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3Q 2017
Published Quarterly

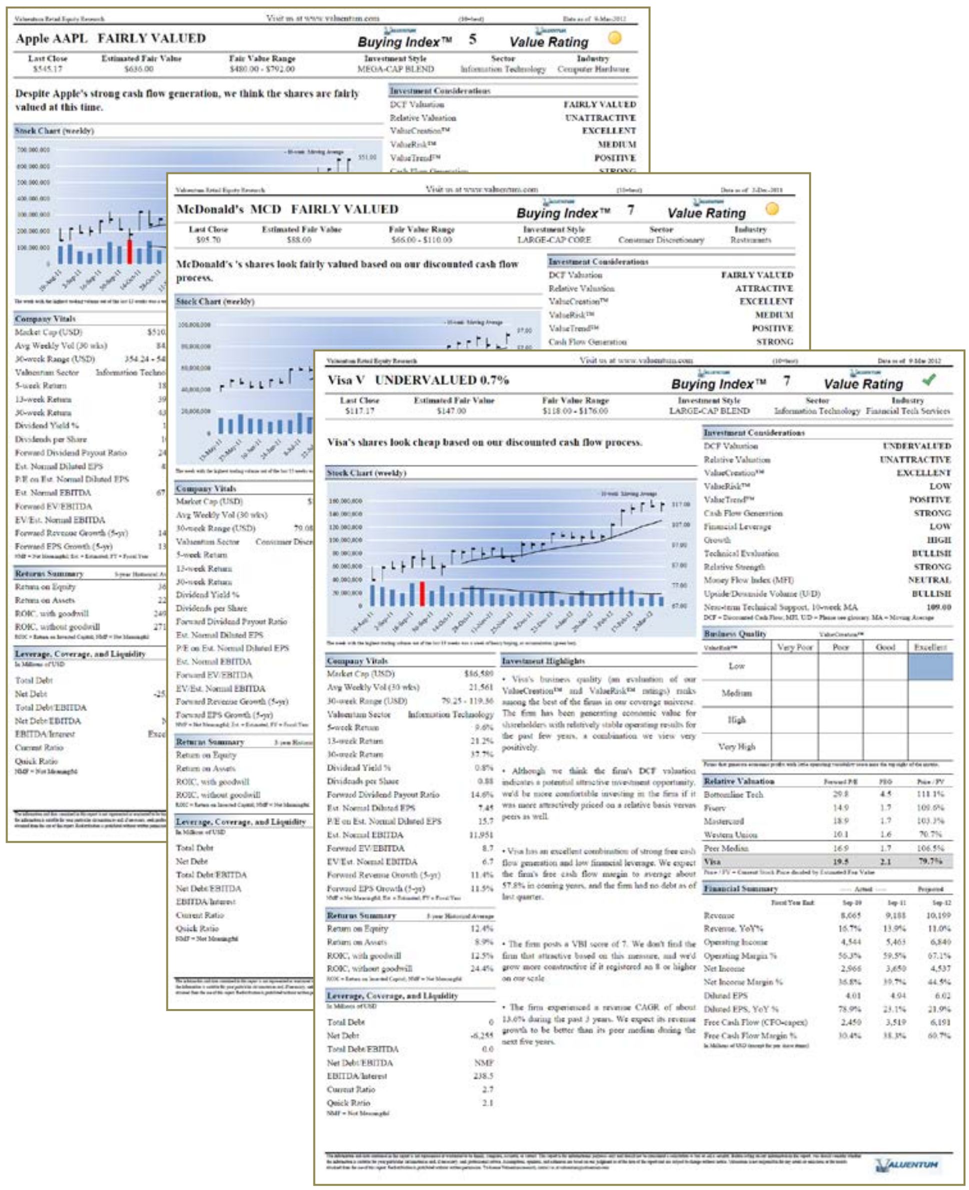
Valuentum Ideas100™

Announcing a New Tool for the Intelligent Investor!

- An Invaluable Resource for Today's Financial Advisor and Portfolio Manager
- Forward-Looking, Easy-to-Compare Stock Reports on 100 of the Highest-Quality Firms
- Rankings Based on Competitive Advantages and Risk Profiles
- Valuentum Buying Index™ Ratings to Identify the Best Stocks To Consider Buying Now
- Independent Guidance from the Valuentum Analyst Team
- Updated Quarterly

This publication can help you:

- Build a new diversified portfolio of high-quality stocks from a variety of sectors
- Add solid companies to fortify your existing portfolio
- Identify investment gems


Apple AAPL FAIRLY VALUED
Despite Apple's strong cash flow generation, we think the shares are fairly valued at this time.
McDonald's MCD FAIRLY VALUED
McDonald's 's shares look fairly valued based on our discounted cash flow process.
Visa V UNDERVALUED 0.7%
Visa's shares look cheap based on our discounted cash flow process.

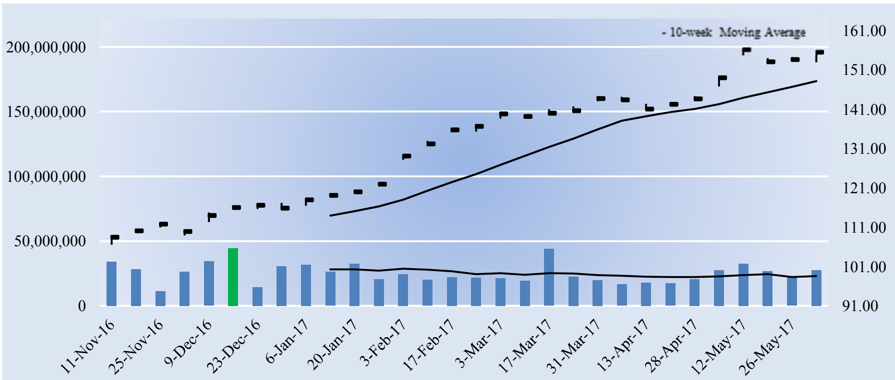
Apple AAPL FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$183.00	$150.00 - $216.00	MEGA-CAP VALUE	Information Technology	Computer Hardware

Apple is as much a brand as it is one of the world's most innovative companies. Its balance sheet strength is astounding.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
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	148.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$855,019
Avg Weekly Vol (30 wks)	25,335
30-week Range (USD)	106.55 - 156.42
Valuentum Sector	Information Technology
5-week Return	5.9%
13-week Return	11.6%
30-week Return	45.1%
Dividend Yield %	1.6%
Dividends per Share	2.52
Forward Dividend Payout Ratio	27.9%
Est. Normal Diluted EPS	11.40
P/E on Est. Normal Diluted EPS	13.6
Est. Normal EBITDA	95,363
Forward EV/EBITDA	9.3
EV/Est. Normal EBITDA	7.4
Forward Revenue Growth (5-yr)	7.1%
Forward EPS Growth (5-yr)	9.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	38.9%
Return on Assets	17.8%
ROIC, with goodwill	204.8%
ROIC, without goodwill	265.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	87,032
Net Debt	-150,553
Total Debt/EBITDA	1.2
Net Debt/EBITDA	NMF
EBITDA/Interest	48.4
Current Ratio	1.4
Quick Ratio	3.4

NMF = Not Meaningful

Investment Highlights

• Apple is as much a brand as it is one of the world's most innovative companies. The firm is no longer known for its iPods and personal computers, as the proliferation of the iPhone over the past several years has been a sight to behold. The company's execution remains top notch, and we expect it to continue to roll out innovative products in smartphones and wearable technology, its most recent major product launch.

• Apple's rollout of future iterations of the iPhone should propel its fundamentals higher. Though we're not embedding another blockbuster hit in our model, we wouldn't be surprised if Apple delivers another one from its pipeline.

• Criticism over the firm's dependence on sales of the iPhone gained momentum in fiscal 2016, as the second quarter of the fiscal year marked the first quarterly sales decline in 13 years. High levels of demand for the iPhone 7 and multiple safety issues at rival Samsung have eased concerns for the time being, however. The firm returned to mid-single digit top-line growth in the first half of fiscal 2017.

• Investors should pay close attention to the firm's gross margin, which fell to 38% in fiscal 2016 from 40% in fiscal 2015 and is expected to remain below the 40% mark in the near term. Pricing and cost pressures may be unavoidable, and the strengthening of the US dollar will impact results as Apple generates more than two-thirds of its revenue outside the US.

• Apple's cash hoard is more than some of the market capitalizations of the largest companies in the S&P 500. The company retains tremendous flexibility in this regard, and we continue to expect a robust capital return program of dividend increases and share buybacks.

Relative Valuation

	Forward P/E	PEG	Price / FV
BlackBerry	NMF	NMF	112.9%
Cray	NMF	NMF	91.0%
Hewlett-Packard	11.5	2.4	94.9%
IBM	11.0	2.0	95.0%
Peer Median	11.3	2.2	95.0%
Apple	**17.2**	**1.9**	**84.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-15	Sep-16	Sep-17
Revenue	233,715	215,639	226,637
Revenue, YoY%	27.9%	-7.7%	5.1%
Operating Income	71,230	60,024	64,586
Operating Margin %	30.5%	27.8%	28.5%
Net Income	53,394	45,687	49,664
Net Income Margin %	22.8%	21.2%	21.9%
Diluted EPS	9.22	8.31	9.03
Diluted EPS, YoY %	42.8%	-9.9%	8.7%
Free Cash Flow (CFO-capex)	69,778	52,276	49,477
Free Cash Flow Margin %	29.9%	24.2%	21.8%

In Millions of USD (except for per share items)

Structure of the Computer Hardware Industry — NEUTRAL

The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.

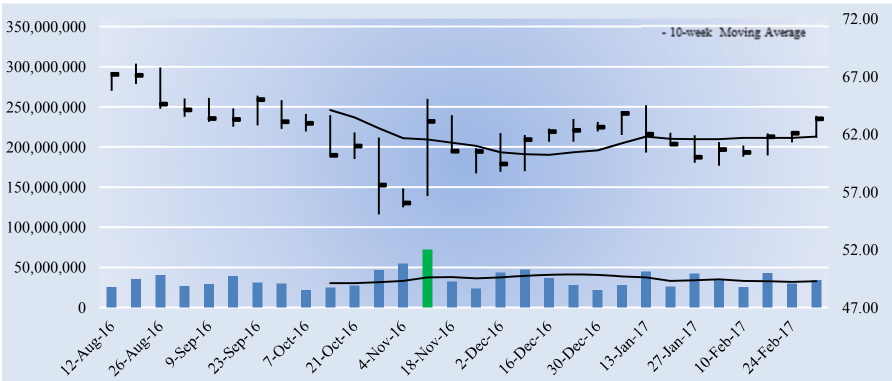
AbbVie ABBV FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$71.00	$55.00 - $87.00	LARGE-CAP VALUE	Health Care	Pharmaceuticals - Big

The largest unknown that continues to plague AbbVie is the fate of the patent covering Humira.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	62.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$103,688
Avg Weekly Vol (30 wks)	34,651
30-week Range (USD)	55.0623 - 68.1239
Valuentum Sector	Health Care
5-week Return	5.7%
13-week Return	NA
30-week Return	NA
Dividend Yield %	4.0%
Dividends per Share	2.56
Forward Dividend Payout Ratio	70.6%
Est. Normal Diluted EPS	5.46
P/E on Est. Normal Diluted EPS	11.6
Est. Normal EBITDA	13,577
Forward EV/EBITDA	13.5
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	7.1%
Forward EPS Growth (5-yr)	14.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	114.3%
Return on Assets	11.2%
ROIC, with goodwill	41.3%
ROIC, without goodwill	82.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	31,671
Net Debt	23,264
Total Debt/EBITDA	3.8
Net Debt/EBITDA	2.8
EBITDA/Interest	11.6
Current Ratio	1.5
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• AbbVie discovers, develops, manufactures, and sells pharmaceutical products across the globe. Headlining AbbVie's business is the blockbuster drug Humira. Though originally approved for rheumatoid arthritis in 2003, the drug has been approved to treat Crohn's disease, plaque psoriasis, ulcerative colitis, psoriatic arthritis, and ankylosing spondylitis and accounted for more than 60% of 2015 sales.

• AbbVie was one of the first major drugmakers to promise to keep drug price increases to less than 10% in 2017. Though regulatory scrutiny may ease under a Republican White House, Trump has claimed pharma firms are 'getting away with murder.'

• AbbVie had plans to buy Shire PLC for $54 billion in a tax-inversion deal. The deal would have increased diversification while reducing the company's reliance on Humira. However, both entities agreed to terminate the deal on account of proposed changes to US tax laws. AbbVie bought Pharmacyclics instead, an equally intriguing combination, then bought Stemcentrx for nearly $6 billion.

• The largest unknown that continues to plague AbbVie is the fate of the patent covering Humira. The European patent is set to expire in 2018, thus opening the door for a biosimilar challenger to steal market share. Though the patent on Humira expired in the US in 2016 management believes it has adequate patent protection well into 2022.

• 2017 may be the last full year of Humira protected sales. The expected decline in European revenue in 2018 coupled with an increase in competition and the unknown status of the Humira patent in the US leave AbbVie extremely vulnerable in the coming years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abbott	64.0	0.6	102.8%
Eli Lilly	20.2	2.0	128.9%
Merck	17.3	1.6	111.0%
Pfizer	13.4	1.2	90.8%
Peer Median	18.7	1.4	106.9%
AbbVie	**17.5**	**1.4**	**89.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	19,960	22,859	25,638
Revenue, YoY%	6.2%	14.5%	12.2%
Operating Income	4,161	7,537	8,491
Operating Margin %	20.8%	33.0%	33.1%
Net Income	1,774	5,144	5,976
Net Income Margin %	8.9%	22.5%	23.3%
Diluted EPS	1.10	3.14	3.63
Diluted EPS, YoY %	-57.2%	185.2%	15.4%
Free Cash Flow (CFO-capex)	2,937	7,003	6,562
Free Cash Flow Margin %	14.7%	30.6%	25.6%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

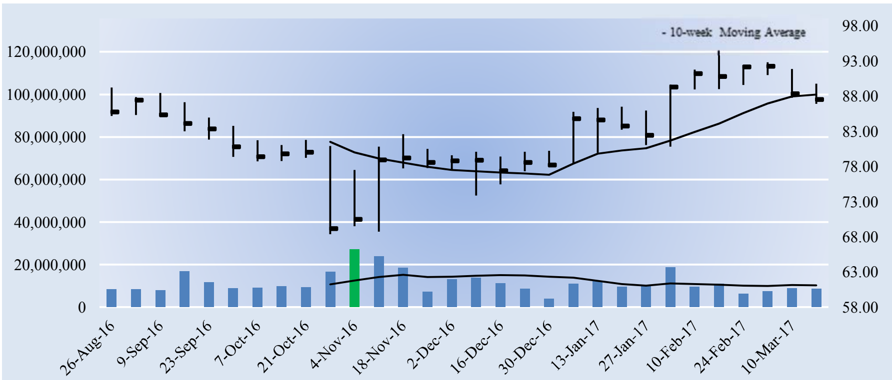
AmerisourceBergen ABC FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$106.00	$77.00 - $135.00	LARGE-CAP VALUE	Health Care	Healthcare Products

AmerisourceBergen serves both healthcare providers and manufacturers, increasing their effectiveness and efficiency.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
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 Resistance, 10-wk MA	88.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$19,778
Avg Weekly Vol (30 wks)	11,542
30-week Range (USD)	68.38 - 94.5
Valuentum Sector	Health Care
5-week Return	-4.4%
13-week Return	12.9%
30-week Return	-1.4%
Dividend Yield %	1.7%
Dividends per Share	1.46
Forward Dividend Payout Ratio	24.8%
Est. Normal Diluted EPS	6.90
P/E on Est. Normal Diluted EPS	12.7
Est. Normal EBITDA	3,178
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	6.8
Forward Revenue Growth (5-yr)	6.7%
Forward EPS Growth (5-yr)	4.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	26.4%
Return on Assets	1.8%
ROIC, with goodwill	33.6%
ROIC, without goodwill	196.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,481
Net Debt	1,740
Total Debt/EBITDA	1.9
Net Debt/EBITDA	0.8
EBITDA/Interest	16.0
Current Ratio	0.9
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• AmerisourceBergen is a pharmaceutical sourcing and distribution service company. The firm serves both healthcare providers and manufacturers, increasing their effectiveness and efficiency. The company's business model has tremendous earnings leverage. It was founded in 1985 and is headquartered in Chesterbrook, Pennsylvania.

• AmerisourceBergen expects the US pharmaceutical market to grow at a 7.1% compound annual growth rate from 2015-2020, to be driven by secular demographic changes, expansion of coverage, new brand drug launches, and a renewed focus on value.

• Fiscal 2017 is expected to be a solid year for AmerisourceBergen. The company is targeting revenue growth of 6.5%-8% in the year, with non-GAAP earnings per share expected in the range of $5.63-$5.88. Brand drug inflation is expected to be in the range of 7%-9%, while generic drug deflation is expected in a range of 7%-9%.

• AmerisourceBergen is looking for growth via the animal health market, a fragmented marketplace with potential in both the companion animal and production animal areas. Expanding access to the evolving drug category of biosimilars and follow-on biologics in the US market is another area for growth potential.

• The company recently signed a strategic relationship with Walgreens. The 10-year distribution deal strengthens nearly every aspect of its business. We would expect platform leverage (domestic and international).

Relative Valuation

	Forward P/E	PEG	Price / FV
Express Scripts	9.3	1.7	70.0%
Henry Schein	23.4	1.9	118.1%
McKesson	11.6	2.6	78.7%
STAAR Surgical	NMF	NMF	123.8%
Peer Median	11.6	1.9	98.4%
AmerisourceBergen	**14.8**	**1.9**	**82.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-15	Sep-16	Sep-17
Revenue	135,962	146,850	156,835
Revenue, YoY%	13.7%	8.0%	6.8%
Operating Income	1,368	1,769	2,190
Operating Margin %	1.0%	1.2%	1.4%
Net Income	-138	1,428	1,333
Net Income Margin %	-0.1%	1.0%	0.8%
Diluted EPS	-0.63	6.32	5.90
Diluted EPS, YoY %	-152.6%	-1096.4%	-6.7%
Free Cash Flow (CFO-capex)	3,691	2,714	1,540
Free Cash Flow Margin %	2.7%	1.8%	1.0%

In Millions of USD (except for per share items)

Structure of the Healthcare Products Distributors Industry — NEUTRAL

The healthcare distributors industry is made up of wholesale medical equipment products distributors, serving the dental, medical and animal health markets, and wholesale drug providers, which distribute pharmaceuticals, medical products/services, and other healthcare technologies. Both sub-spaces are highly competitive and continue to experience growth as a result of the aging population, increased healthcare awareness, and the proliferation of medical technology and testing. Participants face pricing pressure from both customers and suppliers as a result of competition. We're neutral on the group.

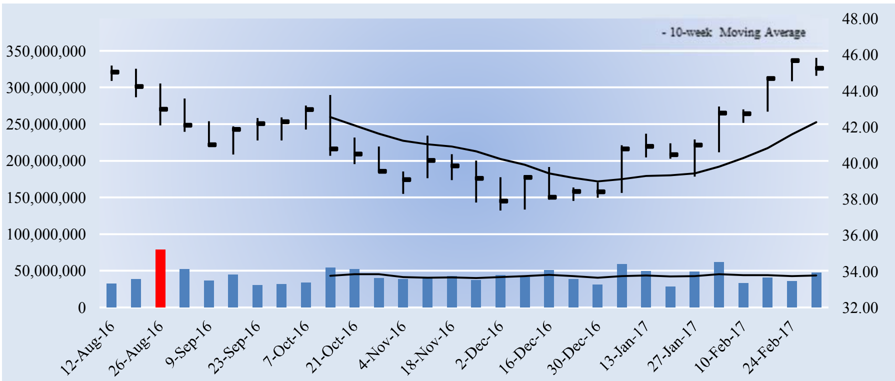
Abbott ABT FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$44.00	$35.00 - $53.00	LARGE-CAP CORE	Health Care	Pharmaceuticals - Big

More than 16% of the world's population will be 65 or older by 2050, offering meaningful opportunities across Abbott's portfolio.

Stock Chart (weekly)



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Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
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)	BULLISH
Near-term Technical Support, 10-week MA	42.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low			■	
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$67,124
Avg Weekly Vol (30 wks)	43,187
30-week Range (USD)	37.38 - 45.835
Valuentum Sector	Health Care
5-week Return	10.7%
13-week Return	18.7%
30-week Return	0.4%
Dividend Yield %	2.3%
Dividends per Share	1.06
Forward Dividend Payout Ratio	149.9%
Est. Normal Diluted EPS	2.45
P/E on Est. Normal Diluted EPS	18.4
Est. Normal EBITDA	6,412
Forward EV/EBITDA	24.6
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	7.6%
Forward EPS Growth (5-yr)	13.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	9.5%
Return on Assets	4.9%
ROIC, with goodwill	7.8%
ROIC, without goodwill	12.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,001
Net Debt	2,876
Total Debt/EBITDA	2.1
Net Debt/EBITDA	0.7
EBITDA/Interest	26.6
Current Ratio	1.5
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• The new Abbott isn't much different from the old Abbott, minus the blockbuster drug Humira and other members of its drug lineup. It remains aligned with favorable long-term healthcare trends in both developed and developing markets. The company is more than 125 years old. Roughly 70% of its sales are now outside the US.

• Abbott's diagnostics segment has some solid products in the pipeline that could kick-start growth, and it remains #1 in blood screening. More than 16% of the world's population will be 65 or older by 2050, offering meaningful opportunities across Abbott's portfolio.

• Abbott's nutritionals segment is one of the more attractive businesses in the healthcare space. It is home to some well-known brand names such as EAS, Myoplex and ZonePerfect. The division is #1 in adult nutrition and #1 in pediatric nutrition. It's hard not to like its branded generics (#1 in India) and its medical devices (#1 in coronary stents) segments either.

• Abbott recently acquired St. Jude Medical for $25 billion, in hopes of creating a premier medical device leader. Annual pre-tax synergies of $500 million are expected by 2020, and Abbot has assumed or will refinance $5.7 billion of STJ debt. It is targeting a net debt-to-EBITDA ratio of 3.5x in 2018; deleveraging will be a high priority.

• Abbott continues to expand its global presence, particularly in Latin America and Russia. It also continues to expand its global infrastructure presence. The firm recently sold its Medical Optics unit to Johnson & Johnson for ~$4.3 billion in cash.

Relative Valuation

	Forward P/E	PEG	Price / FV
AbbVie	17.5	1.4	89.2%
Eli Lilly	20.2	2.0	128.9%
Merck	17.3	1.6	111.0%
Pfizer	13.4	1.2	90.8%
Peer Median	17.4	1.5	100.9%
Abbott	**64.0**	**0.6**	**102.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	20,247	20,405	20,853
Revenue, YoY%	-7.3%	0.8%	2.2%
Operating Income	2,599	2,867	1,339
Operating Margin %	12.8%	14.1%	6.4%
Net Income	1,721	2,606	1,049
Net Income Margin %	8.5%	12.8%	5.0%
Diluted EPS	1.13	1.73	0.71
Diluted EPS, YoY %	-25.6%	53.5%	-59.1%
Free Cash Flow (CFO-capex)	2,598	1,856	2,081
Free Cash Flow Margin %	12.8%	9.1%	10.0%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

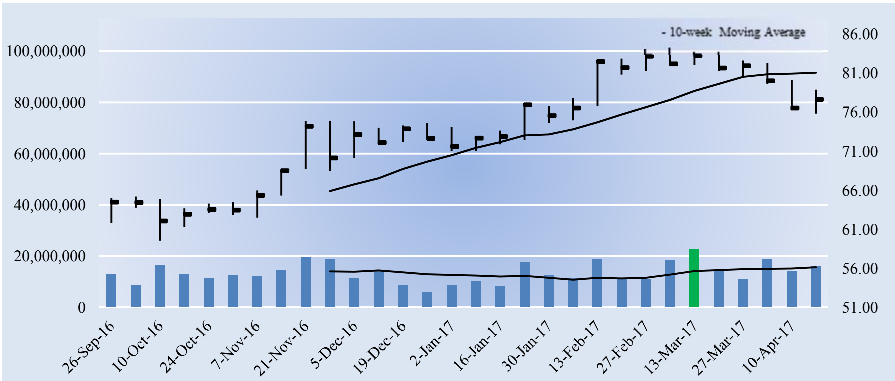
Analog Devices ADI FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$65.00	$52.00 - $78.00	LARGE-CAP GROWTH	Information Technology	Integrated Circuits

Analog Devices recently acquired Linear Technology in a cash and stock transaction for approximately $14.8 billion.

Stock Chart (weekly)



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Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	81.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$24,244
Avg Weekly Vol (30 wks)	13,460
30-week Range (USD)	59.54 - 84.24
Valuentum Sector	Information Technology
5-week Return	-6.8%
13-week Return	6.7%
30-week Return	23.6%
Dividend Yield %	2.2%
Dividends per Share	1.68
Forward Dividend Payout Ratio	41.6%
Est. Normal Diluted EPS	4.66
P/E on Est. Normal Diluted EPS	16.6
Est. Normal EBITDA	2,388
Forward EV/EBITDA	15.9
EV/Est. Normal EBITDA	13.6
Forward Revenue Growth (5-yr)	13.8%
Forward EPS Growth (5-yr)	12.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.8%
Return on Assets	10.3%
ROIC, with goodwill	32.2%
ROIC, without goodwill	64.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,000
Net Debt	8,250
Total Debt/EBITDA	7.2
Net Debt/EBITDA	6.6
EBITDA/Interest	14.1
Current Ratio	6.4
Quick Ratio	5.8

NMF = Not Meaningful

Investment Highlights

• Analog Devices produces high-performance analog, mixed-signal and digital signal processing integrated circuits used by over 60,000 customers. The company derives two thirds of sales from data converters and high-performance amplifiers. 90% of revenue comes from the business-to-business space. It was founded in 1965 and is headquartered in Massachusetts.

• Analog Devices has acquired Linear Technology in a cash and stock transaction for approximately $14.8 billion. The combined entity has roughly $5 billion in annual pro forma revenue, and the deal is expected to be immediately accretive to non-GAAP earnings per share and free cash flow.

• The acquisition of Linear Tech has created a high-performance analog industry leader and almost doubled Analog Devices' addressable market. Annualized run-rate synergies of $150 million are expected within 18 months of the deal closing (March 2017), and the firm is targeting $5 in non-GAAP earnings per share by the end of 2020.

• Though consolidated financials have yet to be released, Analog's post-transaction debt load is expected to be ~$9 billion, compared to cash of roughly $750 million. Net debt-to-adjusted EBITDA of 3.8x at closing excluding synergies is well above its target of 2.0x.

• Analog Devices' Dividend Cushion ratio has been decimated by the increased debt load associated with the Linear purchase. Investors should be cognizant of competitive threats and pricing pressure across its product line-up, as well as the increased debt load.

Relative Valuation

	Forward P/E	PEG	Price / FV
Marvell Tech	14.6	2.5	99.3%
Semtech Corp	18.9	1.8	104.8%
Skyworks	16.1	1.8	98.6%
Taiwan Semiconductor	15.0	2.7	106.7%
Peer Median	15.5	2.2	102.1%
Analog Devices	**19.2**	**2.3**	**119.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Oct-15	Oct-16	Oct-17
Revenue	3,435	3,421	4,910
Revenue, YoY%	19.9%	-0.4%	43.5%
Operating Income	831	1,042	1,777
Operating Margin %	24.2%	30.4%	36.2%
Net Income	697	862	1,495
Net Income Margin %	20.3%	25.2%	30.5%
Diluted EPS	2.20	2.76	4.04
Diluted EPS, YoY %	11.1%	25.5%	46.4%
Free Cash Flow (CFO-capex)	754	1,154	1,447
Free Cash Flow Margin %	21.9%	33.7%	29.5%

In Millions of USD (except for per share items)

Structure of the Integrated Circuits Industry — VERY POOR

Firms in the integrated circuits industry make components that form the electronic building blocks used in electronic systems and equipment. The industry is notoriously cyclical and subject to significant economic upturns and downturns, as well as rapid technological changes. Firms must innovate to survive, and products stocked in inventory can sometimes become obsolete before they are even shipped. Severe pricing competition and lengthy manufacturing cycles only add uncertainty to the mix. We're not fans of the structure of the integrated circuits space.

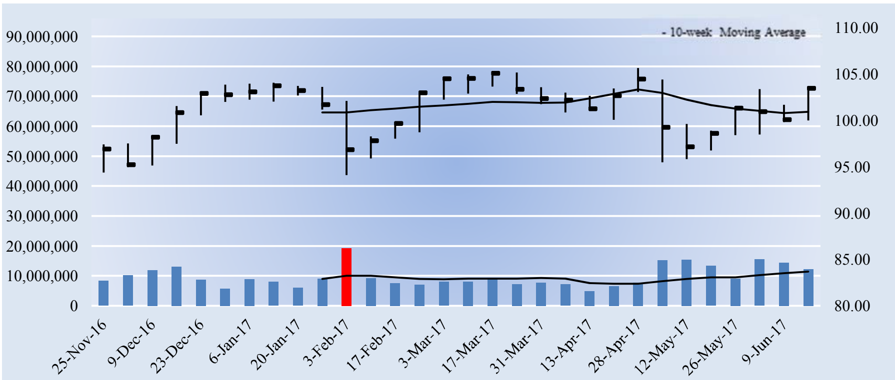
Automatic Data Processing ADP FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$108.00	$86.00 - $130.00	LARGE-CAP VALUE	Information Technology	Staffing Services

ADP boasts a large, recurring revenue base resulting in strong, consistent cash flow generation.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	101.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$47,512
Avg Weekly Vol (30 wks)	9,842
30-week Range (USD)	94.11 - 105.675
Valuentum Sector	Information Technology
5-week Return	6.7%
13-week Return	-1.6%
30-week Return	9.5%
Dividend Yield %	2.2%
Dividends per Share	2.28
Forward Dividend Payout Ratio	60.7%
Est. Normal Diluted EPS	3.87
P/E on Est. Normal Diluted EPS	26.7
Est. Normal EBITDA	2,567
Forward EV/EBITDA	4.9
EV/Est. Normal EBITDA	4.9
Forward Revenue Growth (5-yr)	2.8%
Forward EPS Growth (5-yr)	3.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	26.5%
Return on Assets	4.3%
ROIC, with goodwill	34.2%
ROIC, without goodwill	83.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,008
Net Debt	-35,048
Total Debt/EBITDA	0.9
Net Debt/EBITDA	NMF
EBITDA/Interest	39.1
Current Ratio	1.1
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Automatic Data Processing (ADP) is one of the world's largest providers of business outsourcing solutions. The firm offers a wide range of easy-to-use human resource, payroll, tax and benefits administration solutions from a single source. It has 650,000 clients in 110+ countries. The company was founded in 1949 and is based in New Jersey.

• In the US, the human capital market is a $50 billion market growing at a nice mid-single-digit pace. The market is ~$90 billion on a global basis. ADP has the potential to cover 95%+ of all multinational employees, offering further growth opportunity.

• ADP believes its runway for growth is a long one, though its operating environment is evolving. The increasing complexity of regulatory compliance, trends toward the use of big data, and the globalization of businesses and the additional complexities that come along with cross-border operations are all expected to help drive demand.

• We're not encouraged by the number of times ADP revised its fiscal 2017 guidance as it points to a degree of a lack of visibility in the business, despite its recurring revenue base. Material weakness in worldwide new business bookings forced management to cut its guidance for the measure in the fiscal year from growth of 4%-6% to a drop of 5%-7%.

• ADP boasts a large, recurring revenue base resulting in strong, consistent cash flow generation. The firm's business model has low capital requirements. It has minimal long-term obligations and has been paying dividends continuously since 1974.

Relative Valuation

	Forward P/E	PEG	Price / FV
Insperity	24.6	1.8	111.9%
Korn/Ferry	14.4	1.5	91.2%
Manpower	16.2	1.9	110.9%
Paychex	27.1	3.2	127.3%
Peer Median	20.4	1.8	111.4%
Automatic Data Processing	**27.5**	**10.2**	**95.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-15	Jun-16	Jun-17
Revenue	10,939	11,668	12,356
Revenue, YoY%	-10.4%	6.7%	5.9%
Operating Income	1,636	1,813	2,162
Operating Margin %	15.0%	15.5%	17.5%
Net Income	1,377	1,493	1,691
Net Income Margin %	12.6%	12.8%	13.7%
Diluted EPS	2.89	3.25	3.76
Diluted EPS, YoY %	-7.0%	12.4%	15.5%
Free Cash Flow (CFO-capex)	1,570	1,474	1,699
Free Cash Flow Margin %	14.4%	12.6%	13.7%

In Millions of USD (except for per share items)

Structure of the Staffing Services Industry — NEUTRAL

The staffing services industry spans firms that provide business outsourcing services to those that offer talent management solutions. Providers of business outsourcing solutions compete with a variety of independent firms as well as captive in-house functions. Their businesses are characterized by long-term client relationships and recurring revenue. Talent management firms offer executive recruitment and consulting services and face emerging competition from professional networking website providers. Attracting consultants is particularly important for executive recruitment entities. We're neutral on the group.

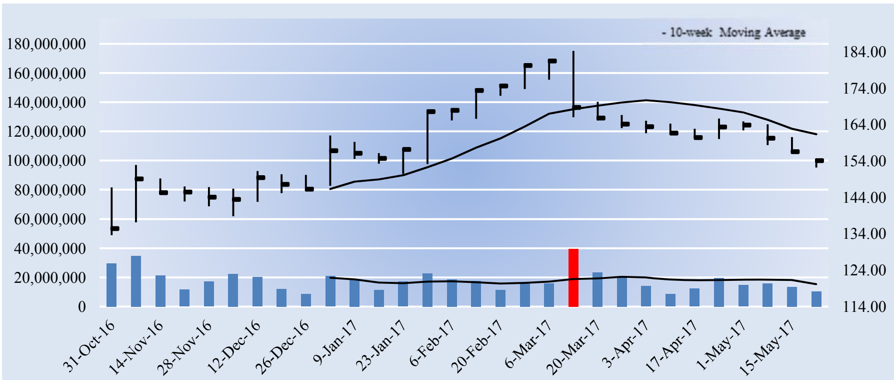
Amgen AMGN FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$169.00	$135.00 - $203.00	LARGE-CAP VALUE	Health Care	Pharmaceuticals - Big

Amgen sees material growth potential in its pipeline of biosimilars, but we're not fans of the lower margin nature of this business.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	161.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				(highlighted)
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$116,169
Avg Weekly Vol (30 wks)	18,025
30-week Range (USD)	133.64 - 184.21
Valuentum Sector	Health Care
5-week Return	-5.2%
13-week Return	-11.6%
30-week Return	5.1%
Dividend Yield %	3.0%
Dividends per Share	4.60
Forward Dividend Payout Ratio	36.6%
Est. Normal Diluted EPS	12.07
P/E on Est. Normal Diluted EPS	12.8
Est. Normal EBITDA	13,223
Forward EV/EBITDA	8.1
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	0.3%
Forward EPS Growth (5-yr)	1.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	24.7%
Return on Assets	9.3%
ROIC, with goodwill	27.3%
ROIC, without goodwill	49.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	34,596
Net Debt	-3,489
Total Debt/EBITDA	2.9
Net Debt/EBITDA	NMF
EBITDA/Interest	19.1
Current Ratio	4.1
Quick Ratio	3.7

NMF = Not Meaningful

Investment Highlights

• Amgen is one of the world's largest biotechnology medicines firms. The company's pipeline continues to advance, and commercial execution of its portfolio remains strong. It will continue to successfully execute on new product launches as well. The firm has been a pioneer since 1980 and is headquartered in Thousand Oaks, California.

• Through 2018 Amgen is targeting double digit adjusted EPS growth annually, an adjusted operating margin of 52%-54%, $1.5 billion in gross cost savings, as well as material headcount and facilities footprint reductions. It is on track with these targets.

• Amgen continues to invest for the long run, and management is excited about its pipeline in the areas of atherosclerosis and heart failure. Its biosimilar pipeline has biologics along various stages for drugs that totaled more $60 billion in worldwide sales in 2016. We're not fans of the lower-margin nature of biosimilars, however, and this may not be as attractive of a growth market as management believes.

• We like Amgen's approach to innovative research. The firm pursues a 'biology first' process allowing its scientists to first explore the complex molecular pathways of disease before determining what type of medicine is most likely to deliver optimal efficacy. Its near-term pipeline leaves a bit to be desired at the moment, however.

• Global expansion is key to future growth at Amgen. The firm continues to form partnerships and acquire rights to expand its presence in Japan, China, and key emerging markets. Sales of key product Enbrel are worth watching as it faces pressure in the increasingly crowded inflammatory disease space.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abbott	64.0	0.6	102.8%
Eli Lilly	20.2	2.0	128.9%
Merck	17.3	1.6	111.0%
Pfizer	13.4	1.2	90.8%
Peer Median	18.7	1.4	106.9%
Amgen	**12.2**	**9.7**	**91.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	21,662	22,991	22,669
Revenue, YoY%	8.0%	6.1%	-1.4%
Operating Income	8,519	9,927	11,778
Operating Margin %	39.3%	43.2%	52.0%
Net Income	6,939	7,722	9,394
Net Income Margin %	32.0%	33.6%	41.4%
Diluted EPS	9.06	10.24	12.58
Diluted EPS, YoY %	35.2%	13.1%	22.9%
Free Cash Flow (CFO-capex)	9,082	9,517	10,768
Free Cash Flow Margin %	41.9%	41.4%	47.5%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

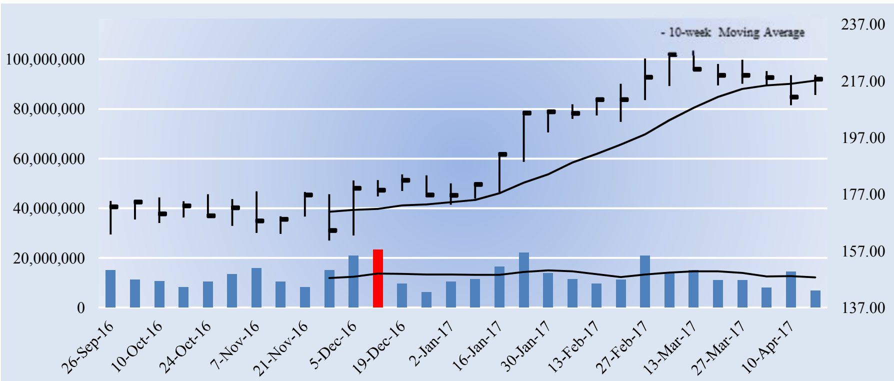
Broadcom AVGO FAIRLY VALUED

Buying Index™ 5 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$193.00	$154.00 - $232.00	LARGE-CAP CORE	Information Technology	Broad Line Semiconductors

Broadcom is tied to multiple long-term secular growth trends, but competition will not let up.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	217.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$83,364
Avg Weekly Vol (30 wks)	12,837
30-week Range (USD)	160.62 - 227.75
Valuentum Sector	Information Technology
5-week Return	-1.6%
13-week Return	14.0%
30-week Return	31.8%
Dividend Yield %	1.9%
Dividends per Share	4.08
Forward Dividend Payout Ratio	27.2%
Est. Normal Diluted EPS	16.49
P/E on Est. Normal Diluted EPS	13.2
Est. Normal EBITDA	8,772
Forward EV/EBITDA	11.7
EV/Est. Normal EBITDA	10.7
Forward Revenue Growth (5-yr)	8.4%
Forward EPS Growth (5-yr)	-229.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	10.1%
Return on Assets	4.0%
ROIC, with goodwill	21.3%
ROIC, without goodwill	31.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,642
Net Debt	10,545
Total Debt/EBITDA	3.7
Net Debt/EBITDA	2.9
EBITDA/Interest	6.3
Current Ratio	2.3
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Broadcom is a leading diversified communications semiconductor company with a broad portfolio of category-leading franchises. It serves markets in China, the US, Singapore, among others across the globe. The company is headquartered in Singapore and has a long history, with some of its divisions tracing their roots to the 1960s.

• After acquiring Broadcom in early 2016, Avago changed its name, but continues to trade under the AVGO ticker. Management expects to extract $750 million in annual run rate synergies within 18 months of the deal closing. We like the diversification of the combined portfolio.

• Braodcom recently agreed to purchase Brocade in an all cash deal worth ~$5.5 billion, though regulatory pressure is likely to result in a number of divestitures. Brocade's fiber channel switches are expected to be used in gaining share in the data center products market as they speed up data transfer between servers and storage devices. Gaining share is important at this stage of the 'Internet of Things.'

• As of the first quarter of fiscal 2017, 50% of Broadcom's revenue was generated in its 'Wired Infrastructure' segment. Key drivers for the segment include increasing use of cloud, social media, and video streaming, big data and corresponding analytics, and the adoption of connected home technology.

• The new Broadcom is levered to growth trends in the areas of LTE transition, datacenter spending, IP traffic, and the Internet of Things, all of which are expected to grow at strong double-digit CAGRs over the next 3-4 years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Advanced Micro Devices	NMF	NMF	144.4%
Intel	12.8	1.8	86.5%
STMicroelectronics	21.0	2.3	146.4%
Texas Instruments	21.5	3.7	126.7%
Peer Median	21.0	2.3	135.6%
Broadcom	**14.5**	**NMF**	**112.8%**

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

Financial Summary

Fiscal Year End:	Oct-15 (Actual)	Oct-16 (Actual)	Oct-17 (Projected)
Revenue	6,824	13,240	17,146
Revenue, YoY%	59.9%	94.0%	29.5%
Operating Income	1,769	587	7,472
Operating Margin %	25.9%	4.4%	43.6%
Net Income	1,391	-1,871	5,741
Net Income Margin %	20.4%	-14.1%	33.5%
Diluted EPS	4.95	-4.89	14.99
Diluted EPS, YoY %	327.7%	-198.7%	-406.8%
Free Cash Flow (CFO-capex)	1,725	2,688	5,209
Free Cash Flow Margin %	25.3%	20.3%	30.4%

In Millions of USD (except for per share items)

Structure of the Broad Line Semiconductor Industry — POOR

The broad line semiconductor industry is characterized by intense competition, rapid technological change, and frequent product introductions. The number and variety of computing devices have expanded rapidly, creating a connected landscape between suppliers and competitors. New market segments have emerged rapidly (smartphones, tablets), and constituents must continuously innovate to maintain share as traditional PC demand faces pressure. Though some firms may gain advantages via the combination of their manufacturing/test facilities with their design teams, we think the structure of the group is poor.

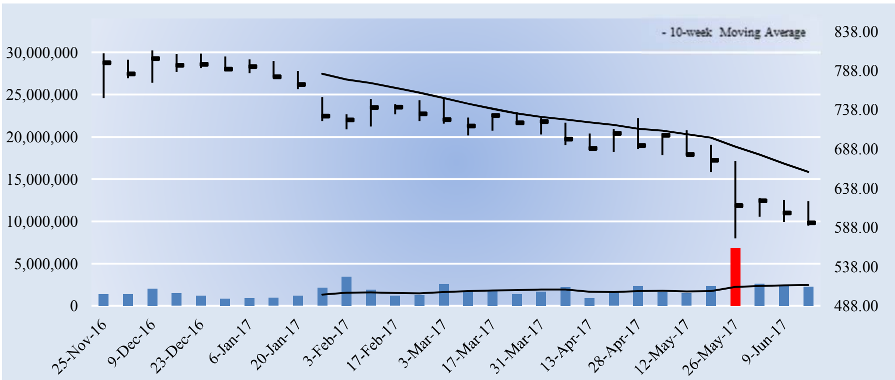
AutoZone AZO FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$587.00	$470.00 - $704.00	LARGE-CAP CORE	Consumer Discretionary	Specialty Retail - auto

AutoZone has been aggressively investing in the highly-fragmented commercial segment of its industry.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	659.00

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

Company Vitals

Market Cap (USD)	$18,104
Avg Weekly Vol (30 wks)	1,905
30-week Range (USD)	573.8 - 813.7
Valuentum Sector	Consumer Discretionary
5-week Return	-12.8%
13-week Return	-18.7%
30-week Return	-21.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	53.47
P/E on Est. Normal Diluted EPS	11.1
Est. Normal EBITDA	2,837
Forward EV/EBITDA	9.1
EV/Est. Normal EBITDA	8.0
Forward Revenue Growth (5-yr)	3.2%
Forward EPS Growth (5-yr)	9.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	-77.1%
Return on Assets	14.9%
ROIC, with goodwill	38.3%
ROIC, without goodwill	43.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,924
Net Debt	4,734
Total Debt/EBITDA	2.1
Net Debt/EBITDA	2.0
EBITDA/Interest	15.8
Current Ratio	0.9
Quick Ratio	0.1

NMF = Not Meaningful

Investment Highlights

• AutoZone is a leading retailer and distributor of auto replacement parts in the US. Though the firm tries to differentiate itself with customer service, we don't think this is a sustainable competitive advantage versus peers such as Advance Auto and Pep Boys. Its US retail business is its #1 priority. The company was founded in 1979 and is based in Tennessee.

• The company has been aggressively investing in the highly-fragmented commercial segment of its industry in order to drive share gains. The efforts have resulted in a doubling of sales to this industry segment since 2010, but it still only has 3% market share in the US.

• AutoZone is a fantastic growth story. The firm has grown revenue roughly 10-fold since 1990, as it continues to grab a larger share of the ~$54 billion per year 'Do-It-Yourself' auto aftermarket industry. Its expansion is not over yet either. AutoZone's US retail business can be expected to grow 3% annually, while its commercial business offers solid growth potential.

• AutoZone has been battling a challenging operating environment of late, and investors must be aware of the potential for its business to be impacted by factors outside of its control, such as discretionary spending levels. Concerns over the health of the US used auto market in coming years are rising and could impact demand for AutoZone.

• AutoZone is focusing on its new mantra 'Yes, We've Got It!' This includes increased training for store employees, an increased sales payroll, and an increase in weekly deliveries to stores from once per week to three or more times per week. A materially expanding hub network will be necessary.

Business Quality

ValueRisk™ \ ValueCreation™	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
AutoNation	10.2	1.3	77.5%
CarMax	18.6	1.4	114.5%
O'Reilly Automotive	21.3	1.8	118.7%
Penske	9.5	0.8	86.1%
Peer Median	14.4	1.4	100.3%
AutoZone	**13.3**	**1.6**	**101.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Aug-15	Aug-16	Aug-17
Revenue	10,187	10,636	10,891
Revenue, YoY%	7.5%	4.4%	2.4%
Operating Income	1,953	2,060	2,202
Operating Margin %	19.2%	19.4%	20.2%
Net Income	1,160	1,241	1,335
Net Income Margin %	11.4%	11.7%	12.3%
Diluted EPS	36.03	40.70	44.68
Diluted EPS, YoY %	14.1%	13.0%	9.8%
Free Cash Flow (CFO-capex)	1,035	1,078	1,091
Free Cash Flow Margin %	10.2%	10.1%	10.0%

In Millions of USD (except for per share items)

Structure of the Retail Auto Parts Industry — GOOD

The retail auto parts industry is characterized by stiff competition in many areas, including brand recognition, customer service, and price. The industry is impacted by both the age and number of vehicles in service, especially those that are no longer under manufacturer's warranties (typically seven years old and older). Demand for retail auto parts can best be described as counter-cyclical: as consumers' cash flows decrease, drivers tend to keep their vehicles longer, leading to more retail auto parts sales. Though competition among constituents is intense, we like the industry's defensive characteristics.

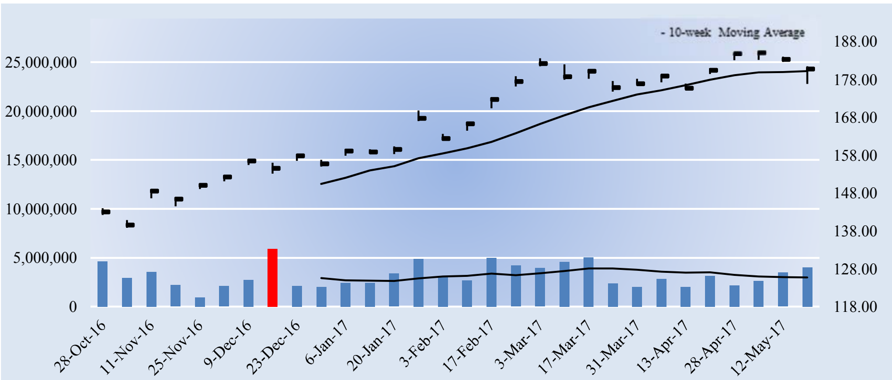
Boeing BA FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$175.00	$140.00 - $210.00	LARGE-CAP CORE	Industrials	A&D Prime

Boeing's massive commercial aerospace backlog of unfulfilled deliveries gives it excellent visibility.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	180.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$116,193
Avg Weekly Vol (30 wks)	3,183
30-week Range (USD)	138.8 - 185.07
Valuentum Sector	Industrials
5-week Return	0.7%
13-week Return	2.3%
30-week Return	25.8%
Dividend Yield %	3.1%
Dividends per Share	5.68
Forward Dividend Payout Ratio	59.9%
Est. Normal Diluted EPS	12.17
P/E on Est. Normal Diluted EPS	14.9
Est. Normal EBITDA	12,238
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	9.2
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	15.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	84.1%
Return on Assets	5.4%
ROIC, with goodwill	21.2%
ROIC, without goodwill	26.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,506
Net Debt	-3,523
Total Debt/EBITDA	0.9
Net Debt/EBITDA	NMF
EBITDA/Interest	24.3
Current Ratio	1.2
Quick Ratio	0.4

NMF = Not Meaningful; Debt excludes debt associated with the finance sub.

Investment Highlights

- Boeing is the largest manufacturer of commercial jetliners and military aircraft combined. Boeing also makes rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles and advanced information and communication systems. The firm is a major service provider to NASA. It was founded in 1916 and is now based in Chicago, Illinois.

- The aerospace giant is benefiting from a benign operating environment. Global economic growth continues (albeit modestly), air passenger traffic is healthy, defense markets are firming with renewed threats, and commercial aviation remains a long-term growth market.
- Boeing's massive commercial aerospace backlog of unfulfilled deliveries gives it excellent visibility and a growth trajectory better than most other firms of similar size. Its revolutionary 787 has changed the economics of air travel, and we expect deliveries to remain robust in coming years. Technical concerns with any new plane (737 MAX, 777X) are a big risk, however.

- Boeing earns an 'A' rating from the credit agencies, and the firm's balance sheet remains healthy despite a recent dip in its cash balance in 2016 due to share repurchases and the timing of cash flows. We think the firm has learned from the recent global financial crisis, but cyclical end markets will always be a risk.

- Boeing's outlook for 2017 is solid. It is expecting GAAP EPS to be in a range of $10.35-$10.55 (was previously $10.25-$10.45) in the year, while free cash flow is expected to expand to roughly $8.45 billion from $7.9 billion in 2016. The company's core commercial business is executing wonderfully.

Relative Valuation

	Forward P/E	PEG	Price / FV
General Dynamics	19.8	2.0	119.4%
Lockheed Martin	21.6	2.8	125.1%
Northrop Grumman	20.0	2.2	128.8%
Raytheon	21.5	2.0	135.8%
Peer Median	20.8	2.1	127.0%
Boeing	**19.1**	**1.6**	**103.3%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	96,114	94,571	91,923
Revenue, YoY%	5.9%	-1.6%	-2.8%
Operating Income	7,170	5,538	8,037
Operating Margin %	7.5%	5.9%	8.7%
Net Income	5,176	4,895	6,096
Net Income Margin %	5.4%	5.2%	6.6%
Diluted EPS	7.45	7.62	9.48
Diluted EPS, YoY %	0.7%	2.3%	24.5%
Free Cash Flow (CFO-capex)	6,913	7,886	8,451
Free Cash Flow Margin %	7.2%	8.3%	9.2%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

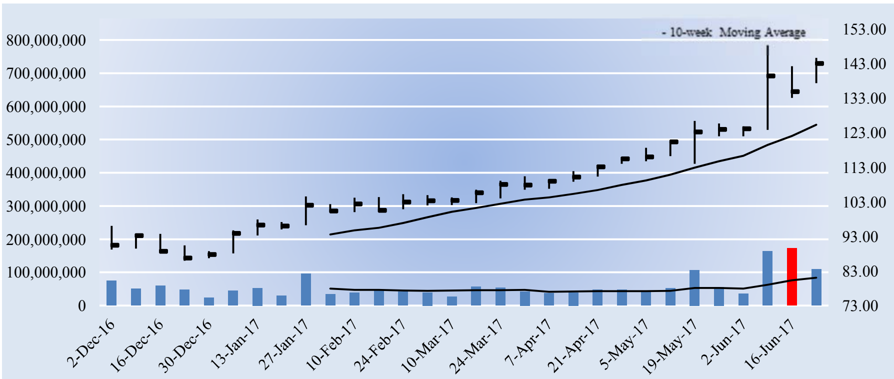
Alibaba BABA FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$159.00	$127.00 - $191.00	MEGA-CAP BLEND	Consumer Discretionary	Internet & Catalog Retail

Total gross merchandising volume on Alibaba's China retail marketplaces is staggeringly large.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	AGGRESSIVE
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	965.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$367,965
Avg Weekly Vol (30 wks)	59,231
30-week Range (USD)	86.01 - 148.29
Valuentum Sector	Consumer Discretionary
5-week Return	14.4%
13-week Return	34.1%
30-week Return	53.7%
Dividend Yield %	0.0%
Dividends per Share (in CNY)	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS (in CNY	50.00
P/E on Est. Normal Diluted EPS	19.4
Est. Normal EBITDA (in CNY)	175,573
Forward EV/EBITDA	22.1
EV/Est. Normal EBITDA	13.9
Forward Revenue Growth (5-yr)	25.2%
Forward EPS Growth (5-yr)	31.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	24.6%
Return on Assets	15.2%
ROIC, with goodwill	40.5%
ROIC, without goodwill	40.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of CNY

Total Debt	91,732
Net Debt	-61,724
Total Debt/EBITDA	1.6
Net Debt/EBITDA	NMF
EBITDA/Interest	21.9
Current Ratio	1.9
Quick Ratio	1.6

NMF = Not Meaningful

Investment Highlights

• Alibaba has been generating significant economic value (ROIC-less-WACC) during the past few years. The company benefits greatly from a network effect and will continue to benefit from favorable demographic trends in China. Altaba (formerly Yahoo!) and Softbank own a nice slice of the firm.

• Alibaba is widely known as being synonymous with e-commerce in China. The firm owns Taobao.com, the country's largest online shopping destination, Tmall, China's largest third-party plaform for brands and retailers, and Juhuasuan, China's most popular group buying marketplace.

• Alibaba has a robust marketplaces operation and is a mobile commerce leader. Total gross merchandising volume (GMV) on its China retail marketplaces is staggeringly large. The company expects fiscal 2018 revenue to be 45%-49% higher than fiscal 2017 levels, and GMV could reach $1 trillion in 2020 from $547 billion in 2016.

• The upside catalyst to Alibaba's shares rests on its monetization rate. Though the firm manages its business for growth in GMV and active buyers, the Street is laser-focused on this metric. If Alibaba surprises only a few basis points to the upside on this metric, shares could surge.

• We think Alibaba's shares are worth north of $150 each. Risks are abundant with operators in China (regulatory/legal/corporate governance), and the company's standing within the political structure of the country could be worth watching. It would take a massive event to truly derail the firm at this point.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	NMF	NMF	152.8%
eBay	17.5	NMF	107.8%
Expedia	28.7	2.0	119.7%
Priceline.com	43.9	1.2	92.9%
Peer Median	28.7	1.6	113.8%
Alibaba	**31.4**	**1.8**	**89.9%**

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

Financial Summary

Fiscal Year End:	Mar-16 (Actual)	Mar-17 (Actual)	Mar-18 (Projected)
Revenue (CNY)	101,143	158,273	229,496
Revenue, YoY%	32.7%	56.5%	45.0%
Non-GAAP Operating Income	29,102	48,055	97,851
Non-GAAP EBIT Margin %	28.8%	30.4%	42.6%
Non-GAAP Net Income	71,460	43,675	79,698
Non-GAAP NI Margin %	70.7%	27.6%	34.7%
Non-GAAP Diluted EPS (CNY)	27.89	16.97	30.97
Non-GAAP Dil EPS, YoY %	187.4%	-39.1%	82.5%
Non-GAAP Free Cash Flow	45,991	62,780	65,928
Non-GAAP FCF Margin %	45.5%	39.7%	28.7%

In Millions of CNY (except for per share items)

Structure of the Internet & Catalog Retail Industry — GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

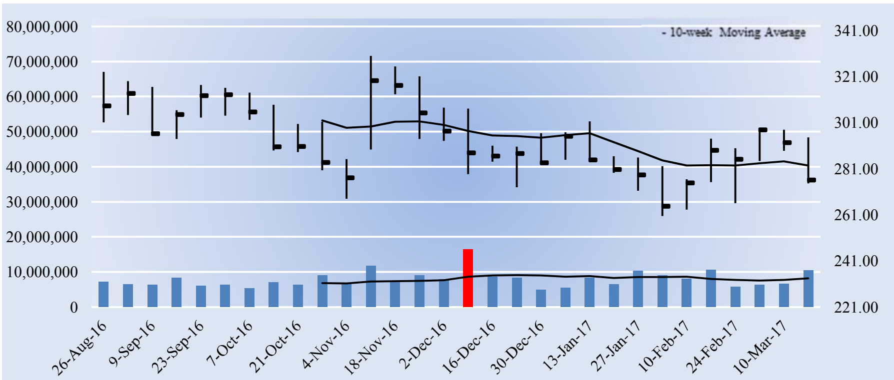
Biogen BIIB FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$299.00	$209.00 - $389.00	LARGE-CAP VALUE	Health Care	Biotechnology

Biogen continues to advance its pipeline, and potential new therapies could be game changers at the company.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	282.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$60,408
Avg Weekly Vol (30 wks)	7,888
30-week Range (USD)	260.5 - 329.83
Valuentum Sector	Health Care
5-week Return	-0.1%
13-week Return	-3.7%
30-week Return	-12.7%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	24.60
P/E on Est. Normal Diluted EPS	11.2
Est. Normal EBITDA	7,485
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	8.3
Forward Revenue Growth (5-yr)	3.7%
Forward EPS Growth (5-yr)	10.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	33.4%
Return on Assets	20.4%
ROIC, with goodwill	30.2%
ROIC, without goodwill	40.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,517
Net Debt	1,622
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.4
EBITDA/Interest	Excellent
Current Ratio	2.6
Quick Ratio	1.9

NMF = Not Meaningful

Investment Highlights

• Biogen is a global biotech firm that focuses on therapies for the treatment of multiple sclerosis (MS), neurodegenerative diseases, and other autoimmune disorders. The firm continues to advance its pipeline, and potential new therapies could be game changers at the company. It recently bought Convergence Pharma.

• The company has a nice balance between early-stage and emerging mid- and late-stage prospects. Management is encouraged by the recent launch of Spinraza, the first drug approved by the FDA for treatment of spinal muscular atrophy.

• The company observed positive interim results from early trials of its investigational Alzheimer's disease treatment aducanumab (BIIB037) in patients with prodromal or mild Alzheimer's disease in 2015 and 2016, and it was ultimately granted a 'Fast Track' designation from the FDA. Though the drug is still in testing, the opportunity for Biogen is tremendous, and the firm will continue to pour R&D spending into it.

• Biogen's multiple sclerosis franchise is impressive. Its three main product drivers are AVONEX (a first-line MS therapy of choice), TYSABRI (a high efficacy treatment for MS), and TECFIDERA (the #1 oral MS therapy). We like its portfolio in this area, though it competes with Teva's Copaxone and other generics in the space.

