NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

January 15, 2012
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Valuentum Securities Inc.
www.valuentum.com info@valuentum.com

Portfolio Return	Benchmark Return	Outperformance
17.3%	-1.4%	18.7%

Portfolio Inception Date: May 17, 2011

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We Think 2012 Will Be a Good Year for Stock Investors

By Brian Nelson, CFA

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com

Last week, we saw some very positive news out of the two most beaten-down industries in the US economy: banking and housing. Though we've yet to hit the "all-clear" button on these two troubled industries (and steered clear of both of them during 2011), we're growing more constructive on the view that the financials sector will be one of the best equity performers in 2012, as European debt uncertainty eases and the US economy continues its current trajectory higher. In fact, we've already witnessed 10%-20% upward moves in the share prices of some of the larger (and beaten-down) banks—Bank of America (BAC), etc.—since the dawn of the new year. We are tactically and slowly positioning our portfolio toward more diversified financials exposure (Financial Select Sector SPDR ETF and the SPDR S&P Bank ETF), which we believe to be the best risk-adjusted approach to profit in the space without taking on unnecessary firm-specific bank risk. We expect more alpha…

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Please see *We Think 2012 Will Be a Good Year...*on page 2

Valuentum Has Now Published 150 Dividend Reports on Its Website

By Valuentum Editorial Staff

In case you missed the announcement, we wanted to let you know that we've now published over 150 dividend reports on the largest companies in our coverage universe. During the next 12 months, Valuentum plans to produce dividend reports for up to 700 companies currently monitored by its analyst team. The reports are available with a subscription to Valuentum.com, the company's investment web site.

"We strive to be the champion of the individual investor, and our dividend reports are targeted to meet the needs of those seeking out high-yielding, undervalued investment gems." said Brian Nelson, president of equity research at Valuentum.

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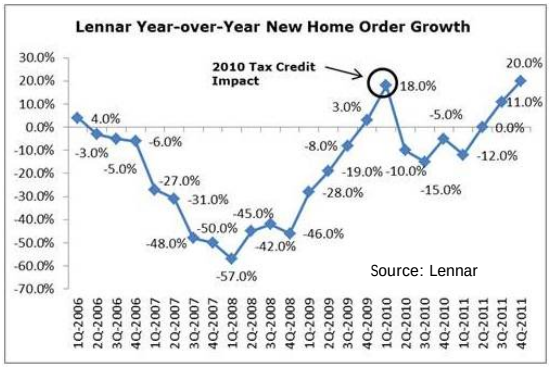
—outperformance— to be gained from "going long" financials in 2012 than avoiding them, as we did successfully in 2011.

Let's talk about what we're seeing in the banking and housing industries. For one, results from the largest bank in the US by assets, JP Morgan (JPM), showed solid loan growth (a 17% jump in middle-market lending), expansion in its credit card business (where volume advanced 10%), and meaningful improvement in customer credit quality (net charge-offs fell 40% while non-performing assets dropped more than 30%). Though profit at JP Morgan was weighed down by its investment banking division, we could not have been more pleased with its underlying fundamental performance, which provides insight into the health and resilience of the US economy. Without a doubt, the largest banks continue to deal with an uncertain global macroeconomic situation, the domestic housing and mortgage market, as well as the ongoing debt situation in Europe, but such core performance by JP Morgan is difficult to ignore. Even if the banks are challenged on the revenue line during 2012 due to heightened financial regulation, the strengthening of loan growth, customer credit quality, and balance-sheet capital adequacy should result, in our opinion, in the continued convergence of bank valuations to underlying book value (the constituents in the two ETFs we hold in our portfolio collectively have a price/book ratio below 1).

"Even if the banks are challenged on the revenue line during 2012 due to heightened financial regulation, the strengthening of loan growth, customer credit quality, and balance-sheet capital adequacy should result, in our opinion, in the continued convergence of bank valuations to underlying book value…"



And if JP Morgan's performance wasn't surprising enough, we were also impressed with the fourth-quarter results released out of the third-largest homebuilder in the US, Lennar (LEN), last week. The homebuilder showed a 20% increase in new home order growth, and while current levels of orders are below the bubble years of the 2000s, the quarterly growth rate was the best pace in years. It even surpassed growth levels that were artificially bolstered by the expiration of the Federal homebuyer tax credit in April 2010, making the growth number achieved during Lennar's fourth quarter even more remarkable (view chart). Importantly, Lennar's top-line was augmented by a modest 2% increase in the average sales price of homes delivered, signaling some life with respect to a core pricing metric in the housing sector. Although high unemployment (view trend on next page), tight lending standards and low consumer confidence will continue to present challenges for the housing market, 2012 may be the year where stabilization and a foundation for growth are achieved. We're growing optimistic that the Spring selling season will be a "relatively" good one for homebuilders, but think the market is already pricing in a nice recovery—meaning we're less-than-compelled to open up a new position in any builder at this time.

Please see *We Think 2012 Will Be a Good Year...*on next page

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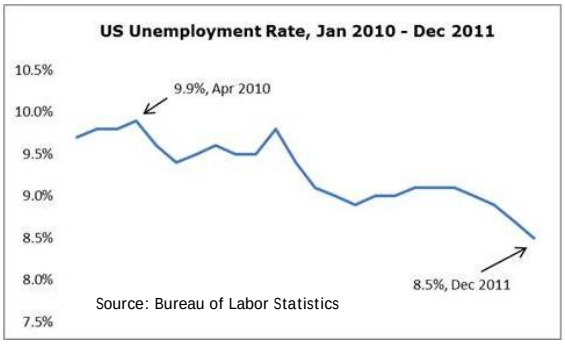
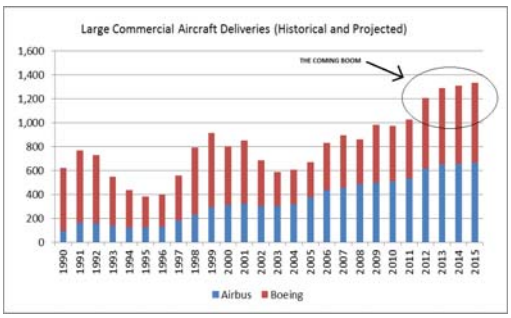
"Though Alcoa reported disappointing results to kick off fourth-quarter earnings season thanks to waning aluminum prices and global overcapacity, the metals giant mentioned on its fourth-quarter earnings call that it continues to be positive on growth coming out of the aerospace and automotive industries."



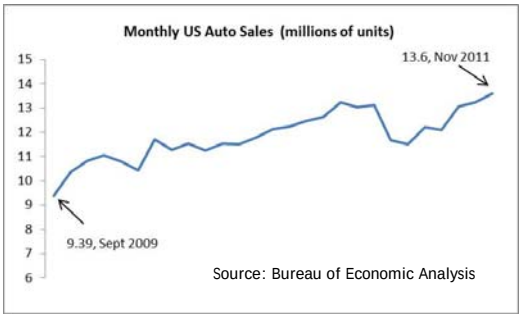
We'll continue to watch developments in the banking and housing sectors to better assess the sustainability of this demonstrated improvement, but our conviction in the select firms we hold in our portfolio in the industrials sector has never been stronger. Though Alcoa (AA) reported disappointing results to kick off fourth-quarter earnings season thanks to waning aluminum prices and global overcapacity, the metals giant mentioned on its fourth-quarter earnings call that it continues to be positive on growth coming out of the aerospace and automotive industries. We hold three aerospace suppliers—Precision Castparts (PCP), Astronics (ATRO), and EDAC Tech (EDAC)—and one automaker—Ford (F)—in our portfolio. Here's what Alcoa had to say on its conference call:

Alcoa on Aerospace:
"Aerospace for 2012, we believe the positive momentum is going to continue. We expect 10% to 11% growth, driven strongly by large commercial aircraft. We now have an increased confidence in the delivery rates because 2011 net orders came out to be 2,183 of large commercial aircraft. That's obviously Boeing and Airbus together, which is the second highest in aviation history. The combined backlog of both firms now is **8.2 years**. So I think there is good reason to be optimistic about that market."



Source: Boeing, Airbus, Valuentum projections

Alcoa on Automotive:
"Automotive (is) another pretty good story, with the exception of Western Europe. We expect on a global basis to have growth between 3% to 8%. So let's look in some of the major regions, North America. It looked in the summer as though we would see a slowdown but then the fourth



Note: December unit sales came in at ~13.5m, a nice finish to the year.

