THE EXCLUSIVE

Confidential*

July 2019

THE VALUENTUM TEAM

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Teladoc Jumps and Other Updates

By Callum Turcan

Dear Exclusive members.

We hope you all had a tremendous Fourth of July holiday, and we are excited to bring you this edition of the Exclusive publication. First, let's cover some of the most recent updates impacting key companies we cover in this publication.

Our C**apital Appreciation idea for May 2019**, Teladoc Health Inc (TDOC), surged by roughly 9% during the past month through July 5. Investors are getting excited over a potential deal with UnitedHealth Group Inc (UNH), which Piper Jaffray Companies' (PJC) Sean Wieland sees as happening very soon after recently meeting Teladoc's CEO. It remains to be seen what such a deal could look like and we caution rumors are still just rumors. On June 25, Teladoc appointed Mala Murthy as its new CFO, who had previously worked at American Express Company (AXP). With its new CFO in place, Teladoc should be able to continue onwards with its journey of revolutionizing the healthcare space.

January 2018 Short Idea Shake Shack Inc (SHAK) is getting away from us after posting stronger than expected results during the first quarter of 2019, which included management revising the firm's revenue guidance upwards for 2019. We still are pessimistic on the name as Shake Shack's adjusted EBITDA margin fell by ~280 basis points year-over-year during the first quarter, while its GAAP net income margin dropped by ~160 basis points and its GAAP operating margin decreased by ~270 basis points. There's a good chance Shake Shack's improving same-store sales figures are a result of the firm willingly accepting lower margins in order to juice revenue growth. We will be monitoring Shake Shack's performance closely going forward.

Canadian Natural Resources Limited (CNQ), our **March 2019 Income Generation idea**, has held up well in in the face of capricious raw energy resource markets. The company announced it was purchasing Devon Energy Corporation's (DVN) heavy oil operations late-May 2019, which are predominantly upstream oil sands assets. We see this as a very good strategic fit for Canadian Natural as the expected synergies are straight-forward and the company paid a great price for these low-decline upstream operations (about CAD$3.8 billion in cash, subject to closing adjustments). We think Canadian Natural Resources should be a major beneficiary of OPEC+ extending the current oil production curtailment deal into 2020, as that at least puts a floor underneath raw energy resource prices in the short-term. This company's fiscal discipline often enables the energy company to be very free cash flow positive, even in subdued raw energy resource pricing environments, which we appreciate (keeping in mind fluctuations in raw energy resource prices still play an outsized role in its financial performance, and a material drop in those prices could lead to negative free cash flows).

Another **Income Generation idea from February 2019**, EastGroup Properties Inc (EGP), has done quite well over the past several months, rising to ~$119 per share as of this writing. On May 23, EastGroup announced its 158th consecutive quarterly cash dividend payout of $0.72 per share, and EGP yields ~2.4% on a forward-looking basis. EastGroup moved from the S&P SmallCap 600 index to the S&P MidCap 400 index on May 7, highlighting the REIT's rise.

On June 3, EastGroup announced that it had acquired Logistics Center 6 & 7 back in late-April. Those facilities contain a total of 142,000 square feet of business distribution space in Dallas, Texas, and those properties are designed for multi-tenant uses. Going forward, EastGroup still needs to lease out the remaining capacity of that new property (19% leased at the time of the acquisition, 56% leased as of June 3). We continue to like EastGroup as a quality income generating REIT.

Shares of **April 2019 Capital Appreciation** idea Everbridge Inc (EVBG) have been on a tear recently, up 29% since the start of May. On May 6, Everbridge reported first quarter 2019 earnings that beat market expectations. The company's revenue grew by 40% year-over-year to almost $43 million, however, Everbridge did report just under $2 million in negative EBITDA (broadly flat year-over-year). Net operating cash flows of $9 million, less $3 million in capital expenditures and $2 million in additions to capitalized software costs (which management considers similar to capital expenditures), allowed for $4 million in free cash flow during the first quarter.

Going forward, management is forecasting Everbridge will generate $197 million in revenue, a non-GAAP loss per share of $0.25 - $0.28, and $5 million in positive adjusted EBITDA this year. The company exited March 2019 with a nice $140 million net cash position (when including convertible debt in that calculation), and we expect its critical event management offerings will continue to perform well. On June 18, Everbridge appointed David Meredith as its new CEO, who was previously COO of Rackspace. With a steady and experienced hand at the wheel Everbridge can now focus on scaling up its business model and improving its profitability metrics.

May 2019 Income Generation idea National Health Investors Inc (NHI) was up roughly 2% in June. The company announced on June 4 that the REIT would expand its joint-venture with partner Discovery Senior Living by having the JV acquire six properties for $128 million, with those properties then leased out to Discovery under ten-year leases with two five-year extensions. Those properties include independent, memory care, and assisted living facilities. National Health owns 97.5% of the JV's equity and Discovery owns the rest.

Demand for senior housing for medical and discretionary purposes is set to rise materially over the coming years as demographic trends point towards the "greying of America" thesis having legs. On June 26, National Health announced that it would provide a $33 million loan for the purchase and renovation of a continuing care retirement community in South Carolina, which will be operated by an affiliate of Senior Living Communities. We continue to like National Health as an income generator with a nice long-term trajectory.

In other news, **the United States and China have agreed to another trade truce, of sorts.** During the G-20 summit in Osaka, Japan, that was held in late-June, President Trump and President Xi Jinping agreed to not slap additional tariffs on the other's country's exports as trade talks are getting ready to start up once again. The United States didn't agree to reduce 25% tariffs on $250 billion of Chinese exports to America, however, which are already having a profound impact on global supply chains. We expect to see plenty of headlines announcing the next big thing in US-China trade talks over the coming weeks and months, but it's clear that neither side is close to reaching acceptable terms.

This most recent trade truce came after the US and China had already come to an understanding at the G-20 summit in Argentina late last year, a truce that ended up blowing up just a few months later. President Trump has threated to slap additional tariffs on another ~$300 billion in Chinese exports to the US if an agreement can't be reached, which we caution would send the current trade war to the next level. Retaliatory actions by Beijing and the ensuing animosity between both parties would further entrench each side in their respective trade war strategies.

How ongoing trade war drama will impact US Fed policy remains to be seen, with most market participants indicating that they see a July interest rate cut as very probable. **Strong US jobs data reported on July 5 reduces the chance for a 50-basis point cut at the upcoming meeting (July 30 – 31), but a 25 basis point cut is still very much on the table.**

In the medium-term, the US Fed is looking for clues as to how or even if the US-China trade spat can be resolved. Global macroeconomic indicators point towards slowing economic activity across much of the world, a trend that's partially driven by an uncertainty around future trade policy, which is hurting business investment. Companies don't want to invest if their overseas sales will be subject to an enormous tariff, and that has negative dynamic effects down the line (weakening business confidence puts downward pressure on capital expenditure budgets, which hurts hiring activity and negatively impacts wage growth, which hurts consumer confidence, and so forth).

Please keep in mind that in the event the US Fed does start cutting rates that could be a major boon for most utilities, heavily indebted companies, many REITs, and various other enterprises with elevated debt loads. The search for yield should also make high-yielding securities a lot more attractive. We hope you enjoy this edition of the Exclusive, have a great weekend!

Disclosure: Callum Turcan does not own any shares of the companies mentioned above.

Valuentum has now highlighted over 100 ideas in the Exclusive publication with fantastic success rates! If you would like for us to comment on previously-highlighted ideas, please just email us at info@valuentum.com, and we will include our updated thoughts in the subsequent edition. Thank you!

