

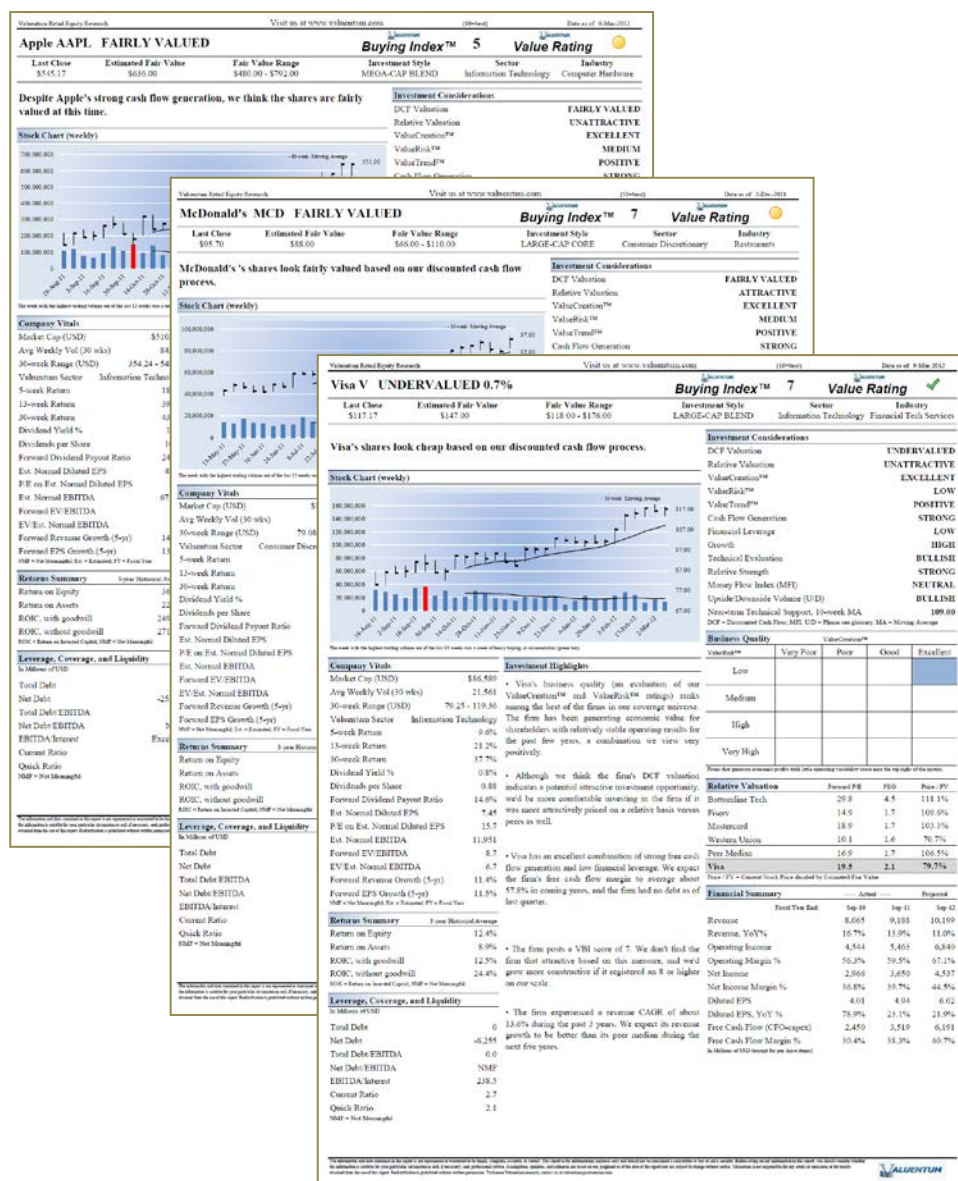
Announcing a New Tool for the Intelligent Investor!

- An Invaluable Resource for Today's Financial Advisor and Portfolio Manager
- Forward-Looking, Easy-to-Compare Stock Reports on 100 of the Highest-Quality Companies
- Rankings Based on Competitive Advantages and Risk Profiles
- Valuentum Buying Index™ Ratings to Identify Some of the Most Interesting Stocks for Consideration
- Independent Opinion 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 in 2018
- Identify investment gems

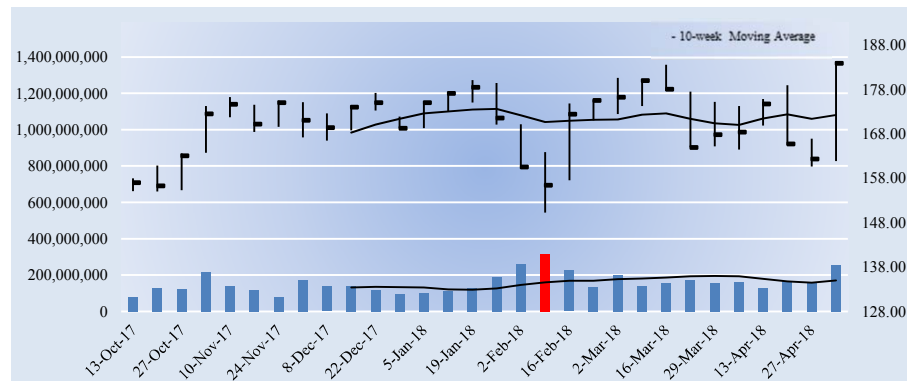
Valuentum Ideas100™



Apple AAPL FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	\$220.00	\$180.00 - \$260.00	MEGA-CAP VALUE	Information Technology	Computer Hardware

Apple's long-term outlook remains bright, and its brand strength is second to none. Its Services business is growing rapidly.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$965,419
Avg Weekly Vol (30 wks)	157,346
30-week Range (USD)	150.24 - 184.25
Valuentum Sector	Information Technology
5-week Return	10.3%
13-week Return	15.5%
30-week Return	18.0%
Dividend Yield %	1.4%
Dividends per Share	2.52
Forward Dividend Payout Ratio	21.7%
Est. Normal Diluted EPS	14.21
P/E on Est. Normal Diluted EPS	12.9
Est. Normal EBITDA	92,075
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	8.8
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	40.0%
Return on Assets	16.4%
ROIC, with goodwill	268.3%
ROIC, without goodwill	367.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	115,680
Net Debt	-153,215
Total Debt/EBITDA	1.6
Net Debt/EBITDA	NMF
EBITDA/Interest	30.8
Current Ratio	1.3
Quick Ratio	3.0

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.

• 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. It recently upped its Advanced Manufacturing Fund to \$5 billion from \$1 billion.

• Management is calling the iPhone X its biggest leap since the original iPhone, and we like its dedication to innovation, regardless of whether or not such a statement is entirely accurate. The company's growing Services segment bodes well for its long-term gross margin performance, and the segment has doubled its revenue over the past four years. Wearables has been an area of strength of late as well.

• Investors should pay close attention to the firm's gross margin, which fell to ~38% in fiscal 2017 from 40% in fiscal 2015 and is expected to remain below 40% in the near term. Pricing and cost pressures may be unavoidable, and the currency exchange rates should not be ignored as Apple generates nearly 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, but it recently announced plans to take its balance sheet to cash-neutral. Its dividend growth potential may be unmatched for the time being.

Structure of the Computer Hardware Industry

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.

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	VERY BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	172.00

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

BlackBerry	NMF	NMF	118.8%
Cray	NMF	NMF	118.3%
Hewlett-Packard	10.9	1.5	83.4%
IBM	10.3	1.1	92.3%
Peer Median	10.6	1.3	105.3%
Apple	15.8	1.6	83.6%

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

Financial Summary

----- Actual ----- Projected

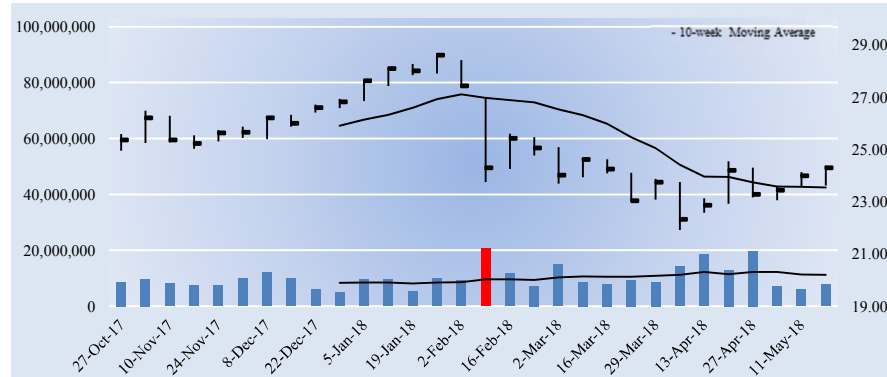
Fiscal Year End:	Sep-16	Sep-17	Sep-18
Revenue	215,639	229,234	261,327
Revenue, YoY%	-7.7%	6.3%	14.0%
Operating Income	60,024	61,344	67,450
Operating Margin %	27.8%	26.8%	25.8%
Net Income	45,687	48,351	59,778
Net Income Margin %	21.2%	21.1%	22.9%
Diluted EPS	8.31	9.21	11.62
Diluted EPS, YoY %	-9.9%	10.8%	26.2%
Free Cash Flow (CFO-capex)	52,276	50,803	59,629
Free Cash Flow Margin %	24.2%	22.2%	22.8%

In Millions of USD (except for per share items)

ABB ABB FAIRLY VALUED**Buying Index™ 7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$25.00	Fair Value Range \$20.00 - \$30.00	Investment Style LARGE-CAP VALUE	Sector Industrials	Industry Electrical Equipment - industrial
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ABB is set to benefit from key growth areas, including power grid expansion, emerging market demand, energy efficiency initiatives, and automation business growth.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$52,196
Avg Weekly Vol (30 wks)	10,095
30-week Range (USD)	21.92 - 28.67
Valuentum Sector	Industrials
5-week Return	5.2%
13-week Return	-3.7%
30-week Return	-4.4%
Dividend Yield %	3.4%
Dividends per Share	0.83
Forward Dividend Payout Ratio	59.1%
Est. Normal Diluted EPS	1.74
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	6,478
Forward EV/EBITDA	9.6
EV/Est. Normal EBITDA	8.3
Forward Revenue Growth (5-yr)	5.3%
Forward EPS Growth (5-yr)	15.1%

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

Returns Summary

3-year Historical Average

Return on Equity	14.8%
Return on Assets	5.2%
ROIC, with goodwill	13.9%
ROIC, without goodwill	27.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,447
Net Debt	1,819
Total Debt/EBITDA	1.7
Net Debt/EBITDA	0.4
EBITDA/Interest	15.9
Current Ratio	1.3
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• ABB is a market leader across its power products and systems portfolio and is among the top 3 global providers in discrete automation, low voltage products, and process automation. The company has folded Baldor (electrical motors) and Thomas & Betts (low-voltage market) into operations. It was founded in 1883 and is headquartered in Switzerland.

• ABB's relationship with activist investor Cevian Capital may be worth watching. After defying pressure from Cevian to spin off its 'Power Grids' division, ABB is now working to make the business more powerful. Growth in higher-margin services offerings will be key.

• ABB has solid targets for 2015-2020. It is targeting revenue growth of 4%-7%, which is higher than its total market expected growth of 3.5%-5%. The main drivers of this growth are the strengthening of its competitiveness and increased organic growth momentum. Perhaps our favorite target is management's goal to convert more than 90% of net income to free cash flow.

• ABB is set to benefit from key growth areas, including power grid expansion, emerging market demand, energy efficiency initiatives, and automation business growth. It agreed to buy GE's Industrial Solutions business for \$2.8 billion and expects annual cost benefits of \$200 million from the deal, which will strengthen ABB's position in North America.

• Service momentum is a key building block for profitable growth at ABB, and service order growth has outpaced overall order growth in recent quarters. We like this increasing recurring revenue stream. As of the end of the first quarter of 2018, its total backlog was a robust \$23.7 billion.

Structure of the Industrial Electrical Equipment Industry

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.

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	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	24.00

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

Business Quality

ValueCreation™

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

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Ametek	29.0	1.6	121.8%
Eaton	15.0	NMF	104.8%
General Cable	39.4	NMF	99.5%
Rockwell Automation	23.1	2.4	117.6%
Peer Median	26.0	2.0	111.2%
ABB	17.3	1.6	97.2%

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

Financial Summary

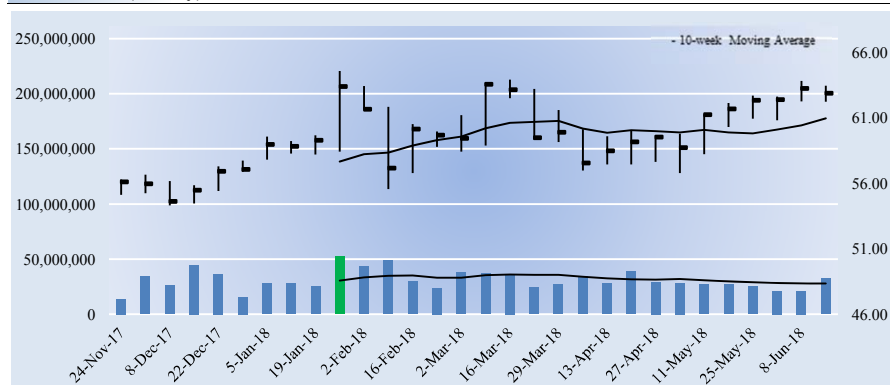
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	33,828	34,312
Revenue, YoY%	-4.7%	1.4%
Operating Income	3,098	3,294
Operating Margin %	9.2%	9.6%
Net Income	1,883	2,219
Net Income Margin %	5.6%	6.5%
Diluted EPS	0.87	1.03
Diluted EPS, YoY %	1.0%	18.2%
Free Cash Flow (CFO-capex)	3,012	2,850
Free Cash Flow Margin %	8.9%	8.3%

In Millions of USD (except for per share items)

Abbott ABT FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$53.00	Fair Value Range \$42.00 - \$64.00	Investment Style LARGE-CAP CORE	Sector Health Care	Industry Pharmaceuticals - Big
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Deleveraging will be a high priority for Abbott in the near term following recent acquisitions, and management is high on its recently augmented growth opportunities.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$110,030
Avg Weekly Vol (30 wks)	30,787
30-week Range (USD)	54.32 - 64.6
Valuentum Sector	Health Care
5-week Return	2.3%
13-week Return	-0.3%
30-week Return	13.0%
Dividend Yield %	1.8%
Dividends per Share	1.12
Forward Dividend Payout Ratio	38.6%
Est. Normal Diluted EPS	3.28
P/E on Est. Normal Diluted EPS	19.2
Est. Normal EBITDA	10,129
Forward EV/EBITDA	14.1
EV/Est. Normal EBITDA	12.7
Forward Revenue Growth (5-yr)	6.8%
Forward EPS Growth (5-yr)	77.0%

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

Returns Summary

3-year Historical Average

Return on Equity	6.2%
Return on Assets	3.0%
ROIC, with goodwill	10.0%
ROIC, without goodwill	16.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	27,924
Net Debt	18,314
Total Debt/EBITDA	5.9
Net Debt/EBITDA	3.9
EBITDA/Interest	5.3
Current Ratio	2.3
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• The new Abbott isn't much different from the old Abbott (pre AbbVie spin-off), 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 65% 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 has acquired point of care testing firm Alere for \$51 per share, or a total equity value of ~\$5.3 billion. The \$5.5 billion point of care testing segment is one of the fastest growing segments in healthcare diagnostics, and the deal has made Abbott a leader in rapid testing, one of the few areas of diagnostics it was not already a leader. Deleveraging is a key focus in the near term.

• Abbott also recently acquired St. Jude Medical for \$25 billion. Annual pre-tax synergies of \$500 million are expected by 2020, and Abbot has assumed or will refinance \$5.7 billion of STJ debt. As the company works to pay down debt, its dividend payout ratio is likely to remain near the lower end of its 40%-45% target.

• 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.

Structure of the Big Pharma Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
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)	BULLISH
Near-term Technical Support, 10-week MA	61.00

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
AbbVie	12.7	1.5	104.8%
Eli Lilly	16.7	NMF	112.8%
Merck	14.5	1.7	100.0%
Pfizer	12.2	NMF	90.9%
Peer Median	13.6	1.6	102.4%
Abbott	21.7	4.0	118.7%

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

Financial Summary

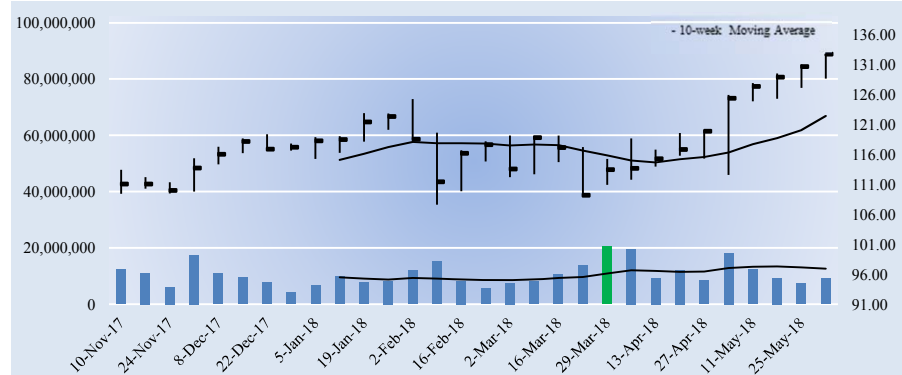
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	20,853	27,390
Revenue, YoY%	2.2%	31.3%
Non-GAAP Operating Income	3,185	1,726
Non-GAAP EBIT %	15.3%	6.3%
Non-GAAP Net Income	1,063	353
Non-GAAP NI Margin %	5.1%	1.3%
Non-GAAP Diluted EPS	0.72	0.20
Non-GAAP Dil EPS, YoY %	-58.6%	-71.8%
Non-GAAP Free Cash Flow	2,082	4,435
Non-GAAP FCF Margin %	10.0%	16.2%

In Millions of USD (except for per share items)

Automatic Data Processing ADP FAIRLY VALUED**Buying Index™****5****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$128.00	Fair Value Range \$102.00 - \$154.00	Investment Style LARGE-CAP CORE	Sector Information Technology	Industry Staffing Services
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ADP believes its runway for growth is a long one, though its operating environment is evolving.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$60,936
Avg Weekly Vol (30 wks)	10,637
30-week Range (USD)	107.61 - 132.79
Valuentum Sector	Information Technology
5-week Return	10.6%
13-week Return	17.7%
30-week Return	18.8%
Dividend Yield %	2.1%
Dividends per Share	2.76
Forward Dividend Payout Ratio	63.6%
Est. Normal Diluted EPS	5.30
P/E on Est. Normal Diluted EPS	25.1
Est. Normal EBITDA	3,637
Forward EV/EBITDA	10.5
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	9.9%

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

Returns Summary

3-year Historical Average

Return on Equity	32.4%
Return on Assets	4.1%
ROIC, with goodwill	45.9%
ROIC, without goodwill	99.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,002
Net Debt	-28,070
Total Debt/EBITDA	0.7
Net Debt/EBITDA	NMF
EBITDA/Interest	34.1
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. It offers a wide range of easy-to-use human resource, payroll, tax and benefits administration solutions from a single source. It has ~700,000 clients in 110+ countries, and ~80% of the Fortune 100 use at least one ADP service. The company was founded in 1949 and is based in New Jersey.

• The US human cloud capital management (HCM) market was ~\$65 billion in ADP's fiscal 2017 and is expected to grow to ~\$79 billion by fiscal 2020, while the multi-national and international HCM market is expected to grow to ~\$45 billion in fiscal 2020 from ~\$40 billion in fiscal 2017.

• 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. Reported revenue is expected to grow 7%-8% in fiscal 2018.

• ADP expects revenue to grow at a 7%-9% CAGR from fiscal 2017 to fiscal 2020 thanks in part to its focus on large and growing markets where it has a competitive advantage and ~200 basis points of adjusted EBIT margin expansion thanks to operating leverage, platform migrations, and service alignment and productivity initiatives.

• 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.

Structure of the Staffing Services Industry

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.

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	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	122.00

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
Insperty	27.0	2.4	131.2%
Korn/Ferry	20.8	2.1	115.5%
Manpower	10.1	2.4	82.2%
Paychex	25.8	3.2	114.6%
Peer Median	23.3	2.4	115.1%
Automatic Data Processing	30.6	3.5	103.7%

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

Financial Summary

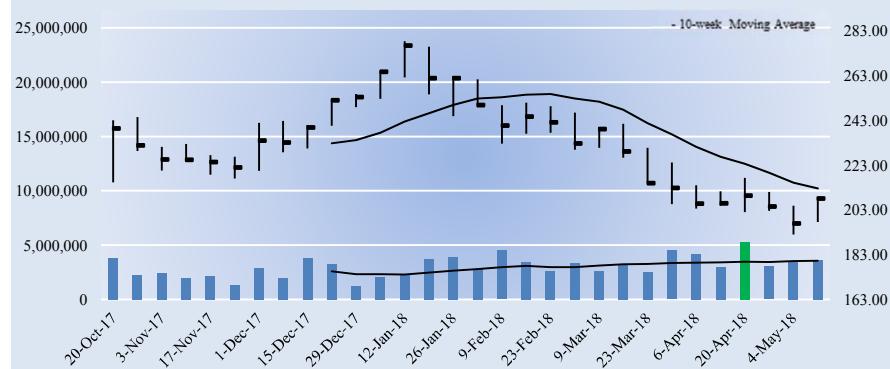
	Actual	Projected
Fiscal Year End:	Jun-16	Jun-17
Revenue	11,668	12,380
Revenue, YoY%	6.7%	6.1%
Operating Income	1,813	2,327
Operating Margin %	15.5%	18.8%
Net Income	1,493	1,733
Net Income Margin %	12.8%	14.0%
Diluted EPS	3.25	3.78
Diluted EPS, YoY %	12.4%	16.1%
Free Cash Flow (CFO-capex)	1,601	1,656
Free Cash Flow Margin %	13.7%	13.4%

In Millions of USD (except for per share items)

Alliance Data Systems ADS FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$246.00	Fair Value Range \$197.00 - \$295.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Business Services
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As it pertains to the long-term outlook, Alliance Data has both cyclical and non-cyclical businesses, and two of its three businesses expect continued growth through any economic downturn.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$11,630
Avg Weekly Vol (30 wks)	3,049
30-week Range (USD)	192.02 - 278.33
Valuentum Sector	Information Technology
5-week Return	0.9%
13-week Return	-14.6%
30-week Return	-10.4%
Dividend Yield %	1.1%
Dividends per Share	2.28
Forward Dividend Payout Ratio	10.0%
Est. Normal Diluted EPS	23.67
P/E on Est. Normal Diluted EPS	8.8
Est. Normal EBITDA	2,720
Forward EV/EBITDA	8.3
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	6.0%
Forward EPS Growth (5-yr)	8.2%

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

Returns Summary

3-year Historical Average

Return on Equity	33.5%
Return on Assets	2.6%
ROIC, with goodwill	16.3%
ROIC, without goodwill	21.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	14,887
Net Debt	10,697
Total Debt/EBITDA	6.9
Net Debt/EBITDA	5.0
EBITDA/Interest	3.8
Current Ratio	2.4
Quick Ratio	2.2

NMF = Not Meaningful

Investment Highlights

• Alliance Data Systems is a leading provider of transaction-based, data-driven marketing and loyalty solutions (including database marketing services, marketing strategy consulting, analytics and creative services). Consumer marketing data is the core of its business and offerings. The company was founded in 1996 and is headquartered in Plano, Texas.

• As it pertains to the long-term outlook, Alliance Data has both cyclical and non-cyclical businesses. Two of its three businesses expect continued growth through any economic downturn, and the firm was able to sustain growth through the 2008-2009 recession.

• Alliance Data has three businesses. LoyaltyOne operates the AIR MILES Reward Program in Canada. Epsilon specializes in marketing services including data and analytics, and its 'Card Services' division focuses on receivables financing and processing services. The firm's private label credit cards are active in the wallets of 1 of 10 employed adults in the US.

• The shift to data-enabled, multi-channel digital marketing represents a huge and growing market for Alliance Data. The firm was able to grow through the Great Recession thanks to steady performance from its non-card businesses and lower loss rate in its cards business compared to bank cards.

• Alliance Data is expecting a strong year in 2018. It is targeting revenue growth to be ~\$8.35 billion, and annual core EPS growth is expected to be 16%-19% (to a range of \$22.50-\$23.00). The massive shift to direct, data-driven marketing spending bodes well for the firm.

Structure of the Business Services Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	213.00

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
Accenture	23.2	2.5	120.8%
Amdocs	16.2	2.0	98.9%
IHS Markit	22.8	2.2	118.7%
VMware	23.7	2.5	118.1%
Peer Median	23.0	2.3	118.4%
Alliance Data Systems	9.1	1.8	84.6%

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

Financial Summary

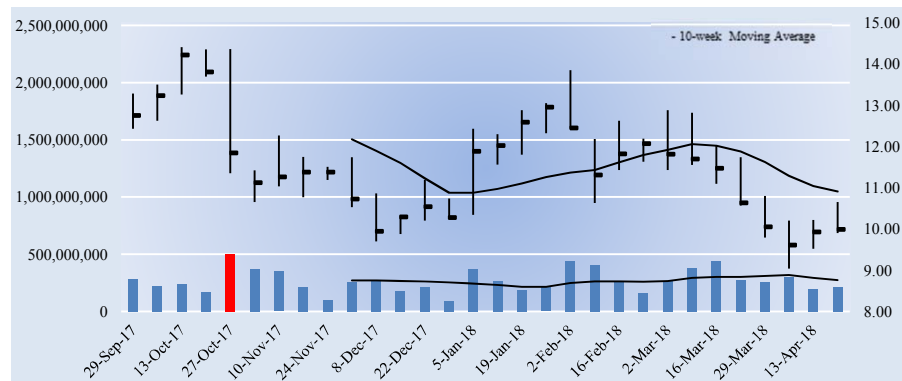
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	7,138	7,719
Revenue, YoY%	10.8%	8.1%
Operating Income	1,266	1,646
Operating Margin %	17.7%	21.3%
Net Income	516	789
Net Income Margin %	7.2%	10.2%
Diluted EPS	8.76	14.11
Diluted EPS, YoY %	-8.5%	61.1%
Free Cash Flow (CFO-capex)	1,907	2,385
Free Cash Flow Margin %	26.7%	30.9%

In Millions of USD (except for per share items)

Advanced Micro Devices AMD FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Highest Rated	Estimated Fair Value \$13.00	Fair Value Range \$7.00 - \$20.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Broad Line Semiconductors
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AMD's long-term financial model consists of some ambitious targets, but secular trends support its growing total addressable market.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$10,380
Avg Weekly Vol (30 wks)	270,425
30-week Range (USD)	9.04 - 14.41
Valuentum Sector	Information Technology
5-week Return	-12.4%
13-week Return	-20.8%
30-week Return	-24.6%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	0.55
P/E on Est. Normal Diluted EPS	18.0
Est. Normal EBITDA	965
Forward EV/EBITDA	14.1
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	8.9%
Forward EPS Growth (5-yr)	73.5%

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

Returns Summary

3-year Historical Average

Return on Equity	-8084.5%
Return on Assets	-11.1%
ROIC, with goodwill	-3.8%
ROIC, without goodwill	-5.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,395
Net Debt	210
Total Debt/EBITDA	4.7
Net Debt/EBITDA	0.7
EBITDA/Interest	2.3
Current Ratio	1.8
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• AMD is a global semiconductor company. The firm makes x86 microprocessors as well as graphics, video, and multimedia products for desktop and mobile devices. Its solutions, for example, power the newest gaming and entertainment consoles from Microsoft and Sony. The company was founded in 1969 and is headquartered in Sunnyvale, California.

• Secular trends support AMD's growing total addressable market, which is expected to hit ~\$64 billion in 2020, and material growth opportunities exist in datacenter and cloud-based end markets in addition to rapidly expanding technology in gaming and immersive platforms.

• Intel has dominated the microprocessor market for years, and its market share, and significant financial resources will continue to pressure pricing and profits at AMD. However, AMD has made some share gains against Intel in PCs and CPUs of late, and the two have now teamed up to produce a laptop computer chip using an Intel processor and AMD graphics in an attempt to compete more effectively with Nvidia.

• Though we have concerns with AMD's financial leverage, the firm does not have any debt maturities until 2019 and no maturities over \$170 million until 2022. Total debt was just under \$1.4 billion as of the end of 2017, down from more than \$2.2 billion at the end of 2015, but free cash flow generation has left a bit to be desired of late.

• AMD's long-term financial model consists of the following targets: double-digit revenue growth (new product momentum), gross margin of 40%-44% (higher ASP and richer mix), operating expenses as a percentage of revenue of 26%-30% (opex leverage), and EPS of \$0.75+.

Structure of the Broad Line Semiconductor Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	VERY POOR
ValueRisk™	VERY HIGH
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
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	11.00

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
Broadcom	11.8	1.5	96.4%
Intel	14.3	1.4	95.4%
STMicroelectronics	16.4	2.9	143.3%
Texas Instruments	19.8	2.2	126.5%
Peer Median	15.4	1.8	111.5%
Advanced Micro Devices	25.4	3.3	76.8%

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

Financial Summary

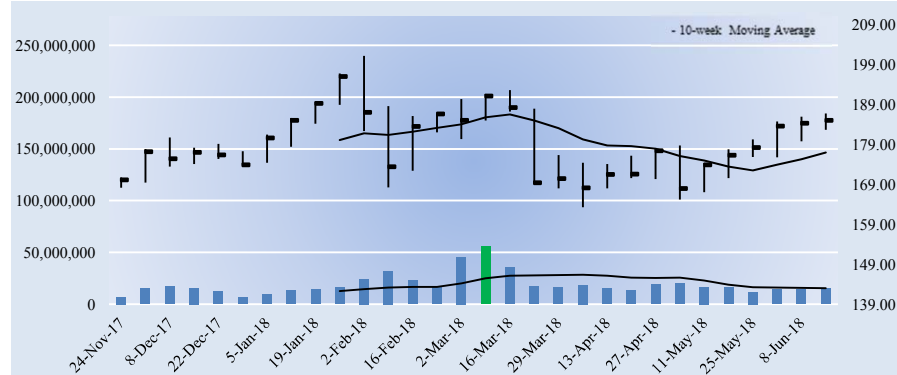
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	4,272	5,329
Revenue, YoY%	7.0%	24.7%
Non-GAAP Operating Income	-470	152
Non-GAAP EBIT %	-11.0%	2.9%
Non-GAAP Net Income	-497	43
Non-GAAP NI Margin %	-11.6%	0.8%
Non-GAAP Diluted EPS	-0.60	0.04
Non-GAAP Dil EPS, YoY %	-29.4%	-107.0%
Non-GAAP FCF (CFO-capex)	13	-45
Non-GAAP FCF Margin %	0.3%	-0.8%

In Millions of USD (except for per share items)

Amgen AMGN FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$188.00	Fair Value Range \$150.00 - \$226.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Pharmaceuticals - Big
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Amgen expects to begin commercializing its pipeline of biosimilars in 2018. We're not as high as management on this growth opportunity, even as the US healthcare space continues to look for lower cost treatments.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$135,982
Avg Weekly Vol (30 wks)	18,892
30-week Range (USD)	163.31 - 201.23
Valuentum Sector	Health Care
5-week Return	6.3%
13-week Return	-1.2%
30-week Return	8.9%
Dividend Yield %	2.9%
Dividends per Share	5.28
Forward Dividend Payout Ratio	38.1%
Est. Normal Diluted EPS	13.54
P/E on Est. Normal Diluted EPS	13.7
Est. Normal EBITDA	13,570
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	9.6
Forward Revenue Growth (5-yr)	0.6%
Forward EPS Growth (5-yr)	36.3%

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

Returns Summary

3-year Historical Average

Return on Equity	19.9%
Return on Assets	7.6%
ROIC, with goodwill	40.0%
ROIC, without goodwill	76.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	35,342
Net Debt	-6,336
Total Debt/EBITDA	2.9
Net Debt/EBITDA	NMF
EBITDA/Interest	9.4
Current Ratio	5.5
Quick Ratio	5.0

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. We expect it to 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.

• In 2018, Amgen is expecting revenue to be \$21.9-\$22.8 billion (up from initial guidance of \$21.8-\$22.8 billion) and non-GAAP earnings per share in a range of \$12.80-\$13.70 (guidance was \$12.60-\$13.70). Amgen and partner Novartis recently received approval for migraine prevention drug Aimovig.

• Amgen is excited about its pipeline in the areas of atherosclerosis and heart failure, and it expects its efforts in biosimilars to come to fruition in 2018 as it begins commercialization. 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, though the push for lower cost treatment in the US may help its efforts.

• 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.

Structure of the Big Pharma Industry

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.

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	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	177.00

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
Abbott	21.7	4.0	118.7%
Eli Lilly	16.7	NMF	112.8%
Merck	14.5	1.7	100.0%
Pfizer	12.2	NMF	90.9%
Peer Median	15.6	2.9	106.4%
Amgen	13.4	1.9	98.4%

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

Financial Summary

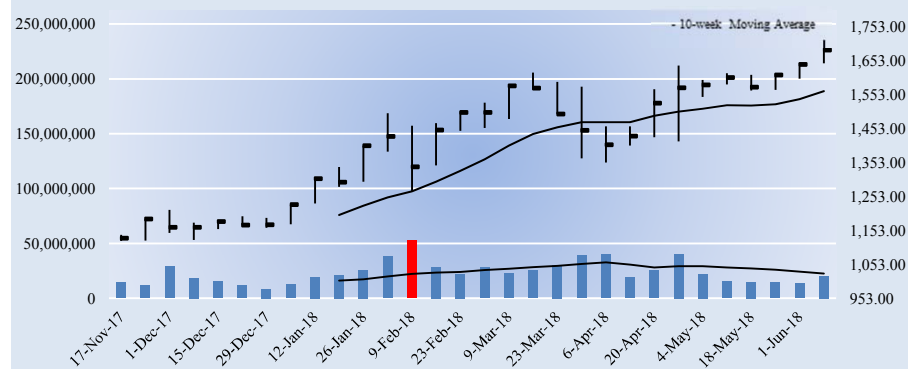
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	22,991	22,849
Revenue, YoY%	6.1%	-0.6%
Non-GAAP Operating Income	9,927	10,348
Non-GAAP EBIT %	43.2%	45.3%
Non-GAAP Net Income	7,722	1,979
Non-GAAP NI Margin %	33.6%	8.7%
Non-GAAP Diluted EPS	10.24	2.69
Non-GAAP Dil EPS, YoY %	13.1%	-73.7%
Non-GAAP Free Cash Flow	9,517	10,513
Non-GAAP FCF Margin %	41.4%	46.0%

In Millions of USD (except for per share items)

Amazon.com AMZN FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$1938.00	Fair Value Range \$1454.00 - \$2423.00	Investment Style MEGA-CAP BLEND	Sector Consumer Discretionary	Industry Internet & Catalog Retail
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Amazon Web Services is becoming an increasingly important part of Amazon's business. AWS revenue growth is outpacing the overall company, but most important is its cash-rich nature.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$830,207
Avg Weekly Vol (30 wks)	23,292
30-week Range (USD)	1121.63 - 1714.5
Valuentum Sector	Consumer Discretionary
5-week Return	6.0%
13-week Return	5.7%
30-week Return	50.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	39.45
P/E on Est. Normal Diluted EPS	42.7
Est. Normal EBITDA	49,427
Forward EV/EBITDA	35.4
EV/Est. Normal EBITDA	16.9
Forward Revenue Growth (5-yr)	23.9%
Forward EPS Growth (5-yr)	65.3%

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

Returns Summary

3-year Historical Average

Return on Equity	10.8%
Return on Assets	2.3%
ROIC, with goodwill	16.1%
ROIC, without goodwill	18.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	37,926
Net Debt	6,940
Total Debt/EBITDA	2.4
Net Debt/EBITDA	0.4
EBITDA/Interest	18.6
Current Ratio	1.0
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Amazon seeks to be the center for four primary customer sets: consumers, sellers, enterprises, and content creators. The company also provides advertising services and co-branded credit card agreements in addition to its Amazon Web Services, a suite of on demand cloud-based services. It stands as the best example as to why the dot-com boom of the late 1990s wasn't a complete bust.

• Amazon Web Services is becoming an increasingly important part of Amazon's business. Revenue growth in the segment is outpacing overall company growth, and AWS accounted for ~73% of first quarter 2018 operating income despite generating just over 10% of revenue.

• In the past, Amazon has notoriously been less concerned with maximizing profits, but free cash flow has recently become a welcome abundance. However, an investment in the stock remains risky due to a lack of clarity into long-term operating margins, to which our fair value estimate is very sensitive. A 1% change in our mid-cycle operating margin assumption results in a ~\$185 change in Amazon's fair value estimate.

• The online retailer continues to focus on taking market share and damaging its brick-and-mortar competitors. Its \$13.7 billion purchase of Whole Foods speaks directly to this as the firm continues to compete aggressively for market share. The company continues to evaluate an entrance into a number of other verticals, including pharmacy and shipping.

• Amazon is truly a special entity. From millions of new Prime members, to creating its own content, to delivering packages via drones, to its rapidly expanding Amazon Web Services and beyond, Amazon is a wonder of an enterprise. The Internet giant is exploring options as a pharmacy wholesaler.

Structure of the Internet & Catalog Retail Industry

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, which continues to disrupt the broader retail space, and businesses that offer Internet travel services such as Booking Holdings, while online auctions are dominated by eBay. 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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
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	1563.00

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
Alibaba	31.4	1.7	87.3%
Booking Holdings	24.0	1.8	101.5%
eBay	17.5	NMF	106.0%
Expedia Group	23.3	1.8	94.4%
Peer Median	23.6	1.8	98.0%
Amazon.com	NMF	4.2	86.9%

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

Financial Summary

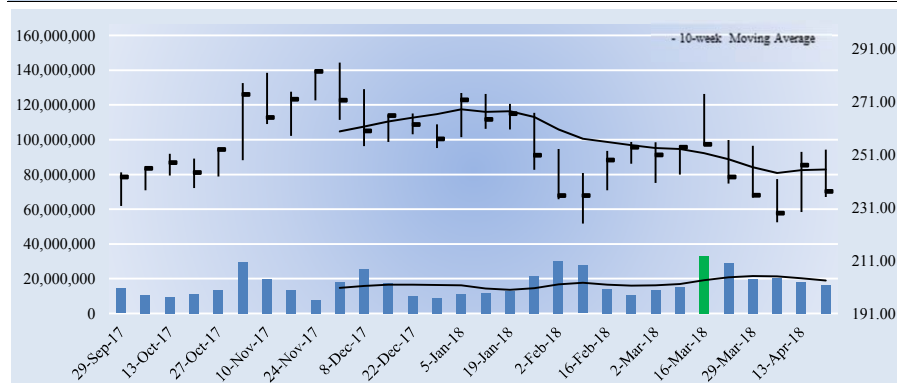
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	135,987	177,866
Revenue, YoY%	27.1%	30.8%
Operating Income	4,353	4,320
Operating Margin %	3.2%	2.4%
Net Income	2,371	3,037
Net Income Margin %	1.7%	1.7%
Diluted EPS	4.90	6.16
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	9,706	6,479
Free Cash Flow Margin %	7.1%	3.6%

In Millions of USD (except for per share items)

Broadcom AVGO FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$246.00	Fair Value Range \$197.00 - \$295.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Broad Line Semiconductors
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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.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$99,828
Avg Weekly Vol (30 wks)	17,192
30-week Range (USD)	224.9 - 285.68
Valuentum Sector	Information Technology
5-week Return	-6.3%
13-week Return	-10.7%
30-week Return	0.0%
Dividend Yield %	3.0%
Dividends per Share	7.00
Forward Dividend Payout Ratio	34.9%
Est. Normal Diluted EPS	21.12
P/E on Est. Normal Diluted EPS	11.2
Est. Normal EBITDA	10,985
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	9.7
Forward Revenue Growth (5-yr)	7.0%
Forward EPS Growth (5-yr)	40.2%

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

Returns Summary

3-year Historical Average

Return on Equity	9.8%
Return on Assets	3.6%
ROIC, with goodwill	22.6%
ROIC, without goodwill	39.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	17,548
Net Debt	6,344
Total Debt/EBITDA	2.4
Net Debt/EBITDA	0.9
EBITDA/Interest	16.3
Current Ratio	6.2
Quick Ratio	5.4

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. We like the diversification of the combined portfolio, and management recently wrapped up the extraction of \$750 million in annual run rate synergies.

• Broadcom recently acquired Brocade in an all cash deal worth ~\$5.5 billion. 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. We think gaining share is important at this stage of the 'Internet of Things.' Broadcom has withdrawn its hostile takeover bid for Qualcomm.

• As of the end of fiscal 2017, roughly 45% 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.

• 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.

Structure of the Broad Line Semiconductor Industry

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.

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)	BEARISH
Near-term Technical Resistance, 10-wk MA	245.00

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
Advanced Micro Devices	25.4	3.3	76.8%
Intel	14.3	1.4	95.4%
STMicroelectronics	16.4	2.9	143.3%
Texas Instruments	19.8	2.2	126.5%
Peer Median	18.1	2.5	111.0%
Broadcom	11.8	1.5	96.4%

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

Financial Summary

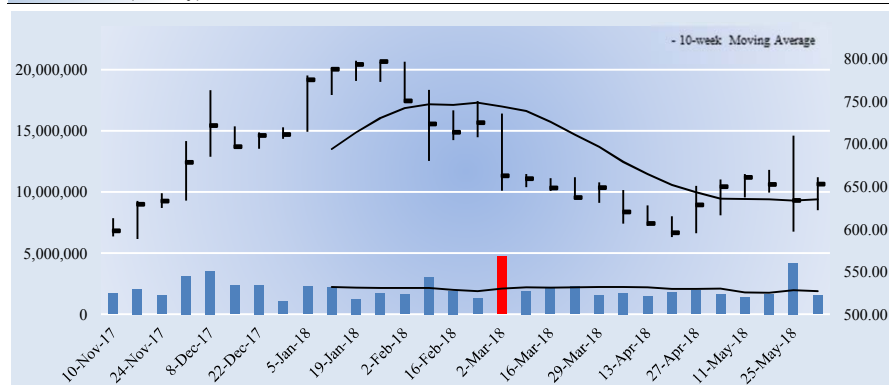
	Actual	Projected
Fiscal Year End:	Oct-16	Oct-17
Revenue	13,240	17,636
Revenue, YoY%	94.0%	33.2%
Operating Income	587	2,666
Operating Margin %	4.4%	15.1%
Net Income	-1,627	1,698
Net Income Margin %	-12.3%	9.6%
Diluted EPS	-4.25	4.03
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	2,688	5,482
Free Cash Flow Margin %	20.3%	31.1%

In Millions of USD (except for per share items)

AutoZone AZO FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$613.00	Fair Value Range \$490.00 - \$736.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Specialty Retail - auto
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AutoZone's margins have been impacted by increased wage pressure and rising transportation costs, but it holds an optimistic near-term gross margin outlook.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$18,983
Avg Weekly Vol (30 wks)	2,098
30-week Range (USD)	588.56 - 797.89
Valuentum Sector	Consumer Discretionary
5-week Return	3.7%
13-week Return	-0.7%
30-week Return	7.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	59.48
P/E on Est. Normal Diluted EPS	11.0
Est. Normal EBITDA	2,685
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	8.9
Forward Revenue Growth (5-yr)	3.2%
Forward EPS Growth (5-yr)	8.6%

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

Returns Summary

3-year Historical Average

Return on Equity	-79.4%
Return on Assets	14.7%
ROIC, with goodwill	43.1%
ROIC, without goodwill	48.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,129
Net Debt	4,836
Total Debt/EBITDA	2.1
Net Debt/EBITDA	2.0
EBITDA/Interest	15.3
Current Ratio	1.0
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.

• AutoZone has been aggressively investing in the highly-fragmented commercial segment of its industry in order to drive share gains from ~3% currently. The efforts have resulted in a doubling of sales to this industry segment since 2010, which has grown at a ~4.5% annual rate over the past 20 years.

• 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 ~\$57 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's margins have been impacted by increased wage pressure and rising transportation costs, but it continues to work to improve merchandising and supply chain costs and holds an optimistic near-term gross margin outlook. Concerns over 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.

Structure of the Retail Auto Parts Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
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)	BEARISH
Near-term Technical Support, 10-week MA	635.00

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
AutoNation	9.6	2.5	84.7%
CarMax	15.7	1.0	120.5%
O'Reilly Automotive	17.4	2.0	115.9%
Penske	9.3	0.6	99.2%
Peer Median	12.6	1.5	107.6%
AutoZone	13.0	1.7	106.5%

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

Financial Summary

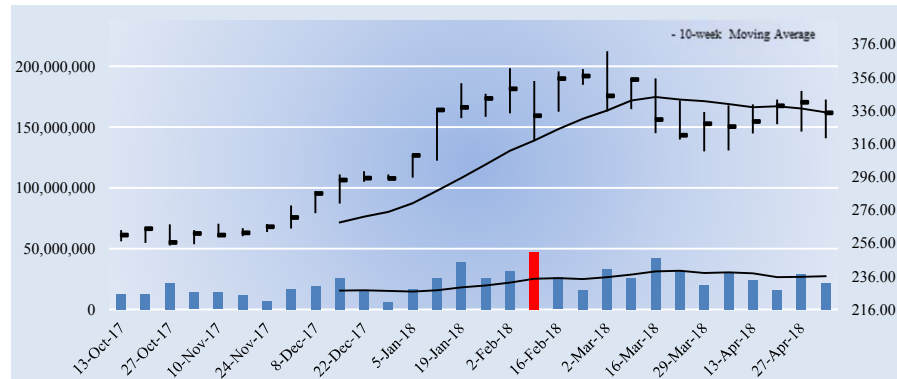
	Actual	Projected
Fiscal Year End:	Aug-16	Aug-17
Revenue	10,636	10,889
Revenue, YoY%	4.4%	2.4%
Operating Income	2,060	2,068
Operating Margin %	19.4%	19.1%
Net Income	1,241	1,435
Net Income Margin %	11.7%	11.8%
Diluted EPS	40.70	50.38
Diluted EPS, YoY %	13.0%	8.3%
Free Cash Flow (CFO-capex)	1,142	1,304
Free Cash Flow Margin %	10.7%	9.3%

In Millions of USD (except for per share items)

Boeing BA FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$303.00	Fair Value Range \$235.00 - \$371.00	Investment Style MEGA-CAP CORE	Sector Industrials	Industry A&D Prime
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Boeing's long-term outlook looks as strong as ever, and it continues on its quest to build a \$50 billion services division over the next decade, which should further enhance its purchasing power.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$204,236
Avg Weekly Vol (30 wks)	22,658
30-week Range (USD)	254.5 - 371.6
Valuentum Sector	Industrials
5-week Return	2.8%
13-week Return	-2.4%
30-week Return	29.1%
Dividend Yield %	2.0%
Dividends per Share	6.84
Forward Dividend Payout Ratio	46.3%
Est. Normal Diluted EPS	18.61
P/E on Est. Normal Diluted EPS	18.0
Est. Normal EBITDA	16,437
Forward EV/EBITDA	15.4
EV/Est. Normal EBITDA	12.5
Forward Revenue Growth (5-yr)	6.6%
Forward EPS Growth (5-yr)	10.2%

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

Returns Summary

3-year Historical Average

Return on Equity	534.9%
Return on Assets	6.5%
ROIC, with goodwill	27.0%
ROIC, without goodwill	34.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	11,117
Net Debt	1,125
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.1
EBITDA/Interest	34.2
Current Ratio	1.2
Quick Ratio	0.4

NMF = Not Meaningful

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 (\$486 billion as of March 2018) gives it excellent visibility and a growth trajectory better than most other firms of similar size. 30% of its backlog is expected to be converted to revenue through 2019 (71% through 2022). Its revolutionary 787 has changed the economics of air travel, and we expect deliveries to remain robust in coming years.

• Boeing earns an 'A' rating from the credit agencies, and the firm's balance sheet remains healthy. We're watching developments related to a potential merger with Brazil-based Embraer, though an outright combination could face intense regulatory scrutiny. Boeing expects the commercial aerospace industry to need 41,000+ new airplanes from 2017-2036.

• We think Boeing has learned from the recent global financial crisis, but cyclical end markets will always be a risk. The firm's business is also exposed to risks related to geopolitical trade policy uncertainty, both of which have been heightened of late and may not subside in the near term.

Structure of the Aerospace and Defense Industry

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share, but Boeing and Airbus continue to dominate the large commercial aircraft segment. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors, but massive backlogs and a strong multi-decade demand outlook are reasons for confidence. The defense industry has strong competition in all market segments and remains dependent on government funding decisions and competing budget priorities.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	335.00

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

General Dynamics	17.8	1.6	103.1%
Lockheed Martin	19.2	1.7	120.7%
Northrop Grumman	19.8	2.0	121.2%
Raytheon	20.3	1.7	129.8%
Peer Median	19.5	1.7	120.9%
Boeing	22.6	2.4	110.4%

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

Financial Summary

----- Actual ----- Projected

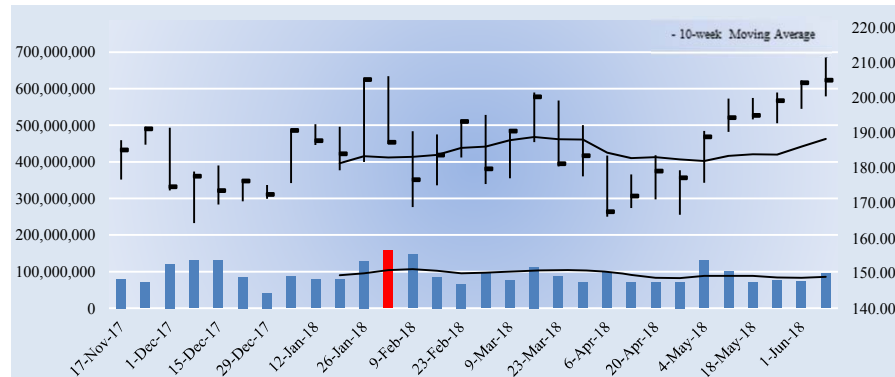
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	94,571	93,392	100,490
Revenue, YoY%	-1.6%	-1.2%	7.6%
Operating Income	5,538	10,257	11,103
Operating Margin %	5.9%	11.0%	11.0%
Net Income	4,895	8,197	9,024
Net Income Margin %	5.2%	8.8%	9.0%
Diluted EPS	7.62	13.42	14.78
Diluted EPS, YoY %	2.3%	76.3%	10.1%
Free Cash Flow (CFO-capex)	7,886	11,605	10,782
Free Cash Flow Margin %	8.3%	12.4%	10.7%

In Millions of USD (except for per share items)

Alibaba BABA FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	\$235.00	\$188.00 - \$282.00	MEGA-CAP BLEND	Consumer Discretionary	Internet & Catalog Retail

We've raised our fair value estimate for Alibaba yet again. Momentum in its core commerce business is as strong as ever, and its cloud revenue is growing at a breakneck pace, though it is still a minute portion of its business.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$535,233
Avg Weekly Vol (30 wks)	92,946
30-week Range (USD)	164.25 - 211.7
Valuentum Sector	Consumer Discretionary
5-week Return	7.7%
13-week Return	6.6%
30-week Return	9.8%
Dividend Yield %	0.0%
Dividends per Share (in CNY)	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS (in CNY)	68.71
P/E on Est. Normal Diluted EPS	18.7
Est. Normal EBITDA (in CNY)	275,990
Forward EV/EBITDA	19.9
EV/Est. Normal EBITDA	11.8
Forward Revenue Growth (5-yr)	29.8%
Forward EPS Growth (5-yr)	30.6%

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

Returns Summary

3-year Historical Average

Return on Equity	23.0%
Return on Assets	14.1%
ROIC, with goodwill	36.4%
ROIC, without goodwill	43.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of CNY

Total Debt	125,553
Net Debt	-88,074
Total Debt/EBITDA	1.5
Net Debt/EBITDA	NMF
EBITDA/Interest	24.0
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. The firm also explores next-generation technology applications in its 'Innovation Initiatives' segment.
- 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 platform for brands and retailers, and Juhuasuan, China's most popular group buying marketplace.
- One 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. Segments outside its core commerce business such as 'Cloud Computing' and 'Digital Media and Entertainment' could be sources of upside as well, though sustained profitability in those areas may still be a ways off.
- 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 2019 revenue to be 60%+ higher than fiscal 2017 levels, and GMV could reach \$1 trillion in 2020 from \$768 billion in fiscal 2018.
- We think Alibaba's shares are worth roughly \$235 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.

