VALUENTUM

SIMULATED

BEST IDEAS NEWSLETTER PORTFOLIO

"Though we largely achieved the Best Ideas Newsletter portfolio's goals in advancing the newsletter portfolio each publication year (ends December 15) and achieving relative outperformance and risk-adjusted superiority to the benchmark, we may have done even better had our equity allocation been full during the measurement period."

President of Investment Research, Brian Nelson, CFA

NEWSLETTER EDITORS

BRIAN NELSON, CFA

Started career in 2004 | Founded Valuentum in 2011

Mr. Nelson received a Bachelor of Business Administration from Benedictine University and an MBA with concentrations in Finance and Accounting from the University of Chicago Booth School of Business. He is a CFA charterholder.

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Started career in 2015 | Joined Valuentum in 2015

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The information in this document is for informational purposes only and should not be considered a solicitation to buy or sell any security. The Best ideas Newsletter is a monthly publication and the simulated portfolio within it is not an investable fund. The calculations and information herein are provided by Valuentum and have not been externally audited. Every effort has been made to ensure accuracy, but no guarantees regarding any data or calculations can be made. Past results are not a guarantee of future performance, and actual results may differ from simulated information provided. Investing comes with risk of capital loss. Please see back page for the full disclaimer.

Average of Monthly Returns	
Best Ideas	S&P 500
1.20%	1.05%
Std. Dev. of Monthly Returns	
Best Ideas	S&P 500
2.68%	3.30%
Sharpe Ratio - 10-yr Treasury	
Best Ideas	S&P 500
1.31	0.91
Sharpe Ratio - 1-month T-bill	
Best Ideas	S&P 500
1.30	0.91
Best Ideas Newsletter Portfolio Beta	
Best Ideas vs. S&P 500	
0.67	
Correlation	
Best Ideas vs. S&P 500	
0.83	

See footnotes in Appendix.

Top Ideas - 12/15/2017	
Visa (V)	8.6%
Facebook (FB)	6.7%
Alphabet (GOOG, GOOGL)	6.0%
Berkshire Hathaway (BRK-B)	5.5%
SPDR S&P Dividend ETF (SDY)	4.7%

NOT A FUND | SIMULATED INFORMATION | NEWSLETTER PUBLISHER

INTRODUCTION

In a stock market in which the majority of active fund managers trailed their respective benchmarks, the simulated Best Ideas Newsletter portfolio showcased strong risk-adjusted and relative outperformance, despite a very large cash allocation, on average, during one of the strongest bull markets in history, from the inception of internal best-idea generation, May 17, 2011, through December 15, 2017 and from the inaugural release of the Best Ideas Newsletter July 13, 2011, through December 15, 2017. Actual performance may have been better or worse than that which is presented in this study.

On a total return basis, using data sourced from Standard & Poor's and retrieved from Yahoo Finance, including dividends received and reinvested for the benchmark (and only dividends collected but not reinvested for the Best Ideas Newsletter portfolio), the Best Ideas Newsletter portfolio outperformed the S&P 500 by a cumulative total of 17.4 percentage points since inception, May 17, 2011.[1] On an apples-to-apples basis versus the Best Ideas Newsletter portfolio's declared benchmark, as presented in each newsletter edition, including dividends collected but not reinvested for both the Best Ideas Newsletter and the S&P 500, the Best Ideas Newsletter portfolio outperformed the S&P 500, as measured by the SPDR S&P 500 ETF (SPY), by a cumulative total of 29.7 percentage points since inception, May 17, 2011.

On a total return basis, using data sourced from Standard & Poor's and retrieved from Yahoo Finance, including dividends received and reinvested for the benchmark (and only dividends collected but not reinvested for the Best Ideas Newsletter portfolio), the Best Ideas Newsletter portfolio outperformed the S&P 500 by a cumulative total of 1 percentage point from the inaugural release of the Best Ideas Newsletter, July 13, 2011, despite a ~25% cash position, on average. On an apples-to-apples basis versus the Best Ideas Newsletter portfolio's declared benchmark, including dividends collected but not reinvested for both the Best Ideas Newsletter and S&P 500, the Best Ideas Newsletter portfolio outperformed the S&P 500, as measured by the SPDR S&P 500 ETF (SPY), by a cumulative total of 14.3 percentage points from the inaugural release of the Best Ideas Newsletter, July 13, 2011, despite a ~25% cash position, on average.

Though the magnitude of relative outperformance is less than we would have liked, due in part to a very cash-heavy weighting during one of the strongest bull markets in history, we note the Best Ideas Newsletter portfolio performance was generated in a market where 84%-92% of large-cap managers, mid-cap managers, and small-cap managers lagged their respective benchmarks over a 5-year period ending 2017 and 92%+ of managers lagged their respective benchmarks over a 15-year period ending 2017. The Best Ideas Newsletter portfolio is not a real-money portfolio, but on this comparative basis, the performance puts Valuentum near the very top of the measurement spectrum, in our view. We believe this was achieved a) despite the newsletter portfolio's primary focus on valuation, analytics and idea generation, b) despite a market that was the least-conducive to active fund manager outperformance, and c) despite the large cash position of the newsletter portfolio over the duration of the measurement period.