Please see *We Think 2012 Will Be a Good Year...*on next page

"The recent downward earnings revisions by Dow-component DuPont and mining equipment-maker Joy Global coupled with that from a plethora of chipmakers—in addition to recent disappointing performance from Tiffany and Oracle and generally modest December retail sales growth—have prompted us to raise the cash position in our portfolio to the highest levels since the middle of last year."

*We Think 2012 Will Be a Good Year ...*continued from previous page

quarter came on strong with 13.4 million vehicles. We expect this momentum to continue into 2012 and (be) driven very strongly by the average vehicle age. That's currently at 10.6 years whereas the 10-year average is 9.4 years, so we anticipate growth between 5% and 10% in 2012."

Though we continue to be confident in the industrial picks in our portfolio (augmented and supported by recent positive outlooks by Honeywell—HON—and United Tech—UTX), our concerns regarding fourth-quarter earnings season, which has just started, remain unchanged. And while we maintain that the US will not enter into a double-dip recession anytime soon, the recent downward earnings revisions by Dow-component DuPont (DD) and mining equipment-maker Joy Global (JOY) coupled with weakness from a plethora of chipmakers—in addition to recent disappointing performance from Tiffany (TIF) and Oracle (ORCL) and generally modest December retail sales growth (though the month capped off the biggest yearly gain in retail sales in more than a decade)—have prompted us to raise the cash position in our portfolio to the highest levels since the middle of last year. However, it's important to note that we've done so more to cash-in on some of our big winners (EDAC, ATRO) and reposition our portfolio for continued out-performance during 2012 than to broadly make a permanent capital-allocation decision in advance of potentially disappointing fourth-quarter reports.

FedEx Reports Strong Fiscal Second-Quarter Results

By Valuentum Analysts

FedEx (FDX) reported strong fiscal second-quarter results and reconfirmed its fiscal 2012 earnings outlook. The report came as welcome news following a number of weak chipmaker earnings and warnings from DuPont (DD) and Joy Global (JOY).

FedEx's revenue advanced 10% from the same period a year ago, while operating income surged 66%. The firm's operating margin expanded 3.5 percentage points, and net income advanced 76% from last year's quarter. FedEx noted that it experienced particular strength from FedEx Ground, where revenue advanced 13%, and FedEx Freight and Express, where revenue increased 9% and 10%, respectively. The company's FedEx SmartPost average daily volume increased a whopping 17% thanks primarily to growth in e-commerce. And the company noted that on Monday, Dec 12, it registered a record for the largest average daily volume in company history. After adjusted for one-time expenses in the year-ago period, earnings per share expanded over 35%, coming in at $1.57 per share, beating consensus estimates.

Interestingly, FedEx hit on two themes that we're focused on in the portfolio of our Best Ideas Newsletter. The company noted that there was healthy growth in online shopping this holiday season, which bodes well for our payment-processor plays. FedEx pointed to the secular trend toward online purchases on its conference call and estimates that e-commerce…

Please see *Fedex Reports Fiscal Second-Quarter Results...*on page 9

Honeywell, United Tech See Strength in Emerging Markets; No Global Recession in 2012

By Valuentum Analysts

"We maintain that the US will avoid a double-dip recession, and the results from FedEx coupled with recently-issued 2012 outlooks from Honeywell and United Tech reinforce this thesis."

Since we published the previous edition of our Best Ideas Newsletter, we received some encouraging comments out of two bellwethers on the global industrial economy. We maintain that the US will avoid a double-dip recession, and the results from FedEx (FDX) coupled with recently-issued 2012 outlooks from Honeywell (HON) and United Tech (UTX) reinforce this thesis.

Honeywell issued its 2012 financial outlook indicating that sales will expand 4% to 7% (4% to 6% organic) despite some weakness in Europe, China and overall defense spending. Earnings-per-share from continuing operations is expected to jump as much as 19% over the prior year on margin expansion of 40 to 70 basis points. This is on the back of expectations for 8% organic growth, 70 basis points of margin expansion, and earnings per share expansion of 34% in its soon-to-be-reported 2011. Such an outlook remains consistent with our expectations for Honeywell, and we are maintaining our above-market fair value estimate on the industrial bellwether.

Honeywell noted that free cash flow conversion will be strong at 100% of net income in 2012, and it will pull in about $3.5 billion in free cash flow for the year (excluding pension funding). Supporting this growth forecast is Honeywell's long-cycle backlog (~$16 billion) and solid order growth at UOP, Process and Building Solutions, and Commercial Aerospace. We view this as yet another data point that the commercial aerospace cycle will remain strong in coming years in the face of any global economic uncertainty.

Interestingly, management noted the following regarding trends in Europe:

"From the data indicators we're watching, it's pretty clear that we'll experience European recession in 2012. I think most economists would say euro land is today -- has actually entered into a recession. And this is reflected in our current orders and our sales outlook, principally in our short-cycle businesses, which comprise 60% of our sales in Europe."

We firmly believe that Europe will pose a headwind for domestic multi-nationals but will only impact the pace of growth (as in the example of Honeywell's forecasts above) and not cause major declines in revenue and earnings trajectories for the strongest companies. In fact, Honeywell noted on its outlook conference call, it expects GDP to grow as much as 2% in the developed world (including a European slowdown), while output in emerging markets will advance as much as 6%, resulting in global GDP growth in 2012 of about 3%.

Honeywell, United Tech See Strength... **continued on page 8**

Adobe Posts Excellent Fourth-Quarter Results; Focus Remains on Cloud

By Valuentum Analysts

Software-maker Adobe (ADBE) reported fiscal fourth-quarter results that showed strong revenue and earnings expansion driven by its digital media and marketing businesses. We are maintaining our above-market fair value estimate for Adobe.

Revenue jumped 14% in the period, to $1.152 billion, exceeding the high end of the company's guided range. The company generated some nice growth (record volume licensing with enterprise customers) in its flagship desktop product, CS5.5, and received some traction from new applications like Edge and Muse, which are levered to advances in HTML5. Management noted that recurring revenue now represents roughly 20% of total revenue and that it experienced strong demand in all major geographies, including Europe.

Non-GAAP operating income increased nearly 16%, while non-GAAP net income increased 16.4%. Non-GAAP diluted earnings per share came in at $0.67, which compares to $0.56 in the prior-year period and consensus estimates of $0.60. Adobe is an absolute cash-cow, and the firm pulled in nearly $500 million in cash flow from operations during the period and $1.5 billion in free cash flow during its now completed fiscal year.

Please see *Adobe Posts Excellent Fourth-Quarter...* on page 9

JP Morgan Posts Fourth-Quarter Results; Sees Improving Loan Demand and Credit Quality

By Valuentum Analysts

JP Morgan (JPM), the largest bank in the US by assets, reported fourth-quarter results that showed declining profits but solid loan growth, credit-quality improvement, and continued strength in its fortress balance sheet. We continue to hold positions in the Financial Select Sector SPDR ETF (XLF) and the SPDR S&P Bank ETF (KBE) in the portfolio of our Best Ideas Newsletter, but not any bank specifically as we seek to dodge firm-specific risk within the banking sector at this time. However, we think the US banks will have a nice year during 2012 as unemployment (now 8.5%) and housing trends improve (new order growth).

JP Morgan's fourth-quarter net profit fell to $3.7 billion ($0.90 per share) from $4.8 billion ($1.12 per share) in the fourth-quarter of last year. Though the bottom line was a bit disappointing (thanks to its investment banking division), results were in-line with consensus expectations. We also were pleased with a number of positive trends evident in the quarter. In its commercial banking division, the firm experienced its sixth consecutive quarter of loan growth, with middle-market lending advancing 17% from the same period a year ago (business banking loans and its credit card business also increased nicely). We think the latter trend—credit card sales volume, which jumped 10% in the period—is a positive for the credit-card payment processors, Visa (V) and Mastercard (MA). We hold the former in the portfolio of our Best Ideas Newsletter.