Tracking 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
Income Ideas						
Jul, 16	Universal Corp (UVV)	57.74	2.12	3.04	5.0%	Closed - 2/12/2017
Aug, 16	B&G Foods (BGS)	51.54	1.68	1.90	9.2%	Closed - 7/17/2017
Sep, 16	Maxim Integrated (MXIM)	41.12	1.32	1.84	3.1%	Closed - 2/12/2017
Oct, 16	Douglas Dynamics (PLOW)	31.94	0.94	1.09	2.8%	Closed - 2/12/2017
Nov, 16	Ennis Inc. (EBF)	14.60	0.70	0.90	4.5%	Closed -- 11/12/2016
Dec, 16	Watsco, Inc. (WSO)	150.57	4.20	6.40	3.9%	Closed - 2/12/2017
Jan, 17	Star Gas Partners (SGU)	11.21	0.41	0.5	5.0%	0-5 yrs
Feb, 17	Moelis & Co (MC)	35.00	1.28	2.00	5.9%	Closed - 6/22/2017
Mar, 17	Park National (PRK)	108.59	3.76	4.04	4.0%	0-20 yrs
Apr, 17	American Software (AMSWA)	10.44	0.44	0.44	3.3%	Closed - 6/22,23/2017
May, 17	NW Natural (NWN)	59.20	1.88	1.90	2.8%	Closed - 10/25/2018
Jun, 17	Japan Tobacco (JAPAY)	19.03	0.60	0.68	5.9%	0-20 yrs
Jul, 17	Vectren Corp (VVC)	58.21	1.68	Acquired	Acquired	Closed 8/30/2017
Aug, 17	National Retail Properties (NNN)	40.50	1.90	2.00	3.8%	Closed - 10/25/2018
Sep, 17	STORE Capital (STOR)	25.72	1.16	1.32	3.9%	Closed - 10/25/2018
Oct, 17	Fortis (FTS)	36.14	1.27	1.34	3.4%	Closed - 4/18/2019

Many members have said that they prefer to focus on the long-term income-oriented dynamics of the income ideas, and we think this makes sense. The formatting of the table reflects a greater focus 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

Highlight Date	Company (symbol)	Highlight Price	Annual Divs per Share at Highlight	Current Fwrd Dividends per Share	Current Fwrd Exp Dividend Yield	Time Horizon
Income Ideas						
Nov, 17	Black Hills (BKH)	61.23	1.78	2.02	2.6%	Closed - 10/25/2018
Dec, 17	Four Corners Propety Trust (FCPT)	26.03	0.97	1.15	4.2%	Closed - 10/25/2018
Jan, 18	TransCanada Corp (TRP)	49.47	1.98	2.29	4.6%	0-20 yrs
Feb, 18	Siemens (SIEGY)	71.13	2.18	2.17	3.7%	0-20 yrs
Mar, 18	Philips 66 Partners (PSXP)	49.63	2.71	3.38	6.9%	Closed - 10/25/2018
Apr, 18	PS Business Parks (PSB)	113.68	3.40	4.20	2.5%	Closed - 10/25/2018
May, 18	Hubbell (HUBB)	103.97	3.08	3.36	2.6%	Closed - 2/11/2019
Jun, 18	Park Hotels & Resorts (PK)	32.43	1.72	1.80	6.6%	Closed - 5/3/2019
Jul, 18	Healthcare Trust of America (HTA)	27.36	1.22	1.24	4.6%	Closed - 2/11/2019
Aug, 18	QTS Realty Trust (QTS)	44.01	1.64	1.76	3.9%	Closed - 4/18/2019
Sep, 18	Atmos Energy (ATO)	93.62	1.94	2.10	2.0%	Closed - 10/25/2018
Oct, 18	Veolia Environment (VEOEY)	19.70	0.99	1.03	4.1%	Closed 4/18/2019
Nov, 18	Roche Holding (RHHBY)	29.82	1.08	1.07	3.0%	Closed - 2/11/2019
Dec, 18	OGE Energy (OGE)	40.46	1.46	1.46	3.4%	Closed - 2/11/2019
Jan, 19	BAE Systems (BAESY)	24.32	0.92	1.38	5.3%	Closed - 2/11/2019
Feb, 19	EastGroup Properties (EGP)	107.58	2.88	2.88	2.5%	0-20 yrs
Mar, 19	Canadian Natural Resources (CNQ)	26.76	1.01	1.15	4.3%	0-20 yrs
Apr, 19	Evergy (EVRG)	57.32	1.90	1.90	3.1%	0-20 yrs
May, 19	Naational Health (NHI)	76.43	4.20	4.20	5.3%	0-20 yrs
Jun-19	Corporate Office Properties Trust (OFC)	28.94	1.10	1.10	4.2%	0-20 yrs

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.

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon
Capital Appreciation Ideas						
Jul, 16	Bloomin Brands (BLMN)	17.87	19.28	0.07	8.3%	Closed -- 11/12/2016
Aug, 16	Healthcare Srvs Group (HCSG)	38.91	41.02	0.369	6.4%	Closed - 2/12/2017
Sep, 16	Grupo Aeroportuario (ASR)	157.87	181.61	-	15.0%	Closed - 4/5/2017
Oct, 16	Swedish Match (SWMA.ST)	314.80SEK	417.40SEK	17.7	38.2%	Closed - 6/1/2018
Nov, 16	Symrise AG (SYIEY)	16.25	16.34	-	0.6%	Closed - 4/5/2017
Dec, 16	Tootsie Roll (TR)	37.80	38.96	0.90	5.4%	Closed 4/18/2019
Jan, 17	Texas Capital Bancshares (TCBI)	78.05	85.10	-	9.0%	Closed - 2/12/2017
Feb, 17	Arconic (ARNC)	25.90	29.62	-	14.4%	Closed - 2/12/2017
Mar, 17	Tesaro (TSRO)	180.84	122.62	-	-32.2%	Closed - 7/17/2017
Apr, 17	Yum China (YUMC)	31.15	37.67	-	20.9%	Closed - 5/23/2017
May, 17	Galapagos (GLPG)	87.67	76.13	-	-13.2%	Closed - 7/17/2017
Jun, 17	Huntington Ingalls (HII)	193.79	206.39	-	6.5%	Closed 8/18/2017
Jul, 17	Orbital ATK (OA)	102.33	104.65	-	2.3%	Closed 8/18/2017
Aug, 17	Wingstop (WING)	32.28	66.17	3.61	116.2%	Closed - 10/25/2018
Sep, 17	Qualys (QLYS)	51.10	75.44	-	47.6%	Closed - 10/25/2018
Oct, 17	Guidewire Software (GWRE)	78.24	87.50	-	11.8%	Closed - 10/25/2018
Nov, 17	Ferrari N.V. (RACE)	117.43	123.26	0.71	5.6%	Closed - 2/11/2019

CAPITAL APPRECIATION IDEAS

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon
Capital Appreciation Ideas						
Dec, 17	Square (SQ)	38.22	72.61	-	90.0%	Closed - 10/25/2018
Jan, 18	Planet Fitness (PLNT)	33.70	46.41	-	37.7%	Closed - 10/25/2018
Feb, 18	Insulet Corp (PODD)	75.84	82.69	-	9.0%	Closed - 10/25/2018
Mar, 18	Preferred Bank (PFBC)	64.01	47.87	1.62	-	0-20 yrs
Apr, 18	Esperion Therapeutics (ESPR)	66.43	40.94	-	-38.4%	Closed - 4/18/2019
May, 18	Heidrick & Struggles (HSII)	37.65	40.77	0.41	9.4%	Closed - 3/9/2019
Jun, 18	Green Dot Corp (GDOT)	72.86	49.40	-	-	0-20 yrs
Jul, 18	Wix.com (WIX)	105.30	111.93	-	6.3%	Closed - 2/11/2019
Aug, 18	Tactile Systems Technology (TCMD)	50.84	63.52	-	24.9%	Closed - 10/25/2018
Sep, 18	Invitae (NVTA)	13.95	20.84	-	49.4%	Closed - 3/9/2019
Oct, 18	Cigna (CI)	215.72	149.00	0.04	-30.9%	Closed 4/18/2019
Nov, 18	Yeti Holdings (YETI)	16.50	17.99	-	9.0%	Closed - 2/11/2019
Dec, 18	Spotify (SPOT)	135.31	139.65	-	3.2%	Closed - 4/18/2019
Jan, 19	Suncor Energy (SU)	29.32	32.05	-	9.3%	Closed - 2/11/2019
Feb, 19	Delek Holdings (DK)	32.12	37.31	0.27	17.0%	Closed - 4/18/2019
Mar, 19	Physicians Realty Trust (DOC)	17.82	17.51	0.46	-	0-20 yrs
Apr, 19	Everbridge (EVBG)	72.75	93.76	-	-	0-20 yrs
May, 19	Teladoc Health (TDOC)	60.93	68.28	-	-	0-20 yrs
Jun-19	Alteryx (AYX)	95.15	115.98	-	-	0-20 yrs

Success rate: The percentage of ideas highlighted in the 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.