Structure of the Internet & Catalog Retail Industry

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, which continues to disrupt the broader retail space, and businesses that offer Internet travel services such as Booking Holdings, while online auctions are dominated by eBay. 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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
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	1563.00

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
Amazon.com	NMF	4.2	86.9%
Booking Holdings	24.0	1.8	101.5%
eBay	17.5	NMF	106.0%
Expedia Group	23.3	1.8	94.4%
Peer Median	23.3	1.8	98.0%
Alibaba	31.4	1.7	87.3%

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

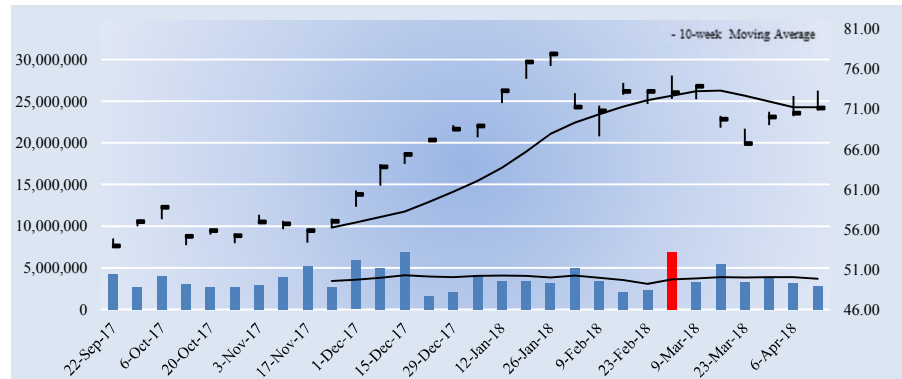
Financial Summary

Financial Summary	----- Actual -----	Projected	
Fiscal Year End:	Mar-17	Mar-18	Mar-19
Revenue (CNY)	158,273	250,266	398,674
Revenue, YoY%	56.5%	58.1%	59.3%
Non-GAAP Operating Income	48,055	69,808	138,064
Non-GAAP EBIT Margin %	30.4%	27.9%	34.6%
Non-GAAP Net Income	43,675	64,093	106,433
Non-GAAP NI Margin %	27.6%	25.6%	26.7%
Non-GAAP Diluted EPS (CNY)	16.97	24.52	40.78
Non-GAAP Dil EPS, YoY %	-39.1%	44.4%	66.3%
Non-GAAP Free Cash Flow	62,780	95,335	84,341
Non-GAAP FCF Margin %	39.7%	38.1%	21.2%
In Millions of CNY (except for per share items)			

In Millions of CNY (except for per share items)

Best Buy BBY FAIRLY VALUED**Buying Index™****3****Value Rating****Economic Castle**
Very Attractive**Estimated Fair Value**
\$68.00**Fair Value Range**
\$51.00 - \$85.00**Investment Style**
LARGE-CAP CORE**Sector**
Consumer Discretionary**Industry**
Specialty Retailers

We've raised our fair value estimate for Best Buy again. We're starting to warm up to the Best Buy comeback. Comparable store sales increased 5.6% in fiscal 2018.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$21,844
Avg Weekly Vol (30 wks)	3,718
30-week Range (USD)	53.65 - 77.88
Valuentum Sector	Consumer Discretionary
5-week Return	3.1%
13-week Return	-5.3%
30-week Return	32.2%
Dividend Yield %	2.5%
Dividends per Share	1.80
Forward Dividend Payout Ratio	35.9%
Est. Normal Diluted EPS	5.44
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	2,999
Forward EV/EBITDA	7.1
EV/Est. Normal EBITDA	6.7
Forward Revenue Growth (5-yr)	1.1%
Forward EPS Growth (5-yr)	11.9%

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

Returns Summary

3-year Historical Average

Return on Equity	22.8%
Return on Assets	7.3%
ROIC, with goodwill	57.6%
ROIC, without goodwill	69.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,355
Net Debt	-1,778
Total Debt/EBITDA	0.5
Net Debt/EBITDA	NMF
EBITDA/Interest	33.8
Current Ratio	1.3
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Best Buy is the global leader in consumer electronics as far as big box retailers go. The company must continue to reinvent itself to mitigate competitive pressures from the likes of online powerhouse Amazon. Best Buy has notable market share in areas such as home theater, notebooks and desktops. It was founded in 1966 and is headquartered in Minnesota.

• Best Buy expects fiscal 2019 enterprise revenue to be \$41-\$42 billion (one less selling week than fiscal 2018), and comparable sales are expected to be flat to up 2%, reflecting strength in consumer spending. Non-GAAP EPS is targeted in a range of \$4.80-\$5.00 for the year, an increase of 9%-13%.

• Best Buy is facing a promotional environment like no other in its history. Competition is unforgiving, but the firm has been able to gain share in the majority of its categories in the US. Bottom-line performance of late has benefited from a disciplined promotional strategy, optimization of merchandise margins, and expense management. As long as the economy remains strong, positive comps are a real possibility.

• The filing of Chapter 11 bankruptcy and liquidation of Hhgregg bodes well for Best Buy as it relates to incremental sales and market share growth. However, it also highlights the risks of the current retail environment. Though Best Buy's bankruptcy risk is essentially nil, it is not immune to the traffic woes of the broader retail environment.

• Best Buy holds a net cash position on the balance sheet and generates strong levels of free cash flow. Its strong Dividend Cushion ratio is hard to ignore, as was the recent hike in the payout. Still, it's hard for us to get excited about any big box retailer.

Structure of the Specialty Retailers Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	71.00

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

Bed Bath & Beyond	5.7	NMF	78.5%
Home Depot	18.7	1.9	112.8%
Lowe's	15.8	1.8	109.7%
Office Depot	6.9	1.2	53.8%
Peer Median	11.3	1.8	94.1%
Best Buy	14.2	1.8	104.6%

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

Financial Summary

----- Actual ----- Projected

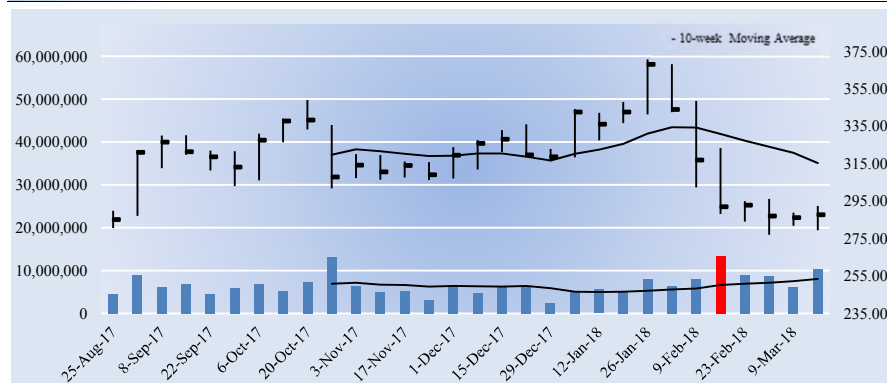
Fiscal Year End:	Jan-17	Jan-18	Jan-19
Revenue	39,403	42,151	41,772
Revenue, YoY%	-0.3%	7.0%	-0.9%
Operating Income	1,893	1,853	2,130
Operating Margin %	4.8%	4.4%	5.1%
Net Income	1,207	999	1,542
Net Income Margin %	3.1%	2.4%	3.7%
Diluted EPS	3.74	3.25	5.02
Diluted EPS, YoY %	62.6%	-13.1%	54.3%
Free Cash Flow (CFO-capex)	1,975	1,453	1,113
Free Cash Flow Margin %	5.0%	3.4%	2.7%

In Millions of USD (except for per share items)

Biogen BIIB FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$313.00	Fair Value Range \$219.00 - \$407.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Biotechnology
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Biogen continues to be high on Spinraza, the first drug approved by the FDA for treatment of spinal muscular atrophy.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$61,263
Avg Weekly Vol (30 wks)	6,714
30-week Range (USD)	277 - 370.57
Valuentum Sector	Health Care
5-week Return	-9.9%
13-week Return	-12.8%
30-week Return	2.4%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	27.96
P/E on Est. Normal Diluted EPS	10.3
Est. Normal EBITDA	8,652
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	7.3
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	21.0%

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

Returns Summary

3-year Historical Average

Return on Equity	30.5%
Return on Assets	16.7%
ROIC, with goodwill	36.9%
ROIC, without goodwill	53.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,938
Net Debt	2,249
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.3
EBITDA/Interest	Excellent
Current Ratio	2.3
Quick Ratio	1.6

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 was founded in 1978 and is headquartered in Cambridge, Massachusetts.

• After positive interim results in early trials of its investigational Alzheimer's disease treatment aducanumab (BIIB037) in patients with prodromal or mild Alzheimer's disease, Biogen was ultimately granted a 'Fast Track' designation from the FDA. The drug presents a tremendous opportunity.

• Management continues to be high on Spinraza, the first drug approved by the FDA for treatment of spinal muscular atrophy, but its sales growth in the US was somewhat disappointing in 2017. The firm attributes this in part to only 25% of Spinraza revenue in the fourth quarter as coming from maintenance doses, a figure it expects to normalize at ~50%.

• 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). It competes with Teva's Copaxone and other generics in the space, but Biogen products hold substantial share of the global MS market.

• In 2018, Biogen expects revenue to hit a range of \$12.7-\$13.0 billion, up from nearly \$12.3 billion in 2017, and non-GAAP earnings per share are expected to grow to a range of \$24.20-\$25.20 in the year, compared to \$21.81 in 2017.

Structure of the Biotechnology Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
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	315.00

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
Alexion Pharma	18.3	1.5	80.2%
BioMarin Pharma	NMF	NMF	125.5%
Celgene	10.5	1.3	71.7%
Regeneron	18.6	1.6	92.0%
Peer Median	18.3	1.5	86.1%
Biogen	11.5	1.1	91.9%

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

Financial Summary

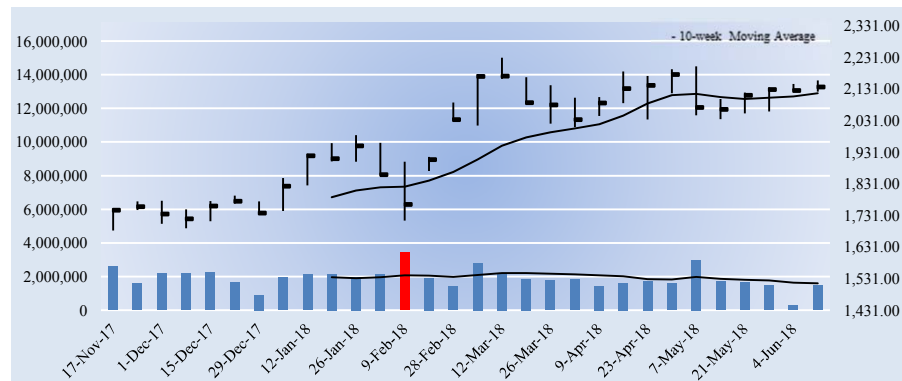
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	11,449	12,274
Revenue, YoY%	6.4%	7.2%
Non-GAAP Operating Income	3,894	5,408
Non-GAAP EBIT %	34.0%	44.1%
Non-GAAP Net Income	3,703	2,539
Non-GAAP NI Margin %	32.3%	20.7%
Non-GAAP Diluted EPS	16.92	11.92
Non-GAAP Dil EPS, YoY %	10.3%	-29.6%
Non-GAAP Free Cash Flow	3,860	2,708
Non-GAAP FCF Margin %	33.7%	22.1%

In Millions of USD (except for per share items)

Booking Holdings BKNG FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Highest Rated	Estimated Fair Value \$2104.00	Fair Value Range \$1683.00 - \$2525.00	Investment Style LARGE-CAP GROWTH	Sector Consumer Discretionary	Industry Internet & Catalog Retail
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Demand in Booking Holdings' business model is boosted by a virtuous cycle, but shares can be volatile around quarterly earnings reports due in part to management's habit of issuing conservative guidance.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$104,637
Avg Weekly Vol (30 wks)	1,897
30-week Range (USD)	1683.275 - 2228.99
Valuentum Sector	Consumer Discretionary
5-week Return	3.4%
13-week Return	-1.2%
30-week Return	26.5%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	117.21
P/E on Est. Normal Diluted EPS	18.2
Est. Normal EBITDA	7,579
Forward EV/EBITDA	17.5
EV/Est. Normal EBITDA	14.1
Forward Revenue Growth (5-yr)	11.8%
Forward EPS Growth (5-yr)	25.5%

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

Returns Summary

3-year Historical Average

Return on Equity	24.8%
Return on Assets	12.5%
ROIC, with goodwill	88.4%
ROIC, without goodwill	196.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,524
Net Debt	2,122
Total Debt/EBITDA	1.9
Net Debt/EBITDA	0.4
EBITDA/Interest	19.6
Current Ratio	2.6
Quick Ratio	2.5

NMF = Not Meaningful

Investment Highlights

• Booking Holdings is a leader in global online hotel reservations. The firm is composed of four primary brands--Booking.com, Booking Holdings.com, Agoda.com, Kayak and Rentalcars.com--and several ancillary brands. Booking growth continues to be excellent across its platforms. The company was founded in 1997 and is headquartered in Connecticut.

• Demand in Booking Holdings' 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.

• Booking Holdings 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.

• Priceline changed its name to Booking Holdings to align itself with its largest subsidiary, Booking.com. Booking.com accounts for the majority of its gross bookings and operating income with more than 1.5 million listed properties and an average of 1 million bookings per day. Management has hinted that it may be open to acquisitions to further expand its portfolio. • As it rides the wave of secular growth in Internet penetration in travel, Booking Holdings 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.

Structure of the Internet & Catalog Retail Industry

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, which continues to disrupt the broader retail space, and businesses that offer Internet travel services such as Booking Holdings, while online auctions are dominated by eBay. 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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
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	2117.00

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
Alibaba	31.4	1.7	87.3%
Amazon.com	NMF	4.2	86.9%
eBay	17.5	NMF	106.0%
Expedia Group	23.3	1.8	94.4%
Peer Median	23.3	1.8	90.9%
Booking Holdings	24.0	1.8	101.5%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	10,743	12,431
Revenue, YoY%	16.5%	15.7%
Operating Income	3,847	4,538
Operating Margin %	35.8%	36.5%
Net Income	2,135	2,341
Net Income Margin %	19.9%	18.8%
Diluted EPS	42.65	46.86
Diluted EPS, YoY %	-13.8%	9.9%
Free Cash Flow (CFO-capex)	3,764	4,374
Free Cash Flow Margin %	35.0%	35.2%

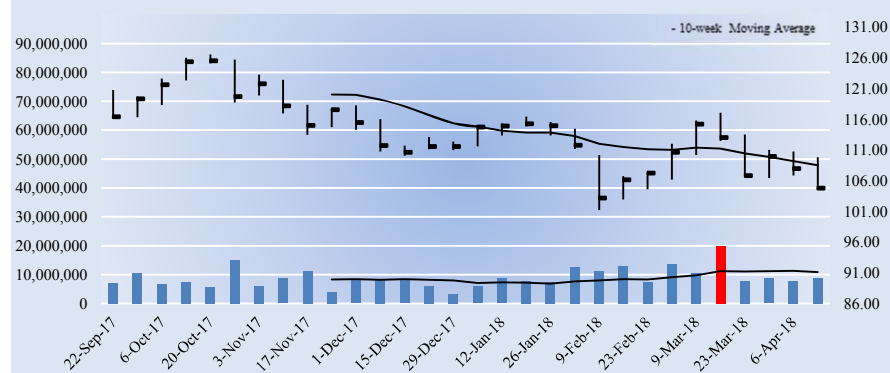
In Millions of USD (except for per share items)

GOOD

Anheuser-Busch InBev BUD FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$103.00	Fair Value Range \$80.00 - \$126.00	Investment Style MEGA-CAP CORE	Sector Consumer Staples	Industry Beverages - alcoholic
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Anheuser-Busch Inbev has 7 of the 10 most valuable beer brands in the world, each of which has distinct brand imaging and consumer positioning.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$206,561
Avg Weekly Vol (30 wks)	8,956
30-week Range (USD)	101.21 - 126.5
Valuentum Sector	Consumer Staples
5-week Return	-9.8%
13-week Return	-9.7%
30-week Return	-13.2%
Dividend Yield %	3.9%
Dividends per Share	4.05
Forward Dividend Payout Ratio	78.0%
Est. Normal Diluted EPS	6.45
P/E on Est. Normal Diluted EPS	16.2
Est. Normal EBITDA	30,346
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	13.3%

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

Returns Summary

3-year Historical Average

Return on Equity	13.0%
Return on Assets	4.0%
ROIC, with goodwill	6.8%
ROIC, without goodwill	20.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	116,382
Net Debt	104,473
Total Debt/EBITDA	5.6
Net Debt/EBITDA	5.0
EBITDA/Interest	3.0
Current Ratio	0.7
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• AB-Inbev and SABMiller recently merged, resulted in a firm with operations in virtually every major beer market and a materially expanded portfolio. It was forced to divest some assets to appease regulators, including SABMiller's ownership stake in its US joint venture MillerCoors. The company has 7 of the 10 most valuable beer brands in the world, each of which has distinct brand imaging and consumer positioning.

• In the near term, AB-Inbev looks to increase its relevance in the US with a focus on its premium brands and craft beers. Growth of international opportunities will also be emphasized, as the firm continues to deliver high end products to emerging markets like Mexico, Brazil, and China.

• The key benefits of the combination with SABMiller lie in emerging markets. The firm's position in Asia, Africa, and Latin America is now considerably stronger than either standalone companies' prior to the merger, and the growth potential in these markets complements the stability of operations in developed markets. The company's full global brand portfolio is now available in South Africa.

• AB-Inbev lists its optimal capital structure as a net debt-to-EBITDA ratio of roughly 2.0x, and EBITDA margin expansion related to synergy captures should help it achieve this goal. Organic growth is the only capital allocation objective that will take priority over deleveraging, and dividend growth can be expected to remain modest until material deleveraging takes place.

• AB-Inbev's high end portfolio continues to deliver, and the addition of SABMiller's brands have only strengthened its position in this market. A significantly improved distribution network is a benefit as well. Pre-tax synergies expectations have been increased to \$3.2 billion from \$2.8 billion.

Structure of the Beverages (alcoholic) Industry

The beer industry is structured as an oligopoly, with three players generating over half of industry profits. Though smaller industry constituents may price competitively at times, we view the overall industry structure as a rational oligopoly. Further consolidation in the space cannot be ruled out, and we would not be surprised to see larger players continuing to participate. Global operators will benefit from exposure to Asia, Africa, and Latin America, where beer consumption is growing at a pace several times that of mature markets such as North America and Western Europe. We like the structure of the group.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Resistance, 10-wk 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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Boston Beer	31.0	1.6	141.8%
Constellation Brands	23.0	1.9	135.7%
Diageo	23.4	2.4	142.0%
Molson Coors	14.1	1.8	91.2%
Peer Median	23.2	1.9	138.7%
Anheuser-Busch InBev	20.2	1.9	101.7%

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

Financial Summary

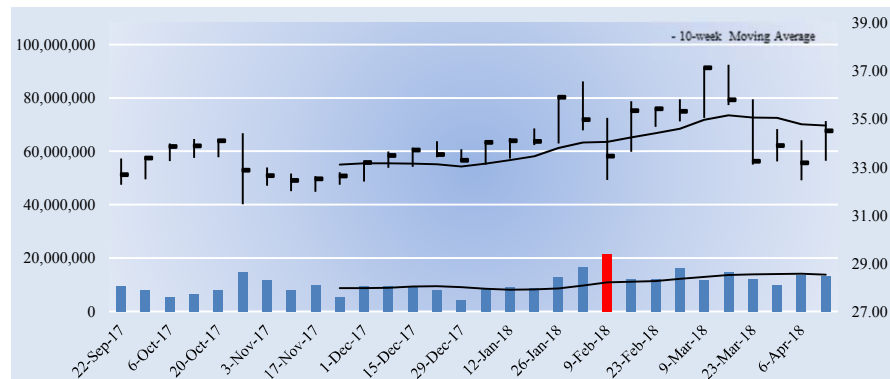
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	45,517	56,444
Revenue, YoY%	4.4%	24.0%
Non-GAAP Operating Income	12,488	16,490
Non-GAAP EBIT %	27.4%	29.2%
Non-GAAP Net Income	1,193	7,968
Non-GAAP NI Margin %	2.6%	14.1%
Non-GAAP Diluted EPS	0.69	4.04
Non-GAAP Dil EPS, YoY %	-86.0%	481.8%
Non-GAAP FCF (CFO-capex)	5,131	10,689
Non-GAAP FCF Margin %	11.3%	18.9%

In Millions of USD (except for per share items)

CA Tech CA FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$39.00	Fair Value Range \$31.00 - \$47.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Software
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CA Tech's future growth is expected to come from opportunities in Development Operations, Agile Management, Mainframe, and Security.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$14,322
Avg Weekly Vol (30 wks)	10,754
30-week Range (USD)	31.45 - 37.25
Valuentum Sector	Information Technology
5-week Return	-7.1%
13-week Return	0.7%
30-week Return	4.0%
Dividend Yield %	3.0%
Dividends per Share	1.02
Forward Dividend Payout Ratio	39.1%
Est. Normal Diluted EPS	2.74
P/E on Est. Normal Diluted EPS	12.6
Est. Normal EBITDA	1,781
Forward EV/EBITDA	8.2
EV/Est. Normal EBITDA	8.1
Forward Revenue Growth (5-yr)	2.1%
Forward EPS Growth (5-yr)	8.1%

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

Returns Summary

3-year Historical Average

Return on Equity	14.1%
Return on Assets	6.8%
ROIC, with goodwill	16.9%
ROIC, without goodwill	78.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,791
Net Debt	20
Total Debt/EBITDA	1.9
Net Debt/EBITDA	0.0
EBITDA/Interest	23.8
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 opportunities in Development Operations, Agile Management, Mainframe, and Security. These markets are expected to grow at an 8% CAGR collectively through calendar 2021. Its customer base includes 49 of Fortune 50 companies.

• 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.

Structure of the Software Industry

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.

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	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	35.00

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
F5 Networks	16.2	2.0	108.4%
Microsoft	25.2	2.5	107.0%
Oracle	14.8	1.6	86.9%
Salesforce.com	55.1	7.9	115.5%
Peer Median	20.7	2.2	107.7%
CA Tech	13.2	2.3	88.5%

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

Financial Summary

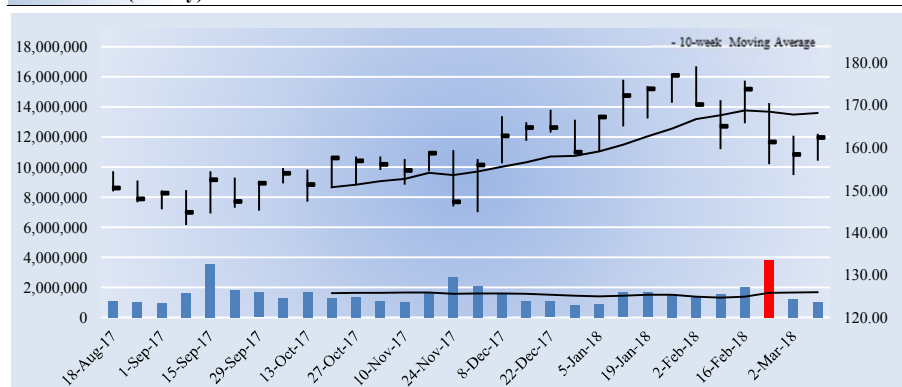
	Actual	Projected
Fiscal Year End:	Mar-16	Mar-17
Revenue	4,025	4,036
Revenue, YoY%	-5.6%	0.3%
Non-GAAP Operating Income	1,147	1,154
Non-GAAP EBIT %	28.5%	28.6%
Non-GAAP NI	769	775
Non-GAAP NI Margin %	19.1%	19.2%
Non-GAAP Diluted EPS	1.80	1.87
Non-GAAP Dil EPS, YoY %	-1.9%	3.7%
Non-GAAP FCF (CFO-capex)	986	992
Non-GAAP FCF Margin %	24.5%	24.6%

In Millions of USD (except for per share items)

Cracker Barrel CBRL FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$165.00	Fair Value Range \$132.00 - \$198.00	Investment Style MID-CAP VALUE	Sector Consumer Discretionary	Industry Restaurants - Fast Cas & Full Svc
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Cracker Barrel continues to earn high marks for 'uniqueness' from consumers, and it is laser-focused on improving margins.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$3,916
Avg Weekly Vol (30 wks)	1,583
30-week Range (USD)	141.75 - 179.12
Valuentum Sector	Consumer Discretionary
5-week Return	-3.5%
13-week Return	-0.4%
30-week Return	6.2%
Dividend Yield %	3.0%
Dividends per Share	4.80
Forward Dividend Payout Ratio	50.2%
Est. Normal Diluted EPS	10.80
P/E on Est. Normal Diluted EPS	15.0
Est. Normal EBITDA	436
Forward EV/EBITDA	10.6
EV/Est. Normal EBITDA	9.5
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	8.1%

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

Returns Summary

3-year Historical Average

Return on Equity	34.7%
Return on Assets	12.2%
ROIC, with goodwill	28.8%
ROIC, without goodwill	28.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	400
Net Debt	239
Total Debt/EBITDA	1.0
Net Debt/EBITDA	0.6
EBITDA/Interest	28.0
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.

• Comparable store restaurant sales at Cracker Barrel in 2018 are expected to growth 1%-2% in the year, while comparable store retail sales are projected to be roughly flat from 2017 levels. Diluted GAAP EPS guidance has been issued in a range of \$10.35-\$10.55 on an operating income margin of 9.5%-10%.

Structure of the Restaurants Industry - Fast Casual & Full Service

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	168.00

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
Brinker	10.6	1.5	92.3%
Cheesecake Factory	17.9	1.6	96.7%
Chipotle	37.6	1.4	86.6%
Darden Restaurants	19.7	2.6	120.0%
Peer Median	18.8	1.6	94.5%
Cracker Barrel	17.0	2.4	98.4%

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

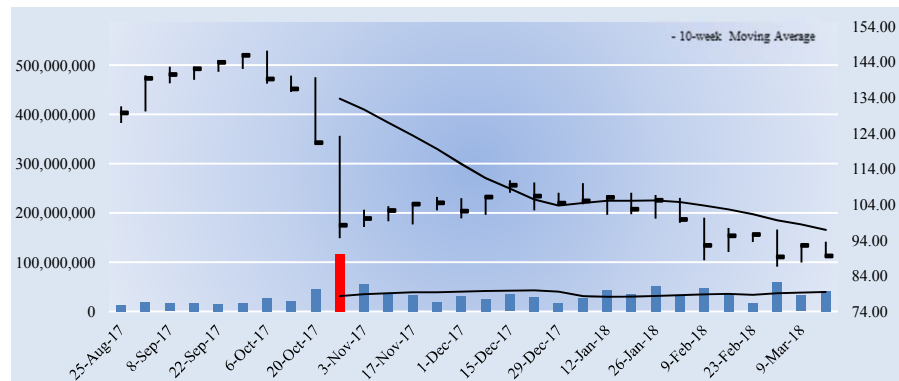
Financial Summary

	Actual	Projected
Fiscal Year End:	Jul-16	Jul-17
Revenue	2,912	2,926
Revenue, YoY%	2.5%	0.5%
Operating Income	280	313
Operating Margin %	9.6%	10.7%
Net Income	189	202
Net Income Margin %	6.5%	6.9%
Diluted EPS	7.86	8.37
Diluted EPS, YoY %	15.4%	6.5%
Free Cash Flow (CFO-capex)	157	211
Free Cash Flow Margin %	5.4%	7.2%

In Millions of USD (except for per share items)

Celgene CELG FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$125.00	Fair Value Range \$88.00 - \$163.00	Investment Style LARGE-CAP BLEND	Sector Health Care	Industry Biotechnology
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Celgene has agreed to acquire Juno Therapeutics for ~\$9 billion in cash.**Stock Chart (weekly)**

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$71,743
Avg Weekly Vol (30 wks)	33,946
30-week Range (USD)	86.55 - 147.17
Valuentum Sector	Health Care
5-week Return	-3.9%
13-week Return	-18.3%
30-week Return	-29.7%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	9.33
P/E on Est. Normal Diluted EPS	9.6
Est. Normal EBITDA	10,094
Forward EV/EBITDA	8.0
EV/Est. Normal EBITDA	7.5
Forward Revenue Growth (5-yr)	11.4%
Forward EPS Growth (5-yr)	18.3%

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

Returns Summary

3-year Historical Average

Return on Equity	33.6%
Return on Assets	8.2%
ROIC, with goodwill	26.6%
ROIC, without goodwill	37.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15,838
Net Debt	3,796
Total Debt/EBITDA	4.1
Net Debt/EBITDA	1.0
EBITDA/Interest	7.3
Current Ratio	5.0
Quick Ratio	4.7

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 agreed to acquire Juno Therapeutics for ~\$9 billion in cash (it already holds a ~9.7% stake). Juno is a leading developer of CAR-T and TCR therapeutics, and the deal will add its novel scientific platform and manufacturing expertise to Celgene's robust research and operational capabilities.

• Worldwide sales of Celgene's Revlimid (MDS, multiple myeloma, MCL) continue to grow at a fast clip, and Revlimid is expected to account for more than 60% of Celgene's overall sales in 2018. Pomalyst (multiple myeloma) has performed well of late as well. Otezla (psoriatic arthritis) is growing at a strong double digit rate, but competition in inflammatory diseases has slightly decelerated growth.

• It's great to see Celgene focus on the long haul, but management recently cut its 2020 financial targets. For 2020, it is now looking to build to \$19-\$20 billion (down from \$21+ billion) in sales and adjusted diluted EPS of \$12.50+ (was \$13.00). In 2018, the company expects revenue to be \$14.4-\$14.8 billion, and non-GAAP earnings per share of \$8.70-\$8.90.

• 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).

Structure of the Biotechnology Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	97.00

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
Alexion Pharma	18.3	1.5	80.2%
Biogen	11.5	1.1	91.9%
BioMarin Pharma	NMF	NMF	125.5%
Regeneron	18.6	1.6	92.0%
Peer Median	18.3	1.5	92.0%
Celgene	10.5	1.3	71.7%

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

Financial Summary

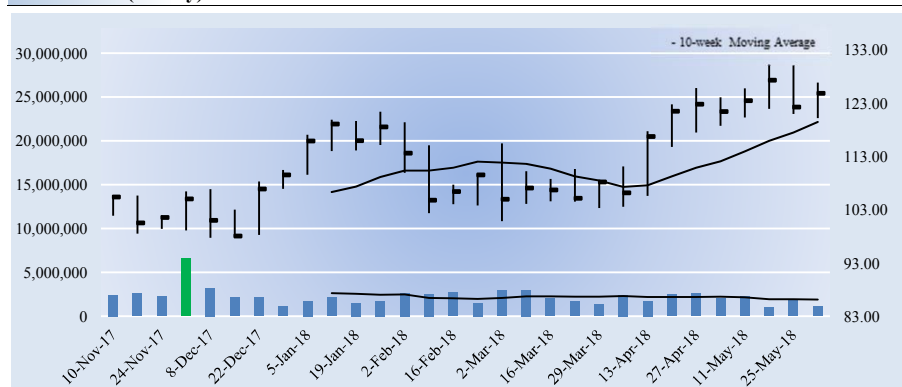
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	11,229	13,003
Revenue, YoY%	21.3%	15.8%
Non-GAAP Operating Income	3,204	3,357
Non-GAAP EBIT %	28.5%	25.8%
Non-GAAP Net Income	1,999	2,940
Non-GAAP NI Margin %	17.8%	22.6%
Non-GAAP Diluted EPS	2.49	3.64
Non-GAAP Dil EPS, YoY %	28.1%	46.1%
Non-GAAP Free Cash Flow	3,929	4,967
Non-GAAP FCF Margin %	35.0%	38.2%

In Millions of USD (except for per share items)

Core Labs CLB FAIRLY VALUED**Buying Index™ 7****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	\$111.00	\$71.00 - \$151.00	MID-CAP GROWTH	Energy	Energy Equipment

Core Labs has an optimistic outlook for 2018 as industry activity remains strong amidst declining global inventories and growing global demand.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$5,528
Avg Weekly Vol (30 wks)	2,249
30-week Range (USD)	97.76 - 130.34
Valuentum Sector	Energy
5-week Return	2.6%
13-week Return	19.6%
30-week Return	22.6%
Dividend Yield %	1.8%
Dividends per Share	2.20
Forward Dividend Payout Ratio	79.5%
Est. Normal Diluted EPS	4.30
P/E on Est. Normal Diluted EPS	29.0
Est. Normal EBITDA	274
Forward EV/EBITDA	30.7
EV/Est. Normal EBITDA	20.9
Forward Revenue Growth (5-yr)	12.0%
Forward EPS Growth (5-yr)	25.6%

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

Returns Summary

3-year Historical Average

Return on Equity	184.5%
Return on Assets	14.2%
ROIC, with goodwill	29.5%
ROIC, without goodwill	49.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	227
Net Debt	213
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.5
EBITDA/Interest	12.8
Current Ratio	2.0
Quick Ratio	1.4

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 volatile, shareholders have been pleased since its IPO in 1995.

• The company has an optimistic outlook for 2018 as industry activity remains strong amidst declining global inventories and growing global demand. It is encouraged by client planning for international and offshore projects, which are in the early stage as of the first quarter of 2018. This development should benefit Core Labs' leverage in both markets in late 2018 and 2019.

• 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 ~\$105 million in 2017 was more than 125% of net income in 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.

Structure of the Energy Equipment Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	HIGH
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	119.00

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

Helmerich & Payne	NMF	NMF	114.0%
Oceaneering Intl	NMF	NMF	91.0%
Patterson-UTI	NMF	NMF	84.8%
Superior Energy	NMF	NMF	80.2%
Peer Median	NMF	NMF	87.9%
Core Labs	45.1	2.6	112.5%

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

Financial Summary

----- Actual ----- Projected

Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	595	660	730
Revenue, YoY%	-25.4%	10.9%	10.6%
Operating Income	86	113	159
Operating Margin %	14.4%	17.1%	21.8%
Net Income	64	83	122
Net Income Margin %	10.7%	12.6%	16.7%
Diluted EPS	1.46	1.88	2.77
Diluted EPS, YoY %	-45.3%	28.3%	47.4%
Free Cash Flow (CFO-capex)	121	105	148
Free Cash Flow Margin %	20.3%	15.9%	20.3%

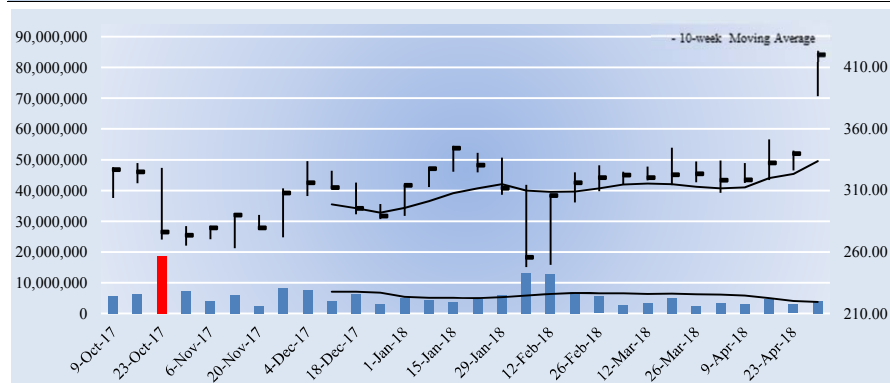
In Millions of USD (except for per share items)

NEUTRAL

Chipotle CMG FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$453.00	Fair Value Range \$317.00 - \$589.00	Investment Style LARGE-CAP VALUE	Sector Consumer Discretionary	Industry Restaurants - Fast Cas & Full Svc
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We've raised our fair value estimate for Chipotle as momentum in its business is picking up in a material way. We think it is well on the road to recovery, and a path to accelerating recent progress is being formed.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$11,994
Avg Weekly Vol (30 wks)	5,803
30-week Range (USD)	247.52 - 422.8
Valuentum Sector	Consumer Discretionary
5-week Return	30.3%
13-week Return	35.1%
30-week Return	36.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	18.56
P/E on Est. Normal Diluted EPS	22.6
Est. Normal EBITDA	881
Forward EV/EBITDA	22.8
EV/Est. Normal EBITDA	13.0
Forward Revenue Growth (5-yr)	7.9%
Forward EPS Growth (5-yr)	39.3%

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

Returns Summary

3-year Historical Average

Return on Equity	12.3%
Return on Assets	9.2%
ROIC, with goodwill	28.4%
ROIC, without goodwill	28.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-509
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.9
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Chipotle serves a focused menu of burritos, tacos, burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients. It prides itself on trying to find the highest-quality ingredients ('Food With Integrity') and providing an exceptional restaurant experience. The company was founded in 1993 and is based in Denver, Colorado.

• Chipotle continues to expand its restaurant count. As of the end of 2017, the firm's total restaurant count was 2,363, and it expects to add 130-150 new restaurants in 2018. The company is also working to accelerate its high-growth online, mobile, and catering businesses.

• Chipotle has been on a rollercoaster ride in the past few years--beginning with the food safety scandal that caused substantial drops in same-store sales beginning in late 2015--and the restaurant is facing strengthening competition from Yum! Brands' Taco Bell, which lost its CEO to Chipotle, and Qdoba. Though top-line growth is back on track, the trajectory of menu price hikes has been disrupted by negative headlines.

• Chipotle is a fantastic company and a great concept with tons of potential growth ahead of it. However, consumer confidence was shattered in the wake of food safety issues. We think Chipotle is on the road to survival, but it may not come out of this completely unscathed. Any negative headlines are likely to be subject to intense scrutiny.

• Investors should be aware of the generosity in our assumptions. Not only are we expecting mid- to high-single digit revenue growth through 2022, but we assume significant operating margin expansion over the period. Achieving these will be an uphill climb, but are not unrealistic for the reinvigorated company.

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.

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)	BULLISH
Near-term Technical Support, 10-week MA	334.00

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
Brinker	10.6	1.5	92.3%
Cheesecake Factory	17.9	1.6	96.7%
Cracker Barrel	17.0	2.4	98.4%
Darden Restaurants	19.7	2.6	120.0%
Peer Median	17.4	2.0	97.5%
Chipotle	49.0	1.7	92.7%

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

Financial Summary

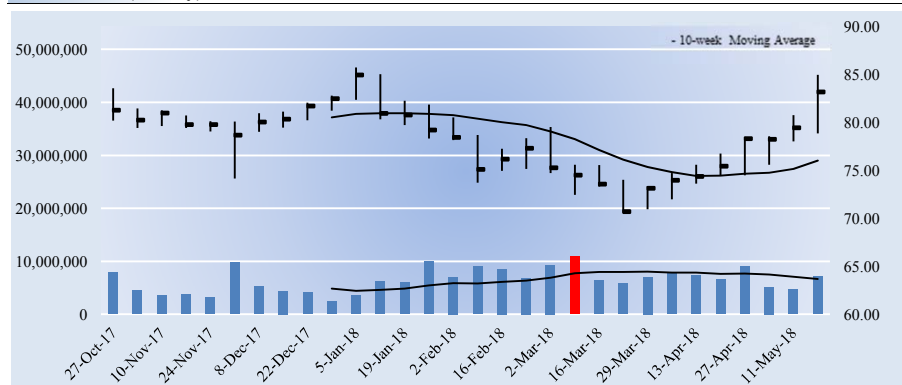
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	3,904	4,476
Revenue, YoY%	-13.3%	14.7%
Operating Income	58	284
Operating Margin %	1.5%	6.3%
Net Income	23	176
Net Income Margin %	0.6%	3.9%
Diluted EPS	0.77	6.17
Diluted EPS, YoY %	-94.9%	NMF
Free Cash Flow (CFO-capex)	90	250
Free Cash Flow Margin %	2.3%	5.6%

In Millions of USD (except for per share items)

Canadian National CNI FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$68.00	Fair Value Range \$51.00 - \$85.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Railroads
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Canadian National's operating ratio is the best among peers, and the company is ramping capital spending in the near term to position for strong volume growth in 2019.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$63,000
Avg Weekly Vol (30 wks)	6,417
30-week Range (USD)	70.59 - 85.73
Valuentum Sector	Industrials
5-week Return	11.2%
13-week Return	10.0%
30-week Return	2.0%
Dividend Yield %	1.7%
Dividends per Share (in CAD)	1.43
Forward Dividend Payout Ratio	35.7%
Est. Normal Diluted EPS (in CAD)	5.09
P/E on Est. Normal Diluted EPS	12.6
Est. Normal EBITDA (in CAD)	6,253
Forward EV/EBITDA	11.0
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	-1.6%

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

Returns Summary

3-year Historical Average

Return on Equity	28.1%
Return on Assets	11.7%
ROIC, with goodwill	12.6%
ROIC, without goodwill	12.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of CAD

Total Debt	10,828
Net Debt	10,275
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.5
EBITDA/Interest	14.2
Current Ratio	0.5
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

• Canadian National is engaged in the rail and related transportation business. The firm's network of about 20,000 route miles of track spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico. Its freight revenues are derived from seven commodity groups representing a diversified portfolio of goods.

• Results at Canadian National of late have benefit from demand for frac sand, intermodal, coal, and Canadian grain. It is also looking to capitalize on demand for lumber and other housing-related goods as US housing starts improve. Currency exchange rates can meaningfully impact results.

• In 2018, Canadian National is expecting adjusted diluted earnings per share in a range of C\$5.10-C\$5.25, compared to C\$4.99 in 2017. Volume growth is expected to be 2%-4% in terms of revenue ton miles, and pricing is projected to be above rail inflation and trending upwards. Free cash flow growth has been solid in recent years but may be pressured in 2018 by increased capital spending.

• The firm's operating ratio--operating expenses divided by revenue--is lowest among peers. Union Pacific is working to catch up, but Canadian National's record second quarter operating ratio of 54.5 in 2016 impressed to say the least. It has held relatively solid in the mid-50s range, and its full-year 2017 showing of 57.4 was also solid.

• Estimates indicate that Canadian National handles ~\$250 billion worth of goods annually and carries more than 300 million tons of cargo, serving exporters, importers, retailers, farmers and manufacturers. The company is not going away anytime soon.

Structure of the Railroads Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
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	76.00

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
CSX Corp	20.4	NMF	135.7%
Kansas City Southern	17.5	1.1	117.2%
Norfolk Southern	17.9	NMF	131.5%
Union Pacific	18.8	NMF	114.1%
Peer Median	18.3	1.1	124.3%
Canadian National	16.0	NMF	122.3%

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

Financial Summary

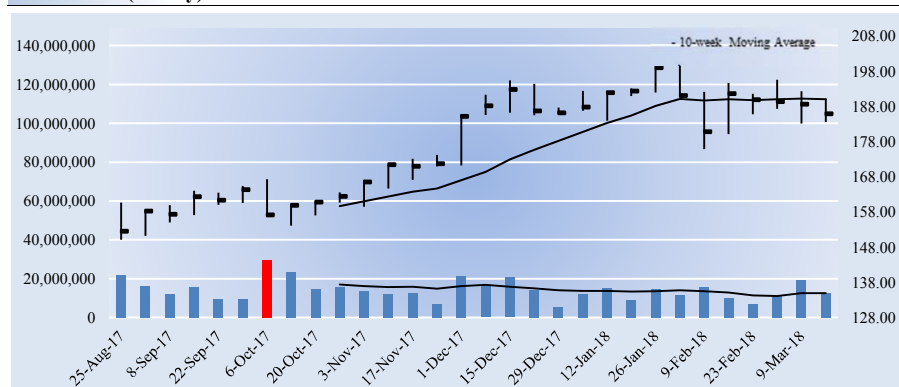
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	12,037	13,041
Revenue, YoY%	-4.6%	8.3%
Non-GAAP Operating Income	5,312	5,558
Non-GAAP EBIT %	44.1%	42.6%
Non-GAAP Net Income	3,640	5,484
Non-GAAP NI Margin %	30.2%	42.1%
Non-GAAP Diluted EPS	4.67	7.24
Non-GAAP Dil EPS, YoY %	6.3%	55.0%
Non-GAAP FCF (CFO-capex)	2,507	2,843
Non-GAAP FCF Margin %	20.8%	21.8%

In Millions of CAD (except for per share items)

Costco COST FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$161.00	Fair Value Range \$129.00 - \$193.00	Investment Style LARGE-CAP CORE	Sector Consumer Staples	Industry Food Retailers
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Costco targets merchandise that produces high sales volumes and rapid inventory turnover, and we think it has staying power.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$81,957
Avg Weekly Vol (30 wks)	14,348
30-week Range (USD)	150.06 - 199.88
Valuentum Sector	Consumer Staples
5-week Return	2.2%
13-week Return	-3.5%
30-week Return	18.2%
Dividend Yield %	1.1%
Dividends per Share	2.00
Forward Dividend Payout Ratio	28.5%
Est. Normal Diluted EPS	9.67
P/E on Est. Normal Diluted EPS	19.2
Est. Normal EBITDA	7,295
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	11.4
Forward Revenue Growth (5-yr)	7.4%
Forward EPS Growth (5-yr)	16.5%

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

Returns Summary

3-year Historical Average

Return on Equity	21.9%
Return on Assets	7.4%
ROIC, with goodwill	36.0%
ROIC, without goodwill	36.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,659
Net Debt	880
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.2
EBITDA/Interest	40.9
Current Ratio	1.0
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

• Costco operates an international chain of warehouses, mainly under the 'Costco Wholesale' name. Costco is open only to members and offers three types of membership: Business, Gold Star (individual) and the Executive membership. It has over 92 million loyal cardholders. The company was founded in 1976 and is headquartered in Washington.

• Costco's reported same-store sales can be impacted by gasoline price deflation and foreign exchange rates, but underlying core performance has been solid. Total comparable store sales excluding gasoline price deflation and foreign exchange headwinds advanced ~4% in fiscal 2017.

• Costco targets merchandise that produces high sales volumes and rapid inventory turnover. This turnover, when combined with efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouses, enables Costco to operate profitably at significantly lower gross margins than peers.

• Costco has a number of strengths: strong member renewals, fantastic employees that enjoy the higher-than-average pay, great merchandise, and a treasure-hunt atmosphere that consumers love. Its image speaks of quality, and the public often uses Costco as an example for excellent employee relations.

• Large scale food retailers have been put on notice with Amazon's recent acquisition of Whole Foods. We think Costco has staying power, and the firm continues to resonate with all of its stakeholders. The firm is actively pursuing the expansion of its delivery and online businesses.

Structure of the Food Retailers Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
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)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	190.00

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

Kroger	11.3	0.9	87.7%
Target	13.3	4.0	97.2%
Walgreens Boots Alliance	11.6	1.7	90.1%
Wal-Mart	17.9	1.5	101.3%
Peer Median	12.4	1.6	93.7%
Costco	26.5	1.9	115.4%

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

Financial Summary

----- Actual ----- Projected

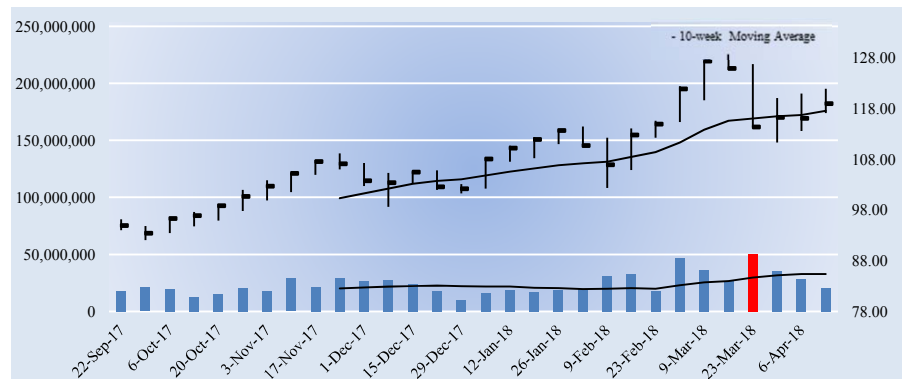
Fiscal Year End:	Aug-16	Aug-17	Aug-18
Revenue	118,719	129,025	140,226
Revenue, YoY%	2.2%	8.7%	8.7%
Operating Income	3,672	4,111	4,311
Operating Margin %	3.1%	3.2%	3.1%
Net Income	2,350	2,679	3,093
Net Income Margin %	2.0%	2.1%	2.2%
Diluted EPS	5.33	6.08	7.02
Diluted EPS, YoY %	-0.8%	14.1%	15.5%
Free Cash Flow (CFO-capex)	643	4,224	2,033
Free Cash Flow Margin %	0.5%	3.3%	1.4%

In Millions of USD (except for per share items)

Salesforce.com CRM FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$103.00	Fair Value Range \$82.00 - \$124.00	Investment Style LARGE-CAP GROWTH	Sector Information Technology	Industry Software
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Salesforce agreed to buy MuleSoft, provider of a leading platform for building application networks, for ~\$6.5 billion in cash and stock.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$87,425
Avg Weekly Vol (30 wks)	24,215
30-week Range (USD)	92.11 - 128.87
Valuentum Sector	Information Technology
5-week Return	-6.9%
13-week Return	7.4%
30-week Return	25.4%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.09
P/E on Est. Normal Diluted EPS	38.5
Est. Normal EBITDA	4,656
Forward EV/EBITDA	24.6
EV/Est. Normal EBITDA	18.2
Forward Revenue Growth (5-yr)	17.3%
Forward EPS Growth (5-yr)	86.3%

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

Returns Summary

3-year Historical Average

Return on Equity	1.1%
Return on Assets	0.5%
ROIC, with goodwill	15.7%
ROIC, without goodwill	32.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,719
Net Debt	-2,802
Total Debt/EBITDA	1.2
Net Debt/EBITDA	NMF
EBITDA/Interest	17.1
Current Ratio	0.9
Quick Ratio	0.8

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.

• Salesforce has done well in expanding its CRM market leadership. As of 2016, its market share sat at ~18.1%, up from 6.3% in 2009, which is higher than its closest competitors Oracle, SAP, and Microsoft, which hold 9.4%, 7.2%, and 1.4% market share, respectively.

• The company's deferred revenue and backlog balances continue to grow, revealing material future expansion potential. It expects fiscal 2018 revenue to hit \$10.43-\$10.44 billion, while non-GAAP EPS is being targeted at \$2.25-\$2.27. Salesforce.com expects fiscal 2022 sales to be in a range of \$20-\$22 billion as its total addressable market grows to ~\$120 billion (from \$72 billion recently).

• Salesforce agreed to buy MuleSoft for ~\$6.5 billion in cash and stock. MuleSoft provides of one of the leading platforms for building application networks, and it will power the new Salesforce Integration Cloud, which will enable enterprises to surface data to drive personalized customer experiences. The deal is expected to close in the second quarter of 2018.

• 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, significant upside to our fair value estimate exists (we're assuming a mid-to-high-teens normalized operating margin).

Structure of the Software Industry

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.