Importantly, trends in the credit quality of its loan portfolio continue to improve as well. Firmwide, net charge-offs fell more than 40% while non-performing assets dropped more than 30%. The net charge-off rate in the company's credit card portfolio improved to 3.93% from 4.3% sequentially and over 7% in the prior-year quarter. We continue to be content with JP Morgan's capital position and believe the bank's balance sheet to be sufficient to navigate the current uncertain global macroeconomic climate. Its Basel III capital ratio, according to management, was 7.9% at the end of the fourth quarter, credit…

Please see *JP Morgan Posts Fourth-Quarter...* on page 9

Portfolio Return	Benchmark Return	Outperformance
17.3%	-1.4%	18.7%

Portfolio Inception Date: May 17, 2011

Our Best Ideas Portfolio

By Valuentum Analysts

Valuentum had yet another great month of relative outperformance, with our portfolio widening the gap relative to the S&P 500 by approximately 80 basis points, despite our largest put position, Chipotle (CMG), continuing to work against us (it will expire worthless). Our absolute performance was also superb as we reached a high-water mark at over a 17% gain since inception and up almost 6% since last month. The biggest driver behind the jump in relative and absolute outperformance was Ancestry.com (ACOM), which surged as management provided an optimistic forecast for 2012, which we had been expecting. We continue to believe that the market is failing to recognize the significant value of this entity. During the period, we also made a number of changes to our portfolio. Specifically, we lightened up on some of our big winners, like EDAC Tech (EDAC) and Astronics (ATRO), and we opened up a direct position in the financials sector (now about 4% of the portfolio) via two undervalued and well-diversified exchange-traded funds (please see table).

Below we outline the constituents of our portfolio and their respective weightings and returns thus far. Each subsequent issue discusses Valuentum's latest changes to the portfolio, a summary of new names on our watch list (please see page 16), as well as analysis and trends impacting companies on our Best Ideas List. We currently have about 13% of our portfolio in cash (up from 5% last month), a level we are comfortable with as the market nears new monthly highs. We continue to actively seek out new additions to the portfolio, however.

Our investment process is completely transparent and easy to implement in your own portfolio. The goal of our Best Ideas Newsletter is to outperform the S&P 500 Index and to generate positive returns each year regardless of the market environment. Firms added to our Best Ideas portfolio are the cream of the crop based on our stock-selection methodology.

OUR BEST IDEAS -- as of January 13, 2012											Best Ideas Portfolio Inception Date: May 17, 2011
Portfolio Holdings	Symbol	VBI Score*	First Purchase Date	Cost Basis/Share ($)	Total Shares	Total Cost ($)	Current Value/Share ($)	Current Value ($)	Dividends Received	% of Portfolio	% Return
Bullish											
Apple Corp.	AAPL	3	17-Jun-11	328.99	20	6,586.80	419.18	8,383.60	0.00	7.1%	27.3%
Altria Group	MO	7	28-Jun-11	26.43	378	9,997.54	28.96	10,946.88	309.96	9.3%	12.6%
Ancestry.com	ACOM	6	17-May-11	32.43	446	14,463.40	27.44	12,238.24	0.00	10.4%	-15.4%
Astronics	ATRO	6	6-Jun-11	24.93	141	3,522.13	33.17	4,676.97	0.00	4.0%	32.8%
NEW: We sold 140 shares of ATRO on 1/9/2012 at $33.42.											
Buffalo Wild Wings	BWLD	6	13-Jul-11	65.42	102	6,679.84	65.71	6,702.42	0.00	5.7%	0.3%
NEW: We sold 50 shares of BWLD on 1/9/2012 at $67.39.											
Collective Brands	PSS	3	11-Jul-11	15.09	662	9,996.58	14.13	9,354.06	0.00	8.0%	-6.4%
eBay	EBAY	6	3-Oct-11	31.04	200	6,207.00	30.62	6,124.00	0.00	5.2%	-1.3%
EDAC Tech	EDAC	6	6-Jun-11	4.08	900	3,679.00	10.75	9,675.00	0.00	8.2%	163.0%
NEW: We sold 200 shares of EDAC on 1/9/2012 at $10.49.											
NEW: Financial Select SPDR	**XLF**	**NA**	**9-Jan-11**	**13.46**	**150**	**2,026.00**	**13.81**	**2,071.50**	**0.00**	**1.8%**	**2.2%**
Ford Motor	F	7	12-Sep-11	10.85	450	4,884.50	12.04	5,418.00	0.00	4.6%	10.9%
Intel	INTC	9	12-Sep-11	19.89	100	1,996.00	25.14	2,514.00	21.00	2.1%	27.0%
Precision Castparts	PCP		6-Jun-11	152.07	40	6,089.80	170.50	6,820.00	3.90	5.8%	12.1%
NEW: We sold 25 shares of PCP on 1/9/2012 at $169.97.											
NEW: SPDR S&P Bank ETF	**KBE**	**NA**	**9-Jan-12**	**21.07**	**100**	**2,114.00**	**21.56**	**2,156.00**	**0.00**	**1.8%**	**2.0%**
Republic Services	RSG	6	19-May-11	31.42	403	12,662.85	27.73	11,175.19	209.86	9.5%	-10.1%
Visa	V	7	30-Nov-11	95.78	30	2,880.40	100.74	3,022.20	0.00	2.6%	4.9%
Cash								15,523.13		13.2%	0.0%
Bearish											
Chipote Mexican	CMG	4	3-Oct-11	33.70	1 Contract	3,378.25	0.00	0.00	0.00	0.0%	NMF
---> Jan 2012, $300 strike											
LinkedIn	LNKD	1	8-Nov-11	10.40	1 Contract	1,048.25	5.10	510.00	0.00	0.4%	-51.3%
---> Aug 2012, $55 strike											
Best Ideas Portfolio Value						100,000.00		117,311.19			17.3%
SPY			17-May-11	132.69	754	100,000.00	128.84	97,098.50	1,524.61	100.00%	
Benchmark Value								**98,623.11**			**-1.4%**
Under/Outperformance											**18.7%**

This portfolio is not a real money portfolio. Data as of January 13, 2012. Cost basis includes commissions. Results include dividends, but not interest received on cash balance.

*See our methodology regarding the Valuentum Buying Index (VBI).

Standard Disclaimer: Our Best Ideas List is for information purposes only and should not be considered a solicitation to buy or sell any security. Valuentum is not responsible for any errors or omissions or for results obtained from the use of our Best Ideas List and accepts no liability for how readers may choose to utilize the content.

Honeywell, United Tech See Strength ... **continued from page 5**

Consistent with continued expansion, United Tech expects its 2012 guidance for earnings per share, excluding its recent acquisition of Goodrich, to come in between $5.80 and $6 per share, up 6% to 10% over this year's performance. Including Goodrich, earnings are expected to reach $5.50 per share, but should expand considerably in 2013 as the acquisition becomes accretive. The industrial conglomerate also indicated that it expects organic growth to be as high as 4%, with revenue, excluding Goodrich, to hit as high as $60 billion in 2012. Including Goodrich, it thinks revenue will reach $64 billion, above consensus expectations. We are maintaining our fair value estimate for United Tech.

United Tech expects 2012 to be a transformational year as it digests aerospace-supplier Goodrich and deals with moderate economic growth, with strength coming primarily from emerging regions. Supporting our thesis on the commercial aerospace cycle, United Tech expects its acquisition of Goodrich to present the firm with a tremendous opportunity in coming years (namely 2013) as aircraft production ramps up.

Here's what management had to say on its outlook conference call regarding the economic environment:

"You know, in 2011, world GDP growth was led by emerging markets. Certainly, I'm here to say that 2012, this trend will continue. That's where we see the strong momentum. But even there, with strong, it's moderating growth, as certainly in some of these emerging markets. And across the globe, we'll see uneven growth in 2012. The world GDP estimates have recently been revised as you know, downward, 2.9%, but I'll say this. Even this, at this point, given everything going on perhaps, (we) feel optimistic. And we're planning for slow growth in Europe and North America, I would say slow growth to flat, given everything going on."

Lennar's Order and Backlog Growth Impressive

By Valuentum Analysts

Homebuilder Lennar (LEN) reported decent fourth-quarter results that showed strength in new orders and solid advancement in backlog. Though we remain unexcited about the homebuilding group's valuation in general, Lennar's results suggest that we may finally be past the bottom in housing (both with respect to unit growth and pricing).

The homebuilder's revenue jumped 11% thanks to a 9% growth in deliveries (3,375 homes) and a 2% increase in the average sales price of homes delivered. Lennar experienced new order growth of 20% (3,027 homes), and while this number fell below deliveries—indicating a book-to-bill below 1—we were encouraged at the pace of growth. The homebuilder's backlog advanced an impressive 35%, to 2,171 homes, and its cancellation rate came in at 20% for the period.

Lennar's margins on home sales, excluding valuation adjustments, also showed improvement on a year-over-year basis, with gross margins jumping 80 basis points and operating margins improving 110 basis points. However, Lennar Financial Services and Rialto Investments—its asset management arm that focuses on distressed real estate assets—showed weaker results from the same period a year ago due to lower volume in its mortgage operations and lower earnings from non-controlling interests, respectively. Overall, net earnings came in at $30.2 million ($0.16 per share) compared to $32 million ($0.17 per share) in last year's quarter and consensus estimates of $0.17 per share.