• Biogen recently completed the spin-off of its hemophilia portfolio into an independent, publicly-traded company name Bioverativ (BIVV). Maximizing the potential of ELOCTATE and ALPROLIX will be a near term priority for the new attacker of the $10+ billion hematology market.

Relative Valuation

	Forward P/E	PEG	Price / FV
Alexion Pharma	69.5	2.7	73.1%
BioMarin Pharma	NMF	NMF	124.5%
Celgene	20.8	1.5	89.8%
Regeneron	49.4	2.2	96.8%
Peer Median	49.4	2.2	93.3%
Biogen	**13.1**	**1.5**	**92.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	10,764	11,449	11,277
Revenue, YoY%	10.9%	6.4%	-1.5%
Operating Income	3,676	3,894	6,044
Operating Margin %	34.1%	34.0%	53.6%
Net Income	3,547	3,703	4,535
Net Income Margin %	33.0%	32.3%	40.2%
Diluted EPS	15.34	16.92	21.15
Diluted EPS, YoY %	24.0%	10.3%	25.0%
Free Cash Flow (CFO-capex)	3,058	3,795	4,627
Free Cash Flow Margin %	28.4%	33.1%	41.0%

In Millions of USD (except for per share items)

Structure of the Biotechnology Industry — GOOD

Firms in the biotechnology industry face no certain future. Drug development is complex, difficult, and risky, and failure rates are high. Product development cycles are extended—approximately 10 to 15 years from discovery to market. A potential new medicine must undergo years of testing to establish safety/efficacy. Sales depend on reimbursement from third-party payers. Competition can be fierce when biosimilar products exist, though patents are material competitive advantages. We like the group on the basis of patent protection, but the timing of expiration of such patents should be watched closely.

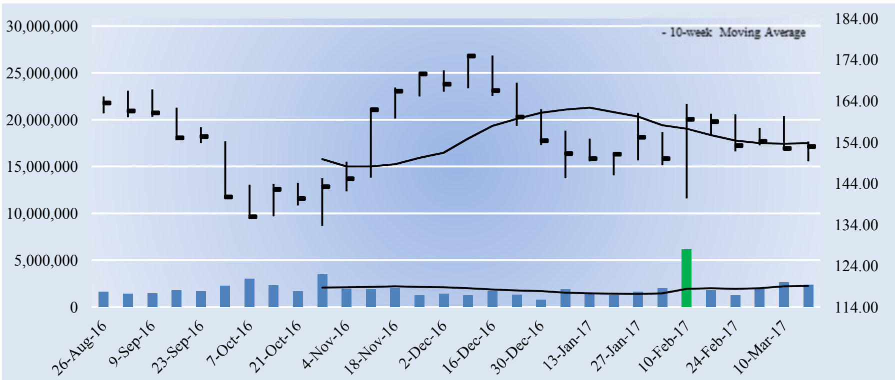
Buffalo Wild Wings BWLD FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$177.00	$142.00 - $212.00	MID-CAP VALUE	Consumer Discretionary	Restaurants - Fast Cas & Full Svc

Buffalo Wild Wings still has plenty of room to grow its restaurant base.

Stock Chart (weekly)



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Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	154.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$2,828
Avg Weekly Vol (30 wks)	1,955
30-week Range (USD)	133.71 - 175.1
Valuentum Sector	Consumer Discretionary
5-week Return	-4.4%
13-week Return	-8.2%
30-week Return	-6.6%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	8.93
P/E on Est. Normal Diluted EPS	17.1
Est. Normal EBITDA	416
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	7.0
Forward Revenue Growth (5-yr)	6.6%
Forward EPS Growth (5-yr)	20.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.5%
Return on Assets	10.3%
ROIC, with goodwill	22.7%
ROIC, without goodwill	25.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	209
Net Debt	93
Total Debt/EBITDA	0.7
Net Debt/EBITDA	0.3
EBITDA/Interest	71.5
Current Ratio	0.7
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• A restaurant focused on the concept of wings, beer, and sports seems like nothing special, but Buffalo Wild Wings certainly has carved out a solid presence in this arena. With each restaurant boasting an extensive multi-media system, a full bar and open layout, 'B-Dubs' has become the place of choice for many social chicken-wing lovers.

• Buffalo Wild Wings has plenty of room to grow its restaurant base. The firm now has well over 1,200 restaurants and believes it can achieve 1,700 locations in the US, and we completely agree. We're equally excited about its new PizzaRev concept, which could do to pizza what Chipotle has done to burritos.

• B-Dubs plans to grow into a globally-connected brand through franchising. It has a minimal franchised presence in Mexico and the Philippines in addition to ~15 company-owned restaurants in Canada. The firm continues to seek opportunities in markets around the world and recently opened restaurants in Dubai and Saudi Arabia, but international expansion efforts have disappointed of late.

• Buffalo Wild Wings' same-store sales growth outpaced casual dining trends from 2011-2015 before falling at a faster comparative rate in 2016. Company-owned restaurants have outperformed franchised restaurants in same-store sales, but management is exploring plans to refranchise its worst performing company-owned restaurants.

• Buffalo Wild Wings continues to invest in technology to improve the guest experience and attract new demographics. Long-term sales drivers include the launching of delivery services and a loyalty program, the latter of which has been 'in the works' for years now.

Relative Valuation

	Forward P/E	PEG	Price / FV
Chipotle	48.9	4.6	83.2%
Darden Restaurants	19.3	2.0	105.0%
Brinker	13.8	1.4	94.3%
Panera Bread	30.7	2.0	119.2%
Peer Median	25.0	2.0	99.6%
Buffalo Wild Wings	**26.3**	**1.5**	**86.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	1,813	1,987	2,136
Revenue, YoY%	19.6%	9.6%	7.5%
Operating Income	146	145	155
Operating Margin %	8.1%	7.3%	7.3%
Net Income	95	95	107
Net Income Margin %	5.2%	4.8%	5.0%
Diluted EPS	4.97	5.12	5.82
Diluted EPS, YoY %	0.3%	3.1%	13.5%
Free Cash Flow (CFO-capex)	65	141	141
Free Cash Flow Margin %	3.6%	7.1%	6.6%

In Millions of USD (except for per share items)

Structure of the Restaurants Industry - Fast Casual & Full Service — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

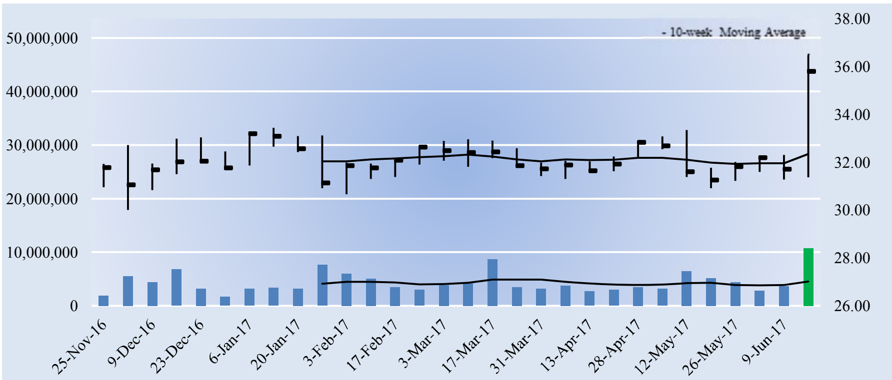
CA Tech CA FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$40.00	$32.00 - $48.00	LARGE-CAP VALUE	Information Technology	Software

CA Tech has a viable strategy and solid growth opportunities, but investors should pay close attention to order trends.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	32.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$15,287
Avg Weekly Vol (30 wks)	4,383
30-week Range (USD)	30.01 - 36.54
Valuentum Sector	Information Technology
5-week Return	13.5%
13-week Return	10.4%
30-week Return	15.0%
Dividend Yield %	2.8%
Dividends per Share	1.02
Forward Dividend Payout Ratio	55.2%
Est. Normal Diluted EPS	2.48
P/E on Est. Normal Diluted EPS	14.5
Est. Normal EBITDA	1,860
Forward EV/EBITDA	9.5
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	1.5%
Forward EPS Growth (5-yr)	8.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	15.0%
Return on Assets	7.2%
ROIC, with goodwill	16.6%
ROIC, without goodwill	73.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,953
Net Debt	-859
Total Debt/EBITDA	1.3
Net Debt/EBITDA	NMF
EBITDA/Interest	29.6
Current Ratio	1.2
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• CA Tech provides IT management solutions that help customers manage complex IT environments to support business services. Organizations leverage CA Tech's software and SaaS solutions to accelerate innovation and secure data and identities, from the data center to the cloud. The company was founded in 1974 and is headquartered in New York, New York.

• CA Tech's future growth is expected to come from its Development Operations, Agile Management, and Security opportunities, three rapidly growing markets. All three markets are expected to grow by an 8% CAGR or higher through calendar 2020.

• CA Tech's business is driven by its strong relationships with its large installed customer base. The firm boasts strong operating margins, and it expects to drive cash flow from operations of ~$1 billion per annum. Mid-term expectations include low-single digit revenue growth, a non-GAAP operating margin in the high 30s, and low- to mid-single digit growth in cash flow from continuing operations.

• There's a lot to like about CA Tech. The firm has a viable strategy and solid growth opportunities, but investors should pay close attention to order trends. The firm has opportunity as its addressable market remains healthy and growing and is expected to grow to $44 billion by calendar 2020 from ~$31 billion in 2015.

• CA Tech expects to invest aggressively in its business, with roughly $300-$500 million allocated to acquisition opportunities each year. We like its capital allocation approach, but acquisition activity should be monitored. The firm also plans to return billions in cash to shareholders in coming years.

Relative Valuation

	Forward P/E	PEG	Price / FV
F5 Networks	16.0	1.6	103.4%
Microsoft	21.7	2.0	104.8%
Oracle	16.6	1.8	86.3%
Salesforce.com	63.8	5.2	113.9%
Peer Median	19.1	1.9	104.1%
CA Tech	**19.4**	**2.3**	**89.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	4,262	4,025	4,036
Revenue, YoY%	-5.6%	-5.6%	0.3%
Operating Income	1,185	1,147	1,152
Operating Margin %	27.8%	28.5%	28.6%
Net Income	810	769	781
Net Income Margin %	19.0%	19.1%	19.4%
Diluted EPS	1.84	1.80	1.85
Diluted EPS, YoY %	-9.6%	-1.9%	2.6%
Free Cash Flow (CFO-capex)	977	986	992
Free Cash Flow Margin %	22.9%	24.5%	24.6%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

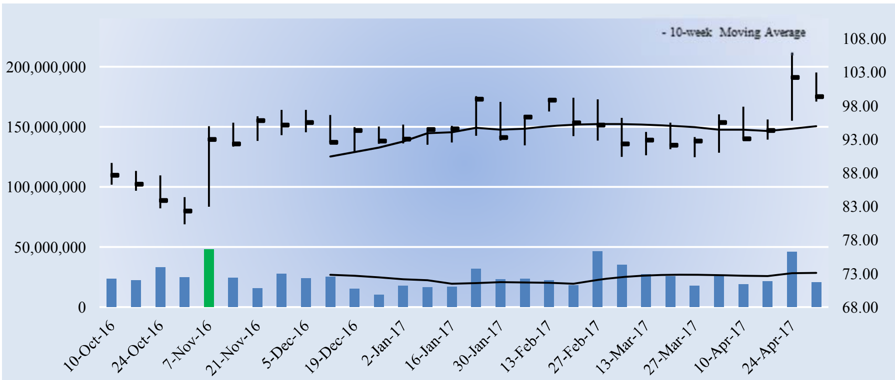
Caterpillar CAT FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$85.00	$68.00 - $102.00	LARGE-CAP CORE	Industrials	Machinery - agriculture

Better than expected energy and transportation demand in China is helping drive increased growth expectations at Caterpillar.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
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	95.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$58,074
Avg Weekly Vol (30 wks)	24,914
30-week Range (USD)	80.33 - 105.98
Valuentum Sector	Industrials
5-week Return	7.5%
13-week Return	7.1%
30-week Return	11.5%
Dividend Yield %	3.1%
Dividends per Share	3.08
Forward Dividend Payout Ratio	77.6%
Est. Normal Diluted EPS	5.53
P/E on Est. Normal Diluted EPS	18.0
Est. Normal EBITDA	8,713
Forward EV/EBITDA	9.4
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	-325.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	9.6%
Return on Assets	2.0%
ROIC, with goodwill	18.6%
ROIC, without goodwill	23.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	17,421
Net Debt	10,253
Total Debt/EBITDA	2.6
Net Debt/EBITDA	1.5
EBITDA/Interest	6.0
Current Ratio	1.2
Quick Ratio	0.8

NMF = Not Meaningful; Debt excludes debt associated with the finance sub.

Investment Highlights

• Caterpillar makes construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company also owns Caterpillar Financial Services (Cat Financial). The machinery giant's operations are tied to cyclical end markets, and results are not immune to geopolitical risks either. It is based in Peoria, Illinois.

• Cat's dealer network is a significant competitive advantage. The company's reach is phenomenal, with about 50 dealers in the US and over 140 outside of the US (serving 180+ countries). We like the firm's proficiency in lowering costs, improving cash flows and continued execution of lean manufacturing.

• Mining equipment sales remain tied to expectations of commodity prices, and the past four years haven't been kind to Cat. Chairman/CEO Doug Oberhelman recently resigned and has been succeeded by Jim Umpleby, a 35-year company veteran. Hopes are high that Trump's infrastructure initiatives will put a charge in performance, and better than expected demand from China is helping drive increased growth expectations.

• Caterpillar is quite effective at managing costs through the course of the economic cycle. Part of Caterpillar's strategy when faced with revenue declines is to manage the fall such that the decrease in operating profit is less than 30% of the decline in revenue. We also like the focus on driving strong inventory turns.

• Cat Financial's exposure to weak credits in the mining and energy arenas will always have us concerned. The hidden captive finance arms across the broader machinery group may put surprising pressure on performance if times remain tough.

Relative Valuation

	Forward P/E	PEG	Price / FV
AGCO Corp	23.4	1.3	114.3%
Deere	23.0	NMF	102.4%
Manitowoc	NMF	NMF	99.5%
Terex	39.4	NMF	109.3%
Peer Median	23.4	NMF	105.9%
Caterpillar	**25.0**	**NMF**	**116.9%**

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

Financial Summary

Fiscal Year End:	Actual Dec-15	Actual Dec-16	Projected Dec-17
Revenue	47,011	38,537	40,040
Revenue, YoY%	-14.8%	-18.0%	3.9%
Operating Income	5,905	3,591	4,123
Operating Margin %	12.6%	9.3%	10.3%
Net Income	2,512	-67	2,308
Net Income Margin %	5.3%	-0.2%	5.8%
Diluted EPS	4.18	-0.11	3.97
Diluted EPS, YoY %	7.1%	-102.7%	-3561.6%
Free Cash Flow (CFO-capex)	3,414	2,680	2,646
Free Cash Flow Margin %	7.3%	7.0%	6.6%

In Millions of USD (except for per share items)

Structure of the Agricultural Machinery Industry — NEUTRAL

The agricultural machinery industry is composed of firms that make farm and construction equipment. Demand for agricultural equipment is levered to farm incomes and commodity prices, while purchases of construction equipment are dependent on global economic health. Population growth and the increasing need for food/energy are the major long-term drivers for new orders across the industry. Still, firms are competitive, capital intensive, and possess significant operating leverage. A strong/dependable brand and an expansive distribution network are keys to success. We're neutral on the group.

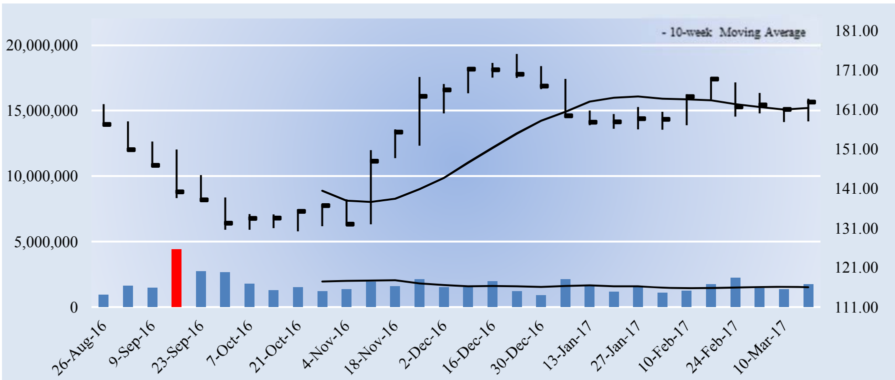
Cracker Barrel CBRL FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$171.00	$137.00 - $205.00	MID-CAP VALUE	Consumer Discretionary	Restaurants - Fast Cas & Full Svc

Cracker Barrel is laser-focused on improving margins, and its differentiated concept is without parallel.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	161.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$3,922
Avg Weekly Vol (30 wks)	1,701
30-week Range (USD)	130.15 - 175.04
Valuentum Sector	Consumer Discretionary
5-week Return	-1.2%
13-week Return	-5.0%
30-week Return	0.9%
Dividend Yield %	2.8%
Dividends per Share	4.60
Forward Dividend Payout Ratio	55.2%
Est. Normal Diluted EPS	10.96
P/E on Est. Normal Diluted EPS	14.9
Est. Normal EBITDA	481
Forward EV/EBITDA	10.9
EV/Est. Normal EBITDA	8.7
Forward Revenue Growth (5-yr)	4.0%
Forward EPS Growth (5-yr)	12.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	30.8%
Return on Assets	10.9%
ROIC, with goodwill	21.6%
ROIC, without goodwill	21.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	400
Net Debt	249
Total Debt/EBITDA	1.1
Net Debt/EBITDA	0.7
EBITDA/Interest	25.5
Current Ratio	1.0
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Cracker Barrel is principally engaged in the operation of the Cracker Barrel Old Country Store concept. Stores consist of a rustic, old country-store design offering a full-service restaurant menu featuring home-style country food. A typical store serves 1,000 guests a day and employs 100+ people. The company was founded in 1969 and is headquartered in Tennessee.

• The firm is laser-focused on improving margins via re-engineering processes to reduce costs and creating a more efficient box for new stores. Yearly price increases to the tune of 2%-3% should be expected. EPS is targeted to advance 7%-8% on an annual basis.

• We think Cracker Barrel is a differentiated concept. The company generates ~20% of revenue from its retail business, while ~40% of its customers are travelers. Its retail shop produces sales per square foot of ~$440 million and gross margins around 50%. The 'Cracker Barrel' experience begins with rockers on its front porch, which are also a top seller in its retail shop.

• Cracker Barrel continues to earn high marks for 'uniqueness' from consumers. The Cracker Barrel experience is full of nostalgia, homemade authenticity, affordable quality, southern country heritage, and is largely viewed as a relaxing, family friendly environment. Such a reputation is irreplaceable.

• Cracker Barrel is dedicated to growing its store base and has approximately 150 new site opportunities outside of its core Southeastern market. The firm has also opened a prototype for its take on fast-casual dining, called 'Holler & Dash Biscuit House.'

Relative Valuation

	Forward P/E	PEG	Price / FV
Chipotle	48.9	4.6	83.2%
Darden Restaurants	19.3	2.0	105.0%
Brinker	13.8	1.4	94.3%
Panera Bread	30.7	2.0	119.2%
Peer Median	25.0	2.0	99.6%
Cracker Barrel	**19.6**	**1.6**	**95.3%**

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

Financial Summary

Fiscal Year End:	Jul-15 (Actual)	Jul-16 (Actual)	Jul-17 (Projected)
Revenue	2,842	2,912	2,956
Revenue, YoY%	5.9%	2.5%	1.5%
Operating Income	255	280	302
Operating Margin %	9.0%	9.6%	10.2%
Net Income	164	189	201
Net Income Margin %	5.8%	6.5%	6.8%
Diluted EPS	6.82	7.86	8.33
Diluted EPS, YoY %	23.6%	15.4%	6.0%
Free Cash Flow (CFO-capex)	243	157	195
Free Cash Flow Margin %	8.6%	5.4%	6.6%

In Millions of USD (except for per share items)

Structure of the Restaurants Industry - Fast Casual & Full Service — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

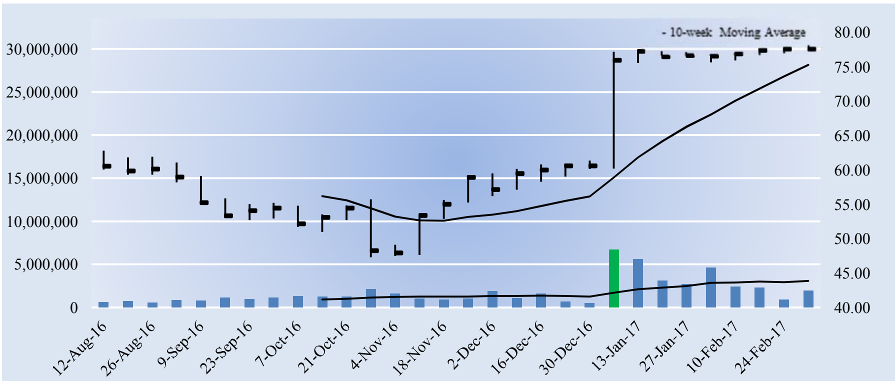
Corporate Executive Board CEB FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$77.00	$62.00 - $92.00	MID-CAP CORE	Information Technology	Management Services

Corporate Executive Board has agreed to be acquired by Gartner for $2.6 billion in cash and stock, or $77.25 per share.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	75.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$2,490
Avg Weekly Vol (30 wks)	1,777
30-week Range (USD)	47.325 - 78.1
Valuentum Sector	Information Technology
5-week Return	1.4%
13-week Return	34.7%
30-week Return	23.9%
Dividend Yield %	2.1%
Dividends per Share	1.65
Forward Dividend Payout Ratio	43.1%
Est. Normal Diluted EPS	4.66
P/E on Est. Normal Diluted EPS	16.7
Est. Normal EBITDA	307
Forward EV/EBITDA	12.2
EV/Est. Normal EBITDA	10.5
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	-239.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	80.2%
Return on Assets	2.7%
ROIC, with goodwill	14.2%
ROIC, without goodwill	26.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	875
Net Debt	740
Total Debt/EBITDA	4.6
Net Debt/EBITDA	3.9
EBITDA/Interest	6.4
Current Ratio	0.8
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Corporate Executive Board is a member-based advisory company that combines the best practices of thousands of member companies with research methodologies and human capital analytics to equip senior leaders with insight and solutions. The CEB member network includes 16,000+ executives and the vast majority of top companies globally.

• CEB operates across five advice-dependent functions: CHROs and human resources; CFOs, CPOs, and Finance; GCs and Legal/Compliance; CSOs and Sales/Marketing; CIOs and Information Technology. The Americas region accounts for about two thirds of revenue.

• Corporate Executive Board has agreed to be acquired by Gartner for $2.6 billion in cash and stock. CEB shareholders will receive $54 in cash and 0.2284 shares of Gartner for each CEB share owned, the equivalent of $77.25 per share. The deal is expected to be immediately accretive to Gartner's adjusted EPS and should close in the first half of 2017. Gartner will assume ~$0.7 billion in CEB net debt.

• One of the most attractive attributes of Corporate Executive Board is its loyal blue-chip client base. The firm has ~97% of the Fortune 100, ~90% of the Fortune 500, and ~85% of FTSE 100. The top 50 clients account for less than 10% of combined revenue. CEB has a nearly $9 billion total addressable market opportunity.

• The firm is aligned with key long-term trends: increasing corporate complexity, multiplying information flows, and heightened connectivity and empowerment. The majority of the company's opportuniy comes from the large corporate sector

Relative Valuation

	Forward P/E	PEG	Price / FV
Booz Allen	20.6	1.2	120.2%
FTI Consulting	18.2	2.5	89.8%
Huron Consulting	16.5	1.9	78.1%
CoreCivic	15.5	1.5	122.9%
Peer Median	17.3	1.7	105.0%
Corporate Executive Board	**20.3**	**NMF**	**100.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	928	950	955
Revenue, YoY%	2.1%	2.3%	0.5%
Operating Income	149	85	185
Operating Margin %	16.0%	9.0%	19.4%
Net Income	93	-35	122
Net Income Margin %	10.0%	-3.6%	12.8%
Diluted EPS	2.75	-1.08	3.83
Diluted EPS, YoY %	82.8%	-139.3%	-454.5%
Free Cash Flow (CFO-capex)	125	105	196
Free Cash Flow Margin %	13.5%	11.0%	20.6%

In Millions of USD (except for per share items)

Structure of the Management Services Industry — GOOD

The management services industry primarily comprises of advisory and consulting firms. The reputation and performance track record of constituents is necessary to drive a high level of repeat/referral business and attract/retain top professionals. Most industry constituents produce consistent cash flows and require very little capital spending to maintain operations. Still, firms remain exposed to capital market changes, including M&A activity and legal/regulatory requirements, which may impact demand for their business and utilization of professionals. We generally like the structure of the group.

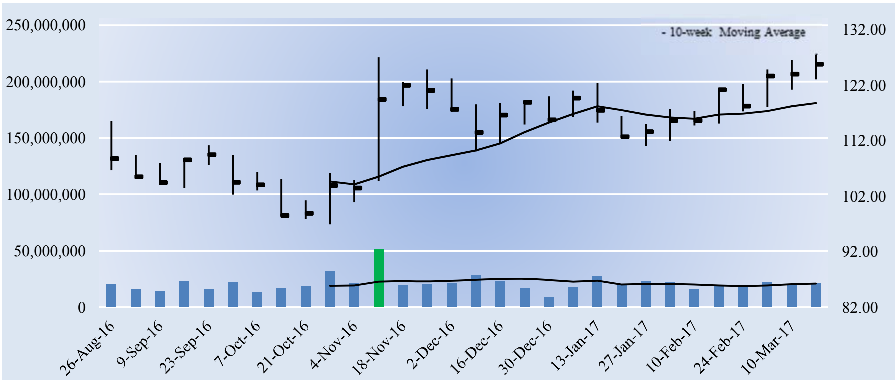
Celgene CELG FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$140.00	$105.00 - $175.00	LARGE-CAP BLEND	Health Care	Biotechnology

Worldwide sales of Celgene's Revlimid continue to grow at a fast clip and account for more than half of the company's overall sales.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	119.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$101,031
Avg Weekly Vol (30 wks)	20,905
30-week Range (USD)	96.93 - 127.64
Valuentum Sector	Health Care
5-week Return	8.4%
13-week Return	7.8%
30-week Return	11.5%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	8.92
P/E on Est. Normal Diluted EPS	14.1
Est. Normal EBITDA	9,389
Forward EV/EBITDA	15.8
EV/Est. Normal EBITDA	11.4
Forward Revenue Growth (5-yr)	13.2%
Forward EPS Growth (5-yr)	32.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	30.2%
Return on Assets	9.2%
ROIC, with goodwill	31.0%
ROIC, without goodwill	44.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	14,289
Net Debt	6,320
Total Debt/EBITDA	3.9
Net Debt/EBITDA	1.7
EBITDA/Interest	7.4
Current Ratio	3.7
Quick Ratio	3.3

NMF = Not Meaningful

Investment Highlights

• Celgene is a biotech firm focused on developing therapies to treat cancer and immune-inflammatory related diseases. The company's product pipeline—which covers the areas of hematology, oncology, and immunology—is impressive. The firm was founded in 1986 and is headquartered in New Jersey.

• Celgene has some notable compounds in the inflammatory disease area thanks in part to its purchase of Receptos in 2015, which gave it control of Ozanimod, a treatment for Relapsing Multiple Sclerosis and Ulcerative Colitis currently in phase 3 testing.

• Worldwide sales of Celgene's Revlimid (MDS, multiple myeloma, MCL) continue to grow at a fast clip, and Revlimid's net sales accounted for mroe than half of Celgene's overall sales in 2016. Pomalyst (multiple myeloma) has performed well as of late as well. Near term results should be enhanced by the approval of Otezla (psoriatic arthritis) in 2015, and Celgene continues to advance its pipeline.

• It's great to see Celgene's management focus on the long haul. The company's 2017 financial targets are as follows: $13-$13.4 billion in net sales and adjusted diluted EPS of $7.10-$7.25. For 2020, management is looking for $21+ billion in sales and adjusted diluted EPS of $13.00.

• As for risks, the areas of oncology, inflammation, and immunology are highly competitive. Numerous biotech firms are focused in these areas. This could either mean merger opportunities or heightened innovation and drug obsolescence risk (generics).

Relative Valuation

	Forward P/E	PEG	Price / FV
Alexion Pharma	69.5	2.7	73.1%
Biogen	13.1	1.5	92.3%
BioMarin Pharma	NMF	NMF	124.5%
Regeneron	49.4	2.2	96.8%
Peer Median	49.4	2.2	94.6%
Celgene	**20.8**	**1.5**	**89.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	9,256	11,229	13,284
Revenue, YoY%	20.7%	21.3%	18.3%
Operating Income	2,554	3,204	6,268
Operating Margin %	27.6%	28.5%	47.2%
Net Income	1,602	1,999	4,819
Net Income Margin %	17.3%	17.8%	36.3%
Diluted EPS	1.94	2.49	6.06
Diluted EPS, YoY %	-18.8%	28.1%	143.5%
Free Cash Flow (CFO-capex)	2,198	3,740	5,064
Free Cash Flow Margin %	23.7%	33.3%	38.1%

In Millions of USD (except for per share items)

Structure of the Biotechnology Industry — GOOD

Firms in the biotechnology industry face no certain future. Drug development is complex, difficult, and risky, and failure rates are high. Product development cycles are extended—approximately 10 to 15 years from discovery to market. A potential new medicine must undergo years of testing to establish safety/efficacy. Sales depend on reimbursement from third-party payers. Competition can be fierce when biosimilar products exist, though patents are material competitive advantages. We like the group on the basis of patent protection, but the timing of expiration of such patents should be watched closely.

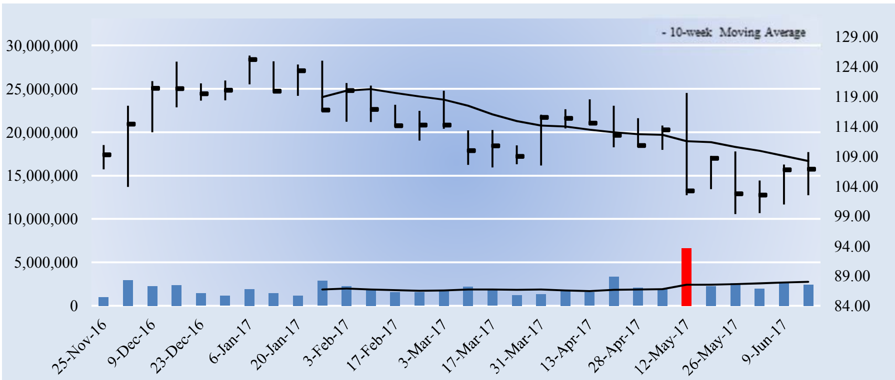
Core Labs CLB FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$110.00	$69.00 - $151.00	MID-CAP BLEND	Energy	Energy Equipment

Revenue to free cash flow conversion has been top-notch at Core Labs, and excess economic profit creation has been impressive as well.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	HIGH
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	108.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				X
Very High				

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

Company Vitals

Market Cap (USD)	$4,667
Avg Weekly Vol (30 wks)	2,128
30-week Range (USD)	99.315 - 125.83
Valuentum Sector	Energy
5-week Return	1.3%
13-week Return	-3.0%
30-week Return	-1.3%
Dividend Yield %	2.1%
Dividends per Share	2.20
Forward Dividend Payout Ratio	99.0%
Est. Normal Diluted EPS	4.41
P/E on Est. Normal Diluted EPS	24.2
Est. Normal EBITDA	275
Forward EV/EBITDA	31.1
EV/Est. Normal EBITDA	17.7
Forward Revenue Growth (5-yr)	14.1%
Forward EPS Growth (5-yr)	36.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	234.5%
Return on Assets	22.3%
ROIC, with goodwill	43.9%
ROIC, without goodwill	69.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	216
Net Debt	202
Total Debt/EBITDA	1.9
Net Debt/EBITDA	1.8
EBITDA/Interest	9.8
Current Ratio	1.8
Quick Ratio	1.3

NMF = Not Meaningful

Investment Highlights

• Core Labs is a Netherlands-based company that is one of the world's leading providers of proprietary/patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. Its services are directed toward enabling clients to improve reservoir performance and increase oil and gas recovery from their producing fields.

• We're big fans of Core Labs' three tenets: 1) maximize free cash flow through financial discipline, 2) maximize return on invested capital, and 3) return excess capital to shareholders. Though the recent environment has been troubling, shareholders have been very pleased since its IPO in 1995.

• Core Labs experienced a material decline in its business in 2016, but increased activity onshore in the US should help as energy resource markets continue toward normalization. BP's Mad Dog and Chevron's Tengiz are two key opportunities. The company notes major capital projects from potential customers 'will rise above 20 in 2017, more than doubling the 9 approved in 2016.'

• Core Labs is in a class by itself. Revenue to free cash flow conversion has been top-notch, and excess economic profit creation has been impressive (many times that of peers). Senior management and scientists own $100+ million of stock, closely aligning them with shareholders. Free cash flow of ~$120 million in 2016 was nearly double net income during the year.

• The company is laser-focused on crude-oil developments, especially those in the deepwater and unconventional tight-oil plays that are primarily in shale reservoirs. More than 80% of Core Labs' revenue now comes from oil-related projects.

Relative Valuation

	Forward P/E	PEG	Price / FV
Helmerich & Payne	NMF	NMF	85.9%
Oceaneering Intl	NMF	NMF	75.1%
Oil States Intl	-36.3	NMF	82.7%
Superior Energy	NMF	NMF	69.5%
Peer Median	-36.3	NMF	78.9%
Core Labs	**48.1**	**2.0**	**97.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	798	595	690
Revenue, YoY%	-26.5%	-25.4%	16.1%
Operating Income	188	86	124
Operating Margin %	23.5%	14.4%	18.0%
Net Income	115	64	97
Net Income Margin %	14.4%	10.7%	14.0%
Diluted EPS	2.68	1.46	2.22
Diluted EPS, YoY %	-53.6%	-45.3%	51.9%
Free Cash Flow (CFO-capex)	195	121	120
Free Cash Flow Margin %	24.5%	20.3%	17.4%

In Millions of USD (except for per share items)

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

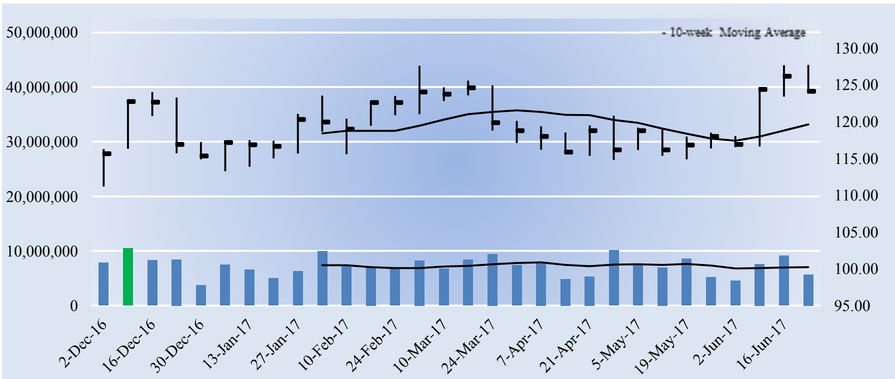
CME Group CME FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$104.00	$83.00 - $125.00	LARGE-CAP CORE	Financials	Exchanges

Customers often prefer CME Group's centralized market primarily because of its liquidity and price transparency.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Support, 10-week MA	120.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low			■	
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$42,072
Avg Weekly Vol (30 wks)	7,295
30-week Range (USD)	111.19 - 127.74
Valuentum Sector	Financials
5-week Return	5.8%
13-week Return	4.6%
30-week Return	11.0%
Dividend Yield %	2.1%
Dividends per Share	2.64
Forward Dividend Payout Ratio	53.7%
Est. Normal Diluted EPS	5.86
P/E on Est. Normal Diluted EPS	21.2
Est. Normal EBITDA	3,349
Forward EV/EBITDA	15.0
EV/Est. Normal EBITDA	12.6
Forward Revenue Growth (5-yr)	6.1%
Forward EPS Growth (5-yr)	9.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	6.3%
Return on Assets	1.9%
ROIC, with goodwill	Negative IC
ROIC, without goodwill	Negative IC

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,231
Net Debt	249
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.1
EBITDA/Interest	21.0
Current Ratio	1.0
Quick Ratio	0.1

NMF = Not Meaningful

Investment Highlights

• CME Group offers a wide range of global benchmark products (derivatives) across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, weather and real estate. CME traces its roots back to the 19th century and is based in Chicago.

• Electronic trading value accounts for ~80% of its business, and the firm generates the most clearing and transaction fee revenue from its interest rate (~25% of sales) and energy (~20%) product lines.

• The company's two main competitive strengths include providing highly liquid markets and offering the most diverse product line. Customers prefer CME's centralized market primarily because of its liquidity and price transparency. The firm's products offer a means for hedging, speculation and asset allocation.

• CME employs a unique annual variable dividend that is paid at the end of year or the first quarter following the year and creates opportunity to sweep excess cash to shareholders. Income investors looking for high levels of dependability may want to explore other options.

• CME's business has a high degree of operating leverage, which was on full display in the full year 2016 when its incremental operating margin was an impressive 92%, a figure that jumps to 96% without license fees.

Relative Valuation

	Forward P/E	PEG	Price / FV
CBOE	26.1	2.1	136.6%
IntercontinentalExchange	21.3	2.8	116.9%
KCG	36.5	NMF	99.6%
NASDAQ	16.8	2.0	102.7%
Peer Median	23.7	2.1	109.8%
CME Group	**25.2**	**3.1**	**119.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	3,327	3,595	3,743
Revenue, YoY%	6.9%	8.1%	4.1%
Operating Income	2,113	2,364	2,586
Operating Margin %	63.5%	65.8%	69.1%
Net Income	1,247	1,534	1,673
Net Income Margin %	37.5%	42.7%	44.7%
Diluted EPS	3.69	4.53	4.92
Diluted EPS, YoY %	10.0%	22.6%	8.7%
Free Cash Flow (CFO-capex)	1,401	1,624	1,940
Free Cash Flow Margin %	42.1%	45.2%	51.8%

In Millions of USD (except for per share items)

Structure of the Exchanges Industry — GOOD

The exchanges industry consists of firms that deliver trading, clearing, exchange technology, and regulatory securities listing. Industry constituents operate some of the most well-known exchanges including the NASDAQ, Chicago Board Options Exchange, and the Chicago Mercantile Exchange. Firms carve out competitive advantages via scale (operating the largest market for a given financial instrument) and via technological superiority (transaction speeds and reliability). The securities markets are intensely competitive, but new entrants tend to have limited liquidity/capability. We like the industry structure.

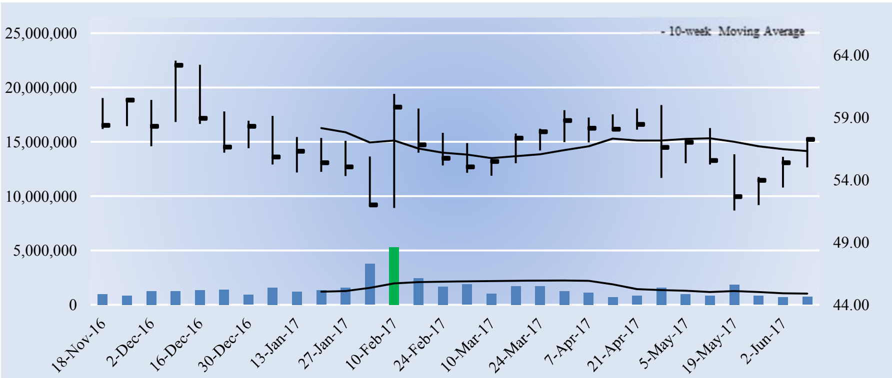
Columbia Sportswear COLM FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$50.00	$40.00 - $60.00	MID-CAP CORE	Consumer Discretionary	Retail - Under 30, Off-Price, Sport Apparel

Columbia is focused on enhancing its growth profile in emerging markets such as Latin America and Asia.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	56.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$4,044
Avg Weekly Vol (30 wks)	1,492
30-week Range (USD)	51.56 - 63.55
Valuentum Sector	Consumer Discretionary
5-week Return	0.1%
13-week Return	3.0%
30-week Return	-3.4%
Dividend Yield %	1.3%
Dividends per Share	0.72
Forward Dividend Payout Ratio	25.5%
Est. Normal Diluted EPS	3.35
P/E on Est. Normal Diluted EPS	17.1
Est. Normal EBITDA	392
Forward EV/EBITDA	10.4
EV/Est. Normal EBITDA	8.9
Forward Revenue Growth (5-yr)	4.7%
Forward EPS Growth (5-yr)	7.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.5%
Return on Assets	9.5%
ROIC, with goodwill	17.7%
ROIC, without goodwill	18.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	14
Net Debt	-538
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	294.5
Current Ratio	3.9
Quick Ratio	2.4

NMF = Not Meaningful

Investment Highlights

• Columbia Sportswear is a leading innovator in the global outdoor apparel, footwear, accessories and equipment markets. The firm makes active outdoor products under the following brands: Columbia, Sorel, Mountain Headwear, and Montrail. It generates two-thirds of sales during the second half of the year.

• Though Columbia seeks to influence consumer preferences, the popularity of outdoor activities, changing design trends and consumer adoption of innovative performance technologies can impact revenue performance.

• The firm is committed to the following strategies: consolidate and expand existing platforms, grow its warm weather business, capitalize on growth opportunities in Latin America and Asia, continue to build a brand-enhancing direct-to-consumer business, and transform its global business processes to drive and support growth.

• While Columbia is focused on enhancing its growth profile in emerging markets such as Latin America and Asia, its other international operations are growing as well. For example, the fourth quarter of 2016 marked the eighth consecutive quarter of 15% or greater constant currency revenue growth in the Columbia brand's Europe-direct markets.

• We're big fans of Columbia's balance sheet health. As of the end of the third quarter of 2016, the company had a net cash position of more than $205 million, down from more than $350 million at the end of 2015. Seasonality is a factor in its business.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abercrombie & Fitch	NMF	NMF	90.9%
Gap	11.3	1.1	73.6%
Ross Stores	19.4	2.2	114.7%
TJX Cos	18.8	1.9	110.0%
Peer Median	18.8	1.9	100.4%
Columbia Sportswear	**20.2**	**2.8**	**114.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	2,326	2,377	2,451
Revenue, YoY%	10.7%	2.2%	3.1%
Operating Income	242	246	274
Operating Margin %	10.4%	10.4%	11.2%
Net Income	174	192	200
Net Income Margin %	7.5%	8.1%	8.1%
Diluted EPS	2.45	2.72	2.83
Diluted EPS, YoY %	26.4%	10.7%	4.1%
Free Cash Flow (CFO-capex)	25	225	196
Free Cash Flow Margin %	1.1%	9.5%	8.0%

In Millions of USD (except for per share items)

Structure of the Specialty Apparel (Under 30, Off-Price) Industry — NEUTRAL

The specialty apparel industry is highly competitive. Firms compete with various individual and chain specialty stores, as well as casual apparel sections of department stores and discount retailers. Identifying and responding to fashion trends remains key, and business fluctuates with changes in the economy and customer preferences. Fashion missteps can result in lower sales, excess inventories, and higher markdowns, which can severely impact profits. Improving productivity, managing new store growth and developing new brand concepts are critical for long-term success. We're neutral on the group.

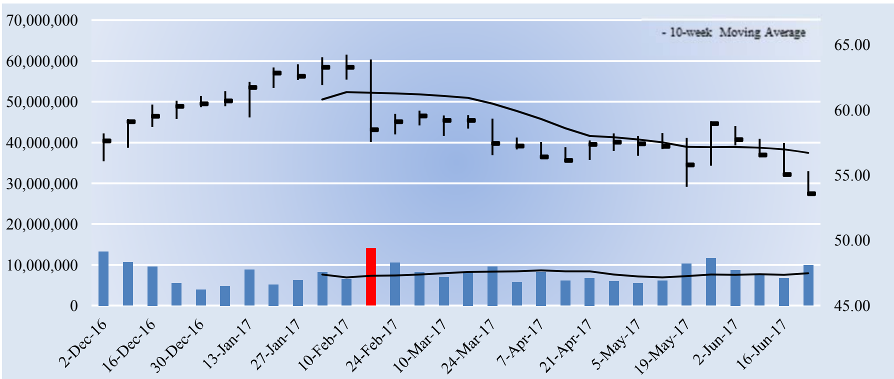
Campbell Soup CPB FAIRLY VALUED

Buying Index™ 4 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$52.00	$40.00 - $64.00	LARGE-CAP CORE	Consumer Staples	Food Products - Large

Weak consumption trends and lower consumer spending levels have weighed on Campbell Soup's top-line results of late.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	57.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$16,663
Avg Weekly Vol (30 wks)	7,987
30-week Range (USD)	53.52 - 64.23
Valuentum Sector	Consumer Staples
5-week Return	-3.9%
13-week Return	-6.7%
30-week Return	-6.4%
Dividend Yield %	2.6%
Dividends per Share	1.40
Forward Dividend Payout Ratio	45.4%
Est. Normal Diluted EPS	3.36
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	1,933
Forward EV/EBITDA	11.0
EV/Est. Normal EBITDA	10.3
Forward Revenue Growth (5-yr)	1.4%
Forward EPS Growth (5-yr)	15.1%

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

Returns Summary

3-year Historical Average	
Return on Equity	46.1%
Return on Assets	8.3%
ROIC, with goodwill	16.8%
ROIC, without goodwill	26.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,533
Net Debt	3,237
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.3
EBITDA/Interest	12.3
Current Ratio	0.7
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

• Campbell Soup reports in the following segments: US Simple Meals; Global Baking and Snacking; International Simple Meals and Beverages; US Beverages; and Bolthouse and Foodservice. Its products include Campbell's Chunky soup, Goldfish crackers, and V8 juice, among others. The company was founded in 1869.

• Campbell Soup plans to strengthen its core business by focusing on transparency and digital marketing and e-commerce while expanding into faster-growing spaces, including health and well-being and developing markets.

• Campbell Soup is responding to dramatic shifts impacting the food industry from changing consumer behavior and demographics to the shift to digital. The company is working to reduce costs in its efforts to permanently return to profitable growth, and it recently upped its cost savings program target to $450 million by 2020 from $300 million by 2018.

• After third quarter results were impacted by weak consumption trends and lower consumer spending, Campbell Soup lowered its fiscal 2017 sales target to down 1% to flat from flat to up 1%. However, it upped adjusted EBIT growth guidance to 2%-4% from 1%-4% and adjusted EPS growth guidance to 3%-5% from 2%-5%.

• The firm is targeting long-term net sales growth in the low-single-digits and earnings-per-share expansion in the mid-single-digits. Pricing competition and input cost swings will certainly pose a challenge to meeting such goals. We think they're achievable, however.

Relative Valuation

	Forward P/E	PEG	Price / FV
ConAgra Brands	21.6	2.6	95.5%
General Mills	20.2	2.9	116.5%
Kellogg	17.8	1.8	110.3%
Mondelez Intl	21.1	1.6	118.2%
Peer Median	20.6	2.2	113.4%
Campbell Soup	**17.4**	**2.0**	**103.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jul-15	Jul-16	Jul-17
Revenue	8,082	7,961	7,921
Revenue, YoY%	-2.2%	-1.5%	-0.5%
Operating Income	1,221	1,102	1,510
Operating Margin %	15.1%	13.8%	19.1%
Net Income	666	563	952
Net Income Margin %	8.2%	7.1%	12.0%
Diluted EPS	2.13	1.81	3.08
Diluted EPS, YoY %	-15.0%	-14.9%	70.2%
Free Cash Flow (CFO-capex)	802	1,122	1,101
Free Cash Flow Margin %	9.9%	14.1%	13.9%

In Millions of USD (except for per share items)

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

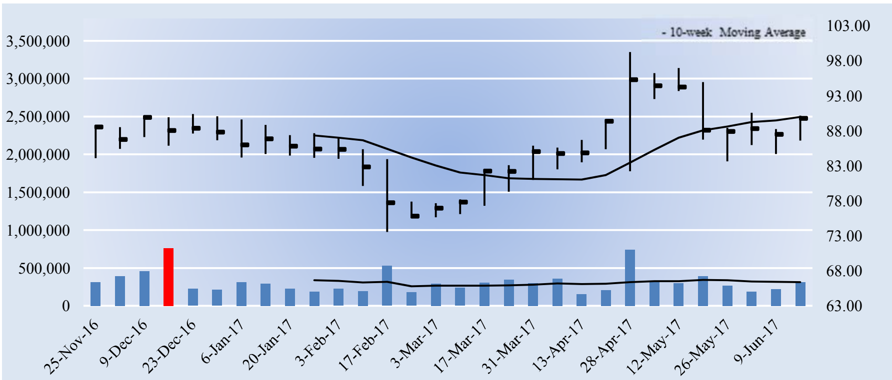
Capella Education CPLA FAIRLY VALUED

Buying Index™ 5 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$67.00	$44.00 - $90.00	SMALL-CAP CORE	Consumer Discretionary	Education Services

Capella Education's groundbreaking FlexPath program is quite innovative, and it was the first of its kind approved by the Department of Education.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	HIGH
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	90.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				■
Very High				

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

Company Vitals

Market Cap (USD)	$1,064
Avg Weekly Vol (30 wks)	315
30-week Range (USD)	73.55 - 99.25
Valuentum Sector	Consumer Discretionary
5-week Return	-4.9%
13-week Return	9.4%
30-week Return	4.8%
Dividend Yield %	1.8%
Dividends per Share	1.64
Forward Dividend Payout Ratio	44.7%
Est. Normal Diluted EPS	4.22
P/E on Est. Normal Diluted EPS	21.3
Est. Normal EBITDA	105
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	8.8
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	5.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	20.5%
Return on Assets	15.7%
ROIC, with goodwill	145.9%
ROIC, without goodwill	261.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-139
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	3.4
Quick Ratio	3.0

NMF = Not Meaningful

Investment Highlights

• Capella is an online post-secondary education firm and the parent company of Capella University, a regionally accredited online university, and Resource Development Intl, an independent provider of United Kingdom university distance learning qualifications. More than 70% of learners at Capella are enrolled in a master's or doctoral degree program. Our favorite attribute of Capella is that it is primarily online-based, which keeps invested capital low and is largely responsible for its impressive Economic Castle rating. The firm owns the social education platform, Sophia. Capella was founded in 1991.

• Hands down, Capella has the best business model in the for-profit education space. We're huge fans of its online-based platform, which keeps investment in check, and the firm is one of the few in its industry actually expanding. A potential reduction in federal government spending at the graduate student level in the Trump administration could impact results.

• Capella's groundbreaking FlexPath program, which offers bachelor's and master's levels degrees based on the competencies a learner can demonstrate rather than on the traditional credit hour model, is quite innovative. Capella was the first institution approved by the DOE and HLC to offer such a program.

• A healthy dividend, an ongoing share buyback program, strong free cash flow and a pristine balance sheet make Capella a standout. As of the end of 2016, the firm had cash and marketable securities of ~$139 million and no debt.

Relative Valuation

	Forward P/E	PEG	Price / FV
Career Education	138.8	NMF	140.1%
Adtalem Global Education	13.9	NMF	117.8%
K12	44.6	3.3	131.8%
Strayer Education	26.2	2.9	135.2%
Peer Median	35.4	3.1	133.5%
Capella Education	**24.5**	**4.4**	**134.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	430	429	446
Revenue, YoY%	2.0%	-0.2%	3.8%
Operating Income	67	68	69
Operating Margin %	15.6%	15.9%	15.6%
Net Income	40	42	43
Net Income Margin %	9.3%	9.9%	9.7%
Diluted EPS	3.27	3.58	3.67
Diluted EPS, YoY %	7.9%	9.5%	2.5%
Free Cash Flow (CFO-capex)	40	61	51
Free Cash Flow Margin %	9.2%	14.2%	11.4%

In Millions of USD (except for per share items)

Structure of the Education Services Industry — VERY POOR

The higher education industry is fragmented with no single private or public institution garnering significant market share. The for-profit education space competes primarily with traditional four and two-year degree-granting accredited colleges and universities. Industry participants are exposed to significant regulation on both the federal and state level and must maintain institutional accreditation to participate in Title IV programs. Risks to federal student funding aid programs and "gainful employment" challenges pose addition threats to the business. We don't like the significant regulatory risks of the industry.

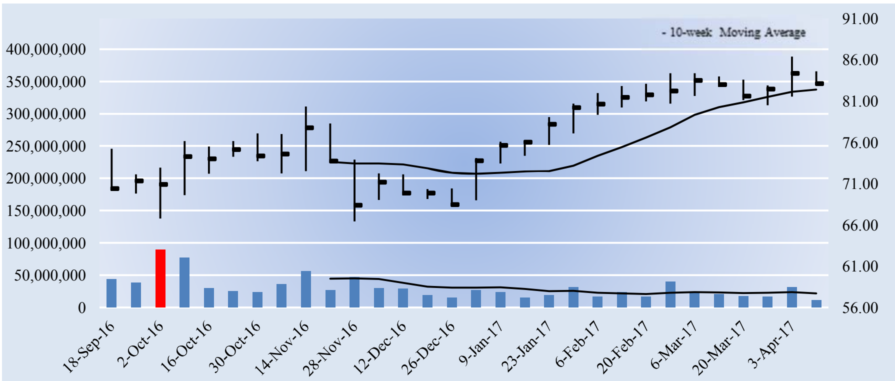
Salesforce.com CRM FAIRLY VALUED

Buying Index™ 5 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$73.00	$58.00 - $88.00	LARGE-CAP GROWTH	Information Technology	Software

Revenue growth is Salesforce.com's current top priority, but material upside to our fair value estimate exists if it hits its long-term operating margin target.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	AGGRESSIVE
Technical Evaluation	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	82.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$58,209
Avg Weekly Vol (30 wks)	30,691
30-week Range (USD)	66.43 - 86.42
Valuentum Sector	Information Technology
5-week Return	-0.4%
13-week Return	10.4%
30-week Return	12.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.08
P/E on Est. Normal Diluted EPS	40.0
Est. Normal EBITDA	3,446
Forward EV/EBITDA	23.8
EV/Est. Normal EBITDA	16.8
Forward Revenue Growth (5-yr)	18.6%
Forward EPS Growth (5-yr)	62.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	-1.9%
Return on Assets	-0.6%
ROIC, with goodwill	14.5%
ROIC, without goodwill	29.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,008
Net Debt	-201
Total Debt/EBITDA	1.8
Net Debt/EBITDA	NMF
EBITDA/Interest	12.3
Current Ratio	0.8
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Salesforce.com is a provider of enterprise cloud computing (software) solutions. The company delivers customer relationship management, or CRM, applications via the Internet, or 'cloud.' The company sells to businesses of all sizes across industries on a subscription basis. The Americas remains its dominant geography.

• The company's deferred revenue and backlog balances continue to grow, revealing material future expansion potential. It is expecting fiscal 2018 revenue to surpass the $10 billion mark on 21%-22% growth, while non-GAAP EPS is being targeted in a range of $1.27-$1.29.

• The company is well-positioned to capture the fundamental shift toward cloud computing, which has changed the way companies connect with customers, employees, partners and products. The firm's Sales Cloud, for example, enables companies to grow their sales pipelines and react in real-time to customer and contact info.

• There is much debate in the analyst community about using either Salesforce.com's non-GAAP or GAAP numbers in assessing the firm's performance. Though both offer valuable information, we think a focus on free cash flow, generation of which has been strong, is the most appropriate parameter in which to judge the value of the company's business.

• Revenue growth is the company's current top priority. Long-term, however, Salesforce.com is targeting a mid-30% operating margin. If it hits this, our fair value estimate would more than double (we're assuming a mid-teens normalized operating margin).

Relative Valuation

	Forward P/E	PEG	Price / FV
Adobe Systems	32.3	2.3	121.7%
F5 Networks	16.0	1.6	103.4%
Microsoft	21.7	2.0	104.8%
Oracle	16.6	1.8	86.3%
Peer Median	19.1	1.9	104.1%
Salesforce.com	**63.8**	**5.2**	**113.9%**

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

Financial Summary

Fiscal Year End:	Jan-16 (Actual)	Jan-17 (Actual)	Jan-18 (Projected)
Revenue	6,667	8,392	10,272
Revenue, YoY%	24.1%	25.9%	22.4%
Operating Income	78	64	1,330
Operating Margin %	1.2%	0.8%	12.9%
Net Income	-47	180	931
Net Income Margin %	-0.7%	2.1%	9.1%
Diluted EPS - *non-GAAP*	-0.07	0.26	1.30
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	1,387	1,698	1,196
Free Cash Flow Margin %	20.8%	20.2%	11.6%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

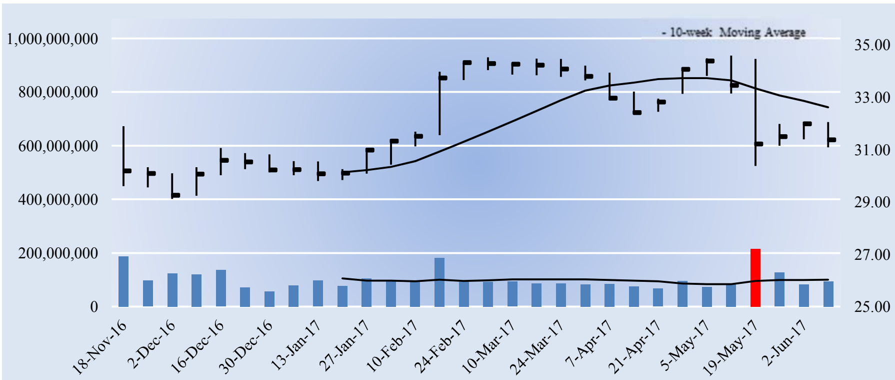
Cisco CSCO UNDERVALUED 8.4%

Buying Index™ 3 | **Value Rating** ✔

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$42.00	$34.00 - $50.00	LARGE-CAP VALUE	Information Technology	Networking Equipment

Cisco must continue to adapt to evolving markets and meet the changing demands of customers.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	33.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$159,611
Avg Weekly Vol (30 wks)	102,287
30-week Range (USD)	29.12 - 34.6
Valuentum Sector	Information Technology
5-week Return	-9.0%
13-week Return	-8.3%
30-week Return	-0.2%
Dividend Yield %	3.7%
Dividends per Share	1.16
Forward Dividend Payout Ratio	48.3%
Est. Normal Diluted EPS	2.56
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	17,266
Forward EV/EBITDA	7.4
EV/Est. Normal EBITDA	7.1
Forward Revenue Growth (5-yr)	1.0%
Forward EPS Growth (5-yr)	5.5%

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

Returns Summary

3-year Historical Average	
Return on Equity	15.5%
Return on Assets	8.3%
ROIC, with goodwill	26.6%
ROIC, without goodwill	61.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	28,643
Net Debt	-37,113
Total Debt/EBITDA	1.9
Net Debt/EBITDA	NMF
EBITDA/Interest	22.3
Current Ratio	3.2
Quick Ratio	3.0

NMF = Not Meaningful

Investment Highlights

• Cisco sells Internet Protocol based networking and other products related to the communications and IT industry. The firm provides a broad line of products for transporting data, voice, and video. It is #1 or #2 across a wide variety of architectures, and we like the progress it is making in its transition to a software and subscription based business model. It was founded in 1984 and is headquartered in California.

• Cisco has been acquisitive as of late. Instead of targeting suppliers to improve its gross margin, the firm's M&A strategy will be focused on disruptive technology and software and cloud acquisitions that will positively impact gross margins.

