Bull & Bear's
MONETARY DIGEST

July 2015 VOL. 15 NO. 6

INSIDE...

Great Stocks from Around the World

If you want to invest in stocks, Kathy Kristof & David Milstead have two words of advice: Go global. With the U.S. accounting for just 22 percent of the world's economic activity, it's hard to justify owning only domestic stocks.

...Page 3

Homebuilding Stocks: Finally Putting the Pieces Together?

The homebuilding industry, one of the hardest hit sectors in the 2008-2009 downturn, initially rebounded well, but has lagged the broader market over the last two years. Now, demographic factors appear very favorable, making homebuilding stocks look quite undervalued.

...Page 4

Featured Companies:

ATNA RESOURCES
FAIRMONT RESOURCES
PUMA EXPLORATION
TOREX RESOURCES

America's Top Picks

Barclays PLC recently published their consolidated *Americas Top Picks List* in different sectors.

The list selected by Barclays army of stock analysts represent the single best alpha-generating investment idea within each industry, taken from among their Overweight-rated stocks.

The investment banking firm picks are from the following sectors: Basic Industries, Consumer, Energy, Financial Services, Healthcare, Industrials, Internet & Media, Power & Utilities, Retail, Technology, and Telecommunications.

Here are Barclays Top Picks by Sector

Basic Industries

Royal Gold (Nasdaq: RGLD; $86 Price Target). With the price of gold expected to be range-bound in the short term, we continue to generally prefer gold royalty companies over gold producers as they have significantly wider margins and limited exposure to rising operating and capital costs while their diversified portfolios limit political risk. In our coverage, RGLD is our Top Pick as it also delivers growth even at current gold prices. At $1,200/oz gold, we

Continued on page 6

Court Bailiff Sale of Mineral Tenures Located in Northern B.C.

For Sale: Mineral Tenures formerly held by **Teuton Resources Corp.** (the "Mineral Tenures") pursuant to a Supreme Court of British Columbia Writ of Seizure and Sale filed on June 3, 2015 in BC Supreme Court Action No. S107895.

Approximately 242 Mineral Tenures, primarily in the Stewart – Premier – Sulpherets - Eskay Creek - Red Chris region of Northwestern British Columbia, which is also known as the "**Golden Triangle**".

A complete list of Mineral Tenures, Terms and Bid Documents may be obtained from the Court Bailiff.

Warning: This property is offered for mining purposes only and ownership of the title to it does not include ownership of the surface rights or the right to use the surface for residential or recreational purposes.

Bidding Ends: Noon, PDT on July 24, 2015

Terms/Conditions:

1. Bids may be received by the Court Bailiff up to Noon, PDT on Friday, July 24, 2015.
2. Bids must be accompanied by proof of a free miner's license held in the bidder's name.
3. Bids may be submitted for any or all of the Mineral Tenures, at the bidders' discretion.
4. Each bid must be accompanied by a bank draft payable to the Court Bailiff equal to 10% of the bid submitted (the "bid security deposit").
5. Only Teuton's prior interest in the Mineral Tenures is offered for sale. Some or all of the Mineral Tenures may be subject to claims by third parties, or to an interest owned or claimed by third parties. Teuton and some third parties have provided some information in this respect, which may be obtained from the Court Bailiff, but the Court Bailiff has not verified the accuracy of any of the information. There are no warranties or representations as to title or the interest to be acquired by a successful bidder. **It is the bidder's responsibility to determine what interest would be acquired by acquiring Teuton's interest in each of the Mineral Tenures**.
6. Successful bidders will be notified by the Court Bailiff and will be required to submit a payment to the Court Bailiff by way of bank draft which is equal to the balance of the amount of the bid (the "payment"). The payment must be received by the Court Bailiff within 96 hours of the Court Bailiff's notice or the bid will be deemed to be withdrawn. Payments will be held by the Court Bailiff pending Court approval. **Acceptance by the Court Bailiff of any bid is subject to Court approval**.
7. Successful bidders are responsible for all costs, taxes and/or fees associated with any purchase or transfer of Mineral Tenures.
8. The highest bid will not necessarily be accepted. The Court Bailiff has complete discretion to accept whichever bids are necessary to recover the outstanding sum.
9. If a bid is not accepted by the Court Bailiff, the bid security deposit and payment will be fully refunded without delay. However, the bid security deposit and payment are not refundable if a bidder defaults on closing of the purchase after the bidder's bid has been accepted. In such an instance, the bid security deposit and payment would be forfeited to the Court Bailiff.
10. The Court Bailiff reserves the right to withdraw some or all of the Mineral Tenures from sale at any time.
11. **Successful bids must be approved by Court Order before transfer of any Mineral Tenures can proceed**.