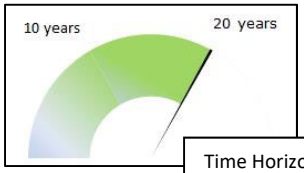
SHORT IDEA CONSIDERATIONS

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon
Short Idea Considerations						
Jul, 16	Lands' End (LE)	16.76	16.10	NA	3.9%	Closed -- 12/2/2016
Aug, 16	Vivint Solar (VSLR)	2.94	2.85	NA	3.1%	Closed -- 12/2/2016
Sep, 16	Lloyds Banking (LYG)	3.31	2.78	NA	16.0%	Closed -- 11/4/2016
Oct, 16	GoPro (GPRO)	16.68	11.16	NA	33.1%	Closed -- 11/4/2016
Nov, 16	Seritage Growth Properties (SRG)	44.31	42.13	0.25	4.4%	Closed -- 1/6/2017
Dec, 16	Royal Bank of Scotland (RBS)	4.91	5.77	0.34	-	0-5 yrs
Jan, 17	Sequential Brands Group (SQBG)	4.62	4.18	-	9.5%	Closed - 2/12/2017
Feb, 17	Sportman's Warehouse (SPWH)	6.85	6.11	-	10.8%	Closed - 2/12/2017
Mar, 17	Fitbit (FIT)	6.07	5.71	-	5.9%	Closed - 4/5/2017
Apr, 17	Santander Consumer (SC)	12.51	11.65	-	6.9%	Closed - 5/23/2017
May, 17	Snap, Inc (SNAP)	23.19	17.19	-	25.9%	Closed - 5/10/2017
Jun, 17	Mallinckrodt (MNK)	42.65	36.41	-	14.6%	Closed - 8/18/2017
Jul, 17	Deutsche Lufthansa AG (DLAKY)	23.38	21.42	0.94	4.4%	Closed - 10/25/2018
Aug, 17	Del Frisco's (DFRG)	14.35	11.93	-	16.9%	Closed - 10/16/17
Sep, 17	Fiesta Restaurant Group (FRGI)	15.90	14.36	-	9.7%	Closed - 2/11/2019
Oct, 17	Ingles Markets (IMKTA)	26.50	24.20	-	8.7%	Closed - 10/16/17

The tables above are provided for the sole purpose of transparency, to allow readers to measure Exclusive ideas in a way they feel is most appropriate. Ideas within the 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 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 Exclusive may be appropriate for you.

SHORT IDEA CONSIDERATIONS

Highlight Date	Company (symbol)	Highlight Price	Current or "Close" Price	Div's Received	'Hypothetical' 'Closed'Gain %	Time Horizon
Short Idea Considerations						
Nov, 17	Fogo de Chao (FOGO)	10.85	15.62	-	-44.0%	Closed - 3/3/2018
Dec, 17	TrueCar (TRUE)	12.07	10.97	-	9.1%	Closed - 12/28/17
Jan, 18	Shake Shack (SHAK)	44.17	73.57	-	-	0-2 yrs
Feb, 18	iShares Core US Aggregate Bond ETF (AGG)	107.20	104.63	1.93	0.6%	Closed - 10/25/2018
Mar, 18	iShares iBoxx $ High Yield Corporate Bond ETF (HYG)	85.75	86.68	4.936	-6.8%	Closed - 4/18/2019
Apr, 18	Houghton Mifflin Harcourt (HMHC)	7.25	6.70	-	7.6%	Closed - 6/1/18
May, 18	Noodles & Company (NDLS)	7.25	7.04	-	2.9%	Closed - 2/11/2019
Jun, 18	iShares International High Yield Bond ETF (HYXU)	52.40	50.94	-	2.8%	Closed - 10/25/2018
Jul, 18	Installed Building Products (IBP)	56.15	40.10	-	28.6%	Closed - 9/28/2018
Aug, 18	Veritiv Corp (VRTV)	38.80	36.35	-	6.3%	Closed - 9/28/2018
Sep, 18	Box (BOX)	24.55	24.30	-	1.0%	Closed - 9/28/2018
Oct, 18	Modine Manufacturing (MOD)	14.73	12.00	-	18.5%	Closed - 10/25/2018
Nov, 18	Beazer Homes USA (BZH)	9.01	9.96	-		0-2 yrs
Dec, 18	Vera Bradley (VRA)	10.22	11.42	-		0-2 yrs
Jan, 19	RH (RH)	117.84	106.99	-	9.2%	Closed - 4/4/2019
Feb, 19	QuinStreet (QNST)	14.77	12.79	-	13.4%	Closed - 3/9/2019
Mar, 19	Dycom Industries (DY)	47.20	58.14	-	-	0-2 yrs
Apr, 19	Diplomat Pharmacy (DPLO)	5.69	5.29		-	Closed - 5/16/2019
May, 19	Match Group (MTCH)	61.91	72.28			0-2 yrs
Jun-19	Tailored Brands (TLRD)	5.56	5.71	0.18		0-2 yrs



Time Horizon: Long-term

nuveen
A TIAA Company

Nuveen Real Estate Income Fund (JRS)

Fund Description: "The Fund's investment objective is high current income and capital appreciation. The Fund invests primarily in income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies. At least 75% of the Fund's managed assets will be in securities rated investment grade (Baa/BBB or better by S&P, Moody's or Fitch). The Fund uses leverage." – Nuveen (retrieved July 6, 2019), https://www.nuveen.com/closed-end-funds/jrs-nuveen-real-estate-income-fund.

Thesis

We're mixing things up a bit for this month's Exclusive income idea, and we think you're going to like this one. The Nuveen Real Estate Income Fund (JRS) is a closed end fund that yields a whopping ~7.5% at the time of this writing. We usually don't leap out of our seats for such a high yielder when it comes to individual equities because it usually signals increased firm-specific risk, but this closed end fund is quite diversified.

The Nuveen Real Estate Income Fund owns common stocks (62%), preferred stocks (35%), convertible stocks as well as debt securities from real state companies. Although the fund does apply leverage, roughly three fourths of its positions are rated investment grade by the rating agencies. The fund is managed by one of the leading names in real estate, too

Image Source: Nuveen

Capital Structure[1]

Total Managed Assets	$446,634,027
Total Investment Exposure	$446,634,027

Common Shares[2]

Shares Outstanding	28,892,471
Average Daily Volume (in shares)	63,252
Total Regulatory Leverage Percent	28.21%
Effective Leverage Percent	28.21%
Average Cost of Leverage	3.40%

Fund Characteristics

Number of Holdings	86

Annual Expense Ratios (%)

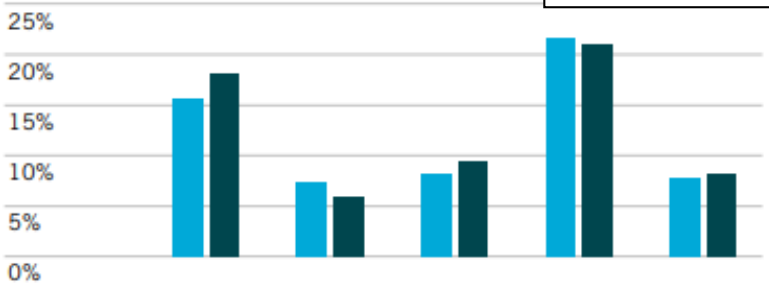
	Common Shares	Total Fund
Management Fees	1.21%	0.86%
Other Expenses	0.08%	0.05%
Subtotal	*1.29%*	*0.91%*
Interest Expense from Leverage	1.21%	0.85%
Total	*2.50%*	*1.76%*

See the Fund's Annual Report for full information on expenses.