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	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	118.00

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
Adobe Systems	34.3	2.5	118.6%
F5 Networks	16.2	2.0	108.4%
Microsoft	25.2	2.5	107.0%
Oracle	14.8	1.6	86.9%
Peer Median	20.7	2.2	107.7%
Salesforce.com	55.1	7.9	115.5%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Jan-17	Jan-18
Revenue	8,392	10,480
Revenue, YoY%	25.9%	24.9%
Non-GAAP Operating Income	64	236
Non-GAAP EBIT %	0.8%	2.2%
Non-GAAP Net Income	180	127
Non-GAAP NI Margin %	2.1%	1.2%
Non-GAAP Diluted EPS	0.26	0.17
Non-GAAP Dil EPS, YoY %	NMF	NMF
Non-GAAP FCF (CFO-capex)	1,698	2,204
Non-GAAP FCF Margin %	20.2%	21.0%

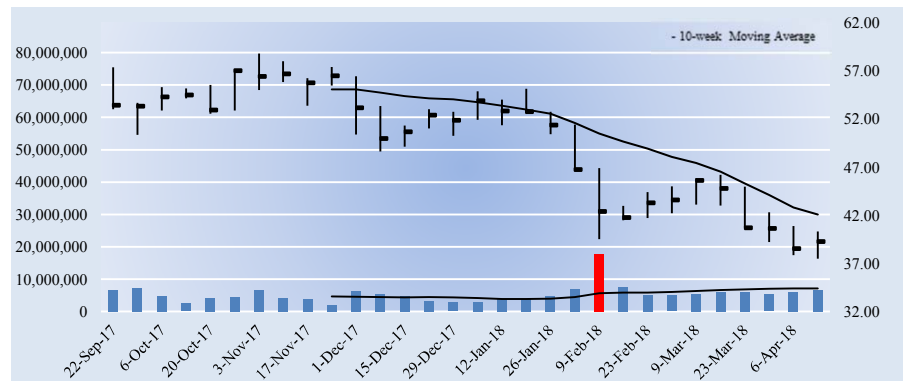
In Millions of USD (except for per share items)

VERY GOOD

Cirrus Logic CRUS FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$47.00	Fair Value Range \$35.00 - \$59.00	Investment Style MID-CAP VALUE	Sector Information Technology	Industry Integrated Circuits
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We've cut our fair value estimate for Cirrus Logic as a result of unanticipated weakness in its near term outlook related to smartphone demand. Management remains confident in its long-term potential of its design lineup.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$2,615
Avg Weekly Vol (30 wks)	5,392
30-week Range (USD)	37.47 - 58.8
Valuentum Sector	Information Technology
5-week Return	-14.5%
13-week Return	-26.5%
30-week Return	-29.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	4.04
P/E on Est. Normal Diluted EPS	9.7
Est. Normal EBITDA	422
Forward EV/EBITDA	4.7
EV/Est. Normal EBITDA	5.3
Forward Revenue Growth (5-yr)	1.0%
Forward EPS Growth (5-yr)	0.3%

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

Returns Summary

3-year Historical Average

Return on Equity	16.4%
Return on Assets	12.2%
ROIC, with goodwill	30.7%
ROIC, without goodwill	47.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	60
Net Debt	-391
Total Debt/EBITDA	0.2
Net Debt/EBITDA	NMF
EBITDA/Interest	108.4
Current Ratio	5.4
Quick Ratio	4.0

NMF = Not Meaningful

Investment Highlights

• Cirrus Logic's vision is to be the world's first choice in high-performance analog and digital signal processing components. A fabless semiconductor firm, it targets fast growing markets such as portable audio and LED lighting. Apple accounts for ~80% of net sales. The company was founded in 1984 and is headquartered in Austin, Texas.

• The firm has a proven track record of engineering execution. It also has strong relationships with tier-one global OEMs that are seeking differentiation. Leveraging initial design-in success into long-term opportunities remains core, and opportunities in audio and voice are present.

• Cirrus Logic is one of Apple's most widely-known suppliers. Though concerns exist at Apple on where incremental growth will come from, Cirrus is optimistic its design positioning over the long haul. Demand for portable audio products continues to expand at a strong rate, but the risk of being materially tied to any one customer is worth noting. Near-term smartphone demand weakness will impact results.

• Cirrus participates in the fast-growing, yet evolving, portable audio and LED lighting markets. Global smartphone unit sales continue to expand, while the addressable market for replacement LED light bulbs is rapidly expanding. The company is well-positioned, and we like that the strength of its balance sheet can help fuel future growth.

• Cirrus has been able to stay competitive in its rapidly evolving end markets thanks to robust R&D spending. In fiscal years 2012-2017, R&D spend at the firm grew at a 29% CAGR to nearly more than \$300 million, or nearly 20% of revenue.

Structure of the Integrated Circuits Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk 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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Analog Devices	16.2	1.8	114.5%
Nvidia	36.6	2.4	112.4%
Semtech Corp	19.7	1.9	116.9%
Taiwan Semiconductor	17.4	2.6	118.5%
Peer Median	18.6	2.2	115.7%
Cirrus Logic	8.9	31.1	83.6%

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

Financial Summary

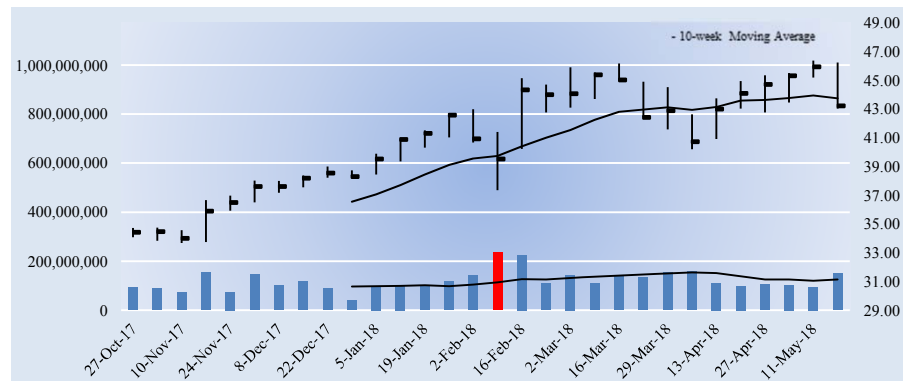
	Actual	Projected
Fiscal Year End:	Mar-16	Mar-17
Revenue	1,169	1,539
Revenue, YoY%	27.6%	31.6%
Operating Income	169	327
Operating Margin %	14.4%	21.2%
Net Income	124	261
Net Income Margin %	10.6%	17.0%
Diluted EPS	1.87	3.92
Diluted EPS, YoY %	121.5%	109.5%
Free Cash Flow (CFO-capex)	103	319
Free Cash Flow Margin %	8.8%	20.7%

In Millions of USD (except for per share items)

Cisco CSCO FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	\$48.00	\$38.00 - \$58.00	MEGA-CAP VALUE	Information Technology	Networking Equipment

Cisco's free cash flow generating capacity and balance sheet strength is tremendous give reason for confidence despite a lower-growth outlook in the near term.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$218,167
Avg Weekly Vol (30 wks)	119,997
30-week Range (USD)	33.67 - 46.37
Valuentum Sector	Information Technology
5-week Return	0.2%
13-week Return	-1.8%
30-week Return	25.4%
Dividend Yield %	3.1%
Dividends per Share	1.32
Forward Dividend Payout Ratio	50.7%
Est. Normal Diluted EPS	2.96
P/E on Est. Normal Diluted EPS	14.6
Est. Normal EBITDA	19,956
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	2.9%
Forward EPS Growth (5-yr)	11.1%

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

Returns Summary

3-year Historical Average

Return on Equity	15.9%
Return on Assets	8.3%
ROIC, with goodwill	27.2%
ROIC, without goodwill	64.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	33,717
Net Debt	-36,775
Total Debt/EBITDA	2.2
Net Debt/EBITDA	NMF
EBITDA/Interest	17.4
Current Ratio	3.0
Quick Ratio	2.9

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 July 2017, the firm has repurchased roughly \$100 billion in shares, and has nearly \$12 billion remaining authorized for share repurchases.

• Future revenue growth at Cisco is now expected to be in the range of 1%-3% during the next 3-5 years. This is down from 5%-7% annual growth expectations it set during its conference in 2011 and a more recent target of 3%-6%. The firm must continue to adapt to evolving markets and meet the changing demands of customers.

• Cisco had an incredible \$54+ billion in cash and cash equivalents at the end of the third quarter of fiscal 2018. Such a cash hoard gives it tremendous financial flexibility to pursue value-creating acquisitions and/or significantly increase the dividend.

Structure of the Networking Equipment Industry

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.

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	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	44.00

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
Finisar	17.6	NMF	75.3%
Juniper Networks	14.4	1.4	83.3%
Knowles Corp	15.9	2.7	95.5%
Nokia	21.9	NMF	88.6%
Peer Median	16.8	2.0	85.9%
Cisco	16.6	2.1	90.0%

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

Financial Summary

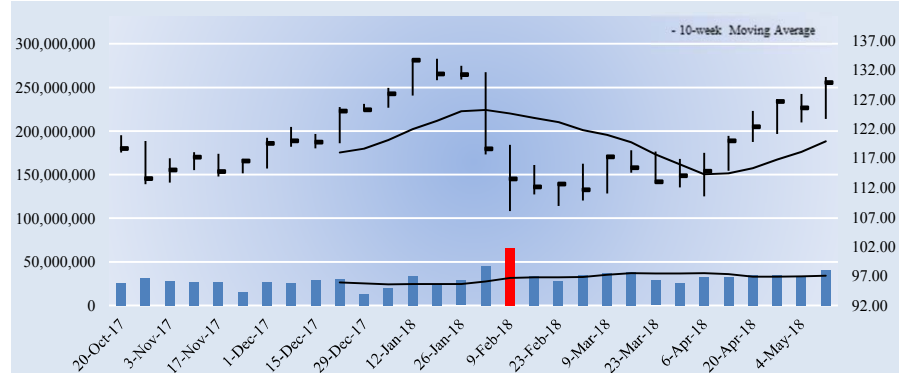
	Actual	Projected
Fiscal Year End:	Jul-16	Jul-17
Revenue	49,247	48,005
Revenue, YoY%	0.2%	-2.5%
Operating Income	12,928	12,729
Operating Margin %	26.3%	26.5%
Net Income	10,739	9,609
Net Income Margin %	21.8%	20.0%
Diluted EPS	2.11	1.90
Diluted EPS, YoY %	20.9%	-9.8%
Free Cash Flow (CFO-capex)	12,424	12,912
Free Cash Flow Margin %	25.2%	26.9%

In Millions of USD (except for per share items)

Chevron CVX FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Neutral	Estimated Fair Value \$107.00	Fair Value Range \$70.00 - \$144.00	Investment Style MEGA-CAP CORE	Sector Energy	Industry Major Oil & Gas
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Chevron continues to optimize its portfolio as it targets a lower cost structure and expanding cash margins.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$246,436
Avg Weekly Vol (30 wks)	31,093
30-week Range (USD)	108.02 - 133.88
Valuentum Sector	Energy
5-week Return	12.6%
13-week Return	13.1%
30-week Return	8.3%
Dividend Yield %	3.5%
Dividends per Share	4.48
Forward Dividend Payout Ratio	60.7%
Est. Normal Diluted EPS	7.65
P/E on Est. Normal Diluted EPS	17.0
Est. Normal EBITDA	41,636
Forward EV/EBITDA	7.1
EV/Est. Normal EBITDA	6.7
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	11.5%

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

Returns Summary

3-year Historical Average

Return on Equity	3.0%
Return on Assets	1.7%
ROIC, with goodwill	-3.3%
ROIC, without goodwill	-3.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	38,763
Net Debt	33,941
Total Debt/EBITDA	1.8
Net Debt/EBITDA	1.6
EBITDA/Interest	71.1
Current Ratio	1.0
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Chevron is engaged in integrated petroleum operations, chemicals operations, mining activities, power generation and energy services. The upstream and downstream activities of the company are widely dispersed geographically. The company was founded in 1879 and is headquartered in California.

• Chevron's downstream performance should help buoy earnings that have suffered as a result of crude-oil price volatility, but the rebalancing of the oil markets has trumped all. Deliberate actions to lower its cost structure to protect against a prolonged scenario of lower energy prices have become the norm.

• Chevron expects free cash flow to improve materially in the near term thanks to higher upstream margins and volumes and a lower and more flexible capital spending program. Crude oil of \$50 per barrel (or higher) is expected to lead to positive free cash flow growth, and it total capital and exploratory spending is expected to be \$18-\$20 billion per year through 2020.

• Chevron continues to replace reserves while growing production. Its 5-year reserve replacement (2012-2017) was a solid 107%, and shale and tight reserve additions alone replaced 2017's total production. We like the company's presence in the Permian Basin, and cash margins are expected to continue expanding in coming years.

• Chevron is a strong company and was once included in the Dividend Growth portfolio. The firm has raised its annual payout for 31 consecutive years as of 2018, but our opinion of its safety soured alongside the rout in oil prices. The near term may be brightening, but we cast a cautious eye over the long-term.

Structure of the Oil & Gas (majors) Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	VERY POOR
ValueRisk™	HIGH
ValueTrend™	NEGATIVE
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)	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

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
BP	16.0	1.8	106.6%
ConocoPhillips	20.1	NMF	115.7%
Exxon Mobil	17.5	2.8	97.9%
Royal Dutch Shell	6.6	2.7	105.8%
Peer Median	16.8	2.7	106.2%
Chevron	17.6	2.3	121.3%

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

Financial Summary

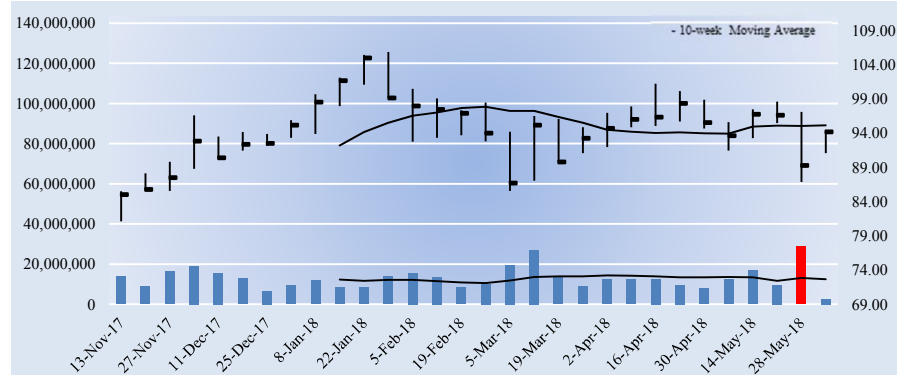
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	114,472	141,722
Revenue, YoY%	-17.3%	23.8%
Operating Income	-6,216	2,480
Operating Margin %	-5.4%	1.7%
Net Income	-497	9,195
Net Income Margin %	-0.4%	6.5%
Diluted EPS	-0.27	4.84
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	-5,263	7,111
Free Cash Flow Margin %	-4.6%	5.0%

In Millions of USD (except for per share items)

Dollar General DG FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$98.00	Fair Value Range \$78.00 - \$118.00	Investment Style LARGE-CAP VALUE	Sector Consumer Discretionary	Industry Multiline Retail - discount
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Dollar General is a model of consistency as it has put up 28 consecutive years of positive same-store sales growth.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$25,749
Avg Weekly Vol (30 wks)	12,855
30-week Range (USD)	81.1 - 105.82
Valuentum Sector	Consumer Discretionary
5-week Return	-1.4%
13-week Return	8.0%
30-week Return	12.6%
Dividend Yield %	1.2%
Dividends per Share	1.16
Forward Dividend Payout Ratio	18.9%
Est. Normal Diluted EPS	7.69
P/E on Est. Normal Diluted EPS	12.3
Est. Normal EBITDA	3,143
Forward EV/EBITDA	10.7
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	6.8%
Forward EPS Growth (5-yr)	10.8%

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

Returns Summary

3-year Historical Average

Return on Equity	23.6%
Return on Assets	11.3%
ROIC, with goodwill	16.9%
ROIC, without goodwill	32.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,006
Net Debt	2,739
Total Debt/EBITDA	1.2
Net Debt/EBITDA	1.1
EBITDA/Interest	24.9
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.'

• Dollar General expects to grow annual net sales to \$30 billion by 2020, which would represent a 50% increase over 2015 levels and 7%-10% annual net sales growth. Our forecasts come in at the low end of this growth pace, suggesting there may be upside to our fair value estimate should it reach this target.

• Dollar General has put up 28 consecutive years of same-store sales growth as of 2017. The firm continues to add new stores to its portfolio and plans to add as many as 900 in 2018 in addition to the remodeling of 1,000 stores and 100 relocations. 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 its 2020 sales goal.

• In fiscal 2018, management is anticipating net sales growth of ~9% and same-store sales growth in the mid-2% range. Dollar General's operating margin is expected to be roughly flat from 2017, but diluted earnings per share are projected to leap to a range of \$5.95-\$6.15, compared to \$4.49 in fiscal 2017.

Structure of the Multiline Retail (discount) Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	95.00

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
Big Lots	9.5	2.0	92.0%
Dollar Tree	16.9	1.8	119.7%
Fred's Inc	NMF	NMF	70.3%
PriceSmart	27.7	1.5	114.4%
Peer Median	16.9	1.8	103.2%
Dollar General	15.3	1.6	96.1%

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

Financial Summary

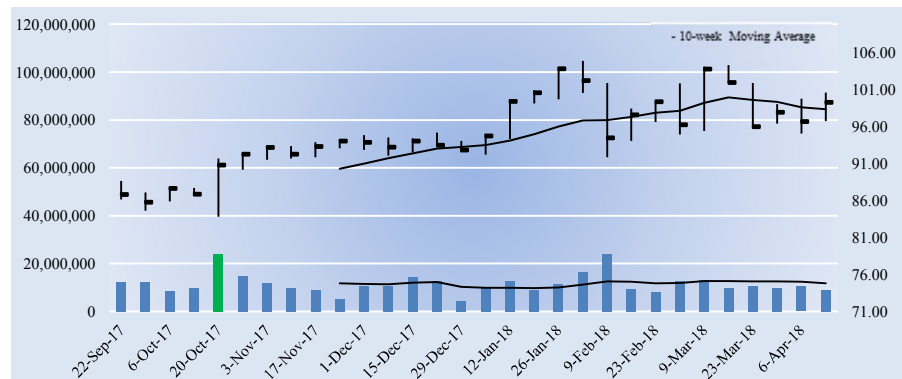
	Actual	Projected
	Jan-17	Jan-18
Revenue	21,987	23,471
Revenue, YoY%	7.9%	6.8%
Operating Income	2,063	2,008
Operating Margin %	9.4%	8.6%
Net Income	1,251	1,539
Net Income Margin %	5.7%	6.6%
Diluted EPS	4.43	5.63
Diluted EPS, YoY %	12.3%	27.0%
Free Cash Flow (CFO-capex)	1,044	1,155
Free Cash Flow Margin %	4.8%	4.9%

In Millions of USD (except for per share items)

Danaher DHR FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$86.00	Fair Value Range \$69.00 - \$103.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Conglomerates
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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 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$70,073
Avg Weekly Vol (30 wks)	11,544
30-week Range (USD)	83.81 - 104.82
Valuentum Sector	Industrials
5-week Return	-4.5%
13-week Return	-0.6%
30-week Return	12.3%
Dividend Yield %	0.6%
Dividends per Share	0.64
Forward Dividend Payout Ratio	14.4%
Est. Normal Diluted EPS	5.20
P/E on Est. Normal Diluted EPS	19.1
Est. Normal EBITDA	6,290
Forward EV/EBITDA	14.7
EV/Est. Normal EBITDA	12.7
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	11.1%

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

Returns Summary

3-year Historical Average

Return on Equity	10.1%
Return on Assets	5.4%
ROIC, with goodwill	11.1%
ROIC, without goodwill	28.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,522
Net Debt	9,892
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.3
EBITDA/Interest	26.2
Current Ratio	1.4
Quick Ratio	0.9

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.

• Danaher serves end markets with high barriers to entry and secular demand drivers. For example, regulatory requirements in its Life Sciences business help keep new competition at bay while it benefits from improving standards of care, workflow efficiency, and environmental safety related demand.

• Danaher boasts a strong portfolio of brands and an extensive installed base that helps it drive recurring revenue. Roughly 70% of its revenue is generated direct from customers (as opposed to distributors), making its relationships with customers a key dynamic. Its portfolio is geographically diverse as North America accounts for ~40% of revenue, high growth markets for ~30%, and Europe for ~23%.

• Danaher's portfolio is exposed to secular growth drivers such as increasing environmental, healthcare, and food safety regulatory requirements, and China offers expansion opportunities for the firm. We also applaud the firm's free cash flow conversion efforts as 2017 marked the 26th consecutive year in which free cash flow exceeded net income.

• Danaher is one of our favorite industrial firms. Though cyclical, the firm continues to drive gross margins higher. Management plans to target larger acquisition opportunities moving forward as it gains confidence in the sustainability of recent strong free cash flow trends.

Structure of the Conglomerates Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	MODEST
Technical Evaluation	VERY BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
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.

Relative Valuation	Forward P/E	PEG	Price / FV
3M	20.5	1.9	116.4%
General Electric	13.9	NMF	67.5%
Honeywell	18.2	1.7	98.7%
United Technologies	17.2	1.6	111.6%
Peer Median	17.7	1.7	105.1%
Danaher	22.4	2.5	115.4%

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

Financial Summary

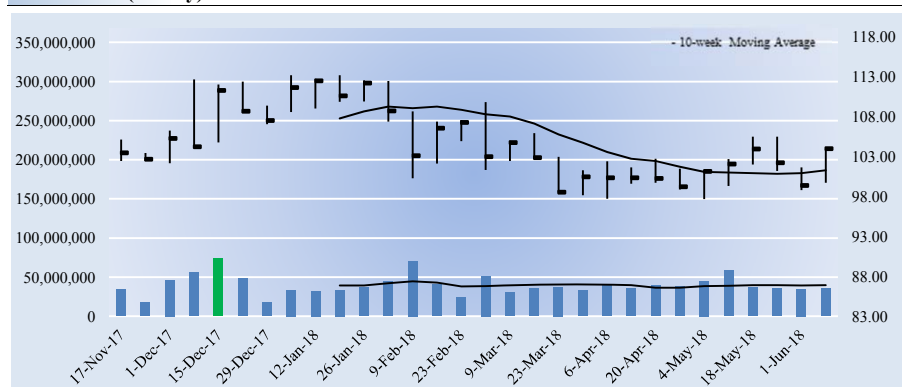
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	16,882	18,330
Revenue, YoY%	-17.9%	8.6%
Operating Income	2,751	3,021
Operating Margin %	16.3%	16.5%
Net Income	2,153	2,470
Net Income Margin %	12.8%	13.5%
Diluted EPS	3.08	3.53
Diluted EPS, YoY %	-16.1%	14.7%
Free Cash Flow (CFO-capex)	5,932	2,858
Free Cash Flow Margin %	35.1%	15.6%

In Millions of USD (except for per share items)

Disney DIS FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$106.00	Fair Value Range \$82.00 - \$130.00	Investment Style LARGE-CAP VALUE	Sector Consumer Discretionary	Industry Media - entertainment
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Disney has agreed to acquire 21st Century Fox for \$52.4 billion in an all-equity transaction, but Comcast has launched a competing bid.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$164,080
Avg Weekly Vol (30 wks)	39,754
30-week Range (USD)	97.68 - 113.19
Valuentum Sector	Consumer Discretionary
5-week Return	1.6%
13-week Return	-0.7%
30-week Return	-0.2%
Dividend Yield %	1.6%
Dividends per Share	1.68
Forward Dividend Payout Ratio	23.5%
Est. Normal Diluted EPS	8.34
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	20,229
Forward EV/EBITDA	10.1
EV/Est. Normal EBITDA	9.2
Forward Revenue Growth (5-yr)	4.4%
Forward EPS Growth (5-yr)	11.1%

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

Returns Summary

3-year Historical Average

Return on Equity	21.4%
Return on Assets	10.4%
ROIC, with goodwill	16.6%
ROIC, without goodwill	30.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	25,291
Net Debt	21,274
Total Debt/EBITDA	1.5
Net Debt/EBITDA	1.3
EBITDA/Interest	32.9
Current Ratio	0.8
Quick Ratio	0.6

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.

• Disney has an innate ability to leverage creative success across its entire company. For example, its 'Consumer Products' division has created 11 major franchises that each generate more than \$1 billion in annual global retail sales. The timing of movie releases can make such sales somewhat lumpy, however.

• 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 rising threat of 'cord-cutting' should not be ignored.

• Disney has announced plans to take majority control of BAMTech, a global leader in direct-to-consumer streaming technology, and is launching an ESPN-branded sports streaming service in 2018, as well as a Disney-branded service in 2019. The plans represent a meaningful shift in Disney's content distribution. The firm is also pulling its movies from Netflix.

• Disney has agreed to acquire 21st Century Fox for \$52.4 billion. 21st Century will be spun off from Fox Broadcasting, and shareholders will receive 0.2745 Disney shares for each new share owned. \$2 billion in cost synergies are expected, and the deal greatly enhances Disney's global sports platform.

Structure of the Media (entertainment) Industry

The media (entertainment) industry spans firms with diversified worldwide entertainment operations to those that specialize primarily in motion picture production and 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.

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	BULLISH
Relative Strength	NEUTRAL
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

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
Cinemark	15.4	1.4	97.8%
IMAX Corp	22.9	5.3	96.6%
Live Nation	NMF	NMF	120.7%
News Corp	NMF	NMF	105.5%
Peer Median	19.1	3.3	101.6%
Disney	14.5	1.7	98.1%

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

Financial Summary

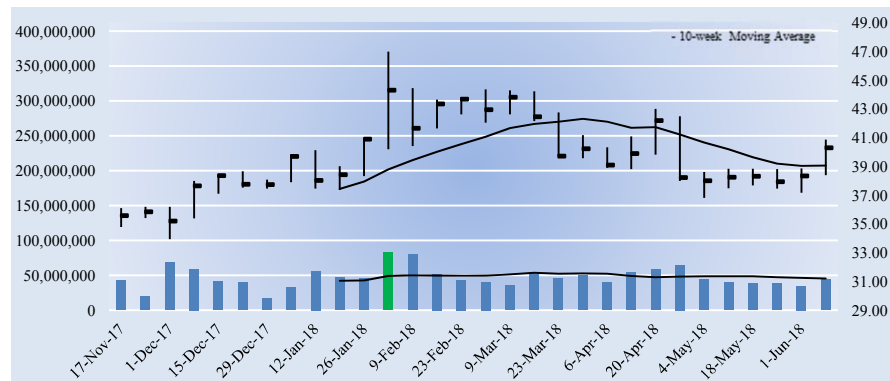
	----- Actual -----	Projected
Fiscal Year End:	Sep-16	Sep-17
Revenue	55,632	55,137
Revenue, YoY%	6.0%	-0.9%
Operating Income	14,358	13,873
Operating Margin %	25.8%	25.2%
Net Income	9,391	8,980
Net Income Margin %	16.9%	16.3%
Diluted EPS	5.73	5.69
Diluted EPS, YoY %	16.8%	-0.7%
Free Cash Flow (CFO-capex)	8,363	8,720
Free Cash Flow Margin %	15.0%	15.8%

In Millions of USD (except for per share items)

eBay EBAY FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$38.00	Fair Value Range \$30.00 - \$46.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Internet & Catalog Retail
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eBay's is still a global commerce and payments powerhouse even after letting go of PayPal, but non-GAAP operating margins are expected to face pressure in the near term.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$42,869
Avg Weekly Vol (30 wks)	46,923
30-week Range (USD)	33.945 - 46.99
Valuentum Sector	Consumer Discretionary
5-week Return	5.8%
13-week Return	-8.5%
30-week Return	12.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.94
P/E on Est. Normal Diluted EPS	13.7
Est. Normal EBITDA	4,596
Forward EV/EBITDA	12.4
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	7.9%
Forward EPS Growth (5-yr)	-229.9%

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

Returns Summary

3-year Historical Average

Return on Equity	30.5%
Return on Assets	13.0%
ROIC, with goodwill	27.0%
ROIC, without goodwill	52.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,015
Net Debt	4,152
Total Debt/EBITDA	3.1
Net Debt/EBITDA	1.3
EBITDA/Interest	Excellent
Current Ratio	2.2
Quick Ratio	1.9

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. It also owns online ticket platform StubHub. 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 2017, the firm processed \$88+ billion in gross merchandise value (up ~6% in constant currency from 2016) from ~170 million active buyers. We like the company's ~\$1.3 billion net cash position as of the end of 2017.

• Targeting convenience and customer service via a site redesign has resonated with users, and the company spent more than 12% of revenue on product development in 2016 and 2017 as it continues to focus on innovation in big data, personalization, and artificial intelligence. Mobile performance has been fantastic, and international operations continue to account for an increasing portion of overall GMV.

• Operating margin pressure is expected in the near term due to payment intermediation investments, and the measure is expected to be 27%-29% in 2018, down from 29.5% and 31.1% in 2017 and 2016, respectively. Low capital intensity (capex expected to be 6%-8% of revenue in 2018) and predictable cash flows speak to high business quality.

• In 2018, eBay is expecting FX-neutral revenue growth of 7%-9%, or total revenue of \$10.9-\$11.1 billion. Non-GAAP earnings per share guidance has been issued in a range of \$2.25-\$2.30 (12%-15% growth over 2017), and free cash flow is expected to be in a range of \$2.1-\$2.3 billion.

Structure of the Internet & Catalog Retail Industry

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, which continues to disrupt the broader retail space, and businesses that offer Internet travel services such as Booking Holdings, while online auctions are dominated by eBay. 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.

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	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	39.00

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
Alibaba	31.4	1.7	87.3%
Amazon.com	NMF	4.2	86.9%
Booking Holdings	24.0	1.8	101.5%
Expedia Group	23.3	1.8	94.4%
Peer Median	24.0	1.8	90.9%
eBay	17.5	NMF	106.0%

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

Financial Summary

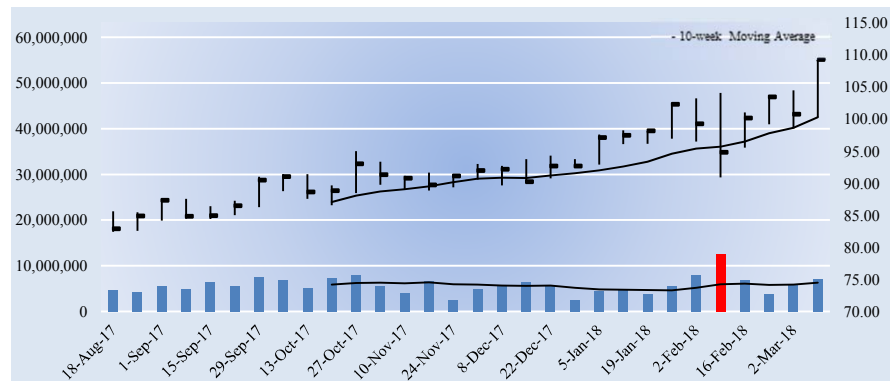
	- Actual -	Split Adjusted	Post - Proj
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	8,979	9,567	10,973
Revenue, YoY%	4.5%	6.5%	14.7%
Non-GAAP Operating Income	2,556	2,537	3,028
Non-GAAP EBIT Margin %	28.5%	26.5%	27.6%
Non-GAAP Net Income	7,285	-1,012	2,401
Non-GAAP NI Margin %	81.1%	-10.6%	21.9%
Non-GAAP Diluted EPS	6.37	-0.95	2.30
Non-GAAP Dil EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	2,201	2,480	2,274
Free Cash Flow Margin %	24.5%	25.9%	20.7%

In Millions of USD (except for per share items)

Eastman Chemical EMN FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$108.00	Fair Value Range \$86.00 - \$130.00	Investment Style LARGE-CAP CORE	Sector Materials	Industry Chemicals - broad
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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.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$15,967
Avg Weekly Vol (30 wks)	5,792
30-week Range (USD)	82.4 - 109.47
Valuentum Sector	Materials
5-week Return	10.3%
13-week Return	18.4%
30-week Return	30.5%
Dividend Yield %	2.0%
Dividends per Share	2.24
Forward Dividend Payout Ratio	26.2%
Est. Normal Diluted EPS	9.41
P/E on Est. Normal Diluted EPS	11.6
Est. Normal EBITDA	2,618
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	3.1%
Forward EPS Growth (5-yr)	0.8%

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

Returns Summary

3-year Historical Average

Return on Equity	23.7%
Return on Assets	6.6%
ROIC, with goodwill	10.3%
ROIC, without goodwill	15.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,540
Net Debt	6,349
Total Debt/EBITDA	3.1
Net Debt/EBITDA	3.0
EBITDA/Interest	8.8
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 Chemical is excited about its innovation efforts, which it anticipates to boost top-line growth in the near term. Total volumes are expected to be stable in 2018 with competitive activity weighing slightly on pricing, but it expects its aggressive productivity initiatives, which includes a focus on raw materials costs, to help offset this dynamic.

• 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 2018, and free cash flow is being targeted at \$1.1+ billion.

Structure of the Chemicals Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
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)	DETERIORATING
Near-term Technical Support, 10-week MA	100.00

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
DowDuPont	16.3	1.5	111.4%
Ecolab	25.0	4.1	151.6%
PPG Industries	17.8	2.1	112.0%
Praxair	23.9	2.1	145.5%
Peer Median	20.8	2.1	128.8%
Eastman Chemical	12.8	3.2	101.2%

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

Financial Summary

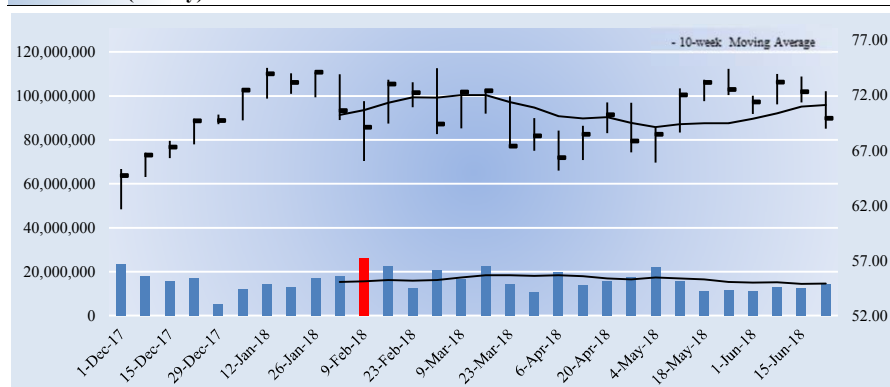
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	9,008	9,549
Revenue, YoY%	-6.6%	6.0%
Operating Income	1,428	1,540
Operating Margin %	15.9%	16.1%
Net Income	854	1,384
Net Income Margin %	9.5%	14.5%
Diluted EPS	5.75	9.47
Diluted EPS, YoY %	1.7%	64.6%
Free Cash Flow (CFO-capex)	692	1,008
Free Cash Flow Margin %	7.7%	10.6%

In Millions of USD (except for per share items)

Emerson Electric EMR FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$61.00	Fair Value Range \$49.00 - \$73.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Electrical Equipment
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Emerson expects global demand trends to continue improving, with strength in Asia and North America leading the way.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$44,954
Avg Weekly Vol (30 wks)	15,963
30-week Range (USD)	61.62 - 74.45
Valuentum Sector	Industrials
5-week Return	-5.1%
13-week Return	2.1%
30-week Return	13.4%
Dividend Yield %	2.8%
Dividends per Share	1.94
Forward Dividend Payout Ratio	60.6%
Est. Normal Diluted EPS	3.98
P/E on Est. Normal Diluted EPS	17.6
Est. Normal EBITDA	4,296
Forward EV/EBITDA	12.8
EV/Est. Normal EBITDA	10.8
Forward Revenue Growth (5-yr)	5.8%
Forward EPS Growth (5-yr)	13.0%

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

Returns Summary

3-year Historical Average

Return on Equity	23.8%
Return on Assets	9.1%
ROIC, with goodwill	21.0%
ROIC, without goodwill	39.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,656
Net Debt	1,594
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.5
EBITDA/Interest	17.0
Current Ratio	1.6
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Emerson offers a wide range of products and services in the industrial, commercial and consumer markets through its 'Automation Solutions' and 'Commercial & Residential Solutions' segments, the latter of which is made up of its 'Climate Technologies' and 'Tools & Home Products' businesses. The company was founded in 1890 and is headquartered in St. Louis, Missouri.

• Emerson expects global demand trends to continue improving, with strength in Asia and North America leading the way. Organic growth will continue to be bolstered by bolt-on acquisitions. The firm's backlog grew to nearly \$4.9 billion at the end of fiscal 2017 from ~\$3.9 billion a year earlier.

• There are a number of moving parts in Emerson's business. The firm recently sold its network power division for \$4 billion and its motor and generator business for \$1.2 billion, and it purchased Pentair's valves and controls business for \$3.15 billion. It has also agreed to acquire Textron's Tools & Test business for \$810 million and smart pneumatics technology producer Aventics for €527 million.

• In fiscal 2018, Emerson is expecting underlying sales growth of ~7% to be primarily driven by its 'Automation Solutions' segment. GAAP EPS guidance has been set in a range of \$3.10-\$3.20 (22%-26% growth over 2017), and operating cash flow is expected to be ~\$2.9 billion. ~115% free cash flow conversion is being targeted.

• You can't talk about Emerson without mentioning its fantastic dividend growth profile and impressive track record. Management plans to reduce its dividend-to-free cash flow ratio to <50% by fiscal 2020 from 56% in 2017. The firm's dividend yield and Dividend Cushion ratio offer an enticing combination.

Structure of the Electrical Equipment Industry

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.

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	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	71.00

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
Barnes Group	19.1	1.8	101.0%
Parker-Hannifin	15.5	1.6	104.2%
Pentair	18.5	2.1	94.6%
Roper Technologies	23.7	3.0	124.4%
Peer Median	18.8	1.9	102.6%
Emerson Electric	21.8	2.1	114.5%

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

Financial Summary

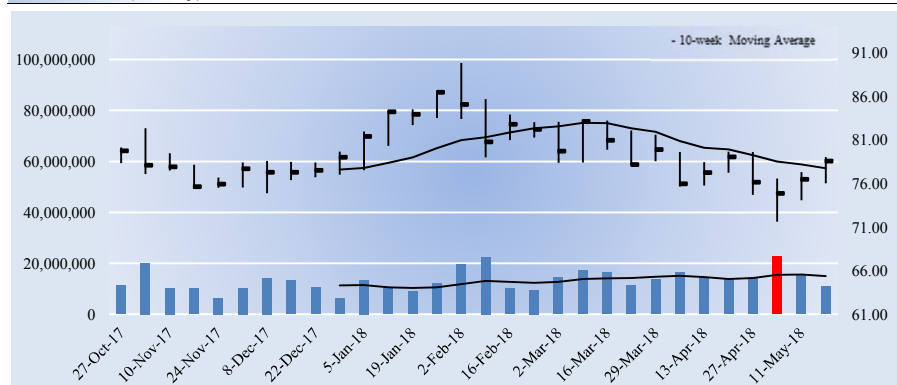
	Actual	Projected
Fiscal Year End:	Sep-16	Sep-17
Revenue	14,522	15,264
Revenue, YoY%	-34.9%	5.1%
Operating Income	2,798	2,786
Operating Margin %	19.3%	18.3%
Net Income	1,590	1,643
Net Income Margin %	10.9%	10.8%
Diluted EPS	2.46	2.55
Diluted EPS, YoY %	-38.6%	3.9%
Free Cash Flow (CFO-capex)	2,434	2,214
Free Cash Flow Margin %	16.8%	14.5%

In Millions of USD (except for per share items)

Eaton ETN FAIRLY VALUED**Buying Index™ 3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$75.00	Fair Value Range \$60.00 - \$90.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Electrical Equipment - industrial
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Multiple secular trends are driving Eaton's business over the long haul, and it expects solid segment operating margin expansion in the near term.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$34,933
Avg Weekly Vol (30 wks)	13,364
30-week Range (USD)	71.6201 - 89.85
Valuentum Sector	Industrials
5-week Return	0.9%
13-week Return	-4.7%
30-week Return	-0.6%
Dividend Yield %	3.4%
Dividends per Share	2.64
Forward Dividend Payout Ratio	50.5%
Est. Normal Diluted EPS	5.90
P/E on Est. Normal Diluted EPS	13.3
Est. Normal EBITDA	4,109
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	10.1
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	-0.9%

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

Returns Summary

3-year Historical Average

Return on Equity	14.7%
Return on Assets	7.3%
ROIC, with goodwill	7.9%
ROIC, without goodwill	16.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,751
Net Debt	6,656
Total Debt/EBITDA	2.3
Net Debt/EBITDA	2.0
EBITDA/Interest	13.9
Current Ratio	1.6
Quick Ratio	1.0

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. Eaton is one of our favorite industrials.

• We like Eaton's focus on cost containment of late, but commodity input costs provided a headwind in 2017. Management expects price increases to more than offset commodity inflation in 2018, and it is confident that commodity prices will not provide a drag on margins the year.

• 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. Management estimates it has reduced earnings volatility through the economic cycle by 40%, and it is targeting a segment operating margin of 17%-18% in 2020, up from 15% in 2015-2017.

• Eaton's 2018-2020 goals include 3%-4% organic revenue growth, 1%-3% acquisition revenue growth, ~170 basis points of segment operating margin expansion, an EPS growth CAGR of 11%-12%, and free cash flow at 10%+ of sales. Share repurchases amount to 1%-2% of its market cap per year.

Structure of the Industrial Electrical Equipment Industry

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.

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)	IMPROVING
Near-term Technical Support, 10-week MA	78.00

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
Ametek	29.0	1.6	121.8%
General Cable	39.4	NMF	99.5%
Littelfuse	21.9	2.0	119.8%
Rockwell Automation	23.1	2.4	117.6%
Peer Median	26.0	2.0	118.7%
Eaton	15.0	NMF	104.8%

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

Financial Summary

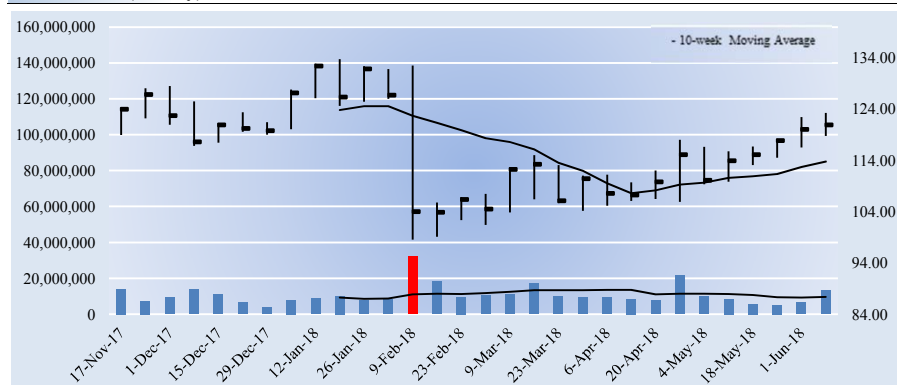
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	19,747	20,404
Revenue, YoY%	-5.3%	3.3%
Operating Income	2,253	2,499
Operating Margin %	11.4%	12.2%
Net Income	1,922	2,985
Net Income Margin %	9.7%	14.6%
Diluted EPS	4.21	6.72
Diluted EPS, YoY %	-0.6%	59.5%
Free Cash Flow (CFO-capex)	2,073	2,146
Free Cash Flow Margin %	10.5%	10.5%

In Millions of USD (except for per share items)

Expedia Group EXPE FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$128.00	Fair Value Range \$102.00 - \$154.00	Investment Style LARGE-CAP BLEND	Sector Consumer Discretionary	Industry Internet & Catalog Retail
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Expedia is investing in mobile, a high-growth area, in an attempt to drive growth and engagement, and its portfolio of brands is truly dynamic.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$18,905
Avg Weekly Vol (30 wks)	10,747
30-week Range (USD)	98.52 - 133.68
Valuentum Sector	Consumer Discretionary
5-week Return	9.2%
13-week Return	7.2%
30-week Return	0.2%
Dividend Yield %	1.0%
Dividends per Share	1.20
Forward Dividend Payout Ratio	23.2%
Est. Normal Diluted EPS	6.86
P/E on Est. Normal Diluted EPS	17.6
Est. Normal EBITDA	2,850
Forward EV/EBITDA	8.5
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	9.6%
Forward EPS Growth (5-yr)	28.3%

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

Returns Summary

3-year Historical Average

Return on Equity	12.0%
Return on Assets	3.2%
ROIC, with goodwill	3.9%
ROIC, without goodwill	13.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,249
Net Debt	865
Total Debt/EBITDA	2.5
Net Debt/EBITDA	0.5
EBITDA/Interest	9.4
Current Ratio	0.7
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Expedia Group 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 roughly 54% 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 by 6%-11% in 2018.

• Expedia is investing in mobile in an attempt to drive growth and engagement. More than 45% of its traffic arrives via mobile, and roughly one-third of all transactions are booked via mobile as of the full year 2017. 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.

Structure of the Internet & Catalog Retail Industry

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, which continues to disrupt the broader retail space, and businesses that offer Internet travel services such as Booking Holdings, while online auctions are dominated by eBay. 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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	POSITIVE
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	114.00

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
Alibaba	31.4	1.7	87.3%
Amazon.com	NMF	4.2	86.9%
Booking Holdings	24.0	1.8	101.5%
eBay	17.5	NMF	106.0%
Peer Median	24.0	1.8	94.4%
Expedia Group	23.3	1.8	94.4%

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

Financial Summary

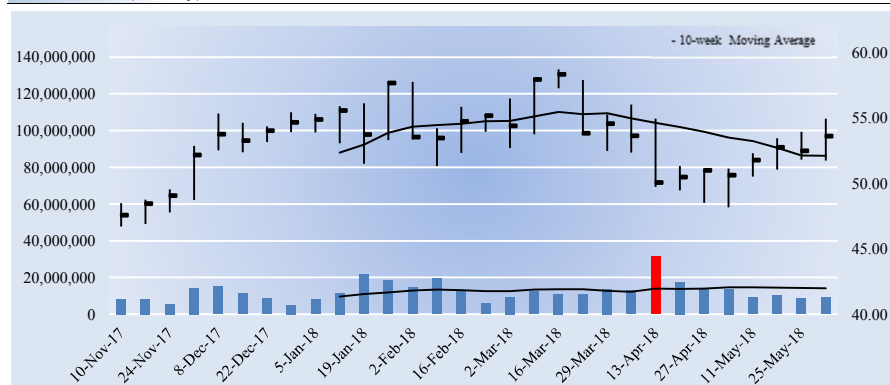
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	8,774	10,060
Revenue, YoY%	31.5%	14.7%
Operating Income	579	667
Operating Margin %	6.6%	6.6%
Net Income	282	378
Net Income Margin %	3.2%	3.8%
Diluted EPS	1.82	2.42
Diluted EPS, YoY %	-68.0%	32.5%
Free Cash Flow (CFO-capex)	815	1,030
Free Cash Flow Margin %	9.3%	10.2%

In Millions of USD (except for per share items)

Fastenal FAST FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$45.00	Fair Value Range \$34.00 - \$56.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Distributors
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Fastenal's local storefront model provides a unique method of expanding availability and providing cost savings to customers.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$15,462
Avg Weekly Vol (30 wks)	12,404
30-week Range (USD)	46.7201 - 58.735
Valuentum Sector	Industrials
5-week Return	5.1%
13-week Return	-0.5%
30-week Return	12.9%
Dividend Yield %	2.8%
Dividends per Share	1.48
Forward Dividend Payout Ratio	58.8%
Est. Normal Diluted EPS	3.11
P/E on Est. Normal Diluted EPS	17.3
Est. Normal EBITDA	1,328
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	11.9
Forward Revenue Growth (5-yr)	8.4%
Forward EPS Growth (5-yr)	13.4%

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

Returns Summary

3-year Historical Average

Return on Equity	27.8%
Return on Assets	20.4%
ROIC, with goodwill	27.9%
ROIC, without goodwill	27.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	415
Net Debt	298
Total Debt/EBITDA	0.4
Net Debt/EBITDA	0.3
EBITDA/Interest	110.4
Current Ratio	5.5
Quick Ratio	2.1

NMF = Not Meaningful

Investment Highlights

• Each of Fastenal's ~3,400 stores is a local, one-stop shop for a variety of OEM, MRO and construction supplies, and it also has more than 600 onsite locations. 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's revenue breakdown by industry is roughly as follows: 50% manufacturing, 15% construction, 11% resellers, 4% public/government, and 20% other. It continues to look for growth from its national accounts (nearly 50% of total revenue) as well as its growing vending and e-business. Product sales from vending devices grew at a high-teens rate in 2017.

• As it relates to operations, Fastenal is our favorite distributor, and its platform can't be easily replicated by peers. Recent results have shown the impact of rising employee, occupancy, and transportation related expenses, all of which could continue to impact margin performance in the near term.

Structure of the Industrial Distributors Industry

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.

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	VERY BULLISH
Relative Strength	NEUTRAL
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

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
Anixter	11.0	1.1	82.6%
MSC Industrial	17.5	1.6	111.8%
W.W. Grainger	20.5	1.6	125.4%
WESCO	12.7	1.4	86.5%
Peer Median	15.1	1.5	99.2%
Fastenal	21.3	2.0	119.2%

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

Financial Summary

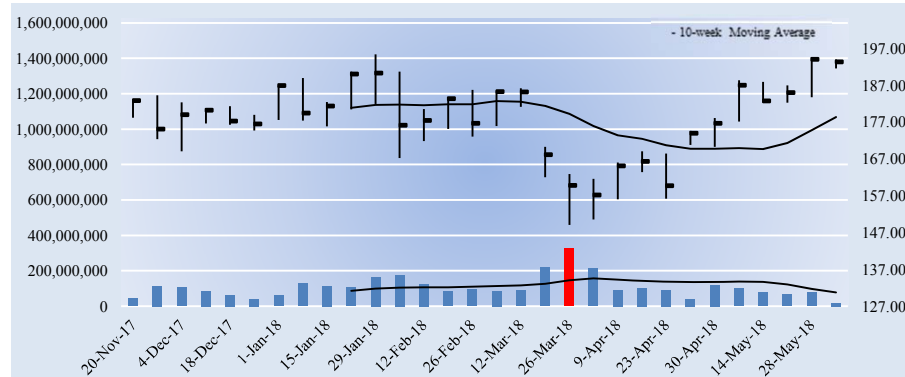
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	3,962	4,391
Revenue, YoY%	2.4%	10.8%
Operating Income	795	881
Operating Margin %	20.1%	20.1%
Net Income	499	579
Net Income Margin %	12.6%	13.2%
Diluted EPS	1.73	2.01
Diluted EPS, YoY %	-2.3%	16.2%
Free Cash Flow (CFO-capex)	331	465
Free Cash Flow Margin %	8.3%	10.6%

In Millions of USD (except for per share items)

Facebook FB UNDERVALUED 3.5%**Buying Index™****10****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$250.00	Fair Value Range \$200.00 - \$300.00	Investment Style MEGA-CAP BLEND	Sector Information Technology	Industry Internet Software & Svcs
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Facebook's number of monthly active users (MAUs) is still growing at a solid double-digit rate, and its free cash flow generation and balance sheet health are simply incredible.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$571,336
Avg Weekly Vol (30 wks)	107,632
30-week Range (USD)	149.02 - 195.32
Valuentum Sector	Information Technology
5-week Return	9.0%
13-week Return	15.4%
30-week Return	8.1%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	11.31
P/E on Est. Normal Diluted EPS	17.1
Est. Normal EBITDA	45,394
Forward EV/EBITDA	17.2
EV/Est. Normal EBITDA	11.7
Forward Revenue Growth (5-yr)	23.1%
Forward EPS Growth (5-yr)	22.7%

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

Returns Summary

3-year Historical Average

Return on Equity	17.6%
Return on Assets	15.8%
ROIC, with goodwill	48.0%
ROIC, without goodwill	116.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-41,711
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	12.9
Quick Ratio	12.6

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/family, to learn about the latest news, 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 tens of billions in revenue and is throwing off gobs of excess free cash flow. The company's balance sheet is pristine with nearly \$42 billion in cash and no debt at the end of 2017.