Looking ahead, we are growing more optimistic on US housing as the market appears to be at the end of stabilization and is starting to lay the groundwork for a firm recovery. US housing starts reached their highest levels in 19 months in November thanks to demand for rental apartments, though the performance remains well off levels achieved in the boom years. It appears the combination of record-low interest rates and comparatively low home prices seems to finally be getting buyers to move forward with new purchases.

Fedex Reports Strong Fiscal Second-Quarter Results... continued from page 4

now makes up 4.6% of total retail sales (from 4.3% in calendar year 2010 and less than 1% in 2009), suggesting a long runway of growth ahead. The firm also indicated that it will continue to modernize the company's aircraft fleet, revealing continued strength for replacement aircraft. Specifically, FedEx said it would purchase 27 new 767-300F aircraft and replace its outdated MD-10 models, which it mentioned were more than 40 years old. A robust replacement cycle for new aircraft remains core to our thesis on the aerospace supply chain.

Looking ahead, FedEx expects fiscal third-quarter earnings to be between $1.25 and $1.45 per share, up from an adjusted $0.81 in the year-ago period, and fiscal 2012 earnings to come in between $6.25 to $6.75 per share (no change). The company anticipates that overall economic growth will continue at a moderate pace, but it did mention that inventory destocking has been a headwind, consistent with what we've been hearing from other companies recently. FedEx believes that the combination of low inventories in the distribution sector and continued demand growth will lead to restocking in coming months, a time frame that is more aggressive than ones given by other firms mentioning destocking in the supply chain. FedEx seemed optimistic on the call, and noted that consumer confidence hit the highest level since July, registering its biggest monthly gain since April of 2003.

Here's what management had to say about the economy on its conference call:

"For calendar year 2012, we expect U.S. GDP to grow 2.2%, which is in line with consensus, with industrial production growing 3.9% and consumption growing at 2.2%. We're forecasting calendar year 2012 world GDP growth at 2.9%, with developed countries growing at 1.8% while emerging countries are projected to grow at 5.8%."

Adobe Posts Excellent Fourth-Quarter ... continued from page 6

Looking ahead, the firm is targeting a sequential decline in revenue and non-GAAP earnings per share to the range of $1.025 to $1.075 billion (in-line with consensus forecasts) and $0.54 to $0.59 in its fiscal first quarter (the midpoint slightly below consensus forecasts), respectively. For fiscal 2012, which the firm dubs as a transition year, Adobe expects to achieve top-line expansion as high as 6% and non-GAAP earnings-per-share in the range of $2.37 to $2.47.

In coming periods, we'll continue to assess the success of Creative Cloud, a subscription offering that provides access to its desktop tools and other applications, and whether management can achieve $1 billion of Software-as-a-Service revenue and double more predictable, recurring revenue as a percentage of sales--its key long-term targets.

JP Morgan Posts Fourth-Quarter ... continued from page 6

reserves represent 3.35% of total loans, and the firm remains liquid with deposit funding in the amount of $1.1 trillion, up over 20% from the same period last year.

The largest banks continue to deal with an uncertain global macro situation, the domestic housing and mortgage market, as well as the ongoing debt situation in Europe. However, JP Morgan's results today, while disappointing on the bottom line, showed some positive underlying trends that are difficult to ignore. We continue to look forward to better performance from the financials sector in 2012.

Alcoa Posts Weak Fourth-Quarter Results, Will Focus on Preserving Cash Balance in 2012

By Valuentum Analysts

Similar to the third quarter, Alcoa (AA) kicked off fourth-quarter earnings season with a wimper. The aluminum giant posted a fourth-quarter loss on charges associated with cutting high-cost smelting capacity, lower aluminum prices, and general market weakness. We continue to be comfortable with our fair value estimate and do not expect to make any changes to it at this time.

Revenue fell 7% sequentially thanks to weakness in Europe and weak alumina and aluminum pricing, but increased 6% from the same period a year ago. Revenues in packaging, industrial products, and building and construction each fell at a mid-to high-teens pace on a sequential basis, with only the aerospace and industrial gas turbine markets revealing continued growth. On a year-over-year basis, aerospace, automotive, and commercial transportation markets all showed greater than a 20% increase in revenue. Alcoa's loss from continuing operations came in at $0.18 per share for the period, which compares to earnings of $0.24 per share in last year's quarter. Adjusted for restructuring charges, earnings per share was $0.03 per share during the quarter.

Cash from operations during the fourth quarter jumped sequentially thanks to record-low working capital days, while free cash flow came in at over $650 million (over 10% of sales) during the period. The free cash flow earned during the fourth quarter was notable, as the firm pulled in just over $900 million for the entire year (or about 3.6% of sales). The company ended the year with $1.9 billion in cash on hand, and we will continue to pay close attention to the aluminum giant's financial health, particularly as the firm cuts back on system smelting capacity. Alcoa is targeting positive free cash flow in 2012, as it remains focused on maximizing cash during the year as opposed to capacity expansion.

Looking ahead to 2012, Alcoa is forecasting 7% growth in global aluminum demand and a global aluminum supply deficit, which may provide some support for aluminum pricing in the months ahead. Specifically, the company expects a global aluminum industry deficit of 600,000 metric tons in 2012, assuming market-related production cutbacks (namely in China) and demand growth forecasts are achieved. Alcoa, itself, will close or curtail 531,000 metric tons, or 12%, of its system smelting capacity.

Importantly, the 7% aluminum demand growth in 2012, while ahead of Alcoa's long-term annual projections, is below the 10% expansion experienced in 2011 and the 13% growth seen in 2010. However, the firm projects global growth in its aerospace end market of 10%-11% and automotive end market of 3%-8% during the year, which reinforces our overweight exposure to aerospace suppliers Precision Castparts (PCP), Astronics (ATRO), and EDAC Tech (EDAC) and automaker Ford (F) in our Best Ideas portfolio. The decisions by Boeing (BA) and Airbus (EADSY.PK) to stick with an all-aluminum narrowbody plane for their next-gen 737MAX and A320neo, respectively, bodes particularly well for the aluminum giant. Commercial transportation, packaging, and building construction end markets are expected to advance as much as 5%, 3%, and 5%, respectively.

Company Spotlight: Stick to the Smoothies, Not the Stock With Jamba (JMBA)

By Valuentum Analysts

Jamba (JMBA) is one of the largest smoothie and healthy fast-serve chains in the United States. However, the company, better known as Jamba Juice, could quite possibly be worthless. Though we see the company's operations slowly improving, we don't think the company makes a compelling investment at this time.

Massive growth potential

Undoubtedly, US consumers seem to be turning towards more health-conscious offerings and lifestyles, as evident from the big booms in running and yoga (NKE, LULU), as well as superior performance from healthy fast-food chains like Panera (PNRA) and Chipotle (CMG). Even McDonald's (MCD) has stepped up to the plate with better tasting salads and brand-new smoothie offerings.

We think Jamba could stand to benefit from these new trends. Though best known for their smoothies that vary in actual healthfulness, Jamba also sells energy bars, sandwiches, and flatbread. More recently, the company introduced oatmeal and some hot tea offerings to expand its market reach. With same store sales up the last three quarters, we think these new offerings are resonating with consumers, and bringing in a different crowd that might not purchase items from Jamba Juice otherwise.

Though same store sales have steadily increased, we still think the company finds itself in a tenuous position. It doesn't quite offer the same full-meal menu as Panera or Chipotle, which means it must rely on people snacking or using them as meal replacements. We feel this market has been particularly crushed by high unemployment and wage stagnation, as even the health conscious would rather snack on 27 cent bananas, or run to McDonald's for a smoothie that will likely cost substantially less ($3-$4 vs. $5-$7). It's harder for a splurge item like an expensive smoothie to thrive when there isn't a lot of money for splurging. Unless there's an exponential jump in employment, we do not see same store sales growth exceeding 4%-5% over the next few years.

Jamba is also exploring new mediums of delivering its branded products to customers. We could see ready-to-drink products and blends that could be sold through different channels and retailers. However, we don't think this is material to the business at this time.

Recent restructuring should accelerate growth, possibly at a cost

In 2010, the company announced a restructuring that essentially refranchises corporately owned stores in order to free-up capital for growth initiatives and increased profitability. The structure works out with the corporate entity getting between 5.5%-6% of net sales, with other small percentages that go to general marketing and advertising initiatives.