1 Total Investment Exposure is the total of the Fund's managed assets plus any additional economic exposure the Fund has due to its investments in certain securities.
2 Effective leverage is the Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative investments in the Fund's portfolio that increase the Fund's investment exposure. Regulatory leverage consists of preferred shares issued by or borrowings of a fund. Both of these are part of a fund's capital structure. Regulatory leverage is subject to asset coverage limits set in the Investment Company Act of 1940. For more information, see Understanding Leverage on www.nuveen.com/cef.

Average Annualized Total Returns (%)

Image Source: Nuveen



	1 Year	3 Year	5 Year	10 Year	Since Inception
Share Price	15.66	7.40	8.28	21.68	7.77
NAV	18.02	5.88	9.37	21.01	8.09

Past performance is no guarantee of future results. Current performance may be higher or lower than the data shown. NAV returns are net of fund expenses, and assume reinvestment of distributions.

Fund Ticker	JRS
Exchange	NYSE
CUSIP	67071B108
Inception Date	15 Nov 2001
Inception NVA (Share Price)	$14.33 ($15.00)
NAV Ticker	XJRSX

Image Source: Nuveen

Distributions

Key information regarding distributions As of : 31 May 2019

CURRENT DISTRIBUTION	$0.1900 *As of : 03 Jun 2019*	DISTRIBUTION FREQUENCY	Quarterly
MARKET DISTRIBUTION RATE	7.15% *As of : 05 Jul 2019*	NAV DISTRIBUTION RATE	6.75% *As of : 05 Jul 2019*
FUND EFFECTIVE LEVERAGE	28.33% *As of : 28 Jun 2019*	ANNUALIZED LEVERAGE COST, BASED ON THE LATEST MONTH	20.48%
1 YEAR TOTAL RETURN ON NAV	9.32% *As of : 30 Jun 2019*	ANNUALIZED SINCE INCEPTION TOTAL RETURN ON NAV	8.03% *As of : 30 Jun 2019*

Premium/discount history As of: 30 Jun 2019

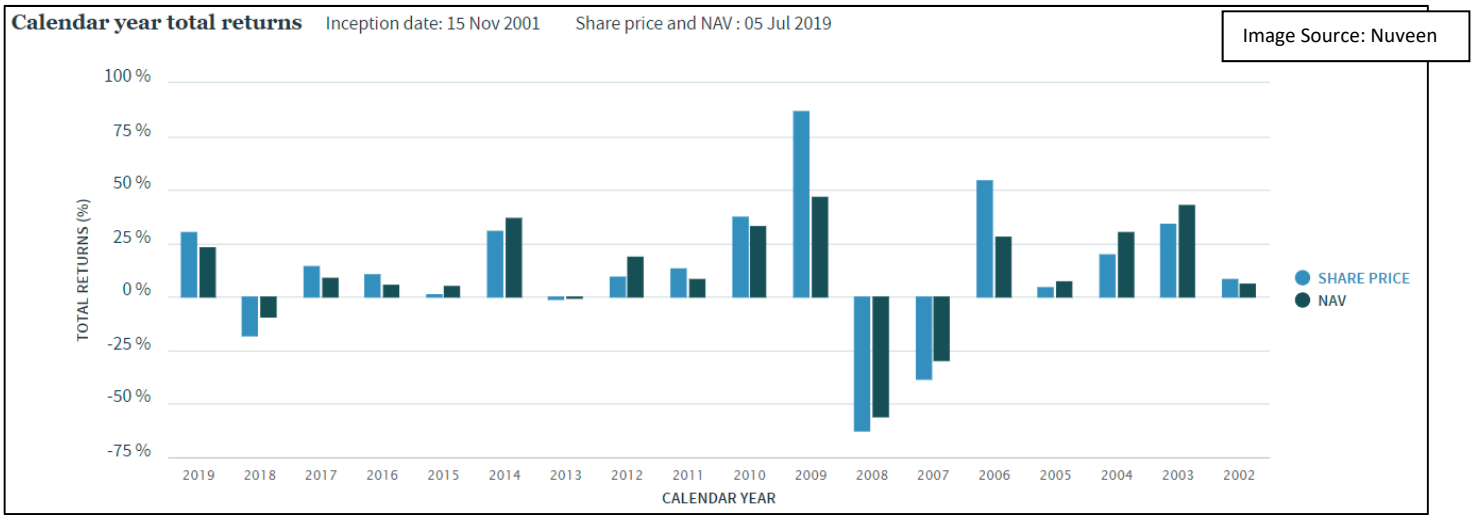
DATE	PREMIUM/DISCOUNT
30 Jun 2019	-4.81%
31 May 2019	-7.80%
30 Apr 2019	-8.21%
31 Mar 2019	-6.67%
28 Feb 2019	-5.20%
31 Jan 2019	-5.79%
31 Dec 2018	-10.67%
30 Nov 2018	-10.13%
31 Oct 2018	-10.77%
30 Sep 2018	-8.84%
31 Aug 2018	-8.95%
31 Jul 2018	-9.09%

Image Source: Nuveen

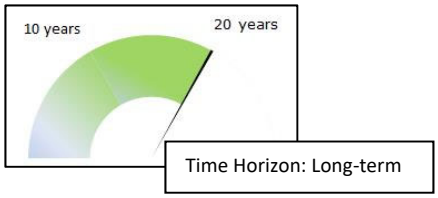
Issuer	% of Portfolio
Public Storage (Taxable Debt)	7.2%
Taubman Centers Inc	6.6%
American Homes 4 Rent	6.4%
Prologis Inc	4.6%
Equinix Inc (Debt)	4%

The top 5 issuers in the fund are quite appealing, in our view. We like exposure to Public Storage a lot given the REIT's considerable traditional free cash flow generation. AvalonBay, HCP, Site Centers Corp, Life Storage and Equity Residential round out the top 10 issuers in the fund.

As of May 31, 2019.



The Nuveen Real Estate Income Fund is not one that hasn't had its share of volatility during the past decade or so, but then again, very few assets tied to real estate have had a steady ride through the Great Recession. We would have liked to see the fund perform better during the doldrums of the credit crunch, but those days are long gone. During the past few months, the closed end fund has traded at a discount to net asset value, sometimes 10% or more, but it's trading at roughly a 5% discount at the time of this writing (see prior page). Most closed end funds trade at discounts due to illiquidity, so this isn't something to write home about, but nonetheless it is something to keep in mind**. All in, we like the diversification, high-quality real estate assets, and lofty yield offered by this closed end fund, the first of its kind to make it into the Exclusive.**



CROWDSTRIKE
CrowdStrike Holdings, Inc.

