OUR BEST IDEAS NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

September 15, 2016
Volume 6 Issue 9

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

Portfolio Return	Benchmark Return	Outperformance
107.5%	74.7%	32.8 pts

The Best Ideas Portfolio (see page 8): AAPL, MO, BWLD, BRK-B, CSCO, FB, XLF, GE, GOOG, GOOGL, XLV, INTC, JNJ, KBE, KMI, KORS, PYPL, PCLN, RSG, SDY, SPY-puts, TEVA, UNP, XLE, XLU, V

See page 8.

Inside This Issue

1 Getting the Job Done
4 3D Printing: Can We Print Some Stability?
7 Alert: Adding General Motors
8 The Best Ideas Portfolio
9 Apple's Brand as Strong as Ever
10 Potash-Agrium Deal Will be Subject to Growing Regulatory Scrutiny
12 GAAP or Non-GAAP, No Matter -- It's Free Cash Flow
13 Structure of the Regional Banks/Asset Management Industry
14 Little Progress Seen in Iron Ore Market Balancing
15 Cisco Offers Best Of Both Worlds
19 The Watch List
21 About the Valuentum Buying Index
28 How We Use the Valuentum Buying Index in the Best Ideas Newsletter Portfolio

Goals of the Best Ideas Newsletter: We want to deliver positive returns to you, our subscriber, year after year, in addition to outperforming the market benchmark. Our Best Ideas portfolio is generally found on page 8 of each edition.

© 2016 Valuentum. All rights reserved. Reproduction by any means is prohibited.

"Frankly, it is extremely difficult to generate strong returns in a flat market, but the newsletter portfolio has done so."
- Brian Nelson, CFA

Getting the Job Done

By Brian Nelson, CFA

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

Kris Rosemann
Associate Investment Analyst
kris@valuentum.com

The broader stock market has pretty much gone nowhere (not a technical term) since the spring of 2015, and investors are growing impatient. Well, maybe index investors mostly…

Lofty earnings multiples on some of the most well-known stocks, Brexit uncertainty and concerns over systemic risk, emerging-market weakness (particularly in China and Brazil), and the list goes on and on as reasons why the markets have been "stuck" – also not a technical term. Long-term investors may not care, but with the broader S&P 500 (SPY) having tripled since the March 2009 panic bottom, they should at least be paying attention, in my view.

After all, a haircut of 10%-20% on broader market prices or more wouldn't mean a thing in the context of the rapid run-up during the past 7+ years -- some might even call the move lower a healthy "correction." We've sounded like a broken record for some time about this, but can you really afford to give back 10%-20% of your capital over

KEY CONCEPT: Firms in the Best Ideas portfolio (see page 8), which have generally registered a 9 or 10 on the VBI when added, should be considered our best ideas at any point in time. After adding firms to the Best Ideas portfolio, we may tactically trade around these positions when they have VBI ratings between 3 and 8 and depending on the size of their weighting in the portfolio or the attractiveness of them relative to other opportunities (a score of 3 through 8 is equivalent to a 'we'd hold'). We tend to remove firms from the Best Ideas portfolio when they register a 1 or 2 (we'd sell). View page 28 for more details about how the team utilizes the Valuentum Buying Index to run the portfolio.

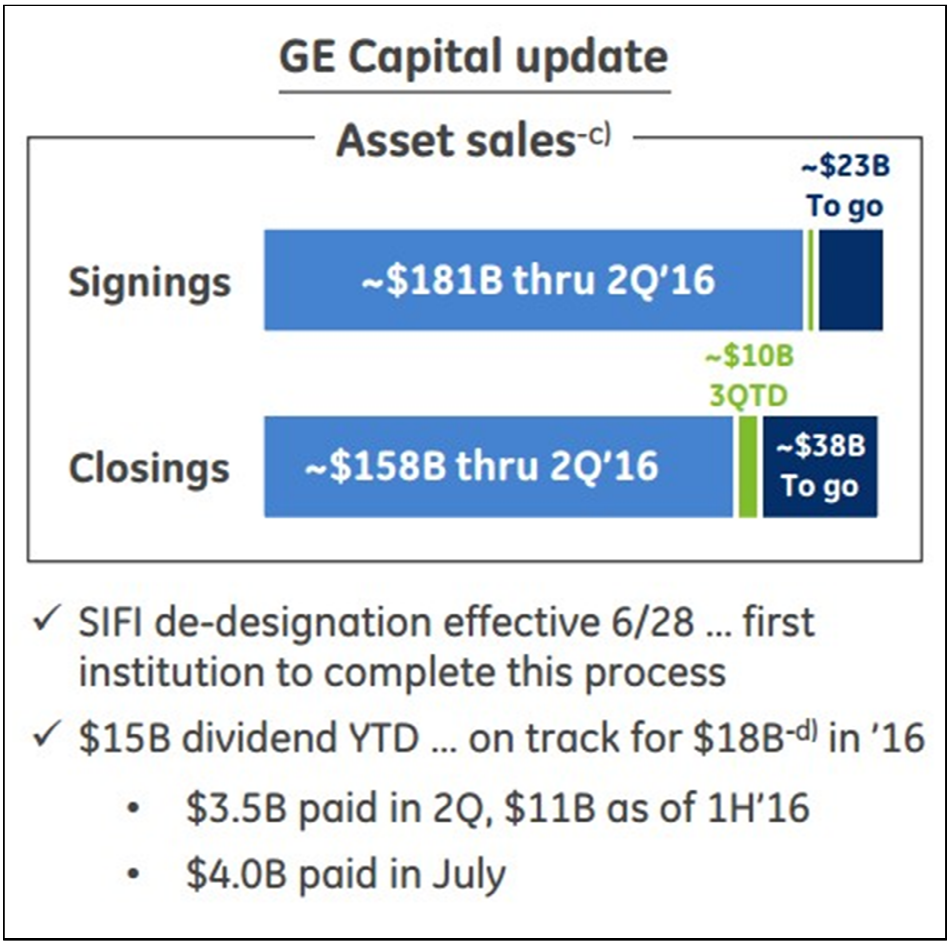
Getting the Job Done...continued on next page

Getting the Job Done...from previous page

the next 3-5 years? This is a reasonable question you and your clients should be asking right now. We're addressing this concern with rather high cash balances in the newsletter portfolios, even as we participate in equities.

But even with the "cash drag," the performance of the Best Ideas Newsletter has simply been fantastic! We're just going to call things how they are. A snapshot from May 2015 has the newsletter return at 97.3%, outpacing the broader S&P 500 benchmark by more than 27 percentage points. Today, with the S&P 500 effectively unchanged from that time, save dividends, the Best Ideas Newsletter portfolio now boasts a return of 107.5%, outpacing the market nearly 33 percentage points. Said differently, if you joined any time between May 2015 and today, what you've witnessed in terms of newsletter performance has been awesome. Frankly, it is extremely difficult to generate strong returns in a flat market, but the newsletter portfolio has done so.

What, you may ask, has led to the outperformance? First, the methodology is sound, but we also have a very strong team at Valuentum. For those that have not been introduced to Mr. Kris Rosemann, who helps head up the investment research team here, he's one of the best. I've worked with hundreds of analysts across the globe with all levels of experience, and he has the most talent that I have ever seen. His work is profiled quite a bit in this edition of the September newsletter, and for those that have already read through his Apple note (sent via email), you simply have to take a read of his research on the 3D printing industry, too. I love that we're going big in the space with General Electric (GE), as the blue chip still has legs, in our view -- and what a yield on GE; we applaud its decision to shed its financial businesses. Great move Mr. Immelt, CEO of GE. He gets a lot of flak, but he's righting the ship.



Getting the Job Done...continued on next page

***Getting the Job Done*...from previous page**

Speaking of financials -- what in the world is Wells Fargo (WFC) doing? One of Warren Buffett's favorites is being investigated by the Feds for opening "2 million phony accounts" with the company having to fire 5,300 employees. The bank was also fined $185 million (a mere drop in the bucket), but how can this happen? I've warned time and time again that new regulations have made the financial system "safer," but there's still a lot that can go wrong, obviously. The London Whale incident is a prime example, but "2 million phony accounts?" This is getting out of hand. You don't have to look far to uncover how little we like the big banks. Was it Churchill that said of Russia in 1939, "It is a riddle wrapped in a mystery inside an enigma?" That's how I'd still describe the big banks today. We talk more about the banks in this newsletter.

I know it's not easy to be happy when the broader market has been flat for more than a year, but the Best Ideas Newsletter portfolio is performing well. Sure -- not all of its ideas have worked out, but we're targeting portfolio outperformance, not a hit rate of 100% (where every stock outperforms) -- though I must admit, the hit rate has been good during these past many years. I think sometimes readers (and me, too) get fixated on the recent moves, as in the case of Gilead (GILD) or Alibaba (BABA), for example, and miss out on the big picture. I want to do good by all, of course, but we're managing the portfolios for outperformance -- individual stock selection is only one aspect of this. I mentioned the following in my personal note to you recently, but it's worth repeating here: Our newsletter portfolios should NOT be viewed on the same plane as the screens on our website. The newsletter portfolios offer up our best ideas for consideration, while the latter represent a grouping of companies on the basis of common data.

Before we wrap up on the introduction, I'd like to address two very good questions: 1) why don't we add every company that registers a high rating on the Valuentum Buying Index to the Best Ideas Newsletter portfolio? The answer is simple. One wouldn't expect a value investor to add every single undervalued stock to his or her portfolio. There are always broader market and sector weighting considerations in any portfolio construct. And 2) is it too late to consider our ideas in the newsletter portfolios since some were added a few years ago? The answer is no. For example, one wouldn't ask if it's too late to own a mutual fund, right? If our recent performance is any indication, the answer is a resounding no. I think we're doing a stand-up job at Valuentum, but let us know how we can get better!

I hope you enjoy this September edition of the Best Ideas Newsletter. Be sure to catch up on the latest edition to the newsletter portfolio, General Motors (GM) – 5 times forward earnings with a 5% dividend yield. Now that's a bargain even if we are near cyclical peak earnings! Always my best work.

The Nelson Exclusive

Warren Buffett is famous for saying, "The stock market is a no-called-strike game. You don't have to swing at everything—you can wait for your pitch. The problem when you're a money manager is that your fans keep yelling, "Swing, you bum!" We're never going to jeopardize our laser-focus on achieving the newsletter goals by adding idea after idea (just for the sake of doing so), but we know members still want new ideas – and they want the very best ones at that! But we can't force ideas into a portfolio just for the sake of doing so.

So we're going to do one better. Having managed the Best Ideas Newsletter portfolio and Dividend Growth Newsletter portfolio to continued strong returns during the past 5+ years, President of Investment Research Brian Nelson will now be highlighting in a brand new publication The Nelson Exclusive three new ideas each month for you to consider, one for income, one for capital appreciation, and a "short" idea (all three will be outside our existing coverage universe). Fresh, underfollowed and new ideas -- outside our coverage universe -- every month! Nothing will be held back.

Learn more here >> http://www.valuentum.com/articles/20160505

3D Printing: Can We Print Some Stability?

By Kris Rosemann

Industrial bellwether and newsletter portfolio holding General Electric's acquisition of two European 3D printing companies has brought the budding technology back to the fore of investor's minds. Let's take a look at some of the major players in the space as well as how the market may develop in coming years.

3D printing may have once seemed like a technology we would only see in a futuristic sci-fi movie, but it is now a reality and has been so for some time. Though it will inevitably revolutionize the $12 trillion global manufacturing market and is one of the highest growth potential areas, plenty of questions remain surrounding the foundation of the industry that continues to be laid, among both participants and investors alike. How quickly will it be adapted? How will the technology continue to develop? Who will be the market leaders five years from now, and what business model will be the most successful in the space?

The 3D printing market in 2015 has been estimated to be a $5 billion market, a pie that is destined to grow drastically in coming years. There are currently a variety of technologies within the market including Fused Deposition Modeling (FDM), Selective Laser Sintering (SLS), Stereo Lithography (SLA), multi-material jetting, and others, which provide a degree of 'natural' segmentation within the market. Pricing serves as a market divider as well, and the successful development of varying technologies and pricing points within the market could very well facilitate the creation of a number of market leaders. The 3D printing market is not one likely to be dominated by one firm over the long haul.

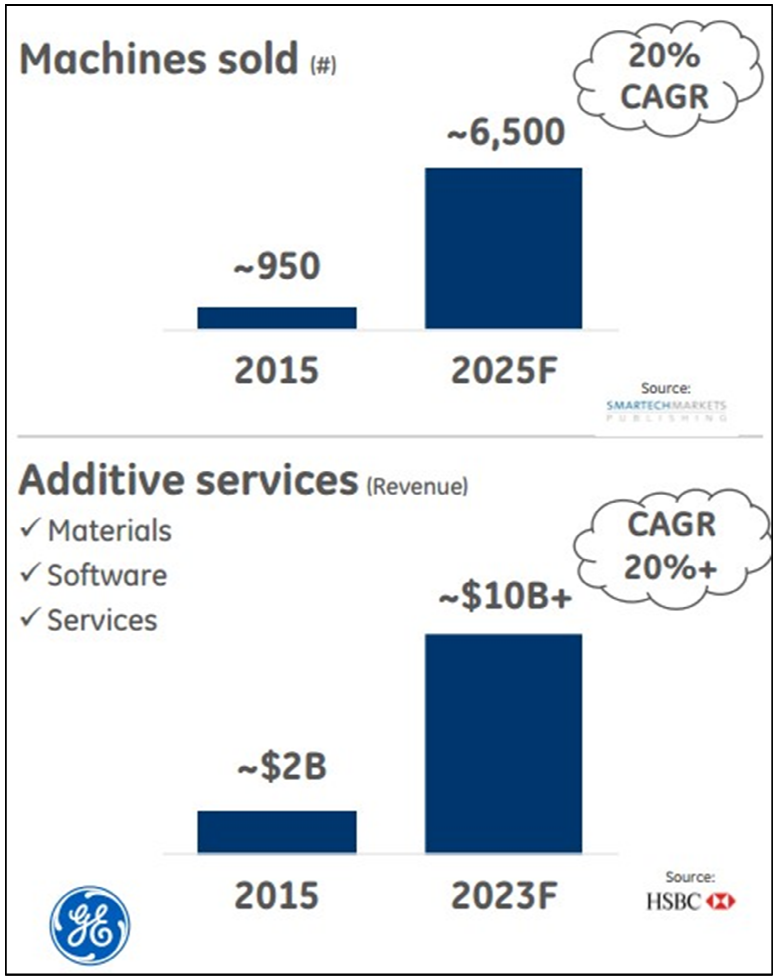


Image source: GE presentation

Additionally, the 3D printing market is certainly expected to grow to a size large enough to allow for many successful operators. Some estimates are projecting the market to grow by 30% annually through 2030, a believable figure when considering the compound annual growth rate for the industry over the past three years was nearly 34%. Perhaps the most aggressive estimate has the 3D printing market mushrooming to $490 billion by 2025. Drivers of the ongoing adoption of the technology, and therefore the growth of the market, will be continued improvements in equipment cost and availability, advancing application engineering, increased sophistication of materials, and the speed and quality of the actual manufacturing process.

