THE NELSON EXCLUSIVE

Confidential*

July 2018

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KRIS ROSEMANN

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About Your Editor

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

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

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

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

Highlights:

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

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

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

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

The Nelson Exclusive Yearly Roundup Call

Dear members,

On June 30, 2018, our team hosted the 2nd annual Nelson Exclusive Roundup Call.

Here is where you can access the conference call and transcript on the website:

https://www.valuentum.com/articles/Podcast_2nd_Annual_Nelson_Exclusive_Yearly_Round_Up_Call

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Thank you,

The Valuentum Team
www.valuentum.com

Tracking Nelson Exclusive Idea Simulated Performance

INCOME IDEAS

Highlight Date	Company (symbol)	Highlight Price	Annual Divs per Share at Highlight	Current Fwrd Dividends per Share	Current Fwrd Exp Dividend Yield	Time Horizon	Notes - Data as of July 6, 2018
Income Ideas							
Jul, 16	Universal Corp (UVV)	57.74	2.12	3.00	4.3%	Closed - 2/12/2017	Universal has years of dividend growth ahead of it, but we closed this big winner for the time being. We still like it, and shares have surged recently!
Aug, 16	B&G Foods (BGS)	51.54	1.68	1.9	5.9%	Closed - 7/17/2017	B&G Foods has taken its share of lumps, the latest coming from Amazon's entrance into the grocery business with the proposed purchase of Whole Foods. We closed the idea.
Sep, 16	Maxim Integrated (MXIM)	41.12	1.32	1.68	2.8%	Closed - 2/12/2017	We closed position due to fickle nature of tech. Solid net cash position, strong free cash flow -- near 3% yield. May re-establish idea in future.
Oct, 16	Douglas Dynamics (PLOW)	31.94	0.94	1.06	2.2%	Closed - 2/12/2017	We closed as stock had been suspiciously volatile on little news. Insider buying though. We still like it and may re-establish in future.
Nov, 16	Ennis Inc. (EBF)	14.60	0.70	0.90	4.4%	Closed -- 11/12/2016	We captured more than 2 years' worth of income via capital appreciation in a very short period of time. Unfortunately, this ended in a quick "trade." Dividend growth has been solid since highlight.
Dec, 16	Watsco, Inc. (WSO)	150.57	4.20	5.80	3.2%	Closed - 2/12/2017	We closed this idea. Investors have been assessing impact on demand from HVAC price hikes at key customer Carrier (UTX). We still like it, but it is a cyclical industrial.
Jan, 17	Star Gas Partners (SGU)	11.21	0.41	0.47	4.8%	0-2 yrs	Star Gas raised its dividend ~7% in April 2018. Fiscal second quarter performance showed a 28.6% increase in total revenue thanks to solid volume growth and per-gallon price increases.
Feb, 17	Moelis & Co (MC)	35.00	1.28	1.88	3.1%	Closed - 7/22/2017	We continue to like shares of Moelis & Co, but we have closed the idea for now. Special dividends are the cherry on top of this income generator and are not included in our measure of its yield.
Mar, 17	Park National (PRK)	108.59	3.76	3.84	3.5%	0-20 yrs	The bank's loan book advanced slowly in 2017, and management is optimistic about customer service initiatives implemented in the year. It recently declared a $0.96/share quarterly dividend.
Apr, 17	American Software (AMSWA)	10.44	0.44	0.44	2.7%	Closed - 7/22,23/2017	An email delay by us caused a notication to be delayed until after material information impacted AMSWA's stock. As a result, price adjusted from price in email to the low price of the next trading day to reflect conservative, punitive accounting ($12.04 --> $10.57).
May, 17	NW Natural (NWN)	59.20	1.88	1.89	2.8%	0-20 yrs	Nice dividend yield. Customer growth ensues, and returns have been solid. It issued 2018 EPS guidance ($2.10 - $2.30 per share), and 2017 marked its 62nd consecutive year of annual dividend growth. Shares have surged since June 2018.
Jun, 17	Japan Tobacco (JAPAY)	19.03	0.60	0.66	4.8%	0-20 yrs	Tobacco stocks have done well during this multi-year bull market. Japan Tobacco is an interesting idea with a strong yield, but regulatory changes could be on the horizon in Japan that may pose challenges.
Jul, 17	Vectren Corp (VVC)	58.21	1.68	1.80	2.5%	Closed 8/30/2017	Vectren has agreed to be acquired by CenterPoint Energy (CNP) for $72 per share in cash, a significant premium to our highlight price and a nice premium over more recent share price levels.

Many members have said that they prefer to focus on the long-term income-oriented dynamics of our income ideas, and we think this makes sense.

We have subsequently changed the formatting of the table to include a focus more on the trajectory of the dividend as well as the current forward expected annualized dividend yield.

We hope that you find this layout more helpful as you sort through the prior income ideas.

INCOME IDEAS

Aug, 17	National Retail Properties (NNN)	40.50	1.90	1.90	4.2%	0-20 yrs	2017 results were solid. Core FFO per common share increased more than 7% during the period, and occupancy remains impressive at 99.1% as of the end of 2017. Shares have done well since its first quarter 2018 report, in which it raised core FFO guidance.
Sep, 17	STORE Capital (STOR)	25.72	1.16	1.24	4.4%	0-20 yrs	On September 12, STORE Capital increased its quarterly dividend ~7%, to $0.31 per quarter. 2018 AFFO per share is expected to be $1.78-$1.84, up from $1.71 in 2017. Its AFFO payout ratio is solid and points to potential future dividend growth.
Oct, 17	Fortis (FTS)	36.14	1.27	1.33	4.1%	0-20 yrs	Fortis' rate base is expected to increase at an annual rate of 5% over the next five years, while annual dividend growth guidance has been set at 6% for the same period. Currency translation can cause volatility in dividends.
Nov, 17	Black Hills (BKH)	61.23	1.78	1.90	3.0%	0-20 yrs	Black Hills raised its dividend nearly 7% November 15. The company initiated non-GAAP 2018 earnings per share guidance of $3.35-$3.55 when it reported third-quarter results November 2, but it has since adjusted this to a range of $3.30-$3.50.
Dec, 17	Four Corners Propety Trust (FCPT)	26.03	0.97	1.10	4.3%	0-20 yrs	We continue to have high hopes for this young REIT as a dividend payer as it currently offers a ~4.8% yield. We're encouraged by management's ~13% dividend hike in November 2017.
Jan, 18	TransCanada Corp (TRP)	49.47	1.98	2.07	4.7%	0-20 yrs	TransCanada offers investors a ~5% yield, and annual dividend hikes have become common. A raise in the first quarter of 2018 marked the 18th consecutive annual dividend increase. News related to the Keystone pipeline can have an impact on share price performance.
Feb, 18	Siemens (SIEGY)	71.13	2.18	2.30	3.4%	0-20 yrs	The 'German GE' could benefit from GE's recent missteps, and we expect its industrial technology portfolio to play a meaningful role in the proliferation of the Industrial Internet of Things. Dividends can be impacted by currency exchange rates.
Mar, 18	Philips 66 Partners (PSXP)	49.63	2.71	2.86	5.7%	0-20 yrs	Philips 66 Partners finished 2017 on a high note and will increase capital spending in 2018 as it grows capacity. This MLP's distribution yield is top notch, and we like the backing of Philips 66 and its major shareholder, Berkshire Hathaway.
Apr, 18	PS Business Parks (PSB)	113.68	3.40	3.40	2.6%	0-20 yrs	PS Business Parks turned in a solid first quarter report as funds from operations per share advanced ~5% from the year-ago period to $1.59, and weighted average square foot occupancy remained unchanged at 94.6%.
May, 18	Hubbell (HUBB)	103.97	3.08	3.08	2.8%	0-20 yrs	Hubbell continues to expect solid end market growth in coming years, and the company recently upped its free cash flow target for 2020. It projects a ~$3.85 per share annual dividend by 2020 on a 40%-50% payout ratio.
Jun, 18	Park Hotels & Resorts (PK)	32.43	1.72	1.72	5.5%	0-20 yrs	We're looking for the strength of the US economy to continue driving hotel demand for both business and leisure. This lodging REIT boasts an impressive dividend yield but a limited track record.

The information provided in the tables is offered for the convenience of the reader, for illustrative purposes only, and no actual trading is taking place. Actual results may differ from the simulated information being presented. Valuentum is a publisher of financial information, not a money manager, broker, or financial advisor.