CrowdStrike Holdings Inc (CRWD)

"We believe we are defining a new category called the Security Cloud, with the power to transform the security industry much the same way the cloud has transformed the CRM, HR, and service management industries. With our Falcon platform, we created the first multitenant, cloud native, intelligent security solution capable of protecting workloads across on-premise, virtualized, and cloud-based environments running on a variety of endpoints such as laptops, desktops, servers, virtual machines, and Internet of Things, or IoT, devices." – CrowdStrike Holdings - Management commentary in S-1 filing

Thesis

For this month's capital appreciation idea, we want to put a spotlight on high-flying CrowdStrike (CRWD) that went public in June. As a cybersecurity SaaS provider, CrowdStrike is tapping into a market with a lot of growth potential. The CrowdStrike Falcon platform can be quickly rolled out to protect the IT infrastructure, private data, and general operations of its new customers, a benefit of the shift towards nimble cloud-based computing services. CrowdStrike offers ten cloud modules on its Falcon Platform that offer such cybersecurity services as threat intelligence, endpoint security, and security and vulnerability management as it relates to protecting IT infrastructure. Keep in mind CrowdStrike's fiscal year ends on January 31, and that the company is getting ready to report first quarter earnings for FY2020 on July 18. The company does not currently pay out a dividend.

Corporate Profile

CrowdStrike Holdings Inc (CRWD) is a provider of subscription-based SaaS (Software-as-a-Service) cybersecurity services that leverages cloud computing, artificial intelligence, graph databases, and the network effect of crowdsourcing to protect its clients. Founded in 2011, CrowdStrike has two class of shares, with publicly traded Class A shares having limited voting rights compared to Class B shares. On June 12, 2019, CrowdStrike went public by listing Class A shares on the NASDAQ stock exchange.

Key Statistics	
Last Close	$67.21
52-week range	$56.00-$79.79
Market Cap	$12.7 B
Average Daily Volume (3 Months)	3,425,159
GAAP Gross Margin (LFY)	65.1%
Annual Revenue Growth (LFY)	110%
Net Loss (LFY)	$140 M
Annual Revenue (LFY)	$250 M

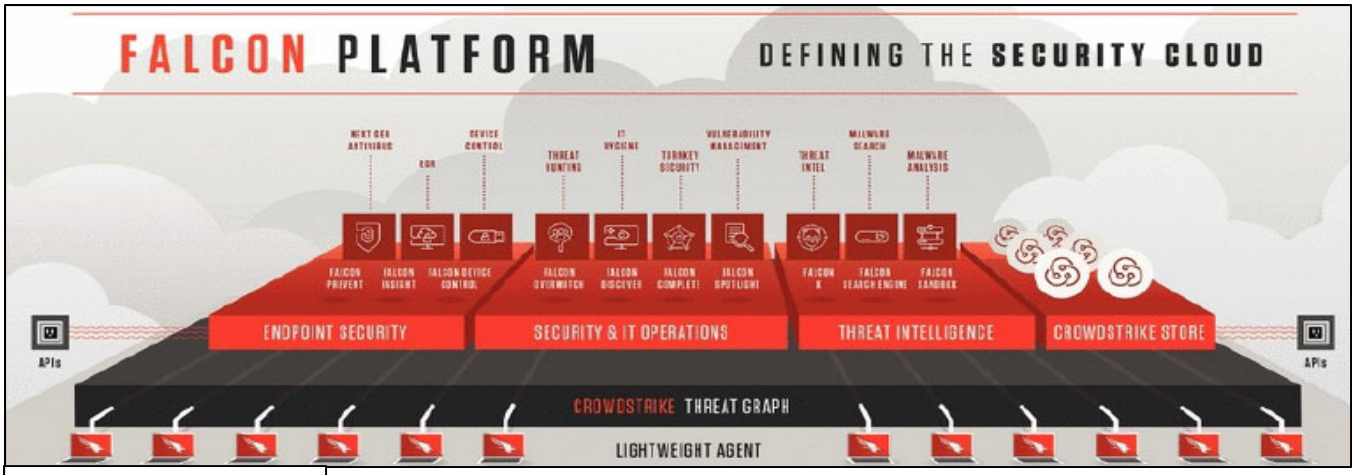


Image Source: CrowdStrike – S1

CrowdStrike has posted tremendous revenue growth and gross margin expansion during the past few fiscal years, which we'll cover, but that hasn't been enough for the company to become profitable yet. **As we see CrowdStrike's business model as very scalable, made evident through expanding gross margins over the past three full fiscal years, that could change in the medium-term.**

We like the space CrowdStrike operates in as cybersecurity is a high-growth area. Cisco Systems Inc (CSCO) published a white paper in April 2011 that highlighted the global consumer's voracious demand for smartphones, tablets, and other connected devices at the time (a trend that has since continued). That white paper noted that in 2010, there were 12.5 billion devices around the world connected to the internet. Cisco published another white paper in February 2019, which called for 28.5 billion connected devices by 2022, up from 18 billion in 2017.

As the number of internet capable devices grow, so does the number of entry points for hackers. Demand for cybersecurity services is likely to continue climbing upwards, but only the best names will win out. CrowdStrike's adaptive Falcon Platform is capable of learning and making the necessary changes to enhance its cybersecurity abilities. For instance, if CrowdStrike's threat intelligence is noticing patterns in malicious attacks on one client's IT infrastructure, the firm can use that information to better security for all of its clients. That's one of the reasons why we think CrowdStrike has been so successful in growing its customer base.

CrowdStrike has posted tremendous subscriber growth over the past few fiscal years, which has been key in supporting its lofty valuation. The SaaS software company posted triple-digit year-over-year growth in its subscriber count over the past three fiscal years. CrowdStrike's subscriber base had grown to over 2,500 clients at the end of January 2019. We appreciate CrowdStrike's ability to aggressively expand and win over new customers. In FY2019, CrowdStrike did experience a significant slowdown in its subscriber growth rate, which we caution is largely a function of its customer base simply getting bigger. Growing a customer base in the hundreds is much different than growing a customer base in the thousands, but a slower growth rate for a high-flying tech firm is still worth keeping in mind.

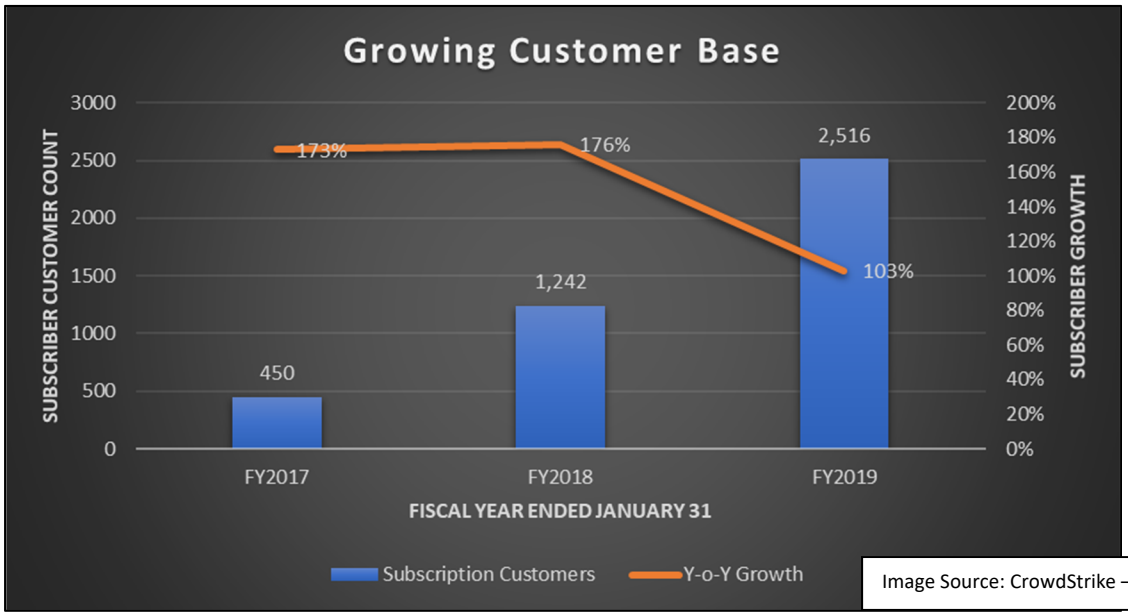


Image Source: CrowdStrike – S1

Not only is CrowdStrike's customer base expanding, but those customers are sticking with the cybersecurity company and spending more money time on CrowdStrike's services. This is measured by CrowdStrike's 'dollar-based net retention rate' which is defined as;