• We like that Cisco is aggressively buying back stock. In fact, the firm intends to return a minimum of 50% of annual free cash flow to shareholders via dividends and buybacks. Since its share repurchase program began through April 2017, the firm has repurchased roughly $99 billion in shares, and has nearly $13 billion remaining authorized for share repurchases.

• Future revenue growth at Cisco is now expected to be in the range of 3%-6% during the next 3-5 years. This is down from 5%-7% annual growth expectations it set during its conference in 2011. The firm must continue to adapt to evolving markets and meet the changing demands of customers.

• Cisco had an incredible ~$68 billion in cash and cash equivalents as of April 2017. Such a cash hoard gives it tremendous financial flexibility to pursue value-creating acquisitions and/or significantly increase the dividend.

Relative Valuation

	Forward P/E	PEG	Price / FV
Finisar	12.2	1.7	89.4%
Juniper Networks	12.7	1.5	81.7%
Knowles Corp	18.4	2.0	109.4%
Nokia	26.4	NMF	80.0%
Peer Median	15.6	1.7	85.6%
Cisco	**13.1**	**2.7**	**74.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jul-15	Jul-16	Jul-17
Revenue	49,161	49,247	47,917
Revenue, YoY%	4.3%	0.2%	-2.7%
Operating Income	11,254	12,928	14,516
Operating Margin %	22.9%	26.3%	30.3%
Net Income	8,981	10,739	12,080
Net Income Margin %	18.3%	21.8%	25.2%
Diluted EPS	1.75	2.11	2.40
Diluted EPS, YoY %	17.4%	20.9%	13.9%
Free Cash Flow (CFO-capex)	11,325	12,424	13,688
Free Cash Flow Margin %	23.0%	25.2%	28.6%

In Millions of USD (except for per share items)

Structure of the Networking Equipment Industry — POOR

Firms in the networking equipment industry provide products for transporting data, voice, and video within businesses and around the world. Participants must adapt to address virtualization/cloud-driven needs in the enterprise data center market; the convergence of video, collaboration, and networked mobility technologies; and the move toward programmable, virtual networks. The industry is characterized by low barriers to entry, rapid technological change and significant pricing competition. Gross margins can be volatile and should be watched closely. We don't like the structure of the group.

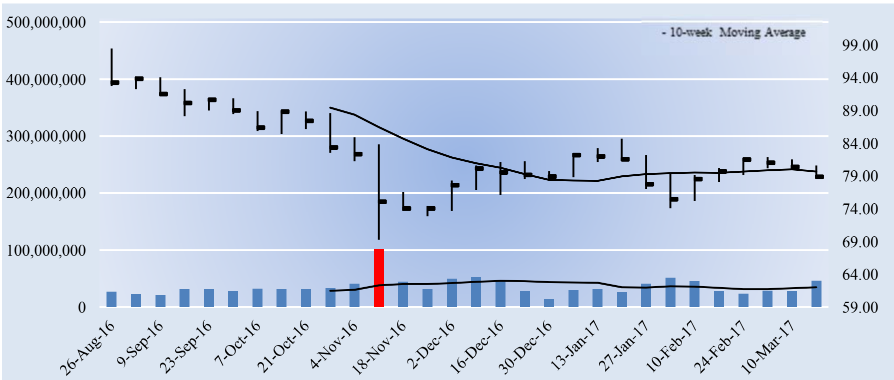
CVS Caremark CVS UNDERVALUED 5.2%

Buying Index™ 6 **Value Rating** ✔

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$104.00	$83.00 - $125.00	LARGE-CAP VALUE	Consumer Staples	Food Retailers

CVS Caremark's integrated model includes both pharmacies and medical clinics, enabling the firm to gain a greater share of health care spending.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	80.00

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

Company Vitals

Market Cap (USD)	$85,112
Avg Weekly Vol (30 wks)	35,538
30-week Range (USD)	69.3 - 98.44
Valuentum Sector	Consumer Staples
5-week Return	-0.1%
13-week Return	-0.5%
30-week Return	-18.7%
Dividend Yield %	2.5%
Dividends per Share	2.00
Forward Dividend Payout Ratio	33.8%
Est. Normal Diluted EPS	7.50
P/E on Est. Normal Diluted EPS	10.5
Est. Normal EBITDA	16,791
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	6.5
Forward Revenue Growth (5-yr)	4.8%
Forward EPS Growth (5-yr)	13.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	13.5%
Return on Assets	6.1%
ROIC, with goodwill	10.8%
ROIC, without goodwill	24.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	27,531
Net Debt	24,073
Total Debt/EBITDA	2.1
Net Debt/EBITDA	1.9
EBITDA/Interest	11.9
Current Ratio	1.2
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• The 2007 merger of CVS Corp and Caremark created the largest pharmacy health care provider in the US. The company has more than 7,800 retail locations and operates in 98 of the top 100 US drugstore markets. Its PBM business serves more than 60 million plan members. The company was founded in 1892 and is headquartered in Rhode Island.

• CVS recently acquired Target's pharmacies and clinics and it will operate the acquired pharmacies in a store-within-a-store format. The deal expands its footprint of pharmacies by ~20% (adding more than 1,660) and clinics by ~8% (adding ~80 clinics).

• CVS Caremark's integrated model includes both pharmacies and medical clinics, enabling the firm to gain a greater share of health care spending. The power of this integrated model has created a sustainable competitive advantage highlighted by the growth of CVS/pharmacy's share of its own PBM's retail network claims.

• CVS recently announced a multi-year enterprise streamlining initiative, which it expects to deliver $700-$750 million in annual savings by 2021 or $3 billion cumulatively over the next five years. In 2017, the firm is anticipating adjusted EPS to be in a range of $5.77-$5.93, with free cash flow generation between $6.0-$6.4 billion.

• Though we like the company's business model, efforts to reduce prescription drug costs and pharmacy reimbursement rates could impact long-term profitability. Investors should watch new developments closely.

Business Quality

ValueRisk™ \ ValueCreation™	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
Costco	29.5	1.7	119.0%
Kroger	13.4	0.9	82.1%
Target	13.4	2.2	82.3%
Wal-Mart	16.0	2.1	107.5%
Peer Median	14.7	1.9	94.9%
CVS Caremark	**13.3**	**1.2**	**75.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	153,290	177,526	184,272
Revenue, YoY%	10.0%	15.8%	3.8%
Operating Income	9,454	10,338	11,437
Operating Margin %	6.2%	5.8%	6.2%
Net Income	5,228	5,318	6,322
Net Income Margin %	3.4%	3.0%	3.4%
Diluted EPS	4.64	4.93	5.92
Diluted EPS, YoY %	16.8%	6.2%	20.1%
Free Cash Flow (CFO-capex)	6,045	7,845	6,222
Free Cash Flow Margin %	3.9%	4.4%	3.4%

In Millions of USD (except for per share items)

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

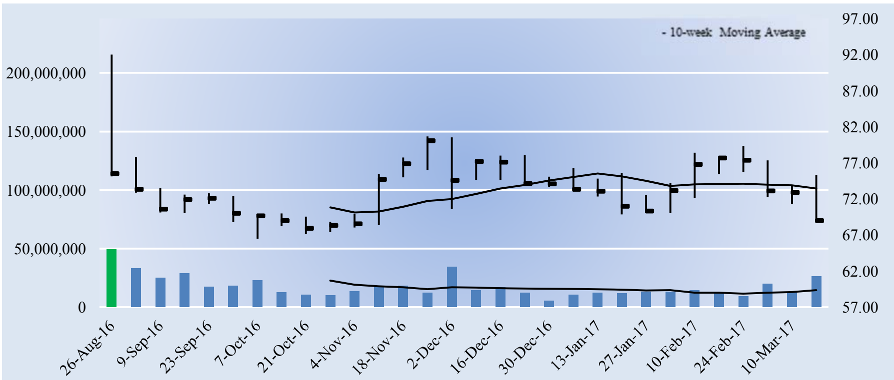
Dollar General DG FAIRLY VALUED

Buying Index™ 4 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$75.00	$60.00 - $90.00	LARGE-CAP VALUE	Consumer Discretionary	Multiline Retail - discount

Dollar General is the largest discount retailer in the US by number of stores, and it continues to add to its store count in a meaningful way.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	73.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$19,468
Avg Weekly Vol (30 wks)	17,566
30-week Range (USD)	66.5 - 92.01
Valuentum Sector	Consumer Discretionary
5-week Return	-10.9%
13-week Return	-10.0%
30-week Return	-24.3%
Dividend Yield %	1.5%
Dividends per Share	1.04
Forward Dividend Payout Ratio	23.1%
Est. Normal Diluted EPS	5.62
P/E on Est. Normal Diluted EPS	12.3
Est. Normal EBITDA	2,971
Forward EV/EBITDA	9.1
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	6.4%
Forward EPS Growth (5-yr)	9.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.1%
Return on Assets	10.3%
ROIC, with goodwill	14.2%
ROIC, without goodwill	27.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,212
Net Debt	3,024
Total Debt/EBITDA	1.3
Net Debt/EBITDA	1.2
EBITDA/Interest	25.0
Current Ratio	1.4
Quick Ratio	0.1

NMF = Not Meaningful

Investment Highlights

• Dollar General is the largest discount retailer in the US by number of stores with over 13,000 neighborhood stores in 44 states. It provides products that are frequently used and replenished such as food, snacks, and health and beauty aids. The company helps shoppers: 'Save time, Save money, Every day.'

• As with many of its peers, one of the biggest catalysts for Dollar General in coming periods will be suppressed prices at the gas pump. Its core demographic is more sensitive to the price at the pump than other consumers, and crude oil's fall from $100+ per barrel is welcome news.

• Dollar General has put up 27 consecutive years of same-store sales growth as of 2016. The firm continues to add new stores to its portfolio and plans to add as many as 1,000 in 2017. The company lost the battle for Family Dollar's assets to Dollar Tree, despite a higher offer. It may have been a blessing in disguise.

• Dollar General sees the opportunity for an additional 13,000 locations across the US, many of which will be developed as small format stores with less than 6,000 square feet. These small format stores enable the firm to optimize merchandise mixes in each store and reduce occupancy costs. Such growth initiatives are expected to help drive $30 billion in sales in 2020.

• In fiscal 2017, management is anticipating net sales growth of 4%-6% and same-store sales growth of slightly positive to up 2%. Diluted earnings per share guidance has been issued in a range of $4.25-$4.50, compared to $4.43 in fiscal 2016.

Relative Valuation

	Forward P/E	PEG	Price / FV
Big Lots	12.2	2.0	104.2%
Dollar Tree	16.8	1.7	95.8%
PriceSmart	28.7	1.8	122.6%
Fred's Inc	NMF	NMF	118.8%
Peer Median	16.8	1.8	111.5%
Dollar General	**15.3**	**1.7**	**92.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-16	Jan-17	Jan-18
Revenue	20,369	21,987	23,372
Revenue, YoY%	7.7%	7.9%	6.3%
Operating Income	1,940	2,063	2,071
Operating Margin %	9.5%	9.4%	8.9%
Net Income	1,165	1,251	1,256
Net Income Margin %	5.7%	5.7%	5.4%
Diluted EPS	3.95	4.43	4.49
Diluted EPS, YoY %	13.2%	12.3%	1.4%
Free Cash Flow (CFO-capex)	887	1,044	917
Free Cash Flow Margin %	4.4%	4.8%	3.9%

In Millions of USD (except for per share items)

Structure of the Multiline Retail (discount) Industry — GOOD

The retail discount store industry provides consumable basic needs to customers primarily in the low- and middle-income brackets. More than one third of the industry's customers live in households that earn less than $20,000 per year, making the group's results counter-cyclical--as more households generate lower income due to poor economic conditions, store growth and same-store-sales opportunities increase. Still, competition is fierce among constituents and with many other retailers, including grocery stores. But given the niche low-price strategy of participants and their counter-cyclical nature, we like the group.

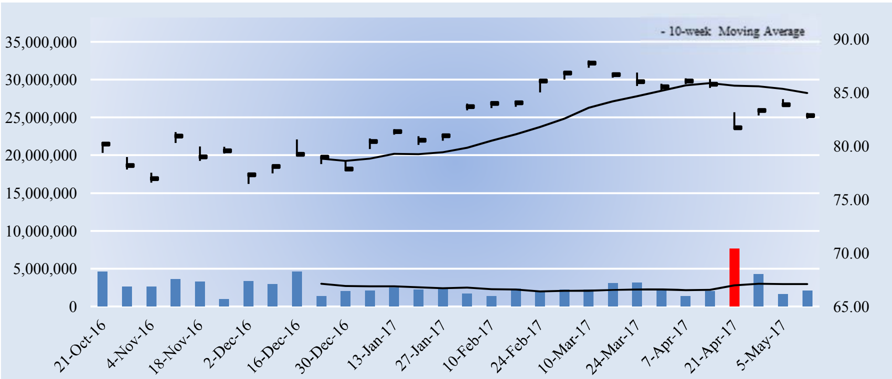
Danaher DHR FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$72.00	$58.00 - $86.00	LARGE-CAP CORE	Industrials	Conglomerates

Danaher's portfolio is exposed to secular growth drivers such as increasing environmental, healthcare, and food safety regulatory requirements.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	85.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$57,971
Avg Weekly Vol (30 wks)	2,670
30-week Range (USD)	76.47 - 88.01
Valuentum Sector	Industrials
5-week Return	-3.1%
13-week Return	-1.5%
30-week Return	4.0%
Dividend Yield %	0.7%
Dividends per Share	0.56
Forward Dividend Payout Ratio	14.1%
Est. Normal Diluted EPS	4.84
P/E on Est. Normal Diluted EPS	17.1
Est. Normal EBITDA	5,359
Forward EV/EBITDA	14.8
EV/Est. Normal EBITDA	12.9
Forward Revenue Growth (5-yr)	5.3%
Forward EPS Growth (5-yr)	13.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	10.5%
Return on Assets	6.0%
ROIC, with goodwill	9.9%
ROIC, without goodwill	25.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	12,269
Net Debt	11,305
Total Debt/EBITDA	3.2
Net Debt/EBITDA	2.9
EBITDA/Interest	21.0
Current Ratio	1.0
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• Danaher makes innovative products and provides services to professional, medical, industrial, and commercial customers. Its portfolio of premier brands, including Pall, Cepheid, and Beckman Coulter, is among the most highly recognized in each of the markets it serves. The company was founded in 1969 and is headquartered in Washington, D.C.

• There are a number of moving parts at Danaher. Not only did it split with its diversified industrial growth business Fortive in mid-2016, but it also announced and closed 9 acquisitions worth ~$5 billion in 2016 while maintaining consistent core revenue growth across all 4 operating segments.

• Danaher continues to experience pressure from a challenging economic environment, particularly from its industrially-oriented end markets, but acquisitions and strong execution are expected to continue to drive growth. The post-split company expects full year 2017 adjusted diluted net earnings per share to be in a range of $3.85-$3.95. Non-GAAP core revenue growth is targeted at 3%-4%.

• Danaher's portfolio is exposed to secular growth drivers such as increasing environmental, healthcare, and food safety regulatory requirements. We also applaud the firm's free cash flow conversion efforts as 2016 marked the 25th consecutive year in which free cash flow exceeded net income. China offers expansion opportunities for the firm.

• Danaher is one of our favorite industrial firms. Though cyclical, the firm continues to drive gross margins higher. The Danaher Business System ensures the firm will stay competitive across the variety of market segments it serves.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	21.7	3.1	133.7%
General Electric	17.2	1.3	94.2%
Honeywell	18.4	2.6	119.5%
United Technologies	18.2	1.7	114.0%
Peer Median	18.3	2.1	116.8%
Danaher	**20.9**	**2.0**	**115.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	20,563	16,882	18,132
Revenue, YoY%	3.3%	-17.9%	7.4%
Operating Income	3,469	2,751	3,503
Operating Margin %	16.9%	16.3%	19.3%
Net Income	2,599	2,153	2,737
Net Income Margin %	12.6%	12.8%	15.1%
Diluted EPS	3.67	3.08	3.96
Diluted EPS, YoY %	1.1%	-16.1%	28.7%
Free Cash Flow (CFO-capex)	2,998	2,932	3,190
Free Cash Flow Margin %	14.6%	17.4%	17.6%

In Millions of USD (except for per share items)

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

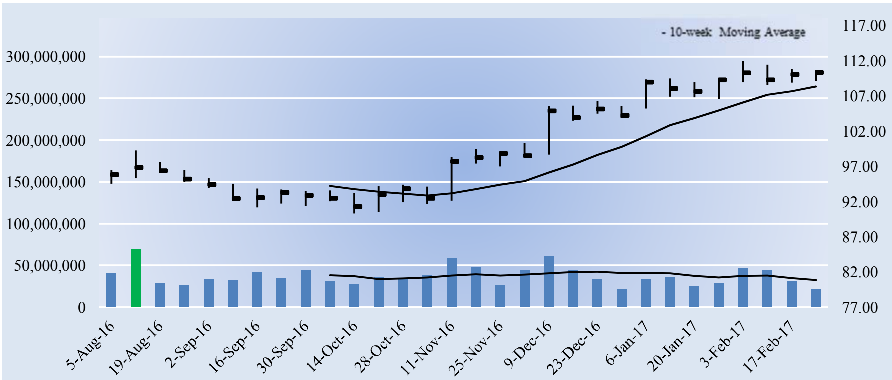
Disney DIS FAIRLY VALUED

Buying Index™ 6 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$98.00	$76.00 - $120.00	LARGE-CAP CORE	Consumer Discretionary	Media - entertainment

Disney has an innate ability to leverage creative success across its entire company.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	108.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$180,814
Avg Weekly Vol (30 wks)	37,537
30-week Range (USD)	90.315 - 111.99
Valuentum Sector	Consumer Discretionary
5-week Return	2.8%
13-week Return	12.0%
30-week Return	14.7%
Dividend Yield %	1.4%
Dividends per Share	1.56
Forward Dividend Payout Ratio	26.0%
Est. Normal Diluted EPS	7.52
P/E on Est. Normal Diluted EPS	14.7
Est. Normal EBITDA	20,389
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	9.6
Forward Revenue Growth (5-yr)	4.9%
Forward EPS Growth (5-yr)	9.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.9%
Return on Assets	10.3%
ROIC, with goodwill	13.3%
ROIC, without goodwill	24.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	20,170
Net Debt	15,560
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.9
EBITDA/Interest	47.7
Current Ratio	1.0
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Disney is a diversified entertainment company with operations in five segments: Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products, and Interactive. 'Media Networks' and 'Parks and Resorts' account for more than 70% of revenue. The firm boasts one of the most-recognized brand names. It was founded in 1923 and is headquartered in California.

• We've been somewhat generous in our model for Disney. We are building in mid single-digit revenue growth and solid margin expansion, as well as using one of the lowest costs of equity within our coverage universe.

• Earnings at Disney continue to be resilient thanks to the strength of its brands and the value of its high-quality creative content. The firm's 'Media Networks' and 'Parks and Resorts' segments continue to lead the charge. ESPN continues to be a solid anchor to 'Cable Networks' revenue--a division included in 'Media Networks'--though the threat of 'cord-cutting' should not be ignored.

• Disney has found itself amid reports it may be a candidate to take out a disruptive player in the broader media space such as Twitter or Netflix. The company has been interested in new digital distribution options as it continues to battle the cord-cutting movement. Though we're not advocating debt-fueled growth, it has material leverage potential on its balance sheet.

• Disney has an innate ability to leverage creative success across its entire company. Its 'Studio Entertainment' division, for example, is growing at a nice double-digit clip thanks to strong home entertainment revenue (the movie Frozen, for example).

Relative Valuation

	Forward P/E	PEG	Price / FV
IMAX Corp	30.6	1.9	109.2%
Live Nation	NMF	NMF	90.1%
Madison Square Garden	NMF	NMF	118.5%
News Corp	32.4	1.7	93.6%
Peer Median	31.5	1.8	101.4%
Disney	**18.4**	**2.0**	**112.6%**

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

Financial Summary

Fiscal Year End:	Sep-15 (Actual)	Sep-16 (Actual)	Sep-17 (Projected)
Revenue	52,465	55,632	56,800
Revenue, YoY%	7.5%	6.0%	2.1%
Operating Income	13,224	14,358	14,575
Operating Margin %	25.2%	25.8%	25.7%
Net Income	8,382	9,391	9,636
Net Income Margin %	16.0%	16.9%	17.0%
Diluted EPS	4.90	5.73	6.00
Diluted EPS, YoY %	15.0%	16.8%	4.7%
Free Cash Flow (CFO-capex)	6,644	8,440	8,721
Free Cash Flow Margin %	12.7%	15.2%	15.4%

In Millions of USD (except for per share items)

Structure of the Media (entertainment) Industry — NEUTRAL

The media (entertainment) industry spans firms with diversified worldwide entertainment operations to those that specialize primarily in motion picture technologies. Firms with media network businesses compete for viewers with other networks, while companies with studio entertainment businesses compete with all forms of entertainment. A significant number of companies produce theatrical/television films, and success depends on unpredictable public preferences. The strongest participants will consistently create filmed entertainment and/or cable programming that consumers want. We're neutral on the group.

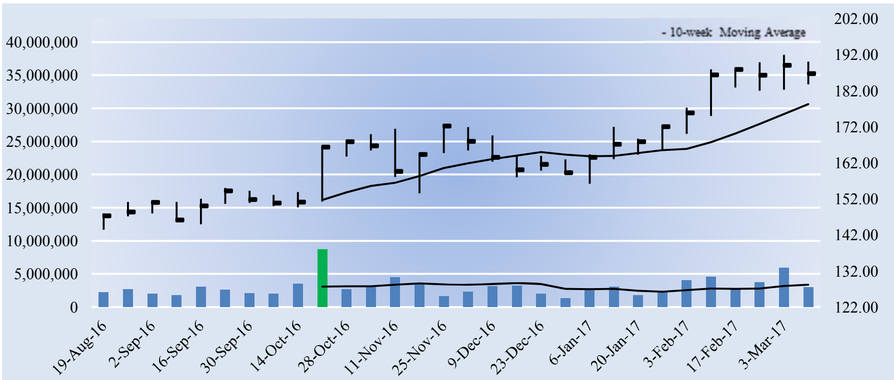
Domino's Pizza DPZ OVERVALUED 19.7%

Buying Index™ 4 | **Value Rating** ✗

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$125.00	$100.00 - $150.00	MID-CAP GROWTH	Consumer Discretionary	Restaurants - Fast Food & Coffee

Domino's Pizza's return on invested capital is simply a sight to see.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	**OVERVALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**178.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$9,322
Avg Weekly Vol (30 wks)	3,053
30-week Range (USD)	143.47 - 192.01
Valuentum Sector	Consumer Discretionary
5-week Return	6.6%
13-week Return	14.6%
30-week Return	27.9%
Dividend Yield %	1.0%
Dividends per Share	1.84
Forward Dividend Payout Ratio	34.9%
Est. Normal Diluted EPS	7.70
P/E on Est. Normal Diluted EPS	24.2
Est. Normal EBITDA	762
Forward EV/EBITDA	19.7
EV/Est. Normal EBITDA	14.9
Forward Revenue Growth (5-yr)	9.2%
Forward EPS Growth (5-yr)	19.5%

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

Returns Summary

3-year Historical Average	
Return on Equity	-12.5%
Return on Assets	28.0%
ROIC, with goodwill	153.7%
ROIC, without goodwill	171.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,188
Net Debt	2,019
Total Debt/EBITDA	4.4
Net Debt/EBITDA	4.0
EBITDA/Interest	4.5
Current Ratio	1.2
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Domino's Pizza is the number one pizza delivery company in the US, based on reported consumer spending. The firm also has a leading international presence and ranks as the second-largest pizza company in the world, based on number of units and sales. It has an enterprise of more than 13,800 units with ~55% outside of the US market.

• All investors should become familiar with the success of Domino's. Profits are driven primarily by franchise royalties, which account for more than 90% of international operating income. Its store count is growing faster internationally than both Pizza Hut and Papa John's.

• Domino's is an impressive company. Its US annual same-store sales growth has averaged +3.5% since 1997, with particular strength coming during the past few years (+12% in 2015 and +10.5% in 2016). The firm's average annual international same-store sales expansion has been even more impressive over this time horizon (+5.8% average). It has posted 90+ consecutive quarters of same store sales growth.

• The firm's franchise model generates sustainable returns for franchisees (~$134k in annual EBITDA in the US in 2016), revealing healthy internals. It is targeting a mid-range outlook of 6%-8% net unit growth, domestic same store sales growth of 3%-6%, international same store sales growth of 3%-6%, and global retail sales growth of 8%-12%.

• The company's return on invested capital is simply a sight to see. If the firm is not the greatest value-generator in our coverage universe, it certainly is within the restaurant space. Domino's has a fantastic business model.

Relative Valuation

	Forward P/E	PEG	Price / FV
McDonald's	20.6	2.7	136.1%
Starbucks	25.3	2.1	109.1%
Wendy's Co	28.5	1.5	147.2%
Yum! Brands	23.4	1.5	98.9%
Peer Median	24.4	1.8	122.6%
Domino's Pizza	**35.4**	**2.2**	**149.4%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	2,217	2,473	2,742
Revenue, YoY%	11.2%	11.6%	10.9%
Operating Income	405	454	525
Operating Margin %	18.3%	18.4%	19.1%
Net Income	193	215	261
Net Income Margin %	8.7%	8.7%	9.5%
Diluted EPS	3.47	4.30	5.27
Diluted EPS, YoY %	21.6%	23.9%	22.6%
Free Cash Flow (CFO-capex)	228	229	250
Free Cash Flow Margin %	10.3%	9.2%	9.1%

In Millions of USD (except for per share items)

Structure of the Restaurants Industry - Fast Food & Coffee — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

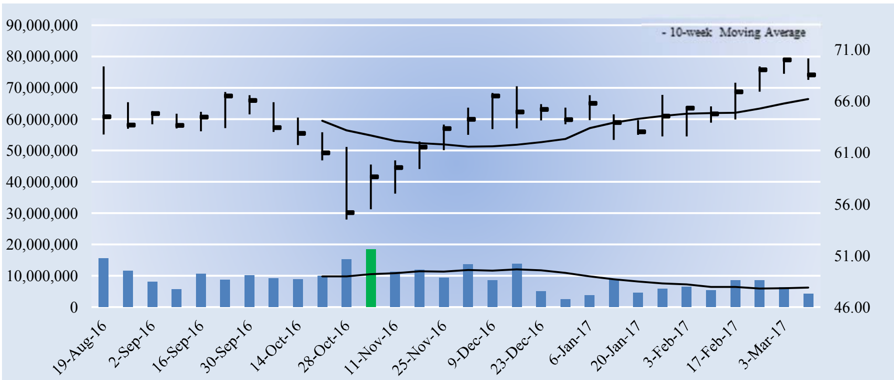
DaVita DVA FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$76.00	$61.00 - $91.00	LARGE-CAP VALUE	Health Care	Health Care Services

Patients with end stage renal disease continue to grow as a result of the aging of the population, offering DaVita stable growth opportunities.

Stock Chart (weekly)



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

Company Vitals

Market Cap (USD)	$14,824
Avg Weekly Vol (30 wks)	8,984
30-week Range (USD)	54.5 - 70.14
Valuentum Sector	Health Care
5-week Return	5.4%
13-week Return	2.1%
30-week Return	-0.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	4.48
P/E on Est. Normal Diluted EPS	15.3
Est. Normal EBITDA	2,915
Forward EV/EBITDA	7.9
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	4.5%
Forward EPS Growth (5-yr)	34.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.9%
Return on Assets	3.9%
ROIC, with goodwill	11.1%
ROIC, without goodwill	32.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,130
Net Debt	7,223
Total Debt/EBITDA	3.7
Net Debt/EBITDA	2.9
EBITDA/Interest	6.1
Current Ratio	1.9
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• DaVita is a leading provider of kidney dialysis services primarily in the US for patients suffering from chronic kidney failure. US dialysis and related lab services account for over 90% of its consolidated net operating revenues. DaVita serves 33%+ of US dialysis patients. The company was founded in 1994 and is headquartered in Denver, Colorado.

• DaVita's distinctive platforms to deliver population health management is based on longitudal and holistic care, the coordination of health metrics, and research and development to explore new care models.

• Patients with end stage renal disease continue to grow as a result of the aging of the population, offering DaVita and its industry stable growth opportunities in terms of number of treatments, but commercial rate pressure, policy uncertainty, and increasing wage pressure have the potential to mitigate growth in treatments administered.

• DaVita's operating income in 2017 will be reduced by 1% due to the final 2017 Medicare Advantage benchmark payment rates, slightly above the industry average. Though the cut may not appear to be a meaningful reduction in overall operating income, it is a good example of the regulatory environment in healthcare.

• DaVita has found itself in hot water recently as it relates to legal issues. The firm paid $450 million to settle a false claims case in May 2015, and in November 2015 the firm announced that its RMS Lifeline unit is subject to a False Claims Act inquiry.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	66.00

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Community Health	NMF	NMF	72.5%
Tenet Healthcare	16.1	NMF	76.9%
Universal Health	15.1	1.3	95.2%
UnitedHealth Group	17.7	1.9	113.3%
Peer Median	16.1	1.6	86.0%
DaVita	**16.0**	**1.6**	**90.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	12,795	13,782	14,745
Revenue, YoY%	8.8%	7.7%	7.0%
Operating Income	1,809	1,858	2,113
Operating Margin %	14.1%	13.5%	14.3%
Net Income	723	270	928
Net Income Margin %	5.7%	2.0%	6.3%
Diluted EPS	3.33	1.25	4.29
Diluted EPS, YoY %	15.4%	-62.6%	244.1%
Free Cash Flow (CFO-capex)	817	849	1,134
Free Cash Flow Margin %	6.4%	6.2%	7.7%

In Millions of USD (except for per share items)

Structure of the Healthcare Services Industry — NEUTRAL

The healthcare services industry consists of firms that operate traditional hospitals, inpatient rehabilitation hospitals, and other specialized healthcare facilities. Demand for the group's services continues to increase as the US population ages and life expectancies rise. Inpatient rehabilitation care is growing at a 2-3% annual rate, while the expansion of patients with end stage renal disease continues at a slightly faster pace. Improvement in clinical practices and pharmacology and reimbursement policies of third-party payors have also impacted hospital utilization/occupancy. We're neutral on the group.

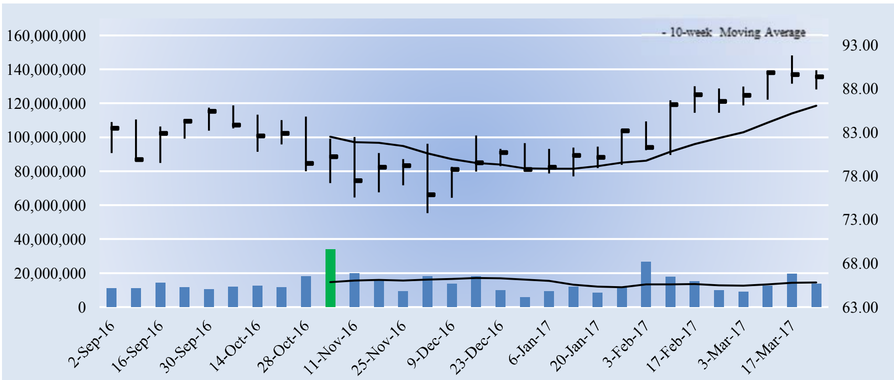
Electronic Arts EA FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$69.00	$48.00 - $90.00	LARGE-CAP CORE	Information Technology	Software - graphics

EA's revenue from mobile has grown considerably in recent years and is a great opportunity for future growth.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
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	86.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$29,486
Avg Weekly Vol (30 wks)	14,119
30-week Range (USD)	73.74 - 91.815
Valuentum Sector	Information Technology
5-week Return	2.3%
13-week Return	10.3%
30-week Return	10.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	4.40
P/E on Est. Normal Diluted EPS	20.3
Est. Normal EBITDA	2,179
Forward EV/EBITDA	13.9
EV/Est. Normal EBITDA	12.3
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	6.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	24.2%
Return on Assets	10.9%
ROIC, with goodwill	41.6%
ROIC, without goodwill	169.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,150
Net Debt	-2,684
Total Debt/EBITDA	1.1
Net Debt/EBITDA	NMF
EBITDA/Interest	52.1
Current Ratio	1.8
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Electronic Arts develops, markets, publishes and distributes game software content and services that can be played by consumers on a variety of video game machines and electronic devices such as PlayStations 3 and 4, Xbox 360, Xbox One, and Wii. Some of its titles include Battlefield, UFC, and EA Sports offerings for nearly every major American sport.

• EA's revenue from mobile has grown considerably in recent years and is a great opportunity for future growth. The segment's gains have more than offset negative PC trends. The firm's console segment has performed well in recent quarters.

• Multiple industry trends are changing EA's operating environment. Online gameplay and the digital distribution of games are leading the digital transformation. Business models have emerged with focuses on extended product engagement, mobile opportunities, and predictable subscription-based revenue. The importance and dependability of franchises cannot be denied, however.

• New consoles tend to drive growth at EA, so investors should pay close attention to the strategies of Nintendo (Wii), Microsoft (Xbox One) and Sony (PS). Digital share (mobile/handhelds, extra content, full game downloads) of overall interactive entertainment industry spending has advanced to 70% of the total in recent years.

• The company's portfolio of brands includes wholly-owned brands such as Battlefield, Mass Effect, Need for Speed, The Sims, Bejeweled, and Plants v. Zombies. We like EA's considerable brand recognition and strength.

Relative Valuation

	Forward P/E	PEG	Price / FV
Activision	24.9	2.4	132.8%
KongZhong	20.5	NMF	74.2%
Take-Two	48.0	NMF	145.3%
Zynga	39.6	NMF	140.0%
Peer Median	32.3	2.4	136.4%
Electronic Arts	**23.1**	**3.8**	**129.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	4,515	4,396	4,752
Revenue, YoY%	26.3%	-2.6%	8.1%
Operating Income	948	898	1,723
Operating Margin %	21.0%	20.4%	36.3%
Net Income	875	1,156	1,277
Net Income Margin %	19.4%	26.3%	26.9%
Diluted EPS	2.69	3.50	3.87
Diluted EPS, YoY %	NMF	30.1%	10.4%
Free Cash Flow (CFO-capex)	972	1,130	1,440
Free Cash Flow Margin %	21.5%	25.7%	30.3%

In Millions of USD (except for per share items)

Structure of the Software (graphics) Industry — POOR

The software (graphics) industry is composed of a variety of firms from online gaming entities to technology-based-language learning companies. Industry constituents compete for the leisure time, attention and discretionary spending of consumers. The social gaming space, in particular, is evolving rapidly, and new entrants will inevitably drive down outsize returns over time. Performance of many participants is "hit" driven. If companies don't deliver "hit" products to the market, operating results will suffer. Rapid technological change makes obsolescence a possibility. We don't like the group's structure.

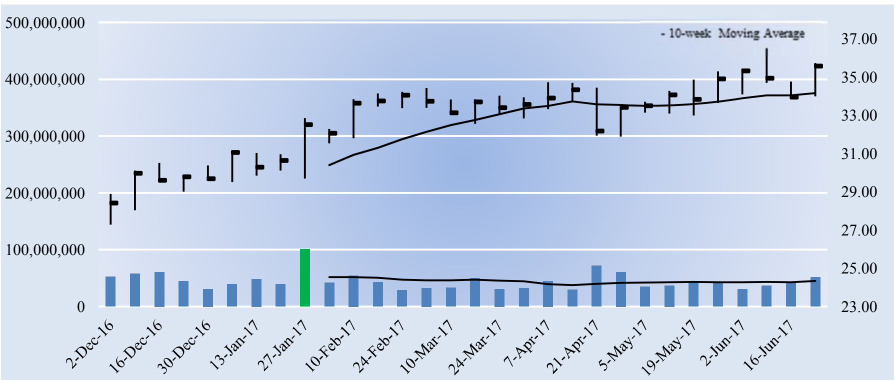
eBay EBAY FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$33.00	$26.00 - $40.00	LARGE-CAP CORE	Consumer Discretionary	Internet & Catalog Retail

eBay's low capital intensity and predictable cash flows speak to high business quality.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
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	34.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$40,692
Avg Weekly Vol (30 wks)	44,949
30-week Range (USD)	27.28 - 36.5
Valuentum Sector	Consumer Discretionary
5-week Return	5.1%
13-week Return	7.3%
30-week Return	23.3%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.48
P/E on Est. Normal Diluted EPS	14.3
Est. Normal EBITDA	3,832
Forward EV/EBITDA	14.4
EV/Est. Normal EBITDA	11.1
Forward Revenue Growth (5-yr)	4.9%
Forward EPS Growth (5-yr)	-14.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	32.0%
Return on Assets	13.4%
ROIC, with goodwill	18.7%
ROIC, without goodwill	150.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,960
Net Debt	1,811
Total Debt/EBITDA	3.0
Net Debt/EBITDA	0.6
EBITDA/Interest	Excellent
Current Ratio	2.3
Quick Ratio	2.0

NMF = Not Meaningful

Investment Highlights

- eBay is a global commerce and payments company that connects buyers and sellers worldwide. Activist investor Carl Icahn no longer holds shares in this security, and it has been separated from PayPal since July 2015. The company was founded in 1995 and is headquartered in San Jose, California.

- eBay is still a powerhouse even after letting go of its prized PayPal. During 2016, the firm processed $84 billion in gross merchandise value from ~167 million active buyers and over 25 million active sellers. It had more than 1 billion listings, helping push eBay's revenue in 2016 to nearly $9 billion.

- The company's business continues its resurgence, with active user growth recently reaching levels not seen since 2007. Targeting convenience and customer service via a site redesign has resonated with users. Mobile performance has also been fantastic, and international operations continue to account for a larger portion of overall GMV.

- Investors can expect revenue growth in the low-single digits and an operating margin comfortably above the 30% mark. Low capital intensity and predictable cash flows speak to high business quality. Management is expecting meaningful growth acceleration in its marketplace platform in 2017.

- In 2017, eBay is now expecting FX-neutral revenue growth of 6%-8%, or total revenue of $9.3-$9.5 billion. Non-GAAP earnings per share from continuing operations guidance has been issued in a range of $1.98-$2.03, and free cash flow is expected to be roughly flat from 2016.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	NMF	NMF	152.8%
Expedia	28.7	2.0	119.7%
Liberty Interactive	22.9	3.8	94.2%
Priceline.com	43.9	1.2	92.9%
Peer Median	28.7	2.0	107.0%
eBay	**17.5**	**NMF**	**107.8%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Split Adjusted)	Dec-17 (Post - Proj)
Revenue	8,592	8,979	9,410
Revenue, YoY%	-2.3%	4.5%	4.8%
Non-GAAP Operating Income	2,197	2,325	2,247
Non-GAAP Operating Margin %	25.6%	25.9%	23.9%
Non-GAAP Net Income	1,947	7,285	2,322
Non-GAAP Net Income Margin	22.7%	81.1%	24.7%
Non-GAAP Diluted EPS	1.60	6.37	2.03
Non-GAAP Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	2,209	2,201	2,514
Free Cash Flow Margin %	25.7%	24.5%	26.7%

In Millions of USD (except for per share items)

Structure of the Internet & Catalog Retail Industry — GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

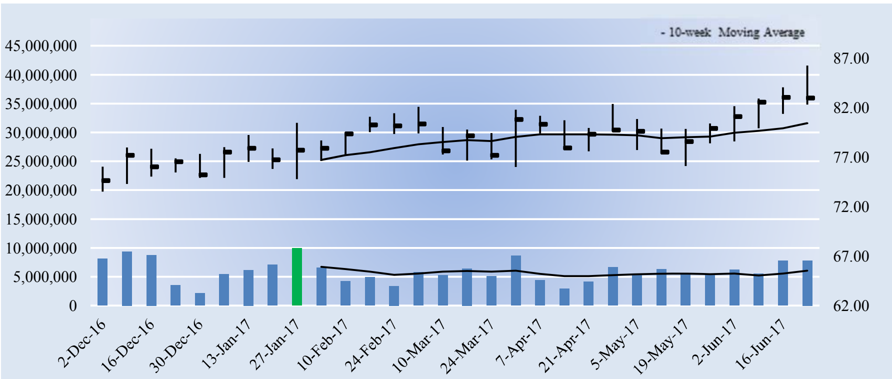
Eastman Chemical EMN FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$99.00	$79.00 - $119.00	LARGE-CAP VALUE	Materials	Chemicals - broad

Eastman expects innovative products in its specialty businesses to drive higher margins and accelerating earnings growth.

Stock Chart (weekly)



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

Investment Considerations

Investment Considerations	
DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
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	**80.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Company Vitals	
Market Cap (USD)	$12,313
Avg Weekly Vol (30 wks)	5,951
30-week Range (USD)	73.515 - 86.28
Valuentum Sector	Materials
5-week Return	4.6%
13-week Return	8.4%
30-week Return	10.4%
Dividend Yield %	2.5%
Dividends per Share	2.04
Forward Dividend Payout Ratio	27.0%
Est. Normal Diluted EPS	8.32
P/E on Est. Normal Diluted EPS	10.0
Est. Normal EBITDA	2,462
Forward EV/EBITDA	8.2
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	2.7%
Forward EPS Growth (5-yr)	9.0%

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

Returns Summary

Returns Summary	3-year Historical Average
Return on Equity	21.3%
Return on Assets	5.4%
ROIC, with goodwill	10.5%
ROIC, without goodwill	15.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Leverage, Coverage, and Liquidity	
Total Debt	6,594
Net Debt	6,413
Total Debt/EBITDA	3.3
Net Debt/EBITDA	3.2
EBITDA/Interest	7.1
Current Ratio	1.6
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Eastman Chemical is a global specialty chemical company that produces a broad range of advanced materials, additives and functional products, specialty chemicals, and fibers. The company's strategic shift away from 'commodity' chemicals has brightened its future. It was founded in 1920 and is headquartered in Tennessee.

• Eastman's portfolio transformation has led material earnings growth over the past 5 years. The firm's Advanced Materials and Additives & Functional Products segments have grown as a percentage of earnings and have led the charge in earnings growth.

• Eastman is looking for its specialty businesses to drive growth in 2017 with new innovative products driving higher margins and accelerating earnings growth. Aggressive cost reductions can be expected as well. Near-term headwinds include uncertain global economic growth, a stronger US dollar, and volatile raw material and energy prices.

• Two thirds of the company's sales comes from product lines with leading market positions, from additives (cellulosic polymers, insoluble sulfurs) to advanced materials (copolyester, PVB resin) to fibers (acetate tow, acetate yarn). Capital spending will continue to support organic growth projects throughout the company.

• Eastman Chemical stands to benefit from long-term global trends such as energy efficiency, a rising middle class in emerging economies, and increased health and wellness. Adjusted EPS growth is expected to be 8%-12% in 2017, and free cash flow is being targeted at ~$1 billion.

Relative Valuation

Relative Valuation	Forward P/E	PEG	Price / FV
Dow Chemical	15.5	2.2	119.8%
DuPont	20.9	1.9	126.5%
Ecolab	27.3	2.5	147.9%
PPG Industries	17.6	1.6	109.6%
Peer Median	19.2	2.1	123.2%
Eastman Chemical	**11.0**	**1.6**	**83.8%**

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

Financial Summary

Financial Summary	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	9,648	9,008	9,269
Revenue, YoY%	1.3%	-6.6%	2.9%
Operating Income	1,567	1,428	1,683
Operating Margin %	16.2%	15.9%	18.2%
Net Income	848	854	1,120
Net Income Margin %	8.8%	9.5%	12.1%
Diluted EPS	5.66	5.75	7.54
Diluted EPS, YoY %	14.2%	1.7%	31.1%
Free Cash Flow (CFO-capex)	972	759	1,232
Free Cash Flow Margin %	10.1%	8.4%	13.3%

In Millions of USD (except for per share items)

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

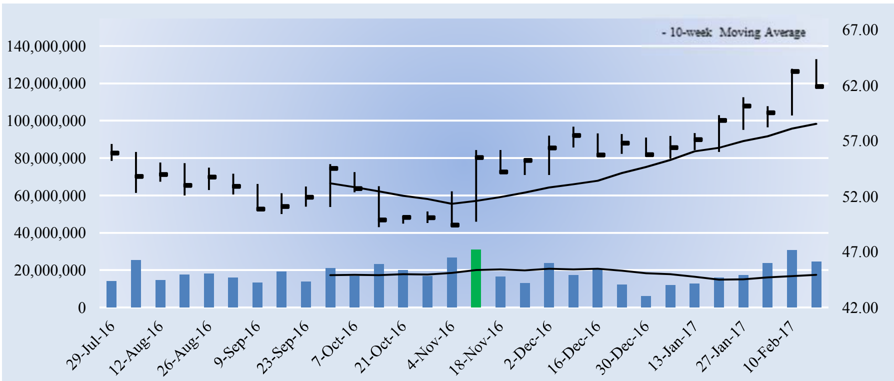
Emerson Electric EMR FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$52.00	$42.00 - $62.00	LARGE-CAP CORE	Industrials	Electrical Equipment

There are a number of moving parts in Emerson Electric's business as it works to align its portfolio with its two core verticals. Underlying sales trends have not been great.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	DECLINING
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	59.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$40,030
Avg Weekly Vol (30 wks)	18,411
30-week Range (USD)	49.22 - 64.365
Valuentum Sector	Industrials
5-week Return	9.0%
13-week Return	13.4%
30-week Return	11.1%
Dividend Yield %	3.1%
Dividends per Share	1.92
Forward Dividend Payout Ratio	74.0%
Est. Normal Diluted EPS	3.22
P/E on Est. Normal Diluted EPS	19.2
Est. Normal EBITDA	3,584
Forward EV/EBITDA	14.4
EV/Est. Normal EBITDA	12.1
Forward Revenue Growth (5-yr)	-2.2%
Forward EPS Growth (5-yr)	9.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	23.9%
Return on Assets	9.4%
ROIC, with goodwill	20.2%
ROIC, without goodwill	40.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,646
Net Debt	3,464
Total Debt/EBITDA	2.0
Net Debt/EBITDA	1.0
EBITDA/Interest	16.3
Current Ratio	1.2
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Emerson offers a wide range of products and services in the industrial, commercial and consumer markets through its Process Management, Industrial Automation, Network Power, Climate Technologies, and Commercial & Residential Solutions businesses. The company was founded in 1890 and is headquartered in St. Louis, Missouri.

• Current market conditions are weighing on top-line results, as the uncertainty in oil prices and slow growth of capital spending across the globe has forced management to reevaluate its expectations. The firm is reviewing its cost structure and cutting jobs, which will result in significant SG&A savings.

• Underlying sales trends have not been encouraging in recent quarters. Global economies are not displaying much core strength as industrial capital spending has been weakened. The firm expects 'Automation Solutions' sales to be down mid-single digits in fiscal 2017, while 'Commercial & Residential Solutions' sales are projected to grow 3%-5% in the year.

• There are a number of moving parts in Emerson's business. The firm recently agreed to sell its network power division to Platinum Equity for $4 billion and will sell its motor and generator business to Nidec for $1.2 billion. Emerson has also agreed to buy Pentair's valves and controls business for $3.15 billion as it works to align its portfolio with its two core verticals.

• You can't talk about Emerson without mentioning its fantastic dividend growth profile and impressive track record. The firm's dividend yield and Dividend Cushion ratio offer an excellent combination. It is a former holding in the Dividend Growth portfolio.

Relative Valuation

	Forward P/E	PEG	Price / FV
Barnes Group	18.4	2.3	116.9%
Parker-Hannifin	20.7	2.4	125.1%
Pentair	16.6	1.6	96.9%
Roper Technologies	22.6	2.4	136.3%
Peer Median	19.6	2.3	121.0%
Emerson Electric	**23.8**	**2.6**	**119.0%**

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

Financial Summary

Fiscal Year End:	Sep-15 (Actual)	Sep-16 (Actual)	Sep-17 (Projected)
Revenue	22,304	14,522	10,557
Revenue, YoY%	-9.1%	-34.9%	-27.3%
Operating Income	3,864	2,798	2,607
Operating Margin %	17.3%	19.3%	24.7%
Net Income	2,710	1,590	1,662
Net Income Margin %	12.2%	10.9%	15.7%
Diluted EPS	4.01	2.46	2.60
Diluted EPS, YoY %	31.4%	-38.6%	5.6%
Free Cash Flow (CFO-capex)	1,844	2,434	2,289
Free Cash Flow Margin %	8.3%	16.8%	21.7%

In Millions of USD (except for per share items)

Structure of the Electrical Equipment Industry — NEUTRAL

The fragmented electrical equipment industry includes firms that primarily provide flow control and electrical components. Order trends and backlog are largely driven by the overall health of the economy, while all constituents must deal with volatile raw material prices. Most operate high fixed-cost business models, where operating leverage should be monitored closely, and face intense global competition. Still, we like the group's exposure to recurring maintenance, repair, and overhaul (MRO) revenue and its large and growing emerging-market opportunities. We're generally neutral on the industry's structure.

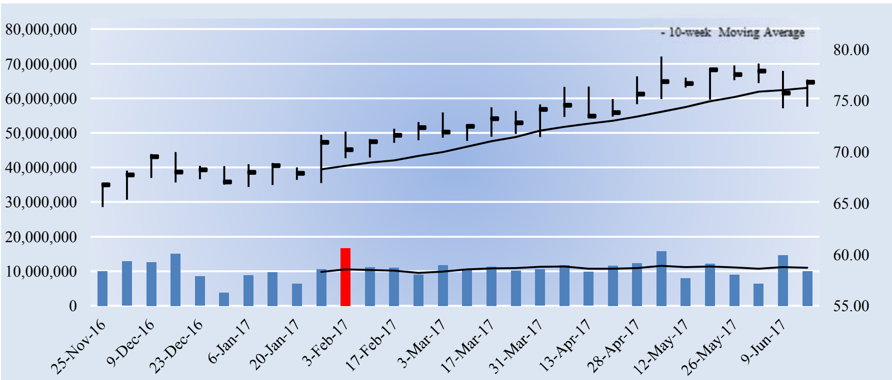
Eaton ETN FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$70.00	$56.00 - $84.00	LARGE-CAP CORE	Industrials	Electrical Equipment - industrial

Eaton continues to focus on improving segment operating margins via margin-accretive acquisitions, innovative new products, and through restructuring.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	76.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$35,059
Avg Weekly Vol (30 wks)	10,742
30-week Range (USD)	64.62 - 79.31
Valuentum Sector	Industrials
5-week Return	-0.4%
13-week Return	4.8%
30-week Return	18.8%
Dividend Yield %	3.1%
Dividends per Share	2.40
Forward Dividend Payout Ratio	51.2%
Est. Normal Diluted EPS	5.55
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	3,870
Forward EV/EBITDA	12.8
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	2.7%
Forward EPS Growth (5-yr)	8.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	12.2%
Return on Assets	5.9%
ROIC, with goodwill	9.2%
ROIC, without goodwill	19.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,277
Net Debt	7,531
Total Debt/EBITDA	2.6
Net Debt/EBITDA	2.4
EBITDA/Interest	13.7
Current Ratio	1.3
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Eaton is a leader in diversified power management solutions that make electrical, hydraulic and mechanical power operate more efficiently. The firm serves the electrical, hydraulics, aerospace, truck and automotive end markets. Electrical accounts for ~60% of sales. It was founded in 1916 and is headquartered in Ireland.

• Negative currency translation will continue to impact performance in 2017. The company is now targeting operating earnings per share to be in a range of $4.45-$4.75 for 2017 (up from initial guidance of $4.30-$4.60). Eaton is one of our favorite industrials.

• Multiple secular trends are driving Eaton's business over the long haul: population growth is pushing electricity demand higher; environmental concerns and increased regulation are requiring increased innovation, as is the case with the push for greater energy efficiency; and intelligent products and connectivity are driving new avenues for value creation.

• The firm continues to focus on improving segment operating margins via margin-accretive acquisitions, innovative new products, and through restructuring. Segment operating margins averaged under 12% from 2002-2008, but have now advanced to the mid-teens range. Management estimates it has reduced earnings volatility through the economic cycle by 40%.

• Eaton has extended its business cost-cutting program through 2017 as the firm expects sluggish demand for its electrical equipment, truck transmissions, and hydraulic components to continue. 2016 was the 2nd straight year of decline in its end markets.

Relative Valuation

	Forward P/E	PEG	Price / FV
Ametek	25.0	2.4	129.9%
General Cable	16.4	NMF	109.3%
Littelfuse	22.4	2.0	133.3%
Rockwell Automation	24.5	2.8	132.3%
Peer Median	23.4	2.4	131.1%
Eaton	**16.4**	**2.1**	**109.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	20,855	19,747	20,004
Revenue, YoY%	-7.5%	-5.3%	1.3%
Operating Income	2,342	2,253	2,624
Operating Margin %	11.2%	11.4%	13.1%
Net Income	1,979	1,922	2,161
Net Income Margin %	9.5%	9.7%	10.8%
Diluted EPS	4.24	4.21	4.69
Diluted EPS, YoY %	12.7%	-0.6%	11.3%
Free Cash Flow (CFO-capex)	1,865	2,055	2,311
Free Cash Flow Margin %	8.9%	10.4%	11.6%

In Millions of USD (except for per share items)

Structure of the Industrial Electrical Equipment Industry — NEUTRAL

Demand for products in the industrial electrical equipment space is highly cyclical, and industry constituents are exposed to volatile raw-material costs, which at times can be difficult to pass along to customers. Product development and quality initiatives are sources of competitive strengths, but rivals often compete aggressively on price to gain share. The industrial electrical equipment market should grow at a GDP-like pace in the developed world and a multiple of that trajectory in emerging markets. We're neutral on the space.

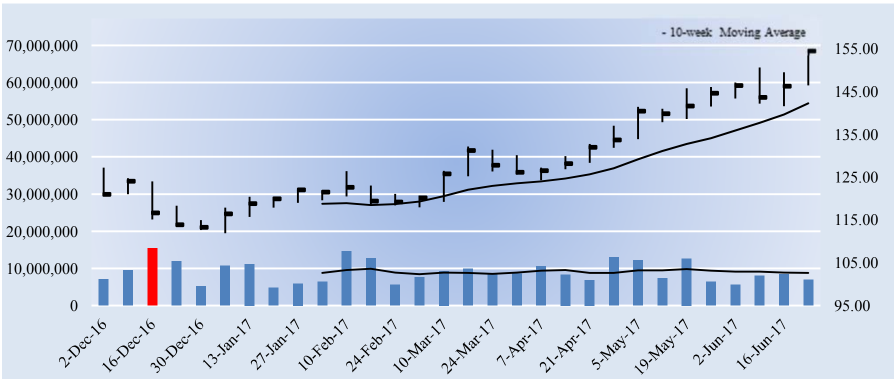
Expedia EXPE FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$129.00	$103.00 - $155.00	LARGE-CAP GROWTH	Consumer Discretionary	Internet & Catalog Retail

Expedia's technology platform would be nearly impossible for a new entrant to replicate, and the company boasts deep global supplier relationships.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	142.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$23,862
Avg Weekly Vol (30 wks)	9,042
30-week Range (USD)	111.875 - 154.7
Valuentum Sector	Consumer Discretionary
5-week Return	8.6%
13-week Return	21.5%
30-week Return	21.6%
Dividend Yield %	0.7%
Dividends per Share	1.12
Forward Dividend Payout Ratio	20.8%
Est. Normal Diluted EPS	8.21
P/E on Est. Normal Diluted EPS	18.8
Est. Normal EBITDA	3,032
Forward EV/EBITDA	10.9
EV/Est. Normal EBITDA	8.3
Forward Revenue Growth (5-yr)	10.6%
Forward EPS Growth (5-yr)	42.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	15.5%
Return on Assets	4.0%
ROIC, with goodwill	5.3%
ROIC, without goodwill	20.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,159
Net Debt	1,271
Total Debt/EBITDA	2.0
Net Debt/EBITDA	0.8
EBITDA/Interest	9.2
Current Ratio	0.6
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Expedia is one of the largest online travel companies, with an extensive portfolio of online travel brands. The firm covers virtually every aspect of researching, planning, and booking travel. It was founded in 1996. Liberty Interactive owns ~16% of the company; Barry Diller controls nearly 55% of total voting power.

• Expedia's technology platform would be nearly impossible for a new entrant to replicate, and the company boasts deep global supplier relationships and multiple, diverse sources of demand (leisure, corporate, travel agency).

• The company truly has a dynamic portfolio of travel brands, including Expedia.com, Hotels.com, Hotwire.com, Egencia, eLong, and others. As one of the world's largest online travel companies, its gross bookings still represent only ~4% of total worldwide travel spending. Growth prospects are bright. Adjusted EBITDA is expected to grow 10%-15% in 2017.

• Expedia is investing in mobile in an attempt to drive growth and engagement. More than 45% of its traffic arrives via mobile, and almost one-third of all transactions are booked via mobile as of the fourth quarter of 2016. Expedia app users are more than twice as likely to be repeat users than the average user.

• Expedia is not afraid to make a deal. In December 2015, the company completed its acquisition of HomeAway in a cash and stock deal valued at almost $4 billion. The firm also purchased rival Orbitz in a deal with an enterprise value of ~$1.6 billion.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	NMF	NMF	152.8%
eBay	17.5	NMF	107.8%
Liberty Interactive	22.9	3.8	94.2%
Priceline.com	43.9	1.2	92.9%
Peer Median	22.9	2.5	101.0%
Expedia	**28.7**	**2.0**	**119.7%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	6,672	8,774	10,300
Revenue, YoY%	15.8%	31.5%	17.4%
Operating Income	518	553	1,098
Operating Margin %	7.8%	6.3%	10.7%
Net Income	764	282	815
Net Income Margin %	11.5%	3.2%	7.9%
Diluted EPS	5.70	1.82	5.38
Diluted EPS, YoY %	90.8%	-68.0%	195.1%
Free Cash Flow (CFO-capex)	581	815	1,260
Free Cash Flow Margin %	8.7%	9.3%	12.2%

In Millions of USD (except for per share items)

Structure of the Internet & Catalog Retail Industry — GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

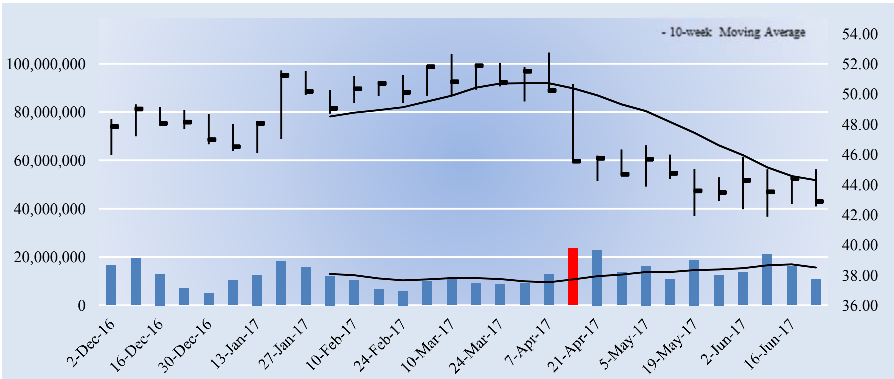
Fastenal FAST FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$41.00	$31.00 - $51.00	LARGE-CAP CORE	Industrials	Distributors

Fastenal's platform can't be easily replicated by peers.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	44.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$12,396
Avg Weekly Vol (30 wks)	13,144
30-week Range (USD)	41.87 - 52.74
Valuentum Sector	Industrials
5-week Return	-1.7%
13-week Return	-14.4%
30-week Return	-7.4%
Dividend Yield %	3.0%
Dividends per Share	1.28
Forward Dividend Payout Ratio	67.8%
Est. Normal Diluted EPS	2.47
P/E on Est. Normal Diluted EPS	17.3
Est. Normal EBITDA	1,209
Forward EV/EBITDA	13.3
EV/Est. Normal EBITDA	10.5
Forward Revenue Growth (5-yr)	8.9%
Forward EPS Growth (5-yr)	13.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	27.1%
Return on Assets	20.9%
ROIC, with goodwill	26.7%
ROIC, without goodwill	26.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	390
Net Debt	277
Total Debt/EBITDA	0.4
Net Debt/EBITDA	0.3
EBITDA/Interest	138.4
Current Ratio	6.2
Quick Ratio	2.2

NMF = Not Meaningful

Investment Highlights

• Each of Fastenal's 2,600+ stores is a local, one-stop shop for a variety of OEM, MRO and construction supplies. The firm's value proposition to customers centers on working within a decentralized environment to deliver local product to local people. The company was founded in 1967 and is headquartered in Minnesota.