[1] The comparison uses the total return index of the S&P 500, which assumes dividends are reinvested for the benchmark. The comparison does not assume that dividends are reinvested by the Best Ideas Newsletter portfolio. The comparison assumes commissions were paid in the newsletter portfolio, but it does not take into consideration tax consequences of portfolio decisions, or theoretical interest received on cash balances.

Although the Best Ideas Newsletter portfolio revealed excellent risk-adjusted performance, we felt performance could have done better had we allocated a larger percentage of the portfolio to the ideas within the portfolio (instead of cash), as many of our members may have done and achieved even better relative outperformance than the simulated presentation. Though the strong relative performance, despite a large cash position, speaks to excellent stock selection and a methodology that has proven its effectiveness, we were not expecting one of the biggest bull markets in history to ensue over the course of the measurement period, and we weren't expecting 2017 to be one of the best performing risk-adjusted years by the benchmark in the past 50 years.

Though we largely achieved the Best Ideas Newsletter portfolio's goals in advancing the newsletter portfolio each publication year (ends December 15) and achieving relative outperformance and risk-adjusted superiority to the benchmark, we may have done even better had our equity allocation been full during the measurement period.[2] This key takeaway is in part why we have migrated to weighting ranges in the Best Ideas Newsletter portfolio, beginning with the January 2018 edition, as asset allocations to equity exposure may vary depending on risk profiles and can even cloud stock-selection proficiency that is showcased by a process that combines value and momentum *within* stocks, a key distinction from applications on the portfolio level with respect to value and momentum, as has proliferated in quantitative academia.

Our work in finance continues to push forward the importance of forward-looking information when it comes to the creation of quantitative "factors" or "styles." We believe that a combination of forward-looking discounted cash-flow based analysis, forward-looking relative value measures, and technical/momentum indicators may have greater logic than believing a specific factor that has generated a premium in the past will continue in the future. We've written analyses explaining our thoughts on how predictive forward-looking enterprise discounted cash-flow-derived multiples are with respect to stock prices, and we have also introduced the concept of a value-timing indicator that applies logical, forward-looking data.

We posit the well-known quantitative value premium and many other backward-derived factors may be spurious. "If we look at the past 30 years — certainly the long term by anyone's definition — large-company growth funds have gained an average 9.23% a year, while large-company value funds have gained 9.01% a year. In fact, growth has topped value the past 25, 20, 15, 10 and five years."[3] For starters, a discussion of what constitutes a value stock and what constitutes a growth stock cannot be definitively categorized by historical price multiples, in our view,[4] as growth is a component of value (and growth stocks can be undervalued), but even so, from where we stand, there is very little reason to expect a backward-looking quantitative "value premium" based on imprecise multiple analysis, to continue to perform as it did in the past. Why would it?

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[2] The Best Ideas Newsletter's goals changed effective January 2018. The Best Ideas Newsletter portfolio now seeks to find stocks that have good value and good momentum characteristics within them and typically targets capital appreciation potential over a longer-term horizon.

[3] Waggoner, John (2018). "Warren Buffett be damned, case for value wanes." http://www.investmentnews.com/article/20180510/FREE/180519994/warren-buffett-be-damned-case-for-value-investing-wanes?utm_campaign=socialflow&utm_source=twitter&utm_medium=social

[4] Nelson, Brian (2018), "The Universal Theorem of Value, aka The Tragedy of Quantitative Finance." https://www.valuentum.com/downloads/20180304/download

The measurement period of the Best Ideas Newsletter portfolio was unique, in our view, and readers should not conclude that the strong simulated performance of the newsletter portfolio or the benchmark and corresponding indexed products will continue. The Best Ideas Newsletter portfolio held a large cash position in anticipation of a market retracement of some of the multi-year gains, and this could still happen (we could still be rewarded for prudence). Readers, however, should not conclude that indexed-performance strength will continue to be better than that of the vast majority of active managers, or even on par with ideas in Valuentum's Best Ideas Newsletter, as the past several years have been unusual with respect to the combination of strong broad market performance and the magnitude of active-management relative underperformance.

We think the value of active management may be most visible during bear markets when a large cash position no longer is a drag on portfolio returns, but instead becomes a key component of capital and wealth preservation. Unusually, the prudence of having "dry powder" in the Best Ideas Newsletter portfolio in the face of breakneck market returns and high valuations was not rewarded but penalized in this study, something that we believe is not completely fair, but may showcase itself in the coming years should the stock market give back some of its considerable gains since the March 2009 panic bottom. This information piece should not be viewed as a marketing document or a solicitation of any kind.

PROFILE OF BEST IDEAS NEWSLETTER PORTFOLIO

The Best Ideas Newsletter portfolio applies Valuentum's research and analytical practices, including its robust valuation processes, derivation of fair value estimates, generation of fair value estimate ranges, as well as a multitude of checks and balances, including a forward relative-value overlay combined with technical and momentum indicators[5]. The application of the Valuentum process is not "quantitative" in the traditional sense (i.e. historical data aggregation and correlation analysis, for example), but instead, it rests on rigorous forward-looking fundamental and valuation analysis of businesses coupled with a forward relative value and technical/momentum overlay that serves to augment and refine selections identified *first* as attractive by the discounted cash-flow (DCF) process[6].