> *"Our dollar-based net retention rate compares our ARR [CrowdStrike refers to ARR as annual reoccurring revenue, but really it's an annualized reoccurring revenue figure measured at the end of its fiscal year] from a set of subscription customers against the same metric for those subscription customers from the prior year. Our dollar-based net retention rate reflects customer renewals, expansion, contraction, and churn, and excludes revenue from our incident response and proactive services."*

In other words, this is CrowdStrike's way of measuring whether revenue from its previous customer base (the prior fiscal year) is growing or contracting, as it separates out unrelated items and revenue from new customers. **We would like to highlight how CrowdStrike's 'dollar-based net retention rate' has exceeded 100% over the past three fiscal years, steadily climbing to almost ~150% as of FY2019 that ended last January.** This highlights the stickiness of CrowdStrike's revenue streams and lends support to its subscription-based business model, which is entirely based around retaining customers and getting existing customers to spend more. Two things CrowdStrike has historically done very well at, aided by the ability for its Falcon platform to adapt and learn as the cybersecurity landscape changes.

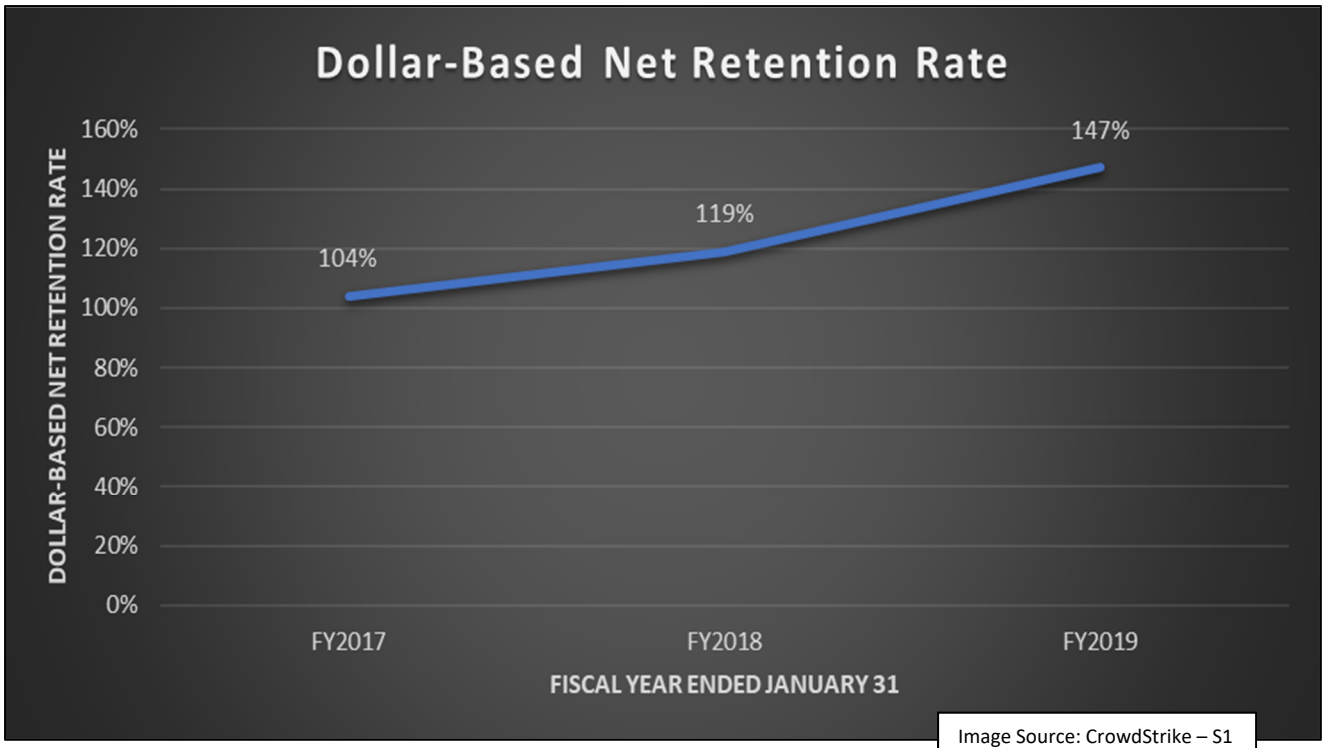
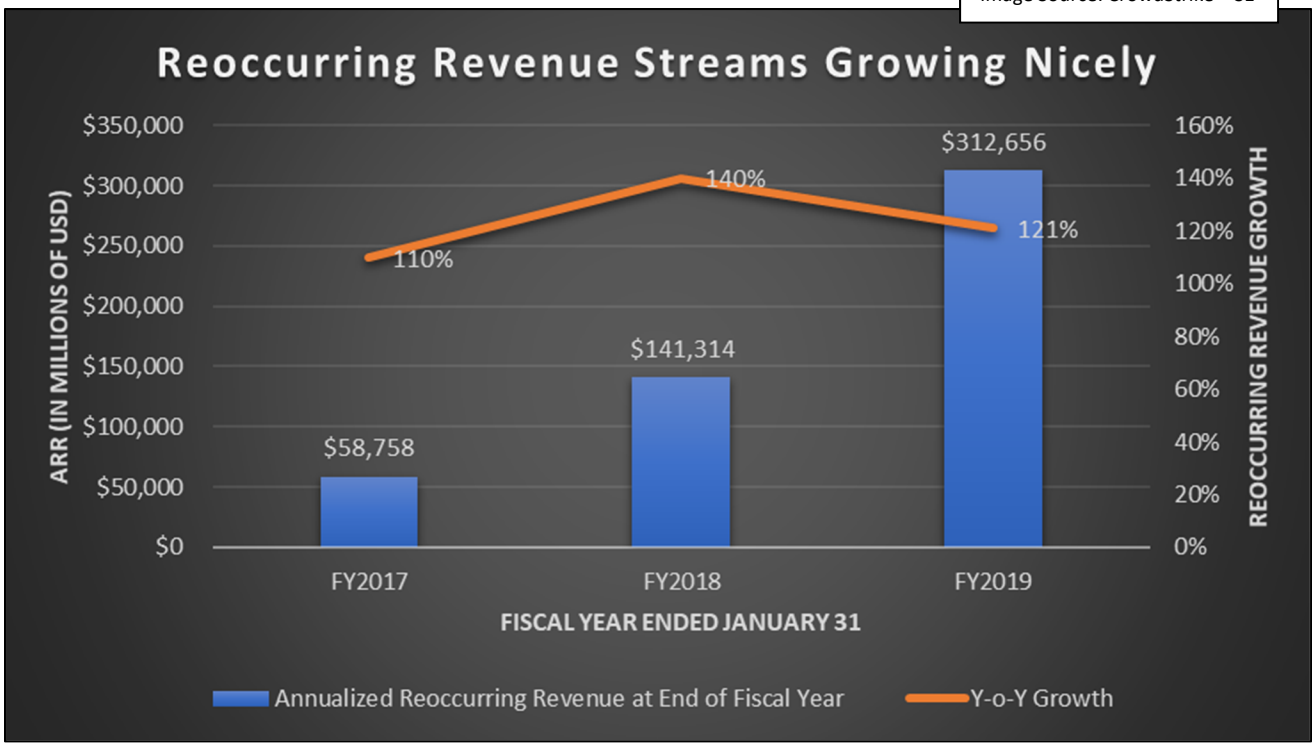


Image Source: CrowdStrike – S1

A growing customer base that's paying CrowdStrike more each year culminated into strong annualized reoccurring revenue growth over the past three fiscal years. That growth rate, like most of the aforementioned metrics we just covered, remained in the triple-digits from FY2017 to FY2019. Ultimately that's what investors are chasing after, as sticky high-margin SaaS revenue streams could potential yield very sizable free cash flows sometime in the future.