Many of the drivers of the growth of the 3D printing industry will also serve as differentiation possibilities for the players within the space. There will inevitably be a wide range of pricing points across the market once it develops into its full potential. Other upfront differentiation points will be similar to that of most other manufacturing processes: lower running

3D Printing...continued on next page

3D Printing...from previous page

costs, expanded capabilities of machinery, and higher performance and productivity. Vertical integration in the form of a controlled supply chain and economies of scale are two key competitive advantages that will likely be formed in coming years that are worth keeping an eye on.

The business models of participants in the 3D industry could vary drastically as well. The traditional 3D printing plays tend to operate razor-razor blade businesses. The sale of the hardware in the form of the 3D printing systems is not as profitable as the recurring sales of the input materials necessary for completion of the printing, and materials sales offer an annuity of sorts on each printing system sold. For example, all of HP's (HP) material sales for its 3D printing systems come through the firm itself, even though it does not develop the materials itself. Firms that purchase HP's hardware must then buy the materials necessary to complete the printing of the desired product from HP. The company describes the relationship as similar to an app store with app developers receiving incentives for developing successful apps, or in this case, materials.

Other companies are taking different approaches to the 3D printing space. Proto Labs (PRLB), for one, offers 3D printing services. The firm describes itself as "a technology-enabled company that uses rapid 3D printing, CNC machining and injection molding technologies to produce parts within days." Its products offer unprecedented speed-to-market value for engineers and product designers instead of the sale of hardware to companies.

Aluminum giant Alcoa (AA) recently ramped up its investments into 3D printing. In addition to the 2015 acquisition of RTI International Metals, which increased Alcoa's 3D printing capabilities, the firm recently opened a 3D printing metal powder plant that will increase its focus on the production of proprietary titanium, nickel and aluminum powders designed for use in 3D printed aerospace parts. The developing business will be separated from Alcoa's traditional commodity business in the second half of 2016 and form part of Arconic, which will be an independent, publicly traded company.

Alcoa has demonstrated leadership in the 3D printing industry over its 20-year history in the market, and it owns and operates one of the largest Hot Isostatic Pressing (HIP) plants in the world, which strengthens the metallic structure of 3D printed jet engine parts. As a result it recently signed multiple agreements with Airbus (EADSY) to provide 3D printed components for its commercial aircraft.

Industrial bellwether GE (GE) recently began its foray into 3D printing. The company paid $1.4 billion to acquire Arcam and ALM Solutions in its plan to enter the manufacturing equipment, materials, services, and software businesses of the 3D printing industry. The move seems to be a natural extension of its industrial history, and the market is young enough that GE's massive scale advantages compared to other participants can be exploited. A meaningful near-term impact is not expected from the acquisitions, but management is anticipating 3D printing to generate $1 billion in revenue by 2020.

The expansion into 3D printing allows GE to enter a fast-growing industry where it can build a competitive position, expands its design capabilities to meaningfully reduce product costs, enables a more efficient model for services cost, and perhaps most importantly it leverages the significant capacity of the GE store, which already has key strengths in materials, software and product design. We have often praised Apple's (AAPL) ability to create an ecosystem of apps that has found its way into the everyday life of consumers, and the GE Store has the potential to develop into a similar type of business serving multinational corporations and government entities instead of consumers. HP has parallel hopes for its business, but we like the scale that comes with GE's existing industrial businesses.

The firm's expectations for productivity in terms of cost savings is currently $3-$5+ billion, though putting a cap on savings potential at this point in time may be an exercise in futility. GE's 3D printing investments are certainly a long-term focused strategy at this point in time.

3D Printing...continued on next page

3D Printing...from previous page

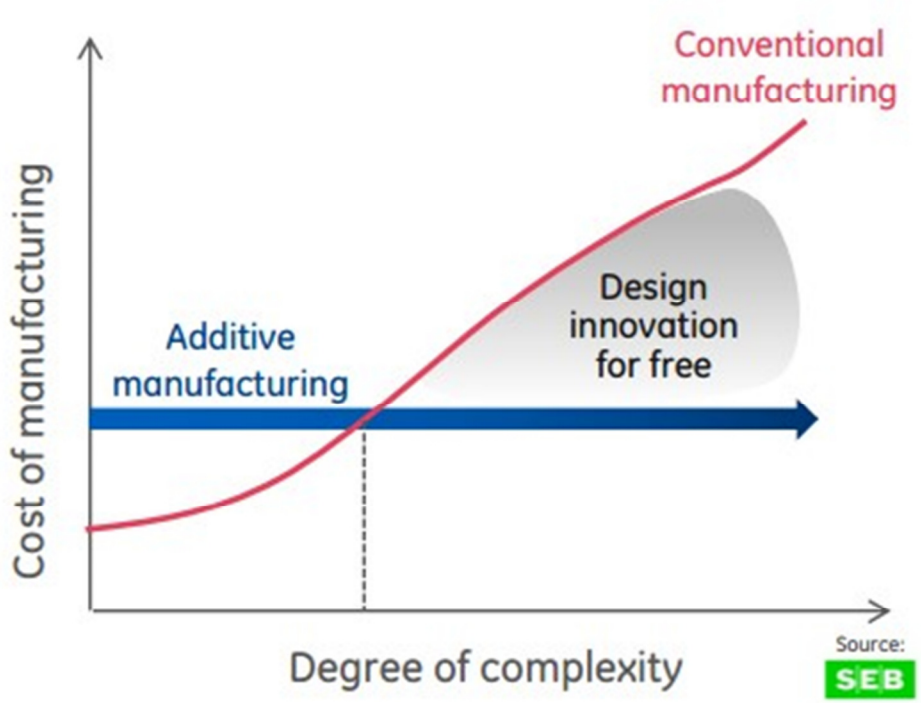


Image source: GE presentation

Investors looking for a way to exploit 3D printing in the near term may be better off picking up some lotto tickets at their local convenient mart.

Two of the best known pure-play 3D printing firms, 3D Systems (DDD) and Stratasys (SSYS), continue to see high levels of volatility and short interest in their shares. Both firms also have provided concerning commentary on the near-term outlook for market demand. In its second quarter 2016 report, 3D Systems reported strong demand for its software and healthcare solutions and improved materials sales in industrial and healthcare applications. However, the positive momentum in select areas was not enough to offset the decline in demand for 3D printers and on-demand manufacturing, the former being far more concerning. Stratasys also reported weak market demand causing slow hardware sales in all of its regions served and business units.

The implications of falling hardware sales for firms like 3D Systems and Stratasys could continue to be felt well beyond the quarter in which the softening demand occurs. The razor-razor blade business model these firms operate is dependent on ongoing sales of the razor, or hardware, to drive continued growth in the higher margin razor blade, or materials, which has the potential to turn into an annuity-type revenue stream. The potential for such weakness in demand at this stage in the development of the market only increases the current risks associated with companies so dependent on the adoption of a budding technology. Other pure play options exist in the form of micro and small cap firms such as Voxelijet (VJET) and Materialize (MTLS).

We like the idea of exposure to a rapidly growing technology, but the near-term volatility and risk potential associated with a budding market do not fit our risk-averse investment philosophy. 3D Systems, for example, is not consistently profitable, even as it is one of the industry leaders, and its shares have fallen from nearly $100 as recently as 2014 to current levels in the mid-teens.

The best measure of exposure to the industry may have fallen directly into our laps in the form of GE's recent acquisition of two 3D printing firms. We continue to reap the benefits of owning an

3D Printing...continued on next page

***3D Printing*...from previous page**

industrial bellwether in the newsletter portfolios while gaining exposure to an evolving technology that has the potential to explode in terms of productivity and mainstream adoption. Further, we think GE's manufacturing expertise and scale benefits will facilitate the development of its 3D printing portfolio in ways that smaller firms may not have the resources for.

HP may be another option to gain a level of exposure to 3D printing without having to place confidence in a pure play. The firm is aggressively going after the market and expects to push the limits with respect to pricing points to grab share. Management is anticipating the recognition of 3D printing revenue in fiscal 2016 with a material ramp coming in fiscal 2017.

3D printing is not going away anytime soon, and though hardware demand may feel some near-term pressure, we view any such dynamic as a transient one that will not inhibit the long-term proliferation of the technology as a core manufacturing process in many different verticals moving forward. At this point in time, the degree of exposure to the space investors choose to take on is largely dependent on their risk preferences. For those fond of the diversification factor of ETFs, The 3D Printing ETF (PRNT) may be an option as it "is composed of equity securities and depositary receipts of exchange listed companies from the U.S., non-U.S. developed markets and Taiwan that are engaged in 3D printing related businesses." We're sticking with GE as our preferred exposure, however.

Alert: Adding General Motors

By Brian Nelson, CFA

Image source: Michaels Kumm

We're adding a ~2% weighting of General Motors (GM) to the portfolio of the Best Ideas Newsletter. We continue to be enamored by the auto giant's valuation opportunity, and we encourage members to read our take on the company's investment considerations at the following link >> http://www.valuentum.com/articles/20160805.

Though we're fully aware of the significant risks of adding a capital-intensive, cyclical automaker with meaningful financial and operating leverage so late into the economic recovery in light of global risks and impending contractionary monetary policy in the US, we're looking at this idea from a long-term perspective. Shares are trading at $31.65 each at the time of this writing.

At what other point, for example, might we be able to add GM at ~5 times forward earnings while collecting a near-5% dividend yield along the way? We're not kidding - that's quite an attractive investment profile even if mid-cycle earnings are meaningfully below this year's forecasted performance. In today's "frothy" market, such an investment profile is one that is too good to pass up, at least in the context of the Best Ideas Newsletter portfolio. Believe it or not, investors are paying more than 20 times forward earnings for some of the most well-known consumer staples equities that are experiencing revenue and earnings pressure with dividend yields but half of that of GM's. We think investors may be paying up for the past, a company's consecutive dividend growth track record, while we know that it is only the future that matters.

The Best Ideas Portfolio

By Valuentum Analysts

Portfolio Return	Benchmark Return	Outperformance
107.5%	74.7%	32.8 pts

Below we outline the constituents of the portfolio and their respective weightings and returns thus far (please note that many stocks have been removed since inception). Each subsequent issue discusses Valuentum's latest changes to the portfolio and analysis and trends impacting companies in our Best Ideas portfolio.

We currently have ~15% of the portfolio in cash, a level we're looking to bring down in coming months. Tactically, we like to have the most cash when the market is making new highs and fully invested when the market is putting in short-term lows.

Our investment process is completely transparent and easy to implement in your own portfolio. The goal of our Best Ideas portfolio 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, the Valuentum Buying Index.

THE BEST IDEAS PORTFOLIO -- as of September 14, 2016 — **Best Ideas Portfolio Inception Date: May 17, 2011**