CAPITAL APPRECIATION IDEAS

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon	Notes - Data as of July 6, 2018
Capital Appreciation Ideas							
Jul, 16	Bloomin Brands (BLMN)	17.87	**19.28**	0.07	8.3%	Closed -- 11/12/2016	We took what the market gave us. We may re-open idea again. We still believe in long term. Stock very cheap.
Aug, 16	Healthcare Srvs Group (HCSG)	38.91	**41.02**	0.369	6.4%	Closed - 2/12/2017	We closed this one. Nice streak of consecutive quarterly dividend increases. Very strong end market, and we may re-open in the future.
Sep, 16	Grupo Aeroportuario (ASR)	157.87	**181.61**	-	15.0%	Closed - 4/5/2017	We closed this idea. The strength in the US dollar had hurt. We still love the long-term picture though. Travel to Cancún not going away.
Oct, 16	Swedish Match (SWMA.ST)	314.80SEK	**417.40EK**	17.7	-	Closed - 6/1/18	Tobacco (snus) demand is about as resilient as it gets through the economic cycle. We've closed this position for a strong gain.
Nov, 16	Symrise AG (SYIEY)	16.25	**16.34**	-	0.6%	Closed - 4/5/2017	We closed this idea, but we still like it. EBITDA margins don't get much steadier than Symrise's (18-22% from 2006-2015) though.
Dec, 16	Tootsie Roll (TR)	37.80	**32.05**	0.63	-	0-20 yrs	A fantastic company with excellent financials. Potential big dividend growth story with takeout catalyst as a growing possibility. Two stock dividend adjustments (3/3/17, 3/5/18) reflected in price.
Jan, 17	Texas Capital Bancshares (TCBI)	78.05	**85.10**	-	9.0%	Closed - 2/12/2017	Stock grew too extended, so we closed with expectations to re-establish. It's important to gain your trust -- and simulated profits go a long way in doing so.
Feb, 17	Arconic (ARNC)	25.90	**29.62**	-	14.4%	Closed - 2/12/2017	We closed this idea. We may re-establish again, but this type of gain in one week is hard not to be prudent with.
Mar, 17	Tesaro (TSRO)	180.84	**122.62**	-	-32.2%	Closed - 7/7/2017	Very risky biotech. Not for everybody. We highlighted this one to fill an industry void among considerations. We have closed it.
Apr, 17	Yum China (YUMC)	31.15	**37.67**	-	20.9%	Closed - 5/23/2017	The long-term potential of Yum China is amazing. If you haven't read our thesis on shares, please do so. We closed this idea on strong share-price performance, but we may look at it again.
May, 17	Galapagos (GLPG)	87.67	**76.13**	-	-13.2%	Closed - 7/7/2017	Another very risky biotech. Shares are not for everybody, and principle could be completely wiped out if things go wrong with this consideration. We closed the idea.
Jun, 17	Huntington Ingalls (HII)	193.79	**206.39**	-	6.5%	Closed 8/18/2017	The Navy needs more ships with more advanced capabilities, and Huntington Ingalls is at the center of this need. We closed it, but the company is a compelling idea.
Jul, 17	Orbital ATK (OA)	102.33	**104.65**	-	2.3%	Closed 8/18/2017	The geopolitical environment is becoming more heated, and it seems that tensions with North Korea have only heightened. We closed it, but we like Orbital's position to benefit.

CAPITAL APPRECIATION IDEAS

Aug, 17	Wingstop (WING)	32.28	53.15	3.52	-	0-20 yrs	Buffalo Wild Wings' younger cousin may be taking a bite out of its share. We like Wingstop's long-term opportunity, and the company paid a special dividend of $3.17 per share in early 2018.
Sep, 17	Qualys (QLYS)	51.10	89.30	-	-	0-20 yrs	One of the most interesting cybersecurity ideas on the market today. We continue to like shares, which received a nice boost from a strong fourth-quarter 2017 report.
Oct, 17	Guidewire Software (GWRE)	78.24	92.59	-	-	0-20 yrs	We like this indirect "play" on the insurance business. Its fundamentals are top notch. Guidance for fiscal 2018, released November 29, was mixed though, but we're focused long term.
Nov, 17	Ferrari N.V. (RACE)	117.43	135.36	0.71	-	0-20 yrs	Ferrari's shares may not be as cheap as we would like, but it's hard to argue with the company's brand strength. Shares will continue to be extremely volatile.
Dec, 17	Square (SQ)	38.22	66.44	-	-	0-20 yrs	This financial technology company has a long runway of growth ahead of its, but execution risk and competition should not be taken lightly. Its Bitcoin product could take the market by storm.
Jan, 18	Planet Fitness (PLNT)	33.70	45.90	-	-	0-20 yrs	Planet Fitness recently hit milestones of 1,500 locations in all 50 states, and it has more than 10.5 million members in all. It is now moving into the Mexican market.
Feb, 18	Insulet Corp (PODD)	75.84	88.74	-	-	0-20 yrs	Insulet expects top-line growth to remain robust in 2018 with revenue growth guidance coming in at 22%-25% for the year. Recent strategic milestones include gaining Medicare coverage for its Omnipod System.
Mar, 18	Preferred Bank (PFBC)	64.01	67.58	0.47	-	0-20 yrs	We like the seasoned management team at Preferred Bank, as well as its recent earnings growth trajectory. The business/credit cycle is worth watching. We like the added bonus of a nice little dividend.
Apr, 18	Esperion Therapeutics (ESPR)	66.43	44.62	-	-	0-20 yrs	Shares of Esperion were pummeled after mortality rates in a late-stage study of its bempedoic acid treatment spooked investors. This idea may be too risky for some investors.
May, 18	Heidrick & Struggles (HSII)	37.65	35.75	-	-	0-20 yrs	Heidrick & Struggles has a solid niche in sourcing and placing top-level senior executives, and the fast-changing business environment continues to present it with ongoing growth opportunities.
Jun, 18	Green Dot Corp (GDOT)	72.86	75.86	-	-	0-20 yrs	This banking entity and financial technology provider may have hit an operational inflection point in its record-setting first quarter of 2018. Walmart accounts for ~40% of operating revenue.

Success rate: *The percentage of ideas highlighted in the Nelson Exclusive that have moved in the direction of our thesis (i.e. up for income or capital appreciation ideas and down for short idea considerations) through the current price or closed price, with consideration of cash and stock dividends. Success rates do not consider trading costs or tax implications.*

SHORT IDEA CONSIDERATIONS

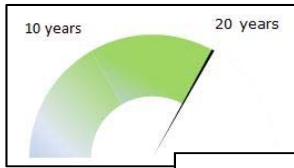
Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon	Notes - Data as of July 6, 2018
Short Idea Considerations							
Jul, 16	Lands' End (LE)	16.76	16.10	NA	3.9%	Closed -- 12/2/2016	We were worried Eddie Lampert may start buying more heavily. Very volatile equity. Not being greedy, so we closed position.
Aug, 16	Vivint Solar (VSLR)	2.94	2.85	NA	3.1%	Closed -- 12/2/2016	Stock wasn't acting right despite an ongoing negative solar backdrop. We locked gain in as a result.
Sep, 16	Lloyds Banking (LYG)	3.31	2.78	NA	16.0%	Closed -- 11/4/2016	We didn't like Lyolds' leverage and were worried about Brexit. We picked our spot to take profits.
Oct, 16	GoPro (GPRO)	16.68	11.12	NA	33.3%	Closed -- 11/4/2016	This was a big winner. We continue to have concerns, and the stock keeps falling. We're not looking back, however.
Nov, 16	Seritage Growth Properties (SRG)	44.31	42.13	-0.25	4.4%	Closed -- 1/6/2017	The REIT continues to trade on euphoric expectations, but we closed this for a gain. Dividends work against us as it relates to short performance. Buffett is watching.
Dec, 16	Royal Bank of Scotland (RBS)	4.91	6.71	-	-	0-2 yrs	The stock rallied alongside financials peers. We're watching it closely as Brexit looms. The UK government has announced that it will begin selling its 71% ownership stake in the bank.
Jan, 17	Sequential Brands Group (SQBG)	4.62	4.18	-	9.5%	Closed 2/12/2017	We locked this short idea in. Retail continues to get pummeled, and we picked the right spot at the right time.
Feb, 17	Sportman's Warehouse (SPWH)	6.85	6.11	-	10.8%	Closed 2/12/2017	As with Sequential Brands, we picked the right spot at the right time. We locked in this big gain, too.
Mar, 17	Fitbit (FIT)	6.07	5.71	-	5.9%	Closed 4/5/2017	Very timely short idea again. We locked this in. The success rate on short idea considerations remains fantastic.
Apr, 17	Santander Consumer (SC)	12.51	11.65	-	6.9%	Closed 5/23/2017	Subprime auto may be in for a rough landing. We're expecting continued tough times, but we're going to lock this idea in.
May, 17	Snap, Inc (SNAP)	23.19	17.19	-	25.9%	Closed 5/10/2017	Fantastic timing! Another short idea consideration homerun! See May 10 email: 'Another Exclusive Homerun: Oh SNAP'
Jun, 17	Mallinckrodt (MNK)	42.65	36.41	-	14.6%	Closed - 8/18/2017	There's a lot of hair on this one. Famed short seller Jim Chanos doesn't like it. We locked in this winner.
Jul, 17	Deutsche Lufthansa AG (DLAKY)	23.05	23.66	0.94	-	0-20 yrs	We think Ryanair will be a thorn in Deutsche Lufthansa's side in the coming years, and the cyclical nature of the airline industry won't ever go away.