When looking at a tech company, it's about having a solid understanding of how that company plans to aggressively grow to the point where scale would enable meaningful shareholder value creation. As things stand today, we are very optimistic on CrowdStrike's revenue growth trajectory, keeping in mind that investors are already paying a very handsome premium for that story.

Image Source: CrowdStrike – S1



CrowdStrike has the kind of growth trajectory that usually gets investors very excited, but we caution that any hiccup along the way could spook the market into selling off shares of CRWD. When investors aggressively bid up the shares of a company that just had an IPO, we usually view that as the market signaling Wall Street is very optimistic on the growth story being sold, and thus that investors are pricing in expectations for lofty future revenue growth.

If those future revenue growth expectations turn out to be overly optimistic, investors would logically begin pricing in lower levels of expected future revenue growth, which in turn hurts the intrinsic value of a company and usually sends shares of high-flying firms much lower. It's an expectations game, and so far, CrowdStrike has done exceptionally well, but anything can ruin a good story. Management rolled out a trial pilot late-2017 and began offering Falcon Prevent under a trial-to-pay service in May 2018 on Amazon Inc's (AMZN) AWS Marketplace. That should help keep the momentum going as it relates to winning over new customers.

From FY2017 to FY2019, CrowdStrike posted an operating loss and negative net income each fiscal year as sharp operating expense increases easily consumed rising gross profits. That's to be expected as CrowdStrike is a fast-growing company. Operating expenses climbed from $109 million in FY2017 to $299 million in FY2019, easily outpacing CrowdStrike's $163 million in gross profit that fiscal year.

What we see as key is whether the business is scalable, meaning increasing gross profits as sales increase. That's clearly been the case for CrowdStrike, with its gross margin almost doubling from FY2017 to FY2019 as you can see in the table below. If this trajectory continues, CrowdStrike will eventually be able to become profitable as gross margin expansion combined with sales growth represents a powerful growth catalyst for operating income. Controlling future growth in operating expenses is also important, but perhaps not quite as pertinent to CrowdStrike now given its growth trajectory and recent cash infusion via the IPO.

CrowdStrike	FY2017	FY2018	FY2019
Revenue (Thousands of USD)	$52,745	$118,752	$249,824
Y-o-Y Growth	N.A.	125%	110%
Gross Profit (Thousands of USD)	$18,739	$64,266	$162,586
GAAP Gross Margin	**35.5%**	**54.1%**	**65.1%**

Source of Data Cited in Table: CrowdStrike – S1 filing

After initially aiming to go public at $19 – $23 per share, CrowdStrike went public at $34 per share and sold 20.7 million shares of Class A stock (including 2.7 million additional stock sold to the underwriters). In order to gauge how much additional cash CrowdStrike added to its balance sheet by increasing the price it went public at, on top of having underwriters fully exercise their right to purchase additional stock, we searched through its S-1 filling and found this:

	As of January 31, 2019		
	Actual	Pro Forma[1]	Pro Forma As Adjusted[2][3]
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents, and marketable securities	$ 191,655	$ 191,655	$ 542,865
Working capital[4]	49,968	49,968	404,036
Total assets	433,219	433,219	781,571
Deferred revenue, current and noncurrent	290,067	290,067	290,067
Redeemable convertible preferred stock	557,912	—	—
Accumulated deficit	(519,126)	(529,488)	(529,488)
Total stockholders' equity (deficit)	(487,793)	74,656	425,866

Image Source: CrowdStrike – S1

Which is further explained by these footnotes here:

> *"[2] The pro forma as adjusted column further reflects the receipt of $351.2 million in net proceeds from our sale of 18,000,000 shares of Class A common stock in this offering at an assumed initial public offering price of $21.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.*

[3] Each $1.00 increase or decrease in the assumed initial public offering price of $21.00 per share, which is the midpoint of the assumed offering price range set forth on the cover of this prospectus, would increase or decrease, as applicable the amount of our pro forma cash and cash equivalents, working capital, total assets, and total stockholders' equity by $17.0 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma cash and cash equivalents, working capital, total assets, and total stockholders' equity by $19.8 million, assuming the assumed initial public offering price remains the same, and after deducting estimated underwriting discounts and commissions."

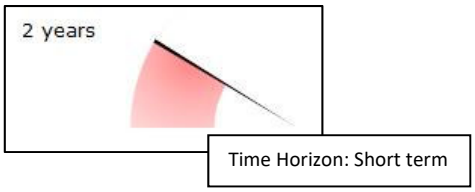
It appears that CrowdStrike, before taking additional fees and taxes into consideration, raised ~$300 million more than expected in its initial pro forma calculations. That will go a long way in funding its growth story and plugging cash flow shortfalls. CrowdStrike generated negative net operating cash flows over the past three full fiscal years, posting -$23 million (negative $23 million) in net operating cash flow in FY2019. Traditional capital expenditures came out to $36 million, implying a run-rate cash burn of $59 million. That would grow to $66 million when including 'capitalized internal-use software.' With ~$800 million in cash on hand pro forma for the IPO (assuming the firm raised ~$600 million after fees and taxes), CrowdStrike could cover its current cash burn for well over a decade.

Additionally, CrowdStrike had no debt on the books at the end of FY2019, giving it a sizable net cash position and removing the need to tap capital markets again for some time. We really appreciate CrowdStrike's strong balance sheet as the company has all the funds it needs to capitalize on what could be a tremendous growth trajectory.

How CrowdStrike performs in FY2020 (started calendar year February 2019) will be closely monitored by Wall Street when the company reports first quarter earnings on July 18. **We like CrowdStrike's growth trajectory, the scalability of its business model, its net cash position, and can understand why shares of CRWD trade around ~$67 as of this writing, giving this unprofitable company a market capitalization of ~$12.7 billion.** This high-flying cybersecurity SaaS provider comes with a compelling story, but we caution that any hiccups along the way will result in volatile share price action.

Disclosure: Callum Turcan does not own shares in any of the companies mentioned above. Cisco Systems Inc (CSCO) is included in Valuentum's simulated Best Ideas Newsletter portfolio and simulated Dividend Growth Newsletter portfolio.

Short Consideration



REALOGY

Realogy Holdings Corporation (RLGY)

"The significant size of the U.S. real estate market, in particular the addressable market of commission revenues, has continued to attract outside capital investment in traditional and disruptive competitors that seek to access a portion of this market… There are also market participants who differentiate themselves by offering consumers flat fees, rebates or lower commission rates on transactions (often coupled with fewer services). Although such competitors have yet to have a material impact on overall brokerage commission rates, this could change in the future if they use greater discounts as a means to increase their market share or improve their value proposition. Since 2014, we have experienced approximately a one basis point decline in the average broker commission rate each year. A decrease in the average brokerage commission rate may adversely affect our revenues." – Realogy Holdings - Annual Report

Thesis

Realogy Holdings Corporation (RLGY) is facing problems on many fronts and with its overindebted balance sheet, it is not well prepared to weather the many storms coming its way. Real estate brokerage used to be a very simple game. Sales commissions of 6% (more recently a bit under 5.5%) of the home price were split equally between the selling agent and the buying agent and it was a good day when you were able to catch both sides of the same transaction. Because there are little or no barriers to entry, there has been a proliferation over time of many local and national brokerages, all competing to attract the same realtors and commissions.