• Facebook's number of mobile users continues to grow, with mobile ad revenue accounting for 88% of total ad revenue in 2017, up from 83% in 2016. Data privacy and security remain paramount. It recently found itself painted in a bad light with the Cambridge Analytica scandal, but we don't think the setback will have a material impact on the long-term trajectory of free cash flows.

• 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) count is still growing at a tremendous rate. Overall MAUs sat at 2.13 billion as of the end of 2017, while its daily active user base was 1.40 billion, both of which represent 14% growth from a year earlier.

Investment Considerations

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

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
Alphabet	25.6	1.9	86.2%
Baidu	24.8	2.1	111.2%
Twitter	52.7	NMF	110.0%
Ultimate Software	44.8	6.2	111.2%
Peer Median	35.2	2.1	110.6%
Facebook	24.9	1.6	77.3%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	27,638	40,653
Revenue, YoY%	54.2%	47.1%
Operating Income	12,427	20,203
Operating Margin %	45.0%	49.7%
Net Income	10,188	15,920
Net Income Margin %	36.9%	39.2%
Diluted EPS	3.48	5.39
Diluted EPS, YoY %	170.8%	54.6%
Free Cash Flow (CFO-capex)	11,617	17,483
Free Cash Flow Margin %	42.0%	43.0%

In Millions of USD (except for per share items)

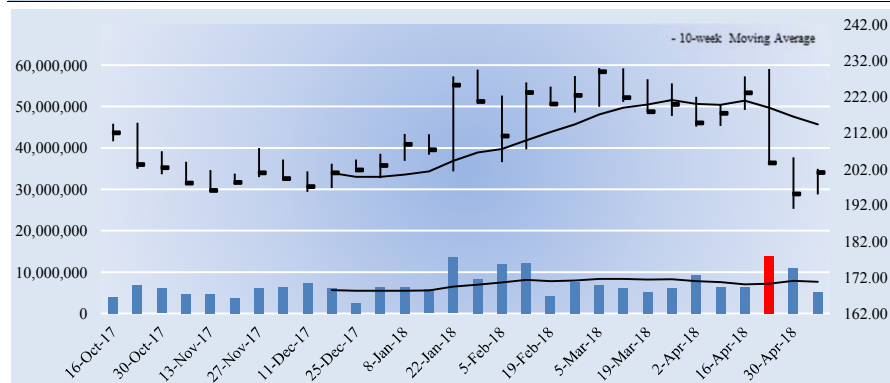
Structure of the Internet Software & Services Industry**NEUTRAL**

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.

General Dynamics GD FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$195.00	Fair Value Range \$156.00 - \$234.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry A&D Prime
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General Dynamics remains steadfast to its focus on improving margins, generating cash, and improving returns on capital.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$61,240
Avg Weekly Vol (30 wks)	7,069
30-week Range (USD)	191 - 230
Valuentum Sector	Industrials
5-week Return	-7.4%
13-week Return	-6.1%
30-week Return	-5.8%
Dividend Yield %	1.9%
Dividends per Share	3.72
Forward Dividend Payout Ratio	33.0%
Est. Normal Diluted EPS	14.47
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	5,969
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	10.4
Forward Revenue Growth (5-yr)	8.9%
Forward EPS Growth (5-yr)	13.0%

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

Returns Summary

3-year Historical Average

Return on Equity	26.5%
Return on Assets	8.9%
ROIC, with goodwill	21.4%
ROIC, without goodwill	71.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,982
Net Debt	999
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.2
EBITDA/Interest	39.5
Current Ratio	1.4
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.

• As of the first quarter of 2018, the firm's backlog of unfulfilled business orders was \$62.1 billion, up from ~\$60 million at the end of 2016. Contract activity has been solid across most business groups of late, with particular strength coming from its 'Marine' segment.

• The modest growth across General Dynamics' business is expected to begin projecting higher. 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, which is roughly in line with our forecasts.

• 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 annually. Strong free cash flow generation and a focus on return on invested capital make continued increases a likelihood. Its financial leverage is reasonable as of the first quarter of 2018 as it holds more than \$4.3 billion in cash compared to ~\$6.5 billion in total debt.

Structure of the Aerospace and Defense Industry

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share, but Boeing and Airbus continue to dominate the large commercial aircraft segment. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors, but massive backlogs and a strong multi-decade demand outlook are reasons for confidence. The defense industry has strong competition in all market segments and remains dependent on government funding decisions and competing budget priorities.

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	214.00

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
Boeing	22.6	2.4	110.4%
Lockheed Martin	19.2	1.7	120.7%
Northrop Grumman	19.8	2.0	121.2%
Raytheon	20.3	1.7	129.8%
Peer Median	20.0	1.9	120.9%
General Dynamics	17.8	1.6	103.1%

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

Financial Summary

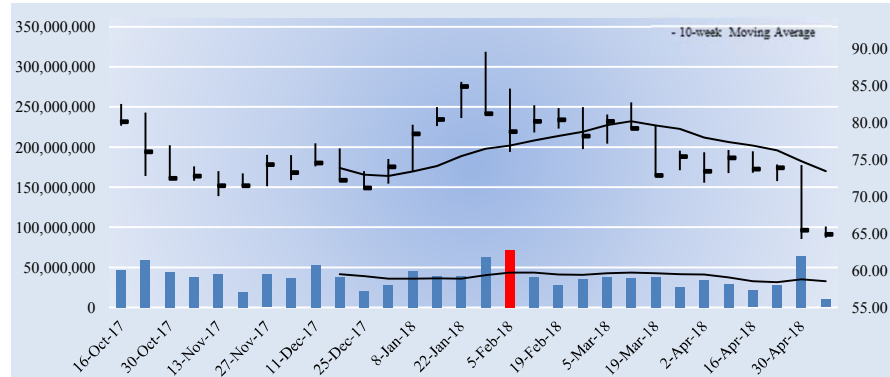
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	31,353	30,973
Revenue, YoY%	-0.4%	-1.2%
Operating Income	4,309	4,177
Operating Margin %	13.7%	13.5%
Net Income	3,062	2,912
Net Income Margin %	9.8%	9.4%
Diluted EPS	9.87	9.56
Diluted EPS, YoY %	8.7%	-3.1%
Free Cash Flow (CFO-capex)	1,806	3,451
Free Cash Flow Margin %	5.8%	11.1%

In Millions of USD (except for per share items)

Gilead Sciences GILD UNDERVALUED 14.1%**Buying Index™ 3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$98.00	Fair Value Range \$74.00 - \$123.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Pharma - Generic/Other
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2018 appears to be setting up as a 'trough year' for Gilead Sciences in terms of revenue growth. Its star performer is now its HIV product suite.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$85,577
Avg Weekly Vol (30 wks)	38,365
30-week Range (USD)	64.27 - 89.54
Valuentum Sector	Health Care
5-week Return	-12.2%
13-week Return	-18.7%
30-week Return	-20.0%
Dividend Yield %	3.5%
Dividends per Share	2.28
Forward Dividend Payout Ratio	36.4%
Est. Normal Diluted EPS	6.71
P/E on Est. Normal Diluted EPS	9.7
Est. Normal EBITDA	13,394
Forward EV/EBITDA	6.4
EV/Est. Normal EBITDA	6.2
Forward Revenue Growth (5-yr)	-3.2%
Forward EPS Growth (5-yr)	15.2%

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

Returns Summary

3-year Historical Average

Return on Equity	67.4%
Return on Assets	24.7%
ROIC, with goodwill	111.1%
ROIC, without goodwill	123.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	33,542
Net Debt	-3,152
Total Debt/EBITDA	2.2
Net Debt/EBITDA	NMF
EBITDA/Interest	13.8
Current Ratio	2.7
Quick Ratio	3.5

NMF = Not Meaningful

Investment Highlights

• Gilead's primary areas of focus include HIV/AIDS, hepatitis B and C, serious cardiovascular/metabolic and respiratory conditions. The firm's drug Sovaldi and its successor Harvoni, a once-daily oral treatment of HCV infection, were once its primary product drivers and comprised a large portion of antiviral product sales, but an increasingly crowded HCV market has drastically cut its revenue from those products. Genvoya, a single tablet regimen for HIV, has seen net sales grow rapidly of late, as has Epclusa, the first single tablet regimen approved for the treatment of patients with HCV genotype 2 and 3 without the need for ribavirin.

• The star performer for Gilead is now its industry-leading suite of HIV products, which recently added a new member named Biktarvy, an unboosted single tablet regimen for the treatment of HIV. We feel 2018 is setting up to become the 'trough year' as far as revenue is concerned, as HIV and oncology growth should lap the decline in HCV.

• Gilead had been operating in a rational oligopoly in the HCV market, but revenue erosion is now in full effect, evidenced by its declining top line in recent years. Given the high cure rates, the long-term revenue opportunity in HCV is muted, and we have captured this dynamic within our valuation model.

• Gilead acquired Kite Pharma, a leading player in CAR-T therapy, in 2017 for ~\$11.9 billion in a deal that addresses its pipeline shortfalls outside of the HCV market. We like the move, as it instantly gives the firm a meaningful presence in oncology and cell therapy.

Structure of the Pharma - Generic/Other - Industry

The pharma (generic/other) industry is composed of makers of both brand and generic drugs. Intellectual property protection remains vital to the successful commercialization of safe/effective medicines and offers brand firms competitive advantages over the life of such patents. However, when brand drugs lose market exclusivity, makers of generic pharmaceuticals generate intense price competition. Long-term success for brand pharma companies depends on a strong drug pipeline, while cost-efficiency and being first-to-market are drivers of generic firms' success. We generally like the group.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	MEDIUM
Growth	DECLINING
Technical Evaluation	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

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
Allergan	NMF	NMF	76.6%
Teva Pharma	NMF	NMF	112.7%
Valeant Pharma	NMF	NMF	64.7%
Zoetis	46.5	2.4	147.8%
Peer Median	46.5	2.4	94.7%
Gilead Sciences	10.3	NMF	66.2%

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

Financial Summary

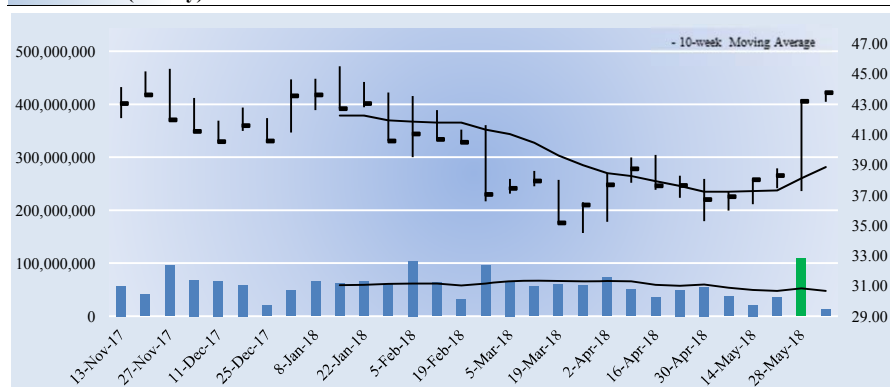
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	30,390	26,107
Revenue, YoY%	-6.9%	-14.1%
Operating Income	17,633	14,124
Operating Margin %	58.0%	54.1%
Net Income	13,501	4,628
Net Income Margin %	44.4%	17.7%
Diluted EPS	9.94	3.51
Diluted EPS, YoY %	-16.5%	-64.7%
Free Cash Flow (CFO-capex)	16,299	11,308
Free Cash Flow Margin %	53.6%	43.3%

In Millions of USD (except for per share items)

General Motors GM UNDERVALUED 5.1%**Buying Index™** 7**Value Rating**

Economic Castle Unattractive	Estimated Fair Value \$61.00	Fair Value Range \$46.00 - \$76.00	Investment Style LARGE-CAP VALUE	Sector Consumer Discretionary	Industry Auto Manufacturers
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General Motors is trading at 6-7 times current-year adjusted earnings per share and sports a dividend yield of 4%.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$65,320
Avg Weekly Vol (30 wks)	57,386
30-week Range (USD)	34.5 - 45.52
Valuentum Sector	Consumer Discretionary
5-week Return	19.5%
13-week Return	15.6%
30-week Return	2.8%
Dividend Yield %	3.5%
Dividends per Share	1.52
Forward Dividend Payout Ratio	23.5%
Est. Normal Diluted EPS	7.92
P/E on Est. Normal Diluted EPS	5.5
Est. Normal EBITDA	24,153
Forward EV/EBITDA	6.3
EV/Est. Normal EBITDA	5.6
Forward Revenue Growth (5-yr)	2.3%
Forward EPS Growth (5-yr)	112.5%

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

Returns Summary

3-year Historical Average

Return on Equity	16.2%
Return on Assets	3.3%
ROIC, with goodwill	7.0%
ROIC, without goodwill	7.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	94,219
Net Debt	70,394
Total Debt/EBITDA	4.2
Net Debt/EBITDA	3.2
EBITDA/Interest	38.7
Current Ratio	0.9
Quick Ratio	0.7

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

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%+ adjusted ROIC, but investments in next generation technology may take a some time 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, which has helped drive margin improvements. In the past four years, the auto maker has posted an EBIT-adjusted margin of ~7% or higher, and its North America EBIT-adjusted number is the best its been in years. It recently received a large investment from SoftBank in Cruise Automation, aimed at 'massive scale' next-gen production.

• 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% in North America 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.

Structure of the Auto Manufacturers Industry

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.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
ValueCreation™	POOR
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	MEDIUM
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	39.00

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
Ford	7.1	0.4	79.9%
Harley-Davidson	11.9	1.3	90.6%
Honda	11.4	NMF	91.9%
Toyota	21.7	3.9	93.9%
Peer Median	11.7	1.3	91.2%
General Motors	6.8	1.7	71.8%

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

Financial Summary

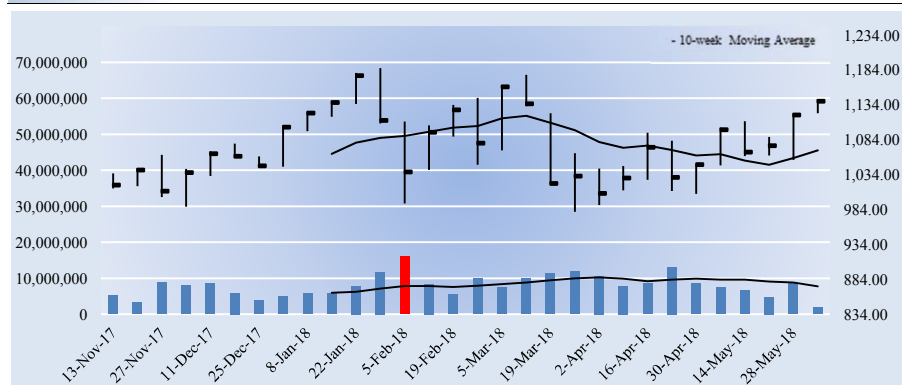
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	166,380	145,588
Revenue, YoY%	9.2%	-12.5%
Operating Income	9,545	10,016
Operating Margin %	5.7%	6.9%
Net Income	9,427	348
Net Income Margin %	5.7%	0.2%
Diluted EPS	6.00	0.23
Diluted EPS, YoY %	1.7%	NMF
Free Cash Flow (CFO-capex)	7,065	8,875
Free Cash Flow Margin %	4.2%	6.1%

In Millions of USD (except for per share items)

Alphabet GOOG FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$1322.00	Fair Value Range \$1058.00 - \$1586.00	Investment Style MEGA-CAP BLEND	Sector Information Technology	Industry Internet Software & Svcs
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We continue to be in awe of Alphabet's search operations, and its free cash flow generation remains robust. Few companies boast a similar level of balance sheet health.



The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$801,586
Avg Weekly Vol (30 wks)	7,931
30-week Range (USD)	980.64 - 1186.89
Valuentum Sector	Information Technology
5-week Return	8.6%
13-week Return	-2.1%
30-week Return	11.3%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	58.00
P/E on Est. Normal Diluted EPS	19.6
Est. Normal EBITDA	60,046
Forward EV/EBITDA	15.5
EV/Est. Normal EBITDA	11.7
Forward Revenue Growth (5-yr)	15.6%
Forward EPS Growth (5-yr)	33.0%

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

Returns Summary

3-year Historical Average

Return on Equity	12.7%
Return on Assets	10.3%
ROIC, with goodwill	59.1%
ROIC, without goodwill	84.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,969
Net Debt	-97,902
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	5.1
Quick Ratio	5.0

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 more than \$1,300 each. It reported an operating loss of ~\$3.4 billion in 'Other Bets' in 2017, suggesting core levels of profitability are higher than reported.

- Alphabet offers investors a compelling combination of attractive valuation, growth potential, cash-flow generation and competitive profile. Very few firms are more attractive on a fundamental basis, in our view, and its impressive free cash flow conversion rates (consistently above 100%) speak to this.

- Alphabet is pleased with momentum in its mobile division, particularly within mobile advertising. The mobile Internet space will be key for the company, but Facebook is not backing down. YouTube and programmatic advertising offer additional upside potential, but we're watching spending levels, which have spiked of late due in part to higher traffic acquisition costs.

- 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 (~\$97.9 billion as of the end of 2017) gives the company a substantial cushion to fall back on as it invests in high-return opportunities and new concepts such as smart home features, 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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	AGGRESSIVE
Technical Evaluation	BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	1069.00

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
Baidu	24.8	2.1	111.2%
Facebook	24.9	1.6	77.3%
Twitter	52.7	NMF	110.0%
Ultimate Software	44.8	6.2	111.2%
Peer Median	34.9	2.1	110.6%
Alphabet	25.6	1.9	86.2%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	90,272	110,855
Revenue, YoY%	20.4%	22.8%
Operating Income	23,716	28,882
Operating Margin %	26.3%	26.1%
Net Income	19,478	12,662
Net Income Margin %	21.6%	11.4%
Diluted EPS	27.88	18.00
Diluted EPS, YoY %	14.5%	-35.4%
Free Cash Flow (CFO-capex)	25,824	23,907
Free Cash Flow Margin %	28.6%	21.6%

In Millions of USD (except for per share items)

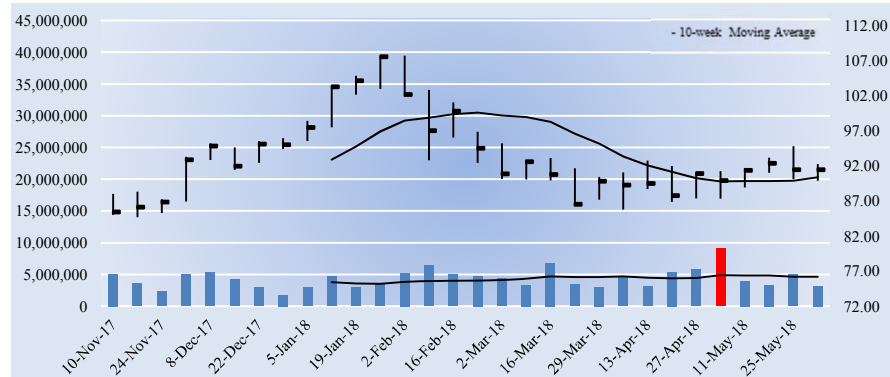
Structure of the Internet Software & Services Industry**NEUTRAL**

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.

Genuine Parts GPC FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$84.00	Fair Value Range \$67.00 - \$101.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Specialty Retail - auto
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Genuine Parts expects the US automotive aftermarket to remain fundamentally strong as the total vehicle fleet is growing, average age of fleet is increasing, and miles driven pushes to new highs.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$13,510
Avg Weekly Vol (30 wks)	4,334
30-week Range (USD)	84.71 - 107.75
Valuentum Sector	Consumer Discretionary
5-week Return	0.3%
13-week Return	1.2%
30-week Return	3.9%
Dividend Yield %	3.1%
Dividends per Share	2.88
Forward Dividend Payout Ratio	50.6%
Est. Normal Diluted EPS	6.57
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	1,545
Forward EV/EBITDA	12.1
EV/Est. Normal EBITDA	10.6
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	13.0%

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

Returns Summary

3-year Historical Average

Return on Equity	20.7%
Return on Assets	7.5%
ROIC, with goodwill	18.0%
ROIC, without goodwill	23.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,245
Net Debt	2,930
Total Debt/EBITDA	2.7
Net Debt/EBITDA	2.5
EBITDA/Interest	28.6
Current Ratio	1.3
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 more than 50% of sales, and three-quarters of sales are generated in the US. The company is based in Georgia.

- 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 70% of the fleet. Genuine Parts holds ~7.5% of the global automotive aftermarket.

- Genuine Parts recently acquired Alliance Automotive Group (AAG) for ~\$2 billion in cash. As the second largest European parts distribution platform, AAG focuses on light vehicle and commercial vehicle replacement parts and gives the firm access to the European markets with meaningful scale. Annual synergies of ~\$25 million are expected to be achieved within three years.

- 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%. The company has agreed to merge SP Richards, its business products segment, with Essendant via a Reverse Morris Trust structure. The deal should close before the end of 2018.

- The firm has paid a cash dividend every year since going public in 1948. 2018 marks its 62nd consecutive year that it has increased annual dividends paid to shareholders. It has also managed to grow sales in 85 of its 90 year history and profit in 74 of its 90 year history.

Structure of the Retail Auto Parts Industry

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.

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)	BEARISH
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.

Relative Valuation

	Forward P/E	PEG	Price / FV
AutoNation	9.6	2.5	84.7%
AutoZone	13.0	1.7	106.5%
CarMax	15.7	1.0	120.5%
O'Reilly Automotive	17.4	2.0	115.9%
Peer Median	14.3	1.9	111.2%
Genuine Parts	16.1	1.7	108.9%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	15,340	16,309
Revenue, YoY%	0.4%	6.3%
Operating Income	1,070	1,174
Operating Margin %	7.0%	6.3%
Net Income	687	838
Net Income Margin %	4.5%	3.8%
Diluted EPS	4.59	5.69
Diluted EPS, YoY %	-0.9%	-9.0%
Free Cash Flow (CFO-capex)	785	606
Free Cash Flow Margin %	5.1%	3.3%

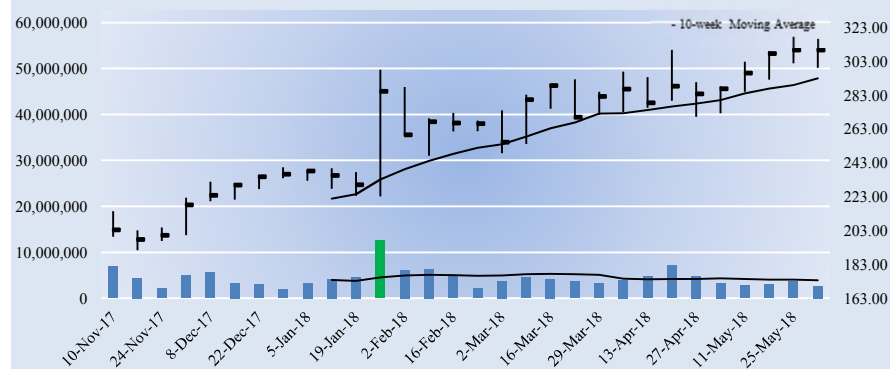
In Millions of USD (except for per share items)

GOOD

W.W. Grainger GWW FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$247.00	Fair Value Range \$184.00 - \$310.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Distributors
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We've raised our fair value estimate for W.W. Grainger yet again as US volume growth has exceeded expectations and is projected to remain strong.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$17,957
Avg Weekly Vol (30 wks)	4,383
30-week Range (USD)	191.39 - 317.505
Valuentum Sector	Industrials
5-week Return	9.3%
13-week Return	21.5%
30-week Return	55.4%
Dividend Yield %	1.8%
Dividends per Share	5.44
Forward Dividend Payout Ratio	36.1%
Est. Normal Diluted EPS	19.54
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	1,844
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	10.8
Forward Revenue Growth (5-yr)	5.9%
Forward EPS Growth (5-yr)	19.3%

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

Returns Summary

3-year Historical Average

Return on Equity	31.8%
Return on Assets	12.0%
ROIC, with goodwill	24.9%
ROIC, without goodwill	28.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,342
Net Debt	2,015
Total Debt/EBITDA	1.8
Net Debt/EBITDA	1.5
EBITDA/Interest	16.3
Current Ratio	2.1
Quick Ratio	1.1

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 ~8% share of the North American market, while the other top 10 distributors account for roughly one-quarter of the market. US volume growth has exceeded expectations of late, and management expects volume growth of 7% in 2018.

• Grainger expects 2018 revenue to grow 5%-8% over 2017 thanks to market share gains and a strong demand environment. Gross profit margin is expected to fall by 110 basis points in the year, but operating expense ratio is expected to improve by roughly 1 percentage point as productivity is partially offset by new digital investments.

• 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. Management is working to take \$150-\$210 million in annual costs out of the business by 2019.

Structure of the Industrial Distributors Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
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	293.00

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
Anixter	11.0	1.1	82.6%
Fastenal	21.3	2.0	119.2%
MSC Industrial	17.5	1.6	111.8%
WESCO	12.7	1.4	86.5%
Peer Median	15.1	1.5	99.2%
W.W. Grainger	20.5	1.6	125.4%

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

Financial Summary

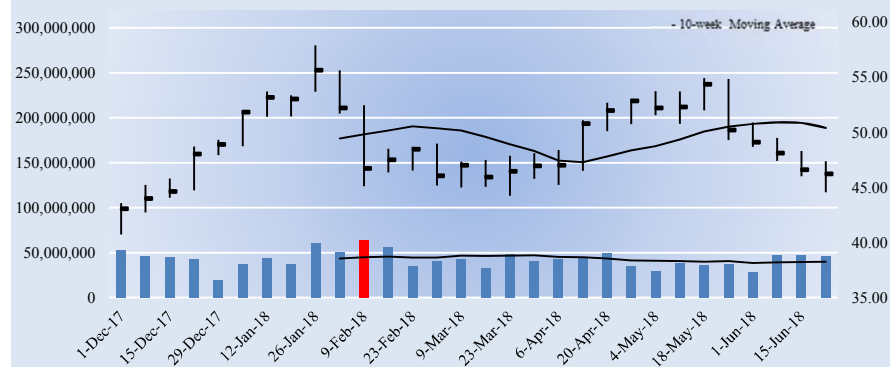
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	10,137	10,425
Revenue, YoY%	1.6%	2.8%
Operating Income	1,120	1,049
Operating Margin %	11.0%	10.1%
Net Income	606	586
Net Income Margin %	6.0%	5.6%
Diluted EPS	9.96	10.10
Diluted EPS, YoY %	-14.8%	1.4%
Free Cash Flow (CFO-capex)	739	819
Free Cash Flow Margin %	7.3%	7.9%

In Millions of USD (except for per share items)

Halliburton HAL FAIRLY VALUED**Buying Index™ 3****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Attractive	\$47.00	\$38.00 - \$56.00	LARGE-CAP BLEND	Energy	Energy Equipment - Large

Halliburton's expectations for achieving normalized margins in the near term rests on three key levers: pricing, utilization, and cost-reducing technology.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$40,211
Avg Weekly Vol (30 wks)	42,734
30-week Range (USD)	40.72 - 57.86
Valuentum Sector	Energy
5-week Return	-15.7%
13-week Return	-1.7%
30-week Return	11.8%
Dividend Yield %	1.6%
Dividends per Share	0.72
Forward Dividend Payout Ratio	29.1%
Est. Normal Diluted EPS	3.68
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	6,678
Forward EV/EBITDA	9.4
EV/Est. Normal EBITDA	7.3
Forward Revenue Growth (5-yr)	10.4%
Forward EPS Growth (5-yr)	-254.8%

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

Returns Summary

3-year Historical Average

Return on Equity	-18.5%
Return on Assets	-7.2%
ROIC, with goodwill	12.0%
ROIC, without goodwill	13.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,942
Net Debt	8,605
Total Debt/EBITDA	3.1
Net Debt/EBITDA	2.4
EBITDA/Interest	5.1
Current Ratio	2.2
Quick Ratio	1.5

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 expects to return to normalized margin levels in North America in 2018 as energy resource pricing is supportive of increasing activity in the continent, where it derives ~55% of total revenue, and management is taking an optimistic approach to the year.

• Halliburton's expectations for achieving normalized margins in 2018 rests on three key levers: pricing, utilization, and cost-reducing technology. Improving demand for equipment should drive pricing growth, and management expects optimized placement of equipment with its most efficient customers to result in improved utilization, which will be enhanced by its scale.

• Halliburton will continue to benefit from North America's growing role in the global energy supply chain as the continent has moved to a base-load supplier from a swing producer. The result has been an increase in spending from international (non-OPEC) countries to the region. Improving international activity bodes well for its geographically diverse business.

• Halliburton looks to three areas for growth: 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.

Structure of the Energy Equipment Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
Financial Leverage	HIGH
Growth	HIGH
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	50.00

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

Baker Hughes	NMF	NMF	85.7%
National Oilwell Varco	NMF	NMF	103.9%
Schlumberger	33.8	NMF	92.5%
TechnipFMC	22.9	2.6	104.3%
Peer Median	28.3	NMF	98.2%
Halliburton	18.7	NMF	98.3%

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

Financial Summary

----- Actual ----- Projected

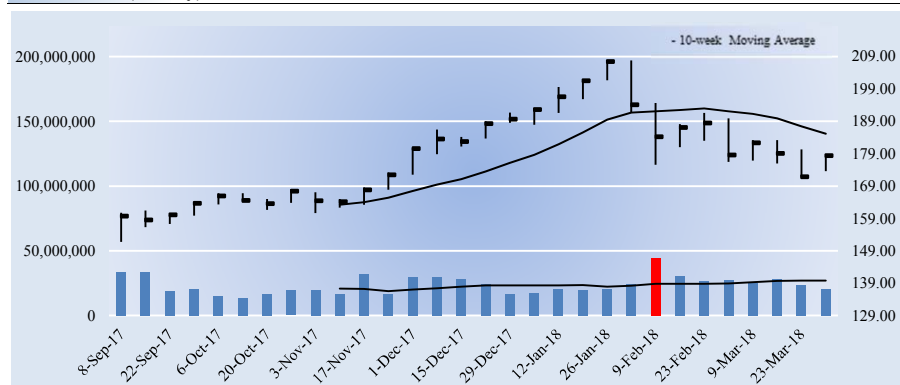
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	15,887	20,620	24,847
Revenue, YoY%	-32.8%	29.8%	20.5%
Operating Income	-3,421	2,009	3,291
Operating Margin %	-21.5%	9.7%	13.2%
Net Income	-5,761	-444	2,110
Net Income Margin %	-36.3%	-2.2%	8.5%
Diluted EPS	-6.69	-0.51	2.47
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	-2,501	1,095	1,294
Free Cash Flow Margin %	-15.7%	5.3%	5.2%

In Millions of USD (except for per share items)

Home Depot HD FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$158.00	Fair Value Range \$126.00 - \$190.00	Investment Style MEGA-CAP CORE	Sector Consumer Discretionary	Industry Specialty Retailers
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Home Depot's financial performance depends in part on the stability of the housing, residential construction and home improvement markets, which have been resilient of late.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$211,036
Avg Weekly Vol (30 wks)	23,787
30-week Range (USD)	151.7 - 207.605
Valuentum Sector	Consumer Discretionary
5-week Return	-5.8%
13-week Return	-6.3%
30-week Return	17.5%
Dividend Yield %	2.3%
Dividends per Share	4.12
Forward Dividend Payout Ratio	43.2%
Est. Normal Diluted EPS	11.28
P/E on Est. Normal Diluted EPS	15.8
Est. Normal EBITDA	20,380
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	11.5
Forward Revenue Growth (5-yr)	5.6%
Forward EPS Growth (5-yr)	12.7%

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

Returns Summary

3-year Historical Average

Return on Equity	179.1%
Return on Assets	18.4%
ROIC, with goodwill	39.7%
ROIC, without goodwill	43.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	27,028
Net Debt	23,433
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.4
EBITDA/Interest	15.8
Current Ratio	1.2
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, which have been resilient of late. However, 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 2017 (ended January 2018) ~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. Providing recurring MRO needs is among its core initiatives in this area.

• 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. Management is targeting revenue of ~\$120 billion, an operating margin of ~15.0%, and ROIC of 40%+ in fiscal 2020.

Structure of the Specialty Retailers Industry

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.

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	BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	185.00

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

Bed Bath & Beyond	6.9	NMF	77.7%
Best Buy	13.9	2.2	114.7%
Lowe's	15.8	1.8	109.7%
Office Depot	6.9	1.2	53.8%
Peer Median	10.4	1.8	93.7%
Home Depot	18.7	1.9	112.8%

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

Financial Summary

----- Actual ----- Projected

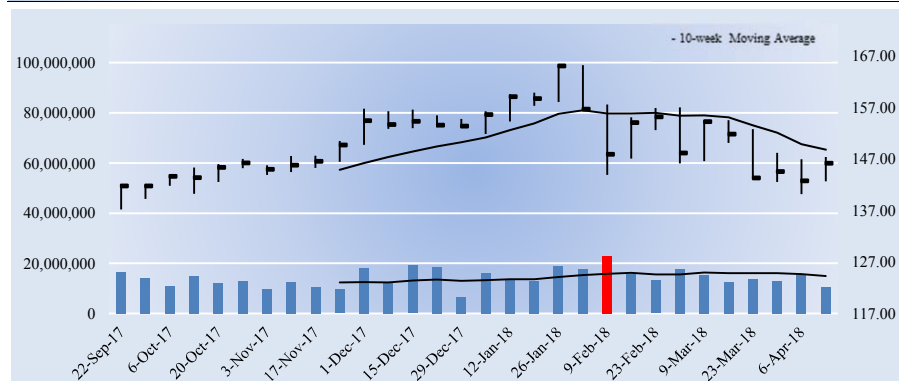
Fiscal Year End:	Jan-17	Jan-18	Jan-19
Revenue	94,595	100,904	108,775
Revenue, YoY%	6.9%	6.7%	7.8%
Operating Income	13,427	14,681	15,933
Operating Margin %	14.2%	14.5%	14.6%
Net Income	7,957	8,630	11,063
Net Income Margin %	8.4%	8.6%	10.2%
Diluted EPS	6.45	7.29	9.53
Diluted EPS, YoY %	18.0%	13.0%	30.8%
Free Cash Flow (CFO-capex)	8,162	10,134	10,718
Free Cash Flow Margin %	8.6%	10.0%	9.9%

In Millions of USD (except for per share items)

Honeywell HON FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$148.00	Fair Value Range \$118.00 - \$178.00	Investment Style LARGE-CAP VALUE	Sector Industrials	Industry Conglomerates
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We've raised our fair value estimate for Honeywell after management raised its near-term guidance. A strong demand outlook is being complimented by sound execution, and we like its positioning as an industrial software leader.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$112,819
Avg Weekly Vol (30 wks)	14,255
30-week Range (USD)	137.18 - 165.13
Valuentum Sector	Industrials
5-week Return	-5.4%
13-week Return	-8.2%
30-week Return	4.9%
Dividend Yield %	2.0%
Dividends per Share	2.98
Forward Dividend Payout Ratio	37.1%
Est. Normal Diluted EPS	9.67
P/E on Est. Normal Diluted EPS	15.1
Est. Normal EBITDA	10,790
Forward EV/EBITDA	13.0
EV/Est. Normal EBITDA	11.1
Forward Revenue Growth (5-yr)	4.7%
Forward EPS Growth (5-yr)	39.6%

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

Returns Summary

3-year Historical Average

Return on Equity	20.7%
Return on Assets	7.5%
ROIC, with goodwill	22.4%
ROIC, without goodwill	54.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	17,882
Net Debt	7,065
Total Debt/EBITDA	2.2
Net Debt/EBITDA	0.9
EBITDA/Interest	25.8
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 transportation systems. Its aerospace products are used on virtually every aircraft, and its warehouse automation business is gaining steam. 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 recently raised its 2018 guidance. Sales are expected to advance to a range of \$41.8-\$42.5 billion on 3%-5% organic growth (was 2%-4%) , while segment margin expansion of 30-60 basis points is expected to help drive EPS to a range of \$7.85-\$8.05 (was \$7.55-\$7.80) . Free cash flow is expected to leap at a 20%+ rate from 2017 levels to \$5.3-\$5.9 billion (was \$5.2-\$5.9 billion).

• Honeywell's long-term financial targets include 3%-5% annual organic sales growth, 30-50 basis points of margin expansion per year, EPS growth greater than peers, a cash conversion rate greater than 100%, and the maintenance of investment grade credit ratings. Management is also targeting dividend growth in-line with earnings growth.

• Honeywell announced plans to spin off its Homes and ADI Global Distribution business (\$4.5 billion annual revenue) and Transportation Systems business (\$3 billion revenue) into two independent, publicly-traded companies by end of 2018. Honeywell will then be focused on six key end markets.

Structure of the Conglomerates Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	149.00

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
3M	20.5	1.9	116.4%
Danaher	22.4	2.5	115.4%
General Electric	13.9	NMF	67.5%
United Technologies	17.2	1.6	111.6%
Peer Median	18.9	1.9	113.5%
Honeywell	18.2	1.7	98.7%

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

Financial Summary

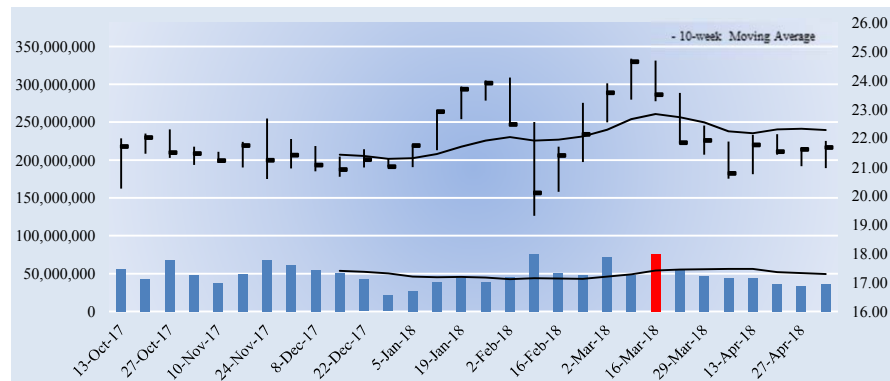
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	39,302	40,534
Revenue, YoY%	1.9%	3.1%
Operating Income	6,683	7,151
Operating Margin %	17.0%	17.6%
Net Income	4,809	1,655
Net Income Margin %	12.2%	4.1%
Diluted EPS	6.20	2.14
Diluted EPS, YoY %	2.7%	-65.4%
Free Cash Flow (CFO-capex)	3,992	4,935
Free Cash Flow Margin %	10.2%	12.2%

In Millions of USD (except for per share items)

Hewlett-Packard HPQ FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$26.00	Fair Value Range \$18.00 - \$34.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Computer Hardware
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Hewlett-Packard remains tied to the struggling PC market as roughly 40% of net revenue comes from notebooks and another 20% from desktops.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$36,899
Avg Weekly Vol (30 wks)	48,806
30-week Range (USD)	19.31 - 24.75
Valuentum Sector	Information Technology
5-week Return	-0.7%
13-week Return	-2.9%
30-week Return	5.0%
Dividend Yield %	2.6%
Dividends per Share	0.56
Forward Dividend Payout Ratio	28.1%
Est. Normal Diluted EPS	2.18
P/E on Est. Normal Diluted EPS	10.0
Est. Normal EBITDA	5,115
Forward EV/EBITDA	7.7
EV/Est. Normal EBITDA	7.4
Forward Revenue Growth (5-yr)	2.7%
Forward EPS Growth (5-yr)	9.7%

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

Returns Summary

3-year Historical Average

Return on Equity	-10.1%
Return on Assets	5.5%
ROIC, with goodwill	21.3%
ROIC, without goodwill	47.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,819
Net Debt	822
Total Debt/EBITDA	1.8
Net Debt/EBITDA	0.2
EBITDA/Interest	14.1
Current Ratio	1.0
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

- Hewlett-Packard's recent split has resulted in two independent companies, HP and HP Enterprise. HP provides products, technologies, software, solutions, and services to individual consumers and small- and medium-sized businesses, as well as to the government, health, and education sectors. HP Enterprise provides technology solutions to business and public sector enterprises.
- HP remains tied to the struggling PC market as roughly 40% of net revenue comes from notebooks and another 20% from desktops. However, its 'Printing' segment makes up ~70% of non-GAAP operating profit despite accounting for only 35% of net revenue as it carries a ~16% operating margin.
- The global PC market remains under pressure, but some observers see it stabilizing on the back of improved all-in-one PC demand. The potential slowing of economic growth in China and the growing popularity and power of smartphones are underlying factors that continue to work against the market. The firm outpaced the market's performance in fiscal 2017, upping its market share to 22.5%.

- The near-term picture at HP has improved of late, and the second quarter of fiscal 2017 marked the first quarter since 2010 that both the 'Personal Systems' and 'Print' segments grew. Free cash flow remains robust, but turnarounds are notoriously underestimated in both difficulty and duration.

- For fiscal 2018, HP is expecting non-GAAP diluted net EPS to be in a range of \$1.90-\$2.00. Management returned 69% of fiscal 2017 free cash flow to shareholders via dividends and buybacks, and the company boasts a strong Dividend Cushion ratio.

Structure of the Computer Hardware Industry

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.

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	BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	22.00

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
Apple	15.8	1.6	83.6%
BlackBerry	NMF	NMF	118.8%
Cray	NMF	NMF	118.3%
IBM	10.3	1.1	92.3%
Peer Median	13.1	1.4	105.3%
Hewlett-Packard	10.9	1.5	83.4%

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

Financial Summary

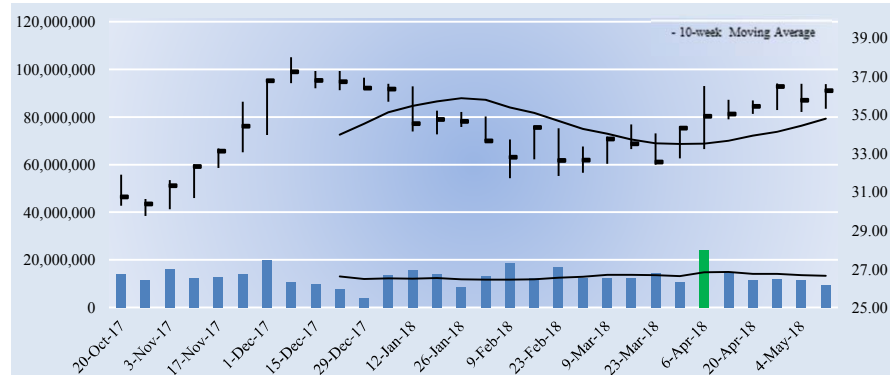
	Actual	Projected
Fiscal Year End:	Oct-16	Oct-17
Revenue	48,238	52,056
Revenue, YoY%	-53.3%	7.9%
Operating Income	3,956	4,012
Operating Margin %	8.2%	7.7%
Net Income	2,666	2,526
Net Income Margin %	5.5%	4.9%
Diluted EPS	1.53	1.48
Diluted EPS, YoY %	-38.3%	-3.0%
Free Cash Flow (CFO-capex)	2,819	3,275
Free Cash Flow Margin %	5.8%	6.3%

In Millions of USD (except for per share items)

Hormel Foods HRL FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$32.00	Fair Value Range \$26.00 - \$38.00	Investment Style LARGE-CAP CORE	Sector Consumer Staples	Industry Food Products
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Hormel has a goal to be in the top quartile of its peer group in operating margins by 2020, and its strong investment grade credit ratings and impressive dividend track record speak to its strength.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$19,533
Avg Weekly Vol (30 wks)	13,094
30-week Range (USD)	29.75 - 38
Valuentum Sector	Consumer Staples
5-week Return	3.5%
13-week Return	9.9%
30-week Return	14.1%
Dividend Yield %	2.1%
Dividends per Share	0.75
Forward Dividend Payout Ratio	40.4%
Est. Normal Diluted EPS	2.20
P/E on Est. Normal Diluted EPS	16.5
Est. Normal EBITDA	1,609
Forward EV/EBITDA	14.1
EV/Est. Normal EBITDA	12.0
Forward Revenue Growth (5-yr)	4.5%
Forward EPS Growth (5-yr)	11.1%

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

Returns Summary

3-year Historical Average

Return on Equity	19.1%
Return on Assets	12.9%
ROIC, with goodwill	23.0%
ROIC, without goodwill	38.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	250
Net Debt	-194
Total Debt/EBITDA	0.2
Net Debt/EBITDA	NMF
EBITDA/Interest	108.2
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 doubled since 2012. We're expecting future growth in the dividend, and management has made maintaining its listing as a Dividend Aristocrat a priority. It boasts A/A1 credit ratings.

• 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.

• Hormel has a goal to be in the top quartile of its peer group in operating margins by 2020. This is currently a range of 16%-20% compared to Hormel's fiscal 2017 operating margin of 14%. Strategic cost management, acquisitions, innovation, and new higher-margin products are expected to be drivers.

Structure of the Food Products Industry

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.

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	35.00

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
Dean Foods	16.5	1.0	74.8%
McCormick	20.7	1.7	119.7%
Smucker	13.6	1.8	102.7%
Tyson Foods	10.2	1.5	98.9%
Peer Median	15.0	1.6	100.8%
Hormel Foods	19.5	2.1	113.3%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Oct-16	Oct-17
Revenue	9,523	9,168
Revenue, YoY%	2.8%	-3.7%
Operating Income	1,286	1,241
Operating Margin %	13.5%	13.5%
Net Income	890	847
Net Income Margin %	9.3%	9.2%
Diluted EPS	1.64	1.57
Diluted EPS, YoY %	29.4%	-4.3%
Free Cash Flow (CFO-capex)	737	789
Free Cash Flow Margin %	7.7%	8.6%

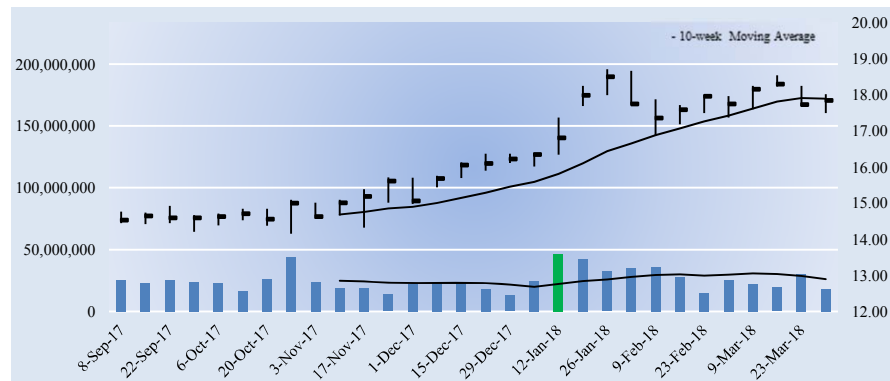
In Millions of USD (except for per share items)

NEUTRAL

Infosys Ltd INFY FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$16.00	Fair Value Range \$12.00 - \$20.00	Investment Style LARGE-CAP CORE	Sector Information Technology	Industry IT Services
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Infosys expects its business to continue evolving from a cost-based, human-only model to one in which human efforts are amplified by software platforms and artificial intelligence.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$40,812
Avg Weekly Vol (30 wks)	25,220
30-week Range (USD)	14.15 - 18.71
Valuentum Sector	Information Technology
5-week Return	0.1%
13-week Return	9.7%
30-week Return	20.9%
Dividend Yield %	2.2%
Dividends per Share	0.40
Forward Dividend Payout Ratio	36.0%
Est. Normal Diluted EPS	1.15
P/E on Est. Normal Diluted EPS	15.5
Est. Normal EBITDA	3,408
Forward EV/EBITDA	11.0
EV/Est. Normal EBITDA	10.5
Forward Revenue Growth (5-yr)	5.8%
Forward EPS Growth (5-yr)	5.7%

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

Returns Summary

3-year Historical Average

Return on Equity	22.7%
Return on Assets	18.8%
ROIC, with goodwill	62.8%
ROIC, without goodwill	75.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-5,027
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	3.8
Quick Ratio	3.5

NMF = Not Meaningful

Investment Highlights

• Infosys is a global leader in consulting, technology and outsourcing solutions. The company is headquartered in India, which is widely recognized as the premier destination for offshore technology services. Offshore outsourcing is global mega trend. The firm was founded in 1981 and is headquartered in India.

• Continued automation increases at Infosys will increase productivity and lower cost of ownership to clients, while advancing agility through client value based models will increase the firm's service differentiation compared to peers. We're fans of its cash-rich balance sheet.

• Infosys expects its business to continue evolving from a cost-based, human-only model to one in which human efforts are amplified by software platforms and artificial intelligence. Such an evolution frees up resources for innovation in areas that are strategic to client specific businesses. Investing in such innovation is not necessarily beholden to geopolitical factors.

• Infosys is executing its strategy of software enabled services and accelerating growth in its new services portfolio, and it continues to focus on operational efficiencies in delivering stable margins. The company's client base continues to grow and has advanced to 1,191 as of the third quarter of fiscal 2018 from 798 at the end of fiscal 2013.

• Infosys has dubbed its transformation as a 'Renew-New' strategy in which it aims to renew its core business and reimagine core service lines and improve productivity while innovating into new businesses.

Structure of the IT Services Industry

The IT services industry is composed of offshore entities that provide outsourced IT infrastructure at a low cost and contractors that provide a variety of services to US government agencies. Success is often dependent on the talent of a firm's technology professionals and the effective execution of service offerings. Most constituents generate significant cash flow and high returns on investment due to minimal capital requirements. Still, competition remains fierce, and recent government actions to stimulate rivalry and reduce the number of sole source awards has weighed on some participants. We're neutral on the group.

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 Resistance, 10-wk MA	18.00

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
Cognizant Tech	17.5	2.4	111.8%
DXC Technology	NMF	NMF	121.1%
ManTech Intl	27.2	NMF	142.2%
Wipro	18.2	NMF	103.2%
Peer Median	18.2	2.4	116.5%
Infosys Ltd	16.1	3.3	111.6%

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

Financial Summary

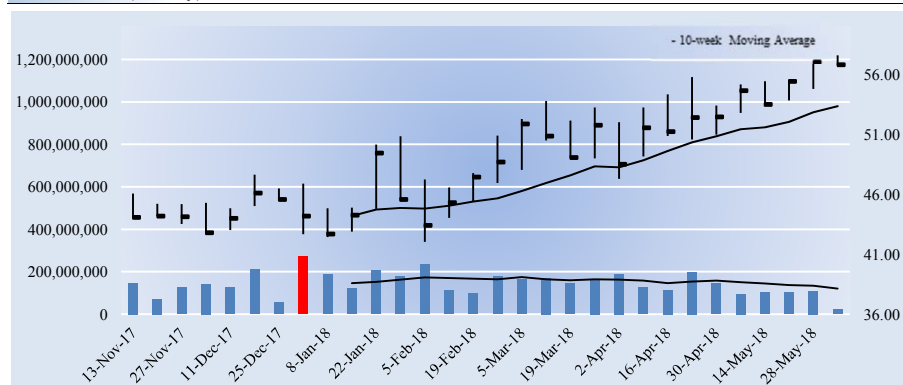
	Actual	Projected
Fiscal Year End:	Mar-16	Mar-17
Revenue	9,501	10,208
Revenue, YoY%	9.1%	7.4%
Operating Income	2,375	2,520
Operating Margin %	25.0%	24.7%
Net Income	2,052	2,140
Net Income Margin %	21.6%	21.0%
Diluted EPS	0.90	0.94
Diluted EPS, YoY %	1.9%	4.3%
Free Cash Flow (CFO-capex)	1,449	1,688
Free Cash Flow Margin %	15.3%	16.5%

In Millions of USD (except for per share items)

Intel INTC FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$56.00	Fair Value Range \$45.00 - \$67.00	Investment Style MEGA-CAP CORE	Sector Information Technology	Industry Broad Line Semiconductors
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Intel believes it has a virtuous cycle of growth as we move into 'the next Industrial Revolution,' and its near-term outlook remains bright.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$274,773
Avg Weekly Vol (30 wks)	143,726
30-week Range (USD)	42.04 - 57.6
Valuentum Sector	Information Technology
5-week Return	7.5%
13-week Return	9.6%
30-week Return	25.6%
Dividend Yield %	2.1%
Dividends per Share	1.20
Forward Dividend Payout Ratio	30.9%
Est. Normal Diluted EPS	4.32
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	31,627
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	19.2%

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

Returns Summary

3-year Historical Average

Return on Equity	16.6%
Return on Assets	9.8%
ROIC, with goodwill	29.0%
ROIC, without goodwill	38.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	26,813
Net Debt	12,811
Total Debt/EBITDA	1.0
Net Debt/EBITDA	0.5
EBITDA/Interest	40.9
Current Ratio	1.7
Quick Ratio	1.1

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 that has enabled it to compete in new classes of products in its high-growth Data Center and Internet of Things segments.