• Fastenal's motto is 'Growth through Customer Service.' The firm believes it can grow market share by providing the greatest value to the customer. Fastenal's ability to grow is amplified if it can service the customer at the closest economic point of contact. Execution remains critical.

• Fastenal believes its local store network, along with its increasing 'keep-fill' initiatives close to customer locations, gives it an important structural advantage over other distributors who have embraced e-commerce. The company's strategic focus will continue to be on becoming the best same-day supplier of industrial and construction products worldwide.

• Fastenal is expecting many of the sluggish business conditions that existed in 2016 to carry through 2017, though it is generally more optimistic about the year. Management took a more favorable tone with respect to process industries, but OEM fastener demand has remained weak for multiple quarters.

• As it relates to operations, Fastenal is our favorite distributor. The firm's local storefront model provides a unique method of expanding availability and providing cost savings to customers. Its platform can't be easily replicated by peers.

Relative Valuation

	Forward P/E	PEG	Price / FV
Anixter	14.1	1.7	102.2%
MSC Industrial	20.8	2.0	117.7%
W.W. Grainger	16.8	1.4	96.4%
WESCO	14.3	1.3	85.5%
Peer Median	15.6	1.6	99.3%
Fastenal	**22.7**	**1.9**	**104.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	3,869	3,962	4,331
Revenue, YoY%	3.6%	2.4%	9.3%
Operating Income	827	795	838
Operating Margin %	21.4%	20.1%	19.4%
Net Income	516	499	541
Net Income Margin %	13.3%	12.6%	12.5%
Diluted EPS	1.77	1.73	1.89
Diluted EPS, YoY %	6.4%	-2.3%	9.3%
Free Cash Flow (CFO-capex)	392	325	382
Free Cash Flow Margin %	10.1%	8.2%	8.8%

In Millions of USD (except for per share items)

Structure of the Industrial Distributors Industry — GOOD

Though consolidating, the industrial distributors industry remains fragmented and highly competitive. Delivering cost savings, convenience, and product availability are the major competitive factors. Some rivals use vans to sell products in markets away from their warehouses, while others rely on mail order, websites or telemarketing sales. Still, others operate stores and use centralized distribution centers to supply their networks. The industry is economically-sensitive and exposed to the threat of aggressive pricing strategies, but we generally like the group's massive distribution platforms that are difficult to replicate.

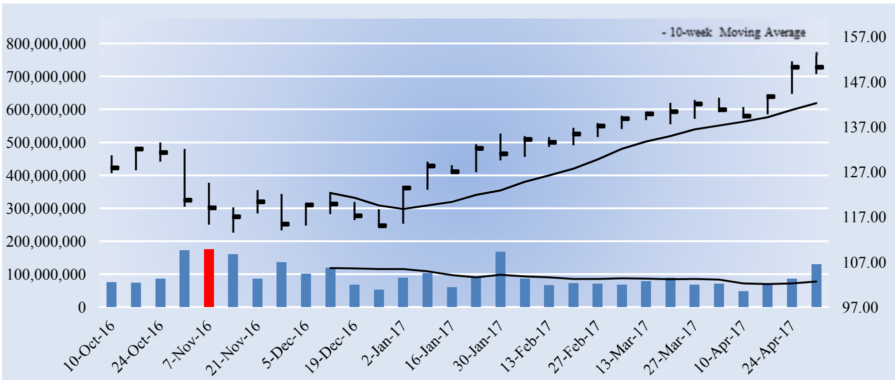
Facebook FB FAIRLY VALUED

Buying Index™ 5 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$187.00	$140.00 - $234.00	MEGA-CAP BLEND	Information Technology	Internet Software & Svcs

Facebook's free cash flow generation and balance sheet strength continue to impress.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	AGGRESSIVE
Technical Evaluation	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	142.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				X
High				
Very High				

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

Company Vitals

Market Cap (USD)	$439,452
Avg Weekly Vol (30 wks)	93,777
30-week Range (USD)	113.55 - 153.6
Valuentum Sector	Information Technology
5-week Return	5.9%
13-week Return	14.7%
30-week Return	15.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	7.38
P/E on Est. Normal Diluted EPS	20.4
Est. Normal EBITDA	38,446
Forward EV/EBITDA	16.6
EV/Est. Normal EBITDA	10.7
Forward Revenue Growth (5-yr)	24.8%
Forward EPS Growth (5-yr)	23.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	13.4%
Return on Assets	12.1%
ROIC, with goodwill	37.3%
ROIC, without goodwill	95.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-29,449
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	12.0
Quick Ratio	11.6

NMF = Not Meaningful

Investment Highlights

• Facebook's mission is to make the world more open and connected. People use Facebook to stay in touch with friends and family, to learn about current events, and to share and express what matters to them. CEO Mark Zuckerberg is a true visionary, and his genius may not yet be fully on display. The company was founded in 2004 and is headquartered in California.

• It's unfair to lump Facebook in with other social media companies. Facebook is generating billions in revenue and is turning a strong profit as it hauls in free cash flow. The company's balance sheet is pristine with ~$29.5 billion in net cash at the end of 2016. Long-term investors are taking notice.

• As data coverage improves, the number of mobile users continues to grow. Facebook is well-positioned, and millennials are increasingly accessing its platform from mobile devices. For younger demographics, advertisers may have to go to Facebook to find their desired target market. Mobile ad revenue accounted for 83% of total ad revenue in 2016.

• While Facebook's free cash flow generation and balance sheet strength are strong sources of reassurance, investors must be cognizant of the low barriers to entry in the social media space as well as the potentially fickle nature of its users. The social media landscape could be completely different in 5-10 years, presenting both risks and opportunities.

• Facebook's monthly active users (MAUs) and mobile monthly active users are growing at tremendous rates. As of the end of 2016, MAUs rose to ~1.8 billion and mobile MAUs rose to ~1.7 billion compared to less than 950 million mobile MAUs at the end of 2013.

Relative Valuation

	Forward P/E	PEG	Price / FV
Alphabet	27.1	1.9	93.2%
Baidu	31.3	NMF	95.7%
WebMD	26.8	5.3	114.9%
Yahoo	NMF	NMF	110.2%
Peer Median	27.1	3.6	103.0%
Facebook	**30.8**	**1.8**	**80.3%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	17,928	27,638	38,444
Revenue, YoY%	43.8%	54.2%	39.1%
Operating Income	6,225	12,427	21,458
Operating Margin %	34.7%	45.0%	55.8%
Net Income	3,669	10,188	14,412
Net Income Margin %	20.5%	36.9%	37.5%
Diluted EPS	1.29	3.48	4.88
Diluted EPS, YoY %	17.1%	170.8%	40.1%
Free Cash Flow (CFO-capex)	7,797	11,617	12,933
Free Cash Flow Margin %	43.5%	42.0%	33.6%

In Millions of USD (except for per share items)

Structure of the Internet Software & Services Industry — NEUTRAL

The Internet software/services industry is composed of a variety of companies with rapidly-changing business models. Most focus on improving the ways people connect with information, either via Internet search or by social media platforms, and generate revenue primarily by delivering cost-effective online advertising. Constituents earn significant returns on invested capital due to their capital-light operations, though competition remains fierce. We expect most companies in this group to look substantially different 10 years from now than they do today. Overall, we're neutral on the structure.

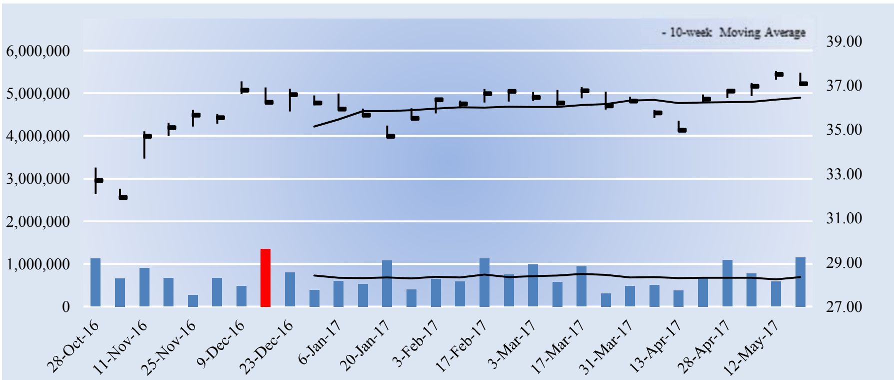
FLIR Systems FLIR FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$32.00	$26.00 - $38.00	MID-CAP CORE	Industrials	A&D Prime

FLIR Systems aims to serve the entire customer base and create virtuous cycles of demand via its 'Control the Corners' strategy.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	36.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$5,134
Avg Weekly Vol (30 wks)	719
30-week Range (USD)	31.88 - 37.63
Valuentum Sector	Industrials
5-week Return	1.9%
13-week Return	2.1%
30-week Return	14.1%
Dividend Yield %	1.6%
Dividends per Share	0.60
Forward Dividend Payout Ratio	32.1%
Est. Normal Diluted EPS	2.25
P/E on Est. Normal Diluted EPS	16.5
Est. Normal EBITDA	498
Forward EV/EBITDA	12.3
EV/Est. Normal EBITDA	10.6
Forward Revenue Growth (5-yr)	5.7%
Forward EPS Growth (5-yr)	16.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.4%
Return on Assets	8.4%
ROIC, with goodwill	15.6%
ROIC, without goodwill	25.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	517
Net Debt	156
Total Debt/EBITDA	1.5
Net Debt/EBITDA	0.4
EBITDA/Interest	19.6
Current Ratio	3.2
Quick Ratio	2.0

NMF = Not Meaningful

Investment Highlights

• FLIR Systems is a leader in the design, manufacture, and marketing of sensor systems that enhance perception and awareness. The company provides advanced thermal imaging and threat detection systems for a wide variety of uses and applications. Its mission is to be the world's sixth sense.

• FLIR has a nicely diversified operating portfolio. No one of its six segments makes up more than one third of its revenue. We like its focus on its three higher margin segments (instruments, surveillance, and OEM and emerging), as they make up the majority of income.

• FLIR's strategy includes the mantra 'Control the Corners,' which means having material share of the entry-level and high-performance price points in each of its markets. This should result in greater ability to serve the entire customer base and create virtuous cycles of demand. Continuous cost reduction and innovation are to be expected as well. R&D as a percentage of revenue is targeted at 9% annually.

• FLIR is the largest infrared company in the world. The firm's operating margin is consistently 6-8 percentage points better than its peer group, and operating cash flow is consistently greater than net income, indicating high earnings quality. Its largest segment, surveillance, can see operating margins in the mid-20's and upward.

• FLIR sees thermal sensors and imaging as being a solution for a wide range of end markets. The firm is constantly attempting to surface new applications for its offerings, and awareness is growing beyond the traditional markets of military and security.

Relative Valuation

	Forward P/E	PEG	Price / FV
Boeing	19.1	1.6	103.3%
Lockheed Martin	21.6	2.8	125.1%
Northrop Grumman	20.0	2.2	128.8%
Raytheon	21.5	2.0	135.8%
Peer Median	20.8	2.1	127.0%
FLIR Systems	**19.8**	**1.8**	**115.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	1,557	1,662	1,827
Revenue, YoY%	1.7%	6.7%	9.9%
Operating Income	307	297	366
Operating Margin %	19.7%	17.9%	20.1%
Net Income	242	167	256
Net Income Margin %	15.5%	10.0%	14.0%
Diluted EPS	1.72	1.20	1.87
Diluted EPS, YoY %	23.1%	-29.9%	55.3%
Free Cash Flow (CFO-capex)	207	277	254
Free Cash Flow Margin %	13.3%	16.6%	13.9%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

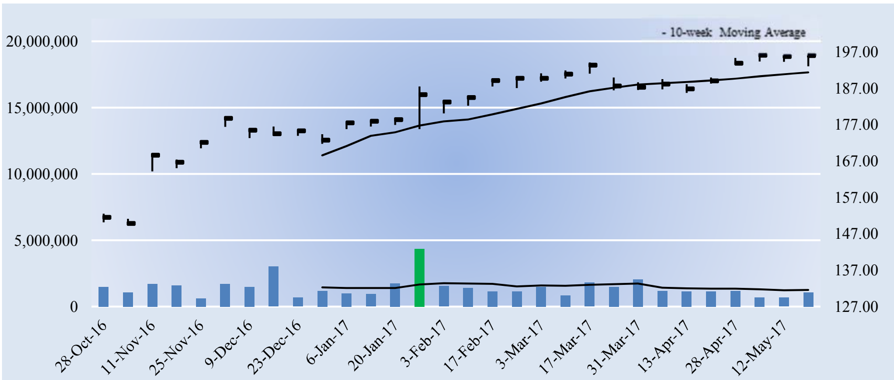
General Dynamics GD FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$164.00	$131.00 - $197.00	LARGE-CAP CORE	Industrials	A&D Prime

General Dynamics' backlog may continue to face pressure in the near term, but the firm is confident in its forecasted revenue growth in coming years.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	191.00

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

Company Vitals

Market Cap (USD)	$60,796
Avg Weekly Vol (30 wks)	1,427
30-week Range (USD)	149.66 - 196.5
Valuentum Sector	Industrials
5-week Return	3.7%
13-week Return	4.2%
30-week Return	30.2%
Dividend Yield %	1.7%
Dividends per Share	3.36
Forward Dividend Payout Ratio	33.9%
Est. Normal Diluted EPS	12.55
P/E on Est. Normal Diluted EPS	15.6
Est. Normal EBITDA	5,809
Forward EV/EBITDA	13.1
EV/Est. Normal EBITDA	10.7
Forward Revenue Growth (5-yr)	4.3%
Forward EPS Growth (5-yr)	10.0%

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

Returns Summary

3-year Historical Average	
Return on Equity	24.9%
Return on Assets	8.6%
ROIC, with goodwill	18.9%
ROIC, without goodwill	66.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,888
Net Debt	1,554
Total Debt/EBITDA	0.8
Net Debt/EBITDA	0.3
EBITDA/Interest	48.1
Current Ratio	1.2
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• General Dynamics is a leader in business aviation; combat vehicles/systems, armaments, and munitions; shipbuilding/marine systems; and information systems and technology. The firm's product line-up ranges from Gulfstream business jets to nuclear-powered submarines. It was founded in 1899 and is based in Virginia.

• At the end of 2016, the firm's backlog of unfulfilled business orders was ~$60 billion, a ~10% decrease from the end of 2015. An increase in order velocity in the back half of 2016 has management encouraged about the near term outlook for its Gulfstream products.

• The modest growth across General Dynamics' business is expected to begin projecting higher in 2017 and beyond. In its Aerospace segment, the return to full production and delivery of its G500 model in 2018 and the G600 model in 2019 will be a key growth driver. The company is forecasting sales to rise by an average of 5.6% annually through 2020.

• Management remains steadfast to its focus on improving margins, generating cash, and improving returns on capital. Strong operating leverage in its aerospace segment, resilient performance in combat systems, and healthy navy construction work offer an optimistic outlook, even as backlog may face pressure in the near term.

• The firm continues to raise its dividend each year. Strong free cash flow generation and a focus on return on invested capital will make continued increases something to bet on. It expects to return all of its free cash flow to shareholders in the form of dividends and buybacks in 2017.

Business Quality

ValueRisk™ \ ValueCreation™	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
Boeing	19.1	1.6	103.3%
Lockheed Martin	21.6	2.8	125.1%
Northrop Grumman	20.0	2.2	128.8%
Raytheon	21.5	2.0	135.8%
Peer Median	20.8	2.1	127.0%
General Dynamics	**19.8**	**2.0**	**119.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	31,469	31,353	31,353
Revenue, YoY%	2.0%	-0.4%	0.0%
Operating Income	4,178	4,309	4,294
Operating Margin %	13.3%	13.7%	13.7%
Net Income	2,965	3,062	3,041
Net Income Margin %	9.4%	9.8%	9.7%
Diluted EPS	9.08	9.87	9.90
Diluted EPS, YoY %	15.9%	8.7%	0.3%
Free Cash Flow (CFO-capex)	2,038	1,806	3,099
Free Cash Flow Margin %	6.5%	5.8%	9.9%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

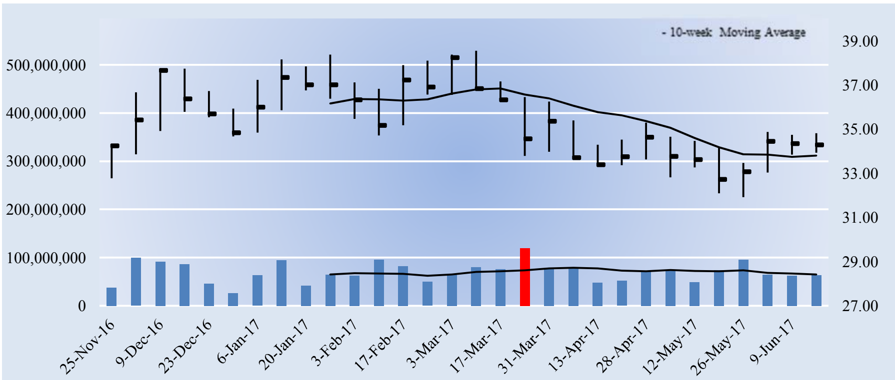
General Motors GM FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$43.00	$30.00 - $56.00	LARGE-CAP VALUE	Consumer Discretionary	Auto Manufacturers

We think General Motors could have a material advantage as it innovates at scale and works to disrupt the future mobility market.

Stock Chart (weekly)



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

Investment Considerations

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

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium		■		
High				
Very High				

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

Company Vitals

Market Cap (USD)	$53,835
Avg Weekly Vol (30 wks)	69,769
30-week Range (USD)	31.92 - 38.55
Valuentum Sector	Consumer Discretionary
5-week Return	0.9%
13-week Return	-5.7%
30-week Return	3.2%
Dividend Yield %	4.4%
Dividends per Share	1.52
Forward Dividend Payout Ratio	24.9%
Est. Normal Diluted EPS	6.76
P/E on Est. Normal Diluted EPS	5.1
Est. Normal EBITDA	20,975
Forward EV/EBITDA	5.6
EV/Est. Normal EBITDA	5.5
Forward Revenue Growth (5-yr)	-0.8%
Forward EPS Growth (5-yr)	5.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.5%
Return on Assets	4.0%
ROIC, with goodwill	0.3%
ROIC, without goodwill	0.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	84,628
Net Debt	61,227
Total Debt/EBITDA	4.2
Net Debt/EBITDA	3.1
EBITDA/Interest	34.9
Current Ratio	0.9
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• General Motors makes cars, crossovers, trucks and parts. The firm's brand names include Buick, Cadillac, Chevrolet, and GMC, among others. Founded in 1908 in Detroit, General Motors has become synonymous with American manufacturing. A 'new' and leaner GM emerged from bankruptcy in July 2009.

• Management is targeting a 20% ROIC, but investments in next generation technology may take a while to generate substantial returns. We think the firm could have a material advantage as it innovates at scale and works to disrupt the future mobility market.

• General Motors has significantly improved its break-even point. On an EBIT-adjusted basis, break-even is roughly 10 million total US industry units (a level not reached in more than 20 years). During the past three years, the auto maker has posted an EBIT-adjusted margin of roughly 7%+. The company's North America EBIT-adjusted number is the best its been in years.

• Though there will be hiccups along the way, we don't think GM is finished expanding operating margins. Its intermediate-term goal is for EBIT-adjusted margins to be greater than 10% as it continues to reduce fixed costs and improve efficiency. Recall costs have been more annoying than tragic.

• China will eventually become the world's largest vehicle market, and GM has used its first-mover advantage to become one of the dominant players in the highly-fragmented country. It recently unloaded its European operations as part of its strategy to focus on the higher margin North American market.

Relative Valuation

	Forward P/E	PEG	Price / FV
Ford	7.2	0.5	74.8%
Harley-Davidson	14.7	1.2	106.7%
Honda	9.3	1.0	81.9%
Toyota	10.0	NMF	68.1%
Peer Median	9.6	1.0	78.4%
General Motors	**5.6**	**1.0**	**79.7%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	152,356	166,380	161,721
Revenue, YoY%	-2.3%	9.2%	-2.8%
Operating Income	4,897	9,545	10,428
Operating Margin %	3.2%	5.7%	6.4%
Net Income	9,687	9,427	9,402
Net Income Margin %	6.4%	5.7%	5.8%
Diluted EPS	5.91	6.00	6.11
Diluted EPS, YoY %	255.4%	1.7%	1.8%
Free Cash Flow (CFO-capex)	3,817	7,003	8,754
Free Cash Flow Margin %	2.5%	4.2%	5.4%

In Millions of USD (except for per share items)

Structure of the Auto Manufacturers Industry — VERY POOR

The auto manufacturers industry is characterized by high fixed costs, substantial operating leverage, and intense competition. Vehicle sales are impacted by general economic conditions, which are largely out of the control of participants, and by the cost of credit and fuel. Excess capacity, price discounting and other marketing initiatives can pressure the top line, while rising raw material and labor costs can squeeze the bottom line. Changing consumer preferences in type, model and fuel-efficiency can cause abrupt shifts in market share. The structural characteristics of the group are very poor.

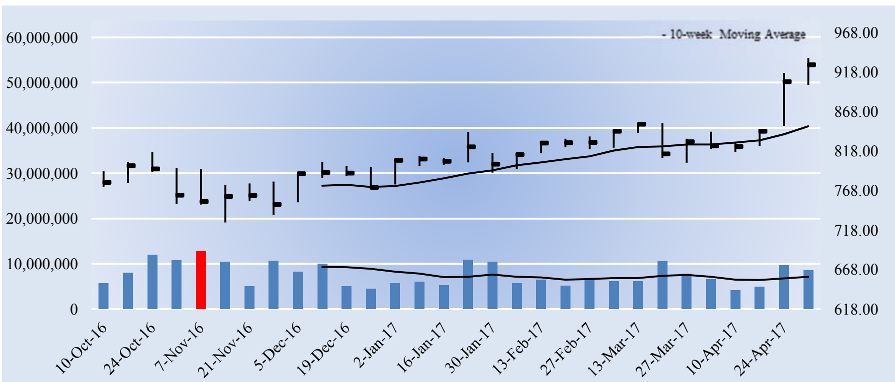
Alphabet GOOG FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$995.00	$796.00 - $1194.00	MEGA-CAP BLEND	Information Technology	Internet Software & Svcs

Alphabet's massive net cash position gives it a substantial cushion to fall back on as it invests in high-return opportunities and new concepts.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	849.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$640,918
Avg Weekly Vol (30 wks)	7,641
30-week Range (USD)	727.54 - 935.93
Valuentum Sector	Information Technology
5-week Return	11.8%
13-week Return	15.9%
30-week Return	19.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	47.65
P/E on Est. Normal Diluted EPS	19.5
Est. Normal EBITDA	50,831
Forward EV/EBITDA	15.2
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	14.2%
Forward EPS Growth (5-yr)	16.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.6%
Return on Assets	11.7%
ROIC, with goodwill	49.0%
ROIC, without goodwill	71.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,935
Net Debt	-82,398
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	6.1
Quick Ratio	6.0

NMF = Not Meaningful

Investment Highlights

• Known for its search dominance that it maintains, Alphabet is a tech company focused on a number of things: social, Android, ads, YouTube, Chrome, and research. We think the company will have some megahits in the years ahead, and we now value shares at nearly $1,000 each. It reported an operating loss of ~$1.9 billion in 'Other Bets' in 2016, suggesting core levels of profitability are higher than reported.

• Alphabet is a holding in the portfolio of the Best Ideas Newsletter. We like its valuation, growth potential, cash-flow generation and competitive profile. Very few firms are more attractive on a fundamental basis, in our view, and its future remains bright.

• Alphabet continues to grow revenue at a healthy pace. The company is pleased with the momentum it is seeing from its mobile division, particularly within mobile advertising. The mobile Internet space will be key for the company moving forward, but Facebook is not backing down. YouTube and programmatic advertising offer additional upside potential.

• Alphabet has a strong future in search, and we continue to be in awe of the strength in this division. Its massive net cash position (~$88.5 billion as of the first quarter of 2017) gives the company a substantial cushion to fall back on as it invests in high-return opportunities and new concepts such as self-driving cars, Glass, Fiber, or other innovative ideas.

• Alphabet has three different stock classes with two different tickers. GOOGL is Class A stock, and GOOG represents the non-voting Class C stock that was created by a stock split in 2014 in order for Google founders to maintain majority control.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baidu	31.3	NMF	95.7%
Facebook	30.8	1.8	80.3%
WebMD	26.8	5.3	114.9%
Yahoo	NMF	NMF	110.2%
Peer Median	30.8	3.6	103.0%
Alphabet	**27.1**	**1.9**	**93.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	74,989	90,272	107,604
Revenue, YoY%	13.6%	20.4%	19.2%
Operating Income	19,360	23,716	29,509
Operating Margin %	25.8%	26.3%	27.4%
Net Income	16,348	19,478	23,801
Net Income Margin %	21.8%	21.6%	22.1%
Diluted EPS	23.79	28.18	34.22
Diluted EPS, YoY %	18.4%	18.4%	21.4%
Free Cash Flow (CFO-capex)	16,622	25,022	21,338
Free Cash Flow Margin %	22.2%	27.7%	19.8%

In Millions of USD (except for per share items)

Structure of the Internet Software & Services Industry — NEUTRAL

The Internet software/services industry is composed of a variety of companies with rapidly-changing business models. Most focus on improving the ways people connect with information, either via Internet search or by social media platforms, and generate revenue primarily by delivering cost-effective online advertising. Constituents earn significant returns on invested capital due to their capital-light operations, though competition remains fierce. We expect most companies in this group to look substantially different 10 years from now than they do today. Overall, we're neutral on the structure.

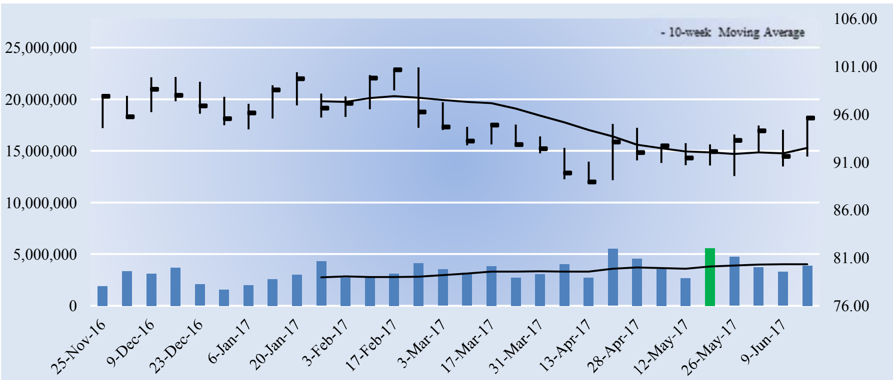
Genuine Parts GPC FAIRLY VALUED

Buying Index™ 6 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$80.00	$64.00 - $96.00	LARGE-CAP CORE	Consumer Discretionary	Specialty Retail - auto

Genuine Parts continues to be encouraged by trends in automotive aftermarket fundamentals.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	93.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$14,323
Avg Weekly Vol (30 wks)	3,361
30-week Range (USD)	88.88 - 100.9
Valuentum Sector	Consumer Discretionary
5-week Return	4.5%
13-week Return	0.7%
30-week Return	1.0%
Dividend Yield %	2.8%
Dividends per Share	2.70
Forward Dividend Payout Ratio	55.6%
Est. Normal Diluted EPS	6.30
P/E on Est. Normal Diluted EPS	15.2
Est. Normal EBITDA	1,648
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	11.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.7%
Return on Assets	8.5%
ROIC, with goodwill	17.0%
ROIC, without goodwill	21.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	875
Net Debt	632
Total Debt/EBITDA	0.7
Net Debt/EBITDA	0.5
EBITDA/Interest	57.7
Current Ratio	1.4
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Genuine Parts distributes auto parts and accessory items. It operates under a widely-recognized brand (NAPA), but the auto parts distribution business is highly competitive, and we don't expect weakening competition in any of its four business segments. Its 'Automotive Group' accounts for ~50% of sales. The company is based in Georgia.

• The firm has paid a cash dividend every year since going public in 1948. 2017 marks its 61st consecutive year that it has increased dividends paid to shareholders. Very few other companies have this solid of a track record.

• Genuine Parts is an amazing success story. The company has grown to its current state from a mere $75k in net sales in 1928. Investors should be cognizant that acquisitions remain an integral part of the company's overall revenue growth trajectory, however. This strategy comes with increased selection and overpayment risk, and challenges in its 'Motion' (industrial) segment should not be overlooked.

• Genuine Parts has several key long-term annual objectives, including annual sales growth of 6%-8%, steadily expand operating margin, and grow earnings per share by 7%-10%. These targets will help the firm continue to generate solid cash flows and maintain a strong balance sheet, the two most important drivers of its dividend health.

• Management continues to be encouraged by trends in automotive aftermarket fundamentals. The prime years for aftermarket repair start in year 6, and vehicles that are 6+ years of age make up more than 75% of the fleet.

Relative Valuation

	Forward P/E	PEG	Price / FV
AutoNation	10.2	1.3	77.5%
AutoZone	13.3	1.6	101.2%
CarMax	18.6	1.4	114.5%
O'Reilly Automotive	21.3	1.8	118.7%
Peer Median	15.9	1.5	107.8%
Genuine Parts	**19.7**	**1.8**	**119.5%**

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

Financial Summary

Fiscal Year End:	----- Actual ----- Dec-15	Dec-16	Projected Dec-17
Revenue	15,280	15,340	15,769
Revenue, YoY%	-0.4%	0.4%	2.8%
Operating Income	1,124	1,070	1,156
Operating Margin %	7.4%	7.0%	7.3%
Net Income	706	687	726
Net Income Margin %	4.6%	4.5%	4.6%
Diluted EPS	4.63	4.59	4.86
Diluted EPS, YoY %	0.4%	-0.9%	5.9%
Free Cash Flow (CFO-capex)	1,050	785	673
Free Cash Flow Margin %	6.9%	5.1%	4.3%

In Millions of USD (except for per share items)

Structure of the Retail Auto Parts Industry — GOOD

The retail auto parts industry is characterized by stiff competition in many areas, including brand recognition, customer service, and price. The industry is impacted by both the age and number of vehicles in service, especially those that are no longer under manufacturer’s warranties (typically seven years old and older). Demand for retail auto parts can best be described as counter-cyclical: as consumers’ cash flows decrease, drivers tend to keep their vehicles longer, leading to more retail auto parts sales. Though competition among constituents is intense, we like the industry's defensive characteristics.

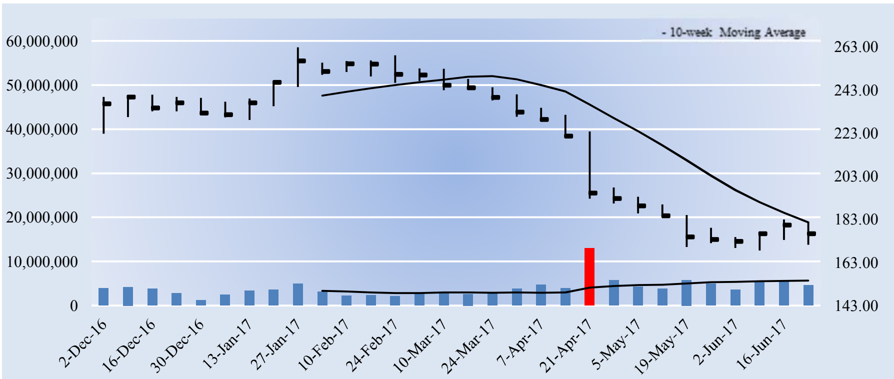
W.W. Grainger GWW FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$183.00	$142.00 - $224.00	LARGE-CAP VALUE	Industrials	Distributors

We've lowered our fair value estimate for W.W. Grainger after management cut profit guidance due to a strong customer repsonse to a greater volume of products being sold at more competitive prices.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	NEUTRAL
Relative Strength	WEAK
Money Flow Index (MFI)	OVERSOLD
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	182.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$10,731
Avg Weekly Vol (30 wks)	4,015
30-week Range (USD)	168.58 - 262.715
Valuentum Sector	Industrials
5-week Return	0.5%
13-week Return	-25.5%
30-week Return	-21.7%
Dividend Yield %	2.9%
Dividends per Share	5.12
Forward Dividend Payout Ratio	48.8%
Est. Normal Diluted EPS	13.68
P/E on Est. Normal Diluted EPS	12.9
Est. Normal EBITDA	1,685
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	7.5
Forward Revenue Growth (5-yr)	4.6%
Forward EPS Growth (5-yr)	12.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	28.3%
Return on Assets	13.5%
ROIC, with goodwill	21.6%
ROIC, without goodwill	25.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,247
Net Debt	1,973
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.4
EBITDA/Interest	20.6
Current Ratio	1.9
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• W.W. Grainger is a leading broad line distributor of maintenance, repair and operating (MRO) products in North America, with expanding global operations. The worldwide MRO market is estimated to be roughly $560 billion, with North America accounting for ~25% of that figure. Grainger was founded in Chicago in 1927.

• Grainger uses a multichannel business model (catalogs, e-commerce, etc.) to distribute supplies to customers in the US and Canada. The company is not immune to global economic threats and the risks of unexpected product shortages, however.

• The North American MRO market remains highly fragmented, offering acquisition opportunities for participants. Grainger controls ~6% share of the North American market, while the other top 10 distributors account for ~24%. Grainger is expecting a return to growth for the US industrial/export MRO market in 2017 after two consecutive years of declines.

• We've lowered our fair value estimate for shares after management cut its 2017 EPS guidance due to a strong customer repsonse to a greater volume of products being sold at more competitive prices. Grainger is now accelerating its competitive pricing strategy to gain market share, though its margins will face pressure in the near term.

• Grainger is adapting its business to better serve the new age customer. The proliferation of online shopping has made customers more aware of pricing competition, and larger customers are increasingly expecting distributors to cater to their needs.

Relative Valuation

	Forward P/E	PEG	Price / FV
Anixter	14.1	1.7	102.2%
Fastenal	22.7	1.9	104.6%
MSC Industrial	20.8	2.0	117.7%
WESCO	14.3	1.3	85.5%
Peer Median	17.6	1.8	103.4%
W.W. Grainger	**16.8**	**1.4**	**96.4%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	9,973	10,137	10,472
Revenue, YoY%	0.1%	1.6%	3.3%
Operating Income	1,300	1,120	1,150
Operating Margin %	13.0%	11.0%	11.0%
Net Income	769	606	625
Net Income Margin %	7.7%	6.0%	6.0%
Diluted EPS	11.69	9.96	10.48
Diluted EPS, YoY %	0.9%	-14.8%	5.3%
Free Cash Flow (CFO-capex)	616	719	624
Free Cash Flow Margin %	6.2%	7.1%	6.0%

In Millions of USD (except for per share items)

Structure of the Industrial Distributors Industry — GOOD

Though consolidating, the industrial distributors industry remains fragmented and highly competitive. Delivering cost savings, convenience, and product availability are the major competitive factors. Some rivals use vans to sell products in markets away from their warehouses, while others rely on mail order, websites or telemarketing sales. Still, others operate stores and use centralized distribution centers to supply their networks. The industry is economically-sensitive and exposed to the threat of aggressive pricing strategies, but we generally like the group's massive distribution platforms that are difficult to replicate.

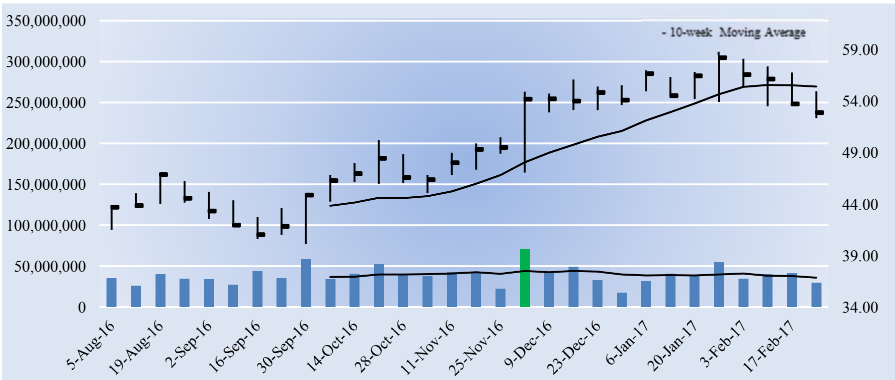
Halliburton HAL FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$46.00	$37.00 - $55.00	LARGE-CAP GROWTH	Energy	Energy Equipment - Large

We've raised our fair value estimate for Halliburton thanks to cost savings coupled with what looks to be a rebounding crude oil market.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	WEAK
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	VERY BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	55.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low			■	
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$45,521
Avg Weekly Vol (30 wks)	38,918
30-week Range (USD)	40.12 - 58.78
Valuentum Sector	Energy
5-week Return	-3.9%
13-week Return	6.5%
30-week Return	21.8%
Dividend Yield %	1.4%
Dividends per Share	0.72
Forward Dividend Payout Ratio	59.4%
Est. Normal Diluted EPS	2.91
P/E on Est. Normal Diluted EPS	18.2
Est. Normal EBITDA	6,055
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	8.9
Forward Revenue Growth (5-yr)	12.3%
Forward EPS Growth (5-yr)	-189.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	-9.2%
Return on Assets	-2.9%
ROIC, with goodwill	11.7%
ROIC, without goodwill	13.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	12,377
Net Debt	8,368
Total Debt/EBITDA	NMF
Net Debt/EBITDA	-4.4
EBITDA/Interest	-2.7
Current Ratio	2.9
Quick Ratio	2.0

NMF = Not Meaningful

Investment Highlights

• Halliburton is a provider of services and products to the energy industry related to the exploration, development, and production of oil and natural gas. The company has two operating segments: Completion & Production and Drilling & Evaluation. It was established in 1919.

• Halliburton has scrapped its plans to acquire Baker Hughes as a result of scrutiny from US and European regulators. Halliburton was forced to pay Baker Hughes a $3.5 billion breakup fee, which it paid for with cash on hand.

• Following the breakup of the merger agreement with Baker Hughes, Halliburton plans to invest in areas where it has been weaker and will look at selective acquisitions to augment its offerings. The company was able to cut structural costs by ~25% or $1 billion on an annualized basis in 2016. We've raised our fair value estimate thanks to such cost savings and what looks to be a rebounding crude oil market.

• Halliburton looks to three areas for growth: 1) unconventional (shale gas, tight gas), deepwater, and mature fields (those past peak production). Halliburton has invested to capitalize on each of these areas of expansion. Roughly half of its business comes from the United States.

• Top-line growth and profits have been under considerable pressure the past few years, which caused the firm to look elsewhere (consolidation) for growth. Though the crude oil market looks to be rebalancing, the hit rate on production cut quotas, and new production capacity, should be watched closely.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baker Hughes	182.3	NMF	116.8%
National Oilwell Varco	NMF	NMF	99.5%
Weatherford Intl	NMF	NMF	69.6%
Schlumberger	44.3	NMF	105.5%
Peer Median	113.3	NMF	102.5%
Halliburton	**43.6**	**NMF**	**114.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	23,633	15,887	18,874
Revenue, YoY%	-28.1%	-32.8%	18.8%
Operating Income	2,320	-3,421	1,983
Operating Margin %	9.8%	-21.5%	10.5%
Net Income	-666	-5,761	1,023
Net Income Margin %	-2.8%	-36.3%	5.4%
Diluted EPS	-0.78	-6.69	1.21
Diluted EPS, YoY %	-119.4%	757.0%	-118.1%
Free Cash Flow (CFO-capex)	722	-2,499	1,521
Free Cash Flow Margin %	3.1%	-15.7%	8.1%

In Millions of USD (except for per share items)

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

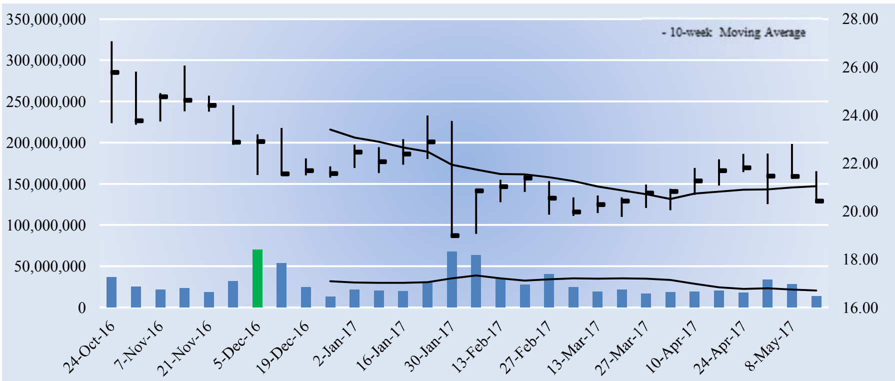
Hanesbrands Inc HBI UNDERVALUED 7.7%

Buying Index™ 6 | Value Rating ✔

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$27.00	$22.00 - $32.00	MID-CAP VALUE	Consumer Discretionary	Retail - Men's, Women's, Kids' Apparel

Hanesbrands expects its recently announced 'Project Booster' to drive ~$300 million in incremental annual net cash from operations by 2020.

Stock Chart (weekly)



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

Investment Considerations	
DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	21.00

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

Business Quality ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals	
Market Cap (USD)	$7,701
Avg Weekly Vol (30 wks)	29,315
30-week Range (USD)	18.91 - 27.07
Valuentum Sector	Consumer Discretionary
5-week Return	-4.6%
13-week Return	-2.9%
30-week Return	-17.4%
Dividend Yield %	2.9%
Dividends per Share	0.60
Forward Dividend Payout Ratio	30.0%
Est. Normal Diluted EPS	2.32
P/E on Est. Normal Diluted EPS	8.8
Est. Normal EBITDA	1,201
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	13.8%

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

Returns Summary	3-year Historical Average
Return on Equity	33.9%
Return on Assets	8.9%
ROIC, with goodwill	20.5%
ROIC, without goodwill	27.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,742
Net Debt	3,282
Total Debt/EBITDA	4.2
Net Debt/EBITDA	3.7
EBITDA/Interest	5.8
Current Ratio	2.1
Quick Ratio	0.3

NMF = Not Meaningful

Investment Highlights

• Hanesbrands makes every day basic apparel under some of the world's strongest apparel brands, including Hanes, Champion, Playtex, Bali, JMS/Just My Size, barely there, Wonderbra and Gear for Sports. Hanes is the third-largest apparel brand in terms of dollars. It was founded in 1901 and is headquartered in North Carolina.

• Cotton costs can impact performance, but we believe Hanesbrands has better pricing power than most to handle such input cost volatility. For example, the company raised selling prices double-digits, multiple times, in one year because it faced the highest cotton costs since the American Civil War.

• Hanesbrands recently announced a growth initiative called 'Project Booster' through which it expects to drive approximately $300 million in incremental annual net cash from operations and $100 million in annualized net cost savings after $50 million in annualized growth reinvestment by 2020. Cash flow from operations for 2017 is expected to be $625-$725 million.

• Hanesbrands' operations are broken down into four segments: Innerwear, Activewear, International, and Direct-to-Consumer. 'Innerwear' accounts for more than 45% of total sales and boasts an operating margin in the mid-20% range. The firm's mantra of 'Sell More, Spend Less, and Make Acquisitions' is geared towards driving double-digit annual EPS expansion.

• Competition is heating up in the 'underwear' space beyond PVH's Calvin Klein and Berkshire's Fruit of the Loom. Under Armour is hoping to make a splash with new products and increased advertising. An Iso-Chill fabric for UA's boxerjocks may gain some traction.

Relative Valuation	Forward P/E	PEG	Price / FV
Ascena Retail	NMF	NMF	67.0%
Carter's Inc	14.9	1.9	91.8%
Chico's FAS	12.7	1.6	84.4%
Limited Brands	14.9	1.0	80.7%
Peer Median	14.9	1.6	82.5%
Hanesbrands Inc	**10.2**	**1.1**	**75.6%**

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

Financial Summary	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	5,732	6,028	6,444
Revenue, YoY%	7.6%	5.2%	6.9%
Operating Income	595	776	986
Operating Margin %	10.4%	12.9%	15.3%
Net Income	429	537	754
Net Income Margin %	7.5%	8.9%	11.7%
Diluted EPS	1.06	1.40	2.00
Diluted EPS, YoY %	7.2%	31.4%	43.2%
Free Cash Flow (CFO-capex)	128	522	638
Free Cash Flow Margin %	2.2%	8.7%	9.9%

In Millions of USD (except for per share items)

Structure of the Specialty Apparel (Men's-Women's-Kid's) Industry **NEUTRAL**

The retail clothing space is incredibly competitive, very fragmented, and heavily exposed to cyclical pressures and consumer spending patterns. Distribution and storefronts remain crucial, but online threats are becoming ever more apparent. Predicting the correct fashion styles during various seasons of the year continues to be the primary driver impacting the operating results of constituents, and brands can fall out of favor with consumers relatively quickly. Though some firms have developed a dedicated customer following that has helped mitigate abrupt market share shifts, we're generally neutral on the industry.

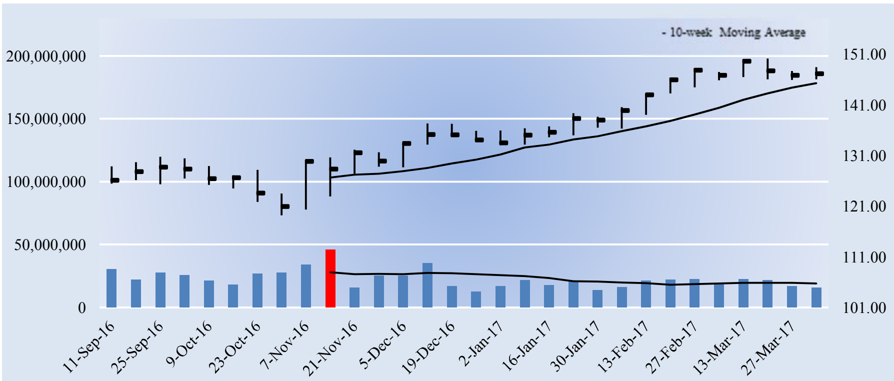
Home Depot HD FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$123.00	$98.00 - $148.00	LARGE-CAP CORE	Consumer Discretionary	Specialty Retailers

Home Depot's financial performance depends in part on the stability of the housing, residential construction and home improvement markets.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	145.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$181,558
Avg Weekly Vol (30 wks)	22,622
30-week Range (USD)	119.2 - 150.15
Valuentum Sector	Consumer Discretionary
5-week Return	0.0%
13-week Return	10.4%
30-week Return	16.3%
Dividend Yield %	2.4%
Dividends per Share	3.56
Forward Dividend Payout Ratio	49.0%
Est. Normal Diluted EPS	9.26
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	20,103
Forward EV/EBITDA	12.1
EV/Est. Normal EBITDA	10.1
Forward Revenue Growth (5-yr)	5.9%
Forward EPS Growth (5-yr)	12.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	99.1%
Return on Assets	17.1%
ROIC, with goodwill	28.6%
ROIC, without goodwill	30.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	23,601
Net Debt	21,063
Total Debt/EBITDA	1.5
Net Debt/EBITDA	1.4
EBITDA/Interest	15.8
Current Ratio	1.3
Quick Ratio	0.3

NMF = Not Meaningful

Investment Highlights

• Home Depot is the world's largest home improvement specialty retailer. Its stores sell an assortment of building materials, home improvement and lawn/garden products. Its stores average ~104,000 square feet of enclosed space, with ~24,000 additional square feet of outside garden area. The company was founded in 1978 and is based in Atlanta, Georgia.

• Home Depot's financial performance depends in part on the stability of the housing, residential construction and home improvement markets. These markets can and do experience wild swings over the course of a full economic cycle.

• Home Depot has an interesting growth strategy. Canada and Mexico are core pieces in this strategy, where it is the #1 home improvement retailer. As of the end of fiscal 2016 (ended January 2017) ~13% of the firm's total stores were in Canada or Mexico. The strategy also involves saying no to international expansion into new geographies and large acquisitions to 'buy' sales.

• Home Depot serves three primary customer groups: Do-It-Yourself customers, Do-It-For-Me customers, and professional customers (tradesmen). Home Depot plans to focus more on its professional customers, where average tickets are substantially larger. The Pro group makes up only ~3% of its customer base, but accounts for approximately 40% of total sales.

• Home Depot's impressive financial performance of late, specifically its strong free cash flow generation, has allowed it to raise its dividend in a big way recently. Revenue growth expectations of 4%-5% and operating margin expansion in fiscal 2018 support such a decision.

Relative Valuation

	Forward P/E	PEG	Price / FV
Bed Bath & Beyond	9.0	1.9	69.3%
Best Buy	13.0	NMF	104.8%
Lowe's	17.6	1.8	117.3%
Office Depot	10.1	NMF	79.7%
Peer Median	11.5	1.8	92.2%
Home Depot	**20.3**	**1.9**	**119.6%**

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

Financial Summary

Fiscal Year End:	Jan-16 (Actual)	Jan-17 (Actual)	Jan-18 (Projected)
Revenue	88,519	94,595	99,987
Revenue, YoY%	6.4%	6.9%	5.7%
Operating Income	11,774	13,427	14,722
Operating Margin %	13.3%	14.2%	14.7%
Net Income	7,009	7,957	8,782
Net Income Margin %	7.9%	8.4%	8.8%
Diluted EPS	5.46	6.45	7.26
Diluted EPS, YoY %	15.9%	18.0%	12.6%
Free Cash Flow (CFO-capex)	7,870	8,162	8,872
Free Cash Flow Margin %	8.9%	8.6%	8.9%

In Millions of USD (except for per share items)

Structure of the Specialty Retailers Industry — NEUTRAL

The specialty retail segment is fragmented, highly competitive, and economically-sensitive. The group covers a broad array of businesses and is dominated by retailers with large brick-and-mortar store footprints. Though some constituents may be insulated from e-commerce competition, others risk obsolescence as product distribution moves to digital means, and online retailers offer lower prices for identical goods and services. We're fairly neutral on the structure of the industry, though some constituents will inevitably face secular and permanent declines.

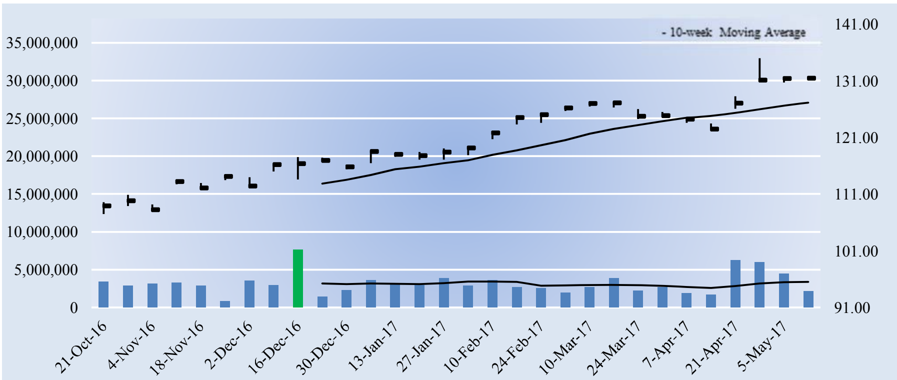
Honeywell HON FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$110.00	$88.00 - $132.00	LARGE-CAP CORE	Industrials	Conglomerates

Honeywell's reported top line results may face some pressure in the near term, but management continues to work to expand profit margins.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	127.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				X
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$101,944
Avg Weekly Vol (30 wks)	3,169
30-week Range (USD)	107.51 - 135
Valuentum Sector	Industrials
5-week Return	7.0%
13-week Return	6.1%
30-week Return	21.8%
Dividend Yield %	2.0%
Dividends per Share	2.66
Forward Dividend Payout Ratio	37.1%
Est. Normal Diluted EPS	8.25
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	9,766
Forward EV/EBITDA	12.7
EV/Est. Normal EBITDA	11.3
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	8.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	25.8%
Return on Assets	9.7%
ROIC, with goodwill	16.8%
ROIC, without goodwill	38.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15,775
Net Debt	7,932
Total Debt/EBITDA	2.0
Net Debt/EBITDA	1.0
EBITDA/Interest	22.8
Current Ratio	1.4
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• Honeywell is a conglomerate operating in the following areas: aerospace, automation and controls solutions, performance materials and technologies, and transportations systems. Its aerospace products are used on virtually every aircraft, while its building solutions are in over 150 million homes. The company was founded in 1920 and is based in New Jersey.

• For an industrial giant, Honeywell generates nice margins. The company's 'Performance Materials and Technology' segment boasts its highest segment profit margins in the low- to mid-20% range, followed by its 'Aerospace' segment in the low 20% range.

• Honeywell's long-term financial targets include low-to-mid single digit annual organic sales growth, 30-50 basis points of margin expansion per year, a cash conversion rate greater than 100%, and the maintenance of investment grade credit ratings. Management is also targeting dividend growth at a higher rate than EPS growth.

• Honeywell's 2017 outlook may have been tempered by some headwinds at the back end of 2016. The company is targeting 2017 earnings per share of $6.90-$7.10 but anticipates revenue being down 2% to flat from 2016. Organic growth is expected to be 1%-3%, however, and segment margins are targeted to leap 70-110 basis points during the year.

• There have been some rumors swirling around Honeywell as of late regarding activists on the hunt (namely Nelson Peltz's Trian). Shares of Honeywell aren't necessarily cheap or mispriced, and management has been doing a good job, in our view.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	21.7	3.1	133.7%
Danaher	20.9	2.0	115.1%
General Electric	17.2	1.3	94.2%
United Technologies	18.2	1.7	114.0%
Peer Median	19.6	1.8	114.5%
Honeywell	**18.4**	**2.6**	**119.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	38,581	39,302	39,734
Revenue, YoY%	-4.3%	1.9%	1.1%
Operating Income	6,828	6,683	7,599
Operating Margin %	17.7%	17.0%	19.1%
Net Income	4,768	4,809	5,524
Net Income Margin %	12.4%	12.2%	13.9%
Diluted EPS	6.04	6.20	7.16
Diluted EPS, YoY %	13.3%	2.7%	15.4%
Free Cash Flow (CFO-capex)	4,446	4,403	5,477
Free Cash Flow Margin %	11.5%	11.2%	13.8%

In Millions of USD (except for per share items)

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

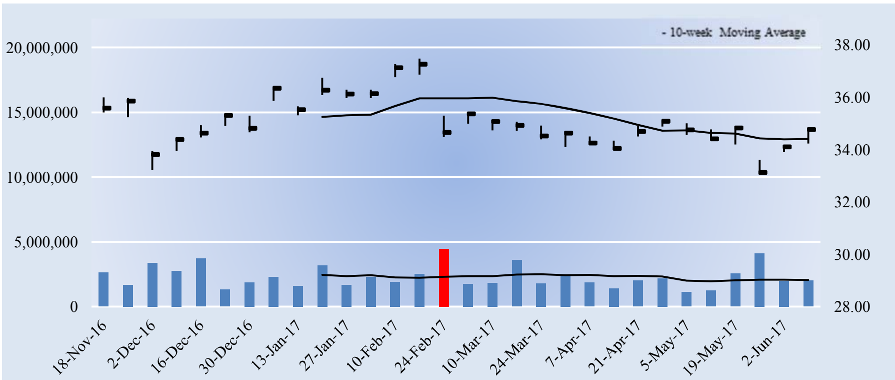
Hormel Foods HRL FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$35.00	$28.00 - $42.00	LARGE-CAP VALUE	Consumer Staples	Food Products

Hormel is targeting annual revenue growth of about 5% and earnings per share growth of 10% per year.

Stock Chart (weekly)



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

Investment Considerations

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

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$18,485
Avg Weekly Vol (30 wks)	2,307
30-week Range (USD)	33.07 - 37.48
Valuentum Sector	Consumer Staples
5-week Return	1.1%
13-week Return	-0.8%
30-week Return	-3.3%
Dividend Yield %	2.0%
Dividends per Share	0.68
Forward Dividend Payout Ratio	40.8%
Est. Normal Diluted EPS	2.35
P/E on Est. Normal Diluted EPS	14.8
Est. Normal EBITDA	1,909
Forward EV/EBITDA	12.7
EV/Est. Normal EBITDA	9.6
Forward Revenue Growth (5-yr)	2.5%
Forward EPS Growth (5-yr)	15.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	18.9%
Return on Assets	12.6%
ROIC, with goodwill	19.6%
ROIC, without goodwill	31.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	250
Net Debt	-165
Total Debt/EBITDA	0.2
Net Debt/EBITDA	NMF
EBITDA/Interest	110.2
Current Ratio	1.9
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• Hormel is primarily engaged in the production of a variety of meat and food products and the marketing of those products. Pork and turkey remain the major raw materials for its products. It owns the Skippy peanut butter brand, and the Jenny-O turkey store; the SPAM family of products and Hormel pepperoni and party trays are common offerings as well.

• Hormel has posted 50+ years of consecutive dividend increases. The company's annual cash dividend has nearly doubled since 2012. We're expecting future growth in the dividend, but investors should be cognizant of shares, which are not cheap.

• More than 30 brands have #1 or #2 market share positions in their respective categories from grocery products and refrigerated foods to the Jennie-O turkey store. Hormel is targeting annual revenue growth of about 5% and earnings per share growth of 10% per year. Its international business will be leading the charge.

• A large outbreak of avian influenza can be positive for some companies such as egg producer Cal-Maine, but it is certainly negative for a company such as Hormel. Not only does bird flu impact its turkey supply chain, but input costs related to quality checks move higher, potentially pressuring margins over the longer-term.

• We think one of the strongest earnings drivers at Hormel is its Specialty Foods division thanks to strength from its CytoSport business. Divestitures can muddle results, and the company is expecting fiscal 2017 earnings per share to be in a range of $1.65-$1.71.