SHORT IDEA CONSIDERATIONS

Aug, 17	Del Frisco's (DFRG)	14.35	11.93	-	16.9%	Closed - 10/16/17	We locked in a solid gain after its third-quarter results left a good deal to be desired. Restaurant traffic continues to face pressure.
Sep, 17	Fiesta Restaurant Group (FRGI)	15.90	30.05	-	-	0-2 yrs	Fiesta continues to close units in the overheated restaurant space. Geographic concentration adds to risk. Buyout rumors have been helping smaller restaurant shares of late, however.
Oct, 17	Ingles Markets (IMKTA)	26.50	24.20	-	8.7%	Closed - 10/16/17	We closed this idea quickly as shares faced pressure due to industry-wide concerns over margin performance. The idea worked out well.
Nov, 17	Fogo de Chao (FOGO)	10.85	15.62	-	-44.0%	Closed - 3/3/2018	Fogo de Chao has accepted a buyout offer from Rhone Capital for $15.75 per share. Takeout risk is a key consideration for short sellers, and should not be taken lightly.
Dec, 17	TrueCar (TRUE)	12.07	10.84	-	10.2%	Closed - 12/27/17	We closed this idea quickly for a solid 'gain' as shares continue to face pressure due in part to poor recent performance and concerns surrounding its relationship with the USAA persist.
Jan, 18	Shake Shack (SHAK)	44.17	64.26	-	-	0-2 yrs	Weak traffic trends across the restaurant space, a saturated burgers and fries market, and meaningful execution risk are key considerations working against Shake Shack.
Feb, 18	iShares Core US Aggregate Bond ETF (AGG)	107.20	106.42	1.196	-	0-2 yrs	Rising interest rates continue to work against long-duration fixed income vehicles. We expect such a development to persist in the near term, but the monthly yield of this idea should be noted.
Mar, 18	iShares iBoxx $ High Yield Corporate Bond ETF (HYG)	85.75	85.33	1.477	-	0-2 yrs	Demand for high-yield debt remains solid, but investors have begun to reduce risk exposure as volatility rises and spreads widen. The first quarter of 2018 marked the underlying index's works quarter since 2008.
Apr, 18	Houghton Mifflin Harcourt (HMHC)	7.25	6.70	-	-	Closed - 6/1/18	Houghton Mifflin Harcourt missed consensus bottom-line estimates in the first quarter of 2018, and both net sales and billings fell by 1%. Weak fundamentals allowed us to close this idea quickly for a nice gain.
May, 18	Noodles & Company (NDLS)	7.25	11.95	-	-	0-2 yrs	Noodles & Company turned in a better first quarter report than we anticipated, but broader restaurant traffic woes persist. Turnarounds remain difficult, and shares have faced selling pressure more recently.
Jun, 18	iShares International High Yield Bond ETF (HYXU)	52.40	52.59	-	-	0-2 yrs	Political turmoil in Italy continues to weigh on market expectations in the region. Moody's has placed the country's credit rating on review for downgrade.
	Average Capital Efficiency* for 'Closed' Positions					Varies	Performance information is hypothetical and "trading" is simulated. Information provided in table for illustrative purposes only.

The tables above are provided for the sole purpose of transparency, to allow readers to measure Nelson Exclusive ideas in a way they feel is most appropriate. Ideas within the Nelson Exclusive are not constructed as a portfolio, nor should they be viewed as a portfolio, and performance information is hypothetical and "trading" is simulated. "Hypothetical annualized returns," now labeled "Capital Efficiency," cannot be achieved and are provided for the sole purpose of rightsizing each idea to a common measurement period (one year), to compare ideas 'closed' within one year to ones 'open' longer than one year, taking into account capital efficiency. A reader, for example, may view a 20% hypothetical return over a period of five weeks as much better than a 20% hypothetical return over a period of five years. Whereas both represent 20% hypothetical returns, hypothetical annualized performance is much different under each case. Readers may have different views and time horizons. To retain independence, neither Valuentum nor Brian Nelson own any shares, nor do they plan to own any shares, of any companies highlighted in the Nelson Exclusive. Importantly, shorting stocks involves a number of abnormal risks, including theoretically the infinite loss of capital, and is not for everyone. Valuentum is a financial publisher not a financial advisor. Please contact your personal financial advisor to determine if any idea in the Nelson Exclusive may be appropriate for you.

Income Generation



Time Horizon: Long-term

Healthcare Trust of America (HTA)

"Our execution on our existing business remained strong [in 2017]. We grew our same store cash NOI by 2.9%, growing revenue and margins. Our leasing activity was robust and we saw deal economics pick up in the back half of the year. Our operating platform not only took on approximately 7 million square feet into the platform, but also managed to grow margins on our existing portfolio. We did this all while maintaining a very efficient infrastructure, with our corporate overhead actually decreasing as a percentage of revenue." – Healthcare Trust of America 2017 Annual Report

Thesis

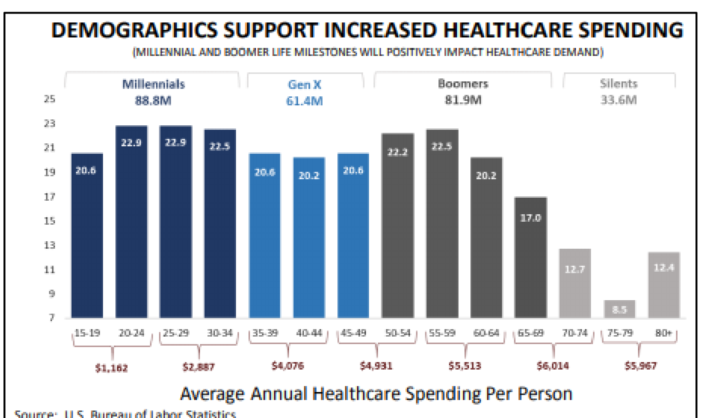
High quality income ideas are often characterized by consistent performance, driven by dependable fundamentals, and this month's income idea, Healthcare Trust of America, comes to us from a space generally known for its defensive and resilient performance, the medical office sector.

A number of secular healthcare trends are expected to continue driving steady growth for medical office buildings (MOBs). The aging US population should continue to push healthcare spending higher as ~10,000 people turn 65 years of age every day. This 65+ demographic averages four times as many doctor visits as younger demographics, and the average American lifespan is expected to surpass 80 by 2020. On the other end of the spectrum, millennials are now forming families, a key consideration for healthcare volumes as it relates to both short- and long-term demand.

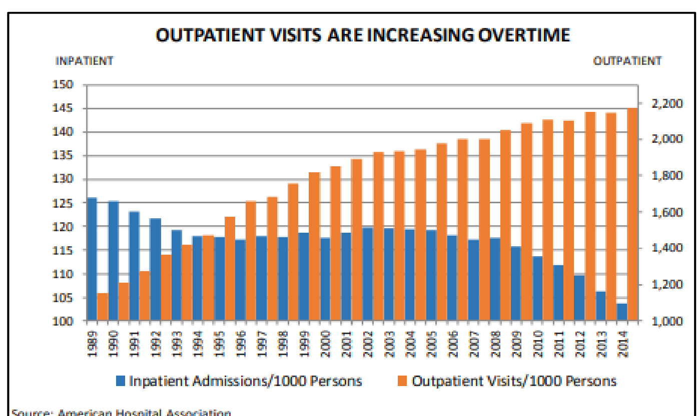
Corporate Profile

Healthcare Trust of America is an integrated, self-administered, and self-managed real estate investment trust that acquires, owns, and operates medical office buildings and other properties serving various facets of the healthcare industry. Its portfolio consists of ~24 million square feet of gross leasable space across 31 states. The REIT was founded in 2006 and is headquartered in Scottsdale, Arizona.

Key Statistics	
Last Close	$27.36
52-week range	$24.06-$31.87
Market Cap	$5.7 B
Avg Daily Vol (30 wks)	1,552,770
Annual Dividend Yield	4.46%
Trailing Dividend Payout Ratio (FFO)	80%
Trailing P/FFO	17.9
Credit rating	Baa2



Source: U.S. Bureau of Labor Statistics



Source: American Hospital Association

Image Source: Healthcare Trust

As healthcare spending continues to rise, private insurers and government providers continue to work to provide cost-effective care. This has helped drive a transition to a greater emphasis on outpatient procedures, which drives demand for MOBs, as does a push for convenience; MOBs allow providers to serve patients closer to their primary locations. Further evidence of the strength of these trends is the robust growth in the medical professions. Healthcare employment is growing twice as fast as other sectors, and healthcare support occupations and practitioners are expected to be the two fastest growing occupations in the period 2014-2024.