- 2017 marked the first time in 25 years Intel did not hold the top spot in the global semiconductor market due to its exposure to the slowing PC market. However, the firm is working closely with Apple on 5G technology and considers placement on the iPhone a 'must win' to build momentum in the modem market.
- Intel believes it has a virtuous cycle 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 purchase of Mobileye positions 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. Annual cost synergies of \$195 million are being targeted by 2019, but its balance sheet has been weakened. We love what the deal brings in terms of broadening Intel's TAM.
- Intel expects 2018 to be another strong year as it guides revenue for the year to be ~\$67.5 billion on a non-GAAP operating margin of ~31%. Free cash flow is expected to be roughly \$14.5 billion in the year, marking a substantial increase over ~\$10.3 billion in 2017 and leading to another nice dividend hike.

Structure of the Broad Line Semiconductor Industry

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.

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	53.00

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
Advanced Micro Devices	25.4	3.3	76.8%
Broadcom	11.8	1.5	96.4%
STMicroelectronics	16.4	2.9	143.3%
Texas Instruments	19.8	2.2	126.5%
Peer Median	18.1	2.5	111.5%
Intel	14.7	1.5	101.5%

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

Financial Summary

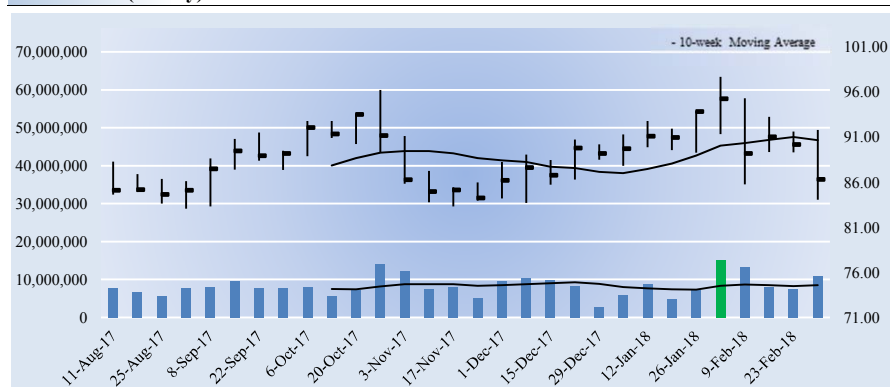
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	59,387	62,761
Revenue, YoY%	7.3%	5.7%
Non-GAAP Operating Income	14,760	18,320
Non-GAAP EBIT %	24.9%	29.2%
Non-GAAP Net Income	10,316	9,601
Non-GAAP NI Margin %	17.4%	15.3%
Non-GAAP Diluted EPS	2.12	1.99
Non-GAAP Dil EPS, YoY %	-9.3%	-6.2%
Non-GAAP Free Cash Flow	12,183	10,332
Non-GAAP FCF Margin %	20.5%	16.5%

In Millions of USD (except for per share items)

Ingersoll-Rand IR FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$77.00	Fair Value Range \$62.00 - \$92.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Machinery & Tools
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Ingersoll-Rand is well-positioned to capitalize on the needs driven by the global urban population, and its near term outlook is largely positive.

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)	\$22,582
Avg Weekly Vol (30 wks)	8,427
30-week Range (USD)	83.07 - 97.67
Valuentum Sector	Industrials
5-week Return	-7.8%
13-week Return	-0.8%
30-week Return	-2.1%
Dividend Yield %	2.1%
Dividends per Share	1.80
Forward Dividend Payout Ratio	35.0%
Est. Normal Diluted EPS	5.69
P/E on Est. Normal Diluted EPS	15.2
Est. Normal EBITDA	2,265
Forward EV/EBITDA	11.6
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	3.0%

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	10.4%
ROIC, without goodwill	19.9%

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.

• 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.

• 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 expects total reported revenue growth of 5%-5.5% in 2018 with growth in both segments. It expects higher volumes (operating leverage), higher pricing, and high productivity levels to more than offset raw material inflation in the year as it expects to deliver 50 basis points of margin expansion and adjusted EPS of \$5.00-\$5.20.

• 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. Management expects positive pricing momentum to continue in the near term.

Structure of the Machinery & Tools Industry

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.

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	VERY BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk 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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Dover	19.0	1.9	119.5%
Flowserve	NMF	0.2	117.5%
Graco	30.3	2.4	122.4%
Illinois Tool Works	32.6	1.4	132.1%
Peer Median	30.3	1.7	121.0%
Ingersoll-Rand	16.8	2.8	112.1%

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

Financial Summary

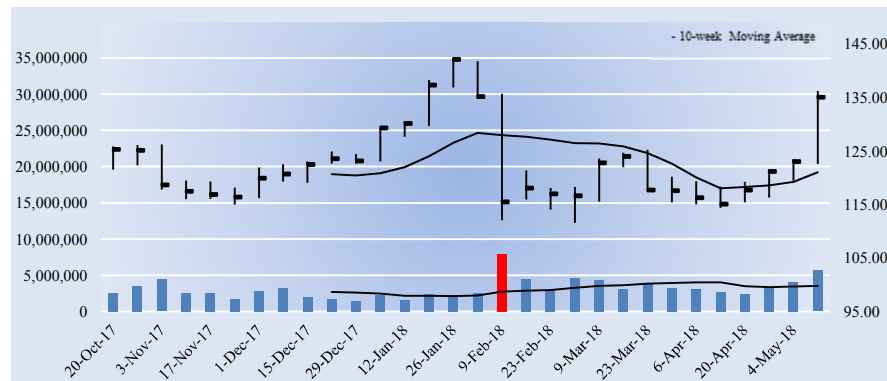
	Actual	Projected
Fiscal Year End:	Dec-15	Dec-16
Revenue	13,301	13,509
Revenue, YoY%	3.2%	1.6%
Operating Income	1,458	1,573
Operating Margin %	11.0%	11.6%
Net Income	689	1,443
Net Income Margin %	5.2%	10.7%
Diluted EPS	2.57	5.52
Diluted EPS, YoY %	-21.3%	114.4%
Free Cash Flow (CFO-capex)	601	1,318
Free Cash Flow Margin %	4.5%	9.8%

In Millions of USD (except for per share items)

Gartner IT FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$110.00	Fair Value Range \$84.00 - \$136.00	Investment Style LARGE-CAP GROWTH	Sector Information Technology	Industry Business Services
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Gartner's research contract value continues to climb, and customer retention rates have hovered in the mid-80s.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$12,125
Avg Weekly Vol (30 wks)	3,174
30-week Range (USD)	111.57 - 142.16
Valuentum Sector	Information Technology
5-week Return	15.7%
13-week Return	16.1%
30-week Return	8.7%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	5.37
P/E on Est. Normal Diluted EPS	25.2
Est. Normal EBITDA	1,040
Forward EV/EBITDA	17.5
EV/Est. Normal EBITDA	14.3
Forward Revenue Growth (5-yr)	10.9%
Forward EPS Growth (5-yr)	184.7%

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

Returns Summary

3-year Historical Average

Return on Equity	226.7%
Return on Assets	5.7%
ROIC, with goodwill	18.3%
ROIC, without goodwill	38.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,279
Net Debt	2,740
Total Debt/EBITDA	8.4
Net Debt/EBITDA	7.0
EBITDA/Interest	3.1
Current Ratio	0.9
Quick Ratio	0.6

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 ~\$78 billion. Its research contract value continues to climb, and customer retention rates have hovered in the mid-80s. Wallet retention has hovered above the 100% mark, as research contract value growth has 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 \$2.2 billion as of the end of 2017 from under \$800 million in 2009, a 14% CAGR. The company has a large untapped market opportunity that puts it in an excellent position for sustained double-digit top-line growth.

Structure of the Business Services Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
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)	BEARISH
Near-term Technical Support, 10-week MA	121.00

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
Accenture	23.2	2.5	120.8%
Amdocs	16.2	2.0	98.9%
IHS Markit	22.8	2.2	118.7%
VMware	23.7	2.5	118.1%
Peer Median	23.0	2.3	118.4%
Gartner	34.5	20.0	122.8%

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

Financial Summary

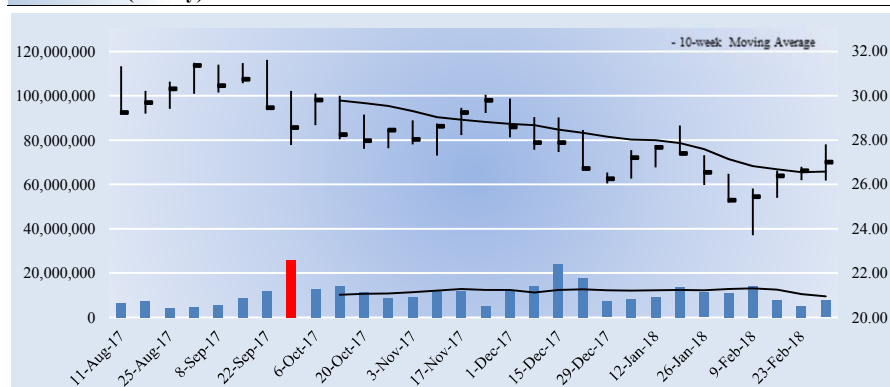
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	2,445	3,311
Revenue, YoY%	13.0%	35.5%
Operating Income	348	152
Operating Margin %	14.2%	4.6%
Net Income	194	3
Net Income Margin %	7.9%	0.1%
Diluted EPS	2.31	0.04
Diluted EPS, YoY %	11.9%	-98.4%
Free Cash Flow (CFO-capex)	317	146
Free Cash Flow Margin %	13.0%	4.4%

In Millions of USD (except for per share items)

Jabil Circuit JBL FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$36.00	Fair Value Range \$27.00 - \$45.00	Investment Style MID-CAP VALUE	Sector Information Technology	Industry Electronic Suppliers
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Jabil Circuit expects strong demand in its healthcare and packaging businesses to drive 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).

Company Vitals

Market Cap (USD)	\$5,204
Avg Weekly Vol (30 wks)	10,846
30-week Range (USD)	23.7 - 31.6
Valuentum Sector	Information Technology
5-week Return	2.5%
13-week Return	-6.5%
30-week Return	-12.3%
Dividend Yield %	1.2%
Dividends per Share	0.32
Forward Dividend Payout Ratio	46.6%
Est. Normal Diluted EPS	2.34
P/E on Est. Normal Diluted EPS	11.5
Est. Normal EBITDA	1,497
Forward EV/EBITDA	6.1
EV/Est. Normal EBITDA	4.3
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	17.1%

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

Returns Summary

3-year Historical Average

Return on Equity	7.8%
Return on Assets	1.9%
ROIC, with goodwill	13.4%
ROIC, without goodwill	15.6%

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 for survival. Jabil was founded in Michigan in 1966.

• Jabil's revenue is roughly evenly split 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 Circuit's fiscal 2019 financial targets suggest the company is expecting solid performance in coming years. 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, and cumulative cash flow from operations from fiscal 2017-2019 is being targeted at \$3.5 billion.

• Jabil's DMS segment has been the key growth driver of late, and management expects its health care and packaging businesses (within the DMS segment) to grow at an annual rate of 20%-25% through fiscal 2019 as demand for affordable healthcare and intelligent yet reliable consumer packaging remain strong.

• Jabil Circuit's yield isn't as high as some of our best dividend growth ideas, but the firm's Dividend Cushion ratio is rather solid. We think the payout is poised for growth, and management plan to return ~40% of cash flow from operations via dividends and buybacks, up to \$1 billion, in any given year.

Structure of the Electronic Suppliers Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
Financial Leverage	MEDIUM
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	27.00

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
Amphenol Corp	43.5	1.3	160.1%
Corning	NMF	NMF	106.7%
LG Display	5.6	1.2	96.6%
TE Connectivity	21.7	1.9	119.3%
Peer Median	21.7	1.3	113.0%
Jabil Circuit	39.3	0.5	75.0%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Aug-15	Aug-16
Revenue	17,899	18,353
Revenue, YoY%	13.6%	2.5%
Operating Income	588	534
Operating Margin %	3.3%	2.9%
Net Income	293	254
Net Income Margin %	1.6%	1.4%
Diluted EPS	1.49	1.32
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	278	-8
Free Cash Flow Margin %	1.6%	0.0%

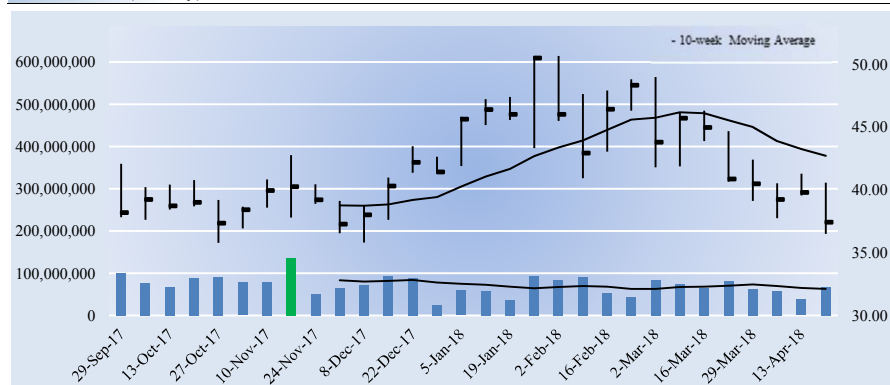
In Millions of USD (except for per share items)

POOR

JD.com JD FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$47.00	Fair Value Range \$33.00 - \$61.00	Investment Style LARGE-CAP BLEND	Sector Information Technology	Industry Internet Software & Svcs
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JD.com has an impressive foothold in the Chinese online retail marketplace, but it now has aggressive plans to take on Amazon on its home turf.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$54,503
Avg Weekly Vol (30 wks)	72,062
30-week Range (USD)	35.79 - 50.68
Valuentum Sector	Information Technology
5-week Return	-15.4%
13-week Return	-17.7%
30-week Return	-10.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.70
P/E on Est. Normal Diluted EPS	22.0
Est. Normal EBITDA	4,249
Forward EV/EBITDA	22.9
EV/Est. Normal EBITDA	12.3
Forward Revenue Growth (5-yr)	20.7%
Forward EPS Growth (5-yr)	-371.4%

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

Returns Summary

3-year Historical Average

Return on Equity	-12.0%
Return on Assets	-5.0%
ROIC, with goodwill	125.2%
ROIC, without goodwill	292.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,659
Net Debt	-2,241
Total Debt/EBITDA	7.1
Net Debt/EBITDA	NMF
EBITDA/Interest	3.5
Current Ratio	1.0
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• JD.com is China's largest e-commerce company as well as its largest retailer by revenue. Its goal is to provide consumers with an enjoyable online experience through its content-rich and user-friendly website and mobile apps. The company has its own nationwide fulfillment infrastructure in China, supporting both its online direct sales and online marketplace businesses.

• JD.com recently opened its first US facility, a R&D center in Silicon Valley. It allows for easier interactions between the firm and US retailers, partners, and brands seeking to expand their presence in China. It plans to fully enter the US market via a new facility in Los Angeles by end of 2018.

• Though explosive growth at JD.com is anticipated to continue, there are risks associated with the pace of economic growth in China. The fragmented Chinese retail market provides ongoing opportunity. China online retail penetration has grown of late as well, hitting 15% in 2017 compared to 6.2% in 2012. The China online retail market is expected to grow at a 21% CAGR through 2020.

• In ten years, JD.com plans to have revenue split 50/50 between domestic and foreign markets. It plans to take on Amazon head on in the US, a bold yet risky strategy. Significant investments are being made in its logistics segment, but we're not sold this will prove to be a sustainable competitive advantage. It is planning an IPO of its logistics business public in coming years.

• JD.com is expecting its international momentum to blossom in coming years, and this should enable the firm to attract world-class products. The company's e-commerce market share in China has grown to nearly 33% as of the second quarter of 2017 from less than 18% in 2014.

Structure of the Internet Software & Services Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	WEAK
Financial Leverage	HIGH
Growth	AGGRESSIVE
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	43.00

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
Alphabet	25.7	1.9	82.8%
Baidu	24.8	2.1	111.2%
Facebook	23.9	1.5	72.5%
Twitter	52.7	NMF	110.0%
Peer Median	25.2	1.9	96.4%
JD.com	46.9	NMF	79.7%

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

Financial Summary

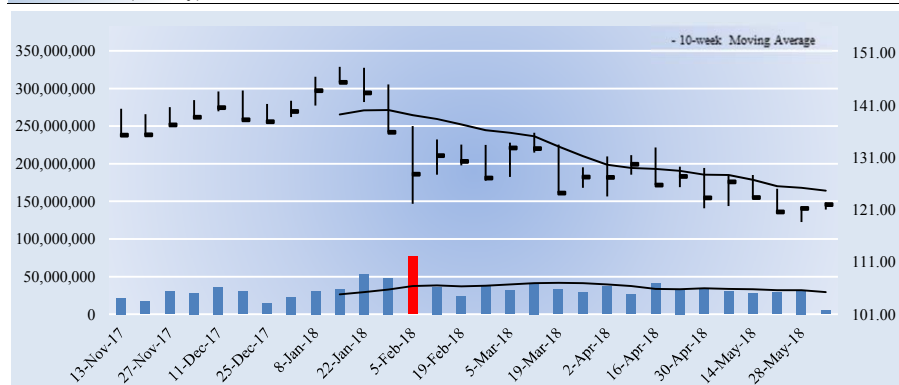
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	37,462	55,689
Revenue, YoY%	34.2%	48.7%
Operating Income	-300	1,447
Operating Margin %	-0.8%	2.0%
Net Income	-557	1,162
Net Income Margin %	-1.5%	0.0%
Diluted EPS	-0.40	0.80
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	620	2,070
Free Cash Flow Margin %	1.7%	3.1%

In Millions of USD (except for per share items)

Johnson & Johnson JNJ FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$133.00	Fair Value Range \$106.00 - \$160.00	Investment Style MEGA-CAP VALUE	Sector Consumer Staples	Industry Household Products
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Johnson & Johnson has an impressively consistent business with more than 30 consecutive years of adjusted operational earnings growth and 27 brands or platforms with more than \$1 billion in annual sales.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$334,789
Avg Weekly Vol (30 wks)	32,329
30-week Range (USD)	118.62 - 148.32
Valuentum Sector	Consumer Staples
5-week Return	-1.8%
13-week Return	-8.9%
30-week Return	-12.3%
Dividend Yield %	3.0%
Dividends per Share	3.60
Forward Dividend Payout Ratio	43.8%
Est. Normal Diluted EPS	9.17
P/E on Est. Normal Diluted EPS	13.3
Est. Normal EBITDA	35,633
Forward EV/EBITDA	10.5
EV/Est. Normal EBITDA	9.9
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	84.7%

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

Returns Summary

3-year Historical Average

Return on Equity	15.7%
Return on Assets	8.2%
ROIC, with goodwill	28.2%
ROIC, without goodwill	40.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	34,581
Net Debt	16,285
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.7
EBITDA/Interest	26.1
Current Ratio	1.4
Quick Ratio	1.0

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 roughly 18% of its operations. The company was founded in 1885 and is headquartered in New Brunswick, New Jersey.

• J&J has 27 platforms/products that boast \$1+ billion in annual sales as of the end of 2017--12 in both its pharma and medical devices businesses and 3 in its consumer business. It plows ~10% of annual sales into R&D, a focus we like, and new products will be necessary to retain its competitive position.

• J&J's pharma portfolio is impressive. REMICADE has ~90% share of the US market for IV immunology products by volume, but the therapy's US exclusivity expires in 2018. STELARA (exclusivity through 2023 in US) and SIMPONI (exclusivity through 2024 in US) are also key profit drivers. Biosimilars competition is accelerating, but J&J's Oncology division is growing at a tremendous pace.

• 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 at least 10 new molecular entities it believes have \$1+ billion in individual annual sales potential that it expects to launch or file for approval from 2017-2021.

• J&J's has raised its dividend for 56 years consecutive years as of 2018. Its annual payout has advanced from just \$0.43/share in 1997 to its current robust payout. J&J is a holding in both simulated newsletter portfolios, and we expect future dividend growth to be driven by robust free cash flow generation.

Structure of the Household Products Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Resistance, 10-wk MA	125.00

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
Clorox	20.5	2.7	132.5%
Colgate-Palmolive	21.7	1.9	116.0%
Kimberly-Clark	15.9	2.9	106.7%
Procter & Gamble	18.6	2.2	108.2%
Peer Median	19.5	2.4	112.1%
Johnson & Johnson	14.9	3.0	91.7%

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

Financial Summary

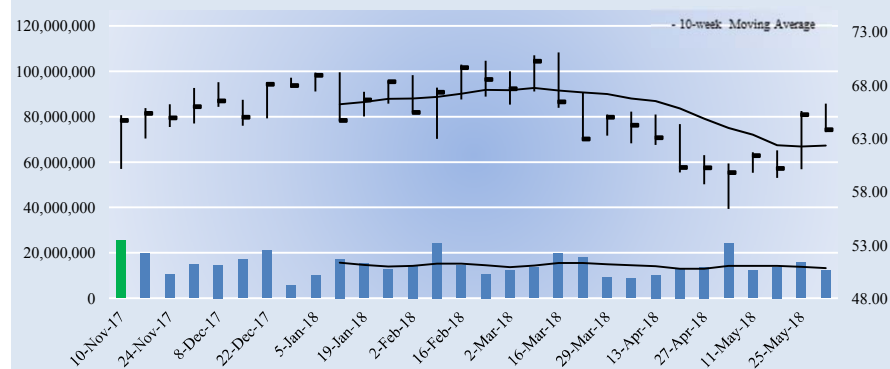
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	71,890	76,450
Revenue, YoY%	2.6%	6.3%
Non-GAAP Operating Income	21,165	18,714
Non-GAAP EBIT %	29.4%	24.5%
Non-GAAP Net Income	16,540	1,300
Non-GAAP NI Margin %	23.0%	1.7%
Non-GAAP Diluted EPS	5.93	0.47
Non-GAAP Dil EPS, YoY %	8.3%	-92.0%
Non-GAAP FCF (CFO-capex)	15,541	17,777
Non-GAAP FCF Margin %	21.6%	23.3%

In Millions of USD (except for per share items)

Kellogg K FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$62.00	Fair Value Range \$50.00 - \$74.00	Investment Style LARGE-CAP CORE	Sector Consumer Staples	Industry Food Products - Large
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Kellogg is working hard to improve its margin performance, and it is targeting a return to low-single-digit revenue growth over the long haul.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$22,341
Avg Weekly Vol (30 wks)	14,815
30-week Range (USD)	56.4 - 71.08
Valuentum Sector	Consumer Staples
5-week Return	5.9%
13-week Return	-5.3%
30-week Return	3.2%
Dividend Yield %	3.4%
Dividends per Share	2.16
Forward Dividend Payout Ratio	48.1%
Est. Normal Diluted EPS	4.94
P/E on Est. Normal Diluted EPS	12.9
Est. Normal EBITDA	2,741
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	2.7%
Forward EPS Growth (5-yr)	8.2%

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

Returns Summary

3-year Historical Average

Return on Equity	40.2%
Return on Assets	5.5%
ROIC, with goodwill	13.7%
ROIC, without goodwill	26.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,615
Net Debt	8,334
Total Debt/EBITDA	3.5
Net Debt/EBITDA	3.4
EBITDA/Interest	9.5
Current Ratio	0.7
Quick Ratio	0.4

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 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. Its emerging market volumes have grown at a 6.8% CAGR from 2013-2017.

• Over the long haul, Kellogg's is targeting a return to low-single-digit revenue growth. The firm is also expecting savings to hit an annual run-rate of approximately \$600-\$700 million in 2019, and its 2018 operating profit margin is expected to be 350 basis points higher than in 2015 as it targets higher ROI on commercial investments. Capex is expected to settle at 3%-4% of sales.

• Kellogg expects net sales growth to be 3%-4% in 2018 on a currency-neutral basis as acquisition-related growth is projected to be partially offset by an organic revenue decline. Roughly 1% of that decline is related to the negative impact of its transition to a direct store delivery model in its US snacks business, which is ultimately expected to boost margins.

• Kellogg is expecting solid currency-neutral operating profit growth of 5%-7% in 2018. Full-year earnings per share is expected to grow 9%-11% on a comparable, constant-currency basis, while free cash flow is expected to be in a range of \$1.2-\$1.3 billion, compared to more than \$1.145 billion in 2017.

Structure of the Food Products Industry

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.

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 BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	62.00

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	11.5	2.6	87.6%
ConAgra Brands	17.8	1.9	92.4%
General Mills	13.8	2.6	96.8%
Mondelez Intl	15.9	1.7	104.1%
Peer Median	14.9	2.2	94.6%
Kellogg	14.2	2.1	103.0%

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

Financial Summary

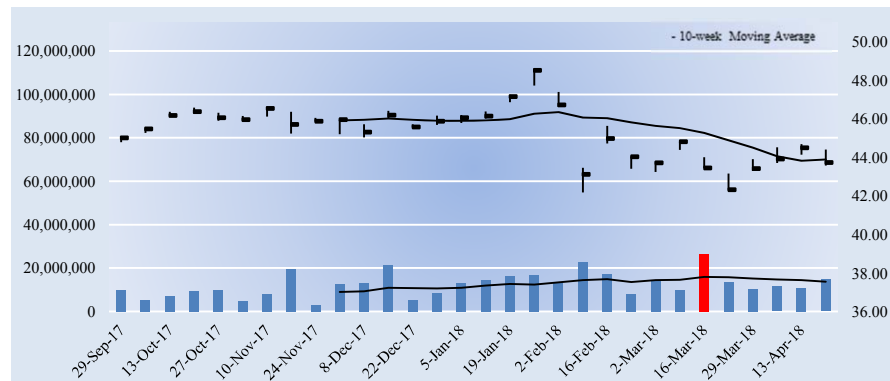
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	13,014	12,923
Revenue, YoY%	-3.8%	-0.7%
Operating Income	1,395	1,946
Operating Margin %	10.7%	15.1%
Net Income	694	1,269
Net Income Margin %	5.3%	9.8%
Diluted EPS	1.96	3.63
Diluted EPS, YoY %	13.7%	84.9%
Free Cash Flow (CFO-capex)	1,121	1,145
Free Cash Flow Margin %	8.6%	8.9%

In Millions of USD (except for per share items)

Coca-Cola KO FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$39.00	Fair Value Range \$31.00 - \$47.00	Investment Style LARGE-CAP CORE	Sector Consumer Staples	Industry Beverages - nonalcoholic
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Coca-Cola is focused on margin expansion, targeting a 34%+ operating margin in 2020, which has been made achievable thanks to the refranchising of its bottling operations.

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)	\$191,013
Avg Weekly Vol (30 wks)	12,384
30-week Range (USD)	42.19 - 48.62
Valuentum Sector	Consumer Staples
5-week Return	2.1%
13-week Return	-8.5%
30-week Return	-2.5%
Dividend Yield %	3.6%
Dividends per Share	1.56
Forward Dividend Payout Ratio	582.4%
Est. Normal Diluted EPS	1.85
P/E on Est. Normal Diluted EPS	23.7
Est. Normal EBITDA	13,114
Forward EV/EBITDA	23.9
EV/Est. Normal EBITDA	16.4
Forward Revenue Growth (5-yr)	-2.9%
Forward EPS Growth (5-yr)	9.7%

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	22.1%
ROIC, without goodwill	31.2%

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.

• Coca-Cola's long-term targets include 4%-6% organic revenue growth, 6%-8% operating income growth, 7%-9% EPS growth, and 95%-100% adjusted free cash flow conversion. In 2018, it expects organic revenue growth of 4%, comparable EPS growth of 8%-10%, and cash flow from operations of at least \$8.5 billion. Its 2.2x net debt leverage ratio at the end of 2017 is within its 2.0x-2.5x target.

• 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 \$150 billion from 2017-2020 (good for a 4% CAGR). Coca-Cola is very well-positioned to capture incremental growth driven by growing middle-classes around the world.

• Coca-Cola has raised its dividend in each of the past 55 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.

Structure of the Nonalcoholic Beverages Industry

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.

Investment Considerations

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

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
Dr Pepper Snapple	20.0	2.1	103.5%
Monster Beverage	40.8	2.8	123.5%
National Beverage	39.5	2.4	124.1%
PepsiCo	33.3	1.0	111.4%
Peer Median	36.4	2.3	117.5%
Coca-Cola	163.3	0.4	112.2%

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

Financial Summary

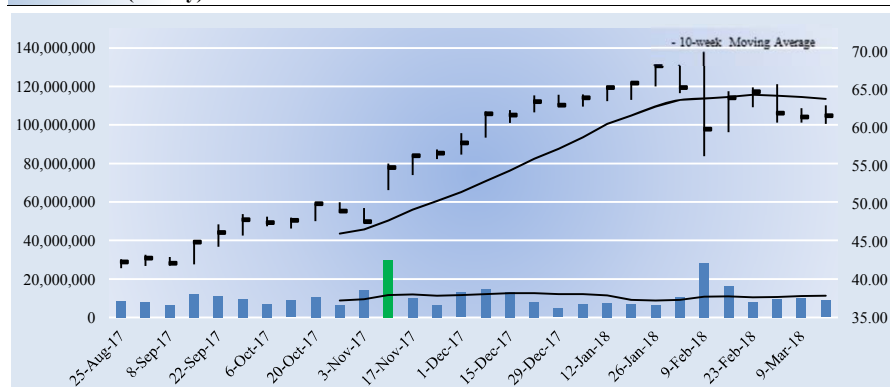
	Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue		44,294	41,863	35,410
Revenue, YoY%		-3.7%	-5.5%	-15.4%
Operating Income		8,728	8,626	7,501
Operating Margin %		19.7%	20.6%	21.2%
Net Income		7,351	6,527	1,158
Net Income Margin %		16.6%	15.6%	3.3%
Diluted EPS		1.67	1.49	0.27
Diluted EPS, YoY %		4.6%	-10.4%	-82.1%
Free Cash Flow (CFO-capex)		7,968	6,345	5,320
Free Cash Flow Margin %		18.0%	15.2%	15.0%

In Millions of USD (except for per share items)

Michael Kors Hldg KORS FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$71.00	Fair Value Range \$57.00 - \$85.00	Investment Style LARGE-CAP VALUE	Sector Consumer Discretionary	Industry Luxury - Ultra & Aspirational
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Michael Kors' acquisition of Jimmy Choo has helped it restore top-line growth, but its tremendous growth rates of years past may be nothing more than a memory at this point.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$10,348
Avg Weekly Vol (30 wks)	10,764
30-week Range (USD)	41.47 - 69.95
Valuentum Sector	Consumer Discretionary
5-week Return	2.4%
13-week Return	-1.0%
30-week Return	46.1%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	5.08
P/E on Est. Normal Diluted EPS	12.1
Est. Normal EBITDA	1,308
Forward EV/EBITDA	8.8
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	4.6%
Forward EPS Growth (5-yr)	11.7%

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

Returns Summary

3-year Historical Average

Return on Equity	37.9%
Return on Assets	29.9%
ROIC, with goodwill	72.8%
ROIC, without goodwill	74.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	133
Net Debt	-95
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	272.7
Current Ratio	2.1
Quick Ratio	0.9

NMF = Not Meaningful

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 had 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. The company plans to close 45-50 stores in fiscal 2018.

• As Michael Kors continues to battle a difficult operating environment in the US, initiatives to restore growth include the launch of wearable technology, the development of a men's 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, but comparable sales may suffer in the near term as a result.

• 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.

• Michael Kors recently acquired Jimmy Choo for ~\$1.2 billion amid a wave of consolidation in the US luxury industry. The deal is Kors' first attempt at expanding its brands beyond its namesake since its IPO in 2011, and management has expressed intent to continue evaluating further deals.

Structure of the Luxury Goods Industry

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.

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)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	64.00

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
Fossil	NMF	NMF	91.7%
Ralph Lauren	NMF	NMF	110.3%
Tapestry	20.3	2.9	114.7%
Tiffany	21.9	2.4	116.1%
Peer Median	21.1	2.7	112.5%
Michael Kors Hldg	13.6	1.6	86.7%

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

Financial Summary

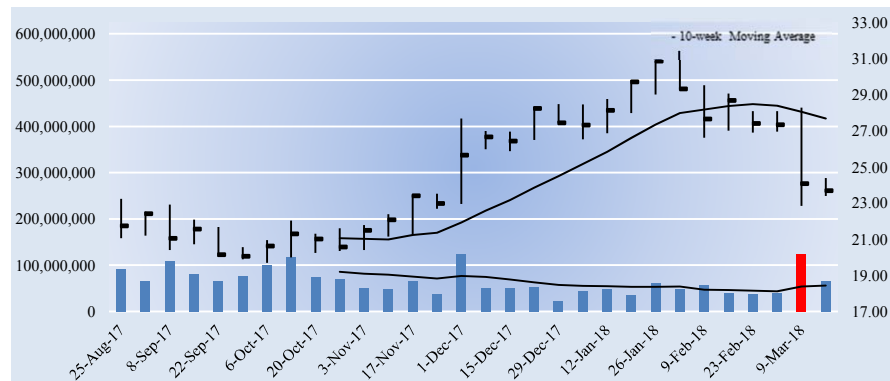
	Actual	Projected
Fiscal Year End:	Mar-16	Mar-17
Revenue	4,712	4,494
Revenue, YoY%	7.8%	-4.6%
Operating Income	1,186	889
Operating Margin %	25.2%	19.8%
Net Income	839	553
Net Income Margin %	17.8%	12.3%
Diluted EPS	4.44	3.29
Diluted EPS, YoY %	3.7%	-26.0%
Free Cash Flow (CFO-capex)	848	857
Free Cash Flow Margin %	18.0%	19.1%

In Millions of USD (except for per share items)

Kroger KR FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$27.00	Fair Value Range \$20.00 - \$34.00	Investment Style LARGE-CAP VALUE	Sector Consumer Staples	Industry Food Retailers
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Kroger has been remarkably consistent in recent years, but the company operates in an intensely competitive environment. Profit margins are extremely narrow.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$21,203
Avg Weekly Vol (30 wks)	65,463
30-week Range (USD)	19.69 - 31.4536
Valuentum Sector	Consumer Staples
5-week Return	-15.0%
13-week Return	-10.8%
30-week Return	3.7%
Dividend Yield %	2.1%
Dividends per Share	0.50
Forward Dividend Payout Ratio	23.9%
Est. Normal Diluted EPS	2.63
P/E on Est. Normal Diluted EPS	9.0
Est. Normal EBITDA	6,088
Forward EV/EBITDA	6.8
EV/Est. Normal EBITDA	6.0
Forward Revenue Growth (5-yr)	2.2%
Forward EPS Growth (5-yr)	8.9%

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

Returns Summary

3-year Historical Average

Return on Equity	29.7%
Return on Assets	5.7%
ROIC, with goodwill	10.5%
ROIC, without goodwill	12.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	15,589
Net Debt	15,242
Total Debt/EBITDA	3.4
Net Debt/EBITDA	3.4
EBITDA/Interest	7.5
Current Ratio	0.8
Quick Ratio	0.1

NMF = Not Meaningful

Investment Highlights

• Kroger is one of the largest retailers in the US. The firm spans many states with store formats that include grocery and multi-department stores, and jewelry stores. We think it is doing a good job capturing value, health, and convenience trends. The company was founded in 1883 and is based in Cincinnati, Ohio.

• We like Kroger a lot, but the company operates in an intensely competitive environment, and profit margins are extremely narrow. Amazon's purchase of Whole Foods in 2017 has some investors concerned over the long-term impact of a price war.

• Kroger has been remarkably consistent. Its streak of positive identical store sales recently ended at 50+, but it has put up 13 consecutive years of market share gains. This sustained strength in operating performance includes periods where the industry suffered material declines. The company is reportedly exploring an alliance with Alibaba, which operates cashier-less supermarkets similar to Amazon Go.

• Kroger is targeting identical supermarket sales growth, ex fuel, to be 1.5%-2.0% in fiscal 2018, while diluted EPS guidance comes in a range of \$1.95-\$2.15, compared to \$2.09 in fiscal 2017. Its net debt-to-adjusted EBITDA rose to 2.65x in fiscal 2017, slightly above its target of 2.3x-2.5x, due in part to the funding of pension obligations in the year.

• Kroger has agreed to sell its convenience store business to EG Group for \$2.15 billion, but its supermarket fuel centers and Turkey Hill Dairy businesses are not included in the sale. Net proceeds will be used to repurchase shares and help in deleveraging.

Structure of the Food Retailers Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	WEAK
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	28.00

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
Costco	26.5	1.9	115.4%
Target	13.3	4.0	97.2%
Walgreens Boots Alliance	11.6	1.7	90.1%
Wal-Mart	17.9	1.5	101.3%
Peer Median	15.6	1.8	99.3%
Kroger	11.3	0.9	87.7%

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

Financial Summary

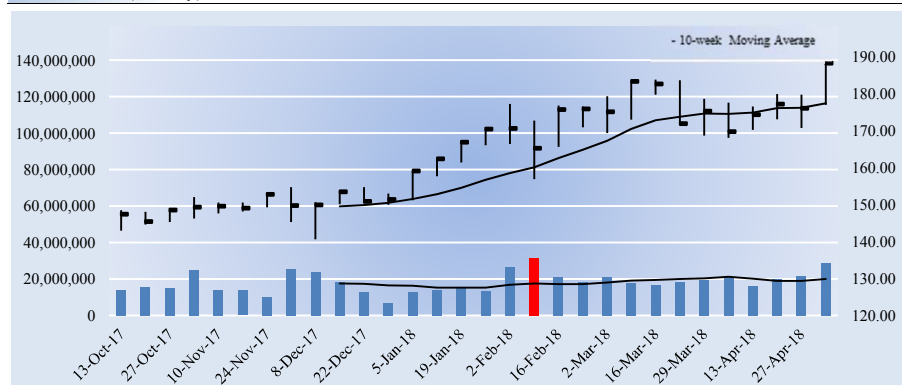
	Actual	Projected
Fiscal Year End:	Jan-17	Jan-18
Revenue	115,337	122,662
Revenue, YoY%	5.0%	6.4%
Operating Income	3,436	2,085
Operating Margin %	3.0%	1.7%
Net Income	1,975	1,907
Net Income Margin %	1.7%	1.6%
Diluted EPS	2.06	2.13
Diluted EPS, YoY %	-0.9%	3.4%
Free Cash Flow (CFO-capex)	573	604
Free Cash Flow Margin %	0.5%	0.5%

In Millions of USD (except for per share items)

Mastercard MA FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$177.00	Fair Value Range \$142.00 - \$212.00	Investment Style MEGA-CAP GROWTH	Sector Information Technology	Industry Financial Tech Services
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We've raised our fair value estimate for MasterCard as its strong network effect is exacerbated by the ongoing shift towards electronic payments.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$201,718
Avg Weekly Vol (30 wks)	18,297
30-week Range (USD)	140.61 - 188.79
Valuentum Sector	Information Technology
5-week Return	7.7%
13-week Return	12.4%
30-week Return	31.1%
Dividend Yield %	0.5%
Dividends per Share	1.00
Forward Dividend Payout Ratio	15.6%
Est. Normal Diluted EPS	8.49
P/E on Est. Normal Diluted EPS	22.2
Est. Normal EBITDA	12,080
Forward EV/EBITDA	21.6
EV/Est. Normal EBITDA	16.4
Forward Revenue Growth (5-yr)	13.6%
Forward EPS Growth (5-yr)	23.7%

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

Returns Summary

3-year Historical Average

Return on Equity	66.4%
Return on Assets	22.3%
ROIC, with goodwill	108.1%
ROIC, without goodwill	168.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,424
Net Debt	-3,989
Total Debt/EBITDA	0.8
Net Debt/EBITDA	NMF
EBITDA/Interest	45.9
Current Ratio	1.6
Quick Ratio	1.5

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. MasterCard expects 2018 revenue to grow at a high-teens rate over thanks to acquisitions and a healthy economic environment.

• 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.

Structure of the Financial Tech Services Industry

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.

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	177.00

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

Bottomline Tech	NMF	NMF	113.2%
Fiserv	22.1	NMF	134.1%
Visa	28.8	2.1	100.9%
Western Union	10.4	NMF	81.7%
Peer Median	22.1	2.1	107.0%
Mastercard	29.4	2.2	106.3%

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

Financial Summary

----- Actual ----- Projected

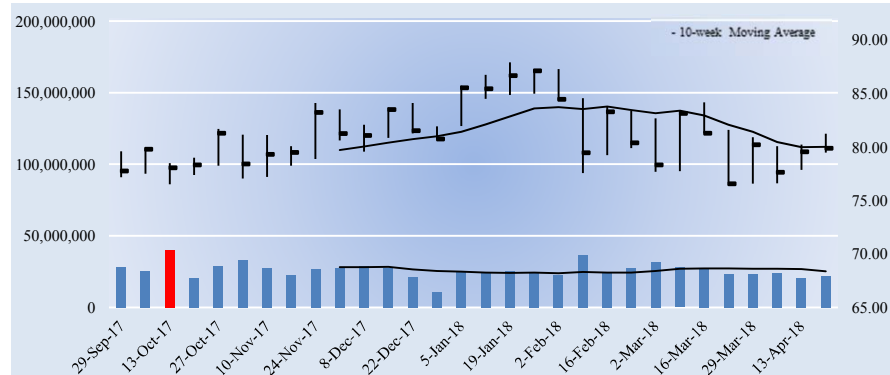
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	10,776	12,497	15,059
Revenue, YoY%	11.5%	16.0%	20.5%
Operating Income	5,761	6,637	8,612
Operating Margin %	53.5%	53.1%	57.2%
Net Income	4,059	3,915	6,854
Net Income Margin %	37.7%	31.3%	45.5%
Diluted EPS	3.69	3.65	6.39
Diluted EPS, YoY %	10.1%	-0.9%	75.1%
Free Cash Flow (CFO-capex)	4,153	5,132	7,548
Free Cash Flow Margin %	38.5%	41.1%	50.1%

In Millions of USD (except for per share items)

Medtronic MDT FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$86.00	Fair Value Range \$69.00 - \$103.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Medical Devices
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Medtronic has identified three diversified growth vectors: new therapies, emerging markets, and services and solutions. Its 'Diabetes' segment is expecting strong growth in the near term.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$111,173
Avg Weekly Vol (30 wks)	26,091
30-week Range (USD)	76.41 - 87.93
Valuentum Sector	Health Care
5-week Return	-1.7%
13-week Return	-7.5%
30-week Return	0.5%
Dividend Yield %	2.3%
Dividends per Share	1.84
Forward Dividend Payout Ratio	38.4%
Est. Normal Diluted EPS	5.44
P/E on Est. Normal Diluted EPS	14.7
Est. Normal EBITDA	12,921
Forward EV/EBITDA	11.3
EV/Est. Normal EBITDA	10.1
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	15.7%

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

Returns Summary

3-year Historical Average

Return on Equity	7.3%
Return on Assets	3.7%
ROIC, with goodwill	10.7%
ROIC, without goodwill	22.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	33,441
Net Debt	19,733
Total Debt/EBITDA	3.5
Net Debt/EBITDA	2.1
EBITDA/Interest	8.6
Current Ratio	1.7
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• Medtronic is a global leader in medical technology. The company currently functions in four operating segments: Cardiac & Vascular, Cardiac Rhythm & Heart Failure, Coronary & Structural Heart, and Aortic & Peripheral Vascular Minimally Invasive Therapies. Medtronic recently bought Covidien in a tax-inversion deal. It is a Dividend Aristocrat and traces its roots back to the late 1940s.

• Medtronic expects fiscal 2019 revenue growth to be in line with its long-term goals, with its 'Diabetes' segment targeting a double-digit growth rate. EPS leverage is expected as a result of ongoing operating margin improvement. Foreign exchange rates can have a material impact on results.

• 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. In accordance with these targets, the firm recently achieved its goal of \$850 million in synergies from the Covidien deal.

• Medtronic identifies three diversified growth vectors it expects to help it achieve its mid-single digit revenue growth target: a full pipeline 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 is a Dividend Aristocrat, and it has grown its per share dividend at an 18% CAGR over its 40-year history. Management remains committed to returning at least 50% of free cash flow per year to shareholders via dividends and share repurchases.

Structure of the Medical Devices Industry

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.

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	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

Business Quality

ValueCreation™

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

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	44.5	3.1	126.9%
Varian Medical Systems	28.9	2.6	156.2%
Waters	25.2	7.3	123.9%
Zimmer Biomet	14.0	NMF	89.0%
Peer Median	27.0	3.1	125.4%
Medtronic	16.7	1.8	92.9%

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

Financial Summary

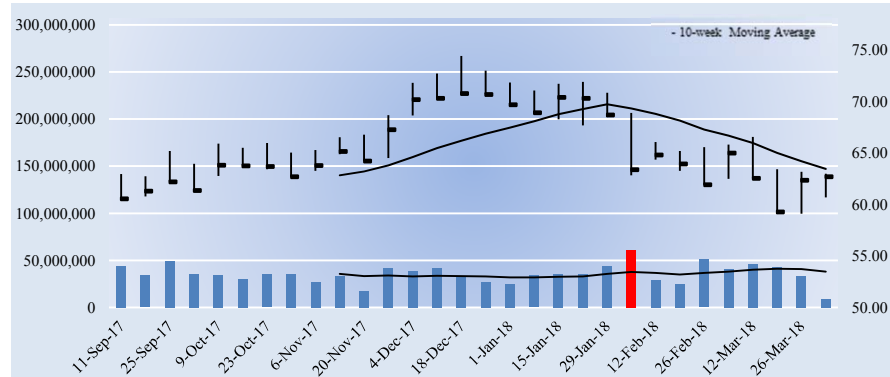
	Actual	Projected
Fiscal Year End:	Apr-16	Apr-17
Revenue	28,833	29,710
Revenue, YoY%	42.3%	3.0%
Operating Income	6,067	6,535
Operating Margin %	21.0%	22.0%
Net Income	3,538	4,024
Net Income Margin %	12.3%	13.5%
Diluted EPS	2.48	2.89
Diluted EPS, YoY %	2.9%	16.6%
Free Cash Flow (CFO-capex)	4,172	5,626
Free Cash Flow Margin %	14.5%	18.9%

In Millions of USD (except for per share items)

Altria Group MO FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$67.00	Fair Value Range \$54.00 - \$80.00	Investment Style LARGE-CAP VALUE	Sector Consumer Staples	Industry Tobacco
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We're huge fans of Altria's long-term goals and pricing power, and investors should not overlook its stake in AB InBev. We've upped our fair value estimate.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$120,370
Avg Weekly Vol (30 wks)	35,640
30-week Range (USD)	59.07 - 74.38
Valuentum Sector	Consumer Staples
5-week Return	0.1%
13-week Return	-10.7%
30-week Return	0.1%
Dividend Yield %	4.5%
Dividends per Share	2.80
Forward Dividend Payout Ratio	70.4%
Est. Normal Diluted EPS	4.49
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	11,006
Forward EV/EBITDA	13.4
EV/Est. Normal EBITDA	12.1
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	-1.7%

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

Returns Summary

3-year Historical Average

Return on Equity	144.2%
Return on Assets	25.0%
ROIC, with goodwill	13.6%
ROIC, without goodwill	20.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,894
Net Debt	12,641
Total Debt/EBITDA	1.4
Net Debt/EBITDA	1.3
EBITDA/Interest	13.9
Current Ratio	0.6
Quick Ratio	0.2

NMF = Not Meaningful

Investment Highlights

• Altria makes and sells cigarettes and smokeless products in the US. It owns the Marlboro brand, which holds ~43% 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 expects 2018 adjusted diluted EPS to be in a range of \$3.90-\$4.03, a target that is well above the firm's annual expectation of adjusted diluted EPS growth of 7%-9%. The company plans to reinvest roughly one-third of its total benefit from tax reform in 2018, with moderating levels of reinvestment moving forward.

• 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. Recent initiatives from the FDA in cracking down on nicotine levels in tobacco products should be monitored.

Structure of the Tobacco Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	63.00

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

British American	6.3	NMF	97.9%
Philip Morris	18.0	1.7	113.8%
Schweitzer-Mauduit	11.2	1.3	87.0%
Vector Group	32.8	2.8	90.5%
Peer Median	14.6	1.7	94.2%
Altria Group	15.7	NMF	93.5%

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

Financial Summary

----- Actual -----

Projected

Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	19,337	19,494	19,962
Revenue, YoY%	2.6%	0.8%	2.4%
Operating Income	8,941	9,589	9,725
Operating Margin %	46.2%	49.2%	48.7%
Net Income	14,239	10,222	7,568
Net Income Margin %	73.6%	52.4%	37.9%
Diluted EPS	7.29	5.32	3.98
Diluted EPS, YoY %	172.9%	-27.1%	-25.2%
Free Cash Flow (CFO-capex)	3,632	4,723	8,343
Free Cash Flow Margin %	18.8%	24.2%	41.8%

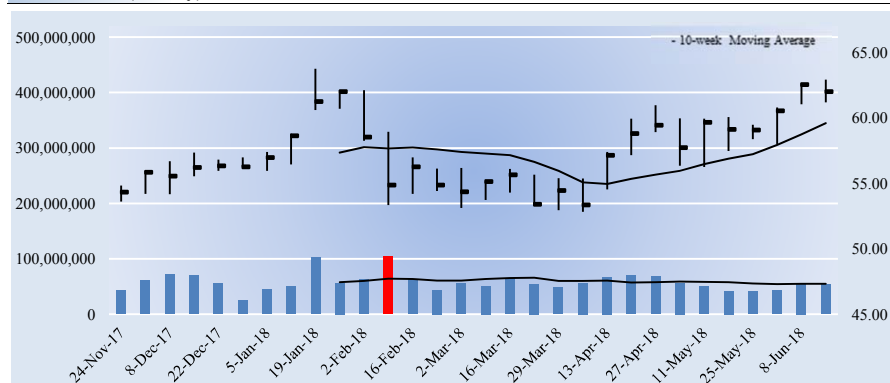
In Millions of USD (except for per share items)

GOOD

Merck MRK FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$62.00	Fair Value Range \$50.00 - \$74.00	Investment Style LARGE-CAP CORE	Sector Health Care	Industry Pharmaceuticals - Big
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Merck continues to advance its late-stage pipeline, and Keytruda's position in non-small cell lung cancer has grown stronger.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$170,458
Avg Weekly Vol (30 wks)	57,626
30-week Range (USD)	52.83 - 63.78
Valuentum Sector	Health Care
5-week Return	3.8%
13-week Return	11.4%
30-week Return	14.8%
Dividend Yield %	3.1%
Dividends per Share	1.92
Forward Dividend Payout Ratio	44.9%
Est. Normal Diluted EPS	4.75
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	19,000
Forward EV/EBITDA	10.7
EV/Est. Normal EBITDA	9.8
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	42.7%

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

Returns Summary

3-year Historical Average

Return on Equity	8.5%
Return on Assets	3.7%
ROIC, with goodwill	24.3%
ROIC, without goodwill	37.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	24,410
Net Debt	15,912
Total Debt/EBITDA	2.0
Net Debt/EBITDA	1.3
EBITDA/Interest	15.8
Current Ratio	1.3
Quick Ratio	0.8

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. Januvia/Janumet for type 2 diabetes and Keytruda for advanced Melanoma are its two largest revenue drivers within its pharma business. The company was founded in 1891 and is headquartered in New Jersey.