Portfolio Holdings	Symbol	Initial VBI*	Current VBI**	Fair Value	P/FV	First Purchase	Cost/Shr ($)	# Shares	Total Cost ($)	Price/Shr ($)	Current Value ($)	Cumulative Div's	% of Portfolio	% Return
Bullish														
Apple Corp.	AAPL	10	7	$148.00	0.76	17-Jun-11	51.92	107	5,569.33	111.83	11,965.81	1,089.83	5.8%	134.4%
Altria Group	MO	8	6	$58.00	1.09	28-Jun-11	28.39	157	4,471.86	63.12	9,909.84	2,379.79	4.8%	174.8%
Berkshire Hathaway	BRK-B	6	6	$160.00	0.91	20-Apr-16	146.13	69	10,089.97	145.78	10,058.82		4.8%	-0.3%
Buffalo Wild Wings	BWLD	6	9	$190.00	0.83	27-Aug-15	179.81	16	2,876.90	157.60	2,521.60		1.2%	-12.4%
Cisco	CSCO	9	7	$39.00	0.79	14-Nov-14	26.33	221	5,831.87	31.00	6,851.00	217.92	3.3%	21.2%
Energy Select SPDR	XLE	NR	NR	NA	NMF	6-Oct-15	67.14	143	9,608.02	67.57	9,662.51	204.55	4.7%	2.7%
Facebook	FB	6	6	$142.00	0.90	29-Jan-16	112.10	50	5,612.00	127.77	6,388.50		3.1%	13.8%
Financial Select SPDR	XLF	NA	6	NA	NMF	9-Jan-11	13.46	150	2,026.00	23.82	3,573.00	257.11	1.7%	89.0%
General Electric	GE	7	6	$32.00	0.93	21-Oct-13	25.99	375	9,761.75	29.70	11,137.50	900.75	5.4%	23.3%
General Motors	GM	6	6	$43.00	0.71	26-Aug-16	31.65	132	4,191.80	30.71	4,053.72	50.16	2.0%	-2.1%
Google - Class C	GOOG	10	7	$855.00	0.89	23-Oct-12	450.92	7	3,170.42	762.49	5,337.43	10.35	2.6%	68.7%
Google - Class A	GOOGL	10	7	$855.00	0.89	4-Apr-14	Split	7	Split	790.46	5,533.22		2.7%	+++
Health Care ETF	XLV	9	6	NA	NMF	22-May-12	36.60	125	4,582.00	71.60	8,950.00	456.63	4.3%	105.3%
Intel	INTC	6	6	$42.00	0.85	12-Sep-11	20.48	150	3,086.50	35.62	5,343.00	595.50	2.6%	92.4%
Johnson & Johnson	JNJ	6	6	$121.00	0.97	29-Jan-16	104.18	54	5,632.72	117.86	6,364.44	126.90	3.1%	15.2%
SPDR S&P Bank ETF	KBE	NR	NR	NA	NMF	9-Jan-12	21.07	100	2,114.00	33.20	3,320.00	233.00	1.6%	68.1%
Kinder Morgan	KMI	5	6	$20.00	1.08	17-Feb-16	17.29	157	2,721.53	21.55	3,383.35	39.25	1.6%	25.8%
Michael Kors	KORS	8	9	$66.00	0.72	27-Aug-15	43.44	68	2,953.80	47.49	3,229.32		1.6%	9.3%
PayPal	PYPL	UR	4	UR	UR	17-Jul-15	Spin-off	100	Split	39.96	3,996.00		1.9%	+++
Priceline	PCLN	10	6	$1499.00	0.95	26-Feb-15	1239.49	6	7,450.91	1429.38	8,576.28		4.1%	15.1%
Republic Services	RSG	8	6	$44.00	1.13	19-May-11	31.42	201	6,329.42	49.80	10,009.80	1,158.78	4.8%	76.5%
SPDR S&P Dividend E	SDY	NR	NR	NA	NMF	20-Apr-16	81.33	124	10,091.92	82.81	10,268.44	62.71	4.9%	2.4%
Teva Pharma	TEVA	6	4	$59.00	0.88	24-Jul-13	41.22	77	3,180.94	51.95	4,000.15	337.91	1.9%	36.4%
Union Pacific	UNP	6	6	$87.00	1.07	24-Jul-13	79.67	40	3,193.80	92.72	3,708.80	240.00	1.8%	23.6%
Utilities Select SPDR	XLU	NR	NR	NA	NMF	18-Mar-14	41.12	83	3,419.96	48.83	4,052.89	293.87	2.0%	27.1%
Visa	V	7	6	$82.00	0.99	30-Nov-11	26.86	188	5,064.39	81.49	15,320.12	331.67	7.4%	209.1%
Latest changes: 132 shares of GM purchased on August 26.														
Cash -- changes in monthly cash balance reflects dividends received and trading gains/losses, where applicable.											30,007.78		14.5%	0.0%
Bearish														
For investors seeking 'short' or 'put option' exposure, please consider firms with VBI ratings with 1 and 2 as ideas.														
Best Ideas Portfolio Value							Original -->	100,000.00	Current -->		207,523.32			107.5%
S&P 500 Index (SPY)						17-May-11	132.69	754	100,000.00	213.15	160,637.58	14,053.39	92.0%	
Cash											14,053.39		8.0%	
Benchmark Portfolio Value											174,690.96			74.7%
Relative Outperformance														32.8 pts

Data as of September 14, 2016. Cost basis includes commissions. Results include dividends, but not interest received on cash balance.
* VBI score at the time we added the firm to the portfolio.
** See our methodology regarding the Valuentum Buying Index (VBI). Best Ideas portfolio is not a real money portfolio.

Standard Disclaimer: Our Best Ideas portfolio 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 portfolio and accepts no liability for how readers may choose to utilize the content.

Apple's Brand as Strong as Ever

By Kris Rosemann

Recent quarterly performance had some naysayers doubting the true power of Apple (AAPL). The second quarter of fiscal 2016 (calendar first quarter) marked the first decline in sales in a quarter in thirteen years due largely to pressure on iPhone sales, and the third quarter of the fiscal year continued the year-over-year sales weakness.

As Apple hosted its company event September 7, shares remained under pressure as many anticipated ongoing weakness in demand for the iPhone, even with a new iteration being introduced. The declines continued in the days immediately after due in part to the firm's decision not to release first-weekend estimates of pre-order sales volumes. Management indicated that it believes the measure is a meaningless statistic and is confident that the iPhone 7 will sell out as first weekend sales levels are often predicated by supply and not demand.

Statements from mobile carriers Sprint (S) and T-Mobile (TMUS) have reinforced Apple's confidence that its newest iteration of the iPhone would be well-received by consumers. Pre-orders of the iPhone 7 and 7 Plus increased nearly four times at Sprint compared to pre-order levels of a year ago. According to T-Mobile, first weekend pre-order sales came in at levels that "shatter all previous iPhone pre-order records at T-Mobile." The firm also noted that order volume was about 4 times that of the next most popular version of the iPhone over the opening weekend, and iPhone sales on Friday, September 9 marked the record for single day sales for any smartphone it has ever offered. Shares have bounced after sliding into the first weekend of pre-orders for the iPhone 7.

While it is important to note that the comparable weekend of 2015 was not a complete update of the iPhone--the iPhone released in September 2015 was the iPhone 6s and 6s Plus--the high levels of demand seen from carriers and on Apple's own site should reinforce confidence in the brand strength of Apple. The firm was able to increase demand significantly for one of its versions of the iPhone 7 by simply adding a new finish for the phone. Orders for the 'Jet Black' model are currently pushed farther back than any other version of the new iPhones, a sign that Apple continues to be a form of a status symbol for consumers.

Apple continues to battle some negativity in its most recent upgrade of the iPhone as the removal of the headphone jack has created a stir amongst users and critics alike. The firm remains confident that consumers will adapt to the change and realize the benefits of using wireless ear buds, however. The iOS 10 has received its share of criticism as well, but Apple appears to be on top of the situation that has already caused some users headaches. Such a blip in the transition to a new operating system is not uncommon, and should not be seen as any sort of major setback at this point, in our opinion.

Even with the additional excitement surrounding the improved cameras in the iPhone 7 lineup, the apparent strong first weekend pre-order demand, and the new Apple Watch Series 2, perhaps one of the most important moves Apple made in the most recent roll out of its iPhone 7 series has to do with its choice of chip providers.

Apple traditionally has used exclusively Qualcomm (QCOM) modem components in past iPhones, but the firm has chosen to use Intel (INTC) chips in new 7 and 7 Plus models of the iPhone as well. The company

***Apple's Brand*...continued on next page**

***Apple's Brand*...from previous page**

has not done away with Qualcomm as a supplier, but instead has two different versions of the phones available. Some carriers are not compatible with Intel chips, including Sprint and Verizon (VZ), so keeping both on as suppliers makes sense in that vein. However, the move is far more strategic than carrier compatibility, as Apple has significantly reduced the leverage Qualcomm has over its supply chain. Apple now has increased bargaining power, something that could prove to be invaluable as it relates to the firm's gross margins, which analysts continue to watch as it relates to pricing power and cost pressures.

While the longer-term implications of recent moves such as the addition of another modem chip supplier could turn out to be insignificant, we like the potential it has to reverse some of the negative narrative that has been following Apple in fiscal 2016. The apparent reinforcement of its brand popularity could ease concerns that outsize pricing pressure will persist in its flagship product, and hints of high demand have come at an opportune time as its main competitor Samsung (SSNLF) has been urging consumers worldwide to stop using the Galaxy Note 7s and exchange them as soon as possible as there has been widespread cases of exploding batteries.

All things considered, recent developments at Apple have been encouraging after months of volatility in shares. Management has reiterated its guidance for the fourth quarter of fiscal 2016 (ends September 30), which includes quarter-over-quarter revenue growth near the high end of Apple's historical estimates. Our confidence in the firm remains high, and we currently value shares at $148, which are yielding ~2.1%.

Potash-Agrium Deal Will be Subject to Growing Regulatory Scrutiny

By Kris Rosemann

Suppressed crop prices and a supply glut have negatively impacted the financial performance of crop nutrient companies around the world and have helped spur a string of attempted mergers in the agriculture space. Seed giant Bayer's (BAYRY) pursuit of rival Monsanto (MON) and ChemChina's purchase of Syngenta (SYT) for $43 billion are two recent examples of consolidation attempts among major agricultural firms, the latter of which is expected to create the world's largest supplier of pesticides and agrochemicals.

***Potash-Agrium*...continued on next page**

***Potash–Agrium*...from previous page**

Canadian firms Potash Corp (POT) and Agrium (AGU) had previously announced they were in preliminary merger talks and have now announced an agreement to combine forces in a merger of equals that will create a North American fertilizer and farm retail giant. The new company, which has yet to be named, will combine Potash Corp's low-cost potash and high-quality nitrogen and phosphate production capacity with Agrium's impressive agricultural retail network to create an integrated platform better suited to serve its customers worldwide.

Potash Corp shareholders will receive 0.4 common shares of the new company for each common share of Potash owned, while Agrium shareholders will receive 2.23 common shares for each common share of Agrium owned. At the close of the transaction, current Potash shareholders will own ~52% of the new firm on a fully diluted basis.

On a 2015 pro forma basis, the combined company's net revenue would have been roughly $20.6 billion, while its EBITDA would have come in at approximately $4.7 billion before expected synergies. This would make the firm the largest crop nutrient company in the world, and the third largest natural resource company in Canada. Annual operating synergies are anticipated to be up to $500 million, which are expected to come primarily from distribution and retail combination benefits and production and SG&A optimization. If the expected synergies are successfully extracted, the deal implies value creation for the combined companies of up to $5 billion, a 20% increase to the companies' combined market capitalizations on August 29, 2016, the day before the firms announced they were in preliminary merger discussions.

The combination is also expected to improve the cash flow generating abilities of the companies as well. On a 2015 pro forma basis, the new firm would have had operating cash flow of more than $4 billion, inclusive of expected synergies. Major capacity expansion projects have been nearly completed at each firm, suggesting capital spending of the companies would have seen a reduction whether or not the merger is completed. Nevertheless, the increased cash flow generation potential will benefit the dividend prospects of the combined company, which is expected to target a dividend payment equal to the current Agrium dividend level. The firm's shares currently yield ~3.7%.

The improved cash flow generation will be a welcome sign for both companies as neither of them have a healthy balance sheet, in our opinion. As of the end of the second quarter of calendar 2016, the companies had a combined net debt position of nearly $9.8 billion. As a result, we are not fond of the safety of either Potash's or Agrium's dividend. Potash has cut its payout twice in the past year, largely due to structural changes in the potash industry, and both it and Agrium receive VERY POOR dividend safety ratings based on their respective Dividend Cushion ratios, which are both well below 1.

We think the Agrium-Potash tie-up makes sense for the companies and for investors already holding shares of the firms as a result of the expected value creation via the extraction of expected synergies, but the deal does not create an attractive opportunity for those currently on the outside, in our opinion. The agreement will face material regulatory pressure, particularly in the US and Canada. The combined company would dominate the crop nutrient market in North America, as it would own nearly two-thirds of potash production capacity, ~30% of phosphate capacity, and ~29% of nitrogen capacity.

Regulators in the US and around the world have not been shy about their increased scrutiny of major mergers as of late. In the agricultural realm, the US Department of Justice very recently sued to keep Deere (DE) from acquiring Monsanto's Precision Planting farm equipment business. Farmers across North America will inevitably turn to regulatory bodies to help them keep current levels of negotiating power and are likely to find an ally given the recent regulatory environment. The farmers may very well have a compelling case, as fertilizer can account for up to one-third of input costs for US corn farmers.

In that light, the merger's proceedings are worth watching as it relates to another data point in the evolving regulatory and overall global economic environment in which we find ourselves. Companies are going to continue to look for top-line growth and value creation via mergers and acquisitions amid concerns of macroeconomic weakness and uncertainty. How regulatory bodies worldwide react to such consolidation attempts is anyone's guess at this point in time, but we are counting on a significant level of inspection and investigation into the competitive implications of the Potash-Agrium tie-up.

GAAP or Non-GAAP, No Matter -- It's Free Cash Flow

By Kris Rosemann

Accounting representation of earnings per share, whether GAAP or non-GAAP, is not as important to the valuation context as future free cash flow. Let's talk about this concept a bit more within our valuation processes.

Q: *I have been considering investing in Facebook (FB). Your projected five-year operating margin for Facebook is 58%. Currently it is around 40% and has averaged about 38% the last three years. I was wondering if you would be willing to elaborate on those expectations.*

A: Thank you for the question.

What you have noticed in our operating margin assumptions is the discrepancy on the income statement between GAAP and non-GAAP reporting. While our historical data is pulled on a GAAP basis, our income statement forecasts are done on a non-GAAP basis, in accordance with the presentation of consensus estimates, and Facebook's operating margin has been consistent with our forward-looking assumptions in recent quarters. For example, in the second quarter of 2016, the firm reported a non-GAAP operating margin of over 58%, and in the full-year 2015 it reported a 58% non-GAAP operating margin.

In Facebook's case, the differences between GAAP and non-GAAP operating income are share-based compensation expenses (and the related payroll tax expenses) and amortization of intangible assets. This is important to note since both share-based compensation expenses and amortization of intangible assets are non-cash expenses and are added back in the calculation of cash flow from operations. Cash flow from operations is then used in the calculation of free cash flow, and as you may know, the core driver of our estimate of Facebook's intrinsic value, or any company in our coverage universe, is our projection of its future free cash flow stream. In light of this, making accurate free cash flow projections is where our focus is turned, not on getting GAAP or non-GAAP operating margin or earnings per share targets correct. Below I have pasted a link to Facebook's second quarter 2016 report, in which you can see GAAP and non-GAAP reconciliation, as well as how operating cash flow is derived from GAAP net income.

https://investor.fb.com/investor-news/press-release-details/2016/Facebook-Reports-Second-Quarter-2016-Results/default.aspx

With all of that in mind, it is worth taking note of Facebook's incredible free cash flow generating ability, which starts with its profitability. The firm has driven explosive free cash flow growth in recent quarters (driven by ongoing growth in its active user base and tremendous advertising revenue performance) on a year-over-year basis: more than a 65% increase in the second quarter of 2016 and nearly 68% growth in full year 2015. Such tremendous free cash flow generation allows the company to maintain a fortress-like balance sheet--Facebook had cash, cash equivalents and marketable securities of ~$23.3 billion and no debt as of the end of the second quarter of 2016. This cash position not only adds a significant amount of value for the company in a literal, valuation sense, but also gives it tremendous financial flexibility, something that may prove to be invaluable as it continues to push the envelope in becoming the 'new Internet' and works to develop innovative products such as its virtual reality platform Oculus. We're big fans of the company on a fundamental basis and have been nothing short of pleased with it since its addition to the Best Ideas Newsletter portfolio.