Relative Valuation

	Forward P/E	PEG	Price / FV
Dean Foods	13.0	1.8	89.4%
McCormick	25.3	2.5	130.5%
Smucker	24.9	1.2	105.1%
Tyson Foods	12.1	1.9	93.5%
Peer Median	19.0	1.8	99.3%
Hormel Foods	**20.9**	**1.4**	**99.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Oct-15	Oct-16	Oct-17
Revenue	9,264	9,523	9,142
Revenue, YoY%	-0.6%	2.8%	-4.0%
Operating Income	1,065	1,286	1,318
Operating Margin %	11.5%	13.5%	14.4%
Net Income	686	890	886
Net Income Margin %	7.4%	9.3%	9.7%
Diluted EPS	1.27	1.64	1.67
Diluted EPS, YoY %	13.7%	29.4%	1.6%
Free Cash Flow (CFO-capex)	848	737	918
Free Cash Flow Margin %	9.2%	7.7%	10.0%

In Millions of USD (except for per share items)

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

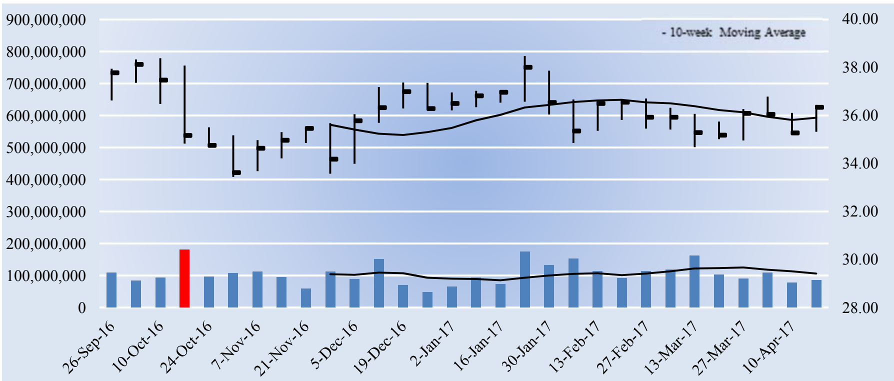
Intel INTC FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$42.00	$34.00 - $50.00	LARGE-CAP VALUE	Information Technology	Broad Line Semiconductors

Intel has agreed to acquire Mobileye for $15.3 billion in cash. We like the move and what it does for Intel's future in autonomous driving.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	36.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$177,060
Avg Weekly Vol (30 wks)	105,024
30-week Range (USD)	33.42 - 38.45
Valuentum Sector	Information Technology
5-week Return	2.7%
13-week Return	-2.0%
30-week Return	-1.6%
Dividend Yield %	3.0%
Dividends per Share	1.09
Forward Dividend Payout Ratio	38.5%
Est. Normal Diluted EPS	3.09
P/E on Est. Normal Diluted EPS	11.7
Est. Normal EBITDA	26,917
Forward EV/EBITDA	7.1
EV/Est. Normal EBITDA	6.7
Forward Revenue Growth (5-yr)	2.3%
Forward EPS Growth (5-yr)	9.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	18.7%
Return on Assets	11.3%
ROIC, with goodwill	26.2%
ROIC, without goodwill	33.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	25,283
Net Debt	3,468
Total Debt/EBITDA	1.1
Net Debt/EBITDA	0.2
EBITDA/Interest	50.8
Current Ratio	1.7
Quick Ratio	1.3

NMF = Not Meaningful

Investment Highlights

• Intel designs and manufactures advanced integrated digital technology platforms, which are used in PCs, servers, tablets, smartphones, automobiles, automated factory systems, and medical devices. The company recently completed the acquisition of Altera in a near-$17 billion deal before agreeing to acquire Mobileye, a global leader in computer vision and machine learning, for $15.3 billion.

• Intel's merger with Altera enables it to compete in new classes of products in its high-growth Data Center and Internet of Things segments, and its purchase of Mobileye is expected to deliver similar growth avenues in the rapidly expanding autonomous driving market.

• Intel believes it has a virtuous cylce of growth as we move into 'the next Industrial Revolution,' or the Internet of Things. Intel's products speed up the connectivity of devices to data centers and the cloud while enabling larger amounts of storage at a lower cost. As more devices are equipped with such technology, demand for the same technology should increase on the data center end, and vice versa.

• Intel's agreement to buy Mobileye will position it as a leader in the provision of end-to-end solutions in the automated driving market, expanding the reach of its virtuous cycle of growth. Management expects to pay for the deal with cash from the balance sheet, and annual cost synergies of $195 million are being targeted by 2019.

• We view the Mobileye deal as largely value-neutral, but we love the potential it brings in terms of broadening Intel's addressable market. Apple is now reportedly using Intel modems in iPhones aimed at emerging markets, helping the company take iPhone share from rivals such as Qualcomm.

Relative Valuation

	Forward P/E	PEG	Price / FV
Advanced Micro Devices	NMF	NMF	144.4%
Broadcom	14.5	NMF	112.8%
STMicroelectronics	21.0	2.3	146.4%
Texas Instruments	21.5	3.7	126.7%
Peer Median	21.0	3.0	135.6%
Intel	**12.8**	**1.8**	**86.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	55,355	59,387	59,862
Revenue, YoY%	-0.9%	7.3%	0.8%
Operating Income	14,356	14,760	17,423
Operating Margin %	25.9%	24.9%	29.1%
Net Income	11,420	10,316	13,649
Net Income Margin %	20.6%	17.4%	22.8%
Diluted EPS	2.33	2.12	2.83
Diluted EPS, YoY %	0.8%	-9.3%	33.6%
Free Cash Flow (CFO-capex)	11,571	12,183	9,965
Free Cash Flow Margin %	20.9%	20.5%	16.6%

In Millions of USD (except for per share items)

Structure of the Broad Line Semiconductor Industry — POOR

The broad line semiconductor industry is characterized by intense competition, rapid technological change, and frequent product introductions. The number and variety of computing devices have expanded rapidly, creating a connected landscape between suppliers and competitors. New market segments have emerged rapidly (smartphones, tablets), and constituents must continuously innovate to maintain share as traditional PC demand faces pressure. Though some firms may gain advantages via the combination of their manufacturing/test facilities with their design teams, we think the structure of the group is poor.

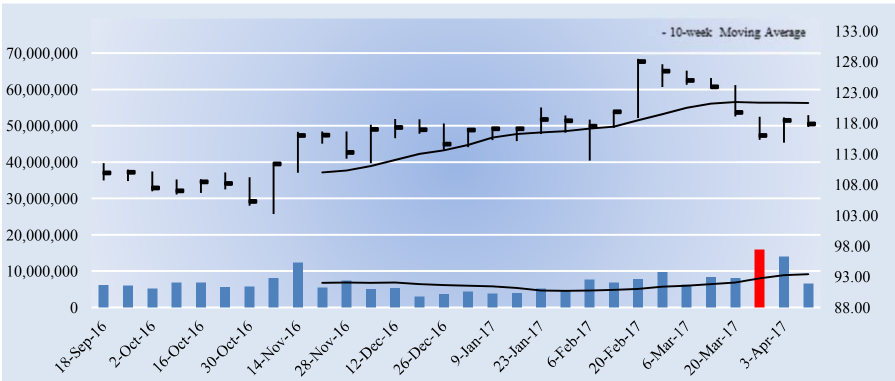
Intuit INTU FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$98.00	$78.00 - $118.00	LARGE-CAP CORE	Information Technology	Software

Intuit's QuickBooks online subscribers count continues to grow as momentum behind its Small Business online ecosystem is building.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	121.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$31,241
Avg Weekly Vol (30 wks)	6,844
30-week Range (USD)	103.22 - 128.45
Valuentum Sector	Information Technology
5-week Return	-5.5%
13-week Return	0.8%
30-week Return	7.7%
Dividend Yield %	1.2%
Dividends per Share	1.36
Forward Dividend Payout Ratio	31.0%
Est. Normal Diluted EPS	5.61
P/E on Est. Normal Diluted EPS	21.0
Est. Normal EBITDA	2,606
Forward EV/EBITDA	14.7
EV/Est. Normal EBITDA	11.8
Forward Revenue Growth (5-yr)	8.5%
Forward EPS Growth (5-yr)	17.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	29.1%
Return on Assets	13.9%
ROIC, with goodwill	47.4%
ROIC, without goodwill	136.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,000
Net Debt	-384
Total Debt/EBITDA	0.7
Net Debt/EBITDA	NMF
EBITDA/Interest	42.3
Current Ratio	0.7
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Intuit is a leading provider of innovative business and financial management solutions for small businesses, consumers and accounting professionals. Its flagship products and services include QuickBooks, TurboTax and Quicken. The company was founded in 1983 and is headquartered in California.

• Fundamentals remain strong at Intuit. Overall customer growth has been impressive, active use and attach rates are increasing, and global adoption is in full swing. The firm is committed to winning in the cloud.

• Intuit continues to accelerate its cloud exposure, increase connected services revenue, and grow its number of global customers moving forward. Over the past five fiscal years, online customers and connected services revenue have both grown at an ~12% CAGR, and non-US QuickBooks online subscribers have more than doubled.

• Momentum behind the firm's Small Business online ecosystem is building, and QuickBooks online subscribers grew more than 40% in fiscal 2016. Management is looking for revenue growth of 7%-9% in fiscal 2017, and the number of QuickBooks Online subscribers is expected to reach 2.2 million by years' end, up from 1.5 million at the end of fiscal 2016.

• Though we don't view such things as material, a number of regulatory bodies are investigating fraudulent attempts to obtain tax refunds via TurboTax. Shares could move on news like this, which could be recurring in a form.

Relative Valuation

	Forward P/E	PEG	Price / FV
F5 Networks	16.0	1.6	103.4%
Microsoft	21.7	2.0	104.8%
Oracle	16.6	1.8	86.3%
Salesforce.com	63.8	5.2	113.9%
Peer Median	19.1	1.9	104.1%
Intuit	**26.9**	**2.2**	**120.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jul-15	Jul-16	Jul-17
Revenue	4,192	4,694	5,074
Revenue, YoY%	-7.0%	12.0%	8.1%
Operating Income	886	1,242	1,842
Operating Margin %	21.1%	26.5%	36.3%
Net Income	413	806	1,150
Net Income Margin %	9.9%	17.2%	22.7%
Diluted EPS	1.44	3.04	4.38
Diluted EPS, YoY %	-50.7%	110.6%	44.1%
Free Cash Flow (CFO-capex)	1,362	985	1,260
Free Cash Flow Margin %	32.5%	21.0%	24.8%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

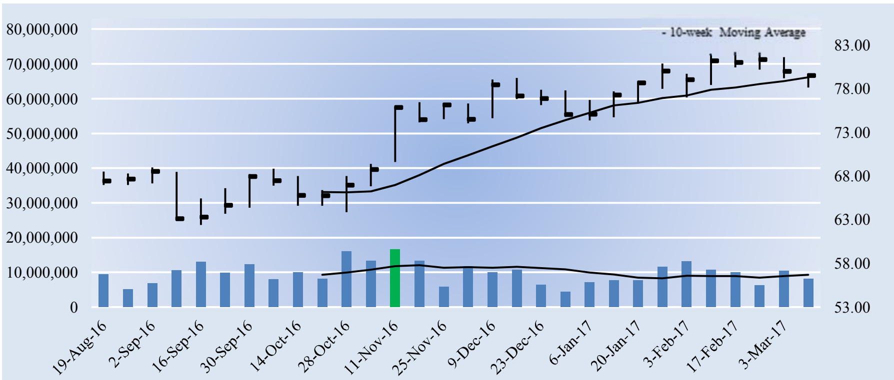
Ingersoll-Rand IR FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$67.00	$54.00 - $80.00	LARGE-CAP CORE	Industrials	Machinery & Tools

Ingersoll-Rand estimates that 75% of infrastructure globally that will exist in 2050 has yet to be built, offering it significant sustainable growth opportunity.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	79.00

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

Company Vitals

Market Cap (USD)	$20,803
Avg Weekly Vol (30 wks)	9,812
30-week Range (USD)	62.4 - 82.17
Valuentum Sector	Industrials
5-week Return	1.0%
13-week Return	1.3%
30-week Return	16.2%
Dividend Yield %	2.0%
Dividends per Share	1.60
Forward Dividend Payout Ratio	35.4%
Est. Normal Diluted EPS	5.48
P/E on Est. Normal Diluted EPS	14.5
Est. Normal EBITDA	2,544
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	3.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.5%
Return on Assets	6.0%
ROIC, with goodwill	7.5%
ROIC, without goodwill	14.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,070
Net Debt	2,356
Total Debt/EBITDA	2.3
Net Debt/EBITDA	1.3
EBITDA/Interest	8.1
Current Ratio	1.6
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Ingersoll-Rand's diverse portfolio of industrial products have well-recognized brand names, including Ingersoll-Rand, American Standard, and Trane. Following the spinoff of Allegion, the company restructured from four reporting business segments to two—Climate and Industrial. The firm was founded in 1872 and is headquartered in Ireland.

• Management continues to invest in innovation and growth, and we think the most attractive part of its operations rests in its aftermarket business, which accounts for ~30% of revenue.

• Ingersoll-Rand is well-positioned to capitalize on the needs driven by the global urban population, which is expected to expand to 6.4 billion by 2050 or a 70%-85% increase from recent levels. The firm has an excellent position to leverage its large installed equipment base to expand higher-margin services revenue.

• Ingersoll-Rand estimates that 75% of infrastructure globally that will exist in 2050 has yet to be built, offering it significant sustainable growth opportunity. India offers above average growth opportunity, where 85% of buildings that will exist in 2050 have yet to be built.

• Strong performance in North America and Asia Pacific are expected to more than offset weakness in Latin America and the Middle East in Ingersoll-Rand's Climate segment, while its Industrial segment continues to expect declines in all of its regions.

Business Quality

ValueRisk™ \ ValueCreation™	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
Dover	21.3	1.7	109.7%
Flowserve	41.4	0.7	112.2%
Graco	24.8	2.7	129.5%
Illinois Tool Works	21.5	2.9	142.6%
Peer Median	23.1	2.2	120.9%
Ingersoll-Rand	**17.6**	**1.6**	**118.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	13,301	13,509	13,793
Revenue, YoY%	3.2%	1.6%	2.1%
Operating Income	1,458	1,573	2,020
Operating Margin %	11.0%	11.6%	14.6%
Net Income	689	1,443	1,158
Net Income Margin %	5.2%	10.7%	8.4%
Diluted EPS	2.57	5.52	4.51
Diluted EPS, YoY %	-21.3%	114.4%	-18.1%
Free Cash Flow (CFO-capex)	446	1,182	1,172
Free Cash Flow Margin %	3.4%	8.7%	8.5%

In Millions of USD (except for per share items)

Structure of the Machinery & Tools Industry — GOOD

The machinery and tools industry is fragmented and highly competitive. Most constituents offer a wide range of products in a myriad of markets. Firms are heavily exposed to fluctuating raw material prices (steel, resins, chemicals) and the vicissitudes of the global economic cycle, including customer capital/maintenance budgets. Several companies are recognized worldwide for their strong brand names and reputation for quality, innovation and value, and we view such attributes as material competitive advantages. Though pricing competition is not absent, we like the structural characteristics of the group.

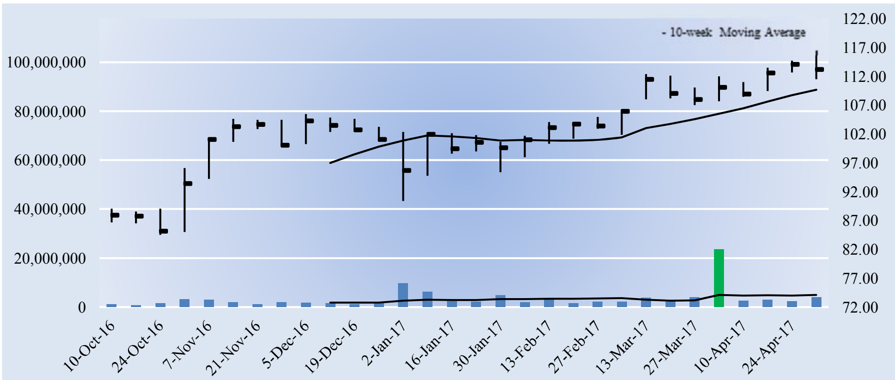
Gartner IT FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$96.00	$77.00 - $115.00	MID-CAP GROWTH	Information Technology	Business Services

Gartner recently acquired CEB for ~$2.6 billion in a cash and stock deal.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	AGGRESSIVE
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	110.00

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

Company Vitals

Market Cap (USD)	$9,490
Avg Weekly Vol (30 wks)	3,386
30-week Range (USD)	84.54 - 116.48
Valuentum Sector	Information Technology
5-week Return	4.8%
13-week Return	13.7%
30-week Return	28.4%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	5.27
P/E on Est. Normal Diluted EPS	21.5
Est. Normal EBITDA	758
Forward EV/EBITDA	17.9
EV/Est. Normal EBITDA	12.8
Forward Revenue Growth (5-yr)	17.8%
Forward EPS Growth (5-yr)	24.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	250.0%
Return on Assets	9.0%
ROIC, with goodwill	21.9%
ROIC, without goodwill	46.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	694
Net Debt	220
Total Debt/EBITDA	1.7
Net Debt/EBITDA	0.5
EBITDA/Interest	15.0
Current Ratio	0.9
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Gartner is an advisory company that works with its clients to research, analyze and interpret their business information technology. Gartner's leading brand name, superior IT research content and global footprint are attractive. Research accounts for ~75% of revenue. The company was founded in 1979 and is headquartered in Stamford, Connecticut.

• The company is at the center of IT and innovation. Its 1,400+ research analysts and consultants advise thousands of IT executives. Gartner delivers valuable insights to organizations of every shape and size, across all geographies and in every industry.

• Gartner serves a vast, untapped market. The firm estimates that its current market opportunity stands at ~$61 billion. Its research contract value continues to climb, and customer retention rates have hovered in the mid-80s. Wallet retention in 2016 came in at a strong 104%, as research contract value growth more than accounted for customers lost. We're expecting more of the same moving forward.

• Gartner recently acquired CEB for ~$2.6 billion, or roughly $77.25 per share, in a cash and stock deal. The deal is expected to be immediately accretive to adjusted EPS. Management thinks the deal will deliver long-term double-digit growth in revenue, earnings, and free cash flow.

• Research contract value has increased to nearly $1.8 billion from under $800 million in 2009. The company has a large untapped market opportunity that puts it in an excellent position for sustained double-digit top-line growth.

Business Quality

ValueRisk™ \ ValueCreation™	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
Accenture	20.5	1.9	119.1%
Amdocs	16.3	2.0	103.5%
IHS Markit	90.2	1.2	124.9%
VMware	19.1	1.9	100.0%
Peer Median	19.8	1.9	111.3%
Gartner	**32.0**	**2.0**	**117.9%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	2,163	2,445	3,481
Revenue, YoY%	7.0%	13.0%	42.4%
Operating Income	314	348	462
Operating Margin %	14.5%	14.2%	13.3%
Net Income	176	194	293
Net Income Margin %	8.1%	7.9%	8.4%
Diluted EPS	2.06	2.31	3.54
Diluted EPS, YoY %	1.9%	11.9%	53.1%
Free Cash Flow (CFO-capex)	300	317	134
Free Cash Flow Margin %	13.9%	13.0%	3.9%

In Millions of USD (except for per share items)

Structure of the Business Services Industry — NEUTRAL

Firms in the business services space primarily focus on management consulting, technology/data-integration services/software and outsourcing solutions. Participants generate high returns on invested capital, but the business services marketplace is very competitive, and firms can often face pressure from off-shore service providers in lower-cost locations (India, Philippines and China). Such competition may inhibit firms' ability to obtain sufficient pricing for services, and economic conditions may hinder the capability of clients to pay for such services. Still, we're generally neutral on the group.

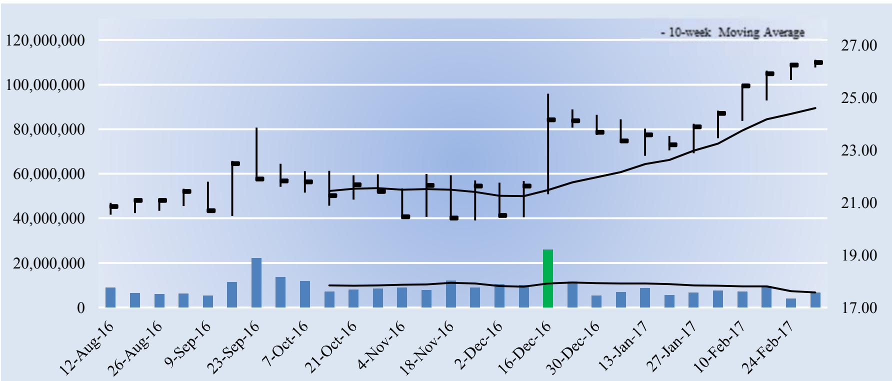
Jabil Circuit JBL FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$34.00	$26.00 - $43.00	MID-CAP VALUE	Information Technology	Electronic Suppliers

Jabil Circuit is focused on expanding its position as a global provider of electronic manufacturing services and solutions.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	25.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$5,075
Avg Weekly Vol (30 wks)	9,260
30-week Range (USD)	20.32 - 26.44
Valuentum Sector	Information Technology
5-week Return	11.1%
13-week Return	27.3%
30-week Return	27.3%
Dividend Yield %	1.2%
Dividends per Share	0.32
Forward Dividend Payout Ratio	15.4%
Est. Normal Diluted EPS	2.50
P/E on Est. Normal Diluted EPS	10.5
Est. Normal EBITDA	1,599
Forward EV/EBITDA	4.4
EV/Est. Normal EBITDA	3.9
Forward Revenue Growth (5-yr)	2.9%
Forward EPS Growth (5-yr)	15.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	7.9%
Return on Assets	1.9%
ROIC, with goodwill	12.1%
ROIC, without goodwill	14.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,120
Net Debt	1,208
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.0
EBITDA/Interest	9.0
Current Ratio	1.1
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

• Jabil is focused on expanding its position as a global provider of electronic manufacturing services and solutions. The company operates in two segments, Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS). The industry is highly competitive, and consistent innovation is necessary to survival. Jabil was founded in Michigan in 1966.

• Jabil's revenue is split roughly 60/40 between EMS and DMS. Management continues to invest for the future, in areas such as automation, 3D printing, acoustics, optics, and active alignment, with the last two being targeted at augmented reality.

• Jabil presents investors with a rather interesting situation. After reporting slightly better than expected results in the fourth quarter of its fiscal 2016, the firm announced a restructuring plan in global capacity and administrative support, which it expects to result in charges of $195 million over two years. The goal of the plan is the optimization of organizational effectiveness in a more moderate growth environment.

• Jabil Circuit's fiscal 2019 financial targets suggest there may be upside to our fair value estimate for shares due to our forecasts being slightly more conservative. Revenue is being targeted at $20.5 billion, while non-GAAP core operating income is projected to be ~$815 million. Core non-GAAP EPS guidance has been issued at $3 for the year.

• Jabil Circuit's yield isn't as high as some of our other dividend growth ideas, but the firm's Dividend Cushion ratio is rather solid. Management may be taking a cautious stance in light of the uncertain industry backdrop, but we think the payout is poised for growth.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amphenol Corp	24.0	2.4	143.8%
Corning	16.4	NMF	111.5%
LG Display	17.0	0.7	87.1%
TE Connectivity	16.9	2.2	116.2%
Peer Median	16.9	2.2	113.9%
Jabil Circuit	**12.7**	**1.3**	**77.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Aug-15	Aug-16	Aug-17
Revenue	17,899	18,353	18,702
Revenue, YoY%	13.6%	2.5%	1.9%
Operating Income	588	534	731
Operating Margin %	3.3%	2.9%	3.9%
Net Income	293	254	397
Net Income Margin %	1.6%	1.4%	2.1%
Diluted EPS	1.49	1.32	2.08
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	278	-8	298
Free Cash Flow Margin %	1.6%	0.0%	1.6%

In Millions of USD (except for per share items)

Structure of the Electronic Suppliers Industry — POOR

The electronic suppliers industry is composed of firms that provide services to companies that use electronic components. The industry is very cyclical, subject to rapid changes in technology, and highly competitive (from both rivals and customers). Participants generally do not have proprietary manufacturing processes, and performance is tied to the success of their customers' products in the market. Significant pricing pressure and shifts in market share are common, and component supply shortages and rising commodity costs can pressure margins. We don't like the structure of the group.

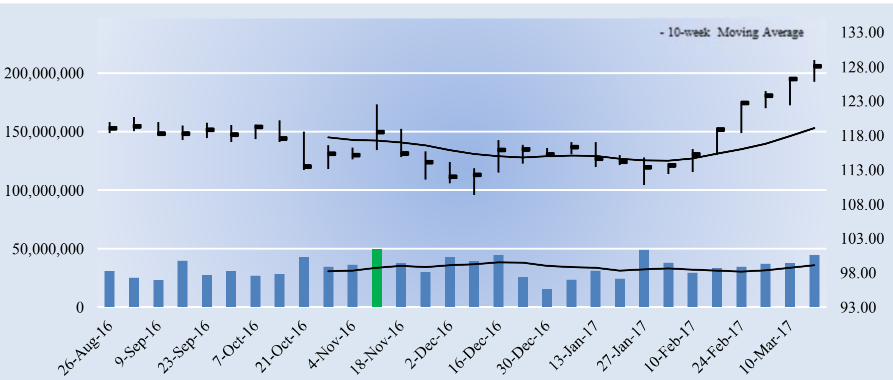
Johnson & Johnson JNJ FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$121.00	$97.00 - $145.00	MEGA-CAP CORE	Consumer Staples	Household Products

Johnson & Johnson's oncology division is a force to be reckoned with, and its broader pharma pipeline will be a primary driver of growth.

Stock Chart (weekly)



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

Company Vitals

Market Cap (USD)	$357,147
Avg Weekly Vol (30 wks)	33,528
30-week Range (USD)	109.32 - 129
Valuentum Sector	Consumer Staples
5-week Return	11.1%
13-week Return	10.3%
30-week Return	6.8%
Dividend Yield %	2.5%
Dividends per Share	3.20
Forward Dividend Payout Ratio	45.0%
Est. Normal Diluted EPS	8.01
P/E on Est. Normal Diluted EPS	16.0
Est. Normal EBITDA	30,625
Forward EV/EBITDA	12.3
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	4.0%
Forward EPS Growth (5-yr)	8.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	22.6%
Return on Assets	12.0%
ROIC, with goodwill	22.7%
ROIC, without goodwill	32.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	27,126
Net Debt	-14,781
Total Debt/EBITDA	1.1
Net Debt/EBITDA	NMF
EBITDA/Interest	34.3
Current Ratio	2.5
Quick Ratio	2.0

NMF = Not Meaningful

Investment Highlights

• J&J has built one of the most comprehensive health care businesses, generating approximately 70% of revenue from top positions in its respective markets. The firm is focused on innovation while broadening its geographic presence. Consumer product sales are ~20% of its operations. The company was founded in 1885 and is headquartered in New Brunswick, New Jersey.

• We're fans of J&J's capital allocation strategy. It uses ~30% of free cash flow in value creating acquisitions, and the other ~70% is returned to shareholders through dividends and share repurchases. The firm plows about ~10% of annual sales into R&D -- a focus we like.

• J&J's pharma portfolio is impressive. REMICADE has 75% share of the US market for IV immunology products, and the therapy has exclusivity through 2018 in the US. STELARA (exclusivity through 2023 in US) and SIMPONI (exclusivity through 2024 in US) are other key profit drivers. The company's pipeline continues to be robust, and it has shifted its focus to fewer and bigger ideas.

• Top-line growth at Johnson & Johnson will be driven by its impressive pharma portfolio pipeline, which will be supported by its steady consumer product business. The firm has 10 new molecular entities it believes have $1+ billion in individual sales potential that it expects to file for approval by 2019 as of the fall of 2016.

• J&J's dividend track record is solid. The firm's annual dividend payout has advanced from just $0.43 per share in 1997 to its current robust payout. J&J is a holding in both newsletter portfolios, and we expect future dividend expansion.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	119.00

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Colgate-Palmolive	25.0	2.7	123.3%
Procter & Gamble	23.5	2.5	123.0%
Clorox	25.5	2.7	140.3%
Kimberly-Clark	20.9	2.8	119.0%
Peer Median	24.2	2.7	123.1%
Johnson & Johnson	**18.0**	**2.5**	**105.8%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	70,074	71,890	75,341
Revenue, YoY%	-5.7%	2.6%	4.8%
Operating Income	18,289	21,165	23,898
Operating Margin %	26.1%	29.4%	31.7%
Net Income	15,409	16,540	19,661
Net Income Margin %	22.0%	23.0%	26.1%
Diluted EPS	5.48	5.93	7.11
Diluted EPS, YoY %	-3.9%	8.3%	19.9%
Free Cash Flow (CFO-capex)	16,106	15,541	20,059
Free Cash Flow Margin %	23.0%	21.6%	26.6%

In Millions of USD (except for per share items)

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

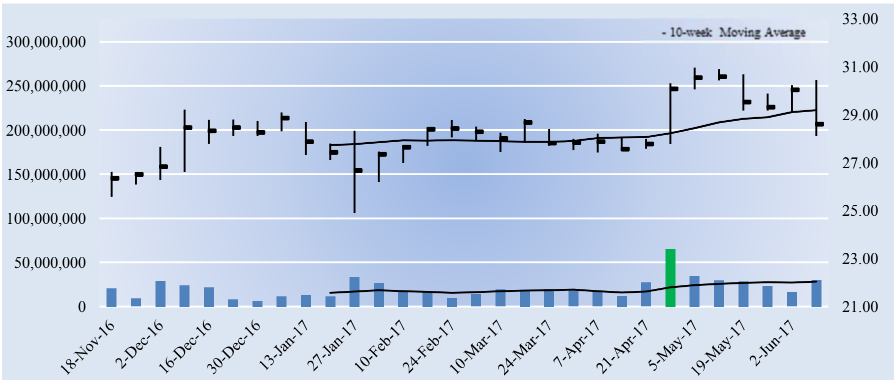
Juniper Networks JNPR FAIRLY VALUED

Valuentum **Buying Index™** 4 | Valuentum **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$35.00	$26.00 - $44.00	LARGE-CAP VALUE	Information Technology	Networking Equipment

Juniper's self-proclaimed niche is the industry leader in network innovation.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	29.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				X
High				
Very High				

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

Company Vitals

Market Cap (USD)	$11,095
Avg Weekly Vol (30 wks)	21,125
30-week Range (USD)	24.9 - 30.96
Valuentum Sector	Information Technology
5-week Return	-6.2%
13-week Return	2.1%
30-week Return	11.8%
Dividend Yield %	1.4%
Dividends per Share	0.40
Forward Dividend Payout Ratio	17.8%
Est. Normal Diluted EPS	2.49
P/E on Est. Normal Diluted EPS	11.5
Est. Normal EBITDA	1,480
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	7.2
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	12.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	6.8%
Return on Assets	3.5%
ROIC, with goodwill	23.4%
ROIC, without goodwill	82.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,134
Net Debt	-452
Total Debt/EBITDA	1.9
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	2.3
Quick Ratio	2.1

NMF = Not Meaningful

Investment Highlights

• Juniper Networks sells products that provide customers with a high-performance network infrastructure built on simplicity, security, openness, and scale. Nearly 60% of total revenue is generated in the Americas, with ~25% coming from the EMEA region, and the remainder generated in the APAC region. The firm was founded in 1996 and is based in Sunnyvale, California.

• Juniper's self-proclaimed niche is the industry leader in network innovation. Investors should pay close attention to its pipeline, and management is excited about a new lineup of networking and security products.

• Competition is intense. The firm's Platform Systems Division, which offers routing/switching products, goes head-to-head with Cisco, while its Software Solutions Division, which focuses on security and network applications, also competes with the networking behemoth. Other rivals include Alcatel-Lucent, Brocade, and F5 Networks.

• Juniper Networks has seen positive momentum building in its Cloud vertical in recent quarters. Such growth caused management to provide a breakdown of revenue into its three customer verticals (Cloud, Telecom/Cable, and Strategic Enterprise), beginning in the first quarter of 2017. We like the adaptation.

• In the competitive environment in which the firm operates, we like Juniper's focus on cutting costs. Structural headcount reductions, consolidation of facilities and ceasing low-return projects should all help the bottom line in coming periods.

Relative Valuation

	Forward P/E	PEG	Price / FV
Cisco	13.1	2.7	74.7%
Finisar	12.2	1.7	89.4%
Knowles Corp	18.4	2.0	109.4%
Nokia	26.4	NMF	80.0%
Peer Median	15.7	2.0	84.7%
Juniper Networks	**12.7**	**1.5**	**81.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	4,858	4,990	5,245
Revenue, YoY%	5.0%	2.7%	5.1%
Operating Income	911	893	1,153
Operating Margin %	18.8%	17.9%	22.0%
Net Income	634	593	865
Net Income Margin %	13.0%	11.9%	16.5%
Diluted EPS	1.59	1.53	2.25
Diluted EPS, YoY %	-317.1%	-3.7%	47.4%
Free Cash Flow (CFO-capex)	682	891	917
Free Cash Flow Margin %	14.0%	17.9%	17.5%

In Millions of USD (except for per share items)

Structure of the Networking Equipment Industry — POOR

Firms in the networking equipment industry provide products for transporting data, voice, and video within businesses and around the world. Participants must adapt to address virtualization/cloud-driven needs in the enterprise data center market; the convergence of video, collaboration, and networked mobility technologies; and the move toward programmable, virtual networks. The industry is characterized by low barriers to entry, rapid technological change and significant pricing competition. Gross margins can be volatile and should be watched closely. We don't like the structure of the group.

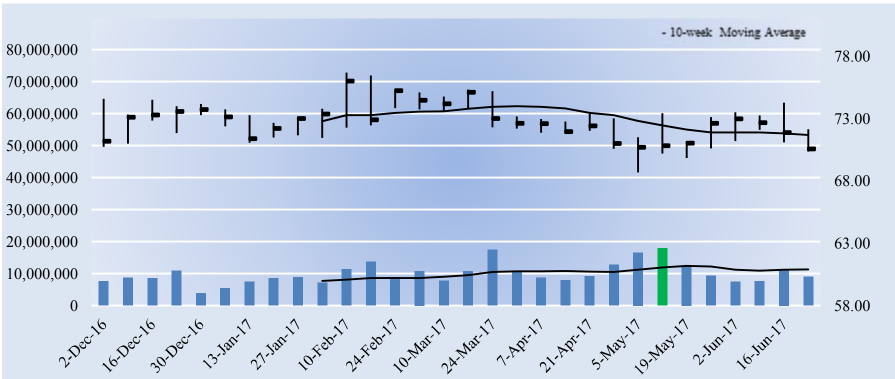
Kellogg K FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$64.00	$51.00 - $77.00	LARGE-CAP CORE	Consumer Staples	Food Products - Large

Kellogg is optimistic it will return to top-line growth, but it is confident in its current visibility into improved profitability and free cash flow.

Stock Chart (weekly)



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

Company Vitals

Market Cap (USD)	$24,978
Avg Weekly Vol (30 wks)	9,931
30-week Range (USD)	68.67 - 76.69
Valuentum Sector	Consumer Staples
5-week Return	-0.1%
13-week Return	-3.1%
30-week Return	-4.7%
Dividend Yield %	2.9%
Dividends per Share	2.08
Forward Dividend Payout Ratio	52.5%
Est. Normal Diluted EPS	4.42
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	2,946
Forward EV/EBITDA	11.8
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	0.5%
Forward EPS Growth (5-yr)	20.1%

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

Returns Summary

3-year Historical Average	
Return on Equity	26.5%
Return on Assets	4.2%
ROIC, with goodwill	12.2%
ROIC, without goodwill	22.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,767
Net Debt	7,487
Total Debt/EBITDA	4.1
Net Debt/EBITDA	3.9
EBITDA/Interest	4.7
Current Ratio	0.7
Quick Ratio	0.3

NMF = Not Meaningful

Investment Highlights

• Kellogg has a number of iconic brands. Pop-Tarts is a great example and has an impressive 80%+ share in the toaster pastries market thanks to strong advertising and innovation efforts. Other brands include Kelloggs, Keebler, Cheez-It, Murray, Austin, and Famous Amos. More than 100 years ago, W.K. Kellogg founded the company, and it is based in Michigan.

• Kellogg's strategy is relatively simple: to win in breakfast and in emerging markets. Becoming a global snacks leader and growing frozen foods are other key priorities. India, Brazil, and the Middle East offer tremendous opportunities.

• Kellogg's long-term growth targets include low-single-digit revenue growth, mid-single-digit operating profit growth, and earnings per share growth of 6%-8%, all of which are on a constant currency basis. The firm is also expecting savings to hit an annual run-rate of approximately $600-$700 million in 2019. Capex is expected to settle at 3%-4% of sales.

• Kellogg is expecting strong currency-neutral operating profit growth of 7%-9% in 2017. Full-year earnings per share guidance on a comparable, constant-currency basis has been set at $3.91-$3.97, while free cash flow is expected to be in a range of $1.1-$1.2 billion, compared to $1.1 billion in 2016.

• Kellogg recently announced it will exit the direct store delivery network model of its US snacks business and transition to a warehouse model, with completion expected by the end of 2017. The move is expected to bring the US snacks business' operating margin in line with Kellogg North America's.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	72.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Campbell Soup	17.4	2.0	103.0%
ConAgra Brands	21.6	2.6	95.5%
General Mills	20.2	2.9	116.5%
Mondelez Intl	21.1	1.6	118.2%
Peer Median	20.6	2.3	109.8%
Kellogg	**17.8**	**1.8**	**110.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	13,525	13,014	12,650
Revenue, YoY%	-7.2%	-3.8%	-2.8%
Operating Income	1,091	1,395	2,260
Operating Margin %	8.1%	10.7%	17.9%
Net Income	614	694	1,388
Net Income Margin %	4.5%	5.3%	11.0%
Diluted EPS	1.72	1.96	3.96
Diluted EPS, YoY %	-1.8%	13.7%	102.0%
Free Cash Flow (CFO-capex)	1,138	1,121	1,573
Free Cash Flow Margin %	8.4%	8.6%	12.4%

In Millions of USD (except for per share items)

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

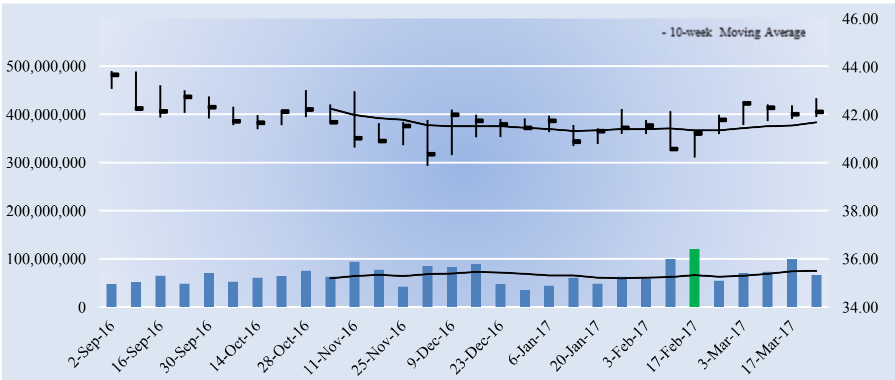
Coca-Cola KO FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$39.00	$31.00 - $47.00	LARGE-CAP CORE	Consumer Staples	Beverages - nonalcoholic

Coca-Cola expects to complete the refranchising of its bottling operations by the end of 2017.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	DECLINING
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	42.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$183,938
Avg Weekly Vol (30 wks)	66,658
30-week Range (USD)	39.88 - 43.83
Valuentum Sector	Consumer Staples
5-week Return	2.2%
13-week Return	1.3%
30-week Return	-2.8%
Dividend Yield %	3.5%
Dividends per Share	1.48
Forward Dividend Payout Ratio	78.4%
Est. Normal Diluted EPS	2.21
P/E on Est. Normal Diluted EPS	19.1
Est. Normal EBITDA	12,826
Forward EV/EBITDA	18.3
EV/Est. Normal EBITDA	16.2
Forward Revenue Growth (5-yr)	-3.1%
Forward EPS Growth (5-yr)	12.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	25.1%
Return on Assets	7.8%
ROIC, with goodwill	21.8%
ROIC, without goodwill	30.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	45,709
Net Debt	23,508
Total Debt/EBITDA	4.4
Net Debt/EBITDA	2.3
EBITDA/Interest	14.2
Current Ratio	1.3
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• Coca-Cola is the world's largest beverage company. The firm owns and markets four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite. The firm has seventeen $1 billion brands and more on the way. Do not count out the giant's ability to innovate. The company was founded in 1886 and is based in Atlanta, Georgia.

• The company boasts a number of competitive advantages: its brands, financial strength, distribution system, global reach, and a deep executive bench. Nevertheless, we don't expect the 'cola wars' with Pepsi to subside anytime soon, nor will social pressures against sugary drinks will wane.

• We live in a thirsty world. From 2014-2016, the non-alcoholic ready-to-drink (NARTD) beverage category retail value has advanced by over $100 billion and is expected to grow more than $110 billion from 2017-2019. Coca-Cola is very well-positioned to capture incremental growth driven by growing middle-classes across the world.

• Coca-Cola is in the midst of refranchising its bottling operations, which is expected to be completed by the end of 2017. Such a move is projected to expand margins and result in higher returns in the long run, though top- and bottom-line results will be negatively impacted by the sale of profitable businesses in the near term.

• Coca-Cola has raised its dividend in each of the past 50+ years. Investors, however, should be cognizant of the generosity embedded in its fair value estimate, originating from a low discount rate and elevated expected growth and margin enhancement.

Relative Valuation

	Forward P/E	PEG	Price / FV
National Beverage	37.1	2.7	191.6%
Monster Beverage	39.4	2.8	123.5%
Dr Pepper Snapple	21.0	2.4	125.9%
PepsiCo	21.6	2.4	119.3%
Peer Median	29.4	2.6	124.7%
Coca-Cola	**22.3**	**2.3**	**108.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	44,294	41,863	34,997
Revenue, YoY%	-3.7%	-5.5%	-16.4%
Operating Income	8,728	8,626	9,822
Operating Margin %	19.7%	20.6%	28.1%
Net Income	7,351	6,527	8,165
Net Income Margin %	16.6%	15.6%	23.3%
Diluted EPS	1.67	1.49	1.89
Diluted EPS, YoY %	4.6%	-10.4%	26.4%
Free Cash Flow (CFO-capex)	7,968	6,345	8,968
Free Cash Flow Margin %	18.0%	15.2%	25.6%

In Millions of USD (except for per share items)

Structure of the Nonalcoholic Beverages Industry — GOOD

The nonalcoholic beverage segment of the commercial beverage industry is highly competitive, consisting of numerous companies that make various sparkling beverages, water products, juices, fruit drinks, energy and other performance-enhancing drinks. Pricing, advertising, product innovation, the availability of in-store private-label beverages, and health concerns about sugar-sweetened beverages are key drivers that impact demand. Leading brands with high levels of consumer acceptance and an expansive distribution network are sources of competitive strengths. We like the structure of the group.

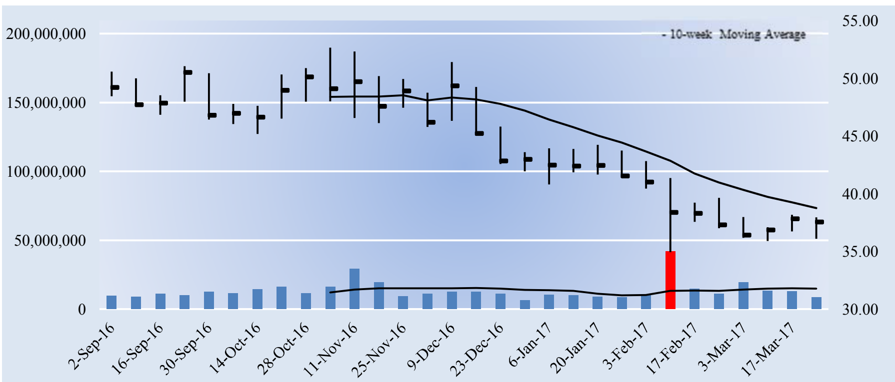
Michael Kors Hldg KORS UNDERVALUED 27.8%

Buying Index™ 6 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$60.00	$48.00 - $72.00	MID-CAP VALUE	Consumer Discretionary	Luxury - Ultra & Aspirational

Michael Kors is cutting back on discounting in hopes of restoring the allure of its brand.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	39.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$7,101
Avg Weekly Vol (30 wks)	13,412
30-week Range (USD)	34.92 - 52.67
Valuentum Sector	Consumer Discretionary
5-week Return	-1.9%
13-week Return	-11.6%
30-week Return	-24.3%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	4.45
P/E on Est. Normal Diluted EPS	8.4
Est. Normal EBITDA	1,356
Forward EV/EBITDA	5.0
EV/Est. Normal EBITDA	4.7
Forward Revenue Growth (5-yr)	0.2%
Forward EPS Growth (5-yr)	2.8%

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

Investment Highlights

• Michael Kors is a global luxury lifestyle brand led by a renowned, award-winning designer. The company operates its business in three segments—retail, wholesale and licensing. The Michael Kors name has become synonymous with timeless, luxurious fashion. The company is poised to take share in the growing accessories product category.

• Growth rates at Michael Kors have been incredible in previous years, but poor performance in a difficult retail environment in the United States has effectively put an end to such trends. Increased pressure from Amazon in the apparel space is not helping.

• As Michael Kors continues to battle a difficult operating enviroment in the US, initiatives to restore growth include the launch of wearable technology, the development of a mens' sportswear and leather goods business, and growing its digital flagship business. The firm is also cutting back on discounting to restore the allure of its brand.

• The firm operates in the global luxury goods industry, which is estimated to be north of $275 billion. Industry tends to be resilient during economic downturns. Michael Kors is targeting $4.5 billion in long-term sales in North America and $1.5 billion in Europe, but growth has ground to a halt in recent quarters.

• The Michael Kors collection establishes the aesthetic authority of its entire brand and is carried in many of the finest luxury department stores in the world, including Bergdorf Goodman, Saks, and Neiman Marcus.

Relative Valuation

	Forward P/E	PEG	Price / FV
Coach	18.0	1.8	95.3%
Luxottica	27.3	3.8	99.1%
Ralph Lauren	14.5	1.6	81.9%
Tiffany	23.9	2.8	127.2%
Peer Median	21.0	2.3	97.2%
Michael Kors Hldg	**8.9**	**1.7**	**62.6%**

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

Returns Summary

3-year Historical Average

Return on Equity	36.3%
Return on Assets	30.1%
ROIC, with goodwill	64.1%
ROIC, without goodwill	64.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	4,371	4,712	4,476
Revenue, YoY%	32.0%	7.8%	-5.0%
Operating Income	1,258	1,186	1,111
Operating Margin %	28.8%	25.2%	24.8%
Net Income	881	839	794
Net Income Margin %	20.2%	17.8%	17.7%
Diluted EPS	4.28	4.44	4.20
Diluted EPS, YoY %	33.2%	3.7%	-5.3%
Free Cash Flow (CFO-capex)	472	848	793
Free Cash Flow Margin %	10.8%	18.0%	17.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2
Net Debt	-700
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	807.5
Current Ratio	3.8
Quick Ratio	2.3

NMF = Not Meaningful

Structure of the Luxury Goods Industry — GOOD

Luxury goods firms differentiate themselves based on brand name, perception, and quality in order to generate excess returns on invested capital through the economic cycle. Building a large, successful luxury brand is difficult, leaving those that possess them with intangible competitive advantages that are not easily overcome by new entrants. Growth in emerging middle classes and China will be the key demand drivers going forward, though the strongest brands will also grow successfully via market share gains. Though changes in consumer preferences should be watched closely, we like the structure of the group.

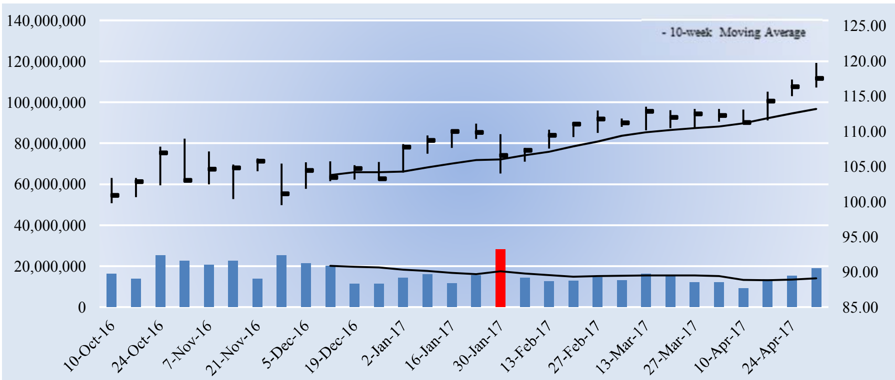
Mastercard MA FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$109.00	$87.00 - $131.00	LARGE-CAP GROWTH	Information Technology	Financial Tech Services

Though uncertainty persists in the global economy, the fundamentals of MasterCard's business and its approach remain unchanged.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	113.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$129,368
Avg Weekly Vol (30 wks)	16,320
30-week Range (USD)	99.51 - 119.71
Valuentum Sector	Information Technology
5-week Return	4.3%
13-week Return	10.2%
30-week Return	14.4%
Dividend Yield %	0.7%
Dividends per Share	0.88
Forward Dividend Payout Ratio	20.3%
Est. Normal Diluted EPS	5.63
P/E on Est. Normal Diluted EPS	20.9
Est. Normal EBITDA	8,941
Forward EV/EBITDA	17.9
EV/Est. Normal EBITDA	13.9
Forward Revenue Growth (5-yr)	11.5%
Forward EPS Growth (5-yr)	13.3%

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

Returns Summary

3-year Historical Average	
Return on Equity	59.9%
Return on Assets	23.9%
ROIC, with goodwill	104.1%
ROIC, without goodwill	157.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,180
Net Debt	-4,689
Total Debt/EBITDA	0.8
Net Debt/EBITDA	NMF
EBITDA/Interest	64.6
Current Ratio	1.8
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• MasterCard is a payments industry leader. Every day, the firm's network makes payments happen. It doesn't issue cards, set interest rates or establish annual fees. MasterCard generates revenue by charging fees to issuers and acquirers for providing transaction processing and other payment-related services based on the gross dollar volume of activity.

• Though uncertainty persists in the global economy, the fundamentals of MasterCard's business and its approach remain unchanged. The firm's digital wallet MasterPass will continue to be a focus of the firm as it moves into an increasingly digital world.

• The payments industry is a rapidly evolving one. The larger secular trend moving society towards electronic payments remains very much intact, and technological advances and demand for adjacent services will continue to drive growth opportunities. However, risks for the industry include cybersecurity and privacy concerns, increased regulatory presence and nationalism, and new competitive entrants.

• Mastercard benefits from one of the strongest competitive advantages out there – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. Amazingly, nearly 85% of the world's transactions are still completed by cash and check as of 2015. This provides a long runway for growth.

• When it comes to the credit-card processing space, we generally prefer Visa and MasterCard, which do not take on credit risk like Discover or American Express. This shields it from credit quality concerns. MasterCard's free cash flow generation is a sight to behold.

Relative Valuation

	Forward P/E	PEG	Price / FV
Bottomline Tech	26.0	NMF	78.7%
Fiserv	23.2	2.4	141.2%
Visa	27.1	1.9	109.6%
Western Union	11.4	1.4	77.6%
Peer Median	24.6	1.9	94.2%
Mastercard	**27.1**	**2.4**	**107.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	9,667	10,776	12,166
Revenue, YoY%	2.0%	11.5%	12.9%
Operating Income	5,078	5,761	6,575
Operating Margin %	52.5%	53.5%	54.0%
Net Income	3,808	4,059	4,782
Net Income Margin %	39.4%	37.7%	39.3%
Diluted EPS	3.35	3.69	4.34
Diluted EPS, YoY %	8.2%	10.1%	17.8%
Free Cash Flow (CFO-capex)	3,866	4,269	5,509
Free Cash Flow Margin %	40.0%	39.6%	45.3%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

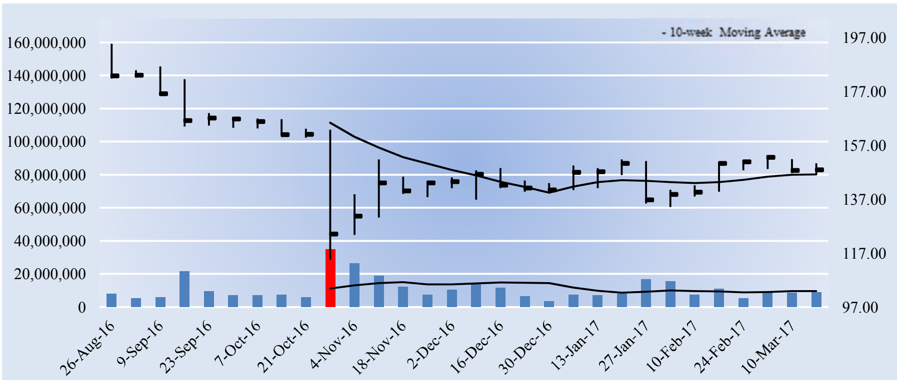
McKesson MCK UNDERVALUED 1.4%

Buying Index™ 7 **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$188.00	$150.00 - $226.00	LARGE-CAP VALUE	Health Care	Healthcare Products

As with its industry peers, McKesson will benefit from a number of long-term tailwinds, but it is not without its share of near-term challenges.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	146.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$34,468
Avg Weekly Vol (30 wks)	10,906
30-week Range (USD)	114.53 - 194.66
Valuentum Sector	Health Care
5-week Return	5.3%
13-week Return	3.5%
30-week Return	-23.6%
Dividend Yield %	0.8%
Dividends per Share	1.12
Forward Dividend Payout Ratio	8.8%
Est. Normal Diluted EPS	12.54
P/E on Est. Normal Diluted EPS	11.8
Est. Normal EBITDA	5,604
Forward EV/EBITDA	6.8
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	5.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.8%
Return on Assets	3.6%
ROIC, with goodwill	16.1%
ROIC, without goodwill	37.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,154
Net Debt	4,106
Total Debt/EBITDA	1.8
Net Debt/EBITDA	0.9
EBITDA/Interest	13.1
Current Ratio	1.1
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• As a pharmaceutical distributor and healthcare technology firm, McKesson provides systems for medical supply management, pharmacy automation, and care management. McKesson is #1 in pharma distribution in the US and Canada, generics distribution and medical-surgical distribution. The company was founded in 1833 and is headquartered in San Francisco, California.

• The company has grown revenue at a 5% CAGR and adjusted EPS at a 17% CAGR since 2007. Management is optimistic that its focus on higher-margin products and services will drive long-term margin expansion in its distribution segment.

• As with its industry peers, McKesson will benefit from a number of long-term tailwinds: aging population (prescription demand), specialty growth, manufacturer support, and drug pipeline improvement. We would expect the pharmaceuticals industry to grow at a low-single-digit pace in the near future.

• However, McKesson is not without its share of near-term challenges, including fewer expected generic launches than prior years, the moderation of pharmaceutical pricing trends, and customer consolidation leading to higher negotiating leverage for customers in areas such as customer pricing competitiveness.

• The firm generates razor-thin margins, and its business model has substantial earnings leverage. However, investors should be aware of the potential for such earnings leverage to cut both ways in times of economic strength and weaknesses.

Relative Valuation

	Forward P/E	PEG	Price / FV
AmerisourceBergen	14.8	1.9	82.6%
Express Scripts	9.3	1.7	70.0%
Henry Schein	23.4	1.9	118.1%
STAAR Surgical	NMF	NMF	123.8%
Peer Median	14.8	1.9	100.3%
McKesson	**11.6**	**2.6**	**78.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	179,045	190,884	199,474
Revenue, YoY%	30.1%	6.6%	4.5%
Operating Income	3,118	3,748	4,721
Operating Margin %	1.7%	2.0%	2.4%
Net Income	1,775	2,290	2,970
Net Income Margin %	1.0%	1.2%	1.5%
Diluted EPS	7.55	9.83	12.75
Diluted EPS, YoY %	29.5%	30.1%	29.7%
Free Cash Flow (CFO-capex)	2,736	3,184	3,452
Free Cash Flow Margin %	1.5%	1.7%	1.7%

In Millions of USD (except for per share items)

Structure of the Healthcare Products Distributors Industry — NEUTRAL

The healthcare distributors industry is made up of wholesale medical equipment products distributors, serving the dental, medical and animal health markets, and wholesale drug providers, which distribute pharmaceuticals, medical products/services, and other healthcare technologies. Both sub-spaces are highly competitive and continue to experience growth as a result of the aging population, increased healthcare awareness, and the proliferation of medical technology and testing. Participants face pricing pressure from both customers and suppliers as a result of competition. We're neutral on the group.

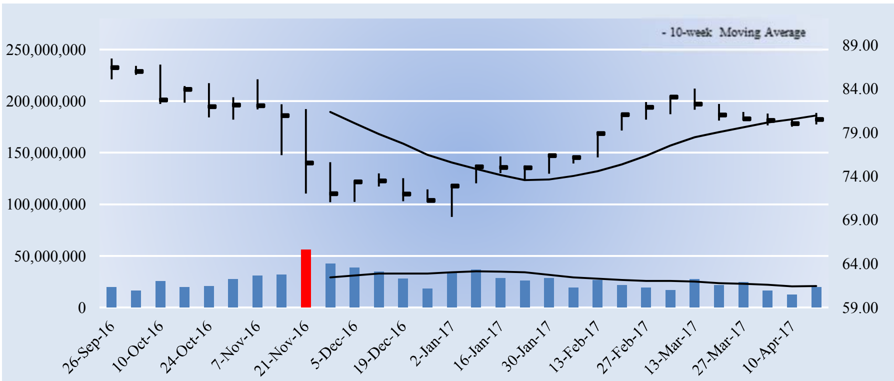
Medtronic MDT FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$83.00	$66.00 - $100.00	LARGE-CAP VALUE	Health Care	Medical Devices

Medtronic has identified three diversified growth vectors: new therapies, emerging markets, and services and solutions.

Stock Chart (weekly)



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

Company Vitals

Market Cap (USD)	$114,756
Avg Weekly Vol (30 wks)	26,298
30-week Range (USD)	69.35 - 87.46
Valuentum Sector	Health Care
5-week Return	-2.0%
13-week Return	7.7%
30-week Return	-7.8%
Dividend Yield %	2.1%
Dividends per Share	1.72
Forward Dividend Payout Ratio	37.2%
Est. Normal Diluted EPS	5.23
P/E on Est. Normal Diluted EPS	15.4
Est. Normal EBITDA	12,944
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	10.3
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	18.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	10.0%
Return on Assets	5.2%
ROIC, with goodwill	16.6%
ROIC, without goodwill	36.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	31,240
Net Debt	18,606
Total Debt/EBITDA	3.5
Net Debt/EBITDA	2.1
EBITDA/Interest	6.4
Current Ratio	3.3
Quick Ratio	2.6

NMF = Not Meaningful

Investment Highlights

• Medtronic is a global leader in medical technology. The company currently functions in two operating segments that manufacture and sell device-based medical therapies: Cardiac/Vascular and Restorative Therapies. Medtronic recently bought Covidien in a tax-inversion deal. It is a Dividend Aristocrat and traces its roots back to the late 1940s.

• The integration of Covidien may steal the headlines in coming quarters, but all three of Medtronic's legacy businesses are performing well on a constant currency basis. The firm is on track for a minimum of $850 million in cumulative cost savings from 2016-2018.

• Medtronic's baseline, organic expectations are achievable. Over the long haul, the company expects to deliver consistent mid-single-digit currency neutral revenue growth, double-digit EPS growth on a constant currency basis, and return 50% of free cash flow to shareholders. The deal with Covidien will generate significant synergies and may change these targets, however.

• Medtronic has identified three diversified growth vectors it expects to help it achieve its mid-single digit revenue growth target: a full pipelie of new therapies (expected annual growth of 2%-3.5%), penetration of existing therapies into emerging markets (1.5%-2%), and driving annuity revenue in services and solutions (0.4%-0.6%).