• Merck's Keytruda is the #1 treatment for advanced Melanoma in the US. The drug will be key for the in a return to top-line expansion after a period of suppressed growth due to the loss of exclusivity of multiple drugs. 2017 Keytruda sales nearly tripled over 2016 to more than \$3.8 billion.

• 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 grew ~1% in 2017, and non-GAAP adjusted earnings per share advanced to \$3.98 per share from \$3.78 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, and Alzheimer's disease. The firm is facing challenges in diabetes but expects growth opportunities to be present in international markets, which should help stabilize the business segment.

• Merck expects 2018 worldwide sales to be in a range of \$41.8-\$43 billion, compared to \$40.1 billion in 2017. Full-year non-GAAP EPS is anticipated to be between \$4.16 and \$4.28. GAAP operating expenses are expected to be higher than 2017 levels by a low- to mid-single digit rate.

Structure of the Big Pharma Industry

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.

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	60.00

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
Abbott	21.7	4.0	118.7%
AbbVie	12.7	1.5	104.8%
Eli Lilly	16.7	NMF	112.8%
Pfizer	12.2	NMF	90.9%
Peer Median	14.7	2.8	108.8%
Merck	14.5	1.7	100.0%

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

Financial Summary

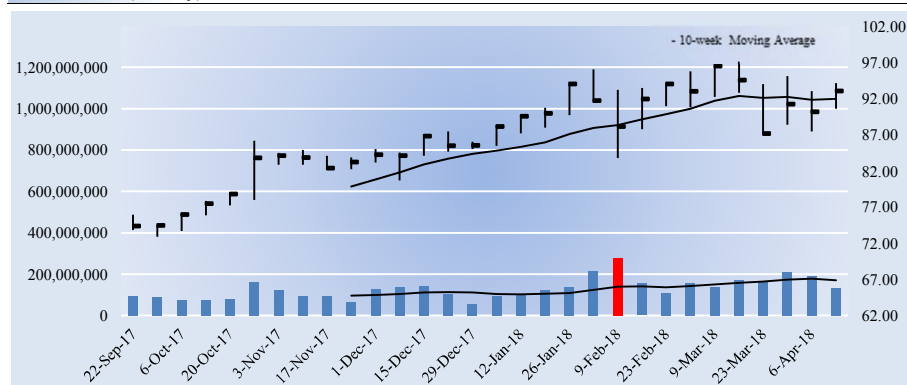
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	39,807	40,122
Revenue, YoY%	0.8%	0.8%
Non-GAAP Operating Income	6,030	7,309
Non-GAAP EBIT %	15.1%	18.2%
Non-GAAP Net Income	3,920	2,394
Non-GAAP NI Margin %	9.8%	6.0%
Non-GAAP Diluted EPS	1.41	0.87
Non-GAAP Dil EPS, YoY %	-10.0%	-38.1%
Non-GAAP Free Cash Flow	8,762	4,559
Non-GAAP FCF Margin %	22.0%	11.4%

In Millions of USD (except for per share items)

Microsoft MSFT FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$87.00	Fair Value Range \$70.00 - \$104.00	Investment Style MEGA-CAP CORE	Sector Information Technology	Industry Software
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Microsoft is not a tech dinosaur, and momentum behind new devices and platforms, Windows 10, Office 365, and Azure is building.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$729,003
Avg Weekly Vol (30 wks)	129,843
30-week Range (USD)	72.92 - 97.24
Valuentum Sector	Information Technology
5-week Return	-3.5%
13-week Return	3.3%
30-week Return	23.7%
Dividend Yield %	1.8%
Dividends per Share	1.68
Forward Dividend Payout Ratio	45.6%
Est. Normal Diluted EPS	4.40
P/E on Est. Normal Diluted EPS	21.1
Est. Normal EBITDA	52,565
Forward EV/EBITDA	14.8
EV/Est. Normal EBITDA	13.0
Forward Revenue Growth (5-yr)	7.6%
Forward EPS Growth (5-yr)	13.9%

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

Returns Summary

3-year Historical Average

Return on Equity	21.9%
Return on Assets	8.6%
ROIC, with goodwill	52.1%
ROIC, without goodwill	80.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	86,194
Net Debt	-46,787
Total Debt/EBITDA	2.7
Net Debt/EBITDA	NMF
EBITDA/Interest	14.1
Current Ratio	2.5
Quick Ratio	2.4

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 is not a tech dinosaur, and momentum behind new devices and platforms, 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 at impressive rates. This momentum allowed the firm to achieve its goal of \$20 billion in commercial cloud annual recurring revenue well ahead of schedule.

• Microsoft recently acquired LinkedIn for over \$26 billion in cash, and management believes the deal will expand its addressable market, while helping drive engagement across Office 365. The firm's impressive financial profile gives us confidence in it moving forward, and its tremendous free cash flow generating capacity has not wavered.

• Microsoft's Windows business has been the bread-and-butter of the company for such a long time, but investor focus has been shifting 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.

Structure of the Software Industry

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.

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	VERY BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Support, 10-week MA	92.00

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
Adobe Systems	34.3	2.5	118.6%
F5 Networks	16.2	2.0	108.4%
Oracle	14.8	1.6	86.9%
Salesforce.com	55.1	7.9	115.5%
Peer Median	25.3	2.2	112.0%
Microsoft	25.2	2.5	107.0%

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

Financial Summary

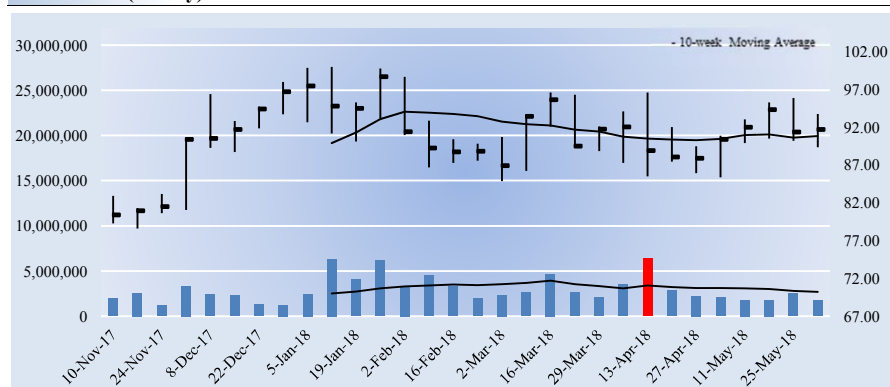
	Actual	Projected
Fiscal Year End:	Jun-16	Jun-17
Revenue	85,320	89,950
Revenue, YoY%	-8.8%	5.4%
Non-GAAP Operating Income	21,292	22,632
Non-GAAP EBIT %	25.0%	25.2%
Non-GAAP Net Income	16,798	21,204
Non-GAAP NI Margin %	19.7%	23.6%
Non-GAAP Diluted EPS	2.10	2.71
Non-GAAP Dil EPS, YoY %	41.9%	29.1%
Non-GAAP FCF (CFO-capex)	24,982	31,378
Non-GAAP FCF Margin %	29.3%	34.9%

In Millions of USD (except for per share items)

MSC Industrial MSM FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$82.00	Fair Value Range \$66.00 - \$98.00	Investment Style MID-CAP CORE	Sector Industrials	Industry Distributors
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MSC Industrial is observing a firm manufacturing environment, positive customer outlook, and an improving pricing environment.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$5,224
Avg Weekly Vol (30 wks)	2,921
30-week Range (USD)	78.585 - 99.9399
Valuentum Sector	Industrials
5-week Return	4.0%
13-week Return	5.9%
30-week Return	11.9%
Dividend Yield %	2.5%
Dividends per Share	2.32
Forward Dividend Payout Ratio	44.3%
Est. Normal Diluted EPS	6.65
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	579
Forward EV/EBITDA	11.3
EV/Est. Normal EBITDA	9.9
Forward Revenue Growth (5-yr)	7.1%
Forward EPS Growth (5-yr)	14.1%

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

Returns Summary

3-year Historical Average

Return on Equity	18.6%
Return on Assets	11.1%
ROIC, with goodwill	16.3%
ROIC, without goodwill	25.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	533
Net Debt	517
Total Debt/EBITDA	1.2
Net Debt/EBITDA	1.2
EBITDA/Interest	35.7
Current Ratio	1.8
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• MSC Industrial is one of the largest direct marketers of a broad range of industrial products to industrial customers in the United States, satisfying their maintenance, repair and operations (MRO) supply requirements. It has roughly a dozen customer fulfillment centers. The company was founded in 1941 and is headquartered in New York.

• MSC continues to invest in its e-commerce capabilities and add new products to its portfolio. The firm now has more than 1.5 million product SKUs available through its database. Management is focused on share gains, and growth rates have improved or held steady across customer types in recent quarters.

• We generally like MSC Industrial's business strategy that focuses on being an integrated, low-cost solution to its customers' MRO requirements. The firm is shifting its focus from reduction in product costs to improving its entire cost structure. The company boasts high marks for customer satisfaction, which it has tagged as a leading indicator of customer retention and growth.

• The MRO industry continues to consolidate and remains very large and fragmented. There are 145,000 distributors in North America chasing roughly \$160 billion in spending. MSC is observing a firm manufacturing environment, positive customer outlook, and an improving pricing environment, all of which are helping drive top-line performance.

• MSC Industrial has identified a correlation between its customers' activity and the Metalworking Business Index (MBI) as nearly 70% of its revenue is generated in the manufacturing sector (including more than half from heavy manufacturing).

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	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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Anixter	11.0	1.1	82.6%
Fastenal	21.3	2.0	119.2%
W.W. Grainger	20.5	1.6	125.4%
WESCO	12.7	1.4	86.5%
Peer Median	16.6	1.5	102.8%
MSC Industrial	17.5	1.6	111.8%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Aug-16	Aug-17
Revenue	2,864	2,888
Revenue, YoY%	-1.6%	0.8%
Operating Income	376	379
Operating Margin %	13.1%	13.1%
Net Income	231	231
Net Income Margin %	8.1%	8.0%
Diluted EPS	3.79	4.06
Diluted EPS, YoY %	0.6%	7.3%
Free Cash Flow (CFO-capex)	313	201
Free Cash Flow Margin %	10.9%	7.0%

In Millions of USD (except for per share items)

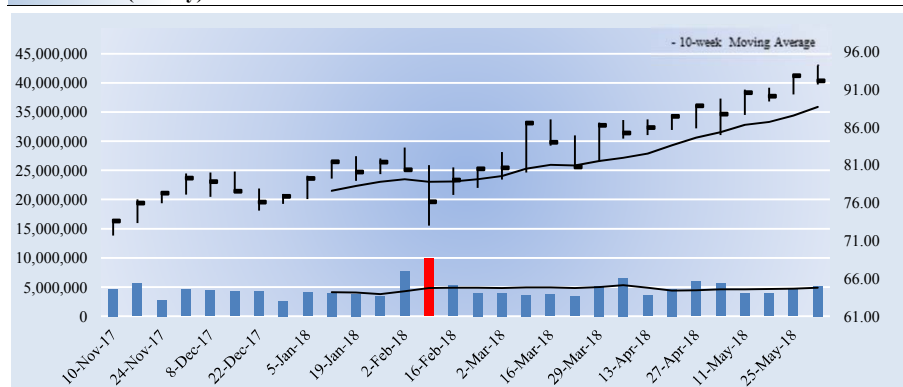
Structure of the Industrial Distributors Industry**GOOD**

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.

NASDAQ NDAQ FAIRLY VALUED**Buying Index™****5****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$75.00	Fair Value Range \$56.00 - \$94.00	Investment Style LARGE-CAP CORE	Sector Financials	Industry Exchanges
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NASDAQ has a high-quality business model, where 70%+ of revenue is subscription-based or recurring.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$15,617
Avg Weekly Vol (30 wks)	4,631
30-week Range (USD)	71.65 - 94.33
Valuentum Sector	Financials
5-week Return	3.6%
13-week Return	14.8%
30-week Return	27.5%
Dividend Yield %	1.9%
Dividends per Share	1.76
Forward Dividend Payout Ratio	35.8%
Est. Normal Diluted EPS	5.79
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	1,611
Forward EV/EBITDA	13.5
EV/Est. Normal EBITDA	11.9
Forward Revenue Growth (5-yr)	3.4%
Forward EPS Growth (5-yr)	8.8%

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

Returns Summary

3-year Historical Average

Return on Equity	7.5%
Return on Assets	3.1%
ROIC, with goodwill	12.2%
ROIC, without goodwill	42.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,207
Net Debt	3,573
Total Debt/EBITDA	3.4
Net Debt/EBITDA	2.9
EBITDA/Interest	8.6
Current Ratio	1.1
Quick Ratio	0.2

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.

• NASDAQ has a high-quality business model, where 70%+ 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 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 is noteworthy thanks in part to its 'Information Services' segment (~25% of revenue less transaction expenses), which carries operating margins in the low 70s. Its non-GAAP operating income margin in 2017 was an impressive 47%, up from 46% in 2016 and 44% in 2013. This has helped it increase capital returned to shareholders.

• The company has a #1 or #2 market share in business units that represent more than 90% of revenue. It recently acquired content and analytics provider eVestment for \$705 million, a deal that expands its offerings in fund- and investment-level data and analytics.

Structure of the Exchanges Industry

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.

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	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	89.00

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
CBOE Global Markets	21.0	2.6	105.8%
CME Group	24.6	NMF	133.0%
IntercontinentalExchange	20.4	3.2	116.3%
Virtu Financial	13.9	4.7	123.4%
Peer Median	20.7	3.2	119.9%
NASDAQ	18.7	2.4	122.8%

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

Financial Summary

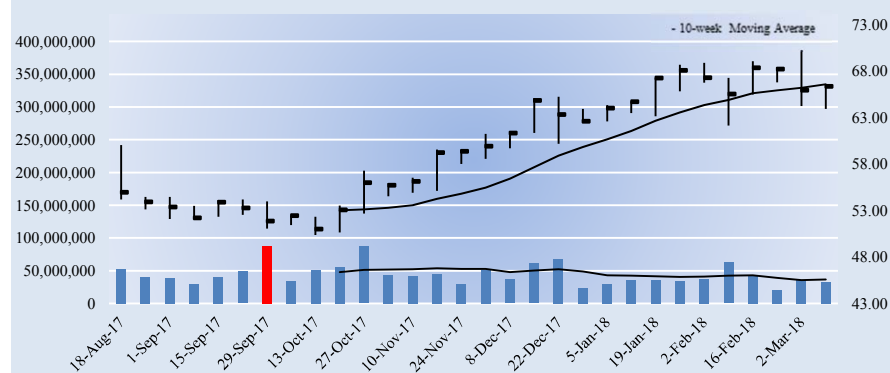
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	3,705	3,965
Revenue, YoY%	8.9%	7.0%
Operating Income	956	1,043
Operating Margin %	25.8%	26.3%
Net Income	108	734
Net Income Margin %	2.9%	18.5%
Diluted EPS	0.64	4.33
Diluted EPS, YoY %	-74.4%	576.5%
Free Cash Flow (CFO-capex)	642	765
Free Cash Flow Margin %	17.3%	19.3%

In Millions of USD (except for per share items)

Nike NKE FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$57.00	Fair Value Range \$46.00 - \$68.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Luxury - Established Brands
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Nike's international operations, which now account for 55% of revenue, are expected to drive growth for the firm 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).

Company Vitals

Market Cap (USD)	\$112,180
Avg Weekly Vol (30 wks)	44,480
30-week Range (USD)	50.35 - 70.25
Valuentum Sector	Consumer Discretionary
5-week Return	-0.5%
13-week Return	8.0%
30-week Return	12.1%
Dividend Yield %	1.2%
Dividends per Share	0.80
Forward Dividend Payout Ratio	34.1%
Est. Normal Diluted EPS	3.02
P/E on Est. Normal Diluted EPS	21.9
Est. Normal EBITDA	6,688
Forward EV/EBITDA	20.5
EV/Est. Normal EBITDA	16.4
Forward Revenue Growth (5-yr)	5.6%
Forward EPS Growth (5-yr)	10.4%

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

Returns Summary

3-year Historical Average

Return on Equity	30.8%
Return on Assets	17.6%
ROIC, with goodwill	42.8%
ROIC, without goodwill	43.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,802
Net Debt	-2,377
Total Debt/EBITDA	0.7
Net Debt/EBITDA	NMF
EBITDA/Interest	92.6
Current Ratio	2.9
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• Nike focuses its 'Nike Brand' product offerings in the following categories: Running, Basketball, Football (Soccer), Men's Training, Women's Training, Nike Sportswear (sports-inspired lifestyle products), Action Sports, Gold, and the Jordan Brand. 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.

• 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 took a slight step back in fiscal 2017 as more direct to consumer engagement is being targeted. The company's partnership with Amazon (which is still in its pilot program) has investors excited.

• Nike has a dominating position in the US athletic footwear market with nearly 60% market share. The next closest competitor has 13% market share, but Nike is giving up ground. The company expects its international operations (now accounts for 55% of total revenue) to provide 75% of incremental growth over the next five years.

• Though we do not expect any material damages to the Nike or Jordan brands in the foreseeable future, Adidas has done well in taking market share in US athletic footwear. The gains have not come fully at the expense of Nike, but the strengthening competitor is worth keeping an eye on.

Structure of the Luxury Goods Industry

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.

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	BULLISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	67.00

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
Estee Lauder	43.3	3.2	164.8%
Philips	31.7	2.1	127.0%
Sony	NMF	0.9	116.8%
VF Corp	48.6	0.8	116.8%
Peer Median	43.3	1.5	121.9%
Nike	28.3	1.7	116.3%

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

Financial Summary

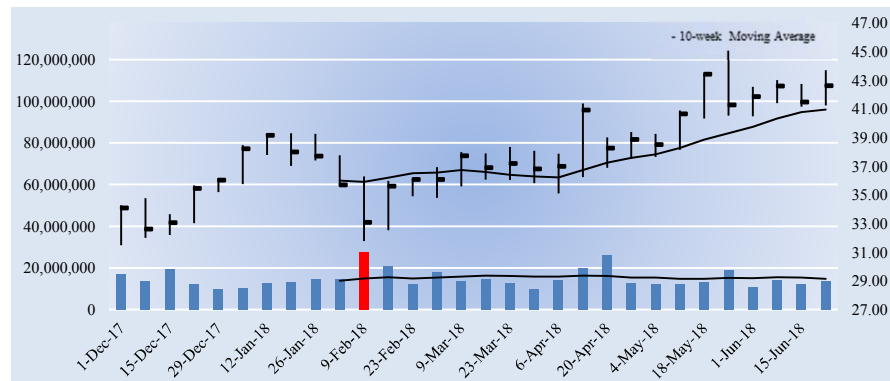
	----- Actual -----	Projected
Fiscal Year End:	May-16	May-17
Revenue	32,376	34,350
Revenue, YoY%	5.8%	6.1%
Operating Income	4,502	4,749
Operating Margin %	13.9%	13.8%
Net Income	3,760	4,240
Net Income Margin %	11.6%	12.3%
Diluted EPS	2.16	2.51
Diluted EPS, YoY %	16.6%	16.1%
Free Cash Flow (CFO-capex)	1,953	2,535
Free Cash Flow Margin %	6.0%	7.4%

In Millions of USD (except for per share items)

National Oilwell Varco NOV FAIRLY VALUED**Buying Index™ 6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$41.00	Fair Value Range \$29.00 - \$53.00	Investment Style LARGE-CAP GROWTH	Sector Energy	Industry Energy Equipment - Large
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We like National Oilwell Varco's fundamentals quite a bit. Roughly 65% of the company's revenue comes from onshore operations.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$16,060
Avg Weekly Vol (30 wks)	14,956
30-week Range (USD)	31.48 - 45.08
Valuentum Sector	Energy
5-week Return	-2.2%
13-week Return	13.1%
30-week Return	34.6%
Dividend Yield %	0.5%
Dividends per Share	0.20
Forward Dividend Payout Ratio	247.5%
Est. Normal Diluted EPS	1.13
P/E on Est. Normal Diluted EPS	37.7
Est. Normal EBITDA	1,409
Forward EV/EBITDA	21.0
EV/Est. Normal EBITDA	12.3
Forward Revenue Growth (5-yr)	10.3%
Forward EPS Growth (5-yr)	-221.2%

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

Returns Summary

3-year Historical Average

Return on Equity	-7.2%
Return on Assets	-4.6%
ROIC, with goodwill	9.8%
ROIC, without goodwill	13.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,712
Net Debt	1,275
Total Debt/EBITDA	6.4
Net Debt/EBITDA	3.0
EBITDA/Interest	4.1
Current Ratio	3.1
Quick Ratio	1.5

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. It serves customers in 65 countries around the globe. 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 was not spared from the tremendous weakness in the oil and gas industry of recent years. 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, but global production cap agreement compliance levels and extensions should be watched.

• National Oilwell Varco's revenue is roughly evenly split between its 'Completion & Production Solutions,' 'Wellborne Technologies,' and 'Rig Technologies' segments, which accounted for ~36%, ~34%, and ~30% of its 2017 revenue. Nearly 45% of revenue comes from North America, and ~65% of revenue is tied to onshore operations.

• In April 2016, National Oilwell Varco slashed its dividend by nearly 90%, and returning cash to shareholders is at the bottom of its capital allocation priorities. Though the crude oil market looks to have rebalanced since then, we must remind investors of the risk for another leg down in energy resource pricing.

Structure of the Energy Equipment Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
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)	DETERIORATING
Near-term Technical Support, 10-week MA	41.00

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

Baker Hughes	NMF	NMF	85.7%
Halliburton	18.7	NMF	98.3%
Schlumberger	33.8	NMF	92.5%
TechnipFMC	22.9	2.6	104.3%
Peer Median	22.9	NMF	95.4%
National Oilwell Varco	NMF	NMF	103.9%

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

Financial Summary

----- Actual ----- Projected

Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	7,251	7,304	8,049
Revenue, YoY%	-50.9%	0.7%	10.2%
Operating Income	-1,439	-277	124
Operating Margin %	-19.8%	-3.8%	1.5%
Net Income	-2,412	-237	30
Net Income Margin %	-33.3%	-3.2%	0.4%
Diluted EPS	-6.41	-0.63	0.08
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	676	640	611
Free Cash Flow Margin %	9.3%	8.8%	7.6%

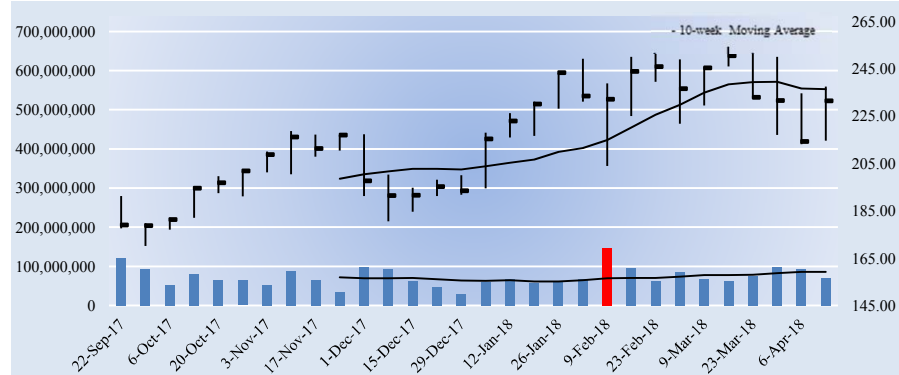
In Millions of USD (except for per share items)

NEUTRAL

Nvidia NVDA FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Highest Rated	\$206.00	\$152.00 - \$260.00	LARGE-CAP GROWTH	Information Technology	Integrated Circuits

We've raised our fair value estimate for Nvidia after assuming a higher level of operating leverage. Momentum in gaming remains tremendous, and it continues to be a significant player in the artificial intelligence revolution.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$146,308
Avg Weekly Vol (30 wks)	74,199
30-week Range (USD)	170.16 - 254.5
Valuentum Sector	Information Technology
5-week Return	-6.3%
13-week Return	3.3%
30-week Return	25.0%
Dividend Yield %	0.3%
Dividends per Share	0.60
Forward Dividend Payout Ratio	9.5%
Est. Normal Diluted EPS	8.91
P/E on Est. Normal Diluted EPS	26.0
Est. Normal EBITDA	6,880
Forward EV/EBITDA	28.4
EV/Est. Normal EBITDA	20.5
Forward Revenue Growth (5-yr)	15.3%
Forward EPS Growth (5-yr)	19.7%

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

Returns Summary

3-year Historical Average

Return on Equity	30.8%
Return on Assets	18.9%
ROIC, with goodwill	109.4%
ROIC, without goodwill	168.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,000
Net Debt	-5,108
Total Debt/EBITDA	0.6
Net Debt/EBITDA	NMF
EBITDA/Interest	59.1
Current Ratio	8.0
Quick Ratio	7.3

NMF = Not Meaningful

Investment Highlights

• Nvidia is a computer graphics company. Its business is based on two technologies: the GPU and the Tegra processor. GPUs are the engine of visual computing. Tegra processors incorporate multi-core GPUs and CPUs together with audio and video capabilities. The company was founded in 1993 and is headquartered in Santa Clara, California.

• We're big fans of Nvidia's balance sheet health. Cash, cash equivalents and marketable securities were just over \$7.1 billion as of the end of fiscal 2018. Though it does have ~\$2 billion in total debt, a strong balance sheet supports dividend potential and provides a cushion in a rapidly developing market.

• The company's fourth-quarter fiscal 2018 results were telling of the innovative nature of its business. GPU revenue, for example, advanced 33% on a year-over-year basis thanks to new product launches including the GTX 1070 Ti, which further enhances graphical demands of VR and other new technologies. Overall Tegra Processor revenue leapt 75% in the quarter as well.

• Nvidia expects to be a significant player in autonomous driving. As of the end of fiscal 2018, 320 companies were using its Nvidia Drive platform, a 50% increase from a year earlier, and the list includes many of the top names in next-gen car and truck manufacturing. Nvidia tabs autonomous vehicles as a \$60 billion opportunity by 2035.

• Gaming has been a strong point for Nvidia as of late, and rapid demand growth in deep learning has been pushing GPU revenue higher. Gaming remains a key driver, and virtual reality continues to create new opportunities for innovation, with which Nvidia has become synonymous.

Structure of the Integrated Circuits Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	AGGRESSIVE
Technical Evaluation	BEARISH
Relative Strength	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	236.00

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
Analog Devices	16.2	1.8	114.5%
Semtech Corp	19.7	1.9	116.9%
Skyworks	13.3	1.4	87.1%
Taiwan Semiconductor	17.4	2.6	118.5%
Peer Median	16.8	1.9	115.7%
Nvidia	36.6	2.4	112.4%

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

Financial Summary

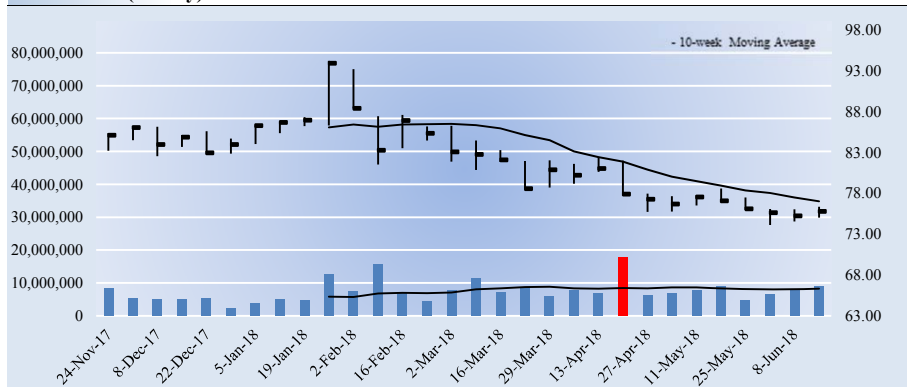
	Actual	Projected
Fiscal Year End:	Jan-17	Jan-18
Revenue	6,910	9,714
Revenue, YoY%	37.9%	40.6%
Operating Income	1,937	3,210
Operating Margin %	28.0%	33.0%
Net Income	1,666	3,047
Net Income Margin %	24.1%	31.4%
Diluted EPS	2.57	4.82
Diluted EPS, YoY %	137.9%	87.8%
Free Cash Flow (CFO-capex)	1,496	2,909
Free Cash Flow Margin %	21.6%	29.9%

In Millions of USD (except for per share items)

Novartis NVS FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$77.00	Fair Value Range \$62.00 - \$92.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Pharmaceuticals - Big
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Novartis is engaged in a transformation and will focus on businesses with innovation power and global scale--pharma, eye care and generics.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$177,787
Avg Weekly Vol (30 wks)	7,450
30-week Range (USD)	74.11 - 94.19
Valuentum Sector	Health Care
5-week Return	-3.3%
13-week Return	-7.5%
30-week Return	-9.8%
Dividend Yield %	3.9%
Dividends per Share	2.98
Forward Dividend Payout Ratio	56.0%
Est. Normal Diluted EPS	6.22
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	18,164
Forward EV/EBITDA	12.0
EV/Est. Normal EBITDA	10.8
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	17.2%

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

Returns Summary

3-yr Historical Average

Return on Equity	9.4%
Return on Assets	5.5%
ROIC, with goodwill	9.9%
ROIC, without goodwill	15.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	28,532
Net Debt	19,047
Total Debt/EBITDA	3.2
Net Debt/EBITDA	2.1
EBITDA/Interest	11.6
Current Ratio	1.2
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.

• We continue to be impressed with the depth of Novartis' clinical pipeline, which should aid in the company's acceleration from the revenue cliff experienced as a result of the patent loss of top-selling product Gleevec. Cosentyx has been a core driver of top-line performance of late.

• Novartis is engaged in a transformation and will focus on businesses with innovation power and global scale--pharma, eye care and generics. It agreed to buy AveXis, owner of a gene replacement therapy for spinal muscular atrophy, for \$8.7 billion. The firm divested its animal health operations to Eli Lilly and will sell its stake in its Consumer Health JV with GlaxoSmithKline for ~\$13 billion.

• 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, but total oncology sales fell 3%% in constant currency in 2017.

• Novartis 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. It is considering a spin-off of the business, perhaps in the first half of 2019, but recent improvements in the business could change plans.

Structure of the Big Pharma Industry

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.

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)	BEARISH
Near-term Technical Resistance, 10-wk MA	77.00

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
Abbott	21.7	4.0	118.7%
Eli Lilly	16.7	NMF	112.8%
Merck	14.5	1.7	100.0%
Pfizer	12.2	NMF	90.9%
Peer Median	15.6	2.9	106.4%
Novartis	14.2	1.3	98.4%

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

Financial Summary

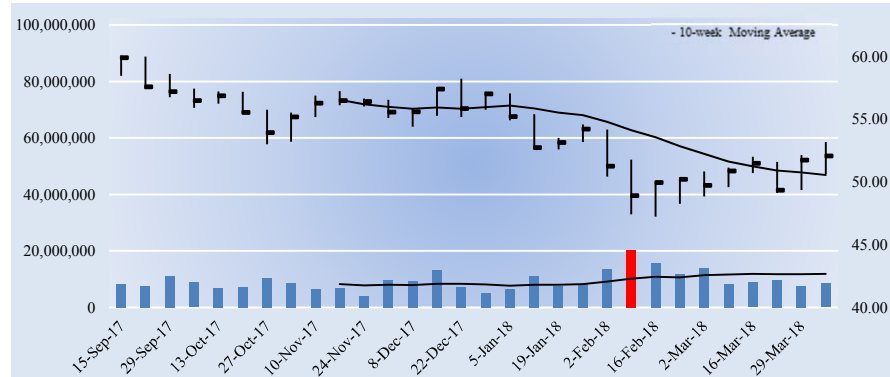
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	49,436	50,135
Revenue, YoY%	-1.9%	1.4%
Non-GAAP Operating Income	6,341	6,660
Non-GAAP EBIT %	12.8%	13.3%
Non-GAAP Net Income	6,712	7,703
Non-GAAP NI Margin %	13.6%	15.4%
Non-GAAP Diluted EPS	2.80	3.28
Non-GAAP Dil EPS, YoY %	-4.2%	17.4%
Non-GAAP Free Cash Flow	8,596	9,875
Non-GAAP FCF Margin %	17.4%	19.7%

In Millions of USD (except for per share items)

Realty Income Corp O FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Neutral	Estimated Fair Value \$56.00	Fair Value Range \$45.00 - \$67.00	Investment Style LARGE-CAP VALUE	Sector Financials	Industry REIT - Retail
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We like Realty Income's portfolio diversification, and it is one of a few REITs that boast A-rated credit.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$14,267
Avg Weekly Vol (30 wks)	9,445
30-week Range (USD)	47.25 - 60.05
Valuentum Sector	Financials
5-week Return	5.0%
13-week Return	-5.7%
30-week Return	-12.6%
Dividend Yield %	5.0%
Dividends per Share	2.63
Forward Dividend Payout Ratio	82.2%
Est. Normal Diluted EPS	1.61
P/E on Est. Normal Diluted EPS	32.3
Est. Normal EBITDA	1,378
Forward EV/EBITDA	17.4
EV/Est. Normal EBITDA	14.8
Forward Revenue Growth (5-yr)	7.1%
Forward EPS Growth (5-yr)	11.3%

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

Returns Summary

3-year Historical Average

Return on Equity	4.7%
Return on Assets	2.3%
ROIC, with goodwill	4.3%
ROIC, without goodwill	4.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,111
Net Debt	6,105
Total Debt/EBITDA	5.7
Net Debt/EBITDA	5.7
EBITDA/Interest	4.3
Current Ratio	1.2
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Realty Income is a REIT that has 4,900+ properties across the US and Puerto Rico. It is an integrated real estate company with in-house finance/accounting, tenant research, portfolio management, and capital markets expertise. Its property portfolio amounts to over 80 million square feet. Occupancy rates are north of 98%.

• Realty Income's stated goals are simple: generate dependable monthly cash dividends from a consistent and predictable level of cash flow from operations. We think management is laser-focused on achieving these goals.

• We like Realty Income's portfolio diversification. The REIT generates rental revenue in 49 states and Puerto Rico, and California and Texas account for the most (at less than 10% each). Also, no one industry accounts for more than 13% of total rent (drug stores ~12.6%). Its largest tenant, Walgreens, accounts for less than 7% of total rent, and less than 5% of its total properties are leased to 'big box' retailers.

• Realty Income's dividend track record is fantastic. The REIT has had more than 95 dividend increases since 1994, more than 80 consecutive quarterly increases, and more than 560 consecutive monthly dividends declared. It seems as though it increases its dividend every few months or so, albeit modestly.

• Realty Income's AFFO per share for 2018 is targeted in the range of \$3.14-\$3.20 per share, an increase of approximately 4% over 2017 AFFO per share of \$3.06. We like the REIT's conservative credit profile, which allows it to be one of the few A-rated REITs on the market today.

Structure of the REIT - Retail Industry

The retail REIT space is competitive, and incremental supply from failing retailers could complicate the return profile of many constituents. That said, however, strip center supply additions are near the lowest levels on a historical basis, offering potential opportunities for income expansion via higher rents and lease rollovers. Access to the capital markets will remain critical for participants, and the issuance of additional common/preferred stock should be expected. Geographic and industry diversity, tenant credit strength, and occupancy rates should be monitored closely. We're generally neutral on the group.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	POOR
ValueRisk™	LOW
ValueTrend™	POSITIVE
Cash Flow Generation	WEAK
Financial Leverage	HIGH
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	51.00

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/FFO

P / FFO / G

Price / FV

Federal Realty	18.6	1.6	115.8%
GGP	14.5	1.7	84.4%
Kimco Realty	9.8	1.5	89.6%
Simon Property	12.9	2.0	91.2%
Peer Median	13.7	1.7	90.4%
Realty Income Corp	16.3	1.6	93.0%

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

Financial Summary

----- Actual -----

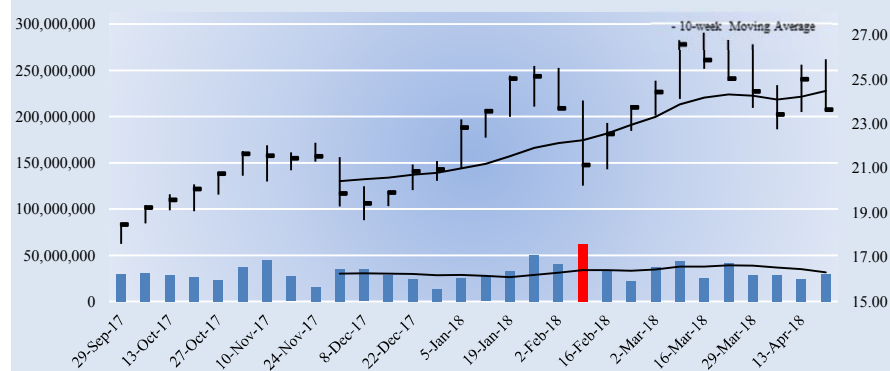
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	1,103	1,216	1,281
Revenue, YoY%	7.8%	10.2%	5.4%
Adjusted Operating Income	518	574	647
Adj. Operating Margin %	46.9%	47.2%	50.5%
Funds from Operations	737	774	920
FFO Margin %	66.8%	63.6%	71.8%
Diluted FFO per share	2.88	2.82	3.20
Diluted FFO, YoY %	4.4%	-2.0%	13.3%
Free Cash Flow (CFO-capex)	-1,012	-553	-349
Free Cash Flow Margin %	-91.8%	-45.5%	-27.2%

In Millions of USD (except for per share items)

ON Semi ON FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$23.00	Fair Value Range \$16.00 - \$30.00	Investment Style LARGE-CAP CORE	Sector Information Technology	Industry Broad Line Semiconductors
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We've raised our fair value estimate for ON Semi as it is well-positioned to take advantage of a strong demand environment in the industrial and automotive end markets.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$10,121
Avg Weekly Vol (30 wks)	31,866
30-week Range (USD)	17.6 - 27.1
Valuentum Sector	Information Technology
5-week Return	-7.6%
13-week Return	-6.1%
30-week Return	31.4%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.02
P/E on Est. Normal Diluted EPS	11.7
Est. Normal EBITDA	1,589
Forward EV/EBITDA	8.3
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	3.4%

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

Returns Summary

3-year Historical Average

Return on Equity	19.7%
Return on Assets	6.8%
ROIC, with goodwill	15.0%
ROIC, without goodwill	17.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,952
Net Debt	2,003
Total Debt/EBITDA	2.5
Net Debt/EBITDA	1.7
EBITDA/Interest	8.5
Current Ratio	2.1
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• ON Semi's portfolio of power and signal management, logic, discrete and custom devices helps customers solve design challenges in automotive, communications, computing, industrial, LED lighting, medical, and other applications. The company has ~6,200 patents. It was founded in 1999 and is headquartered in Phoenix, Arizona.

• ON Semi is targeting revenue of \$5.6 billion in 2020 with a gross margin of 40%, pre-tax profit of \$950 million, and free cash flow of \$900 million. For reference, these figures came in at ~\$3.9 billion, ~33%, ~\$180 million, and ~\$370 million, respectively, in 2016.

• With strong levels of demand for its products and high customer confidence in its mid-term outlook, ON Semi is confident it will make solid progress towards its target financial model in 2018. Investments in high growth segments such as automotive, industrial, and communications have transformed its business, and its automotive and industrial end markets should drive growth in the near term.

• Demand and order trends should be watched closely, but management believes its strong product pipeline and its manufacturing know-how should allow it to grow faster than the broader semi industry. Recent demand highlights include image sensors for ADAS applications in automotive, and new product launches in the hearing health market.

• ON Semi continues to plow money back into research and development. For example, company-sponsored R&D costs in 2017, 2016, and 2015 were \$594.4 million (10.7% of revenue), \$452.3 million (11.6% of revenue), and \$396.7 million (11.3% of revenue), respectively.

Structure of the Broad Line Semiconductor Industry

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.

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 BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk MA	24.00

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

Business Quality

ValueCreation™

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

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Advanced Micro Devices	25.4	3.3	76.8%
Intel	14.3	1.4	95.4%
STMicroelectronics	16.4	2.9	143.3%
Texas Instruments	19.8	2.2	126.5%
Peer Median	18.1	2.5	111.0%
ON Semi	13.5	2.0	102.7%

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

Financial Summary

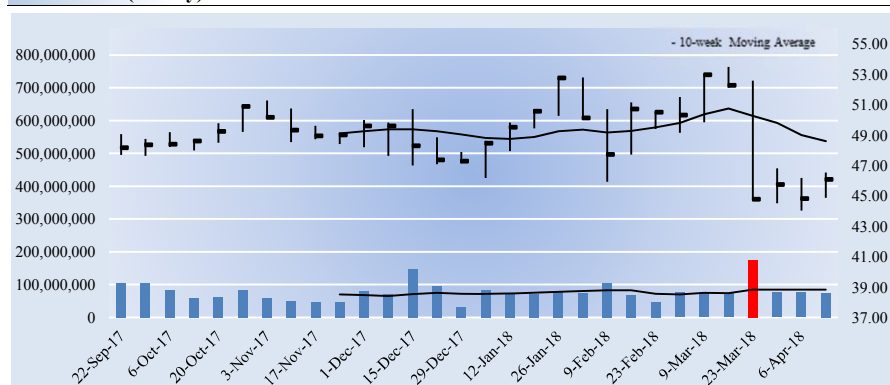
Financial Summary	Actual	Projected	
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	3,907	5,543	5,831
Revenue, YoY%	11.8%	41.9%	5.2%
Operating Income	272	715	963
Operating Margin %	6.9%	12.9%	16.5%
Net Income	182	811	740
Net Income Margin %	4.7%	14.6%	12.7%
Diluted EPS	0.43	1.89	1.75
Diluted EPS, YoY %	NMF	NMF	-7.7%
Free Cash Flow (CFO-capex)	370	706	769
Free Cash Flow Margin %	9.5%	12.7%	13.2%
In Millions of USD (except for per share items)			

In Millions of USD (except for per share items)

Oracle ORCL FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$53.00	Fair Value Range \$42.00 - \$64.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Software
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Oracle continues to build its recurring revenue base, and SaaS gross margins continue to improve as the business scales. We like its balance sheet health.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$194,319
Avg Weekly Vol (30 wks)	78,680
30-week Range (USD)	44.04 - 53.48
Valuentum Sector	Information Technology
5-week Return	-13.0%
13-week Return	-7.6%
30-week Return	-5.7%
Dividend Yield %	1.6%
Dividends per Share	0.76
Forward Dividend Payout Ratio	24.4%
Est. Normal Diluted EPS	3.60
P/E on Est. Normal Diluted EPS	12.8
Est. Normal EBITDA	21,401
Forward EV/EBITDA	9.5
EV/Est. Normal EBITDA	8.7
Forward Revenue Growth (5-yr)	3.8%
Forward EPS Growth (5-yr)	12.8%

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

Returns Summary

3-year Historical Average

Return on Equity	19.3%
Return on Assets	8.5%
ROIC, with goodwill	28.0%
ROIC, without goodwill	84.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	57,909
Net Debt	-8,169
Total Debt/EBITDA	3.7
Net Debt/EBITDA	NMF
EBITDA/Interest	8.7
Current Ratio	3.1
Quick Ratio	3.0

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, cloud, hardware systems, and services businesses account for ~68%, ~12%, ~11%, and ~9% of total revenues, respectively, as of fiscal 2017.

• Oracle has positioned itself nicely against Salesforce.com. Oracle believes it is well on its way to becoming the leading provider in the enterprise SaaS market, and fiscal 2017 marked the second consecutive year its sold more cloud annually recurring revenue than Salesforce.

• Oracle will continue to focus on growing its cloud business. The segment only accounted for ~12% of total revenue in fiscal 2017 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, but the firm is second in market share in the CRM market at more than 9% as of calendar 2016.

• Oracle continues to build its recurring revenue base, which accounted for 79% of total revenue in fiscal 2017 compared to 62% in fiscal 2011. We like the momentum of such a dynamic. The firm has surpassed \$1 billion in quarterly SaaS revenue, and SaaS gross margins continue to improve as the business scales.

• 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 the third quarter of fiscal 2018, it had more than \$70 million in cash, cash equivalents and marketable securities, but total debt has risen to just under \$61 billion.

Structure of the Software Industry

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.

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)	IMPROVING
Near-term Technical Resistance, 10-wk MA	49.00

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
Adobe Systems	34.3	2.5	118.6%
F5 Networks	16.2	2.0	108.4%
Microsoft	25.2	2.5	107.0%
Salesforce.com	55.1	7.9	115.5%
Peer Median	29.8	2.5	112.0%
Oracle	14.8	1.6	86.9%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	May-16	May-17
Revenue	37,047	37,728
Revenue, YoY%	-3.1%	1.8%
Operating Income	13,104	13,173
Operating Margin %	35.4%	34.9%
Net Income	8,901	9,335
Net Income Margin %	24.0%	24.7%
Diluted EPS	2.07	2.21
Diluted EPS, YoY %	-6.3%	7.1%
Free Cash Flow (CFO-capex)	12,496	13,005
Free Cash Flow Margin %	33.7%	34.5%

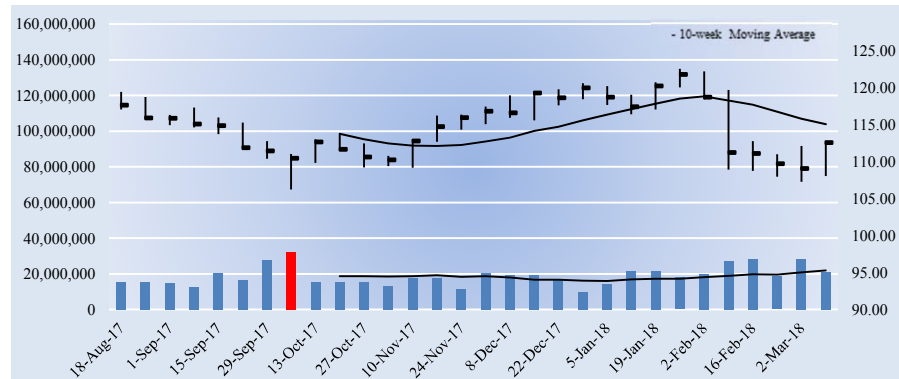
In Millions of USD (except for per share items)

VERY GOOD

PepsiCo PEP FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$101.00	Fair Value Range \$81.00 - \$121.00	Investment Style LARGE-CAP CORE	Sector Consumer Staples	Industry Beverages - nonalcoholic
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Pepsi's strength in North America is undeniable, but free cash flow generation is expected to continue facing pressure in the near term.

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)	\$163,408
Avg Weekly Vol (30 wks)	18,866
30-week Range (USD)	106.19 - 122.51
Valuentum Sector	Consumer Staples
5-week Return	-5.1%
13-week Return	-3.3%
30-week Return	-4.1%
Dividend Yield %	2.9%
Dividends per Share	3.22
Forward Dividend Payout Ratio	95.3%
Est. Normal Diluted EPS	6.42
P/E on Est. Normal Diluted EPS	17.5
Est. Normal EBITDA	15,349
Forward EV/EBITDA	14.3
EV/Est. Normal EBITDA	12.0
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	14.9%

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

Returns Summary

3-year Historical Average

Return on Equity	41.3%
Return on Assets	8.5%
ROIC, with goodwill	18.9%
ROIC, without goodwill	28.6%

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. 2017 marked the fourth consecutive year in which it was the largest contributor to US retail 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 Mondelez. Pepsi has a scale advantage in North America, however, and has twenty-two global brands that each bring in \$1 billion in sales annually. Social pressures against sugary drinks should not be ignored.

• In 2018, Pepsi is expecting organic revenue growth of 2.3%+, but currency fluctuations will impact its reported figure. Core EPS are expected to grow ~9% to ~\$5.70, while free cash flow is expected to fall to ~\$6 billion from ~\$7 billion in 2017. Management expects to spend \$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. 2018 marks the 46th consecutive year of annual dividend increases.

Structure of the Nonalcoholic Beverages Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	115.00

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
Coca-Cola	167.3	0.4	114.9%
Dr Pepper Snapple	20.0	2.1	103.5%
Monster Beverage	40.8	2.8	123.5%
National Beverage	39.5	2.4	124.1%
Peer Median	40.1	2.3	119.2%
PepsiCo	33.3	1.0	111.4%

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

Financial Summary

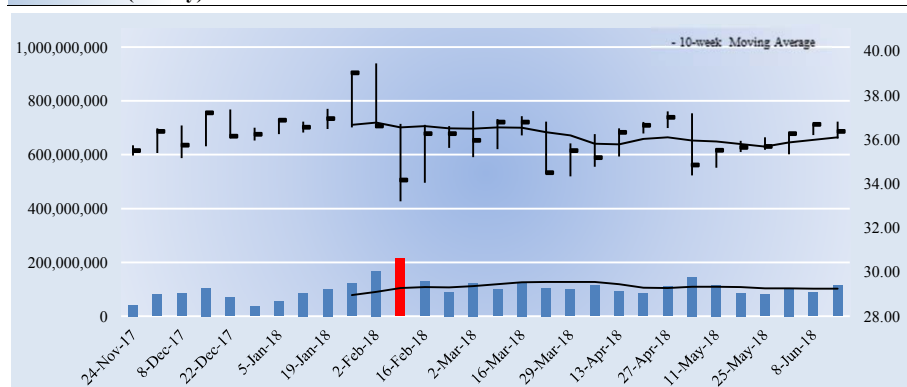
	Actual	Projected
Fiscal Year End:	Dec-15	Dec-16
Revenue	63,056	62,799
Revenue, YoY%	-5.4%	-0.4%
Operating Income	9,712	9,785
Operating Margin %	15.4%	15.6%
Net Income	5,452	6,329
Net Income Margin %	8.6%	10.1%
Diluted EPS	3.67	4.36
Diluted EPS, YoY %	-13.9%	18.7%
Free Cash Flow (CFO-capex)	7,822	7,364
Free Cash Flow Margin %	12.4%	11.7%

In Millions of USD (except for per share items)

Pfizer PFE FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$40.00	Fair Value Range \$32.00 - \$48.00	Investment Style MEGA-CAP VALUE	Sector Health Care	Industry Pharmaceuticals - Big
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Pfizer's oncology growth is expected to be fueled by IBRANCE and XTANDI, and it anticipates reaching 28 approved oncology indications in 2020 from 17 in 2017.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$220,269
Avg Weekly Vol (30 wks)	102,353
30-week Range (USD)	33.2 - 39.43
Valuentum Sector	Health Care
5-week Return	2.4%
13-week Return	-1.2%
30-week Return	2.8%
Dividend Yield %	3.7%
Dividends per Share	1.36
Forward Dividend Payout Ratio	45.6%
Est. Normal Diluted EPS	3.22
P/E on Est. Normal Diluted EPS	11.3
Est. Normal EBITDA	24,789
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	9.8
Forward Revenue Growth (5-yr)	2.1%
Forward EPS Growth (5-yr)	-0.3%

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

Returns Summary

3-year Historical Average

Return on Equity	18.2%
Return on Assets	6.9%
ROIC, with goodwill	12.4%
ROIC, without goodwill	22.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	43,491
Net Debt	23,499
Total Debt/EBITDA	2.8
Net Debt/EBITDA	1.5
EBITDA/Interest	12.4
Current Ratio	1.4
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. The firm was founded in 1849 and is headquartered in New York, New York.