Structure of the Regional Banks/Asset Management Industry

By Valuentum Analysts

Image source: Carissa Rogers

The regional banking and asset management industry is based almost entirely on the confidence of intermediaries and counterparties that make up the building blocks of the financial system. An investment in a bank or asset management firm must come with the acknowledgement of the distinct possibility that another financial crisis may occur at an unknown time in the future. Though we don't expect one anytime soon given the recent favorable stress-test results of the largest US banks, it's worth noting that there have been three significant banking crises during the past three decades alone: the savings and loan crisis of the late 1980s/early 1990s; the fall of Long-Term Capital Management and the Russian/Asian financial crisis of the late 1990s; and the Great Recession of the last decade that not only toppled Lehman Brothers, Bear Stearns, Washington Mutual, and Wachovia but also caused the seizure of Indy Mac, Fannie Mae and Freddie Mac.

Though regional banks may avoid risky international lending, they are not shielded from potentially prohibitive funding costs and liquidity issues that plague certain investment securities during a crisis. Investors must pay particularly close attention to a bank's capital position (Tier I capital), leverage (total assets divided by total equity, loans/deposits ratio) lending standards (loan loss provisions, non-performing loans), its growth plans (as this could lead to reckless risk taking), the general economic outlook for residential and commercial activity (especially housing and the mortgage markets), the interest rate environment, and the structure of the yield curve (net interest margins).

We generally prefer the oligopolistic structure of the Canadian banking system relative to the highly fragmented and extremely competitive US landscape. For example, Bank of Nova Scotia (BNS), Canadian Imperial (CM), Royal Bank of Canada (RY), and Toronto-Dominion (TD) boast impressive returns on equity thanks in part to this more favorable operating environment. Still, given increasing global regulation and higher capital adequacy requirements as a result of the recent financial crisis, we don't expect the group to ever achieve the return performance of years ago. It's also worth noting that the elevated dividend yields of some industry constituents are more indicative of a higher risk profile than their attractiveness as an investment opportunity.

Little Progress Seen in Iron Ore Market Balancing

By Kris Rosemann

Recent reports from the likes of BHP Billiton (BHP) have echoed our previous concerns with the iron ore market, "Iron Ore Market Stability Still A Ways Off." A number of factors on both the supply and demand sides of things are expected to provide pressure to the price of iron as we move further into the back half of 2016. BHP, for one, anticipates economic uncertainty, political instability and well supplied markets to continue weighing on iron ore prices, among other commodities.

Seasonal factors will weigh on Chinese (FXI) demand--the nation is the world's largest purchaser of seaborne iron--in the winter months when construction typically slows as a result of more inclement weather. The recent rally in iron prices has been partially attributed to a credit-driven surge in the Chinese property market. On the supply side, increased production is expected to come from Vale (VALE) beginning production in its S11D project before the end of the year, and output from the Roy Hill project in Australia's Pilbara region is growing in 2016. The Roy Hill project is owned by a consortium that includes POSCO (PKX), China Steel Corporation (CISEF), and others.

BHP is fresh off reporting its worst annual loss ever of $6.4 billion largely due to one-time charges related to its US onshore energy assets and a major dam disaster at a joint venture with Vale in Brazil. However, even after excluding the $7.7 billion in writedowns and charges in the year, the firm reported an underlying profit drop of 81% from the year-ago period due to weak iron, copper, coal, and oil prices. Such material weakness came despite the firm setting a Western Australia Iron Ore production record; BHP's production levels will continue to weigh on the global supply/demand dynamics in the iron ore market. The mining giant's potash developments may provide a similarly disappointing feeling in the coming periods, as it is reportedly considering "mothballing" the shafts of its massive Jansen potash project, on which the company plans to spend $200 million in fiscal 2017. Timing its entry to the potash market will take precedent over simply getting the mine to production.

While many are expecting the most recently ended fiscal year to mark the bottom of the trough in BHP's business cycle, CEO Andrew Mackenzie's recent comments provided a bit of contradictory tone. Commodity prices are expected to remain low and volatile in the short to medium term, and though the firm is confident in the long-term outlook for the commodities it produces, oil and copper were singled out as the most attractive long-term opportunities, leaving the door open for questioning of the firm's iron ore operations. The company also failed to deliver on its promise of reducing debt in a meaningful way as net debt remained relatively flat at ~$26 billion.

Investors may have been given a sense of false hope from BHP management in its quarterly conference call as it suggested that it will generate over $7 billion in free cash flow in fiscal 2017. However, such guidance assumes current spot prices and foreign exchange rates hold steady throughout the fiscal year, something that is unlikely to happen, given the aforementioned expectations for supply and demand pressures on iron ore, as well as the rebound in prices in early 2016. Such guidance seems to counter the notion of low and volatile commodity prices in the near and medium term.

Iron ore producers such as Glencore (GLCNF), Anglo American (AAUKY), and Vale are expected to increase asset sales to reduce debt in the back half of the year should prices fall again. The planned asset sales in the first half of the year did not meet original expectations due to the rally in commodity prices, which was fueled by China's attempts at restoring economic growth. Anglo American and Vale both receive junk-grade credit ratings, and Vale has a good deal of work to do to reach its goal of $5 billion in asset sales in 2016 (it has completed less than $300 million in sales thus

***Little Progress Seen...*continued on next page**

***Little Progress Seen*...from previous page**

far). Glencore receives a credit rating one notch above junk status and has been the most successful in selling assets this year; the firm is well on its way to selling its targeted $4-$5 billion in assets.

Potential buyers of assets include industry giants BHP and Rio Tinto (RIO), but such purchases will likely wait until the recent bounce in commodity prices retreats and prices are more attractive for the acquiring firms. While BHP does not expect to begin growing capital expenditures until fiscal 2018, Rio Tinto will begin ramping up spending in the back half of 2016 as it works to hit its $4 billion annual target after spending just $1.3 billion in the first half of the year. The firm did not adjust its production guidance, as it still expects iron ore shipments of ~330 million tons in 2016 and 330-340 million tons in 2017.

Former Best Ideas Newsletter portfolio holding Rio Tinto remains our favorite operator in the iron ore space. Unlike rival BHP, the firm was able to reduce its debt load in the first six months of 2016, as its net debt position fell to $12.9 billion from $13.8 billion (good for about half of BHP's net debt position). However, we cannot ignore the macroeconomic pressures that will continue to weigh on its business. The issue of stability in the iron ore market remains far from resolved, and major operators have shown little desire to slow down production.

While BHP may be able to put the worst of the worst behind it after its abysmal fiscal 2016 results, we certainly haven't seen the end of the pain for metal producers. A reversion to prices seen in late 2015 could be the most likely scenario for iron ore as a result of material supply and demand pressures coming towards the tail end of 2016. The wave of dividend cuts we saw in early 2016 was a prime display of the difficulty even the best management teams have in navigating the cyclical nature of global commodity markets, and a perfect example of why we prefer to avoid relying on commodity producers for income.

Cisco Offers Best Of Both Worlds

By Valuentum Analysts

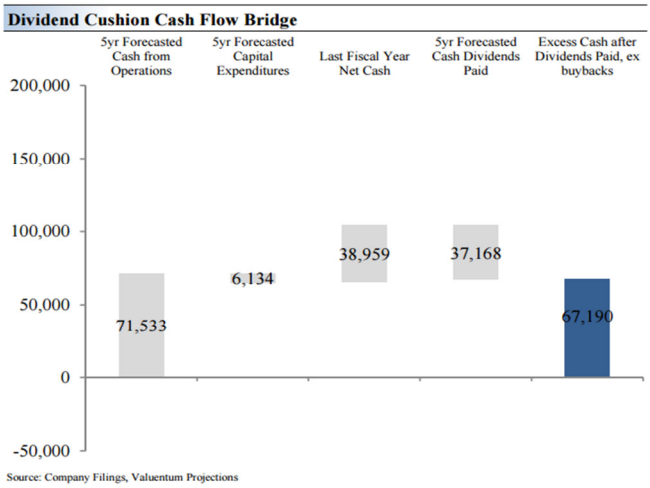
We're huge fans of Cisco's (CSCO) business model, balance sheet health, and free cash flow generation, all of which are key reasons why it is a holding in both of our newsletter portfolios. As of the end of the third quarter of fiscal 2016 the company had more than $64.5 billion in cash, cash equivalents and investments compared to ~$24.4 billion in long-term debt. Average annual free cash flow generation of nearly $11.4 billion from fiscal 2013-2015 has been more than sufficient in covering annual run-rate cash dividend obligations of ~$4.4 billion.

Cisco is one of our favorite dividend growth ideas, and we are expecting continued meaningful growth in its payout, as long as it is able to continue recent momentum in its shift to a software and subscription focus. After considering the size of its dividend yield (~3.5%), Cisco has one of the strongest Dividend Cushion ratios in our coverage universe, which makes it difficult for us to point to any material weaknesses in its payout. Competing capital allocation options could impact the pace of dividend expansion moving forward as share repurchases have averaged more than $5.5 billion from fiscal 2013-2015 and tuck-in acquisitions can be expected.

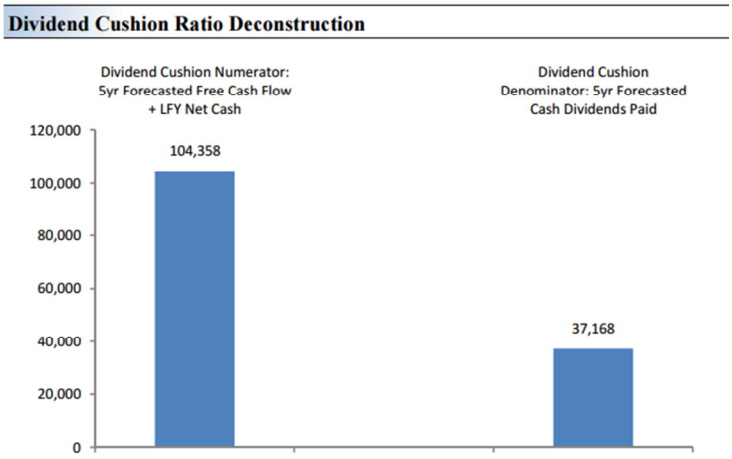
However, we expect Cisco's free cash flow generation and fortress-like balance sheet will be able to handle all of its capital allocation needs. We like the progress the firm is making in the transition of its business to a software and subscription based business model, which should only boost the reliability of its free cash flow generation. All things considered, we expect ongoing expansion in the fundamental drivers of Cisco's business and in its quarterly payout. Let's dig more into this company that we think offers investors the "best of both worlds."

***Cisco Offers*...continued on next page**

Cisco Offers...from previous page



Source: Company Filings, Valuentum Projections



Cisco's Investment Considerations

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
Finisar	14.5	1.7	93.8%
Juniper Networks	11.4	1.6	73.2%
Knowles Corp	15.7	NMF	96.0%
Nokia	23.8	0.7	64.1%
Peer Median	15.1	1.6	83.5%
Cisco	**14.2**	**2.2**	**78.3%**

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

Financial Summary	----- Actual -----		Projected
Fiscal Year End:	Jul-14	Jul-15	Jul-16
Revenue	47,142	49,161	49,112
Revenue, YoY%	-3.0%	4.3%	-0.1%
Operating Income	9,763	11,254	13,376
Operating Margin %	20.7%	22.9%	27.2%
Net Income	7,853	8,981	10,908
Net Income Margin %	16.7%	18.3%	22.2%
Diluted EPS	1.49	1.75	2.15
Diluted EPS, YoY %	-19.9%	17.4%	23.3%
Free Cash Flow (CFO-capex)	11,064	11,325	12,575
Free Cash Flow Margin %	23.5%	23.0%	25.6%

In Millions of USD (except for per share items)

Summary

- We're huge fans of Cisco's business model, balance sheet health, and free cash flow generation.
- After considering the size of its dividend yield, Cisco has one of the strongest Dividend Cushion ratios in our coverage universe.
- We like the progress the firm is making in the transition of its business to a software and subscription based business model.

Investment Considerations	
DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	29.00

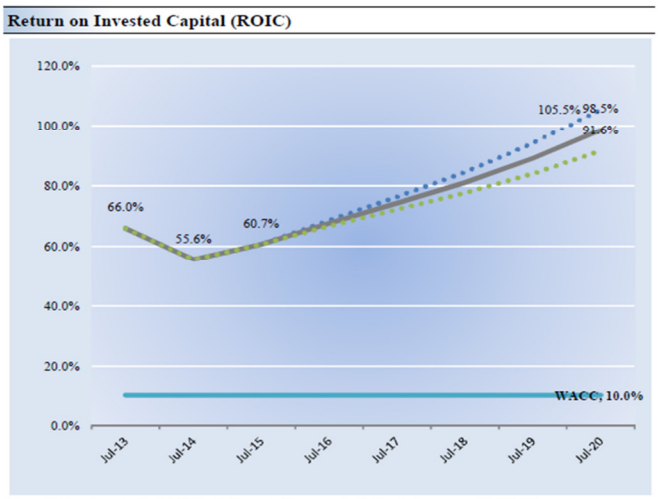
DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Cisco Offers...continued on next page

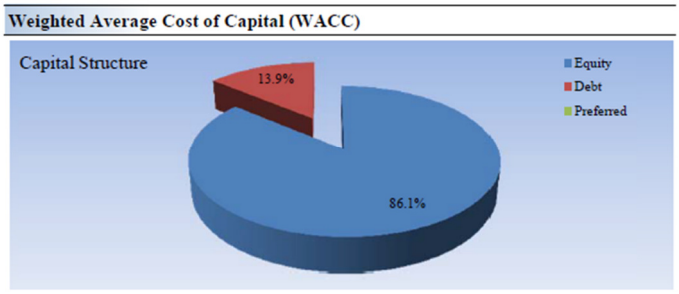
Cisco Offers...from previous page

Cisco's Economic Profit Analysis

In the chart below, we show the probable path of ROIC in the years ahead based on the estimated volatility of key drivers behind the measure. Cisco's 3-year historical return on investedcapital (without goodwill) is 60.8%, which is above the estimate ofits cost of capital of 10%. As such, we assign the firm aValueCreation™ rating of EXCELLENT. The solid grey line reflects the most likely outcome, in our opinion, and represents the scenario that results in our fair value estimate.