We believe the price-to-fair-value (P/FV) consideration derived from a discounted cash-flow process is the most important component of investing, a key differentiated process from speculative activity that is based on price targets or anticipating near-term share-price movements[7]. We believe the future is inherently unpredictable and that nothing is guaranteed when it comes to the stock market, so with respect to idea generation, we focus most on arriving at the "best" fair value estimate *ranges* for companies than we do in trying to be precise with our forecasts over the next couple years, something that may be largely inconsequential to the long-term value composition of an equity. Precision in forecasting is not our goal. We are less concerned about our forecast for free cash flow in years one or

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[5] Nelson, Brian (2011), "Stock Selection Methodology, the Valuentum Buying Index," https://www.valuentum.com/articles/20110622

[6] Nelson, Brian, Tatiana Dmitrieva, and Kris Rosemann (2017), "Value and Momentum Within Stocks, Too." Study of Individual Time Series of 20,000+ Valuentum Buying Ratings. https://www.valuentum.com/articles/Value_and_Momentum_Within_Stocks_Too

[7] Nelson, Brian (2014), "The Most Important Topic in Stock Investing." https://www.valuentum.com/articles/The_Most_Important_Topic_in_Stock_Investing

two of our discounted cash-flow models, for example, than we are in evaluating whether our fair value estimate range best approximates the "true" intrinsic value of the equity.[8]

Furthermore, each of the three main components of the Valuentum Buying Index—DCF value estimate → forward relative value assessment → technical and momentum indicators—should not be viewed in isolation, but rather as a series of checks and balances embedded in the methodology to further augment and add additional prudence and care to our valuation opinion with respect to the discounted cash-flow process. We use forward relative valuation approaches and technical and momentum indicators not by themselves, but instead, apply them to increase the robustness of the DCF-based value assessment, itself augmented by a margin of safety (i.e. fair value range).

We wholly embrace technical and momentum indicators and the information contained in prices, and we believe a rising stock price indicates the market believes the fair value estimate of a company should be higher, while we believe a falling stock price indicates the market believes the fair value estimate of a company should be lower. We do not believe a stock is cheaper just because it has fallen in price. We generally prefer stocks that we think are undervalued on both a DCF and forward relative value basis and that also have strong technical/momentum indicators ("are going up")[9]. We call these stocks that have good value and good momentum characteristics within them "Valuentum stocks."

The Best Ideas Newsletter portfolio seeks to add stocks that are highly-rated on the Valuentum Buying Index and seeks to remove stocks when they become lower-rated on the Valuentum Buying Index, of which the P/FV ratio is but one component. We may continue to include a stock that has a less desirable P/FV ratio (value is a range not a precise point estimate),[10] provided its technical and momentum indicators remain strong, indicating the possibility we may be too conservative with respect to our fundamental-based valuation estimate. Where momentum is traditionally believed to be high turnover, the application of the Valuentum process is low turnover, minimizing trading commissions and tax consequences.[11] Some stocks, for example, have been in the Best Ideas Newsletter portfolio since inception.

The Best Ideas Newsletter portfolio is managed by the Valuentum team, and while the research and analysis used to determine portfolio construction is sourced from Valuentum's investment research and methodologies, the Valuentum team ultimately decides which stocks are included or removed and when, as well as their respective weightings in the Best Ideas Newsletter portfolio. The Best Ideas Newsletter portfolio is targeted to comprise anywhere between 15-25 stocks and ETFs at any time and may add put options or hold cash with no limitations, but it doesn't engage in any short-selling measurements due to the

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[8] Nelson, Brian, Tatiana Dmitrieva, and Kris Rosemann (Oct 2017), "How Well Do Enterprise-Cash-Flow-Derived Fair Value Estimates Predict Future Stock Prices?" https://www.valuentum.com/articles/How_Well_Do_Enterprise_Cash_Flow_Derived_Fair_Value_Estimates_Predict_Future_Stock_Prices_And_Thoughts_on_Behavioral_Valuation

[9] Nelson, Brian (2014), "Video: Explaining the Valuentum Buying Index." https://www.valuentum.com/articles/Explaining_the_Valuentum_Buying_Index

[10] Nelson, Brian (2013), "Nelson: The 16 Most Important Steps To Understand The Stock Market." https://www.valuentum.com/articles/20130225_2

[11] Valuentum (2012), "How Do We Use the Valuentum Buying Index." https://www.valuentum.com/articles/20120823

reasonableness of the implementation of such activity in the context of members focused primary on long-term wealth creation through capital appreciation.

The Best Ideas Newsletter portfolio targets diversified ideas across all sectors of the economy, but it may not have exposure to all sectors of the economy at any given time. Not all highly-rated stocks on the Valuentum Buying Index or undervalued stocks on Valuentum's discounted cash-flow process are added to the newsletter portfolio. The Best Ideas Newsletter portfolio is simulated, and performance through December 2017 was calculated by Valuentum in each monthly newsletter edition, released on the 15th of each month.

NEWSLETTER PORTFOLIO VERSUS S&P 500 TOTAL RETURN

We believe it is informative to compare the Best Ideas Newsletter portfolio to that of the S&P 500 with the dividends collected and reinvested in the S&P 500, or on a total return basis for the benchmark. Though a true apples-to-apples comparison would also assume to reinvest collected dividends in the Best Ideas Newsletter portfolio, too, we have nonetheless excluded this in the Best Ideas Newsletter portfolio as we might stipulate that such an adjustment may have impacted portfolio management decisions during the study. The imbalanced comparison gives the S&P 500 an inherent dividend-reinvestment advantage over the newsletter portfolio, but it also helps to illustrate just how well the Best Ideas Newsletter portfolio has performed regardless.