• Pfizer continues to deliver novel and differentiated future potential products, and oncology has become an area of focus. The firm's oncology growth is expected to be fueled by IBRANCE and XTANDI, and it anticipates reaching 28 approved oncology indications in 2020 from 17 in 2017.

• 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 is expecting revenue to grow ~4% to \$53.5-\$55.5 billion in 2018, and it anticipates 11% growth in adjusted diluted earnings per share for the year (to a range of \$2.90-\$3.00). Though it is a small fraction of its overall business, Pfizer's biosimilar operations have grown at a robust rate in recent quarters. 'Innovative Health' has been a source of strength as well.

• Pfizer recently announced it is exploring a sale or spin-off of its Consumer Healthcare business, which could go for \$10+ billion. The unit includes products such as Advil and Centrum. Pfizer recently acquired Ancacor Phrama for \$5.2 billion in a deal that targeted its eczema gel product.

Structure of the Big Pharma Industry

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.

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	WEAK
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

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
Abbott	21.7	4.0	118.7%
AbbVie	12.7	1.5	104.8%
Eli Lilly	16.7	NMF	112.8%
Merck	14.5	1.7	100.0%
Peer Median	15.6	1.7	108.8%
Pfizer	12.2	NMF	90.9%

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

Financial Summary

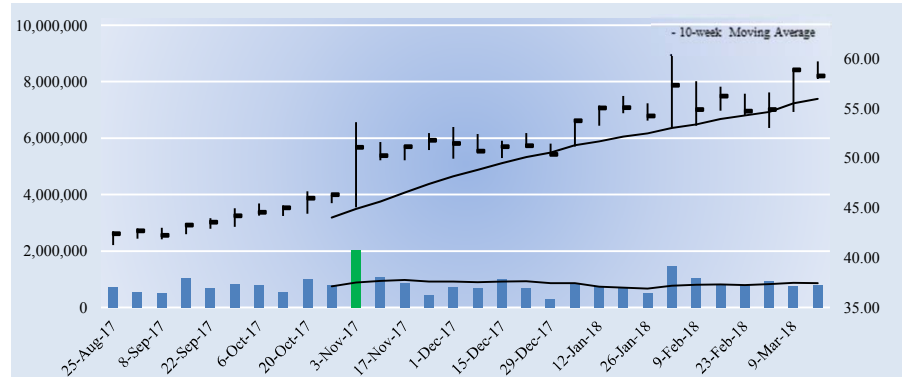
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	52,824	52,546
Revenue, YoY%	8.1%	-0.5%
Operating Income	13,730	14,107
Operating Margin %	26.0%	26.8%
Net Income	7,198	21,307
Net Income Margin %	13.6%	40.5%
Diluted EPS	1.17	3.52
Diluted EPS, YoY %	5.2%	200.9%
Free Cash Flow (CFO-capex)	13,902	14,253
Free Cash Flow Margin %	26.3%	27.1%

In Millions of USD (except for per share items)

Plantronics Inc PLT FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$52.00	Fair Value Range \$42.00 - \$62.00	Investment Style SMALL-CAP CORE	Sector Information Technology	Industry Communications Equipment
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Plantronics' business is sensitive to economic cycles, but the demand for headsets has generally grown over time for both business and consumer applications.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$1,920
Avg Weekly Vol (30 wks)	828
30-week Range (USD)	41.28 - 60.49
Valuentum Sector	Information Technology
5-week Return	5.6%
13-week Return	12.9%
30-week Return	40.3%
Dividend Yield %	1.0%
Dividends per Share	0.60
Forward Dividend Payout Ratio	17.8%
Est. Normal Diluted EPS	3.56
P/E on Est. Normal Diluted EPS	16.4
Est. Normal EBITDA	193
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	10.0
Forward Revenue Growth (5-yr)	1.6%
Forward EPS Growth (5-yr)	7.9%

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

Returns Summary

3-year Historical Average

Return on Equity	17.6%
Return on Assets	9.8%
ROIC, with goodwill	47.7%
ROIC, without goodwill	50.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	491
Net Debt	11
Total Debt/EBITDA	3.2
Net Debt/EBITDA	0.1
EBITDA/Interest	5.2
Current Ratio	6.0
Quick Ratio	5.3

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.

Structure of the Communications Equipment Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
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)	DETERIORATING
Near-term Technical Support, 10-week 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.

Relative Valuation

	Forward P/E	PEG	Price / FV
EchoStar	38.8	NMF	110.9%
Harris Corp	23.9	3.0	131.5%
QUALCOMM	34.1	1.6	90.2%
ViaSat	NMF	NMF	140.0%
Peer Median	34.1	2.3	121.2%
Plantronics Inc	17.3	2.9	112.0%

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

Financial Summary

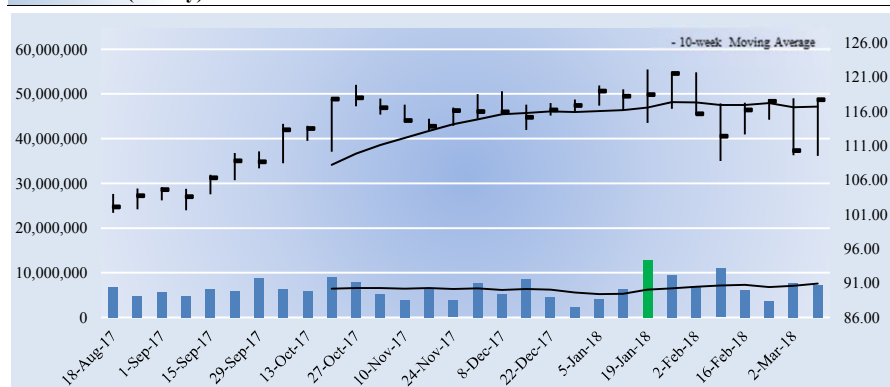
	Actual	Projected
Fiscal Year End:	Mar-16	Mar-17
Revenue	857	881
Revenue, YoY%	-0.9%	2.8%
Operating Income	123	129
Operating Margin %	14.4%	14.7%
Net Income	68	83
Net Income Margin %	8.0%	9.4%
Diluted EPS	1.96	2.51
Diluted EPS, YoY %	-25.7%	28.0%
Free Cash Flow (CFO-capex)	116	114
Free Cash Flow Margin %	13.6%	13.0%

In Millions of USD (except for per share items)

PPG Industries PPG FAIRLY VALUED**Buying Index™ 7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$105.00	Fair Value Range \$84.00 - \$126.00	Investment Style LARGE-CAP CORE	Sector Materials	Industry Chemicals - broad
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PPG Industries isn't too capital-intensive, has pricing power, and its top-market share position in the ~\$130 billion consolidating coatings industry is hard not to like.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$30,330
Avg Weekly Vol (30 wks)	6,543
30-week Range (USD)	101.2 - 122.0697
Valuentum Sector	Materials
5-week Return	2.0%
13-week Return	1.4%
30-week Return	15.7%
Dividend Yield %	1.5%
Dividends per Share	1.80
Forward Dividend Payout Ratio	27.2%
Est. Normal Diluted EPS	7.76
P/E on Est. Normal Diluted EPS	15.2
Est. Normal EBITDA	3,187
Forward EV/EBITDA	11.7
EV/Est. Normal EBITDA	10.3
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	10.4%

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

Returns Summary

3-year Historical Average

Return on Equity	22.3%
Return on Assets	6.8%
ROIC, with goodwill	15.5%
ROIC, without goodwill	23.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,146
Net Debt	2,655
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.1
EBITDA/Interest	24.0
Current Ratio	1.7
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 the entirety of its portfolio. Acquisitions are worth watching as management expects to remain active in M&A in the near term.

• PPG Industries is acquisitive, but we like its organic growth potential via emerging market expansion, increased sales content per airplane, and 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 ~\$130 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 ~17% of its cash usage in 2006-2016.

Structure of the Chemicals Industry

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.

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	VERY BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	117.00

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
DowDuPont	16.3	1.5	111.4%
Eastman Chemical	12.8	3.2	101.2%
Ecolab	25.0	4.1	151.6%
Praxair	23.9	2.1	145.5%
Peer Median	20.1	2.6	128.5%
PPG Industries	17.8	2.1	112.0%

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

Financial Summary

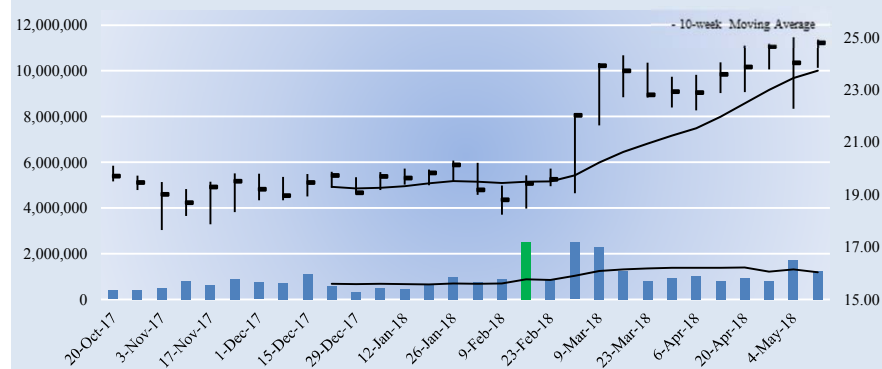
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	14,751	14,750
Revenue, YoY%	-3.8%	0.0%
Operating Income	2,098	2,063
Operating Margin %	14.2%	14.0%
Net Income	564	1,371
Net Income Margin %	3.8%	9.3%
Diluted EPS	2.11	5.32
Diluted EPS, YoY %	-58.9%	152.1%
Free Cash Flow (CFO-capex)	949	1,208
Free Cash Flow Margin %	6.4%	8.2%

In Millions of USD (except for per share items)

Perficient PRFT FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$25.00	Fair Value Range \$20.00 - \$30.00	Investment Style SMALL-CAP VALUE	Sector Information Technology	Industry Business Services
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We've raised our fair value estimate for Perficient after raising near-term expectations. Management raised its near-term guidance amid strength in large deals.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$844
Avg Weekly Vol (30 wks)	971
30-week Range (USD)	17.65 - 25
Valuentum Sector	Information Technology
5-week Return	7.7%
13-week Return	31.6%
30-week Return	24.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.70
P/E on Est. Normal Diluted EPS	14.6
Est. Normal EBITDA	100
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	26.8%

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

Returns Summary

3-year Historical Average

Return on Equity	6.0%
Return on Assets	4.5%
ROIC, with goodwill	13.6%
ROIC, without goodwill	43.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	55
Net Debt	49
Total Debt/EBITDA	1.0
Net Debt/EBITDA	0.9
EBITDA/Interest	29.0
Current Ratio	2.1
Quick Ratio	1.9

NMF = Not Meaningful

Investment Highlights

• Perficient is an IT consulting firm. The company designs, builds, and delivers business-driven technology solutions using third-party software products. Solutions include business integration, CRM, and custom applications, among others. It was founded in 1997 and is based in St. Louis, Missouri.

• Perficient has a number of things going for it over the long haul. The two biggest are a huge addressable market at \$200 billion and a ~95% repeat business rate. The firm continues to increase its average bill rate, and we think investors should expect further upside with this metric.

• Market forces behind Perficient's business include the ongoing digital transformation, the proliferation of cloud computing, the evolution of the healthcare industry, and a changing financial services regulatory environment. Its strategic growth drivers include geographic expansion, increased offshore presence, strategic account development, and M&A activity.

• The world's leading enterprises are increasingly turning to Perficient to help them design, develop and implement innovative digital experience business optimization and industry solutions. The firm expects this to be the year, it again approaches, achieves or even exceeds double-digit organic growth.

• Perficient seems to have the upper hand with respect to competitors. The company seems to win more than 60% of the time and against firms such as Accenture, Infosys, Cognizant, and Sapient. Nevertheless, win rates are worth keeping an eye on.

Structure of the Business Services Industry

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.

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)	DETERIORATING
Near-term Technical Support, 10-week MA	24.00

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

Business Quality

ValueCreation™

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

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Accenture	23.2	2.5	120.8%
Amdocs	16.2	2.0	98.9%
IHS Markit	22.8	2.2	118.7%
VMware	23.7	2.5	118.1%
Peer Median	23.0	2.3	118.4%
Perficient	16.3	1.7	99.2%

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

Financial Summary

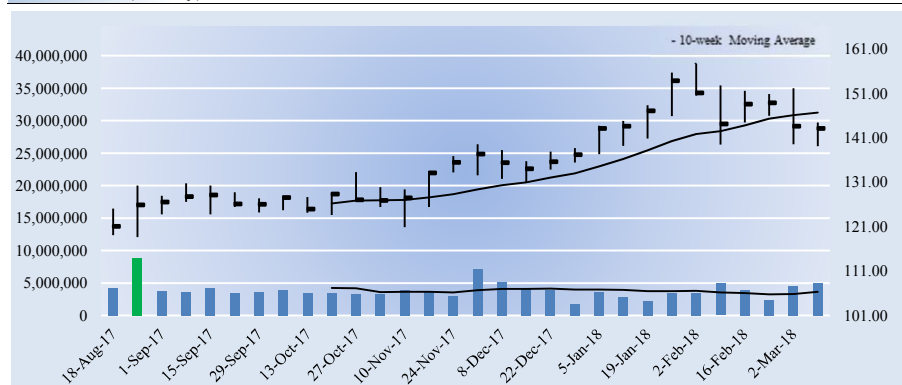
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	487	485
Revenue, YoY%	2.8%	-0.4%
Non-GAAP Operating Income	32	34
Non-GAAP EBIT %	6.5%	6.9%
Non-GAAP Net Income	20	19
Non-GAAP NI Margin %	4.2%	3.8%
Non-GAAP Diluted EPS	0.58	0.55
Non-GAAP Dil EPS, YoY %	-12.8%	-6.7%
Non-GAAP FCF (CFO-capex)	57	51
Non-GAAP FCF Margin %	11.6%	10.5%

In Millions of USD (except for per share items)

PVH Corp PVH FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$124.00	Fair Value Range \$99.00 - \$149.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Luxury - Established Brands
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The continued success of the Calvin Klein and Tommy Hilfiger brands remains vital to PVH's long-term health.

Stock Chart (weekly)

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

Company Vitals

Market Cap (USD)	\$11,574
Avg Weekly Vol (30 wks)	3,954
30-week Range (USD)	118.6601 - 157.96
Valuentum Sector	Consumer Discretionary
5-week Return	-4.9%
13-week Return	6.0%
30-week Return	14.8%
Dividend Yield %	0.1%
Dividends per Share	0.15
Forward Dividend Payout Ratio	1.9%
Est. Normal Diluted EPS	9.45
P/E on Est. Normal Diluted EPS	15.1
Est. Normal EBITDA	1,443
Forward EV/EBITDA	11.4
EV/Est. Normal EBITDA	9.7
Forward Revenue Growth (5-yr)	4.8%
Forward EPS Growth (5-yr)	9.4%

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

Returns Summary

3-year Historical Average

Return on Equity	11.6%
Return on Assets	4.7%
ROIC, with goodwill	8.1%
ROIC, without goodwill	11.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,216
Net Debt	2,486
Total Debt/EBITDA	3.0
Net Debt/EBITDA	2.4
EBITDA/Interest	9.2
Current Ratio	1.8
Quick Ratio	0.9

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.

• Europe, China, and Japan have been key sources of strength for PVH in recent quarters, while its North America operations have improved nicely, thanks in part to strong growth in its digital channel. Investors can expect increased marketing spend in the near term as management invests to drive brand relevance and consumer reach.

• 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 could bring further down the road. 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.

Structure of the Luxury Goods Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
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	147.00

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
Nike	28.3	1.7	116.3%
Philips	31.7	2.1	127.0%
Sony	NMF	0.9	116.8%
VF Corp	48.6	0.8	116.8%
Peer Median	31.7	1.3	116.8%
PVH Corp	18.1	2.2	115.4%

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

Financial Summary

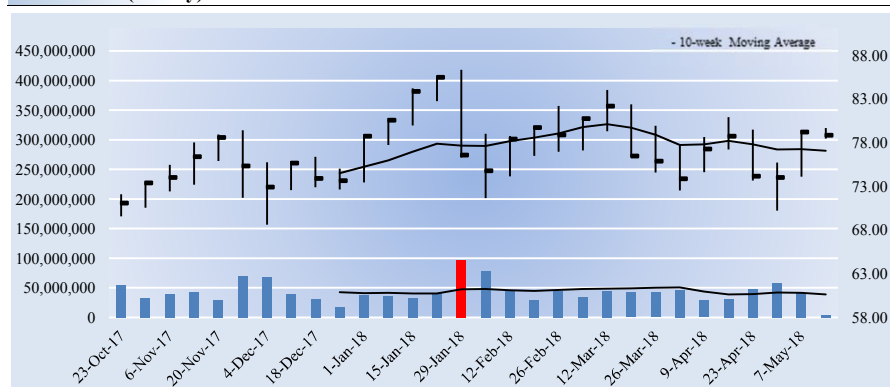
	Actual	Projected
Fiscal Year End:	Jan-16	Jan-17
Revenue	8,020	8,203
Revenue, YoY%	-2.7%	2.3%
Operating Income	744	734
Operating Margin %	9.3%	8.9%
Net Income	572	549
Net Income Margin %	7.1%	6.7%
Diluted EPS	6.89	6.79
Diluted EPS, YoY %	30.7%	-1.5%
Free Cash Flow (CFO-capex)	636	708
Free Cash Flow Margin %	7.9%	8.6%

In Millions of USD (except for per share items)

PayPal PYPL FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$81.00	Fair Value Range \$65.00 - \$97.00	Investment Style LARGE-CAP BLEND	Sector Information Technology	Industry Financial Tech Services
--------------------------------------	--	--	--	---	--

PayPal's near-term top and bottom-line growth expectations remain robust. Increasing levels of competition are a real threat, however.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$96,227
Avg Weekly Vol (30 wks)	43,103
30-week Range (USD)	68.61 - 86.32
Valuentum Sector	Information Technology
5-week Return	1.2%
13-week Return	1.4%
30-week Return	11.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.27
P/E on Est. Normal Diluted EPS	24.1
Est. Normal EBITDA	6,200
Forward EV/EBITDA	20.4
EV/Est. Normal EBITDA	14.8
Forward Revenue Growth (5-yr)	14.6%
Forward EPS Growth (5-yr)	23.2%

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

Returns Summary

3-year Historical Average

Return on Equity	10.9%
Return on Assets	4.7%
ROIC, with goodwill	17.7%
ROIC, without goodwill	27.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,000
Net Debt	-4,695
Total Debt/EBITDA	0.3
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.4
Quick Ratio	1.1

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, but further innovation will be necessary to remain effectively competitive.

• 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. The company expects transaction revenue to grow ~20% in 2018, and non-GAAP earnings per share are expected to be \$2.31-\$2.34.

• Competition continues to increase for PayPal, but none may be more concerning than Amazon, which is reportedly offering discounts to retailers using Amazon Pay. Shares have been volatile on news surrounding its agreement with eBay, which was ultimately extended through 2023.

Structure of the Financial Tech Services Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	HIGH
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	77.00

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

Bottomline Tech	NMF	NMF	113.2%
Fiserv	22.1	NMF	134.1%
Mastercard	29.4	2.2	106.3%
Visa	28.8	2.1	100.9%
Peer Median	28.8	2.1	109.7%
PayPal	33.3	2.3	97.3%

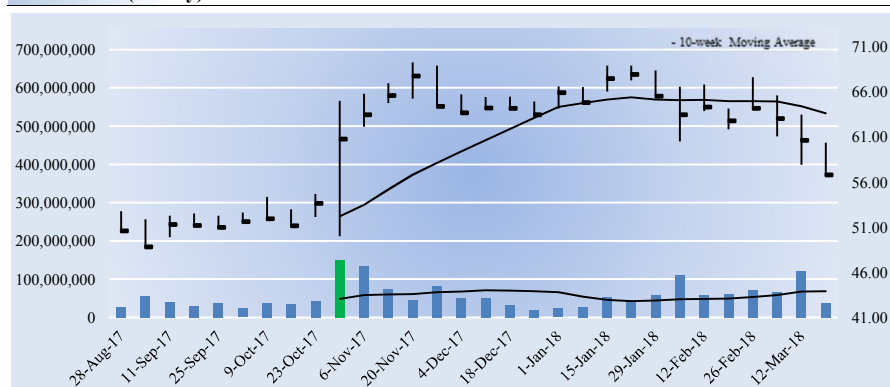
Price / FV = Current Stock Price divided by Estimated Fair Value

Financial Summary

----- Actual ----- Projected

Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	10,842	13,094	15,372
Revenue, YoY%	17.2%	20.8%	17.4%
Non-GAAP Operating Income	1,586	2,259	3,533
Non-GAAP EBIT %	14.6%	17.3%	23.0%
Non-GAAP Net Income	1,401	1,795	2,897
Non-GAAP NI Margin %	12.9%	13.7%	18.8%
Non-GAAP Diluted EPS	1.15	1.47	2.36
Non-GAAP Dil EPS, YoY %	15.1%	27.8%	60.8%
Non-GAAP FCF (CFO-capex)	2,489	1,864	3,547
Non-GAAP FCF Margin %	23.0%	14.2%	23.1%

In Millions of USD (except for per share items)

QUALCOMM QCOM FAIRLY VALUED**Buying Index™****3****Value Rating****Economic Castle**
Very Attractive**Estimated Fair Value**
\$63.00**Fair Value Range**
\$50.00 - \$76.00**Investment Style**
LARGE-CAP VALUE**Sector**
Information Technology**Industry**
Communications Equipment**Broadcom has officially withdrawn its hostile bid for QUALCOMM after President Trump issued an order to block the deal.****Stock Chart (weekly)**

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$84,647
Avg Weekly Vol (30 wks)	57,020
30-week Range (USD)	48.92 - 69.28
Valuentum Sector	Information Technology
5-week Return	-9.8%
13-week Return	-11.9%
30-week Return	9.7%
Dividend Yield %	4.0%
Dividends per Share	2.28
Forward Dividend Payout Ratio	136.8%
Est. Normal Diluted EPS	3.41
P/E on Est. Normal Diluted EPS	16.6
Est. Normal EBITDA	6,315
Forward EV/EBITDA	19.5
EV/Est. Normal EBITDA	10.8
Forward Revenue Growth (5-yr)	-0.3%
Forward EPS Growth (5-yr)	21.0%

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

Returns Summary

3-year Historical Average

Return on Equity	13.6%
Return on Assets	8.6%
ROIC, with goodwill	52.0%
ROIC, without goodwill	94.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	21,893
Net Debt	-16,685
Total Debt/EBITDA	3.8
Net Debt/EBITDA	NMF
EBITDA/Interest	11.8
Current Ratio	4.0
Quick Ratio	3.9

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. It was founded in 1985 and is headquartered in San Diego, California.

• Broadcom has officially withdrawn its hostile bid for QUALCOMM after President Trump issued an order to block the deal on grounds that the merger could impair US national security. Since then reports have surfaced that its former chairman and CEO is seeking funding to take QUALCOMM private.

• You know a firm's IP is one-of-a-kind when it continues to face antitrust lawsuits. However, serious concerns arose after the FTC and Apple filed charges against QUALCOMM for anticompetitive behavior. The FTC claims the company disrupted the supply of baseband processors to obtain elevated royalties and other favorable license terms. Patent infringement suits have been filed by both firms.

• 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. Intel has also accused the firm of a 'web of abusive practices.'

• QUALCOMM agreed to acquire NXP Semiconductors in a deal worth ~\$47 billion, building on mobile technology leadership in connectivity and SoC. Concerns that Chinese regulators may block the deal in retaliation for recent tariffs may have legs, but it is facing intense scrutiny regardless.

Structure of the Communications Equipment Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	HIGH
Growth	DECLINING
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	64.00

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

CIENA	19.2	NMF	97.1%
EchoStar	38.8	NMF	110.9%
Harris Corp	23.9	3.0	131.5%
ViaSat	NMF	NMF	140.0%
Peer Median	23.9	3.0	121.2%
QUALCOMM	34.1	1.6	90.2%

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

Financial Summary

----- Actual ----- Projected

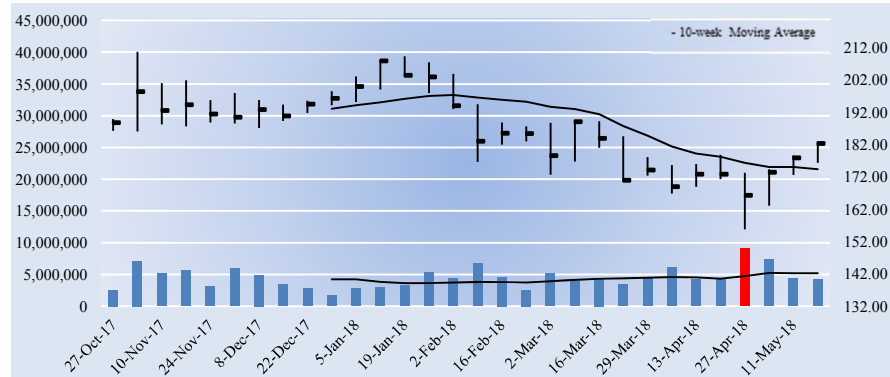
Fiscal Year End:	Sep-16	Sep-17	Sep-18
Revenue	23,554	22,291	21,096
Revenue, YoY%	-6.8%	-5.4%	-5.4%
Operating Income	6,269	4,356	2,063
Operating Margin %	26.6%	19.5%	9.8%
Net Income	5,705	2,466	2,433
Net Income Margin %	24.2%	11.1%	11.5%
Diluted EPS	3.81	1.66	1.67
Diluted EPS, YoY %	18.4%	-56.5%	0.7%
Free Cash Flow (CFO-capex)	6,861	4,003	4,037
Free Cash Flow Margin %	29.1%	18.0%	19.1%

In Millions of USD (except for per share items)

Rockwell Automation ROK FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$155.00	Fair Value Range \$124.00 - \$186.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Electrical Equipment - industrial
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Rockwell Automation remains focused on innovation and believes its singular focus on automation gives it a leg up.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$23,686
Avg Weekly Vol (30 wks)	4,535
30-week Range (USD)	155.81 - 210.72
Valuentum Sector	Industrials
5-week Return	4.7%
13-week Return	-1.1%
30-week Return	-3.4%
Dividend Yield %	2.0%
Dividends per Share	3.68
Forward Dividend Payout Ratio	46.5%
Est. Normal Diluted EPS	9.58
P/E on Est. Normal Diluted EPS	19.0
Est. Normal EBITDA	1,791
Forward EV/EBITDA	15.1
EV/Est. Normal EBITDA	12.8
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	11.8%

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

Returns Summary

3-year Historical Average

Return on Equity	34.5%
Return on Assets	11.8%
ROIC, with goodwill	35.6%
ROIC, without goodwill	57.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,844
Net Debt	-692
Total Debt/EBITDA	1.5
Net Debt/EBITDA	NMF
EBITDA/Interest	15.8
Current Ratio	2.1
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

- Rockwell Automation is the world's largest company dedicated to industrial automation. It operates in two segments, Architecture & Software (~46% of total sales) and Control Products & Solutions (~54% of total sales). The company operates in more than 80 countries, but the US accounts for ~55% of total sales. It was founded in 1903 and is headquartered in Milwaukee, Wisconsin.
- We agree with Rockwell that automation is a great market. The firm benefits from a number of tailwinds: an aging installed base, the need for productivity, the growing middle class in emerging markets, lower cost of computing and connectivity, and IT-OT convergence.
- Improving GDP and industrial production growth rates and stabilizing commodity prices are among the assumptions factoring into a positive outlook from management in the near term. The company remains focused on innovation and believes its singular focus on automation gives it a leg up. Information Solutions and Connected Services revenue is growing at a double digit clip.

- Rockwell Automation has some noteworthy long-term goals. The firm is targeting above-market revenue growth and earnings per share growth greater than revenue growth. It expects to generate 20%+ annual return on invested capital and convert more than 100% of net income to free cash flow each year.

- Management expects to deliver above-market revenue growth by gaining share in its core platforms, growing at a double digit rate in information solutions and connected services, and delivering at least one percentage point of annual revenue growth via acquisitions.

Structure of the Industrial Electrical Equipment Industry

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.

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 BULLISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Support, 10-week MA	174.00

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
Ametek	29.0	1.6	121.8%
Eaton	15.0	NMF	104.8%
General Cable	39.4	NMF	99.5%
Littelfuse	21.9	2.0	119.8%
Peer Median	25.5	1.8	112.3%
Rockwell Automation	23.1	2.4	117.6%

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

Financial Summary

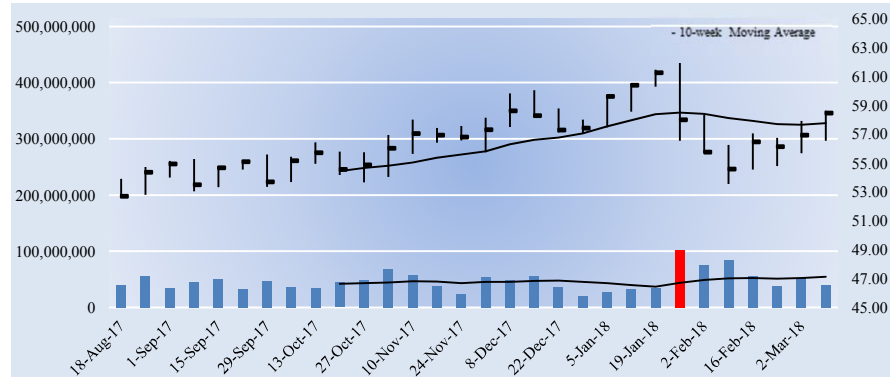
	Actual	Projected
Fiscal Year End:	Sep-16	Sep-17
Revenue	5,880	6,311
Revenue, YoY%	-6.8%	7.3%
Operating Income	1,008	1,033
Operating Margin %	17.1%	16.4%
Net Income	730	826
Net Income Margin %	12.4%	13.1%
Diluted EPS	5.57	6.36
Diluted EPS, YoY %	-8.7%	14.2%
Free Cash Flow (CFO-capex)	830	892
Free Cash Flow Margin %	14.1%	14.1%

In Millions of USD (except for per share items)

Starbucks SBUX FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$54.00	Fair Value Range \$43.00 - \$65.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Restaurants - Fast Food & Coffee
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Starbucks has one of the strongest and most-recognized brands in the world, and we think its digital leadership gives it further preference among younger generations.

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)	\$86,912
Avg Weekly Vol (30 wks)	47,343
30-week Range (USD)	52.58 - 61.94
Valuentum Sector	Consumer Discretionary
5-week Return	5.3%
13-week Return	0.1%
30-week Return	9.1%
Dividend Yield %	2.1%
Dividends per Share	1.20
Forward Dividend Payout Ratio	60.9%
Est. Normal Diluted EPS	2.89
P/E on Est. Normal Diluted EPS	20.2
Est. Normal EBITDA	6,978
Forward EV/EBITDA	16.3
EV/Est. Normal EBITDA	12.6
Forward Revenue Growth (5-yr)	8.5%
Forward EPS Growth (5-yr)	14.6%

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	51.5%
ROIC, without goodwill	68.6%

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. The company continues to innovate with ordering and other forms of customer-centric technology.

• 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 ongoing beverage innovation, recent step-change in food quality, and renewed focus on tea.

• Starbucks is investing in its digital capabilities, which we think provide it with a unique advantage with younger consumers when coupled with its brand strength--Fortune recently listed it as the world's third most admired company. As of the first quarter of fiscal 2018, mobile payments accounted for more than 30% of transactions at US company-operated stores.

• 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. Wage/labor cost pressures should be monitored as well.

Structure of the Restaurants Industry - Fast Food & Coffee

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.

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	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Support, 10-week MA	58.00

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
Dunkin' Brands	15.9	2.1	114.1%
McDonald's	24.7	2.4	121.9%
Wendy's Co	22.8	2.4	146.0%
Yum! Brands	22.0	4.3	122.0%
Peer Median	22.4	2.4	121.9%
Starbucks	29.7	2.1	108.3%

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

Financial Summary

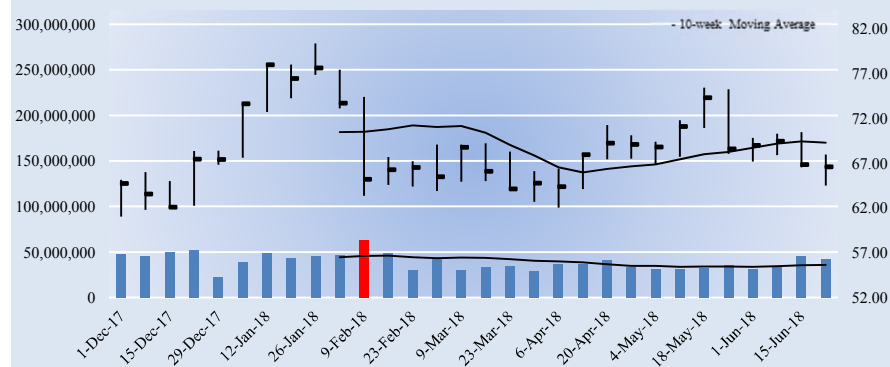
	Actual	Projected
Fiscal Year End:	Sep-15	Sep-16
Revenue	19,163	21,316
Revenue, YoY%	16.5%	11.2%
Operating Income	3,351	3,854
Operating Margin %	17.5%	18.1%
Net Income	2,757	2,818
Net Income Margin %	14.4%	13.2%
Diluted EPS	1.82	1.90
Diluted EPS, YoY %	34.5%	NMF
Free Cash Flow (CFO-capex)	2,445	3,135
Free Cash Flow Margin %	12.8%	14.7%

In Millions of USD (except for per share items)

Schlumberger SLB FAIRLY VALUED**Buying Index™ 3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$72.00	Fair Value Range \$58.00 - \$86.00	Investment Style LARGE-CAP BLEND	Sector Energy	Industry Energy Equipment - Large
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Technology remains at the core of Schlumberger, and such dedication has it well-positioned to take advantage of rising spending levels in exploration and production.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$92,413
Avg Weekly Vol (30 wks)	39,583
30-week Range (USD)	61.05 - 80.35
Valuentum Sector	Energy
5-week Return	-11.0%
13-week Return	2.7%
30-week Return	7.9%
Dividend Yield %	3.0%
Dividends per Share	2.00
Forward Dividend Payout Ratio	101.5%
Est. Normal Diluted EPS	3.38
P/E on Est. Normal Diluted EPS	19.7
Est. Normal EBITDA	10,278
Forward EV/EBITDA	13.9
EV/Est. Normal EBITDA	10.3
Forward Revenue Growth (5-yr)	10.0%
Forward EPS Growth (5-yr)	-233.0%

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

Returns Summary

3-year Historical Average

Return on Equity	-0.8%
Return on Assets	-0.4%
ROIC, with goodwill	14.4%
ROIC, without goodwill	26.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	18,199
Net Debt	13,110
Total Debt/EBITDA	2.8
Net Debt/EBITDA	2.0
EBITDA/Interest	11.5
Current Ratio	1.2
Quick Ratio	0.9

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, BHGE, 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 continue to tighten. Third party sources estimate world liquids demand for 2018 and 2019 to be 100.2 million and 101.7 million barrels per day, respectively, compared to 98.1 million in 2017 and 96.4 million in 2016.

• Schlumberger believes it is positioned to remain at the foreground of multiple industry-wide trends, including the need for higher E&P spending, new business models that promote collaboration, and technology platforms that combine software, hardware, and data. Opportunity is present, but the crude oil markets must cooperate. Global production cap agreement quota hit rates should be watched.

• Schlumberger expects global oil production activity to continue growing in 2018 as the oil markets work back into balance. Positive sentiments in E&P are reflected in its expectations for industry spending to grow 15%-20% in North American markets and 5% in international markets, but E&P spending remains below medium-term industry needs.

• 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.

Structure of the Energy Equipment Industry

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.

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	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	69.00

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

Baker Hughes	NMF	NMF	85.7%
Halliburton	18.7	NMF	98.3%
National Oilwell Varco	NMF	NMF	103.9%
TechnipFMC	22.9	2.6	104.3%
Peer Median	20.8	NMF	101.1%
Schlumberger	33.8	NMF	92.5%

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

Financial Summary

----- Actual ----- Projected

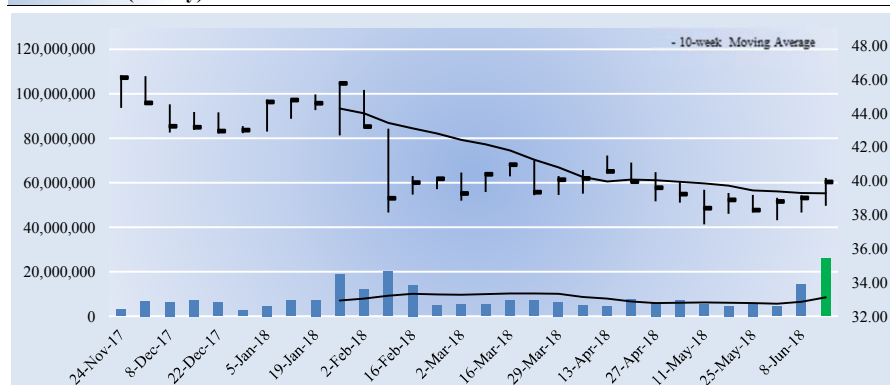
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	28,010	30,440	34,154
Revenue, YoY%	-21.6%	8.7%	12.2%
Operating Income	2,285	2,678	3,666
Operating Margin %	8.2%	8.8%	10.7%
Net Income	-1,687	-1,505	2,734
Net Income Margin %	-6.0%	-4.9%	8.0%
Diluted EPS	-1.24	-1.08	1.97
Diluted EPS, YoY %	NMF	NMF	NMF
Free Cash Flow (CFO-capex)	3,576	3,280	5,096
Free Cash Flow Margin %	12.8%	10.8%	14.9%

In Millions of USD (except for per share items)

Sanofi SNY FAIRLY VALUED**Buying Index™****7****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$44.00	Fair Value Range \$35.00 - \$53.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Pharmaceuticals - Big
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Sanofi recently acquired Bioverativ, a biotech with a leading presence in hemophilia, for \$11.6 billion.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$50,596
Avg Weekly Vol (30 wks)	8,086
30-week Range (USD)	37.43 - 46.25
Valuentum Sector	Health Care
5-week Return	3.2%
13-week Return	-3.0%
30-week Return	-10.5%
Dividend Yield %	4.7%
Dividends per Share (in EUR)	1.86
Forward Dividend Payout Ratio	65.1%
Est. Normal Diluted EPS (in EUR)	3.32
P/E on Est. Normal Diluted EPS	10.4
Est. Normal EBITDA (in EUR)	9,406
Forward EV/EBITDA	5.7
EV/Est. Normal EBITDA	5.2
Forward Revenue Growth (5-yr)	2.4%
Forward EPS Growth (5-yr)	4.8%

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

Returns Summary

3-year Historical Average

Return on Equity	7.4%
Return on Assets	4.2%
ROIC, with goodwill	5.2%
ROIC, without goodwill	11.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of EUR

Total Debt	15,601
Net Debt	5,286
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.5
EBITDA/Interest	25.9
Current Ratio	1.7
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Sanofi is a global healthcare leader. The firm has seven growth platforms: diabetes solutions, vaccines, innovative drugs, consumer healthcare, emerging markets, animal health and the new Genzyme. Sanofi is looking to the orphan drug market to make an impact. There are drugs available for only ~300 out of >7,000 orphan diseases. The orphan-only drug market is growing at a high-single-digit pace.

• Sanofi has released a '2020 Roadmap' for long-term growth. Sales are expected to advance at a CAGR between 3%-4% on a constant currency basis, six major launches are expected generate aggregate sales of €12-€14 billion, and targeted cost saving will drive constant currency EPS growth above that of sales.

• Sanofi has a solid position across much of its portfolio. It generates about two thirds of revenue from both the United States and emerging markets, about evenly split. Both regions are growing nicely. Sanofi invests billions in R&D each year and has a large number of late-stage projects; it expects to grow annual R&D spending to €6 billion by 2020. Rare disease and multiple sclerosis are key opportunities.

• Sanofi is expecting to face a number of challenges moving forward. Affordability is a key concern around the globe, price pressure from payers in developed markets is expected, biosimilar threats and the risk of interchangeability are increasing, economic growth in emerging markets is slowing, and more focused competitors are emerging in its leadership positions.

• Sanofi recently acquired Bioverativ, a biotech with a leading presence in hemophilia, for \$11.6 billion. Management expects the deal to achieve an ROIC greater than Sanofi's cost of capital within three years, and it should be able to preserve its A1/AA/AA credit rating.

Structure of the Big Pharma Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	GOOD
ValueRisk™	LOW
ValueTrend™	NEGATIVE
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)	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

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
Abbott	21.7	4.0	118.7%
Eli Lilly	16.7	NMF	112.8%
Merck	14.5	1.7	100.0%
Pfizer	12.2	NMF	90.9%
Peer Median	15.6	2.9	106.4%
Sanofi	12.1	1.6	90.8%

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

Financial Summary

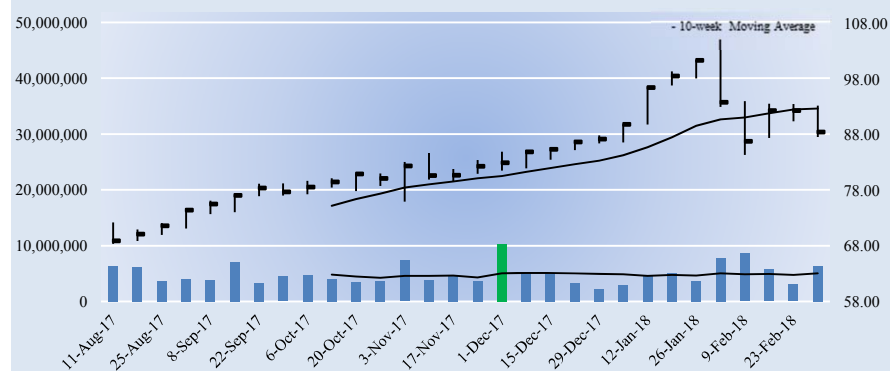
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	34,708	36,204
Revenue, YoY%	-0.4%	4.3%
Non-GAAP Operating Income	7,656	7,197
Non-GAAP EBIT %	22.1%	19.9%
Non-GAAP Net Income	4,395	3,791
Non-GAAP NI Margin %	12.7%	10.5%
Non-GAAP Diluted EPS	3.39	2.99
Non-GAAP Dil EPS, YoY %	1.5%	-11.8%
Non-GAAP Free Cash Flow	5,755	5,423
Non-GAAP FCF Margin %	16.6%	15.0%

In Millions of EUR (except for per share items)

Spirit AeroSystems SPR FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$76.00	Fair Value Range \$61.00 - \$91.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry A&D Suppliers
--------------------------------------	--	--	---	------------------------------	----------------------------------

Ongoing air traffic growth should continue to drive demand for Spirit AeroSystems, and its backlog is several times its annual revenue.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$10,439
Avg Weekly Vol (30 wks)	4,959
30-week Range (USD)	68.35 - 105.2
Valuentum Sector	Industrials
5-week Return	-12.9%
13-week Return	5.8%
30-week Return	23.6%
Dividend Yield %	0.5%
Dividends per Share	0.40
Forward Dividend Payout Ratio	6.2%
Est. Normal Diluted EPS	7.28
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	1,384
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	8.1
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	20.9%

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

Returns Summary

3-year Historical Average

Return on Equity	28.1%
Return on Assets	9.8%
ROIC, with goodwill	16.7%
ROIC, without goodwill	16.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,151
Net Debt	726
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.9
EBITDA/Interest	19.3
Current Ratio	1.6
Quick Ratio	0.7

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. Air traffic is expected to grow at a ~5% CAGR for the next 20 years, providing a long runway for growth.

• Spirit is expecting another year of modest revenue growth in 2017, with guidance coming in a range of \$7.1-\$7.2 billion compared to just under \$7 billion in 2017. Earnings per diluted share guidance has been issued in a range of \$6.25-\$6.50 (~22% y-o-y growth), while free cash flow is being targeted at \$550-\$600 million for the year compared to ~\$300 million in 2017.

• The company makes aerostructures for every Boeing commercial aircraft currently in production, 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 ~\$47.5 billion at the end of 2017 from \$19 billion in 2006.

• 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.

Structure of the A&D Supplier Industry

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.

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	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	DETERIORATING
Near-term Technical Resistance, 10-wk 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.

Relative Valuation

	Forward P/E	PEG	Price / FV
Astronics	20.2	1.6	97.6%
Hexcel Corp	21.6	1.7	122.1%
Rockwell Collins	18.9	1.6	100.0%
Textron	18.5	1.5	122.7%
Peer Median	19.5	1.6	111.0%
Spirit AeroSystems	13.7	1.4	116.5%

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

Financial Summary

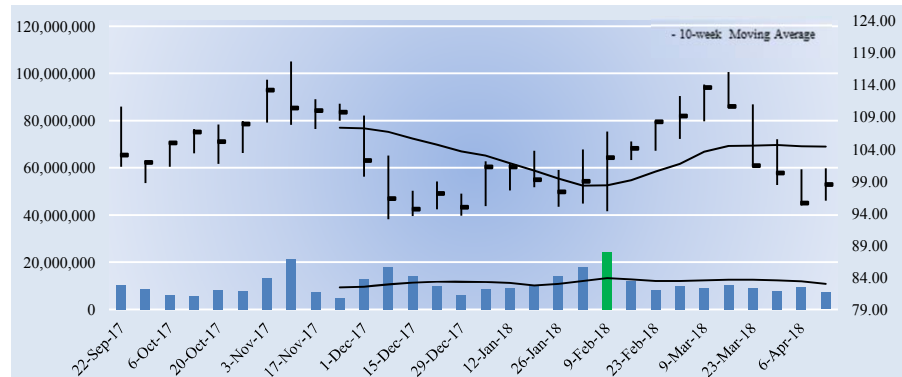
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	6,793	6,983
Revenue, YoY%	2.2%	2.8%
Operating Income	737	589
Operating Margin %	10.9%	8.4%
Net Income	471	355
Net Income Margin %	6.9%	5.1%
Diluted EPS	3.71	3.01
Diluted EPS, YoY %	NMF	NMF
Free Cash Flow (CFO-capex)	463	301
Free Cash Flow Margin %	6.8%	4.3%

In Millions of USD (except for per share items)

Skyworks SWKS FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$113.00	Fair Value Range \$85.00 - \$141.00	Investment Style LARGE-CAP VALUE	Sector Information Technology	Industry Integrated Circuits
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Mobile devices are rapidly evolving to address the massive demand for data and speed, and Skyworks is well-positioned to help resolve such a complex issue.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$18,384
Avg Weekly Vol (30 wks)	10,760
30-week Range (USD)	93.05 - 117.65
Valuentum Sector	Information Technology
5-week Return	-14.0%
13-week Return	-3.6%
30-week Return	-10.3%
Dividend Yield %	1.3%
Dividends per Share	1.28
Forward Dividend Payout Ratio	17.3%
Est. Normal Diluted EPS	8.88
P/E on Est. Normal Diluted EPS	11.1
Est. Normal EBITDA	2,122
Forward EV/EBITDA	9.3
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	6.6%
Forward EPS Growth (5-yr)	13.1%

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

Returns Summary

3-year Historical Average

Return on Equity	28.1%
Return on Assets	24.7%
ROIC, with goodwill	51.2%
ROIC, without goodwill	82.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-1,617
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	6.8
Quick Ratio	5.3

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 39% of net revenue in fiscal 2017, and its three largest customers (Foxconn, Samsung, and Huawei Technology) comprised 61% of net revenue.

• 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.

Structure of the Integrated Circuits Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	POSITIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Resistance, 10-wk MA	104.00

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
Analog Devices	16.2	1.8	114.5%
Nvidia	36.6	2.4	112.4%
Semtech Corp	19.7	1.9	116.9%
Taiwan Semiconductor	17.4	2.6	118.5%
Peer Median	18.6	2.2	115.7%
Skyworks	13.3	1.4	87.1%

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

Financial Summary

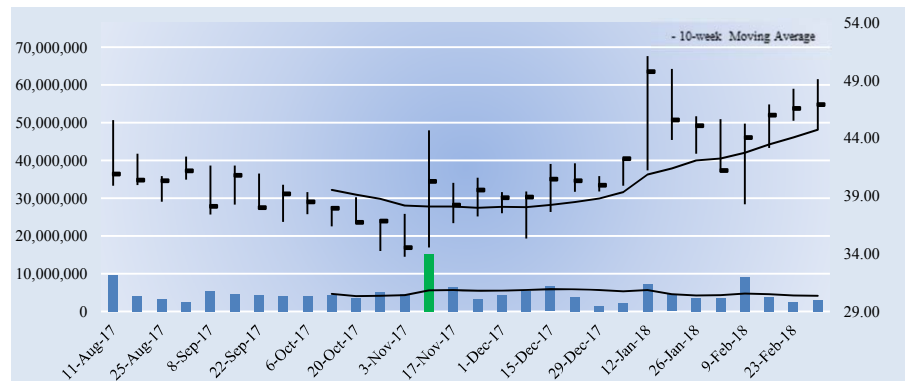
	Actual	Projected
Fiscal Year End:	Sep-16	Sep-17
Revenue	3,289	3,651
Revenue, YoY%	0.9%	11.0%
Operating Income	1,124	1,254
Operating Margin %	34.2%	34.4%
Net Income	995	1,010
Net Income Margin %	30.3%	27.7%
Diluted EPS	5.18	5.41
Diluted EPS, YoY %	26.5%	4.4%
Free Cash Flow (CFO-capex)	900	1,156
Free Cash Flow Margin %	27.4%	31.7%

In Millions of USD (except for per share items)

Synaptics SYNA FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$64.00	Fair Value Range \$42.00 - \$86.00	Investment Style SMALL-CAP VALUE	Sector Information Technology	Industry Computers & Peripherals
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Synaptics is working to expand its addressable market, which it expects to hit \$10.6 billion in calendar 2020. New IoT products are expected to be a core driver of this expansion.

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)	\$1,778
Avg Weekly Vol (30 wks)	4,889
30-week Range (USD)	33.73 - 51.12
Valuentum Sector	Information Technology
5-week Return	4.2%
13-week Return	19.6%
30-week Return	3.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.39
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	283
Forward EV/EBITDA	9.4
EV/Est. Normal EBITDA	5.9
Forward Revenue Growth (5-yr)	1.8%
Forward EPS Growth (5-yr)	12.5%

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

Returns Summary

3-year Historical Average

Return on Equity	10.7%
Return on Assets	6.4%
ROIC, with goodwill	62.4%
ROIC, without goodwill	83.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	236
Net Debt	-117
Total Debt/EBITDA	1.2
Net Debt/EBITDA	NMF
EBITDA/Interest	40.6
Current Ratio	2.2
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Synaptics provides custom human interface solutions for navigation, cursor control, and multimedia controls for personal computer OEMs. The company generates half of its revenue from mobile smartphones and feature phones. It was founded in 1986 and is headquartered in California.

• Synaptics is working to expand its addressable market, which it expects to hit \$10.6 billion in calendar 2020. Acquisitions will help this, and it expects nearly a quarter of its addressable market in calendar 2020 to come from new consumer products in the Internet of Things.

• When you think of what the future might hold for fingerprint (human) identification technology applications, the sky is the limit. Synaptics is heavily exposed to the eventuality of more advanced human interface products, and we think the company has long-term potential. Ongoing innovation will be necessary, however, and obsolescence risk is prevalent.