• Medtronic recently agreed to sell its 'Patient Care,' 'Deep Vein Thrombosis,' and 'Nutritional Insufficiency' businesses to Cardinal Health for $6.1 billion. Cumulatively, the three businesses generated $2.3 billion in revenue in the 12-month period ending October 2016.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Resistance, 10-wk MA	81.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	34.2	2.9	131.6%
Varian Medical Systems	22.7	2.1	120.3%
Waters	24.1	2.7	126.1%
Zimmer Biomet	14.0	1.7	95.4%
Peer Median	23.4	2.4	123.2%
Medtronic	**17.4**	**1.8**	**97.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Apr-15	Apr-16	Apr-17
Revenue	20,261	28,833	29,669
Revenue, YoY%	19.1%	42.3%	2.9%
Operating Income	4,675	6,067	8,793
Operating Margin %	23.1%	21.0%	29.6%
Net Income	2,675	3,538	6,662
Net Income Margin %	13.2%	12.3%	22.5%
Diluted EPS	2.41	2.48	4.63
Diluted EPS, YoY %	-20.2%	2.9%	86.4%
Free Cash Flow (CFO-capex)	4,331	4,172	5,499
Free Cash Flow Margin %	21.4%	14.5%	18.5%

In Millions of USD (except for per share items)

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

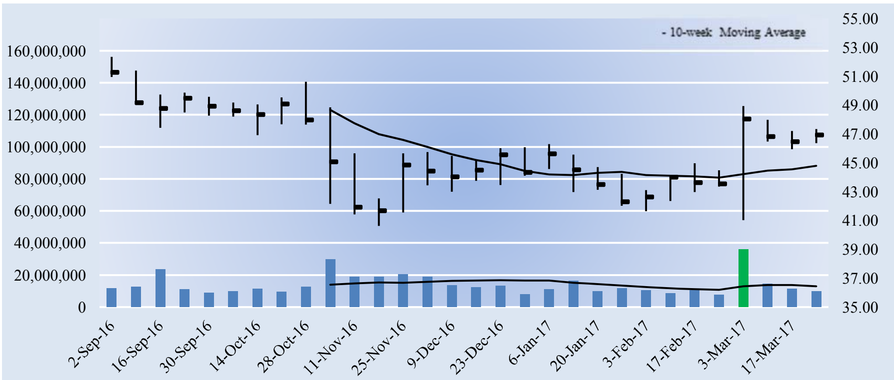
Monster Beverage MNST FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$38.00	$29.00 - $48.00	LARGE-CAP GROWTH	Consumer Staples	Beverages - nonalcoholic

Monster Beverage will benefit from access to Coca-Cola's bottlers and international distribution network.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	45.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$28,156
Avg Weekly Vol (30 wks)	14,083
30-week Range (USD)	40.64 - 52.3533
Valuentum Sector	Consumer Staples
5-week Return	7.4%
13-week Return	2.9%
30-week Return	-10.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.69
P/E on Est. Normal Diluted EPS	27.8
Est. Normal EBITDA	1,730
Forward EV/EBITDA	21.0
EV/Est. Normal EBITDA	14.6
Forward Revenue Growth (5-yr)	11.4%
Forward EPS Growth (5-yr)	17.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	32.4%
Return on Assets	25.3%
ROIC, with goodwill	69.2%
ROIC, without goodwill	77.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-2,920
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	7.0
Quick Ratio	6.6

NMF = Not Meaningful

Investment Highlights

• Monster Beverage is a leading marketer/distributor of energy drinks. The company makes Monster Energy brand energy drinks, Java Monster brand coffee+energy drinks, and other beverages. Its products are sold in 110+ countries on 6 continents. Coca-Cola has acquired a ~17% stake in the firm. The company was founded in 1985 and is headquartered in California. It recently underwent a 3-for-1 stock split.

• Monster Beverage faces heightened risk regarding product safety, given legal complaints alleging that the firm's beverages may not be safe. It continues to contest such claims. The firm also faces headwinds related to proposed taxes on sugary drinks, which are gaining steam across the US.

• Monster Beverage continues to experience competition from new entrants in the energy drink and energy shot categories. The firm's products compete with Red Bull, Rockstar, Full Throttle, No Fear, Amp, and NOS, while its Java Monster line competes with a number of Starbucks' products. Product innovation, as in its Ultra line extension, will remain key.

• Though Coca-Cola provides additional safety to Monster, we love the firm's balance sheet strength. As of the end of 2016, Monster had nearly $600 million in cash and cash equivalents and short-term investments, compared to no long-term debt on its balance sheet.

• Monster will benefit from access to Coca-Cola's bottlers and international distribution network, which it is in the process of implementing into its operations in coming quarters. Distribution costs as a percentage of sales have fallen in recent quarters.

Relative Valuation

	Forward P/E	PEG	Price / FV
National Beverage	37.1	2.7	191.6%
Coca-Cola	22.3	2.3	108.0%
Dr Pepper Snapple	21.0	2.4	125.9%
PepsiCo	21.6	2.4	119.3%
Peer Median	22.0	2.4	122.6%
Monster Beverage	**39.4**	**2.8**	**123.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	2,465	2,723	3,049
Revenue, YoY%	9.7%	10.5%	12.0%
Operating Income	748	732	1,166
Operating Margin %	30.3%	26.9%	38.2%
Net Income	483	547	715
Net Income Margin %	19.6%	20.1%	23.4%
Diluted EPS	0.92	0.95	1.19
Diluted EPS, YoY %	-52.7%	2.4%	25.9%
Free Cash Flow (CFO-capex)	566	481	614
Free Cash Flow Margin %	22.9%	17.6%	20.1%

In Millions of USD (except for per share items)

Structure of the Nonalcoholic Beverages Industry — GOOD

The nonalcoholic beverage segment of the commercial beverage industry is highly competitive, consisting of numerous companies that make various sparkling beverages, water products, juices, fruit drinks, energy and other performance-enhancing drinks. Pricing, advertising, product innovation, the availability of in-store private-label beverages, and health concerns about sugar-sweetened beverages are key drivers that impact demand. Leading brands with high levels of consumer acceptance and an expansive distribution network are sources of competitive strengths. We like the structure of the group.

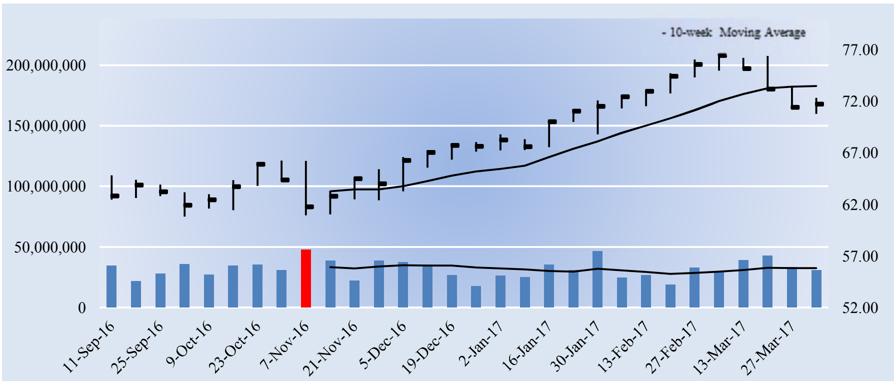
Altria Group MO FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$60.00	$48.00 - $72.00	LARGE-CAP CORE	Consumer Staples	Tobacco

Very few firms have Altria's financial flexibility, and pricing power continues to support the profit pool of tobacco product makers as volumes decline.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	POOR
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	73.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low		■		
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$139,978
Avg Weekly Vol (30 wks)	31,757
30-week Range (USD)	60.82 - 76.55
Valuentum Sector	Consumer Staples
5-week Return	-5.1%
13-week Return	5.1%
30-week Return	12.9%
Dividend Yield %	3.4%
Dividends per Share	2.44
Forward Dividend Payout Ratio	71.9%
Est. Normal Diluted EPS	3.83
P/E on Est. Normal Diluted EPS	18.7
Est. Normal EBITDA	11,125
Forward EV/EBITDA	14.9
EV/Est. Normal EBITDA	13.4
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	-10.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	167.4%
Return on Assets	22.2%
ROIC, with goodwill	4.5%
ROIC, without goodwill	5.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,881
Net Debt	9,312
Total Debt/EBITDA	1.5
Net Debt/EBITDA	1.0
EBITDA/Interest	12.0
Current Ratio	1.0
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• Altria makes and sells cigarettes and smokeless products in the US. It owns the Marlboro brand, which holds ~44% retail cigarette share, and the Copenhagen and Skoal brands, which own more than 50% retail smokeless share. The company was founded in 1919 and is headquartered in Richmond, Virginia.

• Altria now has an approximate 10.2% equity interest in the new AB InBev, and it received ~$5.3 billion in pre-tax cash from the combination of AB InBev and SABMiller that has created a global beer giant. Altria supported the deal, and we think it will be a long-term positive.

• We're huge fans of Altria's long-term goals: grow adjusted diluted EPS at an average annual rate of 7%-9% and maintain a dividend payout ratio of approximately 80% of adjusted diluted EPS. Though cigarette volumes continue to decline in the US, the profit pool of tobacco makers has not thanks to material pricing gains.

• Altria is expecting 2017 full-year adjusted diluted EPS to be in a range of $3.26-$3.32, excluding facility consolidation charges. This target is in line with the firm's annual expectation of adjusted diluted EPS growth of 7%-9%. It is also undertaking a productivity initiative, expected to deliver $300 million in annualized savings by the end of 2017.

• Altria boasts a hefty dividend yield, and its Valuentum Dividend Cushion score remains above 1 (which is good). We expect continued growth in its dividend payout for many years to come. Very few firms have Altria's financial flexibility.

Relative Valuation

	Forward P/E	PEG	Price / FV
British American	10.3	3.0	127.8%
Philip Morris	23.1	2.2	129.1%
Reynolds American	24.4	NMF	105.9%
Vector Group	32.5	3.2	92.6%
Peer Median	23.7	3.0	116.8%
Altria Group	**21.1**	**NMF**	**119.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	18,854	19,337	19,975
Revenue, YoY%	5.1%	2.6%	3.3%
Operating Income	8,361	8,762	9,832
Operating Margin %	44.3%	45.3%	49.2%
Net Income	5,245	14,239	6,555
Net Income Margin %	27.8%	73.6%	32.8%
Diluted EPS	2.67	7.29	3.39
Diluted EPS, YoY %	4.3%	172.7%	-53.5%
Free Cash Flow (CFO-capex)	5,581	3,602	7,360
Free Cash Flow Margin %	29.6%	18.6%	36.8%

In Millions of USD (except for per share items)

Structure of the Tobacco Industry — GOOD

The oligopolistic tobacco industry is attractive in a number of ways. Firms sell an "addictive" product (cigarettes and/or smokeless tobacco), have significant pricing power, generate high margins, and strong returns on invested capital. Still, declining trends in smoking in the US, threats of tobacco-related litigation, new tobacco regulation (labeling) that discourages tobacco use, and excise tax price shocks that may impact demand will always be concerns. In any case, we tend to like the structural characteristics of the tobacco industry and the shareholder-friendly policies of constituents.

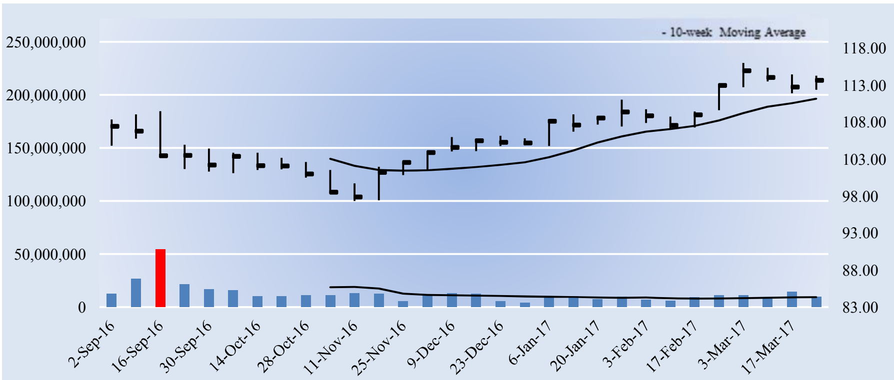
Monsanto MON FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$123.00	$98.00 - $148.00	LARGE-CAP VALUE	Materials	Chemicals - agriculture

Our fair value estimate represents the likelihood Monsanto's deal with Bayer gets done given regulatory pressures, though it may still be too genenrous.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
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	111.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				X
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$50,822
Avg Weekly Vol (30 wks)	12,576
30-week Range (USD)	97.35 - 116.04
Valuentum Sector	Materials
5-week Return	3.7%
13-week Return	8.2%
30-week Return	5.4%
Dividend Yield %	1.9%
Dividends per Share	2.16
Forward Dividend Payout Ratio	44.9%
Est. Normal Diluted EPS	6.71
P/E on Est. Normal Diluted EPS	16.9
Est. Normal EBITDA	5,191
Forward EV/EBITDA	14.2
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	5.7%
Forward EPS Growth (5-yr)	25.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	26.8%
Return on Assets	9.9%
ROIC, with goodwill	22.2%
ROIC, without goodwill	32.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,040
Net Debt	7,304
Total Debt/EBITDA	2.7
Net Debt/EBITDA	2.1
EBITDA/Interest	7.8
Current Ratio	1.2
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Monsanto's seeds, biotechnology trait products, and herbicides provide farmers with solutions that greatly improve productivity. Within germplasm, it boasts the DEKALB (corn), Asgrow (soybeans), Deltapine (cotton), Seminis and De Ruiter (vegetable seeds) brands. Within biotechnology traits, SmartStax, YieldGard, VT Triple, and Roundup are key brands.

• Monsanto has agreed to be acquired by Bayer for $128 per share in cash, or a total consideration of ~$66 billion. Annual synergies of ~$1.5 billion are expected after three years, with additional synergies coming in future years. Bayer has agreed to a $2 billion break-up fee as well.

• The deal with Bayer represents the largest all-cash deal on record and will give the company control of roughly one-quarter of the combined world market for seeds and pesticides. Material regulatory pressure should be expected, and the firms have launched roughly $2.5 billion in asset sales in hopes of appeasing regulators. Large amounts of divestitures could result in a synergy target reduction.

• What differentiates Monsanto from a lot of other smaller players in the industry is its dedication to innovation. The firm is well-positioned to bring integrated technologies in the seed, plant, and feed 'yield as a system.' Competition for the discovery of new traits continues to be heated.

• Monsanto is working to meet its goal of doubling corn, soybean, cotton, and canola yields by 2030. As the population grows, there are more mouths to feed and less land that can be used for crop growth. The company continues to innovate and improve its products.

Relative Valuation

	Forward P/E	PEG	Price / FV
CF Industries	103.2	NMF	97.3%
Compass Minerals	19.1	0.5	94.2%
Potash Corp	31.8	1.3	89.6%
Scotts Miracle-Gro	21.3	2.5	136.3%
Peer Median	26.6	1.3	95.7%
Monsanto	**23.6**	**1.5**	**92.4%**

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

Financial Summary

Fiscal Year End:	Actual Aug-15	Actual Aug-16	Projected Aug-17
Revenue	15,001	13,502	14,110
Revenue, YoY%	-5.4%	-10.0%	4.5%
Operating Income	3,916	2,672	3,344
Operating Margin %	26.1%	19.8%	23.7%
Net Income	2,286	1,319	2,106
Net Income Margin %	15.2%	9.8%	14.9%
Diluted EPS	4.75	2.95	4.81
Diluted EPS, YoY %	-8.6%	-37.9%	63.0%
Free Cash Flow (CFO-capex)	2,093	1,596	2,302
Free Cash Flow Margin %	14.0%	11.8%	16.3%

In Millions of USD (except for per share items)

Structure of the Agricultural Chemicals Industry — NEUTRAL

The agricultural chemical industry is highly competitive. Product innovation, intellectual property protection, worldwide distribution, and farmer relationships are keys to success in the seeds and genomics business. The potash, phosphate, nitrogen, and rock salt markets have minimal product differentiation, though producers can gain an advantage in markets close to their sources of supply or when costs (transportation, processing) can be minimized. We're generally neutral on the structure of the group due to commodity price swings, but firms can carve out competitive advantages in local markets.

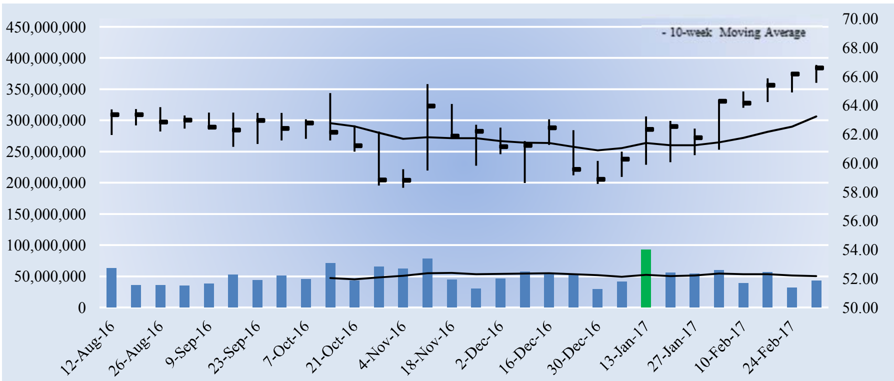
Merck MRK FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$60.00	$48.00 - $72.00	LARGE-CAP CORE	Health Care	Pharmaceuticals - Big

Merck has the #1 treatment for advanced Melanoma in the US in KEYTRUDA, which can be expected to be a core driver of growth in coming years.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	63.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$185,558
Avg Weekly Vol (30 wks)	50,163
30-week Range (USD)	58.29 - 66.8
Valuentum Sector	Health Care
5-week Return	8.2%
13-week Return	8.2%
30-week Return	6.3%
Dividend Yield %	2.8%
Dividends per Share	1.88
Forward Dividend Payout Ratio	48.7%
Est. Normal Diluted EPS	4.43
P/E on Est. Normal Diluted EPS	15.0
Est. Normal EBITDA	18,569
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	10.6
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	28.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.4%
Return on Assets	6.7%
ROIC, with goodwill	11.2%
ROIC, without goodwill	17.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	24,842
Net Debt	10,501
Total Debt/EBITDA	2.9
Net Debt/EBITDA	1.2
EBITDA/Interest	12.5
Current Ratio	1.8
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Merck is a global health care company that delivers innovative health solutions through its prescription medicines, vaccines, and biologic therapies. Janumet/Janumet for type 2 diabetes and Zetia/Vytorin for cholesterol (cardiovascular) are its two largest revenue drivers within its pharma business. The company was founded in 1891 and is headquartered in New Jersey.

• Merck has the #1 treatment for advanced Melanoma in the US in KEYTRUDA. The drug is launching in more than 40 markets across the world now, and the firm is ready to begin reaping the benefits after a period of suppressed growth due to the loss of exclusivity of multiple drugs.

• Merck's recent results reveal in many ways the company has turned the corner with respect to the "patent cliff" and the expiration of exclusivity on its blockbuster Singulair and Nasonex. Worldwide sales, adjusted for currency and acquisitions and divestitures, grew 1% in 2016 as non-GAAP adjusted earnings per share advanced to $3.78 per share from $3.59 in the year-ago period.

• Merck continues to advance its late-stage pipeline, and we think it has promising potential therapies in cancer, antibiotic resistance, cardiometabolic disease, hepatitis C, and Alzheimer's disease. That worldwide sales are advancing at a mid-single-digit clip is a notable positive, and we continue to expect its recent acquisition of Cubist to pay dividends.

• Merck expects 2017 worldwide sales to be in a range of $38.6-$40.1 billion, compared to $39.8 billion in 2016. Full-year GAAP EPS is anticipated to be between $2.47 and $2.62, up substantially from $2.04 in 2016.

Relative Valuation

	Forward P/E	PEG	Price / FV
AbbVie	17.5	1.4	89.2%
Abbott	64.0	0.6	102.8%
Eli Lilly	20.2	2.0	128.9%
Pfizer	13.4	1.2	90.8%
Peer Median	18.9	1.3	96.8%
Merck	**17.3**	**1.6**	**111.0%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	39,498	39,807	39,688
Revenue, YoY%	-6.5%	0.8%	-0.3%
Operating Income	7,547	6,030	13,895
Operating Margin %	19.1%	15.1%	35.0%
Net Income	4,442	3,920	10,699
Net Income Margin %	11.2%	9.8%	27.0%
Diluted EPS	1.56	1.41	3.86
Diluted EPS, YoY %	-61.6%	-10.0%	174.3%
Free Cash Flow (CFO-capex)	11,255	8,762	11,429
Free Cash Flow Margin %	28.5%	22.0%	28.8%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

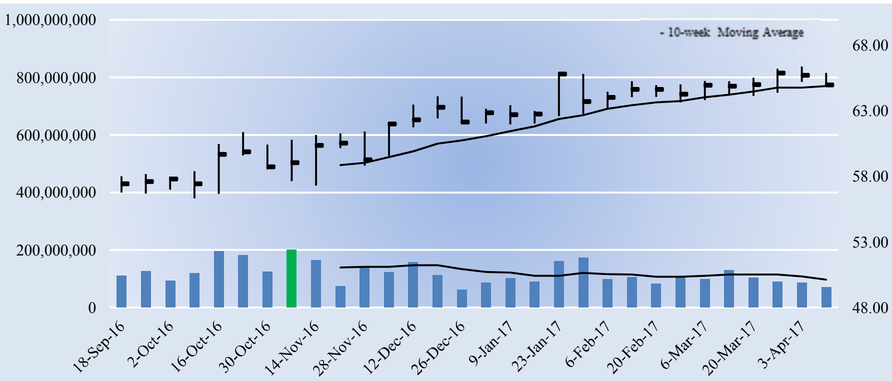
Microsoft MSFT FAIRLY VALUED

Valuentum **Buying Index™** 7 | Valuentum **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$62.00	$50.00 - $74.00	MEGA-CAP CORE	Information Technology	Software

Microsoft cloud-based product suite continues to gain popularity among both consumers and enterprises.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	65.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$520,444
Avg Weekly Vol (30 wks)	118,677
30-week Range (USD)	56.32 - 66.35
Valuentum Sector	Information Technology
5-week Return	-0.1%
13-week Return	3.6%
30-week Return	13.4%
Dividend Yield %	2.4%
Dividends per Share	1.56
Forward Dividend Payout Ratio	52.0%
Est. Normal Diluted EPS	3.64
P/E on Est. Normal Diluted EPS	17.8
Est. Normal EBITDA	40,922
Forward EV/EBITDA	13.7
EV/Est. Normal EBITDA	11.8
Forward Revenue Growth (5-yr)	5.7%
Forward EPS Growth (5-yr)	15.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.9%
Return on Assets	10.0%
ROIC, with goodwill	58.6%
ROIC, without goodwill	88.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	84,970
Net Debt	-37,811
Total Debt/EBITDA	3.0
Net Debt/EBITDA	NMF
EBITDA/Interest	22.5
Current Ratio	2.4
Quick Ratio	2.2

NMF = Not Meaningful

Investment Highlights

• Microsoft's products include operating systems, cloud services, server applications, desktop and server management tools, software development tools, video games, and online advertising. It also designs, manufactures and sells hardware, including PCs, tablets, gaming consoles, and other smart accessories that integrate with its cloud offerings.

• Microsoft can't scoop up its own shares fast enough through its massive buyback program. The firm floats debt with the best credit quality (Aaa), and we can't think of another firm with a better financial profile. Financial discipline and strong execution remain hallmarks of its business.

• Microsoft's Windows business has been the bread-and-butter of the company for such a long time, but investor focus has begun to shift to the company's other segments as its business model moves towards the cloud. Microsoft is helping drive the transition to cloud-based software products, and we expect such leadership to continue translating into robust free cash flow generation.

• Contrary to popular belief, Microsoft is not a tech dinosaur. CEO Satya Nadella has reignited innovation in the company, and momentum behind new devices and platorms, Windows 10, Office 365 and Azure is building. Its cloud-based product suite, Office 365 and Azure, continues to gain popularity among both consumers and enterprises.

• Microsoft recently acquired LinkedIn for over $26 billion in cash. The deal is expected to be dilutive to EPS in fiscal 2017 and 2018. The firm's impressive financial profile gives us confidence in it moving forward, but its pristine credit rating was put on review following the announcement of the deal.

Relative Valuation

	Forward P/E	PEG	Price / FV
Adobe Systems	32.3	2.3	121.7%
F5 Networks	16.0	1.6	103.4%
Oracle	16.6	1.8	86.3%
Salesforce.com	63.8	5.2	113.9%
Peer Median	24.5	2.1	108.6%
Microsoft	**21.7**	**2.0**	**104.8%**

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

Financial Summary

Fiscal Year End:	Jun-15 (Actual)	Jun-16 (Actual)	Jun-17 (Projected)
Revenue	93,580	85,320	89,501
Revenue, YoY%	7.8%	-8.8%	4.9%
Operating Income	28,172	21,292	28,164
Operating Margin %	30.1%	25.0%	31.5%
Net Income	12,193	16,798	23,664
Net Income Margin %	13.0%	19.7%	26.4%
Diluted EPS	1.48	2.10	3.00
Diluted EPS, YoY %	-43.8%	41.9%	43.1%
Free Cash Flow (CFO-capex)	23,724	24,982	23,799
Free Cash Flow Margin %	25.4%	29.3%	26.6%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

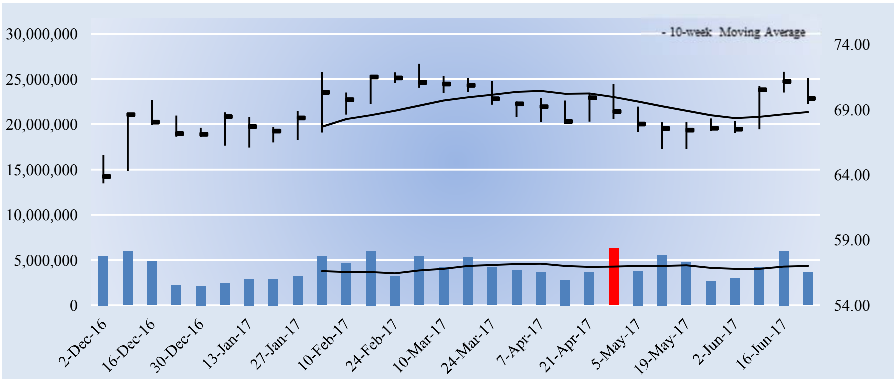
NASDAQ NDAQ FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$68.00	$53.00 - $83.00	LARGE-CAP CORE	Financials	Exchanges

NASDAQ boasts a high-quality business model with strong EBITDA margins and an impressive level of recurring revenue.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**69.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$11,792
Avg Weekly Vol (30 wks)	4,161
30-week Range (USD)	63.36 - 72.52
Valuentum Sector	Financials
5-week Return	3.2%
13-week Return	0.9%
30-week Return	6.6%
Dividend Yield %	2.2%
Dividends per Share	1.52
Forward Dividend Payout Ratio	36.5%
Est. Normal Diluted EPS	4.90
P/E on Est. Normal Diluted EPS	14.3
Est. Normal EBITDA	1,530
Forward EV/EBITDA	10.8
EV/Est. Normal EBITDA	9.6
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	54.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	5.4%
Return on Assets	2.6%
ROIC, with goodwill	11.1%
ROIC, without goodwill	42.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,603
Net Debt	2,940
Total Debt/EBITDA	3.2
Net Debt/EBITDA	2.6
EBITDA/Interest	8.7
Current Ratio	1.1
Quick Ratio	0.3

NMF = Not Meaningful

Investment Highlights

• NASDAQ's global offerings include trading and clearing across multiple asset classes, market data products, financial indexes, capital formation solutions, financial services and market technology products and services. It operates the NASDAQ Stock Market in the US and several exchanges in Europe.

• Despite increased uncertainty, NASDAQ has a high-quality business model, where ~75% of revenue is subscription-based or recurring. The firm's low capital intensity results in high operating leverage, and transaction revenue is poised to rebound from volatility-driven volumes.

• Over the next 3-5 years, NASDAQ is expecting mid-single digit organic revenue growth in in its Information Services segment, mid to high-single digit organic growth in its Market Technology segments and low-single digit organic revenue growth in its Corporate Services segment. Mid-single digit organic revenue growth is anticipated in its non-trading segments.

• NASDAQ's operating leverage has been noteworthy in recent years. Its EBITDA margin in 2016 was an impressive 50%, and the company has averaged roughly 75 basis points of annual operating income margin expansion from 2014-2016. This has helped it significantly increase the return of capital to shareholders via dividends and share buybacks.

• The company has a #1 or #2 market share in business units that represent more than 90% of revenue. Disciplined internal investment and opportunistic acquisitions may provide further upside potential.

Relative Valuation

	Forward P/E	PEG	Price / FV
CBOE	26.1	2.1	136.6%
CME Group	25.2	3.1	119.3%
IntercontinentalExchange	21.3	2.8	116.9%
KCG	36.5	NMF	99.6%
Peer Median	25.7	2.8	118.1%
NASDAQ	**16.8**	**2.0**	**102.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	3,403	3,705	3,901
Revenue, YoY%	-2.8%	8.9%	5.3%
Operating Income	902	956	1,187
Operating Margin %	26.5%	25.8%	30.4%
Net Income	428	108	692
Net Income Margin %	12.6%	2.9%	17.7%
Diluted EPS	2.50	0.64	4.16
Diluted EPS, YoY %	4.4%	-74.4%	550.4%
Free Cash Flow (CFO-capex)	549	588	854
Free Cash Flow Margin %	16.1%	15.9%	21.9%

In Millions of USD (except for per share items)

Structure of the Exchanges Industry — GOOD

The exchanges industry consists of firms that deliver trading, clearing, exchange technology, and regulatory securities listing. Industry constituents operate some of the most well-known exchanges including the NASDAQ, Chicago Board Options Exchange, and the Chicago Mercantile Exchange. Firms carve out competitive advantages via scale (operating the largest market for a given financial instrument) and via technological superiority (transaction speeds and reliability). The securities markets are intensely competitive, but new entrants tend to have limited liquidity/capability. We like the industry structure.

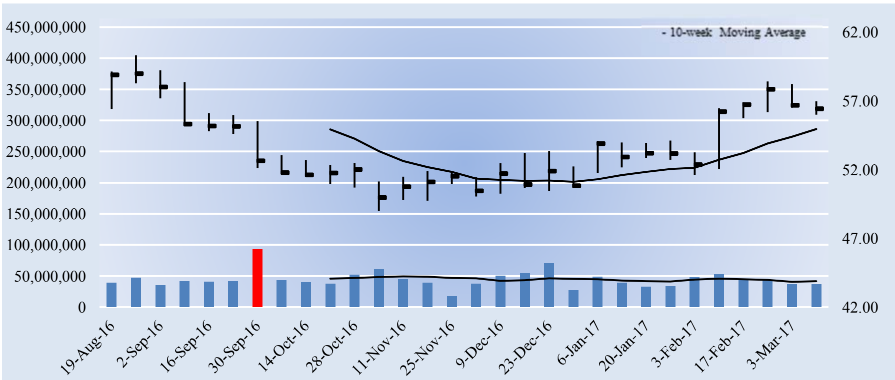
Nike NKE FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$58.00	$46.00 - $70.00	LARGE-CAP VALUE	Consumer Discretionary	Luxury - Established Brands

We don't think anything will derail Nike's brand strength in the foreseeable future.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	55.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$98,329
Avg Weekly Vol (30 wks)	44,125
30-week Range (USD)	49.01 - 60.33
Valuentum Sector	Consumer Discretionary
5-week Return	8.3%
13-week Return	9.6%
30-week Return	-0.4%
Dividend Yield %	1.3%
Dividends per Share	0.72
Forward Dividend Payout Ratio	30.5%
Est. Normal Diluted EPS	3.09
P/E on Est. Normal Diluted EPS	18.3
Est. Normal EBITDA	7,361
Forward EV/EBITDA	16.5
EV/Est. Normal EBITDA	12.9
Forward Revenue Growth (5-yr)	7.7%
Forward EPS Growth (5-yr)	12.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	27.5%
Return on Assets	16.2%
ROIC, with goodwill	40.8%
ROIC, without goodwill	41.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,055
Net Debt	-3,402
Total Debt/EBITDA	0.4
Net Debt/EBITDA	NMF
EBITDA/Interest	271.8
Current Ratio	2.8
Quick Ratio	1.6

NMF = Not Meaningful

Investment Highlights

• Nike focuses its 'Nike Brand' and 'Brand Jordan' product offerings in seven key categories: Running, Basketball, Football (Soccer), Men's Training, Women's Training, Nike Sportswear (sports-inspired lifestyle products), and Action Sports. The breadth and depth of its product portfolio have translated into consistently strong results. Its deal with Lebron James could spell upside.

• Nike is targeting revenue of $50 billion by fiscal year 2020. The company's internal long-term financial model indicates high single-digit to low double-digit revenue growth, mid-teens earnings per share growth and expanding returns on capital. This performance is achievable, in our view.

• Nike might not have the 'freshness' of a 'Lululemon' or of an 'Under Armour,' but we think Nike has the best business model and the most valuable brand name among the three. Global futures orders advanced 11% in fiscal 2016, in constant currency, showcasing the breadth of its brand reach. A slight downtick in futures orders in fiscal 2017 may be worth monitoring, as more direct to consumer engagement is targeted.

• Nike has a dominating position in the US athletic footwear market with ~60%+ of market share. The next closest competitor has 5% market share. Athletic footwear and activewear have been growing at a much faster rate than overall retail in the US, and Nike has 13% activewear market share. We don't think anything will derail Nike's brand strength.

• Nike is a fantastic company, and our forecasts are certainly reasonable. Readers should be cognizant, however, that we are quite generous with respect to Nike's discount rate in the model. Shares are not particularly cheap, but they're not irrationally priced either.

Relative Valuation

	Forward P/E	PEG	Price / FV
Estee Lauder	25.5	2.3	120.8%
Philips	15.5	1.6	105.1%
Sony	NMF	0.7	99.1%
VF Corp	17.1	1.7	99.9%
Peer Median	17.1	1.6	102.5%
Nike	**23.9**	**2.1**	**97.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-15	May-16	May-17
Revenue	30,601	32,376	34,578
Revenue, YoY%	10.1%	5.8%	6.8%
Operating Income	4,175	4,502	5,057
Operating Margin %	13.6%	13.9%	14.6%
Net Income	3,273	3,760	4,098
Net Income Margin %	10.7%	11.6%	11.9%
Diluted EPS	1.85	2.16	2.36
Diluted EPS, YoY %	24.5%	16.6%	9.5%
Free Cash Flow (CFO-capex)	3,717	1,953	3,762
Free Cash Flow Margin %	12.1%	6.0%	10.9%

In Millions of USD (except for per share items)

Structure of the Luxury Goods Industry — GOOD

Luxury goods firms differentiate themselves based on brand name, perception, and quality in order to generate excess returns on invested capital through the economic cycle. Building a large, successful luxury brand is difficult, leaving those that possess them with intangible competitive advantages that are not easily overcome by new entrants. Growth in emerging middle classes and China will be the key demand drivers going forward, though the strongest brands will also grow successfully via market share gains. Though changes in consumer preferences should be watched closely, we like the structure of the group.

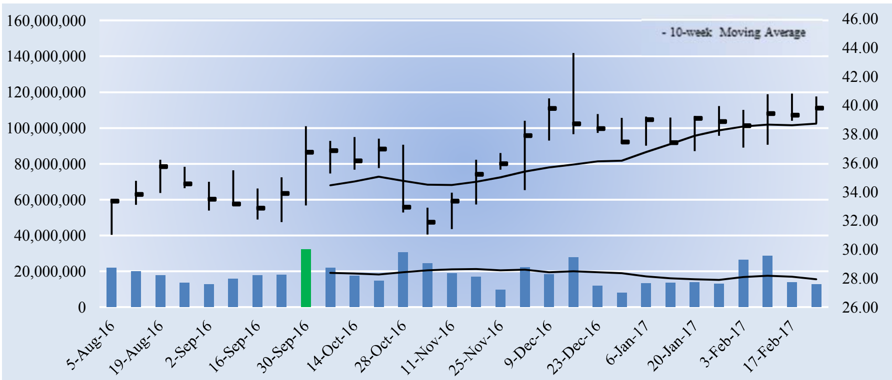
National Oilwell Varco NOV FAIRLY VALUED

Buying Index™ 6   Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Unattractive	$40.00	$28.00 - $52.00	LARGE-CAP VALUE	Energy	Energy Equipment - Large

National Oilwell Varco expects long-term demand trends to be in its favor. Its near-term demand outlook looks to be picking back up as well, and we've raised our fair value esimate as a result.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
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)	BULLISH
Near-term Technical Support, 10-week MA	39.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				■
High				
Very High				

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

Company Vitals

Market Cap (USD)	$14,961
Avg Weekly Vol (30 wks)	18,220
30-week Range (USD)	31 - 43.63
Valuentum Sector	Energy
5-week Return	2.9%
13-week Return	10.4%
30-week Return	24.3%
Dividend Yield %	0.5%
Dividends per Share	0.20
Forward Dividend Payout Ratio	-53.5%
Est. Normal Diluted EPS	0.98
P/E on Est. Normal Diluted EPS	40.7
Est. Normal EBITDA	1,533
Forward EV/EBITDA	27.5
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	7.6%
Forward EPS Growth (5-yr)	-177.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	-2.8%
Return on Assets	-1.8%
ROIC, with goodwill	12.0%
ROIC, without goodwill	18.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,214
Net Debt	1,806
Total Debt/EBITDA	NMF
Net Debt/EBITDA	-2.5
EBITDA/Interest	-7.0
Current Ratio	2.6
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• National Oilwell Varco is a worldwide provider of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry. Its 'Rig Technology' division accounts for about half of its business. The company was founded in 1862 and is headquartered in Houston, Texas.

• We like National Oilwell Varco's fundamentals quite a bit, but the firm has not been spared from the tremendous weakness in the oil and gas industry. The significant volatility historically experienced in the industry will not change anytime soon.

• National Oilwell Varco expects long-term demand trends to be in its favor. By the year 2040 there will be ~2 billion more people, creating a more than 130% larger global economy with a greater than 35% increase in global energy demand. Its near-term demand outlook looks to be picking back up, and we've raised our fair value esimate as a result.

• In April 2016, National Oilwell Varco slashed its dividend by nearly 90%. Though the crude oil market looks to be rebounding, we must remind investors of the risk for another leg down in energy resource pricing. Global production cut quota hit rates should be monitored.

• National Oilwell Varco recently completed plans to spin off its distribution business, creating two stand-alone, publicly traded corporations. This has benefited both entities as both are better able to focus on individual operations. The newly-created entity has been named NOW, Inc.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baker Hughes	182.3	NMF	116.8%
Halliburton	43.6	NMF	114.9%
Weatherford Intl	NMF	NMF	69.6%
Schlumberger	44.3	NMF	105.5%
Peer Median	44.3	NMF	110.2%
National Oilwell Varco	**NMF**	**NMF**	**99.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	14,757	7,251	7,273
Revenue, YoY%	-31.2%	-50.9%	0.3%
Operating Income	1,299	-1,439	-95
Operating Margin %	8.8%	-19.8%	-1.3%
Net Income	-769	-2,412	-141
Net Income Margin %	-5.2%	-33.3%	-1.9%
Diluted EPS	-1.99	-6.41	-0.37
Diluted EPS, YoY %	-134.9%	222.8%	-94.2%
Free Cash Flow (CFO-capex)	879	676	-1,471
Free Cash Flow Margin %	6.0%	9.3%	-20.2%

In Millions of USD (except for per share items)

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

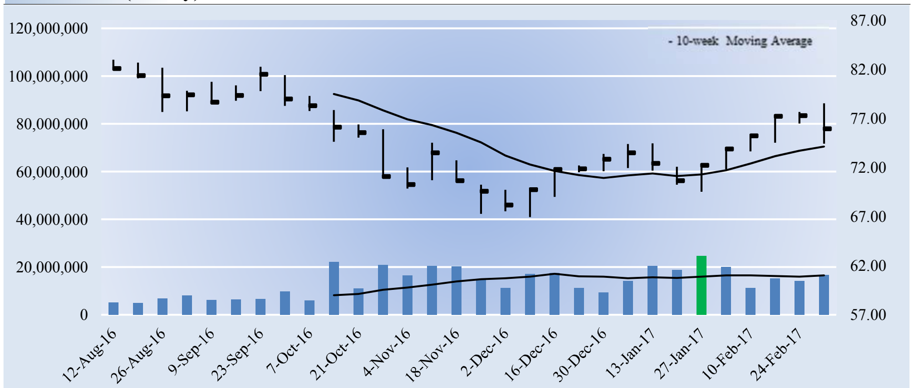
Novartis NVS FAIRLY VALUED

Buying Index™ 6 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$80.00	$64.00 - $96.00	LARGE-CAP VALUE	Health Care	Pharmaceuticals - Big

Novartis' oncology business looks to be perfoming well, which is a core piece of its portfolio transformation.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
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)	BULLISH
Near-term Technical Support, 10-week MA	74.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$182,208
Avg Weekly Vol (30 wks)	13,558
30-week Range (USD)	66.93 - 82.98
Valuentum Sector	Health Care
5-week Return	5.5%
13-week Return	10.6%
30-week Return	-7.8%
Dividend Yield %	3.6%
Dividends per Share	2.75
Forward Dividend Payout Ratio	57.9%
Est. Normal Diluted EPS	5.40
P/E on Est. Normal Diluted EPS	14.1
Est. Normal EBITDA	17,743
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	3.2%
Forward EPS Growth (5-yr)	16.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	10.7%
Return on Assets	6.4%
ROIC, with goodwill	10.6%
ROIC, without goodwill	16.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	23,802
Net Debt	16,025
Total Debt/EBITDA	2.8
Net Debt/EBITDA	1.9
EBITDA/Interest	11.8
Current Ratio	1.1
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Novartis provides innovative healthcare solutions. It offers a diversified portfolio to meet the needs of patients and societies via innovative medicines, eye care, cost-saving generic pharmaceuticals, preventive vaccines, and over-the-counter products. The firm was founded in 1895 and is headquartered in Basel, Switzerland.

• Part of Novartis' strategy is to capture cross-divisional synergies. The firm is in the process of scaling up 5 global service centers in Mexico City, Mexico; Prague, Czech Republic; Dublin, Ireland; Hyderabad, India; and Kuala Lumpur, Malaysia.

• Novartis is engaged in a portfolio transformation. The firm will focus on businesses with innovation power and global scale -- pharma, eye care and generics. Its transaction with GSK includes acquiring the firm's oncology products, divesting vaccines (excluding flu), and creating a Consumer Healthcare joint venture. The firm has also divested its animal health operations to Eli Lilly.

• The portfolio transformation should result in significantly improved profitability on modestly lower sales. We like the strengthening of Novartis' oncology business, as GSK's oncology products have immediately complemented its portfolio. The transformation appears to be on track; total oncology sales grew 12% in 2016.

• Novartis also plans to overhaul Alcon, its eye care division, which operates in a large and profitable market of ~$40 billion that is expected to continue to grow. According to estimates, 80% of the population has a treatable eye condition.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abbott	64.0	0.6	102.8%
Eli Lilly	20.2	2.0	128.9%
Merck	17.3	1.6	111.0%
Pfizer	13.4	1.2	90.8%
Peer Median	18.7	1.4	106.9%
Novartis	**16.0**	**1.7**	**94.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	50,387	49,436	49,288
Revenue, YoY%	-6.1%	-1.9%	-0.3%
Operating Income	6,928	6,341	13,376
Operating Margin %	13.7%	12.8%	27.1%
Net Income	7,017	6,712	11,507
Net Income Margin %	13.9%	13.6%	23.3%
Diluted EPS	2.88	2.80	4.75
Diluted EPS, YoY %	-34.5%	-2.8%	69.7%
Free Cash Flow (CFO-capex)	8,392	8,596	13,763
Free Cash Flow Margin %	16.7%	17.4%	27.9%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

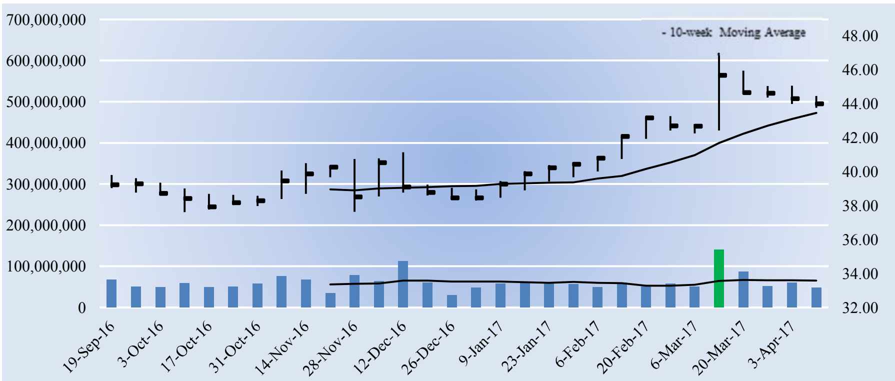
Oracle ORCL FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$51.00	$41.00 - $61.00	LARGE-CAP VALUE	Information Technology	Software

Oracle is shifting the complexity from IT, moving it out of the enterprise by engineering hardware and software to work together.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
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	43.00

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

Company Vitals

Market Cap (USD)	$189,420
Avg Weekly Vol (30 wks)	61,388
30-week Range (USD)	37.62 - 46.99
Valuentum Sector	Information Technology
5-week Return	2.9%
13-week Return	12.6%
30-week Return	12.4%
Dividend Yield %	1.7%
Dividends per Share	0.76
Forward Dividend Payout Ratio	28.6%
Est. Normal Diluted EPS	3.11
P/E on Est. Normal Diluted EPS	14.1
Est. Normal EBITDA	19,689
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	3.1%
Forward EPS Growth (5-yr)	11.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	21.1%
Return on Assets	10.2%
ROIC, with goodwill	30.0%
ROIC, without goodwill	85.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	43,855
Net Debt	-12,270
Total Debt/EBITDA	2.8
Net Debt/EBITDA	NMF
EBITDA/Interest	10.6
Current Ratio	3.7
Quick Ratio	3.6

NMF = Not Meaningful

Investment Highlights

• Oracle is shifting the complexity from IT, moving it out of the enterprise by engineering hardware and software to work together—in the cloud and in the data center. Its on-premise software, hardware systems, services, and cloud businesses account for ~70%, ~13%, ~9%, and ~8% of total revenues, respectively.

• Oracle has positioned itself nicely against Salesforce.com. Oracle sold more than $2.2 billion of new SaaS and PaaS business in fiscal 2016, which would have surpassed Salesforce.com's target. Competition will remain intense.

• Oracle will continue to focus on growing its cloud business. The segment only accounted for ~8% of total revenue in fiscal 2016 but has been growing at an impressive rate since fiscal 2010. This growth has helped drive an increase in recurring revenue over the same time period. Competition remains fierce in the space.

• Oracle continues to build its recurring revenue base, which has grown at a compound annual growth rate of 7% from fiscal 2011 to fiscal 2016. Recurring revenue accounted for 74% of total revenue, compared to 62% in fiscal 2011, good for a 7% 5-year CAGR. We like the momentum of such a dynamic.

• Oracle's recent large dividend hike speaks to its confidence in the free cash flow generating prowess of its business. As of the end of third quarter of fiscal 2017, it had more than $58 million in cash, cash equivalents and marketable securities but total debt has risen to just under $54 billion.

Business Quality

ValueRisk™ \ ValueCreation™	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
Adobe Systems	32.3	2.3	121.7%
F5 Networks	16.0	1.6	103.4%
Microsoft	21.7	2.0	104.8%
Salesforce.com	63.8	5.2	113.9%
Peer Median	27.0	2.2	109.3%
Oracle	**16.6**	**1.8**	**86.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-15	May-16	May-17
Revenue	38,226	37,047	37,380
Revenue, YoY%	-0.1%	-3.1%	0.9%
Operating Income	14,289	13,104	15,335
Operating Margin %	37.4%	35.4%	41.0%
Net Income	9,938	8,901	11,207
Net Income Margin %	26.0%	24.0%	30.0%
Diluted EPS	2.21	2.07	2.66
Diluted EPS, YoY %	-7.2%	-6.3%	28.5%
Free Cash Flow (CFO-capex)	12,945	12,372	13,376
Free Cash Flow Margin %	33.9%	33.4%	35.8%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

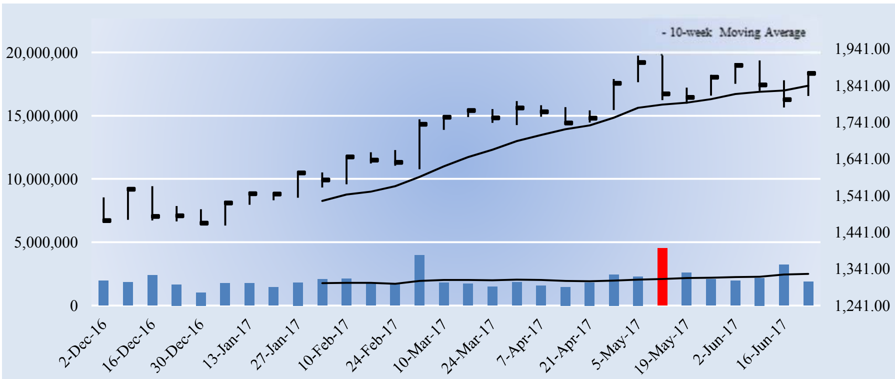
Priceline.com PCLN FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$2018.00	$1614.00 - $2422.00	LARGE-CAP BLEND	Consumer Discretionary	Internet & Catalog Retail

We've raised our fair value estimate for Priceline.com as a result of increased top-line expectations. Bookings continue to grow at an impressive pace, and we're expecting global travel demand to remain strong.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	1841.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$92,832
Avg Weekly Vol (30 wks)	2,076
30-week Range (USD)	1459.49 - 1927.13
Valuentum Sector	Consumer Discretionary
5-week Return	3.2%
13-week Return	8.0%
30-week Return	23.5%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	88.06
P/E on Est. Normal Diluted EPS	21.3
Est. Normal EBITDA	5,744
Forward EV/EBITDA	31.4
EV/Est. Normal EBITDA	16.7
Forward Revenue Growth (5-yr)	14.4%
Forward EPS Growth (5-yr)	20.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	31.9%
Return on Assets	19.0%
ROIC, with goodwill	82.2%
ROIC, without goodwill	208.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,139
Net Debt	2,839
Total Debt/EBITDA	2.0
Net Debt/EBITDA	0.8
EBITDA/Interest	22.5
Current Ratio	2.5
Quick Ratio	2.3

NMF = Not Meaningful

Investment Highlights

• Priceline is a leader in global online hotel reservations. The firm is composed of four primary brands--Booking.com, priceline.com, Agoda.com, Kayak and Rentalcars.com--and several ancillary brands. Bookings growth continues to be excellent across its platforms. The company was founded in 1997 and is headquartered in Connecticut.

• Demand in Priceline's business model is boosted by a virtuous cycle. Its partnerships allow it to offer an enhanced customer experience, driving increased conversion and traffic. Growing traffic levels give it the opportunity to test and improve customer and partner satisfaction.

• Priceline has made a habit of issuing conservative quarterly guidance, which the market tends not to like. Investors should be prepared for material swings on quarterly reports due to such guidance, and the firm's equity may be better served by management not issuing such punitive quarterly guidance. Nevertheless, we continue to have confidence in the firm's fundamentals.

• As it rides the wave of secular growth in Internet penetration in travel, Priceline will also benefit from expansion into new markets in North America, the Asia Pacific, and South America. The company's strong brand helps prop up share in the mature US market.

• Priceline.com is a stock that is going to experience a tremendous amount of volatility, but investors can't argue with its strong financial performance as of late. EBITDA and free cash flow have both advanced at a more than 30% CAGR since 2010.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	NMF	NMF	152.8%
eBay	17.5	NMF	107.8%
Expedia	28.7	2.0	119.7%
Liberty Interactive	22.9	3.8	94.2%
Peer Median	22.9	2.9	113.8%
Priceline.com	**43.9**	**1.2**	**92.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	8,442	9,224	10,743
Revenue, YoY%	24.3%	9.3%	16.5%
Operating Income	3,073	3,259	2,695
Operating Margin %	36.4%	35.3%	25.1%
Net Income	2,422	2,551	2,113
Net Income Margin %	28.7%	27.7%	19.7%
Diluted EPS	45.67	49.45	42.65
Diluted EPS, YoY %	26.5%	8.3%	-13.7%
Free Cash Flow (CFO-capex)	2,783	2,928	3,705
Free Cash Flow Margin %	33.0%	31.7%	34.5%

In Millions of USD (except for per share items)

Structure of the Internet & Catalog Retail Industry — GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

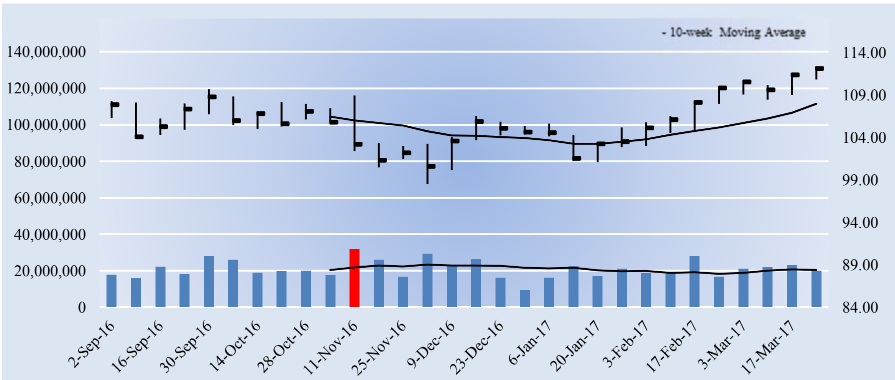
PepsiCo PEP FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$94.00	$75.00 - $113.00	LARGE-CAP CORE	Consumer Staples	Beverages - nonalcoholic

We're huge fans of Pepsi's brand portfolio, but competition remains fierce.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	108.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$162,798
Avg Weekly Vol (30 wks)	20,772
30-week Range (USD)	98.5 - 112.38
Valuentum Sector	Consumer Staples
5-week Return	3.7%
13-week Return	6.7%
30-week Return	4.3%
Dividend Yield %	2.7%
Dividends per Share	3.01
Forward Dividend Payout Ratio	58.1%
Est. Normal Diluted EPS	6.15
P/E on Est. Normal Diluted EPS	18.2
Est. Normal EBITDA	15,870
Forward EV/EBITDA	13.3
EV/Est. Normal EBITDA	11.6
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	10.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	41.4%
Return on Assets	8.5%
ROIC, with goodwill	17.5%
ROIC, without goodwill	26.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	36,945
Net Debt	20,820
Total Debt/EBITDA	3.0
Net Debt/EBITDA	1.7
EBITDA/Interest	9.1
Current Ratio	1.3
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Pepsi is a global food/beverage company with a plethora of respected brands. Its portfolio includes the namesake Pepsi, Mountain Dew, Gatorade, Lay's, Doritos, Cheetos, Tostitos, Ruffles, Quaker oatmeal, and Aunt Jemima, among others. The US accounts for about half of revenue. The company was founded in 1898 and is headquartered in New York.

• Though Pepsi may be impacted by volatile macro pressures, particularly in developing and emerging markets, its strength in North America is undeniable. 2016 marked the third consecutive year in which it was the largest contributor to US reatil food and beverage growth.

• We're huge fans of Pepsi's brand portfolio, but competition remains fierce. Coca-Cola is its primary beverage competitor, while food and beverage rivals include Nestlé, Danone, Kellogg, General Mills, and Mondelēz. Pepsi has a scale advantage in North America, however, and has nineteen $1 billion global brands sold in the US.

• In 2017, Pepsi is expecting organic revenue growth of 3%, but currency headwinds will reduce its reported figure. Core EPS are expected to grow to ~$5.09 for the full year, while free cash flow is expected to be approximately flat at ~$7 billion. Management expects to spend $4.5 billion on dividends and $2 billion on share repurchases in the year.

• Though we do not expect Pepsi's dividend to continue to grow as it has in the past, we think this is more of a function of the pace of its dividend growth in the past and its debt load than any fundamental weakness going forward. 2017 marks the 45th consecutive year of a dividend increase.

Relative Valuation

	Forward P/E	PEG	Price / FV
National Beverage	37.1	2.7	191.6%
Coca-Cola	22.3	2.3	108.0%
Monster Beverage	39.4	2.8	123.5%
Dr Pepper Snapple	21.0	2.4	125.9%
Peer Median	29.7	2.6	124.7%
PepsiCo	**21.6**	**2.4**	**119.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	63,056	62,799	63,239
Revenue, YoY%	-5.4%	-0.4%	0.7%
Operating Income	9,712	9,785	11,402
Operating Margin %	15.4%	15.6%	18.0%
Net Income	5,452	6,329	7,523
Net Income Margin %	8.6%	10.1%	11.9%
Diluted EPS	3.67	4.36	5.18
Diluted EPS, YoY %	-13.9%	18.7%	18.9%
Free Cash Flow (CFO-capex)	7,575	7,107	7,193
Free Cash Flow Margin %	12.0%	11.3%	11.4%

In Millions of USD (except for per share items)

Structure of the Nonalcoholic Beverages Industry — GOOD

The nonalcoholic beverage segment of the commercial beverage industry is highly competitive, consisting of numerous companies that make various sparkling beverages, water products, juices, fruit drinks, energy and other performance-enhancing drinks. Pricing, advertising, product innovation, the availability of in-store private-label beverages, and health concerns about sugar-sweetened beverages are key drivers that impact demand. Leading brands with high levels of consumer acceptance and an expansive distribution network are sources of competitive strengths. We like the structure of the group.

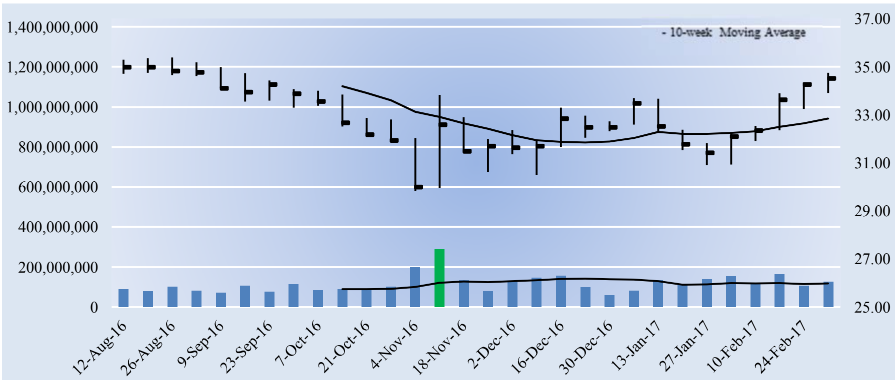
Pfizer PFE FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$38.00	$30.00 - $46.00	MEGA-CAP VALUE	Health Care	Pharmaceuticals - Big

Pfizer has a strong track record of approvals, which has played a key role in the evolution of its business.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	33.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$212,609
Avg Weekly Vol (30 wks)	116,305
30-week Range (USD)	29.83 - 35.38
Valuentum Sector	Health Care
5-week Return	9.7%
13-week Return	8.8%
30-week Return	-2.2%
Dividend Yield %	3.7%
Dividends per Share	1.28
Forward Dividend Payout Ratio	49.5%
Est. Normal Diluted EPS	3.00
P/E on Est. Normal Diluted EPS	11.5
Est. Normal EBITDA	30,026
Forward EV/EBITDA	8.7
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	2.3%
Forward EPS Growth (5-yr)	23.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	11.4%
Return on Assets	4.6%
ROIC, with goodwill	11.5%
ROIC, without goodwill	20.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	42,086
Net Debt	24,236
Total Debt/EBITDA	2.2
Net Debt/EBITDA	1.2
EBITDA/Interest	16.4
Current Ratio	1.3
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Pfizer is a research-based, global biopharmaceutical company. The company has a leading portfolio of products and medicines that support wellness and prevention, as well as treatment and cures for diseases across a broad range of therapeutic areas. It recently spun off Zoetis, its animal health operations. The firm was founded in 1849 and is headquartered in New York, New York.