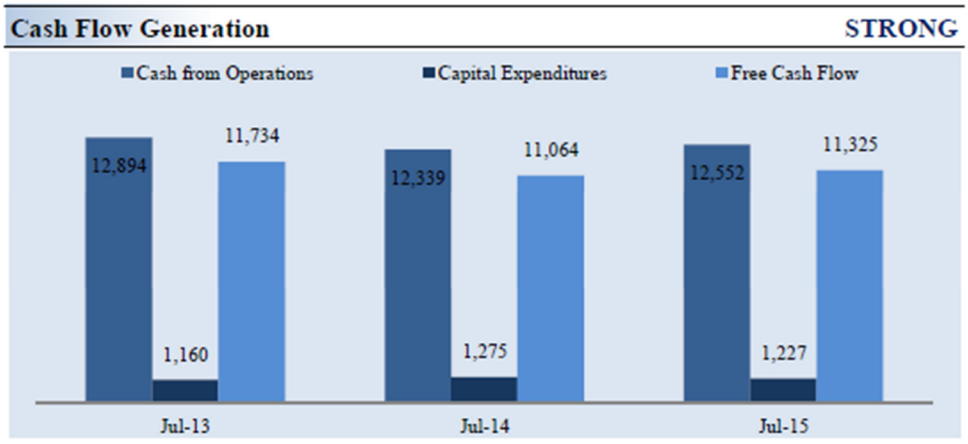
The graph above shows the firm's ROIC (excluding goodwill) compared with historical averages and its WACC.



Cost of Equity	
Risk Free Rate Assumption	4.3%
Fundamental Beta (ERP multiplier)	1.0
Estimated Equity Risk Premium	6.5%
Cost of Equity Assumption	**10.8%**
After-tax Cost of Debt	
Risk Free Rate Assumption	4.3%
Synthetic Credit Spread	1.45%
Cost of Debt Assumption	5.8%
Cash Tax Rate Assumption	19.7%
After-tax Cost of Debt Assumption	**4.6%**
Cost of Preferred Stock	
Preferred Dividends	0
Value of Preferred Stock	0
Cost of Preferred Assumption	NA
Weighted Average Cost of Capital (WACC)	**10.0%**

ERP = Equity Risk Premium

Cash Flow Analysis



The bars above show the firms operating cash flow, capital expenditures, and free cash flow, respectively.

Firms that generate a free cash flow margin (free cash flow divided by total revenue) above 5% are usually considered cash cows. Cisco's free cash flow margin has averaged about 23.5% during the past 3 years. As such, we think the firm's cash flow generation is relatively STRONG.

Cisco Offers...continued on next page

***Cisco Offers*...from previous page**

The free cash flow measure shown above is derived by taking cash flow from operations less capital expenditures and differs from enterprise free cash flow (FCFF), which we use in deriving our fair value estimate for the company. At Cisco, cash flow from operations decreased about 3% from levels registered two years ago, while capital expenditures expanded about 6% over the same time period.

Valuation Analysis

We think Cisco is worth $39 per share with a fair value range of $31-$47.

The margin of safety around our fair value estimate is derived from an evaluation of the historical volatility of key valuation drivers and a future assessment of them. Our near-term operating forecasts, including revenue and earnings, do not differ much from consensus estimates or management guidance. Our model reflects a compound annual revenue growth rate of 2.2% during the next five years, a pace that is higher than the firm's 3-year historical compound annual growth rate of 2.2%.

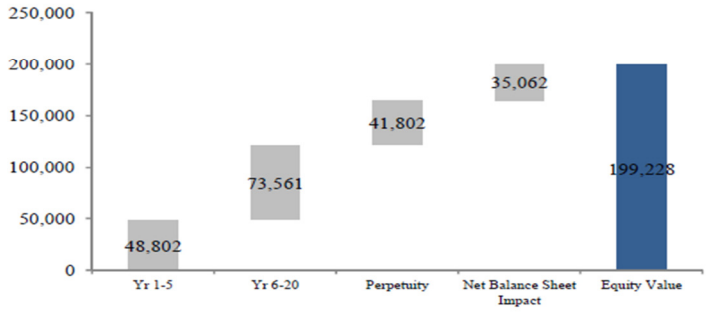
Our model reflects a 5-year projected average operating margin of 27.4%, which is above Cisco's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of 2.2% for the next 15 years and 3% in perpetuity. For Cisco, we use a 10% weighted average cost of capital to discount future free cash flows.

Valuation Assumptions

In Millions of USD (except for per share items)	5-year Projections	
Revenue CAGR %	2.2%	
Avg. EBIT Margin %	27.4%	
Avg. Cash Tax Rate %	19.7%	
Earnings Before Interest CAGR %	3.6%	
Earnings Per Share CAGR %	8.0%	
Free Cash Flow to the Firm CAGR %	5.5%	
Earnings before interest = Net operating profits less adjusted taxes	Long-term Projections	
Phase II --> III FCFF CAGR %	2.2% (II)	3% (III)
Cost of Equity %	10.8%	
After-tax Cost of Debt %	4.6%	
Discount Rate (WACC) %	10.0%	
Synthetic credit spread = 1.453%	Results	
Phase I Present Value	48,802	
Phase II Present Value	73,561	
Phase III Present Value	41,802	
Total Firm Value	164,166	
Net Balance Sheet Impact	35,062	
Total Equity Value	199,228	
Diluted Shares Outstanding	5,146.0	
Fair Value per Share	$39.00	

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Cisco and the break down to the firm's total equity value, which we estimate to be about 199.23USD 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 $39 per share fair value estimate.



In Millions of USD

Source: Company Filings, Valuentum Projections

Company Metrics versus Peer and Industry Medians

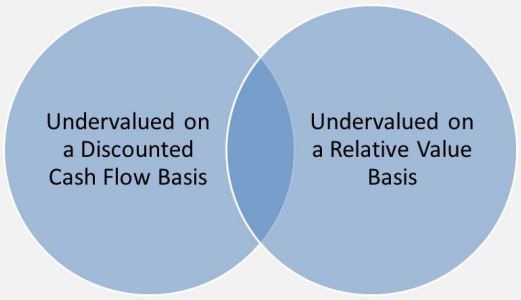
Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E on Est. Normal Diluted EPS	Price/Earnings-to-Growth (PEG), 5-year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Cisco	7	14.2	13.0	2.2	7.7	7.3	8.0%	60.8%	3.4%	78.3%
Finisar	6	14.5	13.1	1.7	5.9	5.1	34.2%	14.9%	0.0%	93.8%
Juniper Networks	6	11.4	10.1	1.6	7.0	6.4	9.1%	87.2%	1.8%	73.2%
Knowles Corp	3	15.7	12.3	NMF	7.4	6.2	-185.2%	12.7%	6.3%	96.0%
Nokia	6	23.8	13.8	0.7	7.0	4.6	12.2%	-2.9%	2.8%	64.1%
Peer Median	6.0	15.1	12.7	1.6	7.0	5.7	10.7%	13.8%	2.3%	83.5%
Industry Median	6.0	14.2	13.0	1.6	7.4	6.2	8.0%	15.6%	3.0%	78.3%

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.

The Watch List

By Valuentum Analysts

The Valuentum Buying Index (VBI), which places a considerable emphasis on a firm's valuation, is the primary driver behind companies included in our Best Ideas portfolio (see page 8). However, the size of our coverage universe lends itself to a plethora of new ideas beyond the ones we seek to capitalize on. Below, 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).



"By overlaying a relative valuation process on a robust forward-looking discounted cash flow valuation methodology, "pure" value investors add an extra degree of conviction to their undervalued ideas. For the ideas in this screen to register the highest rating on the Valuentum Buying Index, however, the market would also have to agree that shares are undervalued, as evidenced by an advancing stock price, one that has good momentum." – Valuentum's Brian Nelson, CFA

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 often hold a number of these firms in our portfolio, 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 and can supplement your "shopping list" of new ideas.

Company Name	Symbol	DCF Valuation	Relative Valuation	P/FV	Date	FV Estimate
VMware	VMW	UNDERVALUED	ATTRACTIVE	0.77	7/15/2016	$81.00
Xerox	XRX	UNDERVALUED	ATTRACTIVE	0.64	7/29/2016	$16.00
Jabil Circuit	JBL	UNDERVALUED	ATTRACTIVE	0.65	6/3/2016	$30.00
Virtu Financial	VIRT	UNDERVALUED	ATTRACTIVE	0.56	8/29/2016	$29.00
Supervalu	SVU	UNDERVALUED	ATTRACTIVE	0.46	6/17/2016	$10.00
Harman Intl	HAR	UNDERVALUED	ATTRACTIVE	0.61	5/6/2016	$119.00
CNO Financial	CNO	UNDERVALUED	ATTRACTIVE	0.69	8/26/2016	$23.00
MetLife	MET	UNDERVALUED	ATTRACTIVE	0.75	8/26/2016	$56.00
Prudential Financial	PRU	UNDERVALUED	ATTRACTIVE	0.67	8/26/2016	$116.00
AIG	AIG	UNDERVALUED	ATTRACTIVE	0.76	8/26/2016	$78.00
PVH Corp	PVH	UNDERVALUED	ATTRACTIVE	0.80	6/10/2016	$121.00
Michael Kors Hldg	KORS	UNDERVALUED	ATTRACTIVE	0.76	6/17/2016	$66.00
Viacom	VIA	UNDERVALUED	ATTRACTIVE	0.67	9/6/2016	$66.00
Juniper Networks	JNPR	UNDERVALUED	ATTRACTIVE	0.73	7/29/2016	$31.00
Super Micro	SMCI	UNDERVALUED	ATTRACTIVE	0.74	7/29/2016	$29.00
Mylan	MYL	UNDERVALUED	ATTRACTIVE	0.78	6/3/2016	$57.00
Omega Healthcare	OHI	UNDERVALUED	ATTRACTIVE	0.68	8/5/2016	$52.00
Buffalo Wild Wings	BWLD	UNDERVALUED	ATTRACTIVE	0.77	6/10/2016	$190.00
Bed Bath & Beyond	BBBY	UNDERVALUED	ATTRACTIVE	0.69	6/24/2016	$63.00
Korn/Ferry	KFY	UNDERVALUED	ATTRACTIVE	0.71	8/5/2016	$33.00

Ideas...continued on next page

***Ideas…*from previous page**

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 (if not already held) 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.

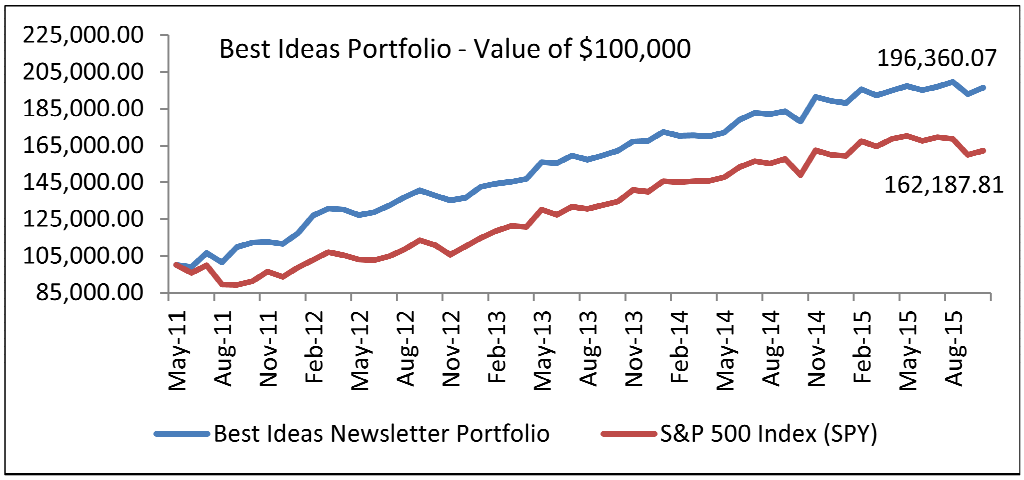
Company Name	Symbol	Sector	VBI	Date	Fair Value Estimate
Buffalo Wild Wings	BWLD	Consumer Discretionary	9	6/10/2016	$190.00
Jabil Circuit	JBL	Information Technology	9	6/3/2016	$30.00
Michael Kors Hldg	KORS	Consumer Discretionary	9	6/17/2016	$66.00
Omega Healthcare	OHI	Financials	9	8/5/2016	$52.00
PVH Corp	PVH	Consumer Discretionary	9	6/10/2016	$121.00
VMware	VMW	Information Technology	9	7/15/2016	$81.00
Xerox	XRX	Industrials	9	7/29/2016	$16.00
AIG	AIG	Financials	8	8/26/2016	$78.00
Bed Bath & Beyond	BBBY	Consumer Discretionary	8	6/24/2016	$63.00
Prudential Financial	PRU	Financials	8	8/26/2016	$116.00