Since inception May 17, 2011, the hypothetical value of the Best Ideas Newsletter portfolio with dividends collected *but not reinvested* advanced 149.1%, while the S&P 500 with dividends collected *and reinvested* (its total return) advanced 131.7% over the same time period, revealing 17.4 percentage points of outperformance (see Appendix, Figure 3). On an apples-to-apples basis versus the Best Ideas Newsletter portfolio's declared benchmark, if we assume that dividends are collected but not reinvested for the S&P 500 benchmark, the hypothetical value of the Best Ideas Newsletter portfolio outperformed the S&P 500 value of $219,322 by 29.7 percentage points since inception (see Appendix, Figure 1).[12]

Since the inaugural edition of the Best Ideas Newsletter, July 13, 2011, the hypothetical value of the Best Ideas Newsletter with dividends collected *but not reinvested* advanced 134%, while the S&P 500 with dividends collected *and reinvested* advanced 133% over the same time period, revealing 1 percentage point of outperformance (see Appendix, Figure 3). On an apples-to-apples basis versus the Best Ideas Newsletter portfolio's declared benchmark, if we assume that dividends are collected but not reinvested for the S&P 500 benchmark, the hypothetical value of the Best Ideas Newsletter portfolio outperformed the S&P 500 value of $219,690 by 14.3 percentage points since the inaugural edition of the Best Ideas Newsletter (see Appendix, Figure 2).

Though we feel the latter measures, which illustrate calculations on a dividends-collected-but not-reinvested-basis are a more appropriate apples-to-apples comparisons given the capital-appreciation focus of the Best Ideas Newsletter portfolio (and not dividend growth focus), the former comparison is quite insightful as to the potential magnitude of outperformance of the Best Ideas Newsletter, even with dividends reinvested in the benchmark. Had we assumed a full allocation to ideas in the newsletter portfolio or assumed

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[12] Valuentum (2017), December 2017 edition of the Best Ideas Newsletter (pdf).
https://www.valuentum.com/downloads/20171216/download

that dividends had been reinvested for the newsletter portfolio, too, the outperformance gap of the Best Ideas Newsletter portfolio may have been much larger.

RISK-ADJUSTED ANALYSIS

Though outperformance in the Best Ideas Newsletter portfolio relative to its declared benchmark since inception and since the inaugural edition of the newsletter was evident over the time period measured--on both a dividends-collected-but-not-reinvested basis and on a total-return basis, including reinvested dividends--we think risk-adjusted analysis is key to gaining a better understanding of the proficiency of the Valuentum stock-selection process. Members, in building their own portfolios, for example, could theoretically increase equity exposure of ideas to meet their respective risk profiles, and this decision is beyond the scope of a newsletter publisher.

The average monthly price returns of the Best Ideas Newsletter portfolio and the average monthly price returns for the benchmark, both with dividends collected but not reinvested, were 1.2% and 1.05% respectively, while the monthly standard deviation of the Best Ideas Newsletter portfolio and the monthly standard deviation of the benchmark, both with dividends collected but not reinvested, were 2.68% and 3.3%, respectively, since inception, May 17, 2011 (see Appendix, Figure 6).

On a risk-adjusted basis, the Best Ideas Newsletter portfolio did considerably better than that of the benchmark during one of the most difficult periods to do so, where returns for the S&P 500 were high while volatility was low. During 2017, for example, "investors' risk-adjusted returns from the S&P 500 were among the highest in half a century."[13] We believe it may be more important for members to be aware of the return-per-unit-of-risk superiority of the Best Ideas Newsletter portfolio than even its relative outperformance, which is remarkable in and of itself.

According to S&P Global, for example: "Over the five-year period (ended 2017), 84.23% of large-cap managers, 85.06% of mid-cap managers, and 91.17% of small-cap managers lagged their respective benchmarks. Similarly, over the 15-year investment horizon (ended 2017), 92.33% of large-cap managers, 94.81% of mid-cap managers, and 95.73% of small-cap managers failed to outperform on a relative basis."[14] Exceeding the market return with an active process has been a tremendous feat during the past several years.

BEST DECISIONS, BIGGEST MISTAKES

In the Best Ideas Newsletter portfolio, we've made some good decisions, and we've made some big mistakes. The best decision that we ever made in the Best Ideas Newsletter portfolio is ironically related to the biggest mistake we made and forms the basis for why we're migrating to weighting ranges in the newsletter portfolio going forward. The hazards of derivatives also reared their ugly head when it came to performance of the Best Ideas Newsletter portfolio.