Image Source: Healthcare Trust

	MOB	Skilled Nursing	Senior Housing	Traditional Office
Aging Demographics	✓	✓	✓	X
Outpatient Trends	✓	✓	X	X
Limited Reliance on Gov't Reimbursements	✓	X	✓	✓
Limited New Supply	✓	✓	X	X
Not Operator Dependent	✓	X	X	✓
Critical Locations	✓	X	X	✓
Multi-Tenant Properties	✓	X	X	✓
Strong Rent Coverage	8-9X	1.5X	1.2X	✓
High Retention / Low Re-Tenanting Costs	✓	X	X	X
Yields	Moderate Steady Growth	Highest Most Risk	Moderate	Lowest Yields

	HTA MARKETS	U.S. AVG	
Baby Boomer Population Growth	4.0% ✓	3.4%	60bps Higher Growth
Median HHI Growth	3.6% ✓	3.4%	20bps Higher Growth
Unemployment	4.3% ✓	4.5%	20bps Lower Unemployment
Bachelor's Degree	19.4% ✓	18.4%	100bps More per Capita
Master's Degree	8.2% ✓	7.9%	30bps More per Capita
Real GDP Growth	17.2% ✓	16.4%	80bps Higher Growth

Healthcare Trust of America is the largest owner of MOBs in the US with more than 24 million square feet of space in 20+ key markets across the nation. This impressive scale is largely a result of its $2.25 billion purchase of Duke Realty's MOB portfolio, which when coupled with other minor acquisitions in the year amounted to a total of ~6.8 million square feet added to its portfolio. From a purely strategic standpoint, we think this acquisition was prudent given the aforementioned trends driving MOB demand and the additional scale it provided Healthcare Trust of America.

In addition to having material scale, the REIT's portfolio has a number of other attractive qualities. Its leased rate is 92% as of its June 2018 investor presentation, and rental rate trends should continue to improve. Thanks in part to Healthcare Trust's focus on the highest quality markets (77% of its invested capital is in the top 20 US markets and ~94% is in the top 75 markets), its portfolio has averaged same store cash net operating income growth of 3.1% since it became a publicly listed company (June 2012). The REIT focuses on critical assets for healthcare delivery, which has resulted in 70% of its portfolio by square footage being on-campus or adjacent to healthcare campuses, and it manages 94% of its assets in-house. Its portfolio also requires low levels of capital for re-tenanting vacant properties, and its average remaining lease term is 5.8 years as of its June 2018 investor presentation.

Healthcare Trust's attractive portfolio should help it realize its near-term strategy, the first goal of which is to drive same store net operating growth of 2%-3%, also a goal for the specific period of full-year

2018. It plans to achieve this by growing revenue via improving lease rate, rising occupancy levels, and in-place escalators, while targeting expense savings as it leverages economies of scale and takes advantage of increased leverage in rebidding national vendor contracts across its platform. The REIT continues to add to its market share as a preferred landlord thanks to its combination of scale and expertise in key markets across the US.

The second portion of Healthcare Trust's near-term strategy is the optimization of its portfolio for long-term profitability as it works to recycle capital out of non-core markets and use the proceeds to repay debt or re-invest into its key markets. We think the REIT should not struggle to find buyers of its non-core properties due to the level of private demand being seen in the MOB transaction market, which is driven by those same attractive characteristics of the MOB space.

The key markets Healthcare Trust targets will need to be faster-growing markets that will result in a relatively higher concentration of its assets as concentration leverages the efficiencies of its asset management platform. There exists a long-term opportunity for the REIT to significantly expand its portfolio in key markets thanks to the strength of its platform and deep relationships, as well as fragmented industry dynamics, all of which are in part expected effects of its scale advantage.

The third focus of its near-term strategy is refining the balance sheet to more optimal levels. Though the balance sheet is an area of focus for Healthcare Trust, it has limited near-term maturities with no maturities above $150 million until 2021 and has a reasonable amount of liquidity available at ~$1.1 billion. Its net debt-to-adjusted EBITDA ratio was 5.9x at the end of the first quarter of 2018, and Moody's assigns its debt a Baa2 rating.

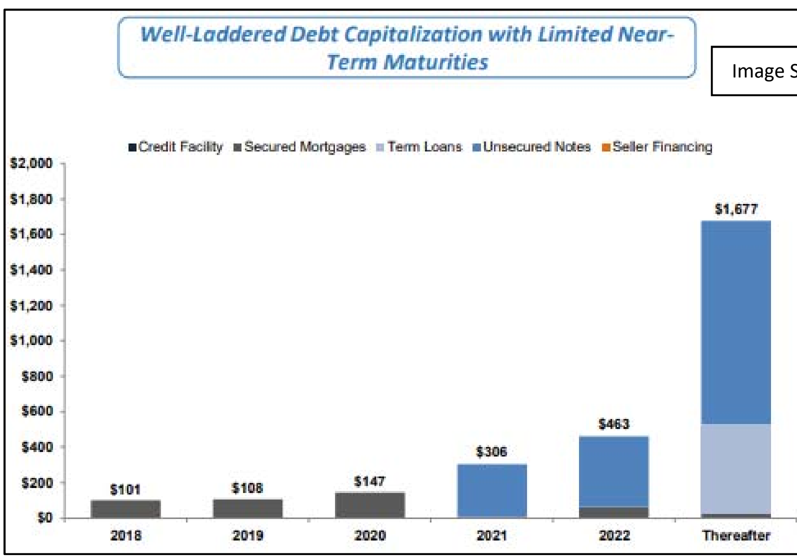


Image Source: Healthcare Trust

Healthcare Trust's investment grade credit rating helps position the young REIT as a budding mainstay on investors' dividend growth radar. It has raised the payout each year since 2013, expanding to the current annualized dividend of $1.22 per share from $1.15 in 2013. Its payout ratio, as measured by cash dividends paid to stockholders divided by normalized funds from operations attributable to common stockholders, has fallen to less than 69% in 2017 from ~87.5% in 2013. The REIT's payout ratio, as measured by dividends paid divided by normalized funds available for distribution has been relatively more stable, coming in at 82%, 79.5%, and 79.4% in 2015, 2016, and 2017, respectively.

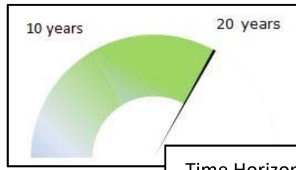
While we have confidence in Healthcare Trust's ability to generate resilient performance that will translate into a consistent stream of dividend payments for years to come on the back of its stable and growing demand environment and scale and expertise advantages, there are some risks present. In addition to the risks inherent to REITs (interest rates rising, fixed income risk-reward trade off, etc.), ongoing politicization surrounding healthcare reform raises a degree of uncertainty for healthcare tenants, which ultimately raises uncertainty for landlords. Healthcare Trust's full concentration in the healthcare space clearly raises the risks of any uncertainty related to the sector, and its relationships with healthcare systems and developers are an important part of its business.

Developments within the MOB space are worth watching as well, particularly as it relates to Healthcare Trust's ability to acquire additional properties at terms that will satisfy its long-term opportunity. Increased competition and demand for such facilities may very be a thorn in its side as it works to appropriately recycle capital in the years ahead. Nevertheless, we are of the opinion that the positive factors in the REIT's business outweigh the potential risks, and we are expecting a steady stream of income for shareholders moving forward. We think shares are fairly valued in a range of $21-$31.

Image Source: Healthcare Trust

	December 31,				
(In thousands)	2017	2016	2015	2014	2013
Balance Sheet Data:					
Real estate investments, net	$ 5,947,874	$ 3,503,020	$ 2,959,468	$ 2,822,844	$ 2,526,991
Total assets (1)	6,449,582	3,747,844	3,172,300	3,031,384	2,744,666
Debt (1)	2,781,031	1,768,905	1,590,696	1,402,195	1,206,573
Noncontrolling interests	84,666	93,143	27,534	29,282	12,543
Total equity	3,363,448	1,780,417	1,406,958	1,476,421	1,399,749
	Year Ended December 31,				
(In thousands, except per share data)	2017	2016	2015	2014	2013
Statement of Operations Data:					
Total revenues (2)	$ 613,990	$ 460,928	$ 403,822	$ 371,505	$ 321,601
Rental expenses (2)	192,147	143,751	123,390	113,508	97,316
Net income attributable to common stockholders	63,916	45,912	32,931	45,371	24,261
Net income attributable to common stockholders per share - basic (3)	0.35	0.34	0.26	0.38	0.21
Net income attributable to common stockholders per share - diluted (3)	0.34	0.33	0.26	0.37	0.21
Statement of Cash Flows Data:					
Cash flows provided by operating activities	$ 307,543	$ 203,695	$ 191,095	$ 168,499	$ 147,824
Cash flows used in investing activities (4)	(2,455,096)	(608,393)	(274,171)	(257,017)	(374,209)
Cash flows provided by financing activities	2,241,068	400,781	80,826	83,535	229,001
Other Data:					
Dividends declared to stockholders	$ 227,024	$ 164,221	$ 147,539	$ 139,355	$ 132,680
Dividends declared per share (3)	1.21	1.19	1.17	1.16	1.15
Dividends paid in cash to stockholders	207,087	159,174	146,372	137,158	129,360
FFO attributable to common stockholders (5)	284,226	215,570	188,206	157,746	145,908
Normalized FFO attributable to common stockholders (5)	301,957	225,221	195,920	176,639	147,834
NOI (6)	421,843	317,177	280,432	257,997	224,285

Kris Rosemann contributed to this article.