For further information about the Mineral Tenures and/or to obtain a bid form please contact the Court Bailiff:

Phone: **604.526.2253** Email: **support@aebailiffs.com**

Great Stocks from Around the World

By Kathy Kristof & David Milstead
Kiplinger's Personal Finance

If you want to invest in stocks, we have two words of advice: Go global. With the U.S. accounting for just 22 percent of the world's economic activity, it's hard to justify owning only domestic stocks.

• **Apple** (AAPL; $126). Critics argue that Apple is a one-trick pony, with little more than its iPhones to drive sales growth. But just this year alone, Apple has introduced a smart watch, struck a deal to provide HBO on its devices and reported record sales in its App Store.

And those iPhones? Apple stunned analysts by selling 74.5 million of the new, sixth-generation models in the last three months of 2014, and sales remained strong in the January-March quarter. Earnings are expected to soar 40 percent in the fiscal year that ends in September, which is shocking growth for a company with a market capitalization of $741 billion.

Meanwhile, Apple is rewarding shareholders by boosting dividends and buying back shares. And Apple has the wherewithal to do plenty more; at last report, its treasury held cash and investments worth a whopping $194 billion, or $33 per share.

• **Avago Technologies** (AVGO; $132) is a leading maker of semiconductor devices that are used in smartphones and other products. It has headquarters in San Jose, Calif., and Singapore, but has been moving into other fast-growing markets through a string of acquisitions. In May 2014, it acquired LSI (once known as LSI Logic), which designs chips and software that speed up storage and networking. Since then, Avago has bought two more companies involved in cloud computing. And in late May, Avago announced a blockbuster deal to buy chipmaker Broadcom (BRCM) for $37 billion. Many analysts endorsed the combination because the companies' products overlap little.

• **Baidu** (BIDU; $206). When it comes to Chinese e-commerce juggernauts, Alibaba (BABA) got most of the buzz over the past year.

But over the long term, Baidu, the leading Chinese search engine, has been a huge winner. Shares of Baidu have soared more than 40-fold since their low in February 2006. Revenues and earnings have jumped from $123 million and $44 million, respectively, in 2006 to $7.9 billion and $2.1 billion in 2014.

Of course, it's possible that Alibaba and other Chinese Internet firms may steal some market share from Baidu in China's Internet search and online advertising businesses, says S&P Capital IQ analyst Scott Kessler. But Baidu's early lead and well-known brand mean it will likely maintain its market share over the next few years. The stock has retreated by some 17% since last November as investors reacted coolly to Baidu's sales and earnings projections for 2015. Despite all the angst, however, analysts on average expect revenues to climb by 38% this year, and profits to increase by almost 15%.

• **Costco Wholesale** (COST; $144) builds customer loyalty by selling high-quality products with razor-thin markups, generating profits mainly from membership fees. The result: Costco's customer base continues to grow steadily. And over the next 10 years, the Seattle company expects to double the number of stores in the U.S., to about 1,000 locations, and to expand rapidly overseas. Although a technology-modernization program may pressure earnings through 2016, Costco will benefit in the long run.