AO Smith Corp	AOS	Industrials	2	8/12/2016	$71.00
Arch Capital	ACGL	Financials	2	8/26/2016	$64.00
Church & Dwight	CHD	Consumer Staples	2	6/17/2016	$70.00
Drew Indust	DW	Industrials	2	8/31/2016	$74.00
Infinity	IPCC	Financials	2	8/26/2016	$65.00
Intl Flavors	IFF	Materials	2	6/3/2016	$91.00
Lancaster Colony	LANC	Consumer Staples	2	7/29/2016	$93.00
New Oriental Education	EDU	Consumer Discretionary	2	7/29/2016	$32.00
NuVasive	NUVA	Health Care	2	7/15/2016	$44.00
Quad/Graphics Inc	QUAD	Consumer Discretionary	2	7/15/2016	$18.00
Rayonier	RYN	Industrials	2	6/10/2016	$17.00
South Jersey	SJI	Energy	2	7/11/2016	$26.00
State Auto	STFC	Financials	2	8/26/2016	$19.00
Ulta Salon	ULTA	Consumer Discretionary	2	6/17/2016	$178.00
Vulcan Materials	VMC	Industrials	2	6/10/2016	$89.00
Bright Horizons Family	BFAM	Consumer Discretionary	1	6/17/2016	$49.00
Cogent Comm	CCOI	Telecom Services	1	6/24/2016	$30.00
Federal Realty	FRT	Financials	1	8/19/2016	$129.00
General Mills	GIS	Consumer Staples	1	9/5/2016	$50.00
Kraft Heinz	KHC	Consumer Staples	1	9/5/2016	$60.00
Lockheed Martin	LMT	Industrials	1	8/29/2016	$193.00
McDonald's	MCD	Consumer Discretionary	1	6/6/2016	$94.00
Morningstar	MORN	Financials	1	5/20/2016	$67.00
Netflix	NFLX	Consumer Discretionary	1	6/24/2016	$63.00
Northrop Grumman	NOC	Industrials	1	8/29/2016	$160.00
Orexigen Therapeutics	OREX	Health Care	1	6/17/2016	$74.00
Pool Corp	POOL	Consumer Discretionary	1	6/17/2016	$70.00

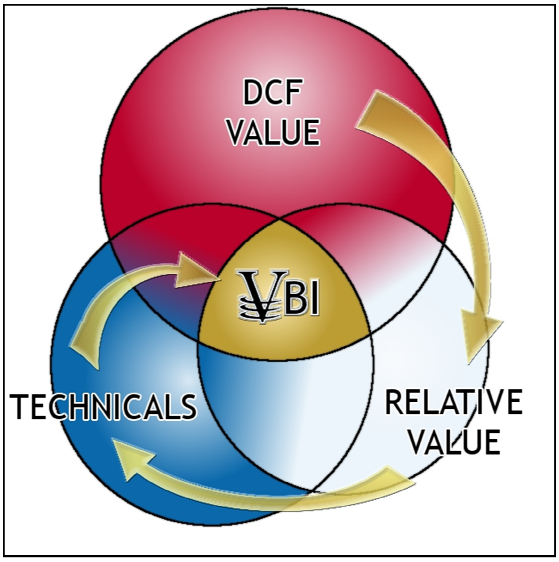
Our Methodology – The Valuentum Buying Index (VBI)

By Valuentum Analysts

At Valuentum, 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. The more deep-pocketed institutional investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will be bought and the more likely the price will move higher to converge to its true intrinsic value (buying a stock pushes its price higher). On the other hand, we think the worst stocks will be shunned by most investment disciplines and display expensive valuations, poor technicals and deteriorating momentum indicators.



Stocks that meet our demanding criteria fall in the center of the Venn diagram below, displaying attractive characteristics from a discounted cash-flow basis, a relative value basis, and with respect to a technical and momentum assessment. The size of the circles reveals the relative emphasis we place on each investment consideration, while the arrows display the order of our process -- value first then technicals and momentum last. We may like firms that are undervalued both on a DCF basis and relative value basis, but we won't like firms just because they're currently exhibiting attractive technical or momentum indicators. We're not traders or speculators. We're long-term investors and want to have complete confirmation and conviction in the best ideas we deliver to our subscribers.



Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index continued from previous page

The center of the Venn diagram on the previous page, 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 (10=best). Because our process factors in a technical and momentum assessment after we evaluate a firm's investment merits via our rigorous DCF and relative-value process, we're better able to pinpoint the best entry and exit points on the most undervalued stocks.

Research firms that just focus on valuation may encourage investors to buy a stock all the way down (a falling knife), while those that just use technical and momentum indicators may expose portfolios to significantly overpriced stocks at their peaks. Only when both sides of the investment spectrum are combined can investors get the best stocks on the market today at the best prices, in our view.

Let's examine the chart below, which showcases how the Valuentum process has the greatest profit potential of any investing strategy. The Valuentum process targets adding stocks to actively-managed portfolios when both value and momentum characteristics are "good" and removing them when both value and momentum characteristics are "bad" (blue circles: Buy --> Sell). The Valuentum strategy captures the entire equity pricing cycle, while the value and momentum strategies individually truncate profits.

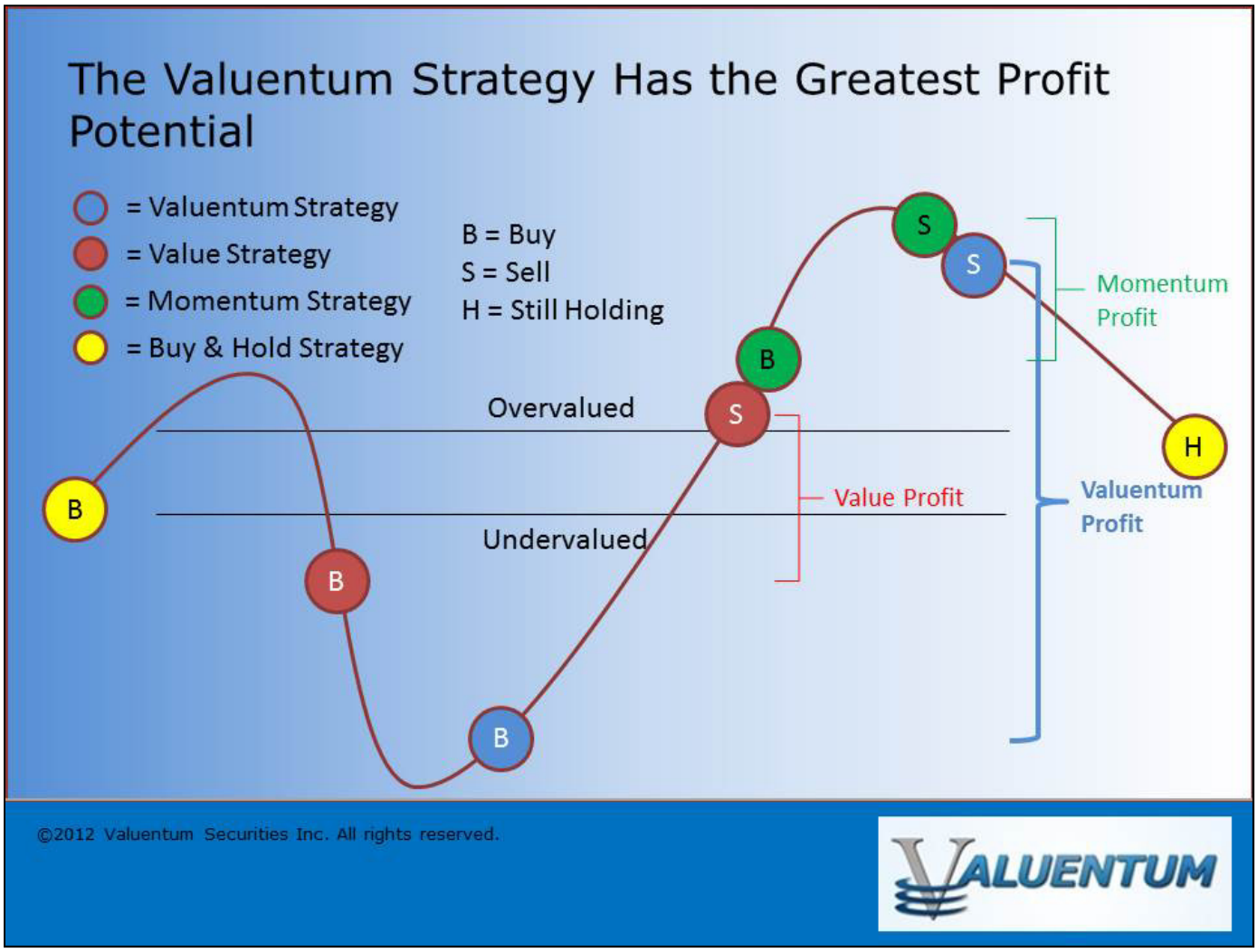


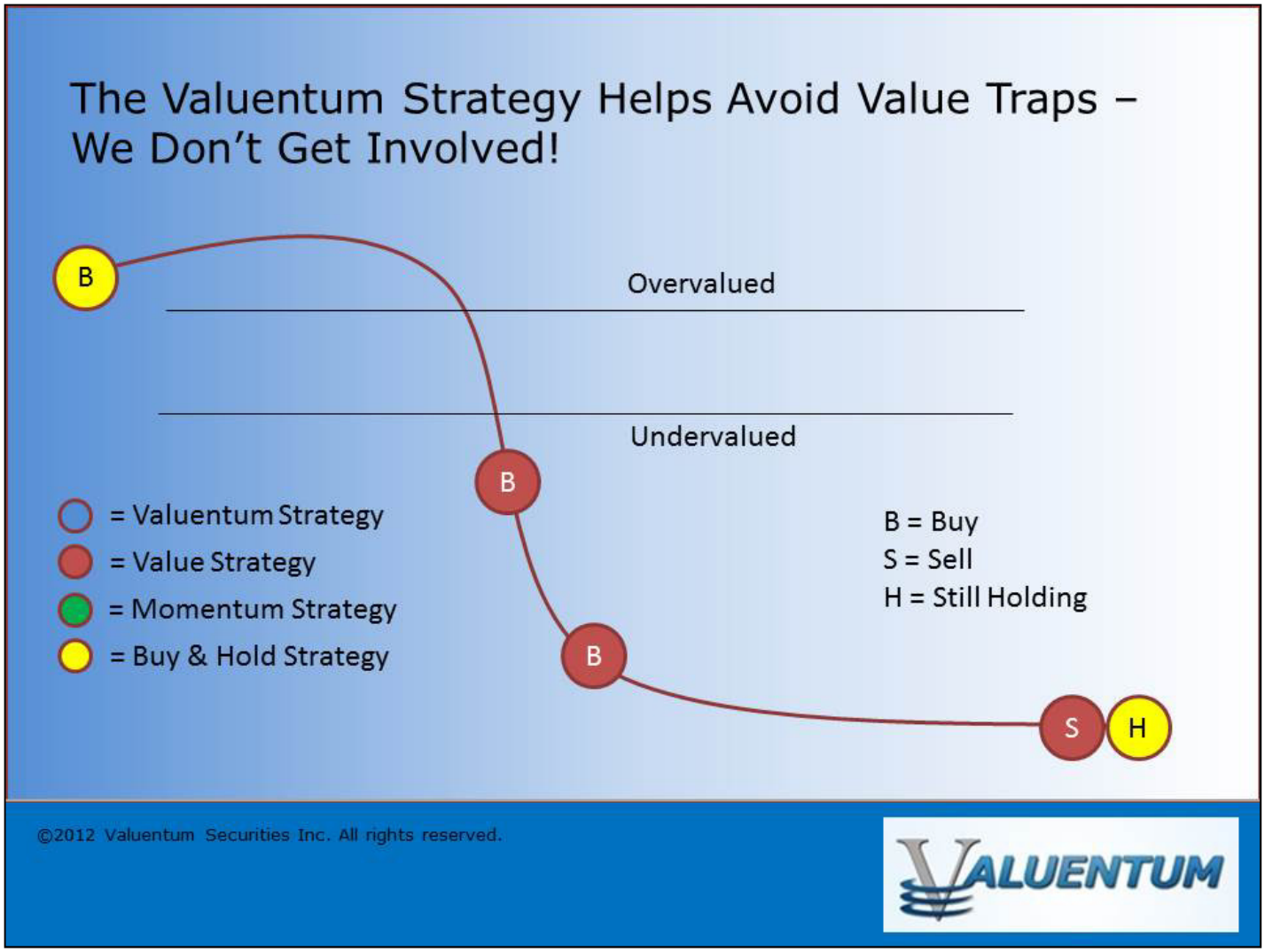
Illustration for educational purposes only.

Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index continued from previous page

Furthermore, Valuentum subscribers are less likely to be involved in value traps because we demand material revenue and earnings growth for firms to earn a 10 on our Valuentum Buying Index. Value traps often occur as a result of secular declines in a firm's products or services, resulting in deteriorating revenue and earnings trends (and a falling stock price). Valuentum subscribers are less likely to be exposed to these "falling knives" since our process requires firms to not only be undervalued but also be exhibiting bullish technical and momentum indicators before we would consider adding them to our actively-managed portfolios.

Since the stock market is a forward-looking mechanism, price usually leads fundamentals. Without a turnaround in price, the risk that the fundamentals of an undervalued stock have not turned for the positive is higher. Where value strategies may encourage the buying of a stock all the way down regardless of whether fundamentals ever turn (red circles: Buy --> Sell), the Valuentum strategy simply steers clear of these situations. We wait for technical improvement in the equity, which often precedes fundamental changes at the company.