Time Horizon: Long-term

Wix.com (WIX)

"Our continued focus on product development and efficient marketing investment once again drove strong financial results," said Avishai Abrahami, Co-founder and CEO of Wix. "We are encouraged by the continued adoption of Wix Code, which allows our experts and professional users to build sophisticated web applications quickly and easily. Every day we see the potential of this product demonstrated with impressive results, and we are delighted by the creative ways that developers around the world have put Wix Code to use. This is a strong start to the year, and we are building momentum to propel continued growth through the remainder of 2018." – Wix's first-quarter 2018 results, May 9, 2018.

Thesis

The world breathes on freedom of expression, and if social media has taught us anything, it is that people want to be heard. The July capital-appreciation idea for the Nelson Exclusive is a variant on this theme, with the view that not only do people want to connect on social media platforms, but the idea of a personal website to augment their personal or business brand, almost seems like a no-brainer. Enter this month's capital appreciation idea: Wix.com (WIX).

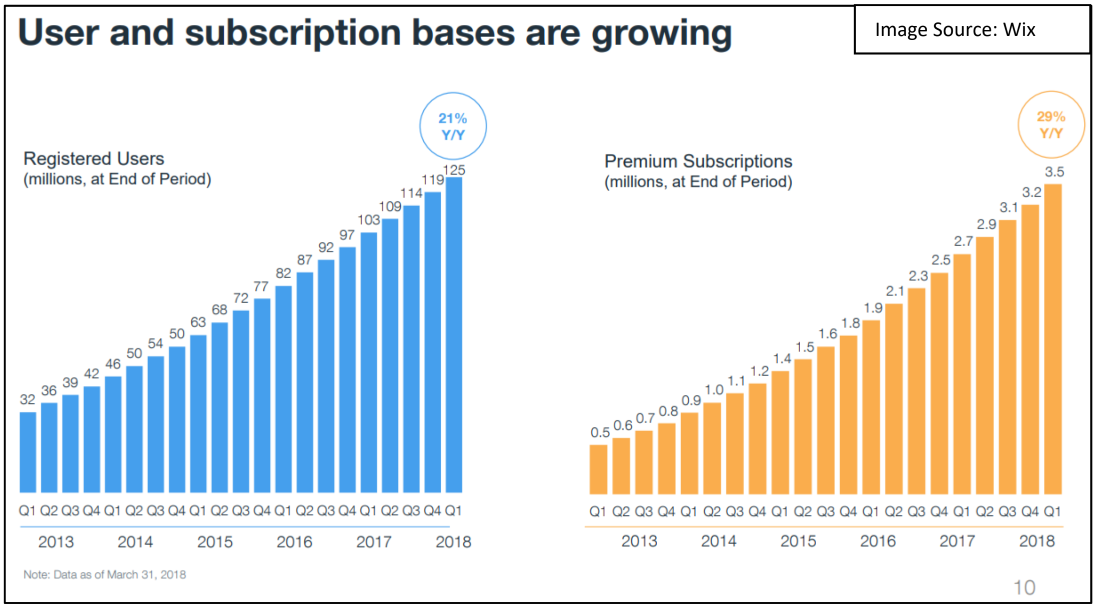
Wix is not a household name, having been founded in 2006, and most of its revenue growth has actually occurred more recently. Through its primary product, Wix Editor, a drag-and-drop visual editing tool, the company allows its users to make websites and edit and publish content easily. We think Wix's primary advantage over most website publishers is the sleek and mobile-friendly nature of its website. It started with the launch of Wix Editor in 2008, and with every iterative improvement from embracing HTML5 Editor to even its Artificial Design Intelligence solution and Wix Code, the company has put customers' interests at the pinnacle of its development efforts.

Wix's pace of registered user and premium subscription expansion is as incredible, as it is consistent. Wix has grown the number of registered users to 125 million at the end of the first quarter of 2018 from 32 million at the end of the first quarter of 2013. The pace of growth of premium subscriptions has been even more impressive, which now stand at 3.5 million at the end of the first quarter of 2018 from ~500,000 at the first quarter of 2013. Our experience with Wix has so far been a very good one, and if you've visited the archives of the Nelson Exclusive publication, well, then you've visited one of their websites.

Corporate Profile

Wix helps users make awesome, mobile-friendly websites. It generates revenue in a freemium/subscription business model and is growing at a rapid pace. Ad of the end of the first quarter of 2018, it had 125+ million registered users worldwide. Its headquarters is in Tel Aviv, Israel, and has offices all over the world. Wix was founded in 2006.

Key Statistics	
Last Close	$105.30
52-week range	$50.90-$109.20
Market Cap	$4.9 B
Avg Daily Vol (30 wks)	624,193
Trailing P/E	NMF
Net Cash (LFY)	$233 M



Wix has a very nice combination of what we truly believe to be product excellence and its business model is likely quite resilient, as the steady build in registered users and premium subscriptions illustrates. For example, most businesses can't very well just shut down their website as it is a core revenue-generating or customer-facing function, so once Wix has acquired a new paying customer, they tend to be very sticky. Switching costs for the publisher could be tremendous if they ever wanted to leave. Though this helps with customer retention, it may make it challenging for even frustrated clients of a different provider to migrate over to Wix seamlessly.

Wix's revenue model is rather easy to understand (freemium/subscription model). It gets paid a monthly or annual (or longer) subscription fee. More than 80% of total subscriptions have annual (or longer) subscription payments, though the mix is closer to two thirds for gross new subscriptions. The company's average annual revenue per subscription has been steadily on the rise, increasing to $154 in the first quarter of 2018 from $133 in the first quarter of 2016. Consolidated sales growth has been phenomenal, too, advancing at a 40% annual clip during the past few years, and the company is expecting this pace to continue in 2018. Free cash flow generation is also improving, with the company targeting ~$100 million in free cash flow during 2018, up from just $15 million in 2015.

Image Source: Wix

	Year Ended December 31,				
	2013	2014	2015	2016	2017
	(in USD thousands except share and per share data)				
Consolidated Statements of Operations:					
Revenues	80,473	141,841	203,518	290,103	425,636
Cost of revenues (1)	15,257	26,108	34,970	45,287	69,391
Gross profit	65,216	115,733	168,548	244,816	356,245
Operating expenses:					
Research and development (1)	29,660	57,832	77,647	105,368	153,635
Selling and marketing (1)	53,776	97,742	120,010	156,512	204,435
General and administrative (1)	8,307	15,803	19,526	26,968	48,186
Total operating expenses	91,743	171,377	217,183	288,848	406,256
Operating loss	(26,527)	(55,644)	(48,635)	(44,032)	(50,011)
Financial income (expenses), net	(603)	2,144	77	247	(5,015)
Other income (expenses)	(18)	(14)	(11)	(4)	76
Loss before taxes on income	(27,148)	(53,514)	(48,569)	(43,789)	(54,950)
Taxes on income	1,572	3,052	2,765	3,107	1,323
Net loss	(28,720)	(56,566)	(51,334)	(46,896)	(56,273)
Basic and diluted net loss per ordinary share (2)	(3.33)	(1.49)	(1.30)	(1.12)	(1.24)
Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share (2)	11,597,826	37,847,093	39,408,928	42,032,818	45,552,199

Image Source: Wix

	2013	2014	2015	2016	2017
	As of December 31,				
	(in USD thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents and short-term deposits	101,258	86,011	109,999	148,562	200,612
Restricted deposits	3,306	5,909	3,851	931	949
Marketable securities	-	-	-	22,742	32,730
Total assets	115,355	118,422	149,433	214,684	330,013
Deferred revenues	37,184	66,598	104,767	156,733	216,811
Total shareholders' equity (deficiency)	62,296	18,650	(3,805)	(2,469)	11,320

	2013	2014	2015	2016	2017
	Year Ended December 31,				
	(in USD thousands except registered users and premium subscription data)				
Supplemental Financial and Operating Data:					
Collections (3)	98,673	171,255	241,687	342,069	483,989
Free cash flow (4)	1,173	(6,422)	14,534	36,158	70,683
Number of registered users at period end (5)	42,126,246	57,945,346	76,965,482	97,358,803	119,263,915
Number of premium subscriptions at period end (6)	789,753	1,232,827	1,767,423	2,465,160	3,223,036

(1) Includes share-based compensation expense as follows:

As a potential customer ourselves, we like Wix's product offering, and the growth of Wix's subscription revenue largely speaks for itself. There is another significant strength of the company's business model that is worth mentioning, however. As is the case with some of the best companies, scale or the ability to leverage their cost structure over time is vitally important to what could become a potentially burgeoning operation. As more and more clients use its platform or service, for example, the company generates a higher margin on each paying customer. Though Wix still hasn't yet turned a profit on an operating basis, the company is targeting free cash flow margins of ~30% in the long run, up from ~15%-16% expected in 2018 and just 6% in 2015.