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[13] Miller, Lee J and Wei Lu, "S&P 500's Risk-Adjusted Return Was Close to World-Best in 2017." https://www.bloomberg.com/news/articles/2018-02-02/s-p-500-s-risk-adjusted-return-was-close-to-world-best-in-2017

[14] Soe, Aye M. and Ryan Poirier, "SPIVA U.S. Scorecard." https://us.spindices.com/documents/spiva/spiva-us-year-end-2017.pdf

Though we had the conviction to retain significant equity exposure during the massive bull market of the past several years, despite the general pricey nature of equities during the latter two years in particular, we also held a rather large cash balance in the Best Ideas Newsletter portfolio (see Appendix, Figure 7), the presence of which weighed on our ability to generate even more relative outperformance as the individual performance of ideas had been fantastic.[15] We were waiting for a rather large correction in the markets for years that never came, unfortunately. Instead of being rewarded for prudence, we were punished.

Though we may have done well with some of our put-option ideas, many of them expired worthless and periodically weighed on newsletter portfolio performance, even if their expiration probably had more to do with strong broader market returns than anything else. Had we had to do it over again, we may have not allowed for the application of put-option exposure in the Best Ideas Newsletter portfolio, but we also acknowledge the unique environment during the past several years, where stocks almost went straight up with very little volatility. We may have had a better success with put options in a bear market.

On the whole, however, we think we did very well when it came to stock selection in the Best Ideas Newsletter portfolio, though we certainly had a handful of losers, timing miscues, and missed opportunities. We also felt that we may have relied too much on our early successes in 2011 and 2012, which may have lessened our aggressiveness with new-idea additions to the newsletter portfolio, but this may have aided in prudence and better risk-adjusted performance. That the Best Ideas Newsletter portfolio stayed in the markets through the big upswing is a huge positive and a credit to the Valuentum methodology that waits for *both* value and momentum indicators within equities to sour before considering removing positions from the portfolio, regardless of price-to-fair value measurements.

WHY WE'VE NOW MOVED TO PORTFOLIO WEIGHTING RANGES

This was the hardest decision that we had to make since we started Valuentum in 2011. We're a financial publisher, not a financial advisor, broker, money manager--and valuation and analytics remain our core competency. When we built Valuentum, the idea of launching a newsletter was largely an after-thought, as we eventually migrated the tracking of our best ideas from Seeking Alpha's platform to our own with the inaugural Best Ideas Newsletter and its portfolio in July 2011.[16] We also now hold the opinion that showcasing outperformance of our newsletter products does us little good as newsletter performance doesn't translate to member success.

The financial world and the opinions of those within it are fast-changing, too, and more and more investors and financial advisors have become focused on indexed and passive products, as even some of the best-performing active funds have experienced outflows. Barron's recently reported, for example: "More than 100 mutual funds that have beaten their category peers in the past five years have suffered outflows of $1 billion or more over the past 12 months (through the end of April 2018)."[17] The demand for outperformance relative to a benchmark has been waning in recent years, as investors may possibly be

[15] Nelson, Brian (2015), "Analysis: The Best Ideas Portfolio." https://www.valuentum.com/articles/20150417
[16] Nelson, Brian (2015), "Analysis: The Best Ideas Portfolio." https://www.valuentum.com/articles/20150417
[17] Braham, Lewis. "Good Funds, Big Outflows." https://www.barrons.com/articles/good-funds-big-outflows-1526083202

confusing the success of indexing with a bull market. Their opinion may change during more challenging times, however.

In any case, we thought the time was ripe for a change to position our research services for the long term. Where before in the Best Ideas Newsletter portfolio, we would outline the specific percentage weightings of ideas, we think providing weighting ranges for ideas now makes much more sense, particularly in light of how asset allocation can cloud stock-selection proficiency, the latter our focus at Valuentum. Depending on someone's risk tolerances, for example, a larger cash position in an overheated market may be prudent, while on the other hand, the longer one's time horizon, perhaps a smaller cash position may make more sense. This isn't for us to decide as every person has different goals and different risk tolerances, and members can scale exposure to ideas in a variety of different ways.

Hypothetically speaking, investors that may have had full exposure to Valuentum's ideas and little cash likely did better than the simulated performance of the Best Ideas Newsletter portfolio, as presented in this study, and those that had a higher cash position likely did worse, all else equal. We want to continue to draw a distinction between stock-selection proficiency and asset allocation when it comes to our newsletter products, and the movement to a list-and-weighting format will facilitate this emphasis while ensuring that readers are getting our best ideas front and center.

BACKGROUND OF THE VALUENTUM TEAM

From inception through mid-2015, newsletter editor, Brian Nelson, managed the Best Ideas Newsletter portfolio (see Appendix, Figure 8), and since then it has been co-managed with Kris Rosemann, who acts as Head of Data across Valuentum's research processes. Mr. Nelson comes from a background in independent investment research and buyside aggressive-growth active management. Mr. Rosemann's research and analysis is published across widely-read syndication platforms, and his work is quoted across media organizations, the latest with respect to Valuentum's groundbreaking research on master limited partnerships.

Data scientist Tatiana Dmitrieva, Ph.D, helps head up Valuentum's quantitative research efforts and is focused on improving the logic behind statistical methods, with considerable emphasis on the application of forward-looking data points, including Valuentum's fair value estimates and Valuentum Buying Index ratings. Christopher Araos helps support a variety of functions at Valuentum, including dividend-related analysis as well as syndication support, while the work of independent contributors with unique expertise is often rolled into the Valuentum system and editorial process for the benefit of members. Valuentum is based in the Chicagoland area and was founded in 2011.