We think this shift in the business model will lead to faster store growth; however, we see some risks inherent in this strategy. One could be a disincentive to start a Jamba Juice franchise. For some smaller markets, it may not even be worth it for a franchisee to have 6% of revenue go to Jamba, Inc, which could hurt overall brand awareness. Additionally, we think allowing franchisees to run Jamba Juice operations is a risky strategy. There could be a huge variance in the quality, cleanliness, and effectiveness of the individual stores, and we've noticed that McDonald's locations, for instance, can be completely and utterly different. However, corporate locations generally have good quality customer service and a high standard for cleanliness. Inconsistency in the product and customer experience is a large risk for all chains, but we think it's heightened when dealing with franchises rather than company-owned stores.

Please see *Jamba...* continued on next page

Jamba... continued from previous page

On the flip side, these franchisees could know their marketplaces better and possibly provide their customers with an even better experience than a regional manager could. However, given these risks, and the position of Jamba Juice products, we think it's best to avoid this company, which could end up worthless if macroeconomic growth doesn't accelerate. Yet, with $26.2 million in cash and no debt, Jamba has a cash-cushion and option value, which gives it time to get its business plan/operations in order. Nonetheless, we think there are much more compelling opportunities out there than this smoothie maker.

Oracle Issues Poor Fiscal Second-Quarter Results; Customers Delay Purchases

By Valuentum Analysts

Oracle (ORCL) posted disappointing fiscal second-quarter results that sent the shares tumbling. The news followed Red Hat's (RHT) lower-than-expected outlook (see page 14) and casts a shadow over the strength of the software space. Though we will be revisiting our $38 per share fair value estimate for Oracle based on management's poor outlook, we don't expect a material change it.

Oracle's revenue jumped 2% as growth in software license sales and software license updates/product support revenues offset nearly a 14% decline in hardware systems products revenues, the latter caused by a transition to T4 processor-based products. The company noted that new software license revenue was impacted by "additional approvals required for previously-scheduled and expected deals" in the quarter, which caused the completion of a number of orders to be pushed forward. Management believes that it has put in place better deal management to prevent such setbacks in the future, but we cannot rule out that aggregrate tech spending is beginning to slow. Support attach rates and software renewal rates continue at usual high levels, according to management, and we were pleased with this statement.

Oracle continues to be optimistic about its new products like Fusion Cloud ERP and Cloud CRM, and noted that sales of its engineered systems accelerated in the fiscal second quarter. Oracle's Exadata doubled from last year, while Exalogic more than doubled on a sequential basis. And the company shipped its first SPARC SuperCluster in the second quarter and expects deliveries of its Exalytics systems and the Oracle Big Data Appliance in the third quarter.

Non-GAAP operating income increased 3% in the second quarter, while its non-GAAP operating margin came in at 45%, a level management believes it could improve in coming periods. Non-GAAP net income advanced 6%, while non-GAAP earnings-per-share increased reached $0.54 per share (versus consensus estimates of $0.57). However, operating cash flow continues to be impressive, growing 45%, to $13.1 billion during the trailing twelve month period.

Looking ahead to the fiscal third quarter, management expects new software license revenue growth to range from 2% to 12% and hardware product revenue to fall from 4% to 14%, leading to total revenue growth on a non-GAAP basis in the range of 3% to 7%. Non-GAAP earnings-per-share is expected in the range of $0.55 to $0.58 compared with $0.54 in last year's quarter and consensus estimates of $0.59 per share. Oracle's board of directors authorized the repurchase of up to an additional $5 billion of stock, which should help hold the line with earnings per share and provide some technical buying support for the stock.

Yahoo Mulls Asian Asset Swap; Risk Remains to the Downside

By Valuentum Analysts

Yahoo (YHOO), beleaguered with poor performance from its domestic operations, is reportedly looking to shed some of its Asian assets in order to help prop up its stock in the midst of a massive price slide in the past few years (the firm had been trading north of $30 per share in 2007 and now is in the mid-teens). Though the news of an Asian-asset sale/spin-off continues to make headlines, we remain unimpressed by Yahoo's core competitive position relative to Google (GOOG) and Facebook and think the proposed complex transaction related to its Asian assets is but a temporary, short-term cash boost and not a permanent fix to the firm's structural problems. We are sticking with our long-term fair value range of $9 to $15 per share for Yahoo (3 year horizon), despite accounts that its Asian assets alone may garner a pre-tax value on the high end of this range.

The complex deal that is best summarized as a tax-free swap of assets involves selling part of its stake in China's Alibaba Group and its ownership of Yahoo Japan for more than $17 billion. Though such a transaction values the core of Yahoo's business at about $2 per share based on its current share price, we're not compelled to raise our fair value estimate for Yahoo, given the substantial risks involved in not only completing this complex arrangement but also considering the future potential use of such cash. We think an appropriate discount applied to this cash load (and/or the value of its Asian assets) is warranted as Yahoo will likely use such cash to fight off Google and Facebook in either a value-destroying acquisition or via internal development, the latter inevitably to be hindered by the exodus of talented leaders at the firm in previous months.

We'd only consider raising our fair value for Yahoo if management passes this cash directly to shareholders in the form of a one-time dividend (at which we'd put the firm under review), or if private equity comes in to take all of Yahoo out at an above fair-value price (at which we'd raise our fair value estimate to the consummated deal price). We believe the latter would be a much more amenable outcome to shareholders given the firm's poor competitive position.

Bain Capital, Blackstone (BX), Silver Lake, Microsoft (MSFT), and TPG are all reportedly to be involved and interested in taking a stake in Yahoo or buying the beleaguered search-engine firm outright. Silver Lake is reported to have offered $16.60 per share, while TPG is rumored to have offered as much as $17.60 per share. However, such involvement by these participants is not new news and has been well-known for months, and we believe is heavily reflected in the firm's stock price. The risk to Yahoo, in our opinion, is more to the downside based on these "inflated" offer prices; our fair value estimate range, which captures the long-term intrinsic value of the firm and not a buy-out premium, considers the possibility that these deals may not go through.

General Mills Posts Poor Fiscal Second-Quarter Results; Input Costs Represent Major Headwind

By Valuentum Analysts

General Mills posted fiscal second-quarter results that showed solid sales expansion thanks primarily to its acquisition of Yoplait but modest segment operating profit growth due to higher input costs and marketing expenses. Diluted EPS, excluding non-recurring items, came in at $0.76, reflecting no growth from the same period a year ago. We are maintaining our $38 per share fair value estimate.

The firm's net sales jumped 14% thanks to higher pricing and significant volume growth from its recent acquisition of Yoplait. Revenue in General Mills' US retail operations during the period grew a meager 3% as demand for flour, dessert mixes, canned and frozen vegetables, and yogurt waned, though higher pricing more than offset the volume declines. International sales grew significantly thanks almost entirely to the Yoplait acquisition, though we estimate international organic expansion was still a respectable 8% in the quarter.

General Mills faced gross-margin pressure due to higher input costs and a negative mix shift due to its move into the yogurt business. Advertising and media expense also increased 8% in the period, pushing operating-profit growth down to a meager 2% from last year's quarter. Though the firm continues to execute on its price realization plans, the magnitude of the pricing increases are less than sufficient, in our opinion.

Looking ahead, General Mills noted much of the same – continued profit pressure from input costs and an ongoing negative mix shift due to the Yoplait acquisition. Specifically, the company said it expects its second-half gross margin as a percentage of sales to fall below year-ago levels, though second-half operating profit will still expand. The firm also reaffirmed its full-year fiscal 2012 earnings per share guidance in the range $2.59 to $2.61, consistent with our expectations. Overall, we were less-than-impressed with General Mills' performance but the company remains on track to achieve our long-term projections.

Red Hat Reports Fiscal Third-Quarter Results; Best Billings Growth in Years

By Valuentum Analysts

Linux software maker Red Hat (RHT) reported strong fiscal third-quarter results that showed excellent growth across the board, but the company's deferred revenue growth and revenue outlook failed to impress some of the most bullish investors.

Sales advanced 23% from last year's quarter led by subscription revenue, while non-GAAP operating income and non-GAAP EPS increased 36% and 40%, respectively, from the same period a year ago. Non-GAAP EPS came in at $0.28 per share in the quarter (topping consensus estimates of $0.26), thanks to non-GAAP operating margin improvement of 260 basis points. Third-quarter operating cash flow also had a nice showing in the period, up an impressive 36%. Deferred revenue, however, advanced 20% from last year's quarter, signaling the potential for a slight slowdown in future sales growth. Organic billings growth, however, was 23% in the period, the best showing in years.