During the first quarter of 2018, Wix generated record quarterly free cash flow of $21.4 million, a 45% increase on a year-over-year basis, and we think this strength in free-cash-flow performance will be a staple of the company's operations for the foreseeable future. Revenue growth in the quarter came in at 49% as the adoption of Wix Code continues to be robust--so robust that the executive team raised its outlook for fiscal 2018 when it reported first-quarter results May 9, so business momentum is quite solid. We're taking first-quarter results as a sign that performance is actually accelerating, not just increasing at a rapid rate. Wix is still generating operating and net losses, however, mostly due to the ongoing ramp in R&D and marketing expenses to attract and convert new customers, but the company holds a net cash position of well north of $250 million, as of the end of the first quarter of 2018, and its balance sheet is practically debt free.

The idea of Wix sounds great, but let's cover the risks. For starters, our view on Wix is supported by a long-term trajectory of free cash flow expectations that expands considerably from current levels and remains quite resilient for a sustained period of time. For example, assuming an 8% discount rate and a relatively net-neutral balance sheet, Wix would have to generate ~$400 million in annual free cash flow at steady state (annually in the long run), roughly four times what it is targeted to achieve in fiscal 2018--meaning there is considerable execution risk. As Wix collects cash and drives free cash flow generation higher, however, the gap between what is needed in future free cash flow generation to justify its market capitalization and what it generates in free cash flow at the present moment inevitably converges, however.

In the land of technology, especially website hosting and development, changes can happen fast. Right now, we think Wix has a leg up on the competition with the features and coding behind its website, but just like Wix has capitalized on new developments and new opportunities, other new upstarts might be able to in coming years, as well. We also view Facebook and other sites with personalized web pages as potential sources of competition, but as we mentioned before, switching costs may be high for Wix clients once they've invested considerable resources in building a website on their platform. In any case, ongoing innovation to keep clients happen will remain a necessity for Wix. There are also widespread data protection laws that must be adhered to, and any slip up in this department could slow momentum. It's also worth mentioning that while the company is global, it is based in Israel, and there may be unique geopolitical risks, but none that we think would be serious enough to impede business operations.

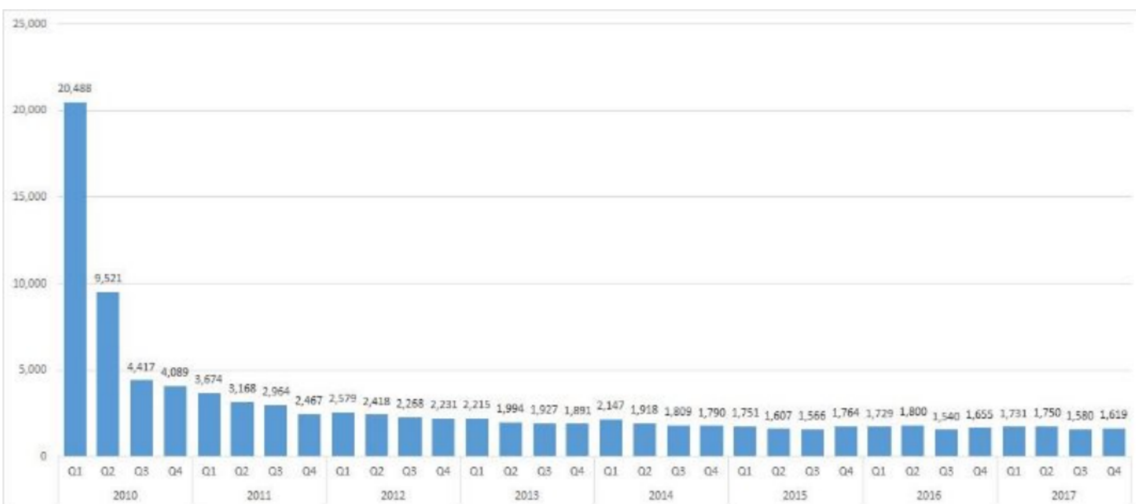
Image Source: Wix

First Quarter 2010 User Cohort

The following chart summarizes the number of premium subscriptions that originated during each quarterly period, from the first quarter of 2010 to the fourth quarter of 2017, from the 919,221 registered users that first registered with us in the first quarter of 2010. We refer to this group of registered users as our first quarter 2010 User Cohort. The first quarter 2010 User Cohort is representative of trends we have seen in premium subscription originations, and we believe it is consistent with our registered users' subscription purchasing behavior in recent periods.

Through December 31, 2017, the first quarter 2010 User Cohort generated a total of 96,067 new premium subscriptions and continued to generate premium subscriptions up through and during the first quarter of 2018.

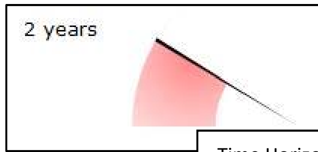
Premium Subscriptions from First Quarter 2010 User Cohort



On the risk spectrum of ideas, we'd put Wix way up the ladder, so this idea is far from a slam dunk, but it does have great promise. Wix has all the makings of a potential big winner, in our view: It possesses a repeatable and leverageable business model, has a solid and growing free-cash-flow generating profile, showcases strong balance-sheet health with negligible debt, and reveals solid growth prospects with a strong pipeline of already-identified registered users that is 35 times that of its subscription base (125 million versus 3.5 million). The runway of growth at Wix looks long, and the company looks poised to capitalize on it. We value Wix north of $110 per share on a base-case scenario, but upside potential remains considerable.

Image Source: Wix

Name of Beneficial Owner	Number of Shares Beneficially Held	Percentage of Class
Directors and Executive Officers		
Avishai Abrahami(1)	1,629,954	3.4%
Giora Kaplan(2)	594,351	1.3%
Lior Shemesh(3)	69,197	*
Nir Zohar(4)	532,953	1.1%
Omer Shai(5)	315,085	*
Yaniv Even-Haim(6)	72,122	*
Deirdre Bigley (7)	1,833	*
Allon Bloch(7)	3,209	*
Mark Tluszcz (8)	4,545,088	9.7%
Yuval Cohen(7)	38,541	*
Ron Gutler(7)	43,541	*
Erika Rottenberg(7)	25,855	*
Roy Saar(9)	196,302	*
All executive officers and directors as a group (13 persons)	8,068,031	16.5%
Principal Shareholders		
T. Rowe Price Associates Inc. (10)	6,626,610	14.1%
Entities affiliated with Mangrove Capital Partners(11)	4,545,088	9.7%
Entities affiliated with Steadfast Capital Management (12)	3,985,687	8.5%
FMR LLC (13)	2,585,485	5.5%
Baillie Gifford & Co (14)	2,414,882	5.2%



Time Horizon: Short term

Installed Building Products (IBP)

Thesis

This month's short idea consideration comes to us from the highly cyclical building products industry. As one of the largest installers of insulation in the US, Installed Building Products is heavily dependent on the new residential construction market, from which it derives roughly two thirds of its revenue as of the first quarter of 2018. As such, the company has a highly cyclical business model with significant labor intensity and poor free cash flow generation. As a reminder, the US residential new construction insulation installation market fell to ~$1.4 billion in sales in 2012 from ~$4 billion in sales in 2005.

Unfortunately for investors, there is an extremely limited amount of information about Installed Building Products' performance during the latest downturn in the housing market as it went public in 2014 under the veil of the JOBS Act, which allows companies that qualify as "emerging growth companies" to be exempt from certain reporting requirements. As a result, the company was required to provide only two years of audited financial statements and selected financial data in its registration statement as opposed to the typical requirement of three years of audited financial statements and five years of selected financial data. Through of no fault of their own, many investors may not be able to completely anticipate what to expect from the company in the next housing market downturn.

Corporate Profile

Installed Building Products is one of the largest insulation installers in the US residential new construction market and also a diversified installer of other building products such as waterproofing, fire-stopping and fireproofing, garage doors, and rain gutters, among others. It offers services in all 48 continental states and the District of Columbia via 125 branch locations. The company was founded in 1977 and is headquartered in Columbus, Ohio.

Key Statistics	
Last Close	$56.15
52-week range	$50.95-$79.40
Market Cap	$1.8 B
Avg Daily Volume (30 weeks)	236,141
Shares Outstanding	31.5 M
Float	17.5 M
Shares Short	1.4 M
Short Ratio	7.7
Short % of Float	6.3%
Shares short (prior month)	1.2 M

Let's take a look at what information we were able to piece together from Installed Building Products' pre-public performance. In a recent investor presentation, the company disclosed year-over-year revenue growth dating back to 2008, revealing declines of 16%, 24%, and 4% in 2008, 2009, and 2010, respectively, before returning to top-line growth in 2011. US housing completions fell 25%, 29%, and 18%, respectively, in these three years. From its registration filing and other public filings, we find that the company was not able to turn a profit from 2011-2014 following the housing market collapse of late last decade, and cash flow from operations was in negative territory as recently as 2011.