ABOUT OUR NAME

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

-- Warren Buffett, Berkshire Hathaway annual report, 1992

At Valuentum, we take Buffett's thoughts one step further. We think the best opportunities arise from an understanding of a variety of investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through momentum investing. And a combination of the two approaches found on each side of the spectrum (value/momentum) in a name couldn't be more representative of what our analysts do here; hence, we're called Valuentum.

APPENDIX

Figure 1

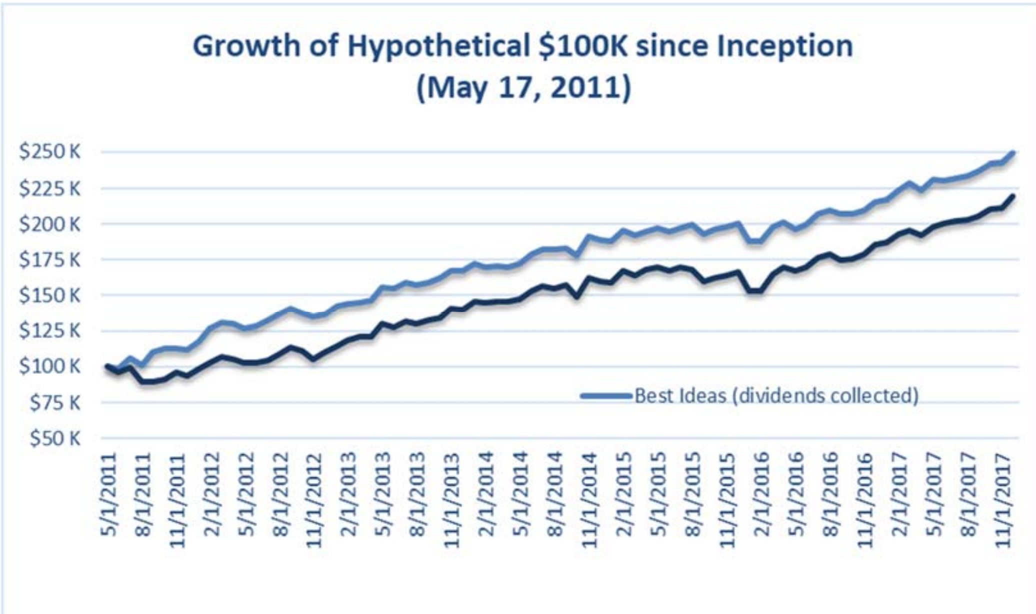

Figure 1 shows the performance of ideas in the simulated Best Ideas Newsletter portfolio from inception May 17, 2011, through December 15, 2017, relative to its declared benchmark, the S&P 500 (SPY) with dividends collected but not reinvested, as reported in the monthly newsletter.

Figure 2

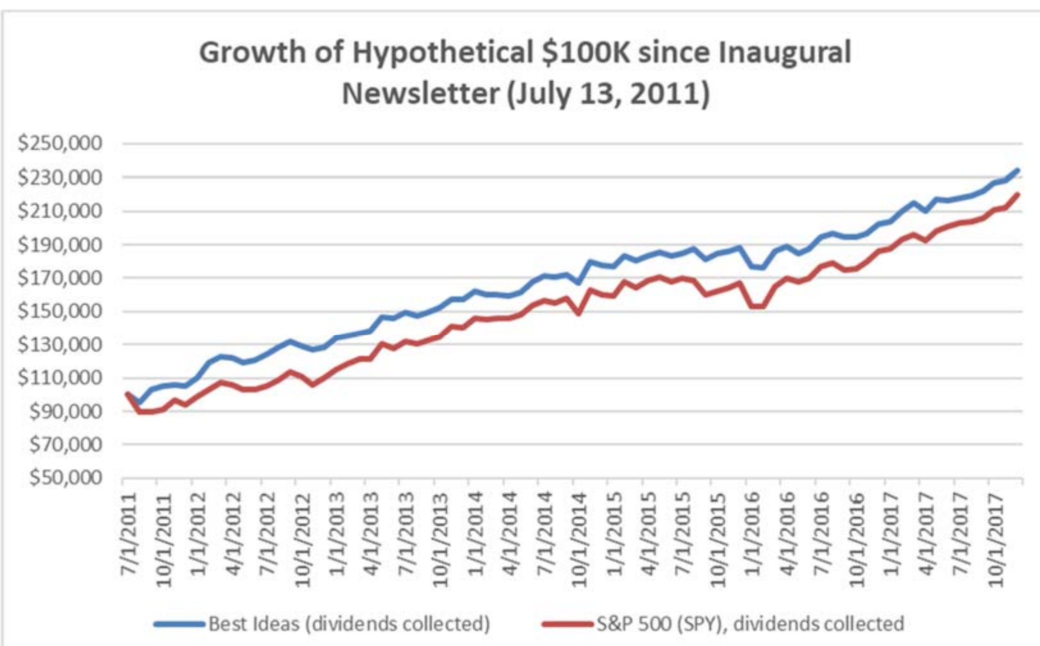

Figure 2 shows the performance of ideas in the simulated Best Ideas Newsletter from inaugural release of the Best Ideas Newsletter, July 13, 2011, through December 15, 2017, relative to its declared benchmark, the S&P 500 (SPY) with dividends collected but not reinvested, applying monthly returns to both the newsletter portfolio and benchmark (beginning values: $100,000, as of July 13, 2011).