Moreover, Costco is in a good position to hold the line on demands for higher wages; the company pays its workers $12 to $23 per

Continued on page 5

The Bowser Report
Your Source for
Penny Stock Info
...there for the small investor since 1976
www.thebowserreport.com

The Buyback Letter
Hulbert Digest Honor Roll 2010-2014
— 30 Day Free Trial —
www.buybackletter.com

Homebuilding Stocks: Finally Putting the Pieces Together?

By George Putnam, III
The Turnaround Letter

The homebuilding industry was one of the hardest hit sectors in the 2008-2009 downturn, and after initially rebounding well, it has lagged the broad market over the last two years. Now, demographic factors appear very favorable, making the homebuilding stocks look quite undervalued.

Single-family housing starts, which peaked at 1.7 million units in 2005 and then fell to 430,000 in 2011, have only recovered to about 650,000. While the 2005 numbers may have been skewed by the subprime lending bubble, the long-term average for housing starts is about 1.0 million per year, well above the current level.

Meanwhile the Millennials, the largest generation in the U.S. history, are forming households and beginning to buy their first homes. While credit issues and weak employment growth have slowed the market for new homes until now, we expect this pent-up demand to be unleashed as the economy continues to improve. When that finally happens, the homebuilding and building supply stocks highlighted below should be major beneficiaries.

Beazer Homes USA (BZH) is well diversified geographically with operations in 16 states. It focuses on entry-level and first-time move-up buyers. Beazer has more long-term debt than some of its peers, but as the company returns to profitability in the coming quarters, that leverage could magnify the stock-price gains.

BlueLinx Holdings (BXC) is a leading U.S. distributor of a wide range of building products that was formed in 2004 via a leveraged buyout of the distribution division of Georgia Pacific. The business was slow to recover from the housing crisis and a new CEO was hired in 2013 to implement a restructuring plan. Operating results have yet to show consistency, but there are signs that the turnaround is taking hold. Cerberus, a well-regarded private equity firm, controls a majority of the stock, and they are pushing to increase shareholder value.

Hovnanian Enterprises (HOV) barely avoided bankruptcy late last decade, and the stock lost nearly 99% of its value between 2005 and 2009. Results have stabilized, but there is still plenty of room for improvement as demand picks up. Tax-loss carry forwards will shelter the next $2 billion of earnings. We consider Hovnanian aggressive but with definite speculative appeal.

KB Home (KBH) offers a variety of new homes designed primarily for first-time, move-up and active adult homebuyers. The company has a solid foundation in California and Texas, and it is targeting expansion in the Mid-Atlantic region. After falling sharply from 2006 to 2011, sales have grown consistently over the last three years. The balance sheet has improved, and operations have been consistently profitable for the last five quarters.

MDC Holdings (MDC) is a Denver-based homebuilder with a strong presence in the Western states. The company specializes in detached homes for first-timer/move-up buyers. It generally doesn't hold a lot of land, and so downturns are more manageable, but strong markets can squeeze margins. Operations have been consistently profitable since 2011, and MDC offers one of the more attractive dividend yields in the sector at 3.6%.

M/I Homes (MHO) targets the entire range of buyers from first-timers to luxury and empty nesters. Management quickly adapted during the collapsing housing market last decade and protected its balance sheet. Sales in 2014 returned to near the 2005 levels but with less than half of the previous level of long-term debt. M/I has been in most of its markets (Ohio, Indiana, Illinois, Florida, North Carolina and Washington, D.C.) since the 1980s, but in 2010 it began expanding into Texas. With a good package of sound management, attractive markets and solid financials, M/I's stock looks quite cheap even in an undervalued sector.

Ply Gem Holdings (PGEM) was formed in 2004 in a leveraged buyout of the window, door and siding division of Nortek. Having gotten back on its feet after barely surviving the housing crisis, the company went public in May 2013

Continued on next page

Continued from previous page

at a price of $21. The business has stumbled a couple of times since then, but it now appears ready to take advantage of a rebound in homebuilding and remodeling. Ply Gem's original private equity investor, CI Capital Partners, has been very patient with the company, but if the business doesn't pick up soon, we suspect they'll take steps to enhance shareholder value.