	Years Ended December 31,										*LTM*
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**3/31/2018**
Revenue Growth	*(16%)*	*(24%)*	*(4%)*	*7%*	*26%*	*43%*	*20%*	*28%*	*30%*	*31%*	*27%*
Total US Completions *(in thousands of starts)*	1,120	794	652	585	649	764	884	968	1,060	1,153	1,173
% US Housing Completions Growth	*(25%)*	*(29%)*	*(18%)*	*(10%)*	*11%*	*18%*	*16%*	*10%*	*10%*	*9%*	*8%*
IBP Net Rev / Completions	$274	$292	$342	$408	$464	$565	$586	$684	$814	$983	$1,005

Source: U.S. Census Bureau, Company filings
Note: Historical revenue figures not pro forma for acquisitions

Image Source: IBP

Image Source: IBP

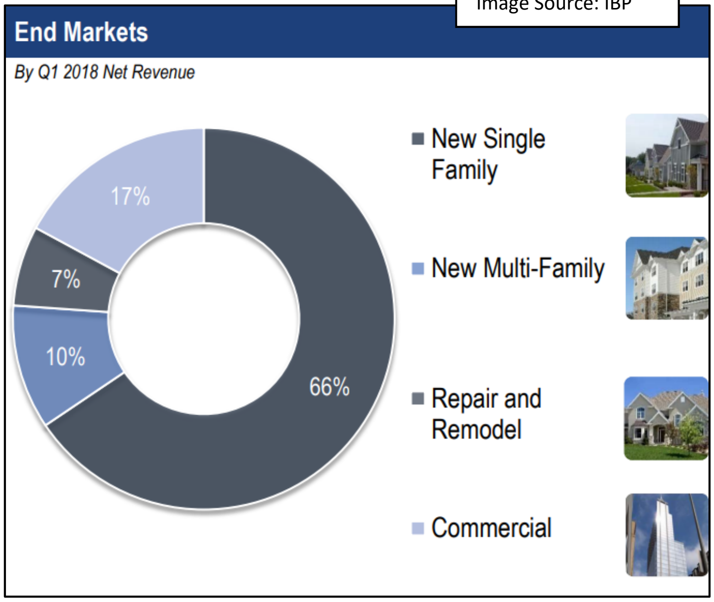
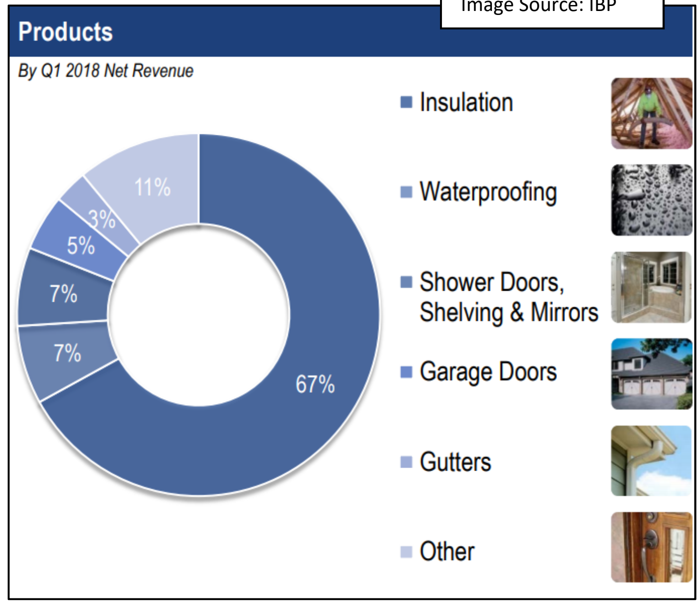


Image Source: IBP



More recent financial performance has been understandably strong as Installed Building Products has been riding a wave of solid demand created by the cyclical upswing of the markets it serves, a dynamic that has been augmented by the company's acquisition-based growth strategy it has employed since the late 1990s. The company has been generating positive free cash flow in each year since 2012, but in 2014-2017 it spent far more in acquisitions than it has generated in free cash flow, which caused its long-term debt load to grow to $331 million at the end of 2017 from just under $18 million five years earlier.

In our view, its performance should be expected to ebb and flow with the US residential new construction market, and times right now may be good, but they may not last. In any case, Installed Business Products' bottom-line performance has been impressive in recent years as net income per share advanced to $1.30 in 2017 from a loss of $0.20 in 2014. However, we think it is important to note that there are considerable differences between its reported adjusted and unadjusted earnings figures, with adjustments adding $0.75 to its adjusted net income per share in 2017.

While adjusted income figures can be useful, they should be evaluated with caution. For a company that has completed more than 125 acquisitions and pursues an acquisition-based growth strategy, it may not make much sense to back out acquisition-related expenses and all non-cash amortization resulting from business combinations in the calculation of adjusted net income. In the case of Installed Business Products, these adjustments resulted in more than $30 million being added back to adjusted net income in 2017, which is equivalent to ~46% of its total adjusted net income for the year. In the first quarter of 2018, these

Image Source: IBP

	Three months ended December 31, 2017	Three months ended December 31, 2016	Twelve months ended December 31, 2017	Twelve months ended December 31, 2016
Net income, as reported	$ 10,793	$ 11,081	$ 41,140	$ 38,436
Adjustments for adjusted net income:				
Write-off of capitalized loan costs	1,791	—	2,113	286
Share based compensation expense	1,842	362	6,591	1,894
Acquisition related expenses1	928	989	3,201	2,320
Financial Wellness Program	2,206	—	2,206	—
Amortization expense	7,067	3,081	26,857	11,259
Tax impact of adjusted3items at normalized tax rate	(4,648)	(1,640)	(13,765)	(5,831)
2017 Tax Cuts and Jobs4Act - Release of deferred tax liability	(3,385)	—	(3,385)	—
Adjusted net income	$ 16,594	$ 13,873	$ 64,958	$ 48,364
Weighted average shares outstanding (diluted)	31,860,978	31,396,857	31,756,363	31,363,290
Diluted net income per share, as reported	$ 0.34	$ 0.35	$ 1.30	$ 1.23
Adjustments for adjusted net5income, net of tax impact, per diluted share	0.18	0.09	0.75	0.31
Diluted adjusted net income per share	$ 0.52	$ 0.44	$ 2.05	$ 1.54

same adjustments added ~$7.6 million to adjusted net income, or ~53% of its adjusted net income.

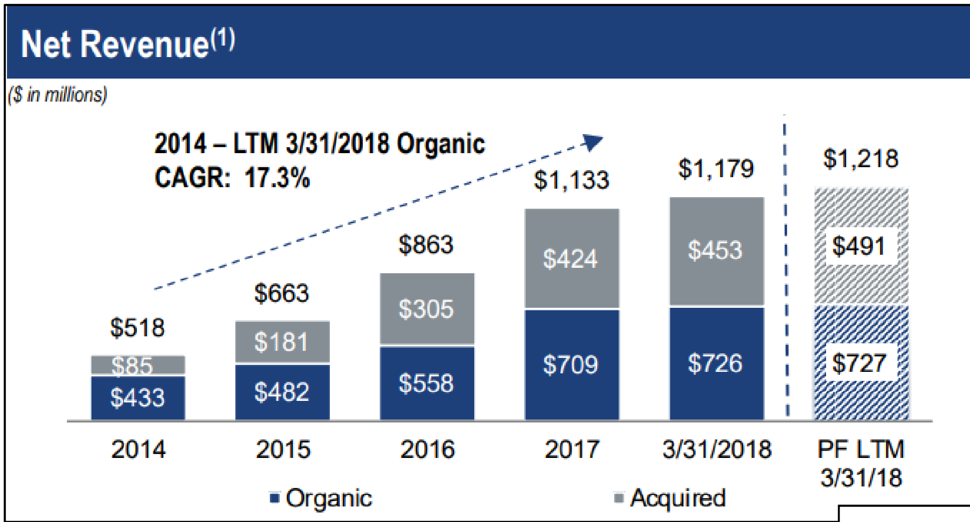
There's nothing inherently wrong with cyclical businesses, as long as investors understand the risks associated with the deterioration of a once-healthy end market. As of this writing, Installed Business Products is trading at 19.3 times consensus estimates for 2018 earnings and 15.7 times consensus estimates for 2019 earnings--it is important to note that these estimates are adjusted figures and are likely to be higher than actual results that are in accordance with US GAAP. According to FactSet, the average forward P/E ratio in the materials sector, which includes the Metals & Mining, Chemicals, Containers & Packaging, and Construction Materials industries, is 15.3 times as of the second quarter of 2018. The sector's five and ten year averages check in at 16 times and 15 times, respectively.

Installed Building Products is facing some challenges despite an overall healthy operating environment. Aggressive price increases from manufacturers are impacting margin performance and may continue to do so as the company's own price hikes have lagged its cost increases. The company has a degree of supplier concentration, which may exacerbate the aforementioned cost increase challenges, as its top three suppliers accounted for 38% of its total material purchases in 2017. Though the firm does not deal with unionized workers, it does face pressure from wage inflation as it runs a labor-intensive business, and it has been (and continues to be) involved in claims and lawsuits related to wage and hour lawsuits.