Looking ahead, Red Hat expects fourth-quarter revenue to come in between $289 million to $292 million, just shy of consensus expectations, and non-GAAP EPS to be $0.26, matching consensus. Despite the disappointing top-line outlook relative to expectations, we're keeping the firm on our watch list, as we believe its enterprise Linux software solution continues to gain traction with companies seeking cloud computing offerings. For investors looking for ideas in the software space, we prefer Microsoft (MSFT) at this time, on the basis of its attractive valuation and best-in-class dividend yield.

Valuentum Has Now Published... continued from page 1

"The proliferation of untrustworthy financial opinions on the web and the preponderance of backward-looking dividend analysis have left the income investor misguided in today's difficult market environment. Individual investors can count on Valuentum to provide the most comprehensive forward-looking dividend analysis on the web today."

Valuentum began providing equity research last year, including premium commentary, a Best Ideas Newsletter, and proprietary Valuentum data points. Valuentum analysts perform rigorous discounted cash-flow analysis, assess underlying risks of the investment, and evaluate technical and momentum indicators of a stock in order to pinpoint the best time to buy the most attractive equity investments. A narrated presentation of the firm's investment process can be found here:

http://www.valuentum.com/articles/20111201_1

Valuentum also launched its Dividend Growth Newsletter, which offers individual investors an actively-managed dividend-growth portfolio, earlier this year.

Valuentum provides the following in each edition of its monthly Dividend Growth Newsletter:

- A portfolio of the best dividend growth stocks that it thinks will generate a safe and growing stream of cash flows.
- A forward-looking assessment of the dividend safety of hundreds of firms through its innovative, predictive dividend-cut indicator, the Valuentum Dividend Cushion™. The research firm uses future forecasts for free cash flow and expected dividends and considers a company's net cash position to make sure that each company is able to pay out such dividend obligations -- long into the future. Learn more about the Valuentum Dividend Cushion here:

  http://www.valuentum.com/articles/20111126
- Commentary and analysis about firms in its actively-managed portfolio and on any new dividend growth ideas to consider.
- Helpful screens that overlay its Valuentum Buying Index™ with dividend-payers that have safe and growing dividends.
- Email alerts notifying subscribers of any changes it makes to the portfolio, and whether material events have happened to companies held within it.

To upgrade your account to receive the Dividend Growth Newsletter, please contact us at info@valuentum.com.

Ideas for Your Radar

By Valuentum Analysts

Our Valuentum Buying Index (VBI), which places a considerable emphasis on a firm's valuation, is the primary driver behind names included in our best ideas portfolio. However, the size of our coverage universe lends itself to a plethora of new ideas beyond the ones we seek to capitalize on. On the next page, we provide a unique screen that sorts companies we feel are undervalued on both a DCF and relative value basis (the first two pillars of our VBI; the third is a technical assessment). We update this screen monthly and deliver it to you in our newsletter (for your added convenience, we also post it on our site). You'll see we hold a number of these firms in our portfolio (EBAY, ACOM, INTC), and we continue to monitor the remainder for the most opportune time to add them. The names on this list are the cream of the crop for the value investor.

Ideas... continued on next page

Ideas… continued from previous page

Name	Symbol	Sector	Industry	DCF Assessment	Relative Value
Alpha Natural	ANR	Energy	Industrial Minerals	UNDERVALUED	ATTRACTIVE
Ancestry.com	ACOM	Information Technology	Internet Software & Svcs	UNDERVALUED	ATTRACTIVE
Anixter	AXE	Industrials	Distributors	UNDERVALUED	ATTRACTIVE
AnnTaylor	ANN	Consumer Discretionary	Specialty Retail - clothes	UNDERVALUED	ATTRACTIVE
Avon Products	AVP	Consumer Discretionary	Luxury Goods	UNDERVALUED	ATTRACTIVE
Cracker Barrel	CBRL	Consumer Discretionary	Restaurants	UNDERVALUED	ATTRACTIVE
Dell	DELL	Information Technology	Computers & Peripherals - hardware	UNDERVALUED	ATTRACTIVE
eBay	EBAY	Consumer Discretionary	Internet & Catalog Retail	UNDERVALUED	ATTRACTIVE
Gilead Sciences	GILD	Health Care	Biotechnology	UNDERVALUED	ATTRACTIVE
Hasbro	HAS	Consumer Discretionary	Leisure	UNDERVALUED	ATTRACTIVE
Helmerich & Payne	HP	Energy	Energy Equipment	UNDERVALUED	ATTRACTIVE
Intel	INTC	Information Technology	Broad Line Semiconductors	UNDERVALUED	ATTRACTIVE
Jabil Circuit	JBL	Information Technology	Electronic Component Suppliers	UNDERVALUED	ATTRACTIVE
Macy's	M	Consumer Discretionary	Multiline Retail	UNDERVALUED	ATTRACTIVE
Medtronic	MDT	Health Care	Medical Devices	UNDERVALUED	ATTRACTIVE
Nabors Industries	NBR	Energy	Energy Equipment	UNDERVALUED	ATTRACTIVE
NeuStar	NSR	Telecom Services	Wireless Telecom Services	UNDERVALUED	ATTRACTIVE
Newmont Mining	NEM	Materials	Metals & Mining - gold	UNDERVALUED	ATTRACTIVE
Owens-Illinois	OI	Materials	Containers & Packaging	UNDERVALUED	ATTRACTIVE
Pfizer	PFE	Health Care	Pharmaceuticals	UNDERVALUED	ATTRACTIVE
Precision Drilling	PDS	Energy	Energy Equipment	UNDERVALUED	ATTRACTIVE
R.R. Donnelley	RRD	Industrials	Commercial Services	UNDERVALUED	ATTRACTIVE
Republic Services	RSG	Industrials	Environmental Services	UNDERVALUED	ATTRACTIVE
Sealed Air	SEE	Materials	Containers & Packaging	UNDERVALUED	ATTRACTIVE
Sohu.com	SOHU	Information Technology	Internet Software & Svcs	UNDERVALUED	ATTRACTIVE
St. Jude	STJ	Health Care	Medical Devices	UNDERVALUED	ATTRACTIVE
Synaptics	SYNA	Information Technology	Computers & Peripherals	UNDERVALUED	ATTRACTIVE
Valero Energy	VLO	Energy	Refiners	UNDERVALUED	ATTRACTIVE
WESCO	WCC	Industrials	Distributors	UNDERVALUED	ATTRACTIVE
Western Union	WU	Information Technology	Financial Tech Services	UNDERVALUED	ATTRACTIVE
Wyndham	WYN	Consumer Discretionary	Hotels	UNDERVALUED	ATTRACTIVE
Xerox	XRX	Industrials	Commercial Services	UNDERVALUED	ATTRACTIVE

The table above can supplement your "shopping list" of new ideas. On our website, we provide a 16-page equity research report that supports our valuation assessment for each. The reports can be found here.

The initial table below showcases firms that fit the bill of the Valuentum investor, with each posting a 9 or a 10 on our index. These are names that we may swap into our portfolio on the long side should their upside potential become greater than our current holdings.

We also show firms that register a 1 or 2 on our VBI. These names represent put-option candidates. We provide the respective lists below, and each firm's report can be found on our website here.

The Good:

Name	Symbol	Sector	Industry	VBI
Helmerich & Payne	HP	Energy	Energy Equipment	10
NeuStar	NSR	Telecom Services	Wireless Telecom Services	10
Alpha Natural	ANR	Energy	Industrial Minerals	9
Cracker Barrel	CBRL	Consumer Discretionary	Restaurants	9
Dell	DELL	Information Technology	Computers & Peripherals - hardware	9
Hasbro	HAS	Consumer Discretionary	Leisure	9
Intel	INTC	Information Technology	Broad Line Semiconductors	9
Jabil Circuit	JBL	Information Technology	Electronic Component Suppliers	9
Macy's	M	Consumer Discretionary	Multiline Retail	9
Medtronic	MDT	Health Care	Medical Devices	9
Nabors Industries	NBR	Energy	Energy Equipment	9
Owens-Illinois	OI	Materials	Containers & Packaging	9
Pfizer	PFE	Health Care	Pharmaceuticals	9
Precision Drilling	PDS	Energy	Energy Equipment	9
Synaptics	SYNA	Information Technology	Computers & Peripherals	9
Western Union	WU	Information Technology	Financial Tech Services	9
Wyndham	WYN	Consumer Discretionary	Hotels	9
Xerox	XRX	Industrials	Commercial Services	9

The ("Really") Bad:

Name	Symbol	Sector	Industry	VBI
Aruba Networks	ARUN	Information Technology	Networking Equipment	1
Badger Meter	BMI	Industrials	Electrical Equipment	1
Cepheid	CPHD	Health Care	Medical Devices	1
Churchill Downs	CHDN	Consumer Discretionary	Gaming	1
Monro Muffler Brake	MNRO	Consumer Discretionary	Specialty Retail - auto	1
Stamps.com	STMP	Consumer Discretionary	Internet & Catalog Retail	1
Copart	CPRT	Consumer Discretionary	Specialty Retail - auto	2

Valuentum Retail Equity Research | Visit us at www.valuentum.com | (10=best) | Data as of 9-Dec-2011

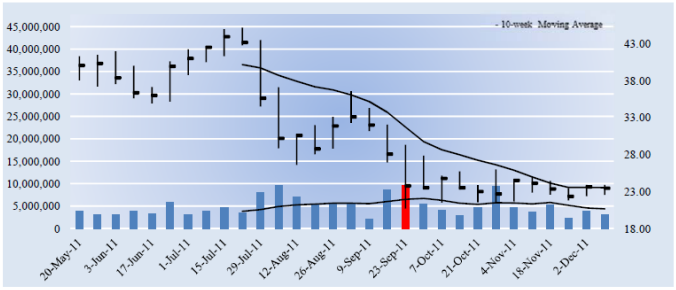
Ancestry.com ACOM UNDERVALUED 15.2%

Buying Index™ 6 | Value Rating ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$23.44	$41.00	$27.00 - $55.00	SMALL-CAP BLEND	Information Technology	Internet Software & Svcs

Ancestry.com appears undervalued on the basis of both our DCF process and relative value assessment versus peers.

Stock 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).

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	HIGH
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	AGGRESSIVE
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	24.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

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.

Company Vitals

Market Cap (USD)	$1,142
Avg Weekly Vol (30 wks)	4,954
30-week Range (USD)	20.67 - 45.18
Valuentum Sector	Information Technology
5-week Return	-4.4%
13-week Return	-25.6%
30-week Return	-40.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.89
P/E on Est. Normal Diluted EPS	12.4
Est. Normal EBITDA	211
Forward EV/EBITDA	7.6
EV/Est. Normal EBITDA	5.1
Forward Revenue Growth (5-yr)	17.8%
Forward EPS Growth (5-yr)	27.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	7.2%
Return on Assets	3.9%
ROIC, with goodwill	8.0%
ROIC, without goodwill	39.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-68
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	19.4
Current Ratio	0.7
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• Ancestry.com earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 77.5% from 53.5% during the next two years.

• Ancestry.com's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• Ancestry.com has an excellent combination of strong free cash flow generation and low financial leverage. We expect the firm's free cash flow margin to average about 18.1% in coming years, and the firm had no debt as of last quarter.

• The firm's shares have underperformed the market benchmark during the past quarter. Although Ancestry.com's valuation appears attractive, the company is currently exhibiting characteristics of a potential value trap, and we'd still be cautious at these levels. There may be a better entry point yet.

• The firm experienced a revenue CAGR of about 15.1% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baidu	44.4	2.0	75.4%
Google	17.3	1.2	82.4%
WebMD	28.4	4.1	120.5%
Yahoo	19.5	NMF	132.8%
Peer Median	23.9	2.0	101.5%
Ancestry.com	**19.2**	**1.1**	**57.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-09	Dec-10	Dec-11
Revenue	225	301	397
Revenue, YoY%	13.8%	33.8%	32.0%
Operating Income	32	61	92
Operating Margin %	14.2%	20.1%	23.1%
Net Income	21	37	60
Net Income Margin %	9.5%	12.2%	15.1%
Diluted EPS	0.51	0.76	1.22
Diluted EPS, YoY %	733.4%	47.6%	61.5%
Free Cash Flow (CFO-capex)	54	93	74
Free Cash Flow Margin %	24.1%	30.9%	18.7%

In Millions of USD (except for per share items)

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VALUENTUM

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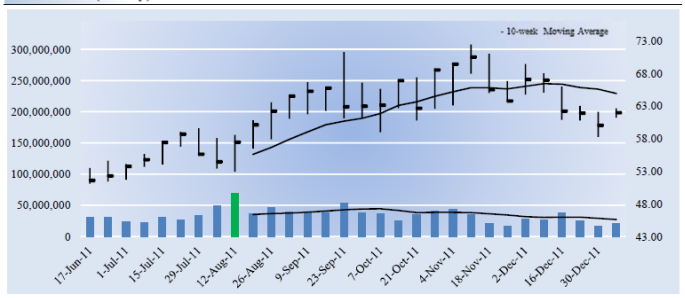
Newmont Mining NEM UNDERVALUED 0%

Buying Index™ 6 | Value Rating ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$61.97	$96.00	$62.00 - $130.00	LARGE-CAP BLEND	Materials	Metals & Mining - gold

Newmont Mining appears undervalued on the basis of both our DCF process and relative value assessment versus peers.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$30,985
Avg Weekly Vol (30 wks)	33,800
30-week Range (USD)	51.1 - 72.42
Valuentum Sector	Materials
5-week Return	-7.1%
13-week Return	-3.3%
30-week Return	18.4%
Dividend Yield %	2.3%
Dividends per Share	1.40
Forward Dividend Payout Ratio	30.7%
Est. Normal Diluted EPS	6.51
P/E on Est. Normal Diluted EPS	9.5
Est. Normal EBITDA	7,907
Forward EV/EBITDA	5.0
EV/Est. Normal EBITDA	4.0
Forward Revenue Growth (5-yr)	10.7%
Forward EPS Growth (5-yr)	10.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.9%
Return on Assets	10.5%
ROIC, with goodwill	22.3%
ROIC, without goodwill	22.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,729
Net Debt	560
Total Debt/EBITDA	0.8
Net Debt/EBITDA	0.1
EBITDA/Interest	22.0
Current Ratio	2.6
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• Newmont Mining earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 29.7% from 25.3% during the next two years.

• Newmont Mining's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• Newmont Mining has an excellent combination of strong free cash flow generation and low financial leverage. We expect the firm's free cash flow margin to average about 34.8% in coming years. Total debt-to-EBITDA was 0.8 last year, while debt-to-book capitalization stood at 26.2%.

• The firm's shares have underperformed the market benchmark during the past quarter. Although Newmont Mining's valuation appears attractive, the company is currently exhibiting characteristics of a potential value trap, and we'd still be cautious at these levels. There may be a better entry point yet.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 31% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	HIGH
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	65.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Barrick Gold	9.6	1.2	67.0%
Yamana Gold	15.2	1.2	83.4%
Eldorado Gold	22.3	1.3	95.9%
Kinross Gold	14.9	0.8	76.9%
Peer Median	15.0	1.2	80.2%
Newmont Mining	**13.6**	**1.0**	**64.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-09	Dec-10	Dec-11
Revenue	7,705	9,540	10,494
Revenue, YoY%	24.3%	23.8%	10.0%
Operating Income	2,952	4,238	4,269
Operating Margin %	38.3%	44.4%	40.7%
Net Income	1,313	2,305	2,305
Net Income Margin %	17.0%	24.2%	22.0%
Diluted EPS	2.70	4.61	4.57
Diluted EPS, YoY %	48.0%	71.0%	-1.0%
Free Cash Flow (CFO-capex)	2,000	2,738	3,660
Free Cash Flow Margin %	26.0%	28.7%	34.9%

In Millions of USD (except for per share items)

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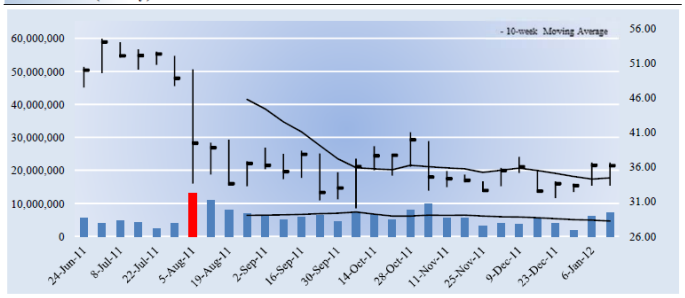
Magna Intl MGA UNDERVALUED 2.2%

Buying Index™ 7 | Value Rating ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$36.20	$53.00	$37.00 - $69.00	MID-CAP VALUE	Consumer Discretionary	Auto Parts Suppliers

Magna Intl's technicals look very bullish. Traders could be eyeing the stock.

Stock 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).