PulteGroup (PHM) is one of the largest home builders in the U.S. It operates in more than half of the country, including New York, Florida, Texas, Arizona and California. Since acquiring rival Centex in 2009, Pulte has been conservatively managed. While sales are still well below the pre-crisis high, the balance sheet is much stronger.

Standard Pacific (SPF) has more than a third of its sales in California; Florida, Texas and the Carolinas follow with roughly 21%, 17% and 16% respectively. Standard Pacific focuses on the move-up/luxury market – homes with higher price points. Management has taken advantage of the past turmoil in the industry to accumulate land at attractive prices. The turnaround investing firm that bailed out the company during the housing crisis still owns 45% of the stock, and it will continue to press for increased shareholder value.

USG (USG) is a leading manufacturer of wallboard and related products that are used in the construction of walls and ceilings. The company emerged from an asbestos bankruptcy in 2006 only to face collapsing construction markets. Warren Buffett, who continues to hold a large financial interest, stepped in with a $300 million senior convertible note loan. The wallboard sector is still suffering from over-capacity, but as that capacity gets absorbed, USG's profits could improve sharply.

Disclosure Note: Accounts managed by an affiliate of *The Turnaround Letter* own stocks of some of the companies discussed in this article.

Editor's Note: George Putnam, III has written *The Turnaround Letter,* 1212 Hancock St., Ste LL-15, Quincy, MA 02169, 1 year, 12 issues, $195 for over 28 years. He has a 15-year annualized return of 12.74% making *The Turnaround Letter* the #1 performing investment newsletter, out of 193 on the market, for that period. For more information and a *Special Offer* visit www.TurnaroundLetter.com.

Great Global Stocks

Continued from page 3

hour – well above state minimum wages. The downside of Costco's success is that its stock is almost never cheap, and such is the case today, with shares trading at 28 times estimated earnings for the current fiscal year.

• **Tata Motors** (TTM; $35) is the leading automaker in India, the world's second-most-populous country.

The company also owns the Jaguar and Land Rover brands, which it purchased from Ford in 2008. Those premium brands have boosted Tata's sales and profit margins beyond what it could record with its own brand on its home turf. The JLR segment, as Tata calls its Jaguar and Land Rover businesses, is in overdrive: Led by a 17% gain in Land Rover sales, U.S. sales in April exceeded those in April 2014 by 15%. Sales of Tata commercial and personal vehicles in India, by contrast, gained 5% in April compared with the year before. (JLR sales accounted for 43% of Tata's total vehicle sales in 2014.)

A slowdown in India's growth rate (from 8% in 2011 to roughly 5% annually from 2012 through 2014) hurt Tata's domestic business, as cash-strapped consumers bought motorcycles instead of cars. But things are turning around. Kiplinger expects growth of almost 7% in 2015. And car ownership is modest in India: 17 vehicles per 1,000 people. (By contrast, in the U.S. there are more than 600 vehicles per 1,000 people.) Those factors give Tata an opportunity to sell more cars in the coming years, says Morningstar analyst Piyush Jain. He adds that as roads, traffic laws and consumer safety awareness improve, car ownership in India should get another lift.

Editor's Note: Kathy Kristof is a contributing editor to Kiplinger's Personal Finance magazine. David Milstead is a freelance writer. Kiplinger.com.

The KonLin Letter TKL
Micro/Small-Caps • Buy-Sell
Technical • Fundamental Market Timing
www.konlin.com

Weiss Educational Services
Preserve Your Wealth with Mike Burnick!
30-Minute Guide to Growing and Preserving Your Wealth
www.weisseducation.com

The Bull & Bear
FINANCIAL REPORT
www.TheBullandBear.com
THE MOST DIVERSIFIED DIGEST OF INVESTMENT NEWSLETTERS ONLINE & IN PRINT

America's Top Picks

Continued from page 1

expect the company to increase its revenues by around 40% and FCF by around 250% y/y in FY2016, primarily driven by the successful ramp-up of production at the Mt. Milligan mine. With this robust growth expected, we believe RGLD will raise its dividend again in CY2015.