We're also not fond of the company's aggressive acquisition-based growth strategy, which may add pressure during the next housing market downturn. Such high volume of acquisitions introduces higher levels of identification, integration, and execution risks, which may not be material enough during an up cycle but can become disastrous in the event of a downturn. For example, the company was forced to record a $64.3 million goodwill impairment charge in 2010 as a result of the deteriorated prospects of its acquired businesses.

The combination of a cyclical end market, an aggressive acquisition growth strategy, and concerning differences between adjusted and actual results form the basis of our short thesis for Installed Building Products, and we continue to cast a cautious eye towards past internal control shortfalls, though the issues came prior to its going public. The company's ugly price chart adds to our fundamental concerns, and President and CEO Jeff Edwards' owning of 24.4% of common stock may not be completely reassuring. A potential divide in manager and shareholder interests (agency risk) can cause unforeseen headaches for the common shareholder and may be a sign of poor corporate governance.

There remains a very real possibility that the ongoing strength in the housing market will continue to power Installed Building Products' financial performance in the near term, but when the next downturn in the cyclical housing market occurs, the only uncertainty being the timing and scale, its performance will almost certainly be negatively impacted. Regardless of the housing backdrop, shares have been somewhat volatile of late. We are ready to be patient with this short idea consideration, and we value shares in the upper $30s to lower $40s range, well below where they are currently trading.



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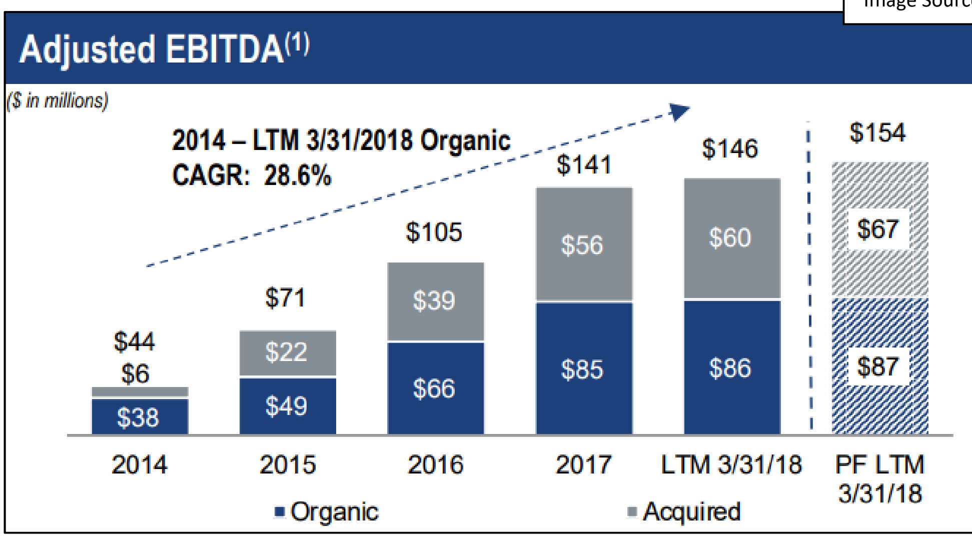

Kris Rosemann contributed to this article.

July 1, 2016

Inaugural Letter to Members

Dear Valued Member,

Welcome! You are one of a very limited number of members that will ever bear witness to the pages that follow.

The launch week of the Nelson Exclusive coincided with news that Britain has voted to leave the European Union. The decision, while sending the European banks tumbling violently, does little to muddy the context setting the background of the inaugural edition of this publication.

Broader stock market valuations are at frothy levels, and interest rates continue to hover near all-time lows. The investment-decision landscape is more complicated today than ever before for all types of investors, from those seeking long-term capital appreciation to those that are targeting certain income goals. Cyclicals today are trading at peak multiples on peak earnings, and even consumer staples equities have reached valuation levels that may be more appropriate for aggressive growth equities, not mature operators. *Said differently, the market has laid down the gauntlet.*

The next few years in the markets may be among the most difficult witnessed since the Great Recession. Even a broader market pullback 20% from current all-time highs wouldn't be abnormal given that the collective market valuation of S&P 500 companies has effectively tripled from the March 2009 panic bottom. The launch of the Nelson Exclusive in such conditions can be considered perilous as broader market performance inevitably will act as ballast to the returns of ideas surfaced. In this spirit, I want to remind you that not all ideas in this publication will be successful, and some that are eventually may encounter tough sledding over extended periods of time. As a swimmer cannot achieve his best time swimming against the current, a stock selector cannot achieve his best performance in a down market. Regardless, the value placed on a steady hand during challenging times is priceless.

Let's first cover what the Exclusive is and then we'll talk about what it is not. As you know, the Valuentum investment coverage universe is vast, and what we're seeking to deliver in this publication is ideas that fall outside its reach. We're breaking down the traditional barriers of equity coverage to identify underfollowed gems across the investing spectrum, delivering in each monthly edition one idea for income investors, one idea for readers seeking long-term capital appreciation, and a bonus idea for those looking for a "short" consideration (1). Underfollowed doesn't mean obscure, however, and the ideas that we're targeting will be investable ones, avoiding thinly-traded instruments and penny stock "traps." We'll clearly define our expected time horizon for each consideration, and where applicable, we'll update our theses in subsequent editions. We'll keep score, tracking performance over time.

Let's talk about what the Exclusive isn't. The Exclusive does not constitute individual investment advice, and the ideas within it are not personal recommendations. Each of you reading should always work with your personal financial advisor who knows your individual goals and risk tolerances. I do not. Only you and your personal financial advisor know what's best for your life circumstances. The personal financial advising markets and what we do at Valuentum via financial publishing are two different verticals in the same industry, but they are different nonetheless. I just want to be very clear about this because I can never tell you to buy or sell anything at any time, even if this may be what you want. It's not that I don't have conviction in my work – it's the rules of the business.

Within the twelve editions of the Nelson Exclusive each year, we'll be highlighting in total 36 ideas for consideration with varying investment parameters. That's a lot. Depending on the time horizon set forth with each idea, fantastic performance might mean a success rate of 60%, great performance might be 55%, average performance might be 50%, while anything below that mark may constituent a poor showing. Obviously, I'm aiming for a 100% success rate, but I also have to be realistic. The great Joe DiMaggio may have hit safely for 56 consecutive games in the last baseball season before the United States was thrust into World War II, but he "only" hit .357 that year. That season of '41, the great Ted Williams would be the last player to hit .400, meaning that one of the best hitters in baseball…ever…was still called out ~60% of the time.

The greatest investors face a similar paradigm. Stock selection is a process where there will be homeruns and strikeouts. You know me. The Exclusive is not a "get-rich-quick" product, and you should keep a close eye on your wallet if you encounter anyone promising anything of the sort. In the inaugural edition of the Nelson Exclusive, I'm going to take 36 swings – they are going to be hard and through the zone, and I'm not going to pull my shoulder out or take my eye off the ball. Market conditions are expected to be stormy in coming years as "reversion-to-the-mean" dynamics rain down, and a crafty lefthander with great "stuff" may be on the mound, but we're stepping up to the plate and digging in.

Batter up!

Sincerely,

Brian Nelson, CFA
President, Investment Research & Analysis
Valuentum Securities, Inc.
brian@valuentum.com

P.S. On a very personal note, I wanted to thank you for your continued support. Without you, neither the Nelson Exclusive publication nor Valuentum would exist. This fact is not lost on me. I thank you deeply.

The Nelson Exclusive: Volume 3, Issue 7

The Nelson Exclusive is published monthly. Contact us at info@valuentum.com for more information.

(1) From the SEC's website: A short sale is the sale of a stock that an investor does not own or a sale which is consummated by the delivery of a stock borrowed by, or for the account of, the investor. Short sales are normally settled by the delivery of a security borrowed by or on behalf of the investor. The investor later closes out the position by returning the borrowed security to the stock lender, typically by purchasing securities on the open market.

Investors who sell stock short typically believe the price of the stock will fall and hope to buy the stock at the lower price and make a profit. Short selling is also used by market makers and others to provide liquidity in response to unanticipated demand, or to hedge the risk of an economic long position in the same security or in a related security. If the price of the stock rises, short sellers who buy it at the higher price will incur a loss.

Brokerage firms typically lend stock to customers who engage in short sales, using the firm's own inventory, the margin account of another of the firm's customers, or another lender. As with buying stock on margin, short sellers are subject to the margin rules and other fees and charges may apply (including interest on the stock loan). If the borrowed stock pays a dividend, the short seller is responsible for paying the dividend to the person or firm making the loan (Source: SEC https://www.sec.gov/answers/shortsale.htm)

Short selling is not for all types of investors, and readers should consult their personal financial advisor that understands their individual goals and risk tolerances before considering any investment or any strategy. Potential losses for an investor engaging in a short selling strategy are theoretically infinite.

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