• Pfizer continues to deliver novel and differentiated future potential products. The firm has the potential for more than 20 approvals from 2016-2020, including 7 new molecular entities (NMEs). Further, it has 6 near-term growth platforms with potential for significant market opportunity.

• Pfizer has a strong track record of approvals, which has played a key role in the evolution of its business. The firm is now #1 in non-viral anti-infective treatments, #1 in total biosimilar sales, the leading company in global off-patent sterile injectables, and has a leading position in emerging markets, which can be expected to drive growth in the near term.

• Pfizer has faced pressure from the loss of exclusivity of Lipitor, but we remain encouraged by potential new therapies in its pipeline and have no qualms with its decision to IPO its Animal Health business and sell its Nutrition operations. Recently-launched products such as Eliquis, Xeljanz, Xalkori, and Inlyta continue to gain traction.

• Pfizer recently had the US Department of the Treasury effectively nix its agreement to acquire Allergan in an all-stock tax-inversion deal. Pfizer abandoned the deal and acquired Anacor Pharmaceuticals for $5.2 billion. The key target of the deal is Anacor's eczema gel product.

Relative Valuation

	Forward P/E	PEG	Price / FV
AbbVie	17.5	1.4	89.2%
Abbott	64.0	0.6	102.8%
Eli Lilly	20.2	2.0	128.9%
Merck	17.3	1.6	111.0%
Peer Median	18.9	1.5	106.9%
Pfizer	**13.4**	**1.2**	**90.8%**

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

Financial Summary

Fiscal Year End:	----- Actual ----- Dec-15	Dec-16	Projected Dec-17
Revenue	48,851	52,824	53,299
Revenue, YoY%	-1.5%	8.1%	0.9%
Operating Income	12,976	13,730	21,566
Operating Margin %	26.6%	26.0%	40.5%
Net Income	6,949	7,198	15,606
Net Income Margin %	14.2%	13.6%	29.3%
Diluted EPS	1.11	1.17	2.59
Diluted EPS, YoY %	-21.5%	5.2%	121.2%
Free Cash Flow (CFO-capex)	13,192	13,902	19,438
Free Cash Flow Margin %	27.0%	26.3%	36.5%

In Millions of USD (except for per share items)

Structure of the Big Pharma Industry — GOOD

The big pharma industry is primarily composed of makers of branded drugs. Intellectual property protection is vital to the successful commercialization of medicines and offers makers of branded drugs a unique competitive advantage via patents, which can extend for decades. When branded drugs lose market exclusivity, however, makers of generic pharmaceuticals can generate intense price competition, causing drastic revenue losses on unprotected therapies. Long-term success for branded pharma companies depends on a strong and diverse drug pipeline, which can be augmented by M&A activity. We generally like the group and expect continued industry consolidation.

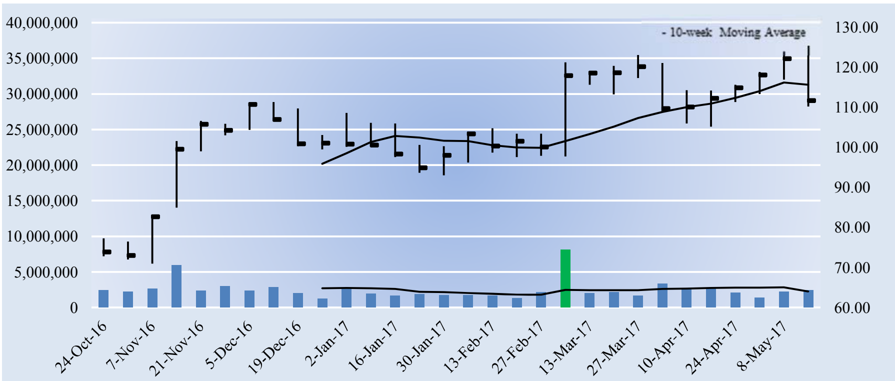
Children's Place PLCE FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$93.00	$74.00 - $112.00	MID-CAP CORE	Consumer Discretionary	Retail - Men's, Women's, Kids' Apparel

Children's Place has defied the broad retail weakness in recent quarters with impressive comparable sales growth numbers.

Stock Chart (weekly)



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

Company Vitals

Market Cap (USD)	$2,116
Avg Weekly Vol (30 wks)	2,482
30-week Range (USD)	70.9 - 125.3
Valuentum Sector	Consumer Discretionary
5-week Return	1.1%
13-week Return	10.9%
30-week Return	49.2%
Dividend Yield %	1.4%
Dividends per Share	1.60
Forward Dividend Payout Ratio	23.8%
Est. Normal Diluted EPS	7.47
P/E on Est. Normal Diluted EPS	14.9
Est. Normal EBITDA	265
Forward EV/EBITDA	7.6
EV/Est. Normal EBITDA	7.1
Forward Revenue Growth (5-yr)	1.1%
Forward EPS Growth (5-yr)	8.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	13.3%
Return on Assets	7.8%
ROIC, with goodwill	23.1%
ROIC, without goodwill	23.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15
Net Debt	-228
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	543.6
Current Ratio	1.9
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• The Children’s Place is the largest pure-play children’s specialty apparel retailer in North America. The company designs, contracts to manufacture and sells fashionable, high-quality merchandise at value prices, primarily under the proprietary “The Children’s Place” brand name. It was founded in 1969 and is based in New Jersey.

• The firm continues to grow market share among kids 5-10 years of age and has increased its merchandising focus to strengthen sales within the baby segment (0-4 years of age). The market, while competitive, is an attractive one.

• The Children's Place's key near-term initiatives include the expansion of its mobile architecture and omni-channel capabilities, improving its inventory management, optimizing markdown pricing, and expanding its channel exposure. The firm has tagged its process as a business transformation through technology.

• A lot has happened at Children's Place of late. The company recently settled a proxy fight where it added two board members recommended by Macellum and Barrington Capital, and rumors have swirled that the company has hired an advisor to explore the sale of the firm.

• Children's Place was one of the few retailers that turned in a better than expected holiday season in which comparable retail sales increased ~7%. The firm kept the momentum rolling in the first quarter of 2017 with comps above 6%.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	116.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Ascena Retail	NMF	NMF	67.0%
Carter's Inc	14.9	1.9	91.8%
Hanesbrands Inc	10.2	1.1	75.6%
Limited Brands	14.9	1.0	80.7%
Peer Median	14.9	1.1	78.1%
Children's Place	**16.6**	**2.5**	**120.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-16	Jan-17	Jan-18
Revenue	1,726	1,785	1,807
Revenue, YoY%	-2.0%	3.5%	1.2%
Operating Income	93	152	182
Operating Margin %	5.4%	8.5%	10.1%
Net Income	58	102	126
Net Income Margin %	3.4%	5.7%	7.0%
Diluted EPS	2.80	5.40	6.73
Diluted EPS, YoY %	7.8%	93.1%	24.6%
Free Cash Flow (CFO-capex)	141	164	137
Free Cash Flow Margin %	8.1%	9.2%	7.6%

In Millions of USD (except for per share items)

Structure of the Specialty Apparel (Men's-Women's-Kid's) Industry — NEUTRAL

The retail clothing space is incredibly competitive, very fragmented, and heavily exposed to cyclical pressures and consumer spending patterns. Distribution and storefronts remain crucial, but online threats are becoming ever more apparent. Predicting the correct fashion styles during various seasons of the year continues to be the primary driver impacting the operating results of constituents, and brands can fall out of favor with consumers relatively quickly. Though some firms have developed a dedicated customer following that has helped mitigate abrupt market share shifts, we're generally neutral on the industry.

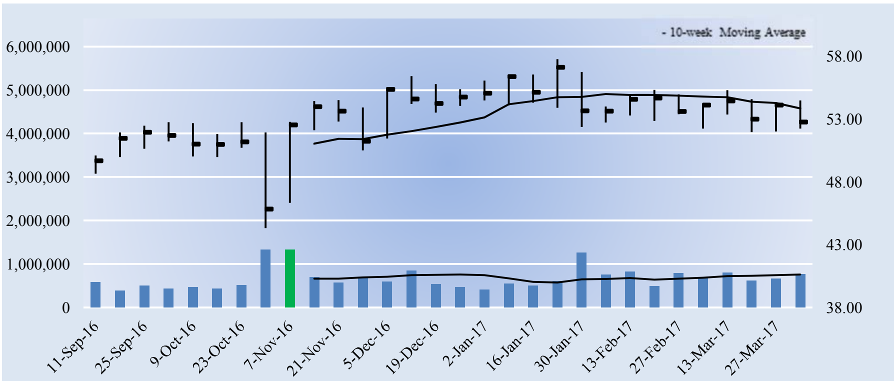
Plantronics Inc PLT FAIRLY VALUED

Buying Index™ 4 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$51.00	$41.00 - $61.00	SMALL-CAP CORE	Information Technology	Communications Equipment

Plantronics believes it has a long runway of growth ahead of it in its Unified Communications segment.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	54.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$1,844
Avg Weekly Vol (30 wks)	668
30-week Range (USD)	44.33 - 57.79
Valuentum Sector	Information Technology
5-week Return	-0.5%
13-week Return	-4.9%
30-week Return	7.1%
Dividend Yield %	1.1%
Dividends per Share	0.60
Forward Dividend Payout Ratio	19.2%
Est. Normal Diluted EPS	3.70
P/E on Est. Normal Diluted EPS	14.2
Est. Normal EBITDA	206
Forward EV/EBITDA	10.6
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	16.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	15.2%
Return on Assets	11.7%
ROIC, with goodwill	51.1%
ROIC, without goodwill	54.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	490
Net Debt	94
Total Debt/EBITDA	3.4
Net Debt/EBITDA	0.7
EBITDA/Interest	5.7
Current Ratio	5.5
Quick Ratio	4.8

NMF = Not Meaningful

Investment Highlights

- Plantronics is a world leader in personal audio communications for professionals and consumers. Its services span solutions for unified communication to Bluetooth headsets. The company also makes specialty products under the Clarity brand. It was founded in 1961 and is headquartered in Santa Cruz, California.

- Plantronics believes it has a long runway of growth ahead of it in its Unified Communications (UC) segment, though growth in this area has been slower than initially anticipated. Innovation in software, services, and analytics will be important moving forward.
- Plantronics expects revenue to advance at a 6%-7% CAGR through fiscal 2019. Its 'Consumer' segment (27% of fiscal 2016 revenue) is projected to grow at a ~10% CAGR, while its 'Enterprise' segment is looking to hit a ~5% revenue CAGR. Innovation is important to maintain solid growth, and the company spends 8%-10% of revenue on R&D each year, ~50% of which goes towards software development.
- Plantronics' targets call for gross margins in the 50%-52% range and operating margins in the 20%-23% range (assuming a stable economic environment) but it is targeting an operating margin of 20% in fiscal 2018. The company's profit margins have been quite volatile during the past decade, and investors should expect this volatility to continue.

- The firm's business is sensitive to economic cycles, but the demand for headsets has generally grown over time for both business and consumer applications. Motorola, Samsung, LG and Bose can be considered competitors. Currency moves may pose headwinds.

Relative Valuation

	Forward P/E	PEG	Price / FV
EchoStar	29.5	5.1	123.0%
Harris Corp	19.7	2.2	117.2%
QUALCOMM	12.0	1.9	88.0%
ViaSat	55.4	2.9	121.7%
Peer Median	24.6	2.5	119.4%
Plantronics Inc	**16.9**	**1.6**	**103.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	865	857	889
Revenue, YoY%	5.7%	-0.9%	3.8%
Operating Income	140	123	160
Operating Margin %	16.2%	14.4%	18.0%
Net Income	112	68	108
Net Income Margin %	13.0%	8.0%	12.1%
Diluted EPS	2.63	1.96	3.12
Diluted EPS, YoY %	1.6%	-25.7%	59.4%
Free Cash Flow (CFO-capex)	132	116	96
Free Cash Flow Margin %	15.3%	13.6%	10.8%

In Millions of USD (except for per share items)

Structure of the Communications Equipment Industry — VERY POOR

The communications equipment industry continues to undergo rapid change, as network traffic expands, new service offerings are introduced, and end user demand shifts. Competition among communication network solution vendors remains intense, as securing new opportunities often requires agreeing to less favorable commercial terms and pricing. Rivalry among constituents will only increase in coming years, as Chinese equipment vendors gain entry into the US market and incumbent competitors strive to retain share. We don't think such conditions are favorable to generating long-term economic profit.

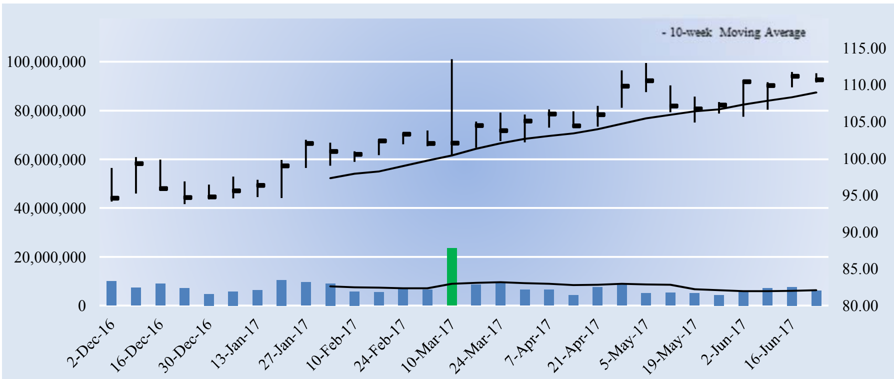
PPG Industries PPG FAIRLY VALUED

Buying Index™ 7 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$101.00	$81.00 - $121.00	LARGE-CAP CORE	Materials	Chemicals - broad

PPG Industries isn't too capital-intensive, has pricing power, and has a top-market share position in the consolidating coatings industry.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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	109.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$29,596
Avg Weekly Vol (30 wks)	7,547
30-week Range (USD)	93.8001 - 113.49
Valuentum Sector	Materials
5-week Return	3.5%
13-week Return	7.7%
30-week Return	13.0%
Dividend Yield %	1.4%
Dividends per Share	1.60
Forward Dividend Payout Ratio	25.4%
Est. Normal Diluted EPS	7.61
P/E on Est. Normal Diluted EPS	14.5
Est. Normal EBITDA	3,416
Forward EV/EBITDA	10.9
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	33.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.0%
Return on Assets	6.2%
ROIC, with goodwill	15.3%
ROIC, without goodwill	22.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,416
Net Debt	2,553
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.0
EBITDA/Interest	21.4
Current Ratio	1.5
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• PPG Industries is a leading supplier of paints, coatings, specialty materials, flat glass and fiber glass. United States and Canada account for ~45% of the company's business. PPG Industries continues to post excellent financial results, and management is fiscally prudent (albeit acquisitive). The firm was founded in 1883.

• Since 2004, the firm has undergone a significant shift in operational focus. Coatings accounted for ~56% of its business in 2004. Today, coatings account for more than 95% of its portfolio. Acquisitions are worth watching.

• PPG Industries is acquisitive, but we like its organic growth potential via emerging market expansion, increased sales content per airplane, and improving auto production. Earnings growth across its coatings segments has been 10%+ on an annual basis in recent years, and management continues to target the annual reduction of working capital by 1 percentage point.

• PPG Industries isn't too capital-intensive (capex averages about 2.5% of sales), has pricing power, and its top-market share position in the ~$120 billion consolidating coatings industry is hard not to like. On a fundamental basis, the company is one of our favorite ideas within the chemicals industry.

• PPG Industries is a Dividend Aristocrat. The company has raised its dividend in each of the past 45 years. Though we like its dividend growth potential, the firm's annual yield isn't large. Dividends have been ~15% of its cash usage in recent years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Dow Chemical	15.5	2.2	119.8%
DuPont	20.9	1.9	126.5%
Ecolab	27.3	2.5	147.9%
Praxair	23.0	2.0	135.5%
Peer Median	21.9	2.1	131.0%
PPG Industries	**17.6**	**1.6**	**109.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	15,330	14,751	15,046
Revenue, YoY%	-0.2%	-3.8%	2.0%
Operating Income	2,079	2,098	2,352
Operating Margin %	13.6%	14.2%	15.6%
Net Income	1,405	564	1,677
Net Income Margin %	9.2%	3.8%	11.1%
Diluted EPS	5.14	2.11	6.30
Diluted EPS, YoY %	30.6%	-58.9%	198.8%
Free Cash Flow (CFO-capex)	1,383	923	1,706
Free Cash Flow Margin %	9.0%	6.3%	11.3%

In Millions of USD (except for per share items)

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

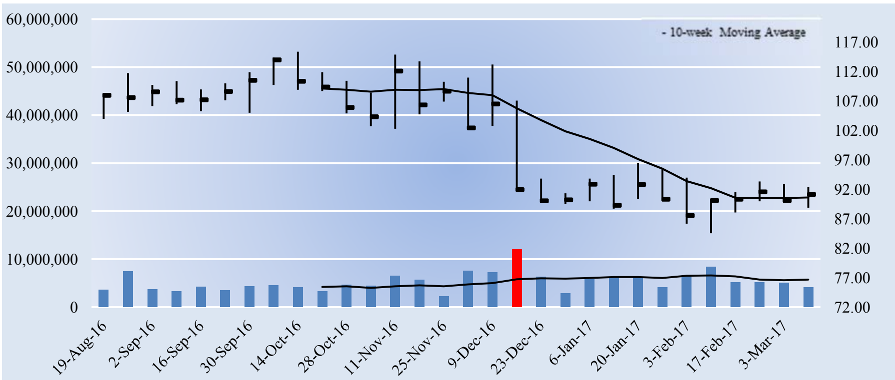
PVH Corp PVH FAIRLY VALUED

Buying Index™ 7 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$111.00	$89.00 - $133.00	MID-CAP VALUE	Consumer Discretionary	Luxury - Established Brands

Tommy Hilfiger and Calvin Klein account for about 75% of PVH Corp's revenue and about 85% of its earnings before interest and taxes.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Support, 10-week MA	91.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low			■	
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$7,572
Avg Weekly Vol (30 wks)	5,286
30-week Range (USD)	84.53 - 115.4
Valuentum Sector	Consumer Discretionary
5-week Return	4.0%
13-week Return	-14.6%
30-week Return	-12.4%
Dividend Yield %	0.2%
Dividends per Share	0.15
Forward Dividend Payout Ratio	2.2%
Est. Normal Diluted EPS	8.18
P/E on Est. Normal Diluted EPS	11.1
Est. Normal EBITDA	1,236
Forward EV/EBITDA	9.6
EV/Est. Normal EBITDA	8.3
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	7.2%

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

Returns Summary

3-year Historical Average

Return on Equity	8.9%
Return on Assets	3.6%
ROIC, with goodwill	7.5%
ROIC, without goodwill	11.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,217
Net Debt	2,660
Total Debt/EBITDA	3.2
Net Debt/EBITDA	2.7
EBITDA/Interest	8.6
Current Ratio	1.8
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• PVH Corp is one of the world's largest apparel companies. The firm leverages a diversified portfolio of brands--including Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, ARROW, and GH Bass & Co--and markets them globally. The company was founded in 1881 and is based in New York.

• Tommy Hilfiger and Calvin Klein account for about 75% of the firm's revenue and about 85% of its earnings before interest and taxes. The continued success of these two brands remains vital to PVH's long-term health. PVH acquired The Warnaco Group in February 2013.

• By the end of 2017, PVH sees an incremental $2.5 billion in global growth prospects for Tommy Hilfiger via broadening distribution and growing emerging market share. It sees a similar magnitude of opportunity for Calvin Klein. Sales growth for both brands has been modest as of late, however.

• PVH recently acquired True&Co, an e-commerce retailer, for an undisclosed sum. While the deal may not be a blockbuster needle mover in terms of immediate growth potential, we like what the decision to acquire a data and analytics driven entity. Integration and execution risk are certainly present, however.

• Tracing its roots back to the late 19th century, PVH has come a long way. It has wholesale, retail, e-commerce and licensing channels, and the firm's Asia and Latin American operations account for 20%+ of operating income.

Relative Valuation

	Forward P/E	PEG	Price / FV
Nike	23.9	2.1	97.3%
Philips	15.5	1.6	105.1%
Sony	NMF	0.7	99.1%
VF Corp	17.1	1.7	99.9%
Peer Median	17.1	1.6	99.5%
PVH Corp	**13.3**	**1.4**	**82.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-15	Jan-16	Jan-17
Revenue	8,241	8,020	8,189
Revenue, YoY%	0.7%	-2.7%	2.1%
Operating Income	613	744	800
Operating Margin %	7.4%	9.3%	9.8%
Net Income	439	572	573
Net Income Margin %	5.3%	7.1%	7.0%
Diluted EPS	5.27	6.89	6.83
Diluted EPS, YoY %	203.3%	30.7%	-0.9%
Free Cash Flow (CFO-capex)	533	636	596
Free Cash Flow Margin %	6.5%	7.9%	7.3%

In Millions of USD (except for per share items)

Structure of the Luxury Goods Industry — GOOD

Luxury goods firms differentiate themselves based on brand name, perception, and quality in order to generate excess returns on invested capital through the economic cycle. Building a large, successful luxury brand is difficult, leaving those that possess them with intangible competitive advantages that are not easily overcome by new entrants. Growth in emerging middle classes and China will be the key demand drivers going forward, though the strongest brands will also grow successfully via market share gains. Though changes in consumer preferences should be watched closely, we like the structure of the group.

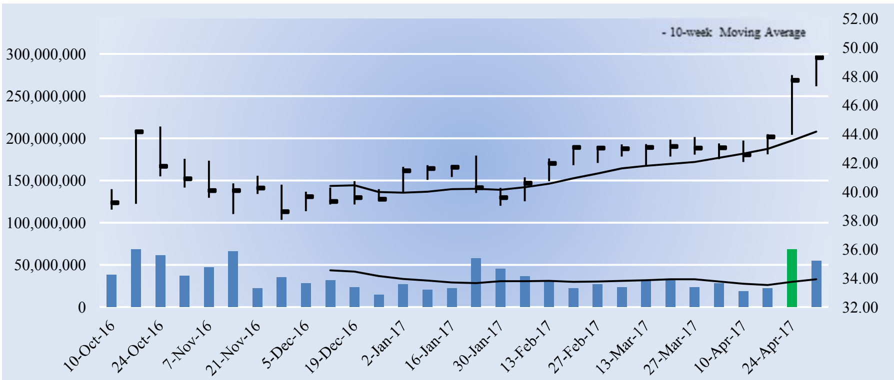
PayPal PYPL FAIRLY VALUED

Buying Index™ 6 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$51.00	$41.00 - $61.00	LARGE-CAP BLEND	Information Technology	Financial Tech Services

PayPal has done well in expanding its customer base and deepening engagement.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	44.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$60,047
Avg Weekly Vol (30 wks)	35,556
30-week Range (USD)	38.06 - 49.44
Valuentum Sector	Information Technology
5-week Return	14.1%
13-week Return	24.4%
30-week Return	22.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.48
P/E on Est. Normal Diluted EPS	19.8
Est. Normal EBITDA	4,745
Forward EV/EBITDA	16.0
EV/Est. Normal EBITDA	11.6
Forward Revenue Growth (5-yr)	14.3%
Forward EPS Growth (5-yr)	22.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	8.7%
Return on Assets	3.7%
ROIC, with goodwill	17.7%
ROIC, without goodwill	26.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-4,975
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.5
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• PayPal operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants worldwide. The company's platform allows customers to pay and get paid, transfer and withdraw funds to their bank accounts, and hold balances in their PayPal accounts in various currencies. PayPal was spun off from eBay in July 2015.

• PayPal will continue to innovate and update its products and platform. For example, the firm recently updated its order-ahead function, which allows customer to have orders ready and paid for when they arrive at a store, and it has helped in the race for digital wallet customers.

• PayPal's business is subject to extensive government regulation and oversight, as well as complex, overlapping and frequently changing rules, regulations and legal interpretations. Additionally, any factors that increase the costs of cross-border trade or restrict, delay, or make cross-border trade more difficult would lower its revenues and profits and could harm our business, providing additional geopolitical risk.

• PayPal continues to set itself up for long-term success. The firm has announced partnerships with Visa, MasterCard, and Discover that enhance customer service features, particularly in the area of digital payments. For example, its partnership with Visa allows Visa cards to be a clear and equal payment method on PayPal platforms.

• PayPal has done well in expanding its customer base and deepening engagement. For example, both active customer accounts and number of payment transactions per customer account increased at a double-digit rate in the first quarter of 2017 on a year-over-year basis.

Relative Valuation

	Forward P/E	PEG	Price / FV
Bottomline Tech	26.0	NMF	78.7%
Fiserv	23.2	2.4	141.2%
Mastercard	27.1	2.4	107.8%
Visa	27.1	1.9	109.6%
Peer Median	26.5	2.4	108.7%
PayPal	**27.4**	**1.9**	**96.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	9,248	10,842	12,696
Revenue, YoY%	15.2%	17.2%	17.1%
Operating Income	1,461	1,586	2,586
Operating Margin %	15.8%	14.6%	20.4%
Net Income	1,228	1,401	2,198
Net Income Margin %	13.3%	12.9%	17.3%
Diluted EPS	1.00	1.15	1.80
Diluted EPS, YoY %	191.9%	15.1%	56.3%
Free Cash Flow (CFO-capex)	1,824	2,489	2,693
Free Cash Flow Margin %	19.7%	23.0%	21.2%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

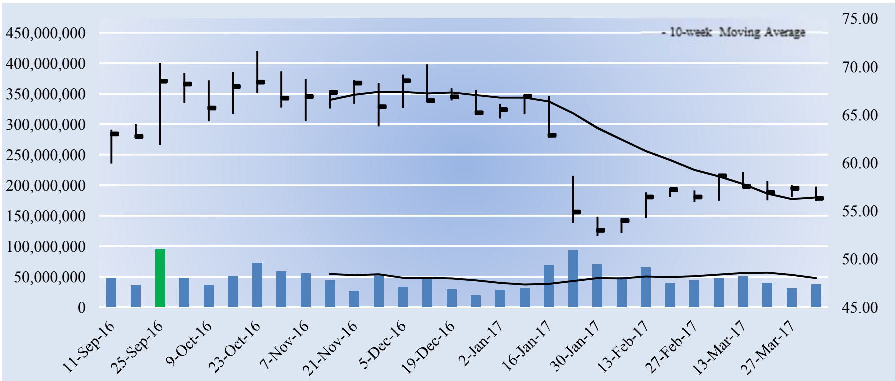
QUALCOMM QCOM FAIRLY VALUED

Buying Index™ 4 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$64.00	$51.00 - $77.00	LARGE-CAP VALUE	Information Technology	Communications Equipment

Apple and the Federal Trade Commission have accused QUALCOMM of anticompetitive practices.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	56.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$84,367
Avg Weekly Vol (30 wks)	48,413
30-week Range (USD)	52.37 - 71.62
Valuentum Sector	Information Technology
5-week Return	0.1%
13-week Return	-14.1%
30-week Return	-6.5%
Dividend Yield %	4.0%
Dividends per Share	2.28
Forward Dividend Payout Ratio	48.4%
Est. Normal Diluted EPS	5.10
P/E on Est. Normal Diluted EPS	11.0
Est. Normal EBITDA	9,457
Forward EV/EBITDA	8.5
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	2.3%
Forward EPS Growth (5-yr)	7.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	17.7%
Return on Assets	12.6%
ROIC, with goodwill	66.9%
ROIC, without goodwill	119.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	11,757
Net Debt	-6,891
Total Debt/EBITDA	1.5
Net Debt/EBITDA	NMF
EBITDA/Interest	25.9
Current Ratio	3.1
Quick Ratio	2.9

NMF = Not Meaningful

Investment Highlights

• QUALCOMM has revolutionized the mobile phone industry. Through its own R&D and through partnerships with other firms, the company develops breakthrough technology and then licenses it. The firm has one of the strongest Economic Castles in our coverage, but a breakup may be on the table. Job cuts to the tune of ~15% of its workforce have been announced.

• QUALCOMM agreed to acquire NXP Semiconductors in a cash deal worth ~$47 billion, building on mobile technology leadership in connectivity and Systems on a Chip. The firm expects to realize $500 million in annualized run-rate cost synergies within two years of the deal closing.

• You know a company's intellectual property is one-of-a-kind when it continues to face antitrust lawsuits. However, serious concerns arose after the Federal Trade Commission and Apple filed charges against QUALCOMM for anticompetitive behavior. The FTC claims the firm disrupted the supply of baseband processors to obtain elevated royalties and other favorable license terms.

• While the $1 billion lawsuit is grabbing headlines, the underlying issue is that Apple is essentially attacking how QUALCOMM runs its licensing business model. These developments come shortly after QUALCOMM was fined $854 million by South Korean regulators for unfair trade practices. We think the NXP deal may be at risk as a result.

• QUALCOMM is prepared to lead the world into 'The 5G Economy,' meaning the growing high speed wireless interconnectedness of smart devices. Automotive, mobile, Internet of Things, and connected infrastructure will be areas of focus moving forward.

Relative Valuation

	Forward P/E	PEG	Price / FV
CIENA	16.0	1.7	84.5%
EchoStar	29.5	5.1	123.0%
Harris Corp	19.7	2.2	117.2%
ViaSat	55.4	2.9	121.7%
Peer Median	24.6	2.5	119.4%
QUALCOMM	**12.0**	**1.9**	**88.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-15	Sep-16	Sep-17
Revenue	25,281	23,554	23,884
Revenue, YoY%	-4.6%	-6.8%	1.4%
Operating Income	7,069	6,269	7,661
Operating Margin %	28.0%	26.6%	32.1%
Net Income	5,271	5,705	6,909
Net Income Margin %	20.8%	24.2%	28.9%
Diluted EPS	3.22	3.81	4.71
Diluted EPS, YoY %	-26.9%	18.4%	23.6%
Free Cash Flow (CFO-capex)	4,512	6,861	7,721
Free Cash Flow Margin %	17.8%	29.1%	32.3%

In Millions of USD (except for per share items)

Structure of the Communications Equipment Industry — VERY POOR

The communications equipment industry continues to undergo rapid change, as network traffic expands, new service offerings are introduced, and end user demand shifts. Competition among communication network solution vendors remains intense, as securing new opportunities often requires agreeing to less favorable commercial terms and pricing. Rivalry among constituents will only increase in coming years, as Chinese equipment vendors gain entry into the US market and incumbent competitors strive to retain share. We don't think such conditions are favorable to generating long-term economic profit.

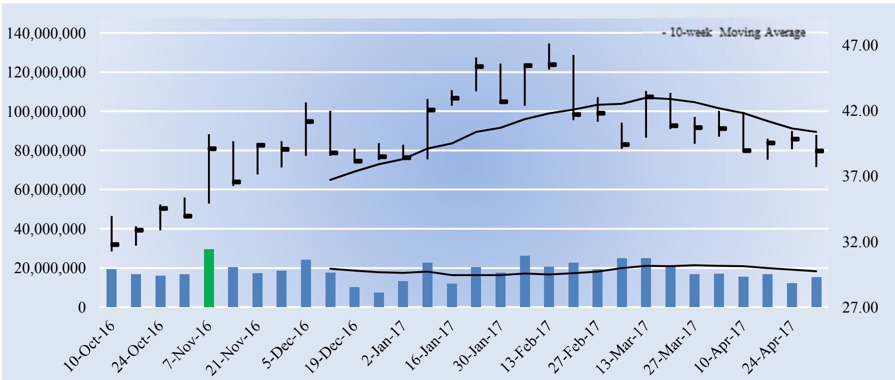
Rio Tinto RIO FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Neutral	$43.00	$32.00 - $54.00	LARGE-CAP VALUE	Materials	Mining - diversified

Rio Tinto's net debt position isn't great at more than $10 billion at the end of 2016, but it has fallen considerably from ~$22 billion in mid-2013.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	40.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$70,981
Avg Weekly Vol (30 wks)	18,405
30-week Range (USD)	31.24 - 47.11
Valuentum Sector	Materials
5-week Return	-4.7%
13-week Return	-8.4%
30-week Return	16.4%
Dividend Yield %	4.4%
Dividends per Share	1.71
Forward Dividend Payout Ratio	67.2%
Est. Normal Diluted EPS	4.03
P/E on Est. Normal Diluted EPS	9.7
Est. Normal EBITDA	14,054
Forward EV/EBITDA	8.6
EV/Est. Normal EBITDA	6.1
Forward Revenue Growth (5-yr)	2.1%
Forward EPS Growth (5-yr)	-252.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	4.1%
Return on Assets	1.7%
ROIC, with goodwill	18.1%
ROIC, without goodwill	18.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	23,624
Net Debt	14,154
Total Debt/EBITDA	2.2
Net Debt/EBITDA	1.3
EBITDA/Interest	14.6
Current Ratio	1.5
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Rio Tinto is one of the world's largest miners. The firm is a global leader in the aluminum industry and the second-largest producer supplying the global seaborne iron ore trade. It also has copper, diamonds, and coal operations. Rio is based in London, the United Kingdom.

• China's leading steel- and iron-producing province plans to cut its production capacity for 2017 by twice the amount it cut 2016 capacity. Metal prices have not reacted favorably since the news, and concerns over another extended supply glut are very real.

• We continue to like Rio Tinto's decision to strengthen its balance sheet by enhancing cash flows and reducing capital spending. A focus on debt repayment is also welcome news for long-term investors. Rio's net debt position isn't great at more than $10 billion at the end of 2016, but it has fallen considerably from ~$22 billion in mid-2013.

• We're big fans of the firm's Australian Pilbara operations, which have close proximity to some of the world's largest and fastest-growing markets for iron ore. The company also has a nice position on the cost curve for aluminum smelting, and its copper assets are of high quality.

• Iron ore and copper prices have been under pressure as of late, and Rio Tinto has not been spared the pain. However, the company has been preparing for such a downswing for some time, and it is better positioned than most of its peers as a result.

Relative Valuation

	Forward P/E	PEG	Price / FV
BHP Billiton	28.5	NMF	111.3%
Cliffs Natural Resources	5.9	NMF	104.7%
Freeport McMoRan	11.0	NMF	84.3%
Vale	6.4	NMF	116.7%
Peer Median	8.7	NMF	108.0%
Rio Tinto	**15.3**	**NMF**	**90.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	47,664	34,829	33,781
Revenue, YoY%	-6.9%	-26.9%	-3.0%
Operating Income	13,007	6,334	5,392
Operating Margin %	27.3%	18.2%	16.0%
Net Income	6,527	-866	4,644
Net Income Margin %	13.7%	-2.5%	13.7%
Diluted EPS	3.51	-0.47	2.55
Diluted EPS, YoY %	78.0%	NMF	NMF
Free Cash Flow (CFO-capex)	6,124	4,698	5,452
Free Cash Flow Margin %	12.8%	13.5%	16.1%

In Millions of USD (except for per share items)

Structure of the Diversified Mining Industry — POOR

The diversified mining industry is highly cyclical and almost entirely commoditized, with little differentiation from one firm to the next. Rising input costs can only be passed on to consumers if industry-wide prices increase. Exploration and development require large capital investments, which could pressure cash flows during weak economic times. A miner's position on the cost curve for each respective resource is a critical investment consideration, given the volatility of commodity prices. Though emerging market growth will be a key source of demand for years to come, we don't like the structure of the group.

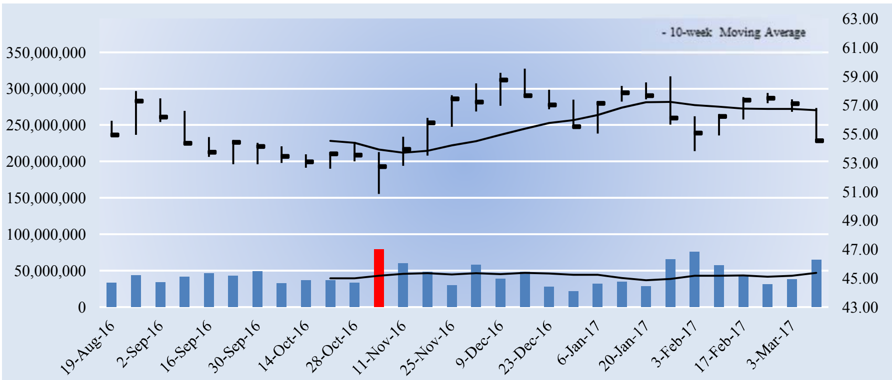
Starbucks SBUX FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$50.00	$40.00 - $60.00	LARGE-CAP GROWTH	Consumer Discretionary	Restaurants - Fast Food & Coffee

Starbucks has one of the strongest and most-recognized brands in the world, giving it notable pricing power.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	57.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$81,070
Avg Weekly Vol (30 wks)	43,763
30-week Range (USD)	50.84 - 59.54
Valuentum Sector	Consumer Discretionary
5-week Return	-0.9%
13-week Return	-6.9%
30-week Return	-2.0%
Dividend Yield %	1.7%
Dividends per Share	0.90
Forward Dividend Payout Ratio	41.8%
Est. Normal Diluted EPS	2.84
P/E on Est. Normal Diluted EPS	19.2
Est. Normal EBITDA	7,567
Forward EV/EBITDA	14.2
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	9.5%
Forward EPS Growth (5-yr)	13.7%

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

Returns Summary

3-year Historical Average	
Return on Equity	46.8%
Return on Assets	21.1%
ROIC, with goodwill	45.2%
ROIC, without goodwill	60.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,602
Net Debt	1,339
Total Debt/EBITDA	0.7
Net Debt/EBITDA	0.3
EBITDA/Interest	60.1
Current Ratio	1.0
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Starbucks purchases and roasts high-quality coffees that it sells, along with handcrafted coffee, tea and other beverages and a variety of fresh food items, through its company-operated stores. Global comparable sales growth has averaged in the mid-to-high single digits per annum during the past few years.

• Starbucks' China division is growing at a tremendous overall pace, as the firm is opening a store in China almost every day. Management expects its China business will eventually be larger than its US business. Performance in the region has been solid.

• Starbucks has one of the strongest and most-recognized brands in the world. We think its brand name is largely responsible for it being able to charge lofty prices, despite significant competition in each of its markets. Annual price increases across the menu appear to have become commonplace. We also like its unparalleled beverage innovation, recent step-change in food quality, and renewed focus on tea.

• Starbucks has achievable fiscal 2016 targets. Management expects revenue growth to be between 8% and 10% and global comparable store sales expansion in the mid-single digits; it anticipates openening an impressive 2,100 net new stores in the year. Non-GAAP EPS is targeted in the range of $2.12-$2.14.

• Investors should be cognizant that input (coffee) costs can be volatile. A variety of factors can influence the price of coffee, such as the strength of South American currencies relative to the dollar and weather patterns.

Relative Valuation

	Forward P/E	PEG	Price / FV
Dunkin' Brands	22.4	2.4	117.3%
McDonald's	20.6	2.7	136.1%
Wendy's Co	28.5	1.5	147.2%
Yum! Brands	23.4	1.5	98.9%
Peer Median	22.9	2.0	126.7%
Starbucks	**25.3**	**2.1**	**109.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-15	Sep-16	Sep-17
Revenue	19,163	21,316	22,915
Revenue, YoY%	16.5%	11.2%	7.5%
Operating Income	3,351	3,854	4,695
Operating Margin %	17.5%	18.1%	20.5%
Net Income	2,757	2,818	3,198
Net Income Margin %	14.4%	13.2%	14.0%
Diluted EPS	1.82	1.90	2.15
Diluted EPS, YoY %	34.5%	NMF	NMF
Free Cash Flow (CFO-capex)	2,445	3,135	2,899
Free Cash Flow Margin %	12.8%	14.7%	12.7%

In Millions of USD (except for per share items)

Structure of the Restaurants Industry - Fast Food & Coffee — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

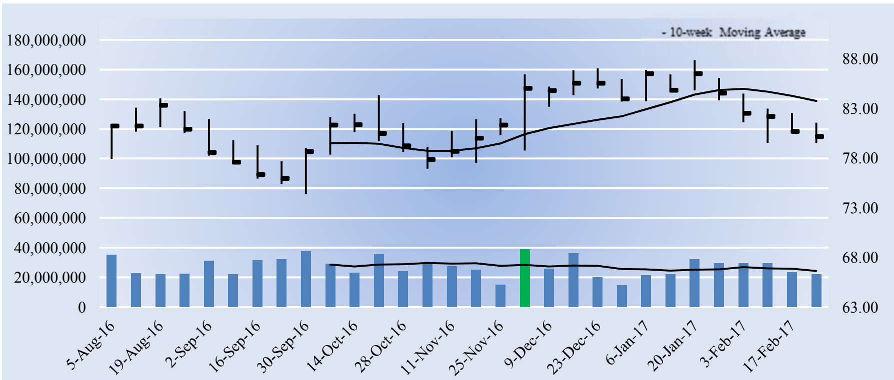
Schlumberger SLB FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$76.00	$61.00 - $91.00	LARGE-CAP GROWTH	Energy	Energy Equipment - Large

Schlumberger continues to navigate the tumultuous energy resource pricing environment by adjusting capacity.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	84.00

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

Company Vitals

Market Cap (USD)	$108,764
Avg Weekly Vol (30 wks)	26,992
30-week Range (USD)	74.33 - 87.84
Valuentum Sector	Energy
5-week Return	-6.6%
13-week Return	-1.5%
30-week Return	0.5%
Dividend Yield %	2.5%
Dividends per Share	2.00
Forward Dividend Payout Ratio	110.6%
Est. Normal Diluted EPS	3.82
P/E on Est. Normal Diluted EPS	21.0
Est. Normal EBITDA	13,501
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	8.8
Forward Revenue Growth (5-yr)	12.5%
Forward EPS Growth (5-yr)	-232.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	5.4%
Return on Assets	3.2%
ROIC, with goodwill	17.4%
ROIC, without goodwill	29.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	19,616
Net Debt	10,359
Total Debt/EBITDA	3.1
Net Debt/EBITDA	1.6
EBITDA/Interest	11.2
Current Ratio	1.6
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Schlumberger is the world's leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry. By market cap, the firm is bigger than the sum of its three main competitors (HAL, BHI, WFT) by a wide margin. The company was founded in 1926 and is based in Houston, Texas.

• Schlumberger is maintaining a constructive view of the oil market as supply and demand appear to be tightening. Third party sources have pegged global demand for 2017 between 1.3-1.6 million barrels per day compared to ~1.5 million in 2016.

• Schlumberger recently completed its acquisition of Cameron International for $14.8 billion in cash and stock. The transaction is expected to be accretive to Schlumberger's earnings in the first year after closing (April 2016), and synergies of $300 million and $600 million are expected in the first and second years. More industry consolidation has increased competition for complete drilling and production systems.

• Though Schlumberger has materially reduced its operating capacity the firm has maintained its core capabilities beyond that of its current operating requirements, which will create operating leverage that will allow the firm to improve both its market share and margins as crude oil markets stabilize.

• Technology remains at the core of Schlumberger. The firm's research transformation has shifted to a focus on increasing the rate of innovation, shortening the time to market, and improving product performance. High impact technology launches have surged as a result.

Business Quality

ValueRisk™ \ ValueCreation™	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
Baker Hughes	182.3	NMF	116.8%
Halliburton	43.6	NMF	114.9%
National Oilwell Varco	NMF	NMF	99.5%
Weatherford Intl	NMF	NMF	69.6%
Peer Median	113.0	NMF	107.2%
Schlumberger	**44.3**	**NMF**	**105.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	35,711	28,010	31,371
Revenue, YoY%	-26.9%	-21.6%	12.0%
Operating Income	5,566	2,285	3,721
Operating Margin %	15.6%	8.2%	11.9%
Net Income	2,072	-1,687	2,453
Net Income Margin %	5.8%	-6.0%	7.8%
Diluted EPS	1.63	-1.24	1.81
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	5,909	3,576	4,173
Free Cash Flow Margin %	16.5%	12.8%	13.3%

In Millions of USD (except for per share items)

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

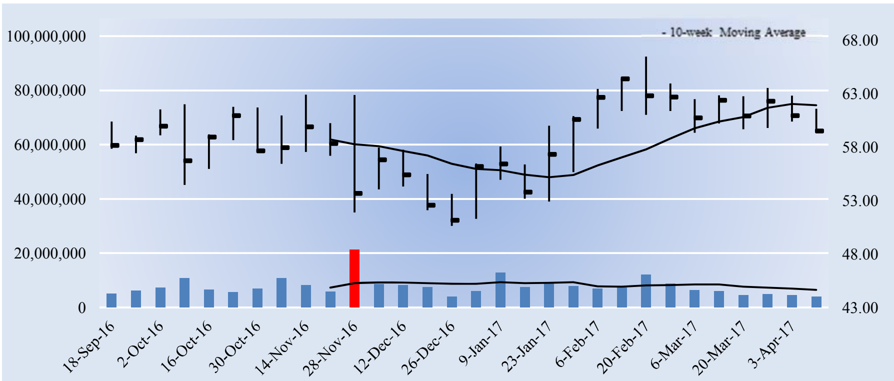
Splunk SPLK FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$50.00	$40.00 - $60.00	MID-CAP GROWTH	Information Technology	Software

Splunk's software collects and indexes the machine-generated big data coming from websites, servers, networks and mobile devices that power business.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	AGGRESSIVE
Technical Evaluation	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	62.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				X
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$7,966
Avg Weekly Vol (30 wks)	7,704
30-week Range (USD)	50.64 - 66.46
Valuentum Sector	Information Technology
5-week Return	-1.7%
13-week Return	5.9%
30-week Return	0.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.00
P/E on Est. Normal Diluted EPS	59.7
Est. Normal EBITDA	341
Forward EV/EBITDA	38.7
EV/Est. Normal EBITDA	20.2
Forward Revenue Growth (5-yr)	23.9%
Forward EPS Growth (5-yr)	-186.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	-34.4%
Return on Assets	-19.2%
ROIC, with goodwill	29.5%
ROIC, without goodwill	43.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-1,083
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	-109.9
Current Ratio	2.0
Quick Ratio	2.0

NMF = Not Meaningful

Investment Highlights

• Splunk provides the engine for machine data. Its software collects and indexes the machine-generated big data coming from websites, servers, networks and mobile devices that power business. The firm's software enables organizations to monitor, search, analyze, visualize and act on massive streams of real-time and historical machine data.

• The firm's software is designed to accelerate adoption and return on investment. It does not require customization or extensive professional services. Users can simply download and install the software in a matter of hours.

• The market for software that provides operational intelligence presents a substantial opportunity as data grows, creating new opportunities. Splunk has invested a substantial amount of resources developing its products and technology to address this market, specifically with respect to machine data.

• Splunk recently raised its fiscal 2018 total revenue guidance to approximately $1.185 billion (was ~$1.175 billion), and is expecting cloud revenues to be roughly $85 million in the year compared to ~$48 million in fiscal 2017. Management is also targeting a non-GAAP operating margin of ~8% in the fiscal year.

• Splunk is growing like a weed. The firm's total revenue has advanced at a tremendous rate, but IT spending concerns have provided material drag on the space. Operating cash flow and free cash flow measures have also been robust.

Relative Valuation

	Forward P/E	PEG	Price / FV
F5 Networks	16.0	1.6	103.4%
Microsoft	21.7	2.0	104.8%
Oracle	16.6	1.8	86.3%
Salesforce.com	63.8	5.2	113.9%
Peer Median	19.1	1.9	104.1%
Splunk	**99.8**	**NMF**	**119.0%**

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

Financial Summary

Fiscal Year End:	----- Actual ----- Jan-16	Jan-17	Projected Jan-18
Revenue	668	950	1,203
Revenue, YoY%	48.3%	42.1%	26.6%
Operating Income	-288	-344	136
Operating Margin %	-43.1%	-36.2%	11.3%
Net Income	-279	-355	87
Net Income Margin %	-41.7%	-37.4%	7.2%
Diluted EPS	-2.20	-2.65	0.60
Diluted EPS, YoY %	21.3%	20.6%	NMF
Free Cash Flow (CFO-capex)	104	157	73
Free Cash Flow Margin %	15.6%	16.5%	6.1%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

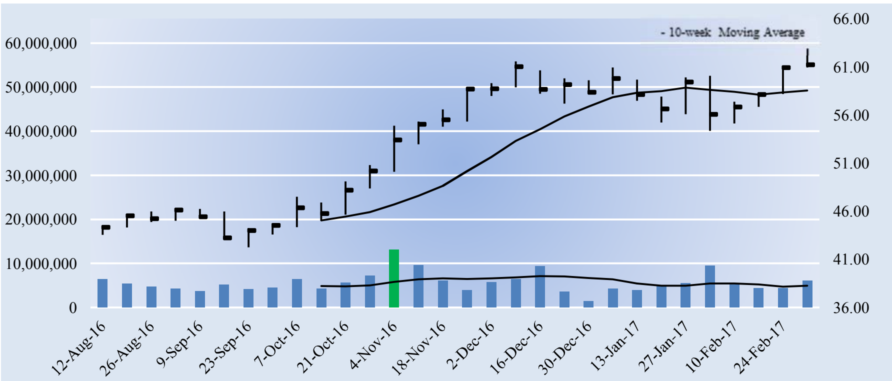
Spirit AeroSystems SPR FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$64.00	$51.00 - $77.00	MID-CAP VALUE	Industrials	A&D Suppliers

We don't think the ties between Boeing and Spirit will ever be severed.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	59.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$7,775
Avg Weekly Vol (30 wks)	5,635
30-week Range (USD)	42.26 - 62.9
Valuentum Sector	Industrials
5-week Return	3.9%
13-week Return	3.5%
30-week Return	40.4%
Dividend Yield %	0.2%
Dividends per Share	0.10
Forward Dividend Payout Ratio	2.0%
Est. Normal Diluted EPS	5.37
P/E on Est. Normal Diluted EPS	11.4
Est. Normal EBITDA	1,199
Forward EV/EBITDA	7.4
EV/Est. Normal EBITDA	6.8
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	9.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	29.5%
Return on Assets	9.9%
ROIC, with goodwill	25.6%
ROIC, without goodwill	25.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,087
Net Debt	389
Total Debt/EBITDA	1.1
Net Debt/EBITDA	0.4
EBITDA/Interest	16.7
Current Ratio	1.9
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Spirit is one of the largest independent non-OEM (original equipment manufacturer) aircraft parts designers and manufacturers of commercial aerostructures in the world. It is the largest independent supplier of aerostructures to Boeing. The company was founded in 1927 and is headquartered in Wichita, Kansas.

• The commercial aerospace industry is one of the strongest industries on the market with significant visibility thanks in part to the burgeoning backlogs at the airframe makers. We expect upside to management's revenue and earnings guidance.

• The company makes aerostructures for every Boeing commercial aircraft currently in production besides the 787, including the majority of the airframe content for the Boeing 737, the most popular major commercial aircraft in history. The company's backlog has expanded to over $47 billion at the end of 2016 from $19 billion in 2006.

• Spirit is expecting very modest revenue growth in 2017, with guidance coming in a range of $6.8-$6.9 billion compared to ~$6.8 billion in 2016. Earnings per diluted share guidance has been issued in a range of $4.60-$4.85, while free cash flow is being targeted at $450-$500 million for the year compared to over $460 million in 2016.

• We like Spirit's industry leading capability from design using base materials to a fully installed operational flight deck to reliable delivery and support. We don't think the ties between Boeing and Spirit will ever be severed.

Relative Valuation

	Forward P/E	PEG	Price / FV
Astronics	17.6	1.4	81.9%
Rockwell Collins	17.8	1.9	118.3%
Hexcel Corp	19.5	1.9	116.5%
Rockwell Collins	15.8	2.4	112.3%
Peer Median	17.7	1.9	114.4%
Spirit AeroSystems	**12.5**	**1.8**	**95.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	6,644	6,793	6,874
Revenue, YoY%	-2.3%	2.2%	1.2%
Operating Income	863	737	881
Operating Margin %	13.0%	10.9%	12.8%
Net Income	789	470	621
Net Income Margin %	11.9%	6.9%	9.0%
Diluted EPS	5.66	3.70	4.89
Diluted EPS, YoY %	NMF	NMF	32.2%
Free Cash Flow (CFO-capex)	930	463	563
Free Cash Flow Margin %	14.0%	6.8%	8.2%

In Millions of USD (except for per share items)

Structure of the A&D Supplier Industry — GOOD

The aerospace supply chain will benefit from the multi-year backlogs at the airframe makers, Boeing and Airbus. Though the current upswing looks robust, commercial aerospace has historically been cyclical and remains influenced by airline profits, passenger traffic, credit-market health, and geopolitical conditions. Participants generally operate under contracts with significant long-term price concessions, so cost-containment remains critical. The strongest suppliers are those that have long-standing customer relationships, technical expertise, and state-of-the-art manufacturing facilities. We like the group.

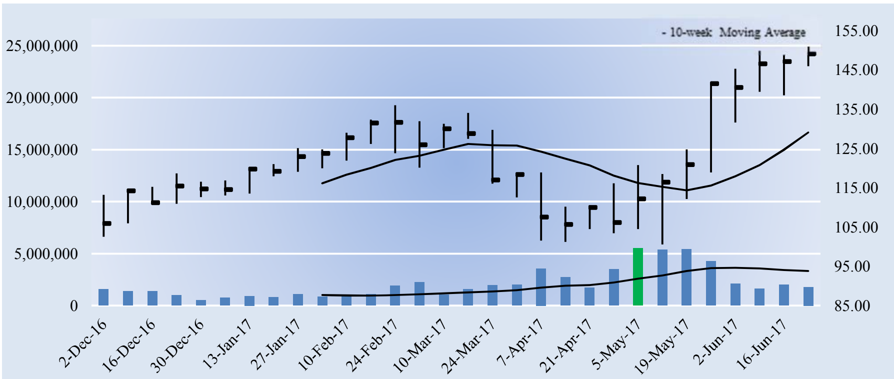
Stamps.com STMP FAIRLY VALUED

Buying Index™ 6 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$118.00	$83.00 - $153.00	MID-CAP GROWTH	Consumer Discretionary	Internet & Catalog Retail

Stamps.com is firing on all cylinders, and we like the recurring nature of its service revenue.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	HIGH
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	129.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$2,720
Avg Weekly Vol (30 wks)	2,095
30-week Range (USD)	100.55 - 150.85
Valuentum Sector	Consumer Discretionary
5-week Return	22.8%
13-week Return	29.0%
30-week Return	32.1%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	8.23
P/E on Est. Normal Diluted EPS	18.1
Est. Normal EBITDA	273
Forward EV/EBITDA	11.7
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	10.1%
Forward EPS Growth (5-yr)	16.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	13.9%
Return on Assets	9.6%
ROIC, with goodwill	29.8%
ROIC, without goodwill	54.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	157
Net Debt	48
Total Debt/EBITDA	1.1
Net Debt/EBITDA	0.3
EBITDA/Interest	39.2
Current Ratio	1.9
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• Stamps.com provides Internet-based services for mailing letters and packages. The firm's PC Postage service allows customers to print US postage using any PC, any ordinary printer, and an Internet connection--a significant convenience for customers. The company was founded in 1996 and is headquartered in California.

• Stamps.com is firing on all cylinders. In 2016, for example, core mailing and shipping revenue, including small business and enterprise customers, advanced 70% compared to 2015, while customized postage revenue leapt 88%. Adjusted EBITDA more than doubled in the year.

• Though email and social media have dampened growth in the US postage market, it remains large at over $50 billion annually and consists of roughly 8 million small businesses and 14 million home businesses. Along withe the above opportunities, Stamps.com continues to target growth via acquisitions. In 2016, it acquired ShippingEasy after buying Endicia in 2015.

• The firm's mailing and shipping business has a degree of recurring revenue in it. Service revenue is earned through various subscription and transaction based revenue models, and supply store and package insurance are recurring in nature. This adds some reliability to its growth prospects.

• Seemingly with each passing year, Stamps.com registers the highest postage printed by its customer base, the highest number of paid customers, the highest package volume in its shipping area, and the highest number of enterprise customers.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	NMF	NMF	152.8%
eBay	17.5	NMF	107.8%
Expedia	28.7	2.0	119.7%
Priceline.com	43.9	1.2	92.9%
Peer Median	28.7	1.6	113.8%
Stamps.com	**20.2**	**2.2**	**126.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	214	364	427
Revenue, YoY%	45.3%	70.3%	17.1%
Operating Income	51	120	217
Operating Margin %	23.7%	33.0%	50.8%
Net Income	-4	75	137
Net Income Margin %	-2.0%	20.7%	32.2%
Diluted EPS	-0.26	4.12	7.37
Diluted EPS, YoY %	NMF	NMF	78.8%
Free Cash Flow (CFO-capex)	44	140	155
Free Cash Flow Margin %	20.6%	38.4%	36.2%

In Millions of USD (except for per share items)

Structure of the Internet & Catalog Retail Industry GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

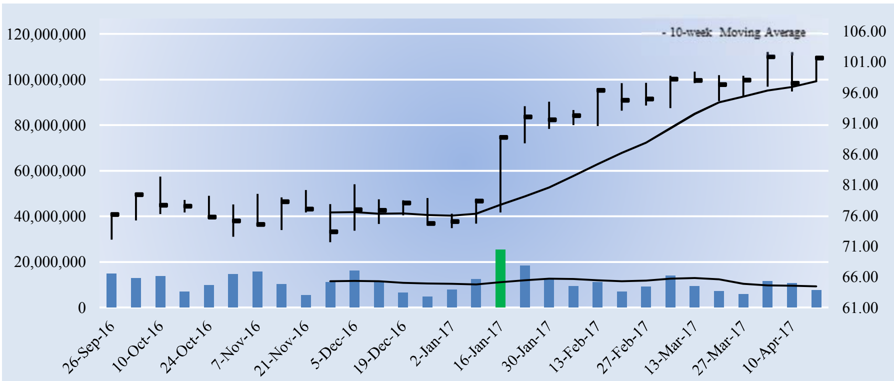
Skyworks SWKS FAIRLY VALUED

Buying Index™ 5 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$103.00	$77.00 - $129.00	LARGE-CAP VALUE	Information Technology	Integrated Circuits

Skyworks is capitalizing on multiple secular demand trends that are expected to fuel growth for years to come.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	98.00

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$19,517
Avg Weekly Vol (30 wks)	11,109
30-week Range (USD)	71.65 - 102.64
Valuentum Sector	Information Technology
5-week Return	3.7%
13-week Return	14.3%
30-week Return	37.4%
Dividend Yield %	1.1%
Dividends per Share	1.12
Forward Dividend Payout Ratio	17.8%
Est. Normal Diluted EPS	7.69
P/E on Est. Normal Diluted EPS	13.2
Est. Normal EBITDA	2,151
Forward EV/EBITDA	10.4
EV/Est. Normal EBITDA	8.6
Forward Revenue Growth (5-yr)	7.9%
Forward EPS Growth (5-yr)	11.1%

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

Returns Summary

3-year Historical Average

Return on Equity	25.8%
Return on Assets	22.5%
ROIC, with goodwill	38.2%
ROIC, without goodwill	65.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-1,084
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	9.5
Quick Ratio	7.1

NMF = Not Meaningful

Investment Highlights

• Skyworks is an innovator of high performance analog semiconductors. The firm supports automotive, broadband, energy management, GPS, industrial, medical, military, wireless networking, and smartphone/tablet applications. Its products run the gamut from amplifiers to voltage regulators. The company was founded in 1962 and is headquartered in Massachusetts.

• Skyworks has a degree of customer concentration risk. Foxconn Technology Group accounted for 40% of net revenue in fiscal 2016. At the end of the fiscal year, its three largest accounts receivables balances comprised 54% of aggregate gross accounts receivable.

• The company's recent fundamental strength is being driven by the proliferation of connectivity across a broad range of end markets and applications. The global trend to connect 'everything' is playing into Skyworks' hands. The total number of connected devices, for example, could reach an impressive 75+ billion by 2020.