Figure 3

Value of Total Return of S&P 500 (with dividends reinvested)			
Inception May 17, 2011		Inaugural Letter July 13, 2011	
2011	-4.07%	2011	-3.55%
2012	16.00%	2012	16.00%
2013	32.39%	2013	32.39%
2014	13.69%	2014	13.69%
2015	1.38%	2015	1.38%
2016	11.96%	2016	11.96%
2017	21.86%	2017	21.86%
	231,676		**232,951**

Figure 3 shows the adjustments to the benchmark to reflect total-return value from inception and from the inaugural edition of the simulated Best Ideas Newsletter through December 15, 2017. Total return performance data retrieved from Yahoo Finance and sourced from Standard & Poor's.

Figure 4

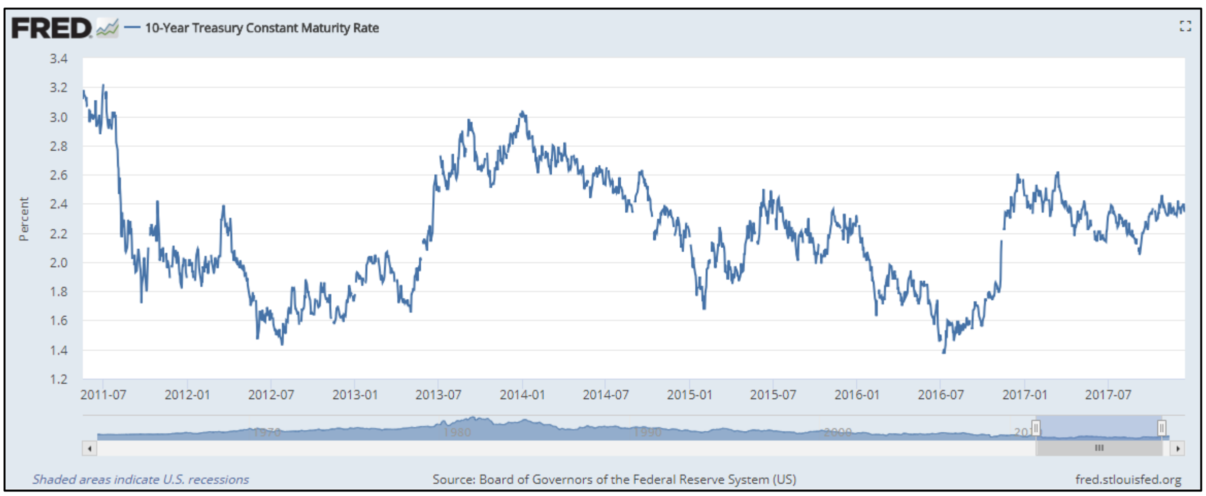

Figure 4 shows the yield on the 10-year Treasury over the course of the study of the simulated Best Ideas Newsletter portfolio, from inception May 17, 2011 through December 15, 2017. The daily average of the 10-year Treasury yield over this time period was 2.19% (0.18% on a monthly basis). Source: Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10, May 27, 2018.

Figure 5

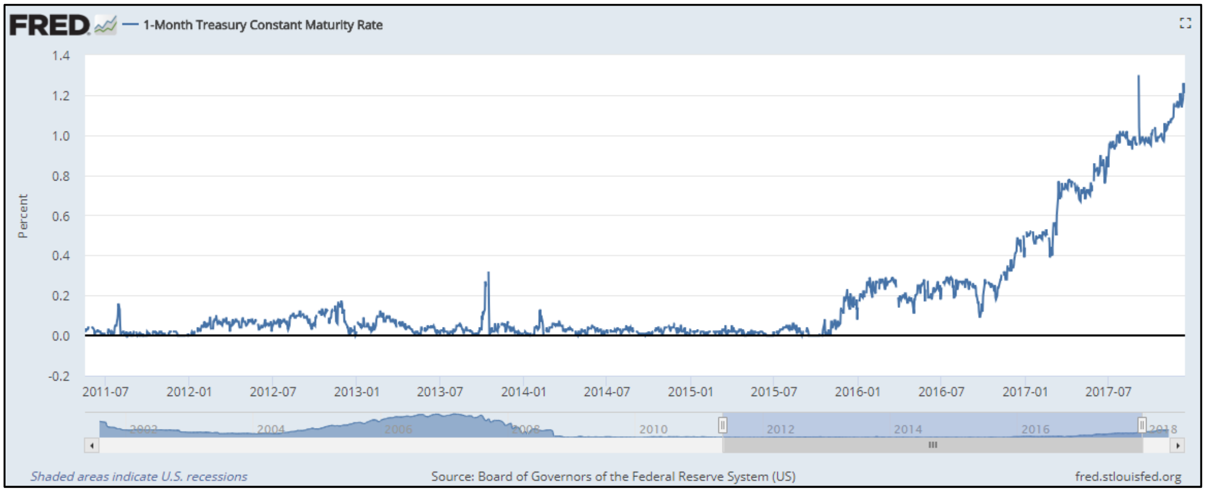

Figure 5 shows the yield on the 1-month Treasury over the course of the study of the simulated Best Ideas Newsletter portfolio, from inception May 17, 2011 through December 15, 2017. The daily average of the 1-month Treasury yield over this time period was 0.19%. Source: Board of Governors of the Federal Reserve System (US), 1-Month Treasury Constant Maturity Rate [DGS1MO], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS1MO, May 27, 2018.