Steel Dynamics (Nasdaq: STLD; $25 PT). Steel Dynamics remains our Top Pick in the U.S. metals & mining industry. As the U.S. steel industry slowly emerges from the weak pricing environment of 1Q, we expect STLD shares to keep outperforming the group as 2H earnings are driven by strengthening non-residential construction activity, margin tailwinds from lower scrap prices, a 45% capacity lift via the acquisition of Severstal's Columbus mill, and expansion of special bar quality (SBQ) and premium rail volumes. As global steel overcapacity and the low cost of raw materials such as iron ore and coking coal keep an effective cap on global prices, Steel Dynamics' ability to adapt its product portfolio to maintain steadier operating rates and cash flow generation gives it a considerable advantage over its peers. We project STLD's earnings growth to average 36% from 2015 to 2017, and set a price target of $25, reflecting 12% potential upside from its recent close.

Berry Plastics Group (NYSE: BERY; $43 PT) – a renewed focus on debt paydown, and new product acceptance, keep Berry Plastics as our Top Pick in packaging. We continue to expect volumes could improve this year, with potential upside from new Versalite wins, which could lead to earnings growth ahead of the group. Furthermore, 2015 FCF guidance of $350mn could still prove conservative as it assumes no change in volumes, flat resin from March ending prices (recall, polyethylene (PE) prices moved up 5c in April, while polypropylene (PP) moved down the same amount), and does not incorporate recent refinancing activity. Lastly, management appears to have refocused its attention on straightforward deleveraging opportunities and should reach its leverage target of 2-4x early next year, at which point Berry could shift discussion to capital return to shareholders.

Consumer

Alsea, S.A.B. (OTC: ALSSF) (ALSEA.MX) (MXN $55 PT). Alsea posted a surprisingly strong start to 2015, and we raised our price target to P$55 to factor in the impressive increase in gross profit. The stock continues to be our Top Pick of the consumer stocks in LatAm – we like its attractive growth profile (35% sales growth in 2015E) and business model of growing well-known American brands (Starbucks, The Cheesecake Factory, Domino's Pizza, among others) in Mexico, Spain and South America. The risk of currency devaluation (especially of the Argentine peso) appears less likely to affect consolidated results, and we forecast a significant margin improvement in 2015 onwards on the back of the successful integrations of the new business in Spain and the Vips restaurant chain in Mexico, as well as a growing store base in new ventures like The Cheesecake Factory and Starbucks in Colombia.

Pepsi (NYSE: PEP; $111 PT). Our Top Pick in U.S. beverages & tobacco remains PepsiCo, as we look for the company to continue meeting or beating targets and investor expectations in 2015. Despite currency headwinds, we remain focused on PepsiCo's underlying growth, which is holding up well in an otherwise slow-growing environment for global consumer packaged goods. Improving industry conditions in the beverage space, conservative guidance, and ongoing activist influence – now occupying a seat on the board of directors – should pave the way for solid results, in our view. We believe these tailwinds increase the likelihood that PEP at least delivers on its targets while sustaining attractive cash returns, which should support the stock.