The way it works is that the commission is split between the house (brokerage) and the agent. This is where one of the problems comes in. The agent, or at least the successful agent is where the real value sits. If a successful realtor can drive substantial amounts of business from their sphere of influence, then they are a classic rainmaker. Given the proliferation of brokerages over the years, the competition for top (and up and coming) agents is huge. In fact, over the past 2-3 years, Realogy has been increasing the agent's split of the overall commission in very material fashion. This revenue headwind can only be overcome with growth in the overall market or increased market share.

Corporate Profile

Realogy Holdings Corporation (RLGY) is an integrated provider of residential real estate services. Its portfolio of franchise brokerage brands includes Century 21, Coldwell Bankers, Coldwell Banker Commercial, ERA, Sotheby's International Realty, and Better Homes and Gardens Real Estate. In January 2019, Realogy launched its Corcoran brand. According to the company's website, Realogy-affiliated brands (including NRT, a subsidiary of Realogy) are supported by 16,300 offices and approximately 300,000 independent sales associates doing business in over 110 countries and territories across the globe. Realogy also operates company owned brokerages under the Coldwell Bankers, Coldwell Banker Commercial, Corcoran, Citi Habitats, Climb Real Estate, Sotheby's International Realty and ZipRealty brands.

Key Statistics	
Last Close	$6.55
52-week range	$6.36-$24.87
Market Cap	$751 M
Dividend Yield (TTM)	5.5%
Credit Ratings - Senior Unsecured	(B/B2)
Credit Ratings - Corporate Family	(BB-/Baa3)
Operating EBITDA (LFY)	$658 M
Diluted EPS (LFY)	$1.09

Market share has been fairly steady of late and the overall market in fact has shrunk over the past 3 quarters or so, as affordability problems and temporarily higher mortgage rates really put a dent into the real estate market. **This has caused Realogy's revenue to go backwards and profit measures like EBITDA to also go backwards. Given the fact that Realogy is approximately 4-5 times leveraged on a debt/EBITDA basis, this is a real problem.** The company is guiding for a return to EBITDA growth in the back half of 2019, but this is based on nothing more than industry experts' forecasts, which could easily prove incorrect, especially if mortgage rates were to rise again, or more likely, if the inverted yield curve is correctly predicting an upcoming recession.

Affordability is already stretched, especially in the coastal markets like California, the New York tri-state area, and Florida, where Realogy is substantially overexposed. The recent tax changes are also acting as a headwind to the former two real estate markets as less SALT taxes are now deductible. So while bigger real estate agent splits and the constant churn of high quality agents from one brokerage to another have combined with a soft market to create very substantial problems over the recent past, we expect an even larger problem to emerge and become more material at some point in the near future.

Alternative brokerage models which have emerged over time are now growing rapidly and becoming a much more substantial portion of the market, especially in high-priced locales where Realogy is overexposed. First Redfin Corporation (RDFN), and then more recently Purple Bricks (PRPPF) have grown on the back of mass market advertising of lower commissions for those aiming to sell their homes. **Instead of paying nearly 5.5% overall sales commission, these disruptors are willing to take roughly 1% on the sell side commission, but still give a more "normal" 2.5% commission for the buyer's agent, so as not to disincentive the buyers agent from steering customers to the disruptor's listings.**

In California, earlier at the beginning of the selling season, a day didn't go by where one may not have seen a TV commercial for Purple Bricks, highlighting their lower commissions for sellers. With the average home price in the ballpark of 1 million dollars in these higher priced markets the difference between 2.5% and 1% for the seller's agent can amount to $15,000 saved on the commission of selling a house. So more than pocket change. And when there isn't much inventory in the market, and homes are selling rapidly regardless of the bells and whistles the selling agent employs, this disruptive pitch can be quite appealing to the home seller. I fully expect that the market share of these discounted commission disruptors to continue to take market share, especially in higher priced markets where Realogy has historically thrived.

The other development, which is new, but looks to be quite disruptive in the near to medium term is the iBuying phenomenon. This involves companies like Zillow Group Inc (ZG) and Opendoor (backed by Softbank (SFTBY)) making immediate offering prices available to sellers of homes. These two players are in many of the top markets already, and they are rapidly expanding to additional markets.

Basically, a home seller approaches one of these players and asks for an offer on their home. Based on market information and algorithms, an offer is quickly made at a fixed price. The home seller can immediately sell at that price and take the time and guesswork out of marketing their home. The iBuyer typically turns around and sells the home at a slight markup. In fact, the markups are so slight, that Zillow plans to make most of its money out of ancillary services such as on the mortgage, title and closing costs.

Even if the seller doesn't accept the offer because they might feel it is too low, the iBuyer can then refer those leads directly to brokers/agents of their choice. Because of this, Realogy has partnered with Home Partners of America in a very nascent iBuying scheme. Their stated plan is to keep their agent at the center of the process, which swims against the disruptive tide of its competitors' schemes. We view the iBuying phenomenon very much like the road map of CarMax Inc (KMX) disrupting the used car business by making transparent non-negotiable offers, which take the headache and hassle out of the car buying process. This might well be even more impactful in the home selling industry given the massive hassle and unknown timeframe of selling a house, often the largest and most important asset to many households. The only question is whether the iBuyers can steer a steady ship through a full home price cycle?

So, in a nutshell, we expect that the housing market has a good chance of rolling over in a recession. Affordability is stretched in the hotter markets in this country, so home prices don't have much room to rise even without a recession. This means the overall commission pie is likely to be stagnant or shrinking. The overall commission take from those selling a home has been under some pressure, but we view it very much as a dam that's likely to break given the massive pressure from the discount disruptors like Redfin and Purple Bricks. We're not sure when this levy will break, but the days of 2.5% commission for the selling agent are likely numbered. The top agents, or rainmakers will continue to shop around brokers for the best commission split. This pressure is not going to go away.

And finally, the iBuying phenomenon, while somewhat nascent, has the potential to be a massively disruptive force in the near to medium term. **Given Realogy's very high financial leverage and recently shrinking EBITDA, we expect the company's dividend has a very high probability of being cut when the company decides to defend its balance sheet.** If the competitive forces mount in the way that we expect, it would not be surprising to see Realogy arrive at financial distress at some point in coming years unless they can successfully de-leverage their balance sheet in the meantime. This all makes for the perfect recipe for Realogy being our short consideration for this month's edition of the Exclusive publication.

Disclosure: Matthew Warren does not own shares in Realogy Holdings Corporation (RLGY). He does own shares in Zillow Group Inc (ZG).

Inaugural Letter to Members

July 1, 2016

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
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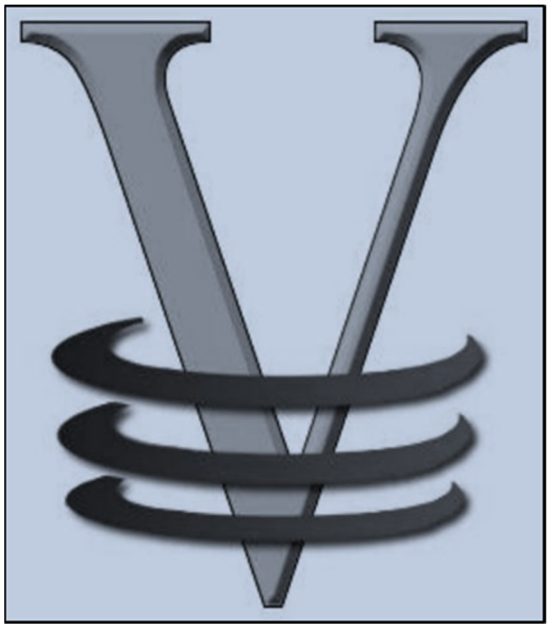

P.S. On a very personal note, I wanted to thank you for your continued support. Without you, neither the Nelson Exclusive publication nor Valuentum would exist. This fact is not lost on me. I thank you deeply.

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(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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