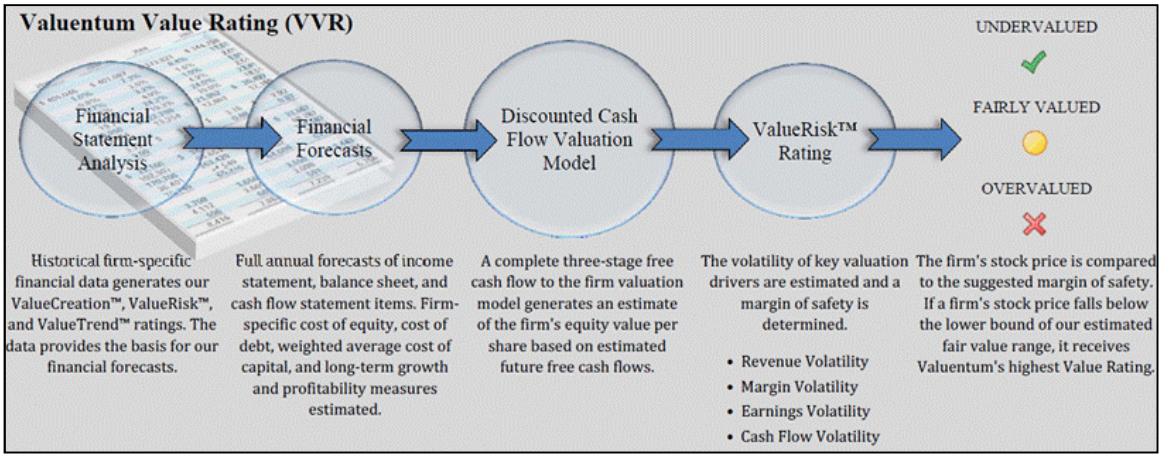


Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index continued from previous page

I. We Use a Rigorous Discounted Cash Flow Valuation Process

Our methodology starts with in-depth financial statement analysis, where we derive our ValueCreation, ValueRisk, and ValueTrend ratings, which together provide a quantitative assessment of the strength of a firm's competitive advantages. We compare a company's return on invested capital (ROIC) to our estimate of its weighted average cost of capital (WACC) to assess whether it is creating economic profit for shareholders (ROIC less WACC equals economic profit). Firms that have improving economic profit spreads over their respective cost of capital score high on our ValueCreation and ValueTrend measures, while firms that have relatively stable returns score well with respect to our ValueRisk evaluation, which impacts our margin-of-safety assessment.



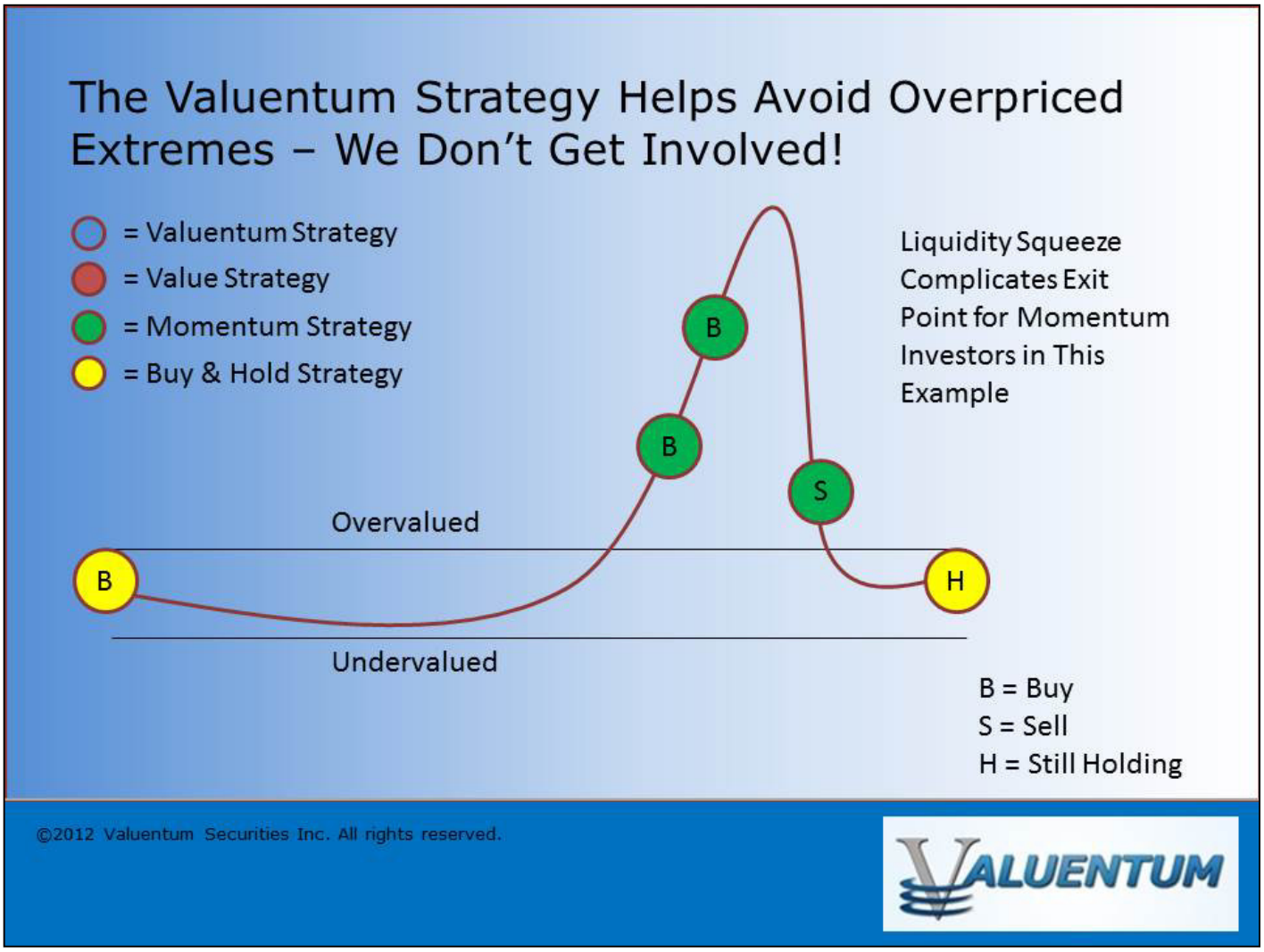
After evaluating historical trends, we then make full annual forecasts for each item on a company's income statement and balance sheet to arrive at a firm's future free cash flows. We derive a company-specific cost of equity (using a fundamental beta based on the expected uncertainty of key valuation drivers) and a cost of debt (considering the firm's capital structure and synthetic credit spread over the risk-free rate), culminating in our estimate of a company's weighted average cost of capital (WACC). We don't use a market price-derived beta, as we embrace market volatility, which provides investors with opportunities to buy attractive stocks at bargain-basement levels.

We then assess each company within our complete three-stage free cash flow to the firm (enterprise cash flow) valuation model, which generates an estimate of a company's equity value per share based on its discounted future free cash flows and the company's net balance sheet impact, including other adjustments to equity value (namely pension and OPEB adjustments). Our ValueRisk rating, which considers the underlying uncertainty of the capacity of the firm to continue to generate value for shareholders, sets the margin of safety bands around this fair value estimate. For firms that are trading below the lower bound of our margin of safety band, we consider these companies undervalued based on our DCF process. For firms that are trading above the higher bound of our margin of safety band, we consider these companies overvalued based on our DCF process.

We think a focus on discounted cash-flow valuation prevents investors from exposing their portfolios to significantly overpriced stocks at their peaks. The chart below reveals how pure momentum investors may expose their portfolios to pricing extremes and dramatic falls (green circles: Buy --> Sell). We stay away from these situations.

Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index continued from previous page



II. We Perform a Forward-Looking Relative Value Assessment

Our discounted cash-flow process allows us to arrive at an absolute view of the firm's intrinsic value. However, we also understand the critical importance of assessing firms on a relative value basis, versus both their industry and peers. Many institutional money-managers--those that drive stock prices--pay attention to a company's price-to-earnings (PE) ratio and price-earning-to-growth (PEG) ratio in making buy/sell decisions. With this in mind, we have included a forward-looking relative value assessment in our process to further augment our rigorous discounted cash-flow process. If a company is undervalued on both a price-to-earnings ratio and a price-earnings-to-growth (PEG) ratio versus industry peers, we would consider the firm to be attractive from a relative value standpoint.

III. We Seek to Avoid Value Traps, Falling Knives and Opportunity Cost

Once we have estimated a firm's intrinsic value on the basis of our discounted cash-flow process, determined if it is undervalued according to its firm-specific margin of safety bands, and assessed whether it has relative value versus industry peers, we then evaluate the company's technical and momentum indicators to pin-point the best entry and exit points on the stock (but only after it meets our stringent

Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index continued from previous page

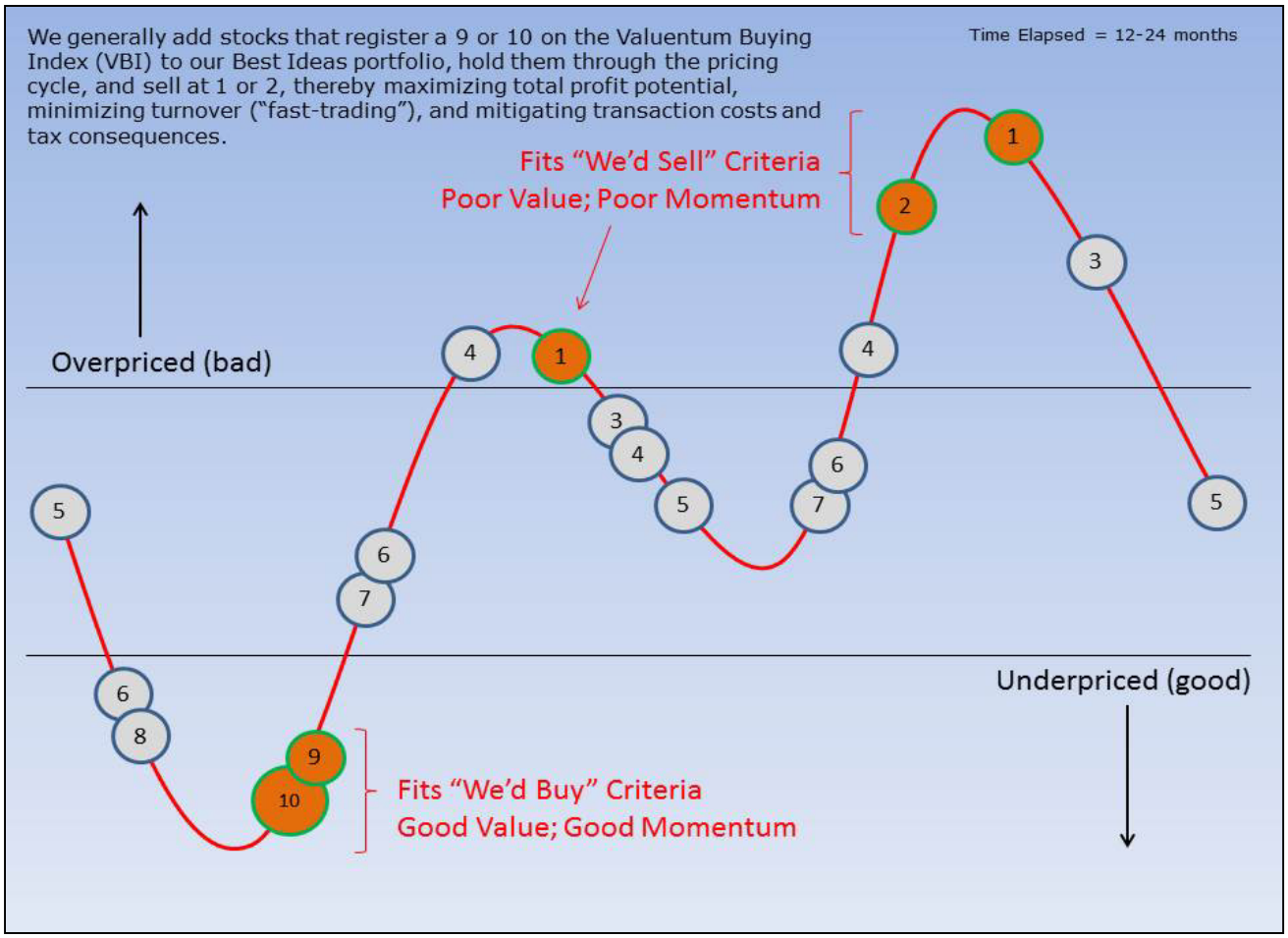
valuation criteria). Rigorous valuation analysis and technical analysis are not mutually exclusive, and we believe both can be used together to bolster returns. An evaluation of a stock's moving averages, relative strength, upside-downside volume, and money flow index are but a few considerations we look at with respect to our technical and momentum assessment of a company's stock.

We embrace the idea that the future is inherently unpredictable and that not all fundamental factors can be included in a valuation model. By extension, we use technical and momentum analysis to help safeguard us against value traps, falling knives, and the opportunity cost of holding an undervalued equity for years before it converges to fair value. Other research firms do not consider opportunity cost as a legitimate expense for investors.

Putting It All Together - the Valuentum Buying Index

Though the time frame varies depending on each idea, we expect our best ideas to work out over a 12-24 month time horizon (on average) -- any shorter than that is mostly luck, in our view. We tend to add firms to our Best Ideas portfolio when they register a 9 or 10 on our Valuentum Buying Index (VBI) and tend to remove firms from our Best Ideas portfolio when they register a 1 or 2 on our VBI.

We like to maximize profits on every idea, with the understanding that momentum does exist and that prices over and under shoot intrinsic value all of the time. A value strategy (10 --> 5) truncates potential profits, while a momentum strategy (4 --> 1) ignores profits generated via value assessments. We're after the entire profit potential, as shown below.