Figure 6

Average of Monthly Returns	
Best Ideas	S&P 500
1.20%	1.05%
Std. Dev. of Monthly Returns	
Best Ideas	S&P 500
2.68%	3.30%
Sharpe Ratio - 10-yr Treasury	
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Best Ideas	S&P 500
1.30	0.91
Best Ideas Newsletter Portfolio Beta	
Best Ideas vs. S&P 500	
0.67	
Correlation	
Best Ideas vs. S&P 500	
0.83	

Figure 6 shows the average monthly returns and standard deviation of returns for the simulated Best Ideas Newsletter portfolio relative to its declared benchmark, the S&P 500 (SPY) with dividends collected, but not reinvested, from inception, May 11, 2017, through December 15, 2017. The annualized Sharpe ratio is shown, using a simple monthly average of the 10-year Treasury (0.18%) and the simple monthly average of the 1-month T-bill (0.19%) over the time period of the study.

Figure 7

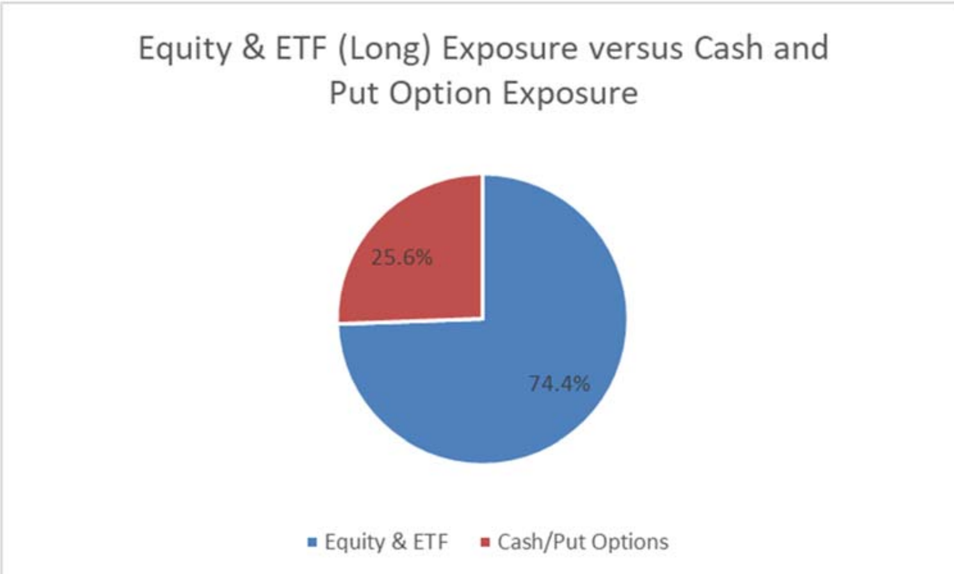

Figure 7 shows the average monthly long exposure, generally comprised of stock and ETF positions, and the average monthly cash or put-option exposure, the majority of which was cash, of the simulated Best Ideas Newsletter portfolio over the course of the study, from inception, May 17, 2011 through December 15, 2017.

Figure 8

Brian Michael Nelson is the president of equity research and ETF analysis at Valuentum Securities.

He is the architect behind the company's research methodology and processes, developing the Valuentum Buying Index rating system, the Economic Castle rating, and the Dividend Cushion ratio. Mr. Nelson has acted as editor-in-chief of the firm's Best Ideas Newsletter and Dividend Growth Newsletter since their inception.

Before founding Valuentum in early 2011, Brian worked as a director at Morningstar, where he was responsible for training and methodology development within the firm's equity and credit research department. Prior to that position, he served as a senior industrials securities analyst covering aerospace, airlines, construction, and environmental services companies.

Before joining Morningstar in February 2006, Mr. Nelson worked for a small capitalization fund covering a variety of sectors for an aggressive growth investment management firm in Chicago. He holds a Bachelor's degree in finance and a minor in mathematics, magna cum laude, from Benedictine University. Mr. Nelson has an MBA from the University of Chicago Booth School of Business and also holds the Chartered Financial Analyst (CFA) designation.

Highlights:

Brian is frequently quoted in the media and has been a frequent guest on Nightly Business Report, Bloomberg TV, CNBC, and the MoneyShow.

Mr. Nelson is very experienced valuing equities, developing discounted cash-flow models used to derive the fair value estimates for companies in the equity coverage universes of two independent investment research firms, including Valuentum.

Brian worked on a small cap fund and a micro-cap fund that were ranked within the top 10th percentile and top 1st percentile within the Small Cap Lipper Growth Universe, respectively, in 2005.

Brian led the charge in developing Morningstar's issuer credit ratings, creating and rolling-out one of the firm's proprietary credit metrics, the Cash Flow Cushion.

This paper discusses backtested and/or "walk-forward" information from studies conducted by Valuentum. The Best Ideas Newsletter portfolio is not a real-money portfolio. Actual results may differ from information, results, or performance presented in this paper. All results are hypothetical and do not represent actual trading. Performance figures are prepared by Valuentum and have not been externally audited. This paper is not a marketing document.

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