Newell Rubbermaid (NYSE: NWL; $50 PT). In an increasingly volatile currency and commodity environment, we believe Newell Rubbermaid will be among the strongest and most stable EPS growth names in our coverage during 2015 as cost-saving initiatives continue to streamline operations and provide protection

Continued on next page

Continued from previous page

against unexpected headwinds. We believe 1Q will prove to have been an inflection point in top-line growth; with the majority of product exits now behind us, and newfound strength in the innovation pipeline and brand-building investments made over the past few years beginning to bear fruit, we see a clear path to revenue acceleration

Mondelez Int'l (Nasdaq: MDLZ; $44 PT) - Despite the recent strength in shares (+14% QTD vs. +2% for the S&P 500 Packaged Foods & Meats sub-index), we maintain Mondelez International as our Top Pick. While the expected coffee JV closure in 3Q15 could add some noise to 2015 EPS, we view management's underlying top- and bottom-line guidance for the year as potentially conservative, particularly in light of the significant outperformance on organic sales growth and EBIT margin expansion in 1Q15. Furthermore, with price gaps likely to narrow in 2H15 and much of the savings from MDLZ's ongoing supply chain work likely to only start benefiting results in the back half of the year, we see forward visibility as relatively solid, which to us justifies potential upside to the current valuation.

Sprouts Farmers Market (Nasdaq: SFM; $40 PT). We see Sprouts Farmers Market as well positioned to benefit from the mainstreaming of natural/organic demand given the company's unique store format, targeted assortment, and produce prices that are 15-20% below nearby conventional supermarket competitors and even lower than at Whole Foods. In our view, Sprouts has the potential for many more years of robust new store growth, which is now running at 14% p.a., and it should return to strong comp growth in 2H15.

Energy

Cameron (NYSE: CAM; $61 PT). Against a challenging backdrop, Cameron is our Top Pick (replacing Halliburton), with more resilient results expected from improved execution and manufacturing flexibility, while also being well positioned for the eventual recoveries in each of its end markets. Following a number of restructuring and strategic initiatives, Cameron not only has emerged a stronger, more focused company, it is also ahead of its peers with regard to optimizing its cost structure and supply chain. Offshore is particularly challenged, but development should start moving ahead in 1H16 as costs come down just as OneSubsea is coming into its own, as integration benefits have gained traction. Cameron's Surface business is well positioned for a North America recovery, having gained share in the downturn, while inventory re-stocking in Valves should be additional upside. With President and COO Scott Rowe set to replace Jack Moore as CEO in October, we believe management is laser focused on execution as it sets to achieve encouraging guidance targets.

Suncor Energy (NYSE: SU; C$50 PT). We think that Suncor Energy – and the Canadian integrated oil sands industry in general – is better positioned than its peers to weather the recent low commodity price environment. Between 2011 and 2014, Suncor's strong cash flow and disciplined capital program allowed the company to significantly boost its dividend payout and buy back 10% of its shares while reducing net debt. Its integrated model provides stronger free cash flow and steadier results than other pure-play E&P companies, while the oil sands industry needs only about half the capital of a conventional oil operation to maintain flat production. In addition, the Canadian dollar provides a partial natural hedge to oil prices. We believe SU can continue to generate strong free cash flow (after capex) of more than C$3.1 billion per year between 2015 and 2019 compared to the annual dividend payout rate of C$1.7 billion while growing production by approximately 4-5% at an $80/bl Brent oil price. For 2016, we estimate the company will be cash flow neutral after capex and dividend even at $70/bl Brent and $60/bl WTI. By 2019, we estimate SU will generate a 9% free cash flow yield (after capex versus its market cap) under a $90/bl Brent oil price.

Vermilion Energy (NYSE: VET; C$67 PT). Vermilion Energy boasts an emerging free cash flow profile, impressive operational performance, sector-best netbacks and a strong balance sheet, supporting its premium valuation today. Its management team is also among the most well regarded in the Canadian energy sector. With the Corrib project expected on production in Q3, the resulting free cash flow supports potential for dividend growth, higher spending (i.e., volume growth), debt reduction, and/or M&A. The company also benefits from a more attractive commodity price mix than its peers, including Brent crude oil and European natural gas prices.

Valero Energy (NYSE: VLO; PT $86). Valero Energy remains our favorite name in the refining space, due in large part to the new management's emphasis on growing value for shareholders. During the 