Company Vitals

Market Cap (USD)	$8,435
Avg Weekly Vol (30 wks)	5,803
30-week Range (USD)	30.03 - 54.44
Valuentum Sector	Consumer Discretionary
5-week Return	2.8%
13-week Return	-3.1%
30-week Return	-24.7%
Dividend Yield %	2.8%
Dividends per Share	1.00
Forward Dividend Payout Ratio	22.6%
Est. Normal Diluted EPS	4.35
P/E on Est. Normal Diluted EPS	8.3
Est. Normal EBITDA	2,516
Forward EV/EBITDA	2.6
EV/Est. Normal EBITDA	2.6
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	-0.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	2.2%
Return on Assets	1.3%
ROIC, with goodwill	9.1%
ROIC, without goodwill	11.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	97
Net Debt	-2,008
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	160.5
Current Ratio	1.5
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Magna Intl's average return on invested capital has trailed its cost of capital during the past few years, indicating weakness in business fundamentals and an inability to earn economic profits through the course of the economic cycle. We think there are better quality firms out there.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Magna Intl's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 1.7% during the past three years, lower than the mid-single-digit range we'd expect for cash cows. However, the firm's cash flow should be sufficient to handle its low financial leverage.

• The firm posts a VBI score of 7. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• The firm's technicals look very attractive. If current prices hold, the firm's moving averages could create a golden cross, a very bullish technical pattern.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	POOR
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	34.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

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.

Relative Valuation

	Forward P/E	PEG	Price / FV
BorgWarner	14.4	1.6	96.1%
Cooper Tire & Rubber	12.6	NMF	95.4%
Johnson Controls	11.0	1.5	97.7%
Tenneco	11.8	1.3	75.9%
Peer Median	12.2	1.5	95.7%
Magna Intl	**8.2**	**NMF**	**68.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-09	Dec-10	Dec-11
Revenue	17,367	24,102	28,392
Revenue, YoY%	-26.7%	38.8%	17.8%
Operating Income	-328	1,177	1,562
Operating Margin %	-1.9%	4.9%	5.5%
Net Income	-493	973	1,051
Net Income Margin %	-2.8%	4.0%	3.7%
Diluted EPS	-2.20	4.18	4.42
Diluted EPS, YoY %	-807.4%	-289.4%	5.9%
Free Cash Flow (CFO-capex)	-102	1,076	1,014
Free Cash Flow Margin %	-0.6%	4.5%	3.6%

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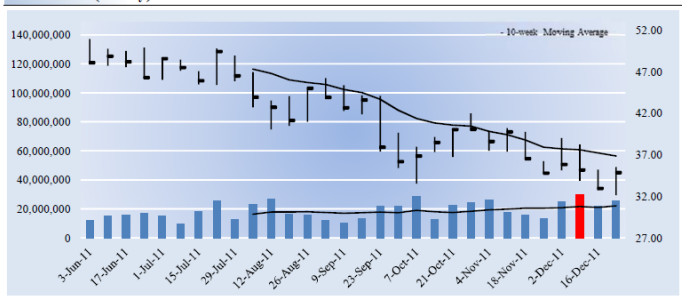
St. Jude STJ UNDERVALUED 0.4%

Buying Index™ 6 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$34.85	$46.00	$35.00 - $58.00	LARGE-CAP VALUE	Health Care	Medical Devices

St. Jude appears undervalued on the basis of both our DCF process and relative value assessment versus peers.

Stock 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).

Company Vitals

Market Cap (USD)	$11,518
Avg Weekly Vol (30 wks)	18,798
30-week Range (USD)	32.13 - 50.94
Valuentum Sector	Health Care
5-week Return	-3.0%
13-week Return	-8.1%
30-week Return	-31.4%
Dividend Yield %	2.4%
Dividends per Share	0.84
Forward Dividend Payout Ratio	25.4%
Est. Normal Diluted EPS	3.82
P/E on Est. Normal Diluted EPS	9.1
Est. Normal EBITDA	1,952
Forward EV/EBITDA	7.6
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	8.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	23.5%
Return on Assets	12.6%
ROIC, with goodwill	22.2%
ROIC, without goodwill	38.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,512
Net Debt	2,011
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.3
EBITDA/Interest	23.0
Current Ratio	2.9
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• St. Jude earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 38.4% during the past three years.

• St. Jude's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• St. Jude has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 18.9% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 36.5%.

• The firm's shares have underperformed the market benchmark during the past quarter. Although St. Jude's valuation appears attractive, the company is currently exhibiting characteristics of a potential value trap, and we'd still be cautious at these levels. There may be a better entry point yet.

• The firm sports a very nice dividend yield of 2.4%. We expect the firm to pay out about 25% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	37.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	38.2	2.8	125.0%
Varian Medical Systems	16.5	2.0	116.2%
Waters	15.5	1.9	99.5%
Zimmer	11.0	1.2	79.4%
Peer Median	16.0	1.9	107.8%
St. Jude	**10.6**	**1.4**	**75.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-09	Dec-10	Dec-11
Revenue	4,681	5,165	5,630
Revenue, YoY%	7.3%	10.3%	9.0%
Operating Income	1,193	1,306	1,504
Operating Margin %	25.5%	25.3%	26.7%
Net Income	783	920	1,070
Net Income Margin %	16.7%	17.8%	19.0%
Diluted EPS	2.27	2.78	3.30
Diluted EPS, YoY %	13.0%	22.4%	18.7%
Free Cash Flow (CFO-capex)	548	982	982
Free Cash Flow Margin %	11.7%	19.0%	17.4%

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Our Methodology – The Valuentum Buying Index

By Valuentum Analysts

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, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance. The more investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will move higher.

As such, 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. We believe our methodology 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.

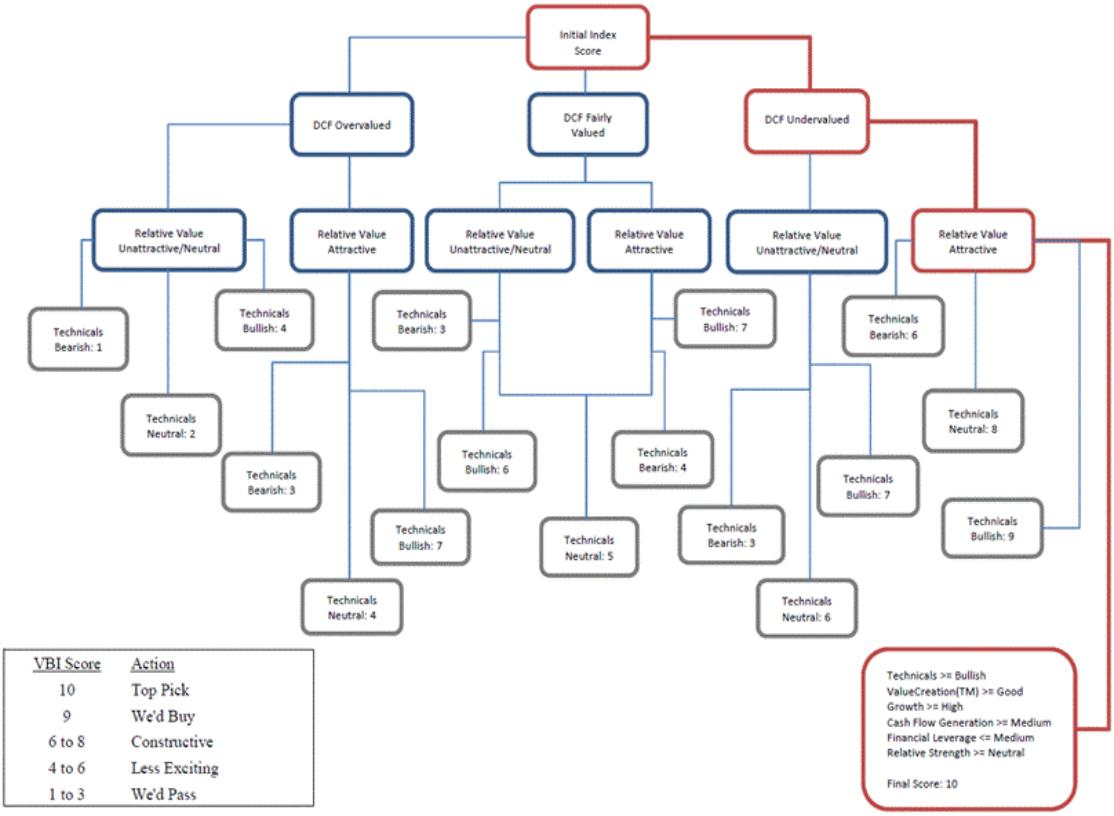
Let's discuss how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative 'value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.

Please view the flow chart on the next page regarding our Valuentum Buying Index.

Our Methodology – The Valuentum Buying Index **continued on next page**

Our Methodology – The Valuentum Buying Index



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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