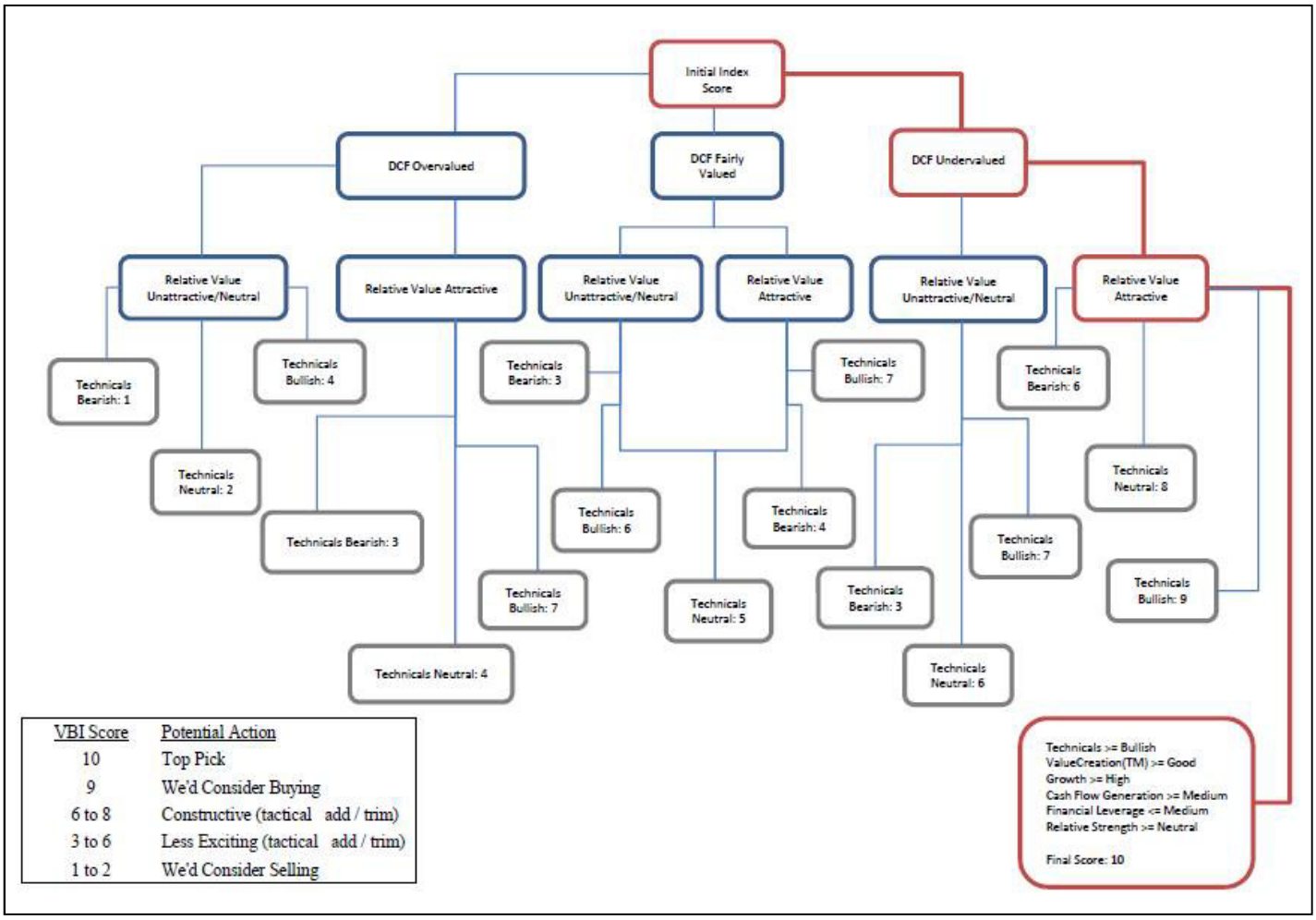


Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index **continued from previous page**

Let's follow the red line on the flow chart below to see how a firm can score a 10, the best mark on our index (a "Top Pick"). Please click here to view an enlarged pdf version. 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.



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

Our Methodology – The Valuentum Buying Index continued from previous page

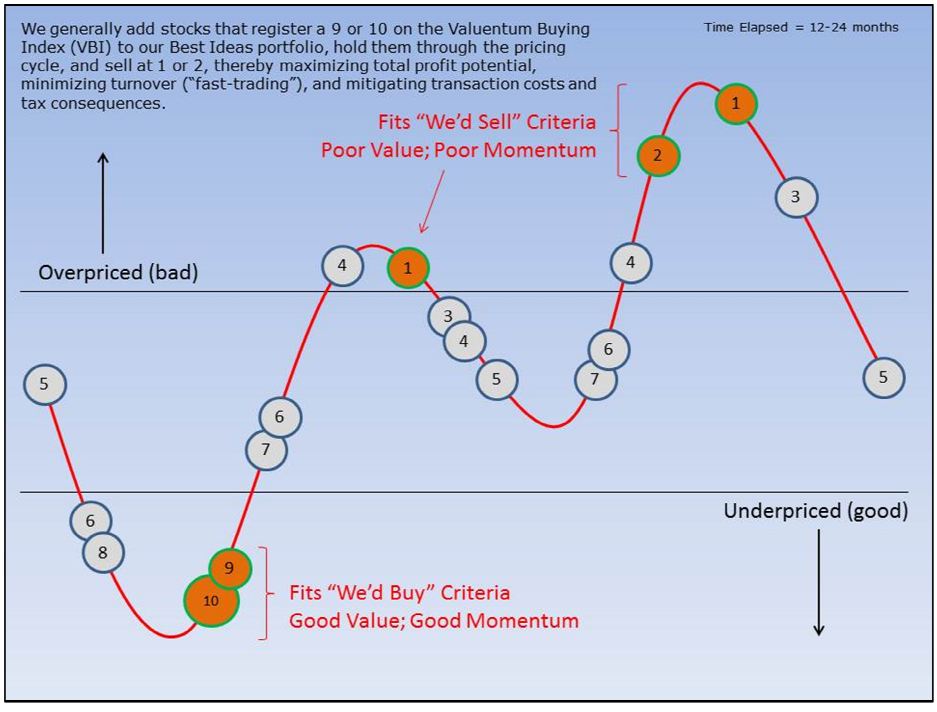
How We Use the Valuentum Buying Index in the Best Ideas Newsletter Portfolio

First and foremost, firms in our Best Ideas portfolio should be considered our best ideas at any point in time. The Best Ideas portfolio can always be found on page 8 of our monthly Best Ideas Newsletter. Firms in our Dividend Growth portfolio should be considered our best dividend growth ideas at any point in time. The Dividend Growth portfolio can always be found on page 5 of our monthly Dividend Growth Newsletter.

Let's talk about how the Valuentum Buying Index (VBI) informs which ideas we include in our actively-managed portfolios. We've noticed via our statistical backtesting that the momentum factor behind our process tends to be much more pronounced (powerful) over longer periods of time. This was one of the interesting findings of our academic white paper study. We try to replicate this dynamic with the update cycle of our reports (and the time horizon for our ideas to work out). That's why our reports are updated regularly (at least quarterly) or after material events and not daily or weekly. We don't want to whipsaw our membership, nor do we think churn is the way to generate outperformance.

Though the time frame varies depending on each idea, we expect our best ideas to work out over a 12-24 month time horizon (on average) -- any shorter than that is mostly luck, in our view. We tend to add firms to our Best Ideas portfolio when they register a 9 or 10 on our Valuentum Buying Index (VBI) and tend to remove firms from our Best Ideas portfolio when they register a 1 or 2 on our VBI. You'll notice that we have a qualitative overlay in the portfolio, which is necessary and similar in thinking as if you were to imagine a value investor not adding every undervalued stock to his/her portfolio. There are always tactical and sector weighting considerations in any portfolio construction.

As for the time horizon for ideas, we like to maximize profits on every idea, with the understanding that momentum does exist and that prices over and under shoot intrinsic value all of the time. A value strategy (10 --> 5) truncates potential profits, while a momentum strategy (4 --> 1) ignores profits generated via value assessments. We're after the entire profit potential. So, for example, if a firm is added to the Best Ideas portfolio as a 10 and is removed as a 5, we would have truncated profit potential. Most of our highly-rated Valuentum Buying Index rated stocks have generated the vast outperformance of the Best Ideas portfolio. Please view the pricing cycle below.



Our Methodology – The Valuentum Buying Index continued on next page

Our Methodology – The Valuentum Buying Index **continued from previous page**

Importantly, regarding our process, we don't blindly and immediately add firms to our portfolio once they score a 9 or 10 (and we do not add all firms that score a 9 or 10 to our portfolio). For example, Google (GOOG), a current Best Ideas portfolio holding, registered a 10 on our scale, but we remained patient and didn't add the company to our portfolio until after it reported earnings in late 2012, which provided us with an even better entry point (as new information came to light). We engage in a qualitative portfolio management overlay to maximize returns and minimize risk. The number informs our process, but the team makes the allocation decisions of the portfolio.

After adding firms to our Best Ideas portfolio, we may tactically trade around these positions when they have VBI ratings between 3 and 8 depending on the size of their weighting in our portfolio or their attractiveness relative to other opportunities (a score of 3 through 8 is typically equivalent to a 'we'd hold'). We tend to remove firms from our Best Ideas portfolio when they register a 1 or 2 on our process. Importantly, however, firms in our Best Ideas portfolio, which have generally registered a 9 or 10 on our scale when we added them, should be considered our best ideas at any point in time.

Take pre-split eBay (EBAY), which included PayPal (PYPL) as another example of our process in action. The firm initially flashed a rating of 10 in late September 2011, and we added it to our Best Ideas portfolio. The VBI rating changed to a 6 in December 2011 and then back to a 10 in May 2012, but because the rating never breached a 1 or 2, we did not remove the position from our portfolio. In fact, we tactically added to it.

eBay/PayPal is probably one of the better examples to use for illustrating the prolonged outperformance driven by undervalued stocks that are beginning to generate good momentum. We like to capture the entire pricing cycle and not truncate it as most value investors do. We no longer include eBay in the newsletter portfolio, but its split-off PayPal is retained.

There have been more straight-forward opportunities in our Best Ideas portfolio, especially in the case of EDAC Tech (EDAC), which had tripled since we added it to the portfolio (never registering below a 9 along the way). The VBI ratings on our most recent 16-page reports, downloadable directly from our website, reflect our current opinion on the company.

The Valuentum Buying Index, like all methodologies, informs the investment decision process, but in constructing a portfolio, a qualitative overlay is not only necessary but has been shown to optimize performance in the white paper study.

About Our Name

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 to momentum investing. And a combination of the two approaches found on each side of the spectrum (value/momentum) in a name couldn't be more representative of what our analysts do here; hence, we're called Valuentum.

Valuentum Best Ideas Newsletter: Volume 6, Issue 9

Valuentum's Best Ideas Newsletter is published monthly. To receive this newsletter on a monthly basis, please subscribe to Valuentum by visiting our website at www.valuentum.com. Or contact us at info@valuentum.com.

Image links:

Page 7:

http://r20.rs6.net/tn.jsp?f=00167Szcjf17H8p6xUB07a65h__TM_HSsGF7qkM9spk5fQOh198FamLCZA63_1Lg2jPzgOxdzcbKJ4Vtgyaj1kllJjlbDDYfWwDvcZhAFbMIRzOwnTt2wnW3fHLTxYoC_bh4IYAuhuuh5GZsIm1ye1OB6CqZvXU1LneIFb_92qv051WJswQv3C371q_hq4gKJvZGDtax9xHYfEHYoq24iXYAuoO9dpGwvawLu1Y7DJVYzKefAO8-tsN9N7v6QktZ9j2IHSpwsJbgBAML_FWu0CU9QgKN4eGH1pak89hQjpfR1OPEPkuzOuT49HWpQ5dO-qxJ934-1GIjWLDcEmknJgmnXWBT2V8HPJLIWYfEYffi8LZMEsrMBUtdKz1ZolTzt8NOXOan3ba3Sp1fX8ftW7tNHoESAplX1cRl4cN1cyK_zIeWd1UmHFUv_5g8jFnFbHFFEEsAHp-jtRGBfZVqtJ0m0YlSWreQ_j2mAqu082B_EMYrB8XQTZeYD-yo9fBj1RY3_VXqmOlYVbhQFgNoWi_wipTtsferXfo6xxCJWPq81qywllJ9GXB1L1h7lyhGKkLQFLMHP3CWZWX0ZbFPhDBVTtf1QygBrLvB5T5nUHZMD0SME5wbtaPNFrDCrA0zI_RVOhihkYeuhtNX0VvLpQJMIE2DATaS4yNiKTTJgaDG-Nzg1qQ465YgQ==&c=&ch=

Page 13:

https://www.flickr.com/photos/goodncrazy/3950937655/in/photolist-728A7K-pUtcnk-4nKYXm-8PWifN-auWcfw-qMBmnm-4T8J4-nBh7QT-nVy8r6-qLsd9R-8KiQN2-4o75P9-4nJxHc-pM2ZEA-x3j5b-4nNoHY-r4oSbR-4nL9AJ-7dxjyk-r3UPm2-6evmpv-r6RK7q-nRJkrL-aPtqKc-s69VdY-5j8dsq-koKohQ-eMtj1h-78USzQ-x2heS-4NbaJG-5PUc9M-89LbnD-qLtXi2-521iyP-aQxmZa-q6Uf2f-qQjpcc-4nKYV5-q4nC5-uJ72k-b4CkjZ-r2T3Q7-bwUzjT-8kwG8D-83CjeB-nBht37-cRU9M9-nVy8Kn-eMtHqm

© Valuentum Securities, Inc. All rights Reserved. The information contained in this report is not represented or warranted to be accurate, correct, complete, or timely. This report is for informational and educational purposes only and should not be considered a solicitation to buy or sell any security. The securities mentioned herein may not be suitable for all types of investors. The information contained in this report does not constitute any investment advice, but especially on the tax consequences of making any particular investment decision. This material is not intended for any specific type of investor and does not take into account an investor's particular investment objectives, financial situation or needs.

This report is not intended as a recommendation of the securities highlighted or any particular investment strategy. Before acting on any information found in this report, readers should consider whether such an investment is suitable for their particular circumstances, perform their own due-diligence, and if necessary, seek professional advice. This report has not been tailored to suit any particular person's portfolio or holdings.

Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report and accepts no liability for how readers may choose to utilize the content. In no event shall Valuentum be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document. Investors should consider this report as only a single factor in making their investment decision. Redistribution is prohibited without written permission.

Valuentum is not a registered investment advisor, has not given its consent to be deemed an "expert" under the Federal Securities Act of 1933, does not offer brokerage or investment banking services, and adheres to professional standards and abides by formal codes of ethics that put the interests of clients and subscribers ahead of their own. As of the date of this report, Valuentum has not received any compensation from companies highlighted in this report. Valuentum, its employees, and affiliates may have long, short or derivative positions in the stock or stocks mentioned herein.

No warranty is made regarding the accuracy of any data or any opinions. The portfolio in the Valuentum Best Ideas Newsletter is hypothetical and does not represent real money. Performance assessment of the Valuentum Buying Index™ is currently ongoing, and we intend to update investors as soon as such results are available. Past performance is not a guarantee of future results.

For general information about Valuentum's products and services, please contact us at info@valuentum.com.