• Skyworks is capitalizing on the strength of mobile and the Internet of Things. Mobile devices are rapidly evolving to address the massive demand for data and speed, and the firm is well-positioned to help resolve such a complex issue. The number of machine-to-machine connections is expected to grow to 12.2 billion in 2020 from 4.9 billion in 2015.

• Power management is a significant growth avenue for Skyworks. Its market potential of $2+ billion in this area is a needle-mover and spans LED flash drivers to analog devices in smartphones and e-book readers.

Relative Valuation

	Forward P/E	PEG	Price / FV
Analog Devices	19.2	2.3	119.4%
Marvell Tech	14.6	2.5	99.3%
Semtech Corp	18.9	1.8	104.8%
Taiwan Semiconductor	15.0	2.7	106.7%
Peer Median	16.9	2.4	105.8%
Skyworks	**16.1**	**1.8**	**98.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-15	Sep-16	Sep-17
Revenue	3,258	3,289	3,582
Revenue, YoY%	42.2%	0.9%	8.9%
Operating Income	1,027	1,124	1,499
Operating Margin %	31.5%	34.2%	41.9%
Net Income	798	995	1,209
Net Income Margin %	24.5%	30.3%	33.7%
Diluted EPS	4.10	5.18	6.29
Diluted EPS, YoY %	72.4%	26.5%	21.5%
Free Cash Flow (CFO-capex)	563	900	1,138
Free Cash Flow Margin %	17.3%	27.4%	31.8%

In Millions of USD (except for per share items)

Structure of the Integrated Circuits Industry — VERY POOR

Firms in the integrated circuits industry make components that form the electronic building blocks used in electronic systems and equipment. The industry is notoriously cyclical and subject to significant economic upturns and downturns, as well as rapid technological changes. Firms must innovate to survive, and products stocked in inventory can sometimes become obsolete before they are even shipped. Severe pricing competition and lengthy manufacturing cycles only add uncertainty to the mix. We're not fans of the structure of the integrated circuits space.

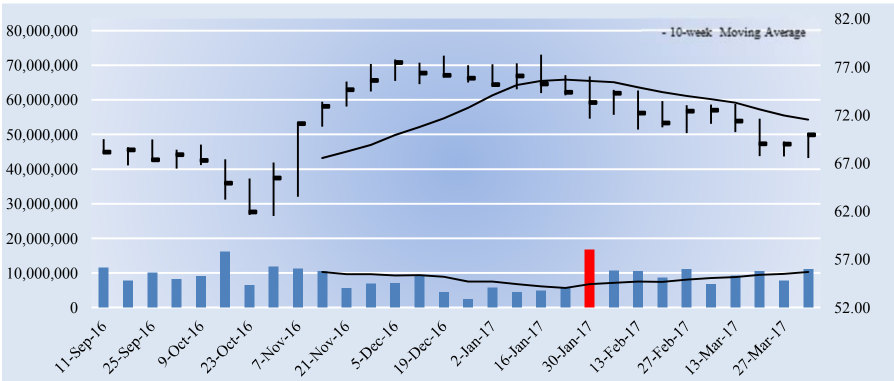
Tractor Supply Co TSCO FAIRLY VALUED

Buying Index™ 3 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$71.00	$57.00 - $85.00	MID-CAP VALUE	Consumer Discretionary	Specialty Retailers

Tractor Supply Co has a loyal customer base and significant growth potential.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**72.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$9,571
Avg Weekly Vol (30 wks)	8,701
30-week Range (USD)	61.5 - 78.25
Valuentum Sector	Consumer Discretionary
5-week Return	-3.4%
13-week Return	-7.0%
30-week Return	2.8%
Dividend Yield %	1.4%
Dividends per Share	0.96
Forward Dividend Payout Ratio	29.3%
Est. Normal Diluted EPS	4.49
P/E on Est. Normal Diluted EPS	15.6
Est. Normal EBITDA	1,067
Forward EV/EBITDA	11.7
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	8.5%
Forward EPS Growth (5-yr)	15.8%

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

Returns Summary

3-year Historical Average	
Return on Equity	29.5%
Return on Assets	18.6%
ROIC, with goodwill	27.8%
ROIC, without goodwill	28.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	168
Net Debt	104
Total Debt/EBITDA	0.2
Net Debt/EBITDA	0.1
EBITDA/Interest	267.8
Current Ratio	2.2
Quick Ratio	0.1

NMF = Not Meaningful

Investment Highlights

- Tractor Supply Co is the largest operator of retail farm and ranch stores in the US with over 1,600 stores in more than 45 states, focused on supplying the lifestyle needs of recreational farmers and ranchers. It was founded in 1938 and is based in Tennessee.

- The company continues to have an 'operating profit' philosophy. It has a balanced focus on sales and margin, and the firm will not risk market share for margin rate. We like this focus quite a bit as it often leads to higher returns on capital.

- Though Tractor Supply Co has a loyal customer base, weather and other seasonal factors can impact quarterly results. It believes it has growth opportunities in feed, live goods, and equipment for the sustainably conscious consumer, as well as in services to support the rural lifestyle its loyal customers need.

- Management is expecting 2017 sales to be in a range of $7.22-$7.29 billion, to be driven in part by comparable store sales growth expectations of 2%-3%. Though it is expecting operating margin pressure of 25-40 basis points as store count growth continues, EPS guidance has been issued in a range of $3.44-$3.52.

- Tractor Supply has significant growth potential. Management believes its total store potential could reach 2,100 -- hundreds more than it has today. The company's expansion potential is broad across the US. It plans to open ~100 new stores in 2017.

Relative Valuation

	Forward P/E	PEG	Price / FV
Best Buy	13.0	NMF	104.8%
Home Depot	20.3	1.9	119.6%
Lowe's	17.6	1.8	117.3%
Office Depot	10.1	NMF	79.7%
Peer Median	15.3	1.8	111.1%
Tractor Supply Co	**21.4**	**1.5**	**98.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-14	Dec-15	Dec-16
Revenue	5,712	6,227	6,780
Revenue, YoY%	10.6%	9.0%	8.9%
Operating Income	589	651	695
Operating Margin %	10.3%	10.4%	10.2%
Net Income	371	410	439
Net Income Margin %	6.5%	6.6%	6.5%
Diluted EPS	2.66	3.00	3.27
Diluted EPS, YoY %	14.8%	12.8%	9.1%
Free Cash Flow (CFO-capex)	249	193	413
Free Cash Flow Margin %	4.4%	3.1%	6.1%

In Millions of USD (except for per share items)

Structure of the Specialty Retailers Industry — NEUTRAL

The specialty retail segment is fragmented, highly competitive, and economically-sensitive. The group covers a broad array of businesses and is dominated by retailers with large brick-and-mortar store footprints. Though some constituents may be insulated from e-commerce competition, others risk obsolescence as product distribution moves to digital means, and online retailers offer lower prices for identical goods and services. We're fairly neutral on the structure of the industry, though some constituents will inevitably face secular and permanent declines.

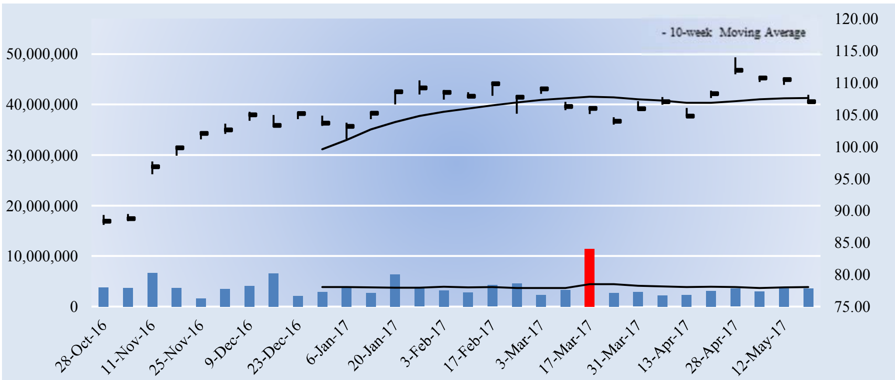
Union Pacific UNP FAIRLY VALUED

Buying Index™ 3 | Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$100.00	$80.00 - $120.00	LARGE-CAP CORE	Industrials	Railroads

We expect Union Pacific's operating ratio to be among the best in the railroad group by the end of this decade.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	108.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low			■	
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$89,430
Avg Weekly Vol (30 wks)	3,817
30-week Range (USD)	87.79 - 113.95
Valuentum Sector	Industrials
5-week Return	-1.1%
13-week Return	1.4%
30-week Return	20.4%
Dividend Yield %	2.3%
Dividends per Share	2.42
Forward Dividend Payout Ratio	41.7%
Est. Normal Diluted EPS	6.98
P/E on Est. Normal Diluted EPS	15.3
Est. Normal EBITDA	12,095
Forward EV/EBITDA	9.8
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	9.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	22.7%
Return on Assets	8.9%
ROIC, with goodwill	11.1%
ROIC, without goodwill	11.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15,007
Net Debt	13,670
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.5
EBITDA/Interest	13.3
Current Ratio	1.0
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• One of America's most recognized companies, Union Pacific links 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. The railroad's diversified business mix includes agricultural products, automotive, chemicals, coal, industrial products and intermodal.

• Pricing strength has been a huge lever for Union Pacific, and the company continues to align its resources to current demand levels. Total volumes have been under pressure in recent years, but Trump's infrastructure-related growth plans have increased optimism for the industry.

• We expect the firm's operating ratio to be among the best in the railroad group by the end of this decade, and we like its exposure to growth in Mexico and export expansion on the West Coast. The company is targeting an operating ratio of 60% in 2019 (was 63.5% in 2016). For 2017 it is expecting low single digit volume growth and price gains above inflation, along with productivity savings of $350-$400 million.

• As with its peers, the firm is levered to coal, though we note its mix is more of the Powder River Basin variety, which should continue to take share from Central Appalachian coal in the domestic market. Global coal oversupply isn't helping matters. The firm also boasts a strong Dividend Cushion ratio and a decent annual yield.

• Our forecasts for Union Pacific include one of the lowest cost of equity assumptions and relatively strong top-line performance in the out-years coupled with strong operating earnings performance. If the company comes up short, there is downside risk to the valuation.

Relative Valuation

	Forward P/E	PEG	Price / FV
Canadian National	19.5	1.1	118.8%
CSX Corp	22.1	1.7	139.9%
Kansas City Southern	17.6	1.8	111.4%
Norfolk Southern	17.7	1.8	119.2%
Peer Median	18.6	1.7	119.0%
Union Pacific	**18.5**	**2.1**	**107.1%**

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

Financial Summary

Fiscal Year End:	Dec-15 (Actual)	Dec-16 (Actual)	Dec-17 (Projected)
Revenue	21,813	19,941	21,118
Revenue, YoY%	-9.1%	-8.6%	5.9%
Operating Income	8,976	7,272	8,351
Operating Margin %	41.1%	36.5%	39.5%
Net Income	4,772	4,233	4,795
Net Income Margin %	21.9%	21.2%	22.7%
Diluted EPS	5.49	5.07	5.80
Diluted EPS, YoY %	-4.5%	-7.7%	14.4%
Free Cash Flow (CFO-capex)	2,694	4,020	3,913
Free Cash Flow Margin %	12.4%	20.2%	18.5%

In Millions of USD (except for per share items)

Structure of the Railroads Industry — GOOD

The railroad industry operates at a significant competitive advantage relative to motor transportation in that it can charge lower rates for long-haul bulk shipments (coal, grain, rock). Still, participants face competition from other railroads that operate parallel routes, from motor carriers that provide similar services, and from barges in routes close to inland and Gulf Coast waterways. Operating a railroad is a capital-intensive proposition, and participants face cost pressures from both union labor and fuel. Pricing and volume trends in commodity categories can be quite volatile from year to year. We like the group.

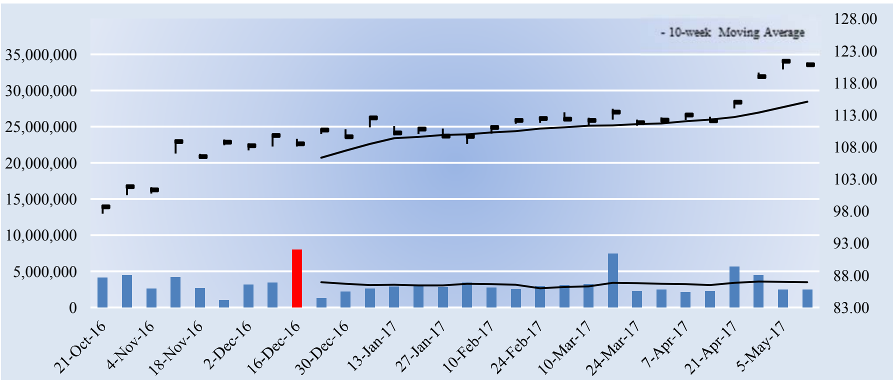
United Technologies UTX FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$106.00	$85.00 - $127.00	LARGE-CAP CORE	Industrials	Conglomerates

China is expected to be a long-term growth driver for United Tech, even if near-term ebbs and flows persist.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
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)	BULLISH
Near-term Technical Support, 10-week MA	115.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$99,818
Avg Weekly Vol (30 wks)	3,264
30-week Range (USD)	97.62 - 121.45
Valuentum Sector	Industrials
5-week Return	7.8%
13-week Return	8.0%
30-week Return	22.8%
Dividend Yield %	2.2%
Dividends per Share	2.64
Forward Dividend Payout Ratio	39.7%
Est. Normal Diluted EPS	8.44
P/E on Est. Normal Diluted EPS	14.3
Est. Normal EBITDA	12,291
Forward EV/EBITDA	11.2
EV/Est. Normal EBITDA	9.7
Forward Revenue Growth (5-yr)	3.7%
Forward EPS Growth (5-yr)	11.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	18.1%
Return on Assets	6.0%
ROIC, with goodwill	10.8%
ROIC, without goodwill	21.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	21,697
Net Debt	19,134
Total Debt/EBITDA	2.3
Net Debt/EBITDA	2.0
EBITDA/Interest	8.1
Current Ratio	1.3
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• United Tech's commercial businesses are Otis elevators and escalators and UTC Climate, Controls & Security. The firm's aerospace businesses include UTC Propulsion & Aerospace Systems, which includes Pratt & Whitney aircraft engines and UTC Aerospace Systems products. The company was founded in 1934.

• United Tech parted ways with a valuable asset recently in Sikorsky Aircraft. Lockheed Martin was the lucky winner, but the $9 billion price tag makes parting with it a little easier for United Tech. Buybacks appear forthcoming, and restructuring initiatives aren't over.

• Though near-term ebbs and flows to incremental growth are inevitable, China will be a long-term growth driver for United Tech. More than 100 million more people are expected to urbanize in China in the next five years, and estimates suggest there will be even more cities in China with more than 1 million inhabitants by 2025, as it continues to transition to a consumer consumption economy.

• We're big fans of United Tech's decision to pick up Goodrich to augment its commercial aerospace portfolio. Revenue passenger miles (air travel) are expected to expand at a rapid pace in coming decades, and annual aircraft deliveries should follow suit. The commercial backlogs at the airframe makers are simply tremendous.

• 2017 is shaping up to be as good a year as 2016 was for United Tech, but some investors may still be disappointed. Management is targeting earnings per share in 2017 to be in the range of $6.30-$6.60 on sales of $57.5-$59 billion, and free cash flow conversion of 90%-100%.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	21.7	3.1	133.7%
Danaher	20.9	2.0	115.1%
General Electric	17.2	1.3	94.2%
Honeywell	18.4	2.6	119.5%
Peer Median	19.6	2.3	117.3%
United Technologies	**18.2**	**1.7**	**114.0%**

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

Financial Summary

Fiscal Year End:	----- Actual ----- Dec-15	Dec-16	Projected Dec-17
Revenue	56,098	57,244	58,847
Revenue, YoY%	-13.8%	2.0%	2.8%
Operating Income	7,502	7,387	8,586
Operating Margin %	13.4%	12.9%	14.6%
Net Income	3,996	5,065	5,380
Net Income Margin %	7.1%	8.8%	9.1%
Diluted EPS	4.52	6.13	6.65
Diluted EPS, YoY %	-33.7%	35.5%	8.4%
Free Cash Flow (CFO-capex)	4,666	4,325	5,572
Free Cash Flow Margin %	8.3%	7.6%	9.5%

In Millions of USD (except for per share items)

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

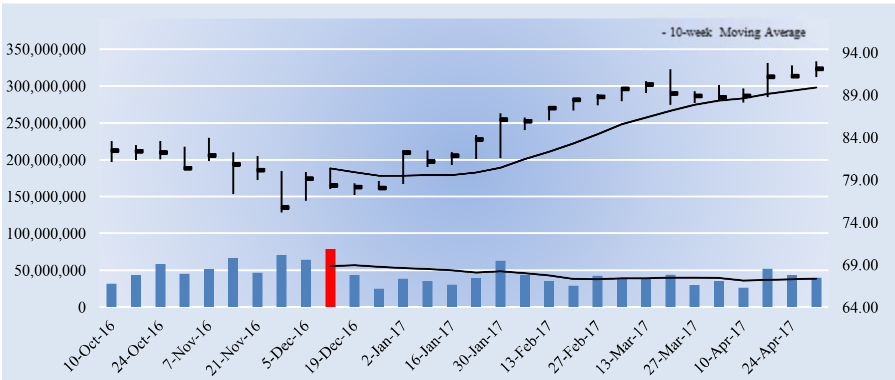
Visa V FAIRLY VALUED

Buying Index™ 5 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$84.00	$67.00 - $101.00	MEGA-CAP GROWTH	Information Technology	Financial Tech Services

We think Visa is one of the best operators in one of the strongest industries.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**HIGH**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**90.00**

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

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$222,305
Avg Weekly Vol (30 wks)	44,087
30-week Range (USD)	75.17 - 92.98
Valuentum Sector	Information Technology
5-week Return	3.3%
13-week Return	7.0%
30-week Return	10.8%
Dividend Yield %	0.7%
Dividends per Share	0.66
Forward Dividend Payout Ratio	19.4%
Est. Normal Diluted EPS	4.69
P/E on Est. Normal Diluted EPS	19.6
Est. Normal EBITDA	15,602
Forward EV/EBITDA	17.4
EV/Est. Normal EBITDA	14.6
Forward Revenue Growth (5-yr)	12.3%
Forward EPS Growth (5-yr)	19.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.4%
Return on Assets	14.0%
ROIC, with goodwill	38.9%
ROIC, without goodwill	76.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15,882
Net Debt	5,917
Total Debt/EBITDA	1.5
Net Debt/EBITDA	0.6
EBITDA/Interest	24.0
Current Ratio	1.8
Quick Ratio	1.6

NMF = Not Meaningful

Investment Highlights

• Visa is the largest retail electronic payments network based on payments volume, total volume and number of transactions. The company benefits from one of the strongest competitive advantages out there – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle.

• Visa is not a bank and does not issue credit cards. The firm takes on no credit risk--unlike American Express and Discover Financial--but remains an integral part of the trend toward a cashless society. Sales are primarily generated from payments volume on Visa-branded cards.

• Visa has acquired Visa Europe in a deal valued north of 21 billion euros ($23+ billion). The deal has unified the brand globally after eight years as separate companies. The transaction includes a payment of 16.5 billion euros upfront and another of as much as 4.7 billion euros after the fourth anniversary of closing. Visa added $15+ billion debt to finance the deal, flipping its balance sheet to a net debt position.

• In fiscal 2017, Visa is expecting net revenue growth of 16%-18% on a nominal dollar basis, which includes a negative 1%-1.5% impact from foreign currency, and client incentives are projected to be 20.5%-21.5% of gross revenues. Adjusted, diluted earnings per share growth is projected to be in the mid-teens in the year on a non-GAAP basis.

• Visa is included in the Best Ideas portfolio, and we think the company is one of the best operators in one of the strongest industries, the Financial Tech Services industry. The company's fundamentals are rock-solid, in our view.

Relative Valuation

	Forward P/E	PEG	Price / FV
Bottomline Tech	26.0	NMF	78.7%
Fiserv	23.2	2.4	141.2%
Mastercard	27.1	2.4	107.8%
Western Union	11.4	1.4	77.6%
Peer Median	24.6	2.4	93.2%
Visa	**27.1**	**1.9**	**109.6%**

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

Financial Summary

Fiscal Year End:	Sep-15 (Actual)	Sep-16 (Actual)	Sep-17 (Projected)
Revenue	13,880	15,082	18,038
Revenue, YoY%	9.3%	8.7%	19.6%
Operating Income	9,078	9,762	12,519
Operating Margin %	65.4%	64.7%	69.4%
Net Income	6,328	5,991	8,052
Net Income Margin %	45.6%	39.7%	44.6%
Diluted EPS	2.58	2.48	3.40
Diluted EPS, YoY %	19.5%	-3.6%	37.1%
Free Cash Flow (CFO-capex)	6,170	5,051	8,911
Free Cash Flow Margin %	44.5%	33.5%	49.4%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

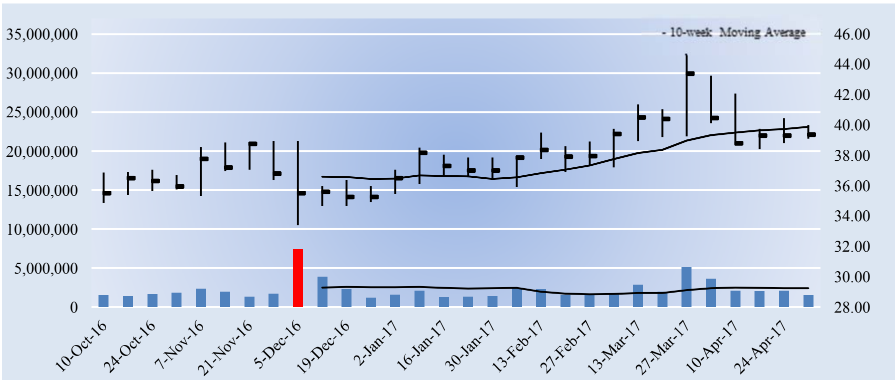
Verint VRNT UNDERVALUED 1.7%

Buying Index™ 3 | **Value Rating** ✓

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	$50.00	$40.00 - $60.00	MID-CAP VALUE	Information Technology	Business Services

Demand for Verint's solutions is being driven by the need for intelligence to create engaged workforces and smarter customer engagements.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	40.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$2,476
Avg Weekly Vol (30 wks)	2,212
30-week Range (USD)	33.4 - 44.7
Valuentum Sector	Information Technology
5-week Return	-8.8%
13-week Return	6.2%
30-week Return	7.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.04
P/E on Est. Normal Diluted EPS	19.3
Est. Normal EBITDA	324
Forward EV/EBITDA	20.3
EV/Est. Normal EBITDA	8.6
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	55.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	6.8%
Return on Assets	2.1%
ROIC, with goodwill	15.6%
ROIC, without goodwill	108.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	738
Net Debt	318
Total Debt/EBITDA	4.0
Net Debt/EBITDA	1.7
EBITDA/Interest	5.4
Current Ratio	1.7
Quick Ratio	1.5

NMF = Not Meaningful

Investment Highlights

• Verint is a global leader in 'Actionable Intelligence' solutions and value-added services. The firm's solutions enable organizations to extract and analyze information from customer interactions and operational data to make more effective decisions. The company was founded in 1994 and is headquartered in New York.

• Demand for Verint's solutions is being driven by organizations' need for intelligence to create an engaged workforce and smarter customer engagements. The firm's advanced actionable intelligence platform continues to grow.

• Verint has a culture of innovation. The firm has invested more than $1 billion in R&D during the past 10 years and has 800+ patents and applications. The company seeks to address three important challenges: Customer Engagement Optimization; Security Intelligence; and Fraud Risk and Compliance. Its addressable market has grown to ~$8 billion as of 2016 from $3 billion in 2012.

• The company's revenue trends have been very impressive in recent years. Non-GAAP revenue has advanced to more than $1.1 billion from just over $200 million in 2005. For fiscal 2018, Verint is expecting revenue growth of ~7.5% along with slight operating margin expansion and non-GAAP EPS of $2.70, a considerable improvement over fiscal 2017.

• Verint's large installed base provides stability and recurring revenue. The firm has opportunities for growth as its addressable market continues to expand. Profitability should increase as costs are scaled.

Relative Valuation

	Forward P/E	PEG	Price / FV
Accenture	20.5	1.9	119.1%
Amdocs	16.3	2.0	103.5%
IHS Markit	90.2	1.2	124.9%
VMware	19.1	1.9	100.0%
Peer Median	19.8	1.9	111.3%
Verint	**NMF**	**NMF**	**78.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-15	Jan-16	Jan-17
Revenue	1,128	1,130	1,062
Revenue, YoY%	24.4%	0.2%	-6.0%
Operating Income	79	68	16
Operating Margin %	7.0%	6.0%	1.5%
Net Income	31	18	-30
Net Income Margin %	2.7%	1.6%	-2.9%
Diluted EPS	0.52	0.28	-0.47
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	164	126	145
Free Cash Flow Margin %	14.5%	11.2%	13.6%

In Millions of USD (except for per share items)

Structure of the Business Services Industry — NEUTRAL

Firms in the business services space primarily focus on management consulting, technology/data-integration services/software and outsourcing solutions. Participants generate high returns on invested capital, but the business services marketplace is very competitive, and firms can often face pressure from off-shore service providers in lower-cost locations (India, Philippines and China). Such competition may inhibit firms' ability to obtain sufficient pricing for services, and economic conditions may hinder the capability of clients to pay for such services. Still, we're generally neutral on the group.

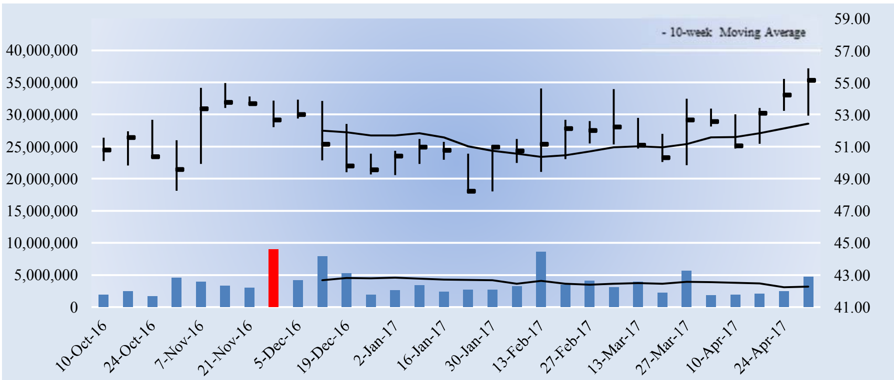
WebMD WBMD FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$48.00	$35.00 - $61.00	MID-CAP CORE	Information Technology	Internet Software & Svcs

WebMD has begun the process of evaluating strategic options, which includes reaching out to potential buyers.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	52.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				X
High				
Very High				

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

Company Vitals

Market Cap (USD)	$2,988
Avg Weekly Vol (30 wks)	3,666
30-week Range (USD)	48.1 - 55.9
Valuentum Sector	Information Technology
5-week Return	4.7%
13-week Return	8.8%
30-week Return	9.6%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.15
P/E on Est. Normal Diluted EPS	25.7
Est. Normal EBITDA	246
Forward EV/EBITDA	13.3
EV/Est. Normal EBITDA	12.4
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	6.2%

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

Returns Summary

3-year Historical Average	
Return on Equity	58.8%
Return on Assets	5.2%
ROIC, with goodwill	47.3%
ROIC, without goodwill	223.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,045
Net Debt	54
Total Debt/EBITDA	5.2
Net Debt/EBITDA	0.3
EBITDA/Interest	8.2
Current Ratio	6.4
Quick Ratio	6.4

NMF = Not Meaningful

Investment Highlights

• WebMD is a leading provider of health information services to consumers, physicians and other healthcare professionals, employers and health plans through public and private online portals, mobile platforms and health-focused publications. Advertising and sponsorship revenue accounts for ~80% of total. The company is headquartered in New York.

• Healthcare consumers are increasingly seeking to educate themselves online about health-related issues, motivated in part by the larger share of healthcare costs they are being asked to bear. WebMD is the go-to objective and trusted online source.

• The WebMD Health Network experienced some material declines as 2016 wound down. Average monthly unique users per month fell 11% to 179.5 million and page views in the quarter fell 9% to 3.63 billion. Shares have done well since then on the back of news that WebMD has begun the process of evaluating strategic options, which includes reaching out to potential buyers.

• WebMD does not charge membership dues or usage fees. The company runs an advertising-based business model, and as a result, is dependent on the ad budgets of companies desiring to reach physicians and other healthcare professionals. Adjusted EBITDA margins are robust at north of 30%.

• Innovation continues at WebMD, and the biopharma market remains very healthy. Revenue from biopharma and medical device customers is growing at a low-double-digit clip.

Relative Valuation

	Forward P/E	PEG	Price / FV
Alphabet	27.1	1.9	93.2%
Baidu	31.3	NMF	95.7%
Facebook	30.8	1.8	80.3%
Yahoo	NMF	NMF	110.2%
Peer Median	30.8	1.9	94.4%
WebMD	**26.8**	**5.3**	**114.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	636	705	721
Revenue, YoY%	9.6%	10.8%	2.2%
Operating Income	129	171	197
Operating Margin %	20.3%	24.2%	27.4%
Net Income	64	91	114
Net Income Margin %	10.1%	12.9%	15.8%
Diluted EPS	1.22	1.69	2.06
Diluted EPS, YoY %	31.9%	38.6%	22.3%
Free Cash Flow (CFO-capex)	59	131	149
Free Cash Flow Margin %	9.3%	18.6%	20.7%

In Millions of USD (except for per share items)

Structure of the Internet Software & Services Industry — NEUTRAL

The Internet software/services industry is composed of a variety of companies with rapidly-changing business models. Most focus on improving the ways people connect with information, either via Internet search or by social media platforms, and generate revenue primarily by delivering cost-effective online advertising. Constituents earn significant returns on invested capital due to their capital-light operations, though competition remains fierce. We expect most companies in this group to look substantially different 10 years from now than they do today. Overall, we're neutral on the structure.

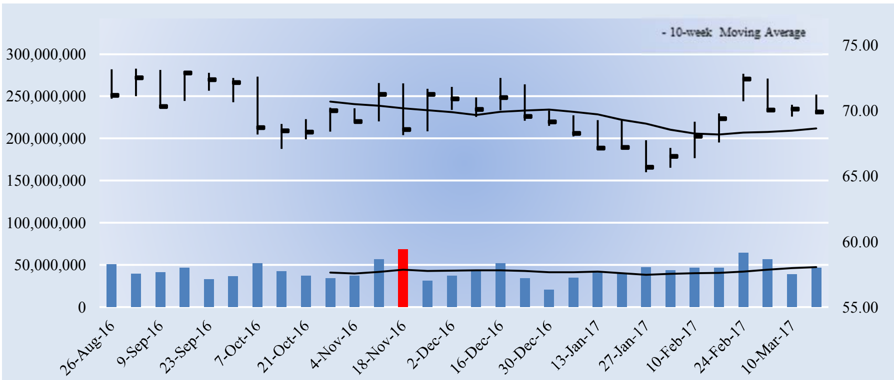
Wal-Mart WMT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$65.00	$52.00 - $78.00	MEGA-CAP CORE	Consumer Staples	Food Retailers

Wal-Mart International and e-commerce initiatives are two key growth drivers for Wal-Mart, but online competition is only intensifying.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	69.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				■
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$217,498
Avg Weekly Vol (30 wks)	43,263
30-week Range (USD)	65.28 - 73.19
Valuentum Sector	Consumer Staples
5-week Return	2.3%
13-week Return	-1.3%
30-week Return	-4.3%
Dividend Yield %	2.9%
Dividends per Share	2.04
Forward Dividend Payout Ratio	46.8%
Est. Normal Diluted EPS	5.02
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	35,682
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	7.2
Forward Revenue Growth (5-yr)	2.5%
Forward EPS Growth (5-yr)	5.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.3%
Return on Assets	7.6%
ROIC, with goodwill	13.5%
ROIC, without goodwill	15.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	45,938
Net Debt	39,071
Total Debt/EBITDA	1.4
Net Debt/EBITDA	1.2
EBITDA/Interest	13.9
Current Ratio	0.9
Quick Ratio	0.2

NMF = Not Meaningful

Investment Highlights

• Wal-Mart operates retail stores. Its Wal-Mart US segment includes the company's mass merchant concept in the US. Its Wal-Mart International segment consists of the company's operations outside of the US. The Sam's Club segment includes warehouse membership clubs and samsclub.com. Social pressures will keep the retail giant in the news, and sometimes not in the best of light.

• We don't see Wal-Mart going away anytime soon. Though it faces pressure from both Amazon and discount dollar stores, consumers continue to flock to its locations. Its everyday-low-prices strategy has revolutionized the industry, and e-commerce initiatives should be watched closely.

• Wal-Mart International is a major source of growth for the company. With ~$125 billion in sales, its international business alone would be among the three largest retailers in the world. The company remains focused on expansion in Brazil and China. A recent agreement with JD.com could provide the firm with the boost it needs in the Chinese online marketplace.

• Taking a page out of Costco's playbook, Wal-Mart is increasing its minimum employee wages in an effort to reduce training costs. We think the move will eventually bear fruit, as it incidentally increases entry barriers. Cost pressures will hurt in the near term, however.

• The pace of Wal-Mart's latest dividend increase (2%) leaves a bit to be desired, and its earnings per share outlook for fiscal 2018 targeted in the range of $4.20-$4.40 per share implies no growth from last year's levels ($4.38). Fundamentals remain under pressure.

Relative Valuation

	Forward P/E	PEG	Price / FV
Costco	29.5	1.7	119.0%
Kroger	13.4	0.9	82.1%
Target	13.4	2.2	82.3%
Walgreens Boots Alliance	17.0	2.4	108.7%
Peer Median	15.2	2.0	95.5%
Wal-Mart	**16.0**	**2.1**	**107.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-16	Jan-17	Jan-18
Revenue	482,130	485,873	495,105
Revenue, YoY%	-0.7%	0.8%	1.9%
Operating Income	24,105	22,764	22,476
Operating Margin %	5.0%	4.7%	4.5%
Net Income	14,694	13,643	13,442
Net Income Margin %	3.0%	2.8%	2.7%
Diluted EPS	4.57	4.38	4.36
Diluted EPS, YoY %	-9.5%	-4.0%	-0.5%
Free Cash Flow (CFO-capex)	15,912	20,911	12,877
Free Cash Flow Margin %	3.3%	4.3%	2.6%

In Millions of USD (except for per share items)

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

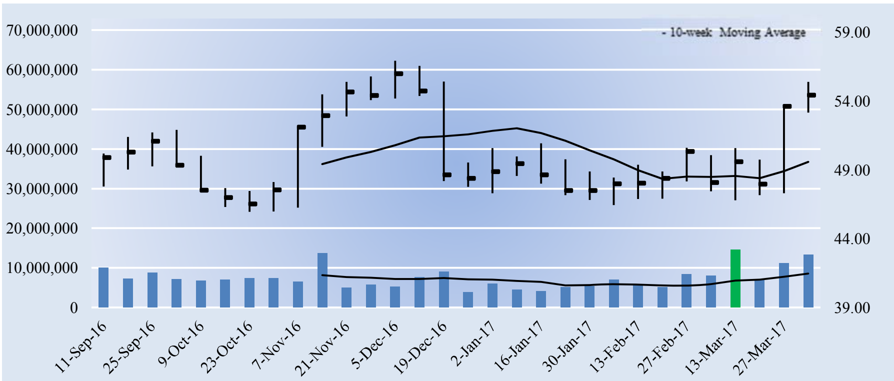
Williams-Sonoma WSM FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$62.00	$50.00 - $74.00	MID-CAP VALUE	Consumer Discretionary	Specialty Retailers

We like Williams-Sonoma's direct sourcing model and the strength of its e-commerce operations.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	50.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$4,870
Avg Weekly Vol (30 wks)	7,452
30-week Range (USD)	45.96 - 56.94
Valuentum Sector	Consumer Discretionary
5-week Return	9.6%
13-week Return	11.5%
30-week Return	11.8%
Dividend Yield %	2.9%
Dividends per Share	1.56
Forward Dividend Payout Ratio	43.5%
Est. Normal Diluted EPS	4.45
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	764
Forward EV/EBITDA	7.2
EV/Est. Normal EBITDA	6.1
Forward Revenue Growth (5-yr)	4.5%
Forward EPS Growth (5-yr)	10.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	25.2%
Return on Assets	12.9%
ROIC, with goodwill	31.1%
ROIC, without goodwill	31.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-214
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	899.4
Current Ratio	1.4
Quick Ratio	0.3

NMF = Not Meaningful

Investment Highlights

• Williams-Sonoma is a multi-channel specialty retailer of high quality products for the home. Its brands include Williams-Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Rejuvenation, and Mark and Graham. The company was founded in 1956 and is headquartered in San Francisco, California.

• A key factor in Williams-Sonoma's multi-channel success is its exclusive product and lifestyle merchandizing. As of 2016, 95% of the products the firm sells are directly sourced, offering a unique point of view on taste and style in addition to industry leading margins.

• Williams-Sonoma is a solid free cash flow generator, and its balance sheet is quite healthy. At the end of 2016, the company had no long-term debt and nearly $215 million in cash and cash equivalents. Management is buying back stock, but shares only recently began representing a good value, in our view. We think there are better uses of cash.

• The company retains a strong portfolio of brands and highly-profitable operations. We view its global supply chain as a competitive advantage and believe the firm has multiple opportunities to grow through brand extensions. Its vertical integration allows it to generate industry-leading gross margins.

• One of the areas at Williams-Sonoma that we're huge fans of is its e-commerce operations. The company now generates roughly half of sales from that channel, a key competitive advantage. Multi-channel customers spend 4-5 times more than single-channel customers.

Relative Valuation

	Forward P/E	PEG	Price / FV
Best Buy	13.0	NMF	104.8%
Home Depot	20.3	1.9	119.6%
Lowe's	17.6	1.8	117.3%
Office Depot	10.1	NMF	79.7%
Peer Median	15.3	1.8	111.1%
Williams-Sonoma	**15.2**	**1.6**	**87.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-16	Jan-17	Jan-18
Revenue	4,976	5,084	5,257
Revenue, YoY%	5.9%	2.2%	3.4%
Operating Income	489	473	491
Operating Margin %	9.8%	9.3%	9.3%
Net Income	310	305	318
Net Income Margin %	6.2%	6.0%	6.0%
Diluted EPS	3.37	3.41	3.59
Diluted EPS, YoY %	3.8%	1.4%	5.0%
Free Cash Flow (CFO-capex)	341	327	290
Free Cash Flow Margin %	6.9%	6.4%	5.5%

In Millions of USD (except for per share items)

Structure of the Specialty Retailers Industry — NEUTRAL

The specialty retail segment is fragmented, highly competitive, and economically-sensitive. The group covers a broad array of businesses and is dominated by retailers with large brick-and-mortar store footprints. Though some constituents may be insulated from e-commerce competition, others risk obsolescence as product distribution moves to digital means, and online retailers offer lower prices for identical goods and services. We're fairly neutral on the structure of the industry, though some constituents will inevitably face secular and permanent declines.

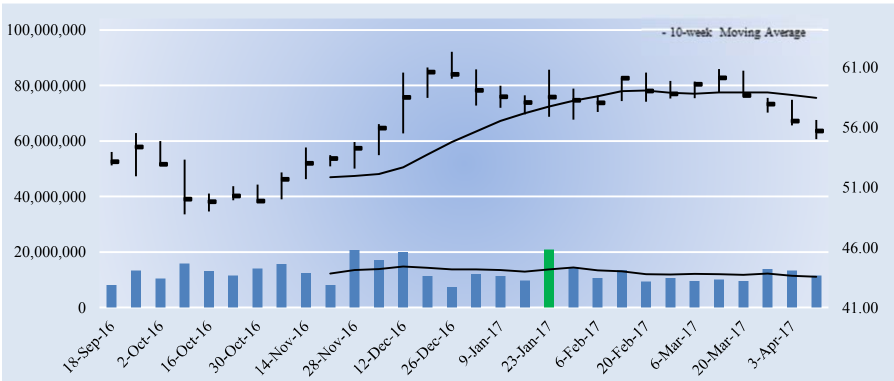
Xilinx XLNX FAIRLY VALUED

Valuentum Buying Index™ 3 | Valuentum Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	$48.00	$38.00 - $58.00	LARGE-CAP CORE	Information Technology	Specialized Semi's

Xilinx is experiencing solid momentum in the 28nm market.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	58.00

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

Company Vitals

Market Cap (USD)	$14,959
Avg Weekly Vol (30 wks)	12,569
30-week Range (USD)	48.75 - 62.24
Valuentum Sector	Information Technology
5-week Return	-6.7%
13-week Return	-4.5%
30-week Return	4.0%
Dividend Yield %	2.4%
Dividends per Share	1.32
Forward Dividend Payout Ratio	57.3%
Est. Normal Diluted EPS	2.69
P/E on Est. Normal Diluted EPS	20.7
Est. Normal EBITDA	884
Forward EV/EBITDA	16.6
EV/Est. Normal EBITDA	14.9
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	8.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	22.5%
Return on Assets	12.4%
ROIC, with goodwill	109.8%
ROIC, without goodwill	141.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,583
Net Debt	-1,755
Total Debt/EBITDA	2.1
Net Debt/EBITDA	NMF
EBITDA/Interest	13.5
Current Ratio	4.1
Quick Ratio	3.9

NMF = Not Meaningful

Investment Highlights

• Xilinx makes FPGAs, SoCs and 3D ICs. These devices are coupled with a next-generation design environment and IP to serve a broad range of customer needs, from programmable logic to programmable systems integration. The company was founded in 1984 and is headquartered in California.

• As with rival Altera, which was recently acquired by Intel, Xilinx's strategy centers on the displacement of ASICs and ASSPs in the development of next-generation electronic systems. The company strives to drive down cost and power consumption at each manufacturing process node.

• Investors in technology pay close attention to a firm's gross margin to get a read for product pricing pressures. We like Xilinx's focus on growing earnings and its cash-rich balance sheet. The firm's shares have benefitted from reports that it may be a takeover candidate, and robust estimates of potential markets including autonomous vehicles and artificial intelligence for chipmakers have been welcome news.

• The company is experiencing solid momentum in the 28nm market. Xilinx's quarterly revenue run-rate is expanding, and demand for its 16nm, 20nm, and 28nm products is expanding thanks to end markets such as data center, automotive, test and measurement, wired and wireless communications, and even space.

• The company is heavily dependent on distributor Avnet for the majority of sales revenue and order fulfillment. Resale of product through Avnet accounts for 40%+ of worldwide revenue and for two thirds of total net accounts receivable.

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
Cirrus Logic	14.0	1.4	112.1%
Linear Technology	32.2	3.2	100.0%
Microchip Technology	18.4	2.6	120.4%
Nvidia	32.8	3.5	156.5%
Peer Median	25.3	2.9	116.2%
Xilinx	**24.2**	**3.0**	**116.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-15	Mar-16	Mar-17
Revenue	2,377	2,214	2,344
Revenue, YoY%	-0.2%	-6.9%	5.9%
Operating Income	780	670	712
Operating Margin %	32.8%	30.3%	30.4%
Net Income	648	551	606
Net Income Margin %	27.3%	24.9%	25.9%
Diluted EPS	2.35	2.05	2.30
Diluted EPS, YoY %	7.0%	-12.7%	12.3%
Free Cash Flow (CFO-capex)	761	696	734
Free Cash Flow Margin %	32.0%	31.4%	31.3%

In Millions of USD (except for per share items)

Structure of the Specialized Semiconductor Industry — POOR

The specialized semiconductor industry is intensely competitive and has been characterized by price erosion and rapid technological change. Participants compete with major domestic/international semiconductor companies and often have to defend intellectual property rights against entities that have copied proprietary product lines. Firms are exposed to the global economic cycle, wide supply/demand fluctuations, and continuously face the risk of excess or obsolete inventories. Constituents must introduce new products with more features at higher prices to maintain margins. We don't like the group.

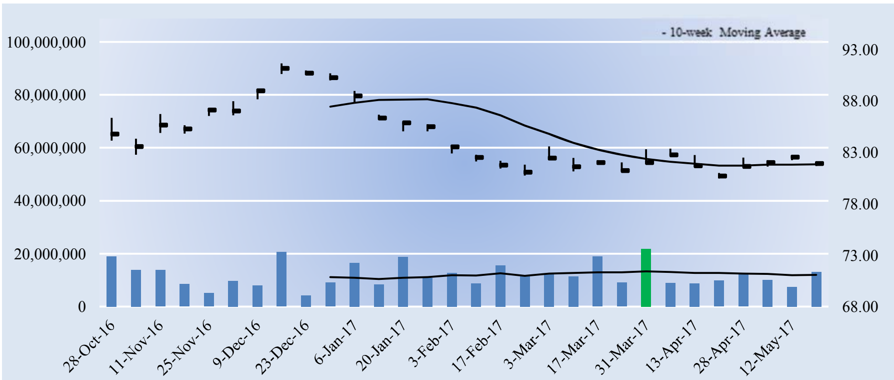
Exxon Mobil XOM FAIRLY VALUED

Buying Index™ 7 | **Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$92.00	$59.00 - $125.00	MEGA-CAP VALUE	Energy	Major Oil & Gas

Exxon Mobil's return on capital employed performance is not immune to volatile energy resource pricing, but it is consistently better than that of its peers.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	POOR
ValueRisk™	HIGH
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	82.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High		■		
Very High				

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

Company Vitals

Market Cap (USD)	$343,778
Avg Weekly Vol (30 wks)	11,953
30-week Range (USD)	80.47 - 91.67
Valuentum Sector	Energy
5-week Return	1.2%
13-week Return	0.4%
30-week Return	-3.9%
Dividend Yield %	3.8%
Dividends per Share	3.08
Forward Dividend Payout Ratio	164.0%
Est. Normal Diluted EPS	5.06
P/E on Est. Normal Diluted EPS	16.2
Est. Normal EBITDA	48,005
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	15.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.2%
Return on Assets	8.1%
ROIC, with goodwill	8.5%
ROIC, without goodwill	8.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	38,687
Net Debt	34,982
Total Debt/EBITDA	1.3
Net Debt/EBITDA	1.1
EBITDA/Interest	99.5
Current Ratio	0.8
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

- Exxon Mobil is involved in the exploration and production of crude oil/natural gas, and the manufacture of petroleum products as well as the transportation and sale of crude oil, natural gas and petroleum products. It also makes commodity petrochemicals. Exxon had ~20 BOEB of total proved reserves at the end of 2016.

- Though Exxon recently lost its coveted, pristine AAA credit rating, its financial health is still solid. The executive team continues to focus on fundamentals in a lower price environment while selectively investing in potential opportunities.

- Exxon Mobil's return on capital employed performance has been impacted by suppressed energy resource pricing. Nevertheless, the firm's ROCE performance is consistently better than that of its peers on average from 2007-2016, and its upstream earnings-per-barrel recently surpassed that of Chevron for best in its peer group.

- Exxon is competitively positioned across the value chain, which mitigates sector risk and adds flexibility to capture new opportunities. Its integrated operations add synergy and optionality potential while maximizing value in dynamic markets. The firm expects to maintain production of 4-4.4 million oil equivalent barrels per day through 2020.

- Exxon Mobil's dividend is better than that of peers, and we expect growth in it for many years to come. The energy giant's Dividend Cushion ratio is near parity (1), however. The company is best in class, in our view.

Relative Valuation

	Forward P/E	PEG	Price / FV
BP	19.9	7.2	92.4%
Chevron	23.6	NMF	98.6%
ConocoPhillips	77.1	NMF	107.9%
PetroChina	112.8	0.2	75.1%
Peer Median	50.4	3.7	95.5%
Exxon Mobil	**20.3**	**0.5**	**89.1%**

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

Financial Summary

Fiscal Year End:	Dec-14 (Actual)	Dec-15 (Actual)	Dec-16 (Projected)
Revenue	411,939	268,882	226,094
Revenue, YoY%	-6.0%	-34.7%	-15.9%
Operating Income	34,082	12,883	11,305
Operating Margin %	8.3%	4.8%	5.0%
Net Income	32,520	16,150	7,883
Net Income Margin %	7.9%	6.0%	3.5%
Diluted EPS	7.59	3.85	1.88
Diluted EPS, YoY %	3.0%	-49.3%	-51.2%
Free Cash Flow (CFO-capex)	12,164	3,854	5,918
Free Cash Flow Margin %	3.0%	1.4%	2.6%

In Millions of USD (except for per share items)

Structure of the Oil & Gas (majors) Industry — NEUTRAL

The global oil and gas industry is dominated by state-owned firms, including member nations of OPEC, which have a large influence on pricing. Public constituents are not small, however, as firms in this group make up a large portion of the energy sector's market cap. Oil and gas prices are the key profit driver and largely reflect supply/demand dynamics, though it is not uncommon for speculative/geopolitical price premiums to occur. A firm's estimated reserve life and cost for exploration and development should be monitored closely. We're neutral on the structure of the majors, given their commoditized product.

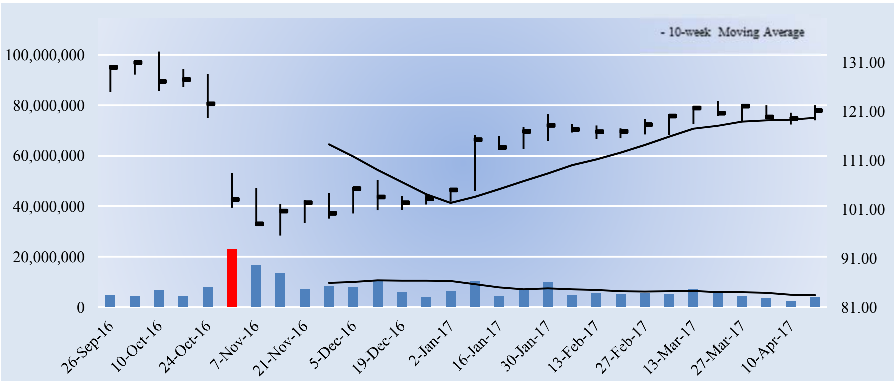
Zimmer Biomet ZBH FAIRLY VALUED

Buying Index™ 7 Value Rating

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	$127.00	$102.00 - $152.00	LARGE-CAP VALUE	Health Care	Medical Devices

Zimmer Biomet expects to deliver at least $2 billion in annual free cash flow by 2020.

Stock Chart (weekly)



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

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	120.00

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

Business Quality

ValueRisk™ \ ValueCreation™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

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

Company Vitals

Market Cap (USD)	$25,019
Avg Weekly Vol (30 wks)	7,177
30-week Range (USD)	95.63 - 133.21
Valuentum Sector	Health Care
5-week Return	-0.3%
13-week Return	6.9%
30-week Return	-5.0%
Dividend Yield %	0.8%
Dividends per Share	0.96
Forward Dividend Payout Ratio	11.1%
Est. Normal Diluted EPS	9.68
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	3,321
Forward EV/EBITDA	11.7
EV/Est. Normal EBITDA	10.6
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	47.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	5.4%
Return on Assets	3.1%
ROIC, with goodwill	17.1%
ROIC, without goodwill	30.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,666
Net Debt	10,032
Total Debt/EBITDA	4.3
Net Debt/EBITDA	4.1
EBITDA/Interest	6.9
Current Ratio	2.0
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Zimmer Biomet produces orthopedic reconstructive devices, spinal and trauma devices, biologics, dental implants, and related surgical products in the Americas, Europe, and Asia Pacific. The firm has been around for more than 85 years and is headquartered in northern Indiana. It was formed as a result of the merger of Zimmer and Biomet in 2015.

• The Zimmer-Biomet merger was completed mid-2015, and the company is now a leader in the $45 billion musculoskeletal industry, with impressive market share and solid cross-selling opportunities. Operational synergies are also expected, and pricing power will be enhanced.

• Zimmer Biomet achieved $225 million in EBIT synergies in fiscal 2016, and it remains on track for $350 million cumulative synergies by mid-2018. Management remains committed to its deleveraging initiatives, which was on display in 2016 as it paid $1 billion in acquisition-related debt, and it projects at least $2 billion in annual free cash flow by 2020, up from expectations of $1.25-$1.4 billion in 2017.

• Zimmer Biomet has remained acquisitive since the big merger, though the acquisitions have been of the small, tuck-in variety. Recent examples include the purchase of a Dutch developer of 3D range of motion technology and a musculoskeletal diagnostics testing firm. The firm has spent $1.5 billion on 8 M&A transactions since the Biomet merger.

• Zimmer's dental category sales did not fare well in 2016, and management is working to improve its performance in 2017. The area remains an attractive growth opportunity with a mid-single digit rate growth profile moving forward.

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	34.2	2.9	131.6%
Medtronic	17.4	1.8	97.0%
Varian Medical Systems	22.7	2.1	120.3%
Waters	24.1	2.7	126.1%
Peer Median	23.4	2.4	123.2%
Zimmer Biomet	**14.0**	**1.7**	**95.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	5,998	7,684	7,884
Revenue, YoY%	28.3%	28.1%	2.6%
Operating Income	1,299	1,438	2,183
Operating Margin %	21.7%	18.7%	27.7%
Net Income	147	306	1,793
Net Income Margin %	2.5%	4.0%	22.7%
Diluted EPS	0.77	1.51	8.69
Diluted EPS, YoY %	-81.5%	95.1%	474.7%
Free Cash Flow (CFO-capex)	416	1,102	1,402
Free Cash Flow Margin %	6.9%	14.3%	17.8%

In Millions of USD (except for per share items)

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

Valuentum Analysts
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Glossary of Valuentum Terms

Business Quality Matrix. We compare the firm's ValueCreation and ValueRisk ratings. The box is an easy way for investors to quickly assess the business quality of a company. Firms that generate economic profits with little operating variability score near the top right of the matrix.

Cash Flow Generation. Firms' cash flow generation capacity are measured along the scale of STRONG, MEDIUM, and WEAK. A firm with a 3-year historical free cash flow margin (free cash flow divided by sales) greater than 5% receives a STRONG rating, while firms earning less than 1% of sales as free cash flow receive a WEAK rating.

Company Description. The description section provides a brief company profile and in the top right corner indicates the investment style that Valuentum assigns to the stock. Nano-cap: Less than $50 million; Micro-cap: Between $50 million and $200 million; Small-cap: Between $200 million and $2 billion; Mid-cap: Between $2 billion and $10 billion; Large-cap: Between $10 billion and $200 billion; Mega-cap: Over $200 billion. Blend: Firm's that we think are undervalued and exhibit high growth prospects (growth in excess of three times the rate of assumed inflation). Value: Firm's that we believe are undervalued, but do not exhibit high growth prospects. Growth: Firms that are not undervalued, in our opinion, but exhibit high growth prospects. Core: Firms that are neither undervalued nor exhibit high growth prospects.

Company Vitals. In this section, we list key financial information and the sector and industry that Valuentum assigns to the stock. The P/E-Growth (5-yr), or PEG ratio, divides the current share price by last year's earnings (EPS) and then divides that quotient by our estimate of the firm's 5-year EPS growth rate. The estimated normalized diluted EPS and estimated normalized EBITDA represent the five-year forward average of these measures used in our discounted cash flow model. The P/E on estimated normalized EPS divides the current share price by estimated normalized diluted EPS. The EV/estimated normalized EBITDA considers the current enterprise value of the company and divides it by estimated normalized EBITDA. EV is defined as the firm's market capitalization plus total debt, minority interest, preferred stock less cash and cash equivalents.

DCF Valuation. We opine on the firm's valuation based on our DCF process. Firms that are trading with an appropriate discount to our fair value estimate receive an UNDERVALUED rating. Firms that are trading within our fair value range receive a FAIRLY VALUED rating, while firms that are trading above the upper bound of our fair value range receive an OVERVALUED rating.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Valuentum Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

Estimated Fair Value. This measure is an output of our DCF valuation model and represents our opinion of the fair equity value per share of the company.

We would expect a firm's stock price to converge to this value within the next 3 years.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk rating).

Financial Leverage. Based on the firm's normalized debt-to-EBITDA metric, we rank firms on the following scale: LOW, MEDIUM, and HIGH. Companies with a normalized debt-to-EBITDA ratio below 1.5 receive a LOW score, while those with a measure above 3 receive a HIGH score.

Money Flow Index (MFI). The MFI is a technical indicator that measures buying and selling pressure based on both price and volume. Traders typically use this measure to identify potential reversals with overbought and oversold levels. We use a 14-week measure to rank firms along the following scale: EXTREMELY OVERBOUGHT (>90), OVERBOUGHT (80-90), NEUTRAL (20-80), OVERSOLD (10-20), EXTREMELY OVERSOLD (0-10).

Range of Potential Outcomes. The firm's margin of safety is shown in the graphic of a normal distribution. We consider a firm to be undervalued if its stock price falls along the green line and overvalued if the stock price falls along the red line. We consider the firm to be fairly valued if its stock price falls along the yellow line.

Relative Value. We compare the firm's forward price-to earnings (PE) ratio and its price/earnings-to-growth (PEG) ratio to that of its peers. If both measures fall below the peer median, the firm receives an ATTRACTIVE rating. If both are above the peer median, the firm receives an UNATTRACTIVE rating. Any other combination results in a NEUTRAL rating.

Return on Invested Capital. At Valuentum, we place considerable emphasis on return on invested capital (both with and without goodwill). The measure focuses on the return (earnings) the company is generating on its operating assets and is superior to return on equity and return on assets, which can be skewed by a firm's leverage or excess cash balance, respectively.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Stock Price Relative Strength. We assess the perfomance of the company's stock during the past quarter, 13 weeks, relative to an ETF that mirrors the aggregate performance of constituents of the stock market. Firms are measured along the scale of STRONG, NEUTRAL, and WEAK. Companies that have outperformed the market index by more than 2.5% during this 13-week period receive a STRONG rating, while firms that trailed the market index by more than 2.5% during this 13-week period receive a WEAK rating.

Technical Evaluation. We evaluate a firm's near-term and medium-term moving averages and money flow index (MFI) to assign each firm a rating along the following scale: VERY BULLISH, BULLISH, NEUTRAL, BEARISH, and VERY BEARISH.

Timeliness Matrix. We compare the company's recent stock performance relative to the market benchmark with our assessment of its valuation. Firms that are experiencing near-term stock price outperformance and are undervalued by our estimate may represent timely buys.

Upside/Downside Volume. Heavy volume on up days and lower volume on down days suggests that institutions are heavily participating in a stock's upward advance. We use the trailing 14-week average of upside and downside volume to calculate an informative ratio. We rank each firm's U/D volume ratio along the following scale: BULLISH, IMPROVING, DETERIORATING, and BEARISH.

ValueCreation. This is a proprietary Valuentum measure. ValueCreation indicates the firm's historical track record in creating economic value for shareholders, taking the average difference between ROIC (without goodwill) and the firm's estimated WACC during the past three years. The firm's performance is measured along the scale of EXCELLENT, GOOD, POOR, and VERY POOR. Those firms with EXCELLENT ratings have a demonstrated track record of creating economic value, while those that register a VERY POOR mark have been destroying economic value.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

ValueRisk. This is a proprietary Valuentum measure. ValueRisk indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

ValueTrend. This is a proprietary Valuentum measure. ValueTrend indicates the trajectory of the firm's return on invested capital (ROIC). Firms that earned an ROIC last year that was greater than the 3-year average of the measure earn a POSITIVE rating. Firms that earned an ROIC last year that was less than the 3-year average of the measure earn a NEGATIVE rating.

Disclosures, Disclaimers & Sources

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