• Synaptics expects its core market opportunities (number of end devices for which its products are applicable) to continue growing for the foreseeable future. Key areas of demand growth will be biometrics, touchpads, touchscreens, data dictionaries (DDIC), and touch and display integration (TDDI).

• Synaptics has been acquisitive of late. The firm recently purchased smart home system video and audio processing maker Conexant for \$300 million, as well as the Multimedia Solutions business of Marvell Tech for \$95 million.

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	BULLISH
Relative Strength	STRONG
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

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
NetApp	33.6	3.0	148.2%
Seagate	13.4	4.3	142.4%
Tech Data	29.5	0.7	91.8%
Western Digital	7.1	2.3	119.9%
Peer Median	21.4	2.6	131.2%
Synaptics	34.2	1.0	73.3%

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

Financial Summary

	Actual	Projected
Fiscal Year End:	Jun-15	Jun-16
Revenue	1,703	1,667
Revenue, YoY%	79.7%	-2.1%
Operating Income	143	90
Operating Margin %	8.4%	5.4%
Net Income	110	72
Net Income Margin %	6.5%	4.3%
Diluted EPS	2.84	1.91
Diluted EPS, YoY %	125.5%	-32.9%
Free Cash Flow (CFO-capex)	152	224
Free Cash Flow Margin %	8.9%	13.4%

In Millions of USD (except for per share items)

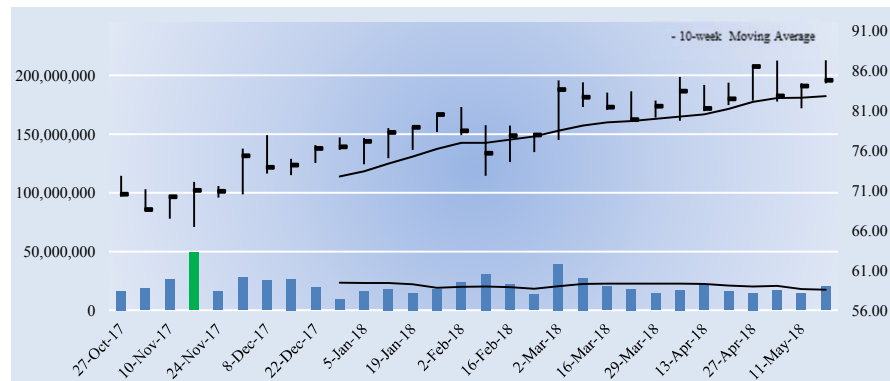
Structure of the Computers & Peripherals Industry**POOR**

Firms in the computer and peripherals industry primarily make storage solutions, while others may offer custom-designed computer/mobile interface solutions or other ancillary computer/mobile products. The industry is characterized by rapid technological change, which has not only increased the adoption of technologies for use in a variety of devices but also has put significant pricing/gross-margin pressure on industry constituents. Competition is fierce, threats of over-supply are continuous, and the prospects for generating long-term competitive advantages are negligible. We don't like the structure of the group.

TJX Cos TJX FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$80.00	Fair Value Range \$60.00 - \$100.00	Investment Style LARGE-CAP CORE	Sector Consumer Discretionary	Industry Retail - Under 30, Off-Price, Sport Apparel
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Customer traffic continues to be the primary driver behind strong comps performance at TJX Cos as average tickets have been impacted by the heavily-promotional retail environment.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$54,783
Avg Weekly Vol (30 wks)	20,998
30-week Range (USD)	66.44 - 87.31
Valuentum Sector	Consumer Discretionary
5-week Return	3.4%
13-week Return	9.7%
30-week Return	17.7%
Dividend Yield %	1.8%
Dividends per Share	1.56
Forward Dividend Payout Ratio	31.8%
Est. Normal Diluted EPS	5.90
P/E on Est. Normal Diluted EPS	14.4
Est. Normal EBITDA	5,720
Forward EV/EBITDA	10.8
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	5.3%
Forward EPS Growth (5-yr)	11.7%

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

Returns Summary

3-year Historical Average

Return on Equity	53.1%
Return on Assets	19.4%
ROIC, with goodwill	63.0%
ROIC, without goodwill	66.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,231
Net Debt	-1,034
Total Debt/EBITDA	0.5
Net Debt/EBITDA	NMF
EBITDA/Interest	149.2
Current Ratio	1.7
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• TJX Cos is a leading off-price apparel and home fashions retailer in the US and worldwide. The firm believes its business model is one of the most flexible in the world and that it has one of the broadest demographic reaches in retail. It aims to offer brand name and designer merchandise at 20%-60% discounts to full-price retailers. TJX Cos was founded in 1956 and is based in Massachusetts.

• Over its nearly 40-year history, TJX Cos' annual same-store sales have declined only one time, and it has delivered strong earnings expansion and some of the highest financial returns in the retail sector. We love its ValueCreation rating and Economic Castle.

• Driving traffic and same-store sales growth will be the biggest growth driver for established TJX Cos. The firm believes it has huge opportunity to gain even more market share by attracting younger customers and leveraging its global marketing strategy through an integrated approach that includes growing its e-commerce presence.

• Customer traffic continues to be the primary driver behind strong comps performance at TJX Cos as average tickets have been impacted by the heavily-promotional retail environment. The company expects comps growth of 1%-2% in fiscal 2018, and EPS guidance was recently raised to a range of \$4.03-\$4.10 (was \$4.00-\$4.08).

• TJX believes it is gaining share in the challenging retail operating environment, and it continues to invest to support its growth plans. Management believes its global store count has potential to hit 5,600 over the long haul from 4,070 at the end of fiscal 2017.

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	83.00

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

Abercrombie & Fitch	NMF	NMF	117.7%
American Eagle	15.9	2.8	115.5%
Gap	11.9	1.8	95.7%
Ross Stores	20.1	2.7	125.0%
Peer Median	15.9	2.7	116.6%
TJX Cos	17.3	1.8	106.0%

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

Financial Summary

----- Actual -----

Projected

Fiscal Year End:	Jan-17	Jan-18	Jan-19
Revenue	33,184	35,865	37,873
Revenue, YoY%	7.2%	8.1%	5.6%
Operating Income	3,850	3,987	4,223
Operating Margin %	11.6%	11.1%	11.2%
Net Income	2,298	2,608	3,102
Net Income Margin %	6.9%	7.3%	8.2%
Diluted EPS	3.46	4.04	4.90
Diluted EPS, YoY %	3.8%	16.7%	21.4%
Free Cash Flow (CFO-capex)	2,602	1,968	2,781
Free Cash Flow Margin %	7.8%	5.5%	7.3%

In Millions of USD (except for per share items)

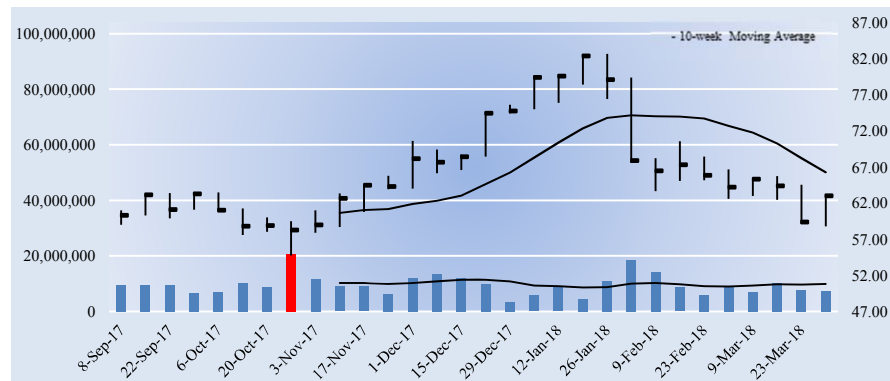
Structure of the Specialty Apparel (Under 30, Off-Price) Industry**NEUTRAL**

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.

Tractor Supply Co TSCO FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$59.00	Fair Value Range \$47.00 - \$71.00	Investment Style MID-CAP CORE	Sector Consumer Discretionary	Industry Specialty Retailers
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Tractor Supply Co has a loyal customer base, and we like its operating profit-based philosophy.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$8,079
Avg Weekly Vol (30 wks)	9,611
30-week Range (USD)	54.76 - 82.68
Valuentum Sector	Consumer Discretionary
5-week Return	-4.8%
13-week Return	-16.4%
30-week Return	5.3%
Dividend Yield %	1.7%
Dividends per Share	1.08
Forward Dividend Payout Ratio	26.1%
Est. Normal Diluted EPS	5.04
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	999
Forward EV/EBITDA	9.7
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	12.8%

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

Returns Summary

3-year Historical Average

Return on Equity	30.2%
Return on Assets	17.1%
ROIC, with goodwill	37.4%
ROIC, without goodwill	38.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	462
Net Debt	353
Total Debt/EBITDA	0.5
Net Debt/EBITDA	0.4
EBITDA/Interest	61.5
Current Ratio	1.9
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 nearly 1,700 stores in more than 45 states, focused on supplying the lifestyle needs of recreational farmers and ranchers. Its stores are primarily in towns outlying major metropolitan markets and in rural communities. 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.

• Management is expecting 2018 sales to be roughly \$7.69-\$7.77 billion, to be driven in part by comparable store sales growth expectations of 2%-3%. Diluted EPS guidance has been issued in a range of \$3.95-\$4.15. Operating margin pressure is expected via higher freight costs (rising transportation rates and fuel costs), wage investments, and pre-opening and other expenses related to its new distribution center.

• 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.

• 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 ~80 new Tractor Supply stores in 2018.

Structure of the Specialty Retailers Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	66.00

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

Best Buy	13.9	2.2	114.7%
Home Depot	18.7	1.9	112.8%
Lowe's	15.8	1.8	109.7%
Office Depot	6.9	1.2	53.8%
Peer Median	14.9	1.9	111.2%
Tractor Supply Co	15.2	1.5	106.8%

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

Financial Summary

----- Actual ----- Projected

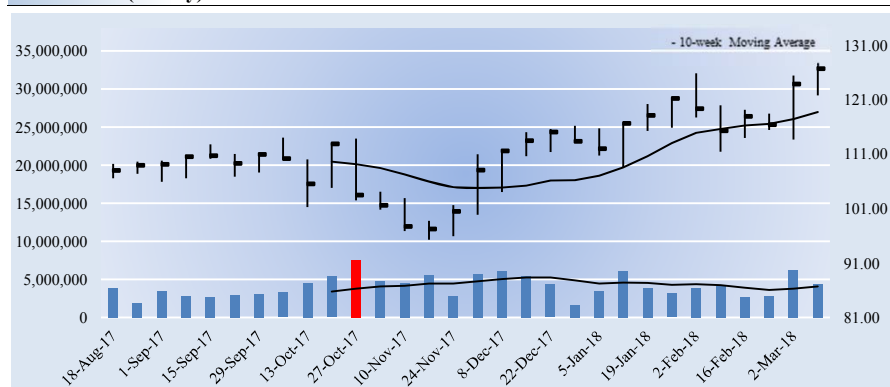
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	6,780	7,256	7,735
Revenue, YoY%	8.9%	7.0%	6.6%
Operating Income	694	686	690
Operating Margin %	10.2%	9.5%	8.9%
Net Income	437	423	520
Net Income Margin %	6.4%	5.8%	6.7%
Diluted EPS	3.27	3.30	4.14
Diluted EPS, YoY %	8.9%	0.9%	25.6%
Free Cash Flow (CFO-capex)	425	381	373
Free Cash Flow Margin %	6.3%	5.2%	4.8%

In Millions of USD (except for per share items)

Universal Health UHS FAIRLY VALUED**Buying Index™****5****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$133.00	Fair Value Range \$106.00 - \$160.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Health Care Services
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Universal Health has consistently grown its same-store adjusted admission trends above industry average since 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).

Company Vitals

Market Cap (USD)	\$12,461
Avg Weekly Vol (30 wks)	4,120
30-week Range (USD)	95.26 - 127.82
Valuentum Sector	Health Care
5-week Return	6.3%
13-week Return	13.1%
30-week Return	17.2%
Dividend Yield %	0.3%
Dividends per Share	0.40
Forward Dividend Payout Ratio	5.1%
Est. Normal Diluted EPS	11.19
P/E on Est. Normal Diluted EPS	11.3
Est. Normal EBITDA	2,106
Forward EV/EBITDA	9.1
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	15.2%

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

Returns Summary

3-year Historical Average

Return on Equity	17.7%
Return on Assets	7.5%
ROIC, with goodwill	19.3%
ROIC, without goodwill	34.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,136
Net Debt	4,102
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.7
EBITDA/Interest	20.8
Current Ratio	1.3
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Universal Health owns and operates ~250 locally-managed facilities, including acute care hospitals, behavioral health facilities and ambulatory surgery centers. It has a presence in more than 35 states, Puerto Rico and the Virgin Islands. The company was founded in 1978 and is headquartered in King of Prussia, Pennsylvania.

• In recent years, competition for patients has intensified in the US due to regulatory and technological changes, increased use of managed care payment systems, cost containment pressures and a shift toward outpatient treatment.

• Though its revenue is roughly evenly split between its 'Acute Care' and 'Behavioral' segments, the higher margin 'Behavioral' segment accounts for more than 60% of EBITDA. Revenue is somewhat diversified by state, with Nevada, Texas, and California accounting for ~18%, 17%, and 11%, respectively of total revenue. Same-store adjusted admissions growth has been above industry average since 2013.

• Universal Health is expecting 2018 net revenues to be in a range of \$10.923-\$11.063 billion, up from ~\$10.4 billion in 2017. EBITDA is projected to be \$1.758-\$1.837 billion, compared to \$1.71 billion in 2017, and adjusted diluted EPS is expected to be between \$9.25 and \$9.90, which represents a nice jump from \$7.81 in 2017.

• The hospitals industry still has compelling industry growth dynamics. Health spending is expected to grow ~5%+ annually through 2021, with hospitals representing the largest portion. The US population aged 65+ continues to grow.

Structure of the Healthcare Services Industry

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.

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	NEUTRAL
Relative Strength	STRONG
Money Flow Index (MFI)	OVERBOUGHT
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

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

Community Health	NMF	NMF	81.2%
DaVita	20.9	1.9	103.5%
Tenet Healthcare	NMF	NMF	134.3%
UnitedHealth Group	21.0	1.9	115.6%
Peer Median	20.9	1.9	109.6%
Universal Health	16.2	1.2	95.2%

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

Financial Summary

----- Actual ----- Projected

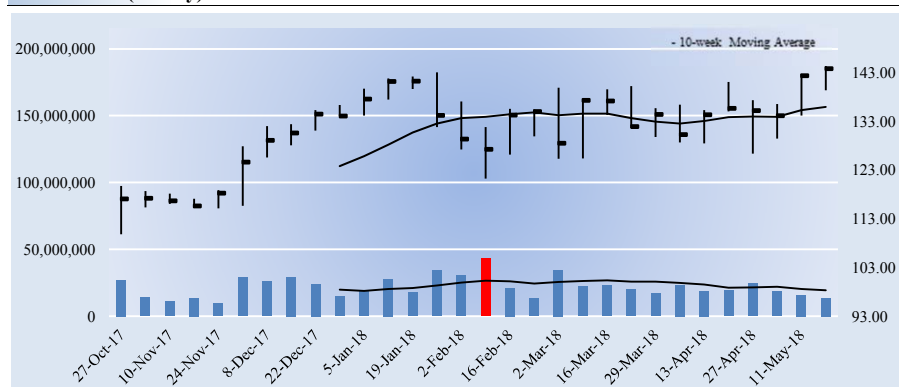
Fiscal Year End:	Dec-15	Dec-16	Dec-17
Revenue	9,043	9,766	10,410
Revenue, YoY%	12.1%	8.0%	6.6%
Operating Income	1,985	2,018	1,375
Operating Margin %	21.9%	20.7%	13.2%
Net Income	681	702	768
Net Income Margin %	7.5%	7.2%	7.4%
Diluted EPS	6.76	7.14	7.81
Diluted EPS, YoY %	24.6%	5.6%	9.4%
Free Cash Flow (CFO-capex)	642	747	596
Free Cash Flow Margin %	7.1%	7.6%	5.7%

In Millions of USD (except for per share items)

Union Pacific UNP FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$126.00	Fair Value Range \$101.00 - \$151.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Railroads
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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 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$115,284
Avg Weekly Vol (30 wks)	21,844
30-week Range (USD)	109.83 - 144.45
Valuentum Sector	Industrials
5-week Return	6.0%
13-week Return	8.0%
30-week Return	27.3%
Dividend Yield %	2.0%
Dividends per Share	2.92
Forward Dividend Payout Ratio	38.1%
Est. Normal Diluted EPS	9.15
P/E on Est. Normal Diluted EPS	15.7
Est. Normal EBITDA	12,544
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	10.4
Forward Revenue Growth (5-yr)	4.7%
Forward EPS Growth (5-yr)	-4.6%

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

Returns Summary

3-year Historical Average

Return on Equity	30.5%
Return on Assets	11.8%
ROIC, with goodwill	8.6%
ROIC, without goodwill	8.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	16,944
Net Debt	15,579
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.5
EBITDA/Interest	14.1
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 rebounded in 2017 despite weakness in some end markets.

• 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 62.6% in 2017) as part of its ultimate quest for an operating ratio of 55.

• 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 solid 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 our valuation.

Structure of the Railroads Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	POOR
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)	BEARISH
Near-term Technical Support, 10-week MA	136.00

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

Canadian National	16.0	NMF	122.3%
CSX Corp	20.4	NMF	135.7%
Kansas City Southern	17.5	1.1	117.2%
Norfolk Southern	17.9	NMF	131.5%
Peer Median	17.7	1.1	126.9%
Union Pacific	18.8	NMF	114.1%

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

Financial Summary

----- Actual -----

Projected

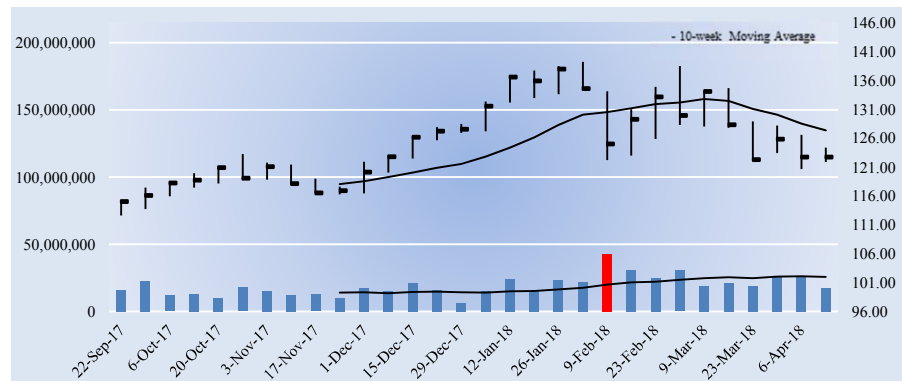
Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue	19,941	21,240	22,429
Revenue, YoY%	-8.6%	6.5%	5.6%
Operating Income	7,272	8,061	8,762
Operating Margin %	36.5%	38.0%	39.1%
Net Income	4,233	10,712	6,084
Net Income Margin %	21.2%	50.4%	27.1%
Diluted EPS	5.07	13.36	7.67
Diluted EPS, YoY %	-7.7%	163.7%	-42.6%
Free Cash Flow (CFO-capex)	4,020	3,992	5,028
Free Cash Flow Margin %	20.2%	18.8%	22.4%

In Millions of USD (except for per share items)

United Technologies UTX FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$110.00	Fair Value Range \$88.00 - \$132.00	Investment Style LARGE-CAP CORE	Sector Industrials	Industry Conglomerates
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United Technologies' agreement to acquire Rockwell Collins for \$30 billion is likely to face intense regulatory scrutiny, and its credit rating has been placed on review for downgrade.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$98,058
Avg Weekly Vol (30 wks)	19,175
30-week Range (USD)	112.65 - 139.24
Valuentum Sector	Industrials
5-week Return	-8.9%
13-week Return	-10.9%
30-week Return	8.2%
Dividend Yield %	2.3%
Dividends per Share	2.80
Forward Dividend Payout Ratio	39.2%
Est. Normal Diluted EPS	8.81
P/E on Est. Normal Diluted EPS	13.9
Est. Normal EBITDA	12,757
Forward EV/EBITDA	10.4
EV/Est. Normal EBITDA	9.1
Forward Revenue Growth (5-yr)	4.7%
Forward EPS Growth (5-yr)	13.1%

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

Returns Summary

3-year Historical Average

Return on Equity	16.9%
Return on Assets	5.3%
ROIC, with goodwill	9.8%
ROIC, without goodwill	19.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	27,485
Net Debt	18,500
Total Debt/EBITDA	2.9
Net Debt/EBITDA	2.0
EBITDA/Interest	9.3
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 Technologies has agreed to acquire Rockwell Collins for \$30 billion in cash and stock. The deal is expected to close in the third quarter of 2018, and United Tech will fund the cash portion of the transaction with ~\$14 billion in new debt. Its credit rating has been placed on review for downgrade.

• Though we have material concerns about the leverage levels of the to-be-combined entity, expectations for annual run rate cost synergies of \$500+ million by year four should help deleveraging efforts after the deal closes. The transaction is also likely to face significant levels of regulatory scrutiny, and forced asset sales could put synergy targets in jeopardy.

• Though near-term ebbs and flows to incremental growth are inevitable, China will be a long-term growth driver. The firm's medium term organic sales outlook by business breaks down as: 10%+ growth at Pratt & Whitney, 5%-7% growth at UTC Aerospace Systems, 3%-5% growth at Otis, and 3%-5% growth at United Tech (climate, controls, security).

• United Tech expects near term strength in its US and European commercial operations and the aerospace end market as well as cost reduction initiatives. Headwinds include higher engine deliveries, increased interest expense, and strategic investments in China. Commodities and pricing are worth monitoring.

Structure of the Conglomerates Industry

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.

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	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	127.00

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
3M	20.5	1.9	116.4%
Danaher	22.4	2.5	115.4%
General Electric	13.9	NMF	67.5%
Honeywell	18.2	1.7	98.7%
Peer Median	19.4	1.9	107.1%
United Technologies	17.2	1.6	111.6%

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

Financial Summary

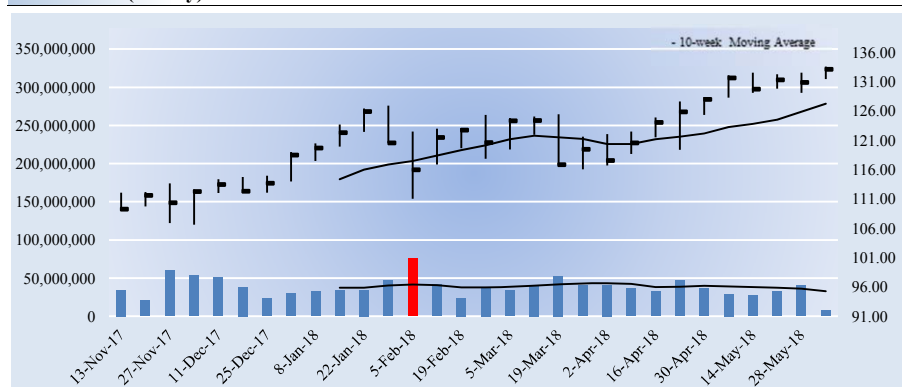
	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	57,244	59,837
Revenue, YoY%	2.0%	4.5%
Operating Income	7,387	7,314
Operating Margin %	12.9%	12.2%
Net Income	5,065	4,552
Net Income Margin %	8.8%	7.6%
Diluted EPS	6.13	5.70
Diluted EPS, YoY %	35.5%	-7.1%
Free Cash Flow (CFO-capex)	4,325	3,237
Free Cash Flow Margin %	7.6%	5.4%

In Millions of USD (except for per share items)

Visa V FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
Very Attractive	\$130.00	\$104.00 - \$156.00	MEGA-CAP GROWTH	Information Technology	Financial Tech Services

Visa benefits from one of the strongest competitive advantages out there – the network effect.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$318,703
Avg Weekly Vol (30 wks)	37,670
30-week Range (USD)	106.6 - 133.57
Valuentum Sector	Information Technology
5-week Return	3.6%
13-week Return	6.7%
30-week Return	19.3%
Dividend Yield %	0.6%
Dividends per Share	0.84
Forward Dividend Payout Ratio	18.5%
Est. Normal Diluted EPS	6.06
P/E on Est. Normal Diluted EPS	22.0
Est. Normal EBITDA	19,118
Forward EV/EBITDA	22.1
EV/Est. Normal EBITDA	17.2
Forward Revenue Growth (5-yr)	11.4%
Forward EPS Growth (5-yr)	22.1%

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

Returns Summary

3-year Historical Average

Return on Equity	22.6%
Return on Assets	12.6%
ROIC, with goodwill	36.5%
ROIC, without goodwill	66.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	18,367
Net Debt	3,898
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.3
EBITDA/Interest	22.6
Current Ratio	1.9
Quick Ratio	1.7

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 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. Visa added \$15+ billion debt to finance the deal, flipping its balance sheet to a net debt position. A year later, Visa Europe is ahead of its initial revenue projections, and its operating margins are expected to be at or above Visa's in fiscal 2018.

• Visa, along with other US payment card companies, is reportedly preparing to request licenses to operating in China in the near future. However, it could take up to two years for the requests to clear Chinese regulators. The space, which is expected to grow to 9 billion cards in circulation by 2020, is currently dominated by state-backed China UnionPay.

• 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, and it continues to have an attractive runway for growth.

Structure of the Financial Tech Services Industry

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.

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	127.00

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

Bottomline Tech	NMF	NMF	113.2%
Fiserv	22.1	NMF	134.1%
Mastercard	29.4	2.2	106.3%
Western Union	10.4	NMF	81.7%
Peer Median	22.1	2.2	109.7%
Visa	29.3	2.1	102.4%

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

Financial Summary

----- Actual ----- Projected

Fiscal Year End:	Sep-16	Sep-17	Sep-18
Revenue	15,082	18,358	20,671
Revenue, YoY%	8.7%	21.7%	12.6%
Non-GAAP Operating Income	9,762	12,163	14,204
Non-GAAP EBIT %	64.7%	66.3%	68.7%
Net Income	5,991	6,699	10,776
Net Income Margin %	39.7%	36.5%	52.1%
Diluted EPS	2.48	2.80	4.55
Diluted EPS, YoY %	-3.6%	12.7%	62.5%
Free Cash Flow (CFO-capex)	5,051	8,501	11,901
Free Cash Flow Margin %	33.5%	46.3%	57.6%

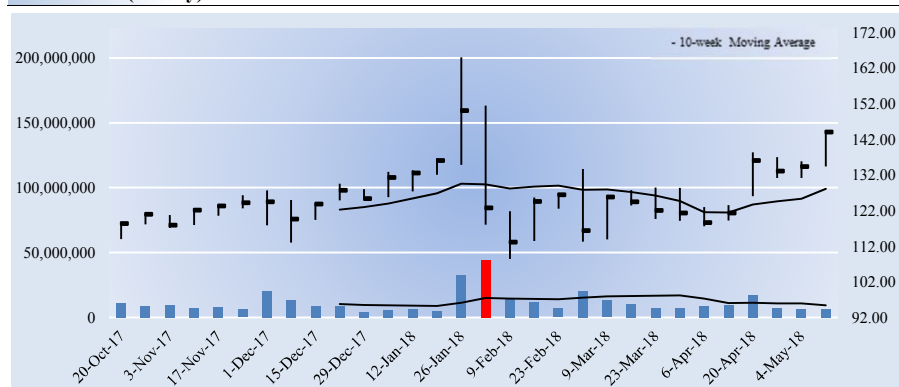
In Millions of USD (except for per share items)

EXCELLENT

VMware VMW FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$122.00	Fair Value Range \$98.00 - \$146.00	Investment Style LARGE-CAP CORE	Sector Information Technology	Industry Business Services
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VMware has a diversified set of foundational, market creating, and market disrupting products.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$59,542
Avg Weekly Vol (30 wks)	11,723
30-week Range (USD)	108.46 - 165
Valuentum Sector	Information Technology
5-week Return	20.8%
13-week Return	26.3%
30-week Return	26.4%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	7.09
P/E on Est. Normal Diluted EPS	20.3
Est. Normal EBITDA	4,052
Forward EV/EBITDA	15.0
EV/Est. Normal EBITDA	12.9
Forward Revenue Growth (5-yr)	6.9%
Forward EPS Growth (5-yr)	41.7%

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

Returns Summary

3-year Historical Average

Return on Equity	11.6%
Return on Assets	5.6%
ROIC, with goodwill	33.0%
ROIC, without goodwill	74.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,234
Net Debt	-7,419
Total Debt/EBITDA	2.0
Net Debt/EBITDA	NMF
EBITDA/Interest	28.6
Current Ratio	2.7
Quick Ratio	2.7

NMF = Not Meaningful

Investment Highlights

• VMware makes virtualization and cloud infrastructure solutions that enable businesses to thrive in the 'Cloud Era'. Customers rely on VMware to help them transform the way they build, deliver and consume IT resources. The company was incorporated in 1998 and is headquartered in Palo Alto, California.

• VMware has a diversified set of foundational, market creating, and market disrupting products. The firm invests ~55% of its R&D spending into market creating/disrupting products, which it believes will transform into fundamental products and grow its revenue substantially over time.

• VMware's revenue is diversified among license, maintenance, PSO and 'subscription and consumption' lines. The firm's partnerships with IBM and Amazon Web Services have the potential to expand its presence among enterprises. Its hybrid cloud and SaaS business continues to make up a growing portion of its business with 8% of total revenue at last check.

• VMware recently acquired Wavefront, which will enable the company to reach new digital enterprise customers such as application delivery and development teams that are working to gain greater insight into modern applications and associated containers and microservices.

• Shares of VMware have been impacted by reports surrounding a potential reverse merger with Dell, which would entail Dell buying the remaining ~18% of common shares it does not already own. Such a deal has the potential to put VMware's current partnerships at risk.

Structure of the Business Services Industry

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.

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)	BEARISH
Near-term Technical Support, 10-week MA	128.00

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
Accenture	23.2	2.5	120.8%
Amdocs	16.2	2.0	98.9%
IHS Markit	22.8	2.2	118.7%
Verint	13.3	NMF	77.6%
Peer Median	19.5	2.2	108.8%
VMware	23.7	2.5	118.1%

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

Financial Summary

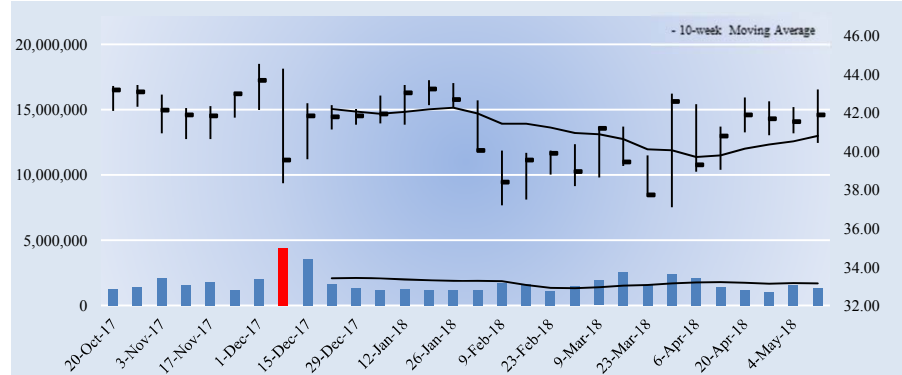
	Actual	Projected
Fiscal Year End:	Dec-16	Jan-18
Revenue	7,093	8,730
Revenue, YoY%	7.9%	10.2%
Operating Income	1,491	3,130
Operating Margin %	21.0%	35.9%
Net Income	1,186	2,509
Net Income Margin %	16.7%	28.7%
Diluted EPS	2.80	6.07
Diluted EPS, YoY %	19.7%	340.2%
Free Cash Flow (CFO-capex)	2,228	2,581
Free Cash Flow Margin %	31.4%	29.6%

In Millions of USD (except for per share items)

Verint VRNT UNDERVALUED 2.6%**Buying Index™ 7****Value Rating**

Economic Castle Very Attractive	Estimated Fair Value \$54.00	Fair Value Range \$43.00 - \$65.00	Investment Style MID-CAP VALUE	Sector Information Technology	Industry Business Services
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Verint's large installed base provides stability and recurring revenue, and its addressable market continues to expand.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$2,653
Avg Weekly Vol (30 wks)	1,708
30-week Range (USD)	37.1 - 44.55
Valuentum Sector	Information Technology
5-week Return	6.2%
13-week Return	8.8%
30-week Return	-2.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.47
P/E on Est. Normal Diluted EPS	12.1
Est. Normal EBITDA	385
Forward EV/EBITDA	8.7
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	4.6%
Forward EPS Growth (5-yr)	-303.1%

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

Returns Summary

3-year Historical Average

Return on Equity	-0.2%
Return on Assets	-0.1%
ROIC, with goodwill	13.6%
ROIC, without goodwill	69.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	773
Net Debt	395
Total Debt/EBITDA	4.7
Net Debt/EBITDA	2.4
EBITDA/Interest	4.6
Current Ratio	1.5
Quick Ratio	1.3

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. Its advanced actionable intelligence platform continues to grow, and its 'Cyber Intelligence' segment has a high level of repeat business.

• Verint has a culture of innovation. The firm has invested more than \$1 billion in R&D during the past 10 years and has 850+ 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 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 2019, Verint is expecting revenue to grow to ~\$1.23 billion and non-GAAP EPS of ~\$3.09 compared to \$2.81 in 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. Services and support revenue accounts for ~65% of total revenue.

Structure of the Business Services Industry

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.

Investment Considerations

DCF Valuation	UNDERVALUED
Relative Valuation	NEUTRAL
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)	BEARISH
Near-term Technical Support, 10-week MA	41.00

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
Accenture	23.2	2.5	120.8%
Amdocs	16.2	2.0	98.9%
IHS Markit	22.8	2.2	118.7%
VMware	23.7	2.5	118.1%
Peer Median	23.0	2.3	118.4%
Verint	13.3	NMF	77.6%

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

Financial Summary

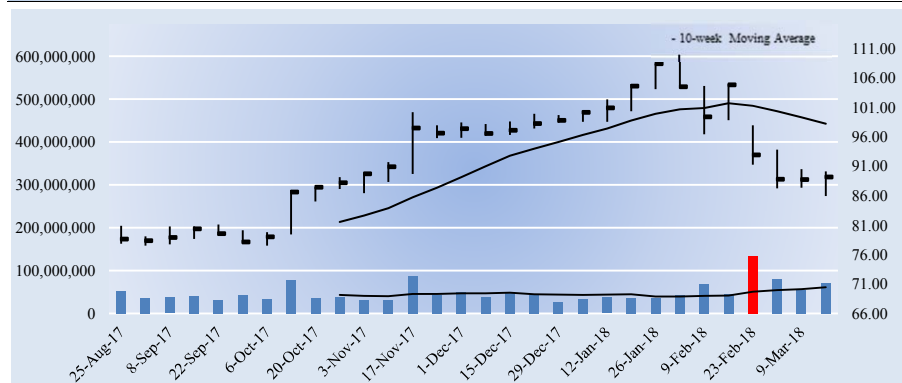
	Actual	Projected
Fiscal Year End:	Jan-17	Jan-18
Revenue	1,062	1,135
Revenue, YoY%	-6.0%	6.9%
Non-GAAP Operating Income	17	49
Non-GAAP EBIT %	1.6%	4.3%
Non-GAAP Net Income	-29	-7
Non-GAAP NI Margin %	-2.8%	-0.6%
Non-GAAP Diluted EPS	-0.47	-0.10
Non-GAAP Dil EPS, YoY %	NMF	NMF
Non-GAAP FCF (CFO-capex)	143	137
Non-GAAP FCF Margin %	13.4%	12.1%

In Millions of USD (except for per share items)

Wal-Mart WMT FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$88.00	Fair Value Range \$70.00 - \$106.00	Investment Style MEGA-CAP CORE	Sector Consumer Staples	Industry Food Retailers
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Wal-Mart expects its US e-commerce business to continue growing at a robust rate in the near term.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$268,402
Avg Weekly Vol (30 wks)	49,161
30-week Range (USD)	77.5 - 109.98
Valuentum Sector	Consumer Staples
5-week Return	-10.9%
13-week Return	-8.4%
30-week Return	12.7%
Dividend Yield %	2.3%
Dividends per Share	2.08
Forward Dividend Payout Ratio	41.8%
Est. Normal Diluted EPS	6.08
P/E on Est. Normal Diluted EPS	14.7
Est. Normal EBITDA	38,080
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	8.1
Forward Revenue Growth (5-yr)	2.7%
Forward EPS Growth (5-yr)	17.9%

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

Returns Summary

3-year Historical Average

Return on Equity	16.7%
Return on Assets	6.6%
ROIC, with goodwill	13.8%
ROIC, without goodwill	16.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	46,487
Net Debt	39,731
Total Debt/EBITDA	1.5
Net Debt/EBITDA	1.3
EBITDA/Interest	13.3
Current Ratio	0.8
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.

• Wal-Mart is not 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 revolutionized the industry, and e-commerce initiatives look to be paying off as digital sales rocket higher.

• Wal-Mart is hiking its minimum wages in an effort to reduce training costs. The move may eventually bear fruit, as it incidentally increases entry barriers. Gross margin pressures such as higher transportation costs, price investments, and mix effects from its growing e-commerce business are likely to persist in the near term, and Amazon's presence in food retail will likely only pressure margins further.

• Wal-Mart International is a major source of growth for the company. With \$115+ billion in sales, its international business alone would be among the three largest retailers in the world. The company remains focused on expansion in China. A recent agreement with JD.com could provide the firm with the boost it needs in the Chinese online marketplace.

• Wal-Mart expects comparable sales in its US business to grow at least 2% in fiscal 2019, while its US e-commerce sales growth is targeted at ~40%. Adjusted earnings per share guidance for the year comes in a range of \$4.75-\$5.00, compared to \$4.42 in fiscal 2018.

Structure of the Food Retailers Industry

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.

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	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.

Relative Valuation

Forward P/E PEG Price / FV

Costco	26.5	1.9	115.4%
Kroger	11.3	0.9	87.7%
Target	13.3	4.0	97.2%
Walgreens Boots Alliance	11.6	1.7	90.1%
Peer Median	12.4	1.8	93.7%
Wal-Mart	17.9	1.5	101.3%

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

Financial Summary

----- Actual ----- Projected

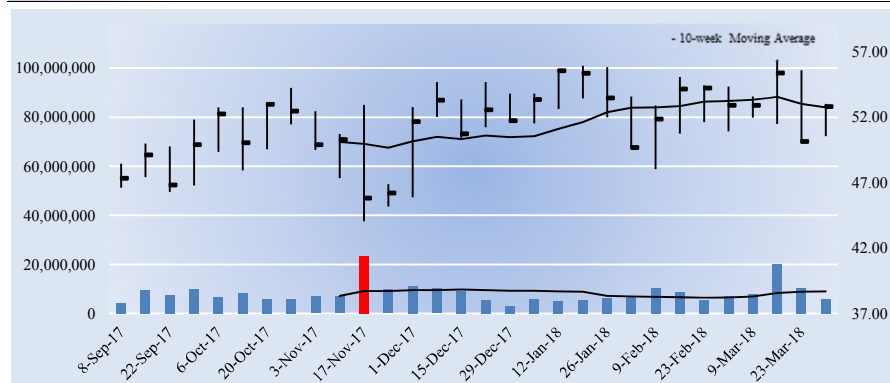
Fiscal Year End:	Jan-17	Jan-18	Jan-19
Revenue	485,873	500,343	510,850
Revenue, YoY%	0.8%	3.0%	2.1%
Operating Income	22,764	20,437	22,843
Operating Margin %	4.7%	4.1%	4.5%
Net Income	13,643	9,862	14,838
Net Income Margin %	2.8%	2.0%	2.9%
Diluted EPS	4.38	3.28	4.98
Diluted EPS, YoY %	-4.0%	-25.3%	52.0%
Free Cash Flow (CFO-capex)	21,054	18,286	15,524
Free Cash Flow Margin %	4.3%	3.7%	3.0%

In Millions of USD (except for per share items)

Williams-Sonoma WSM FAIRLY VALUED**Buying Index™****4****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$56.00	Fair Value Range \$45.00 - \$67.00	Investment Style MID-CAP VALUE	Sector Consumer Discretionary	Industry Specialty Retailers
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Williams-Sonoma generates more than half of its sales via e-commerce, and 95% of its products sold are directly sourced.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$4,542
Avg Weekly Vol (30 wks)	8,353
30-week Range (USD)	44.01 - 56.38
Valuentum Sector	Consumer Discretionary
5-week Return	-2.6%
13-week Return	1.1%
30-week Return	13.1%
Dividend Yield %	3.3%
Dividends per Share	1.72
Forward Dividend Payout Ratio	40.5%
Est. Normal Diluted EPS	4.53
P/E on Est. Normal Diluted EPS	11.7
Est. Normal EBITDA	680
Forward EV/EBITDA	6.8
EV/Est. Normal EBITDA	6.5
Forward Revenue Growth (5-yr)	2.9%
Forward EPS Growth (5-yr)	9.8%

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

Returns Summary

3-year Historical Average

Return on Equity	23.9%
Return on Assets	11.8%
ROIC, with goodwill	33.7%
ROIC, without goodwill	33.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	299
Net Debt	-91
Total Debt/EBITDA	0.5
Net Debt/EBITDA	NMF
EBITDA/Interest	445.7
Current Ratio	1.6
Quick Ratio	0.5

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 2017, 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 2017, the company had just under \$300 million in long-term debt and ~\$390 million in cash and cash equivalents. Management is buying back stock, but we think there are better uses of cash. The firm is committed to increasing its brand awareness and expanding its market reach via digital advertising.

• 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 more than half of sales from that channel, a key competitive advantage. Multi-channel customers spend 5 times more than single-channel customers.

Structure of the Specialty Retailers Industry

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.

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	STRONG
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BULLISH
Near-term Technical Support, 10-week MA	53.00

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
Best Buy	13.9	2.2	114.7%
Home Depot	18.7	1.9	112.8%
Lowe's	15.8	1.8	109.7%
Office Depot	6.9	1.2	53.8%
Peer Median	14.9	1.9	111.2%
Williams-Sonoma	12.4	1.8	94.2%

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

Financial Summary

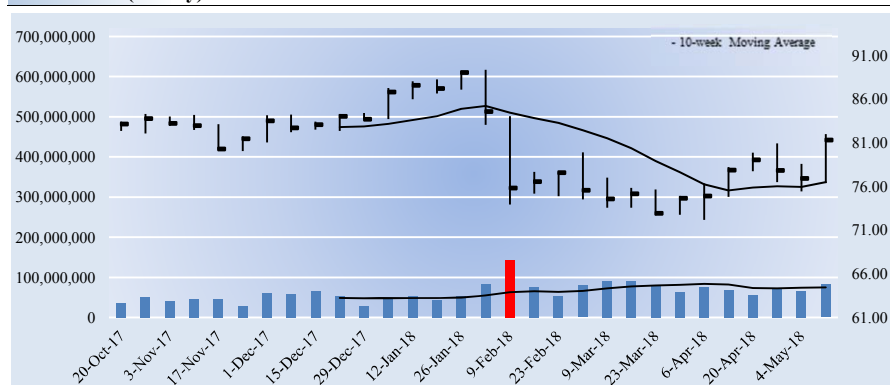
Financial Summary		----- Actual -----	Projected
Fiscal Year End:	Jan-17	Jan-18	Jan-19
Revenue	5,084	5,292	5,620
Revenue, YoY%	2.2%	4.1%	6.2%
Operating Income	473	454	483
Operating Margin %	9.3%	8.6%	8.6%
Net Income	305	260	361
Net Income Margin %	6.0%	4.9%	6.4%
Diluted EPS	3.41	3.02	4.24
Diluted EPS, YoY %	1.4%	-11.7%	40.7%
Free Cash Flow (CFO-capex)	327	310	303
Free Cash Flow Margin %	6.4%	5.9%	5.4%
In Millions of USD (except for per share items)			

In Millions of USD (except for per share items)

Exxon Mobil XOM FAIRLY VALUED**Buying Index™****6****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$83.00	Fair Value Range \$59.00 - \$107.00	Investment Style MEGA-CAP VALUE	Sector Energy	Industry Major Oil & Gas
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Exxon Mobil is launching an aggressive growth plan as it works to grow production to 5 million oil-equivalent barrels per day.

Stock Chart (weekly)

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$345,928
Avg Weekly Vol (30 wks)	63,239
30-week Range (USD)	72.155 - 89.3
Valuentum Sector	Energy
5-week Return	8.1%
13-week Return	5.5%
30-week Return	-1.7%
Dividend Yield %	4.0%
Dividends per Share	3.28
Forward Dividend Payout Ratio	70.6%
Est. Normal Diluted EPS	5.37
P/E on Est. Normal Diluted EPS	15.1
Est. Normal EBITDA	56,658
Forward EV/EBITDA	7.0
EV/Est. Normal EBITDA	6.8
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	6.4%

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

Returns Summary

3-year Historical Average

Return on Equity	8.6%
Return on Assets	4.4%
ROIC, with goodwill	2.2%
ROIC, without goodwill	2.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	42,336
Net Debt	39,159
Total Debt/EBITDA	1.1
Net Debt/EBITDA	1.0
EBITDA/Interest	65.2
Current Ratio	0.8
Quick Ratio	0.5

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 more than 21 BOEB of total proved reserves at the end of 2017.

• Though Exxon recently lost its pristine AAA credit rating, its financial health is still solid. The executive team is strengthening its upstream portfolio (Permian Basin in focus) and upgrading its downstream production. It estimates proprietary technology will help downstream margins expand by 20%.

• Exxon Mobil's ROCE performance is consistently better than that of its peers on average from 2008-2017, and its upstream earnings-per-barrel recently surpassed that of Chevron for best in its peer group. The company expects earnings could more than double by 2025 assuming 2017 oil prices hold, and it is looking to boost production by 25% to 5 million bbl/day.

• Exxon is competitively positioned across the value chain, which helps mitigate 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 estimates that cash flow from operations could nearly double by 2025 assuming 2017 prices hold.

• Exxon Mobil's dividend is better than that of peers, in our opinion, and we expect growth in it for many years to come. The energy giant remains best in class, in our view, and free cash flow coverage of dividends in 2017 is a great sign. 2017 marked its 35th consecutive year of annual dividend increases.

Structure of the Oil & Gas (majors) Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	POOR
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
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	76.00

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
BP	16.0	1.8	106.6%
Chevron	17.6	2.3	121.3%
ConocoPhillips	20.1	NMF	115.7%
Royal Dutch Shell	6.6	2.7	105.8%
Peer Median	16.8	2.3	111.2%
Exxon Mobil	17.5	2.8	97.9%

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

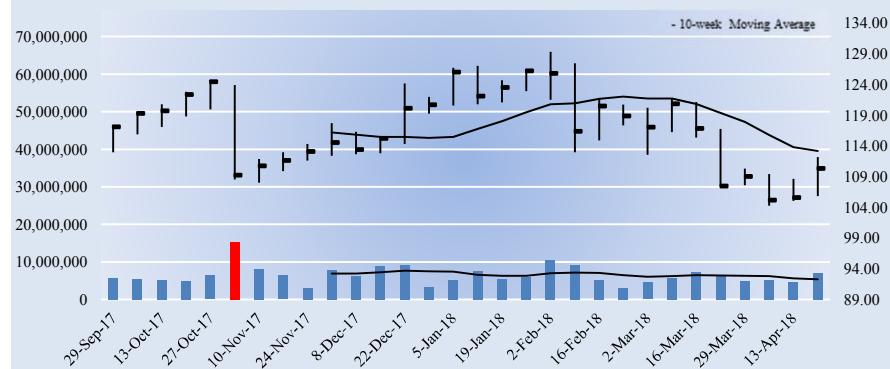
Financial Summary

	Actual	Projected
Fiscal Year End:	Dec-16	Dec-17
Revenue	226,094	244,363
Revenue, YoY%	-15.9%	8.1%
Operating Income	8,422	19,275
Operating Margin %	3.7%	7.9%
Net Income	7,840	19,710
Net Income Margin %	3.5%	8.1%
Diluted EPS	1.88	4.63
Diluted EPS, YoY %	-51.2%	146.7%
Free Cash Flow (CFO-capex)	5,919	14,664
Free Cash Flow Margin %	2.6%	6.0%

In Millions of USD (except for per share items)

Zimmer Biomet ZBH FAIRLY VALUED**Buying Index™****3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$124.00	Fair Value Range \$99.00 - \$149.00	Investment Style LARGE-CAP VALUE	Sector Health Care	Industry Medical Devices
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Zimmer Biomet holds solid share in the hip and knees musculoskeletal solutions markets.**Stock Chart (weekly)**

The week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$26,742
Avg Weekly Vol (30 wks)	6,479
30-week Range (USD)	104.28 - 129.338
Valuentum Sector	Health Care
5-week Return	-5.5%
13-week Return	-10.7%
30-week Return	-3.6%
Dividend Yield %	0.9%
Dividends per Share	0.96
Forward Dividend Payout Ratio	12.2%
Est. Normal Diluted EPS	7.09
P/E on Est. Normal Diluted EPS	15.6
Est. Normal EBITDA	4,084
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	8.6
Forward Revenue Growth (5-yr)	2.1%
Forward EPS Growth (5-yr)	-9.3%

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

Returns Summary

3-year Historical Average

Return on Equity	7.3%
Return on Assets	2.9%
ROIC, with goodwill	8.8%
ROIC, without goodwill	15.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,918
Net Debt	8,393
Total Debt/EBITDA	3.2
Net Debt/EBITDA	3.0
EBITDA/Interest	8.6
Current Ratio	1.5
Quick Ratio	0.7

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.

• There are multiple drivers of sustainable growth present for Zimmer Biomet such as favorable global demographics (65+ age group growing), penetration opportunity in developed markets, expanding access to healthcare in emerging markets, and accelerating innovation.

• Knees, hips, and S.E.T (surgical, sports medicine, foot & ankle, extremities, and trauma) are Zimmer Biomet's three largest markets in terms of revenue generated at 35%, 24%, and 22%, respectively. The company is a market leader in the hip and knees musculoskeletal solutions space with 37% share in knees and 32% share in hips. It also holds 11% share of the S.E.T market.

• Zimmer Biomet has remained acquisitive since the big merger, though the acquisitions have been of the smaller, 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, a \$4 billion market where it holds 10% share, has faced meaningful pressure in recent quarters, and management is restructuring its dental sales organization, which it expects to positively impact sales in 2018, especially in some key Western European markets.

Structure of the Medical Devices Industry

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.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
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)	BEARISH
Near-term Technical Resistance, 10-wk MA	113.00

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

Business Quality

ValueCreation™

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

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

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	44.5	3.1	126.9%
Medtronic	16.7	1.8	92.9%
Varian Medical Systems	28.9	2.6	156.2%
Waters	25.2	7.3	123.9%
Peer Median	27.0	2.9	125.4%
Zimmer Biomet	14.0	NMF	89.0%

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

Financial Summary

Financial Summary		----- Actual -----	Projected	
	Fiscal Year End:	Dec-16	Dec-17	Dec-18
Revenue		7,684	7,824	7,965
Revenue, YoY%		28.1%	1.8%	1.8%
Operating Income		1,438	1,746	2,682
Operating Margin %		18.7%	22.3%	33.7%
Net Income		306	1,814	1,910
Net Income Margin %		4.0%	23.2%	24.0%
Diluted EPS		1.51	8.90	7.88
Diluted EPS, YoY %		95.1%	489.2%	-11.5%
Free Cash Flow (CFO-capex)		1,102	1,089	1,185
Free Cash Flow Margin %		14.3%	13.9%	14.9%
In Millions of USD (except for per share items)				

In Millions of USD (except for per share items)

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.

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

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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. If our forecasts prove accurate, which may not always be the case, 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 evaluate 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 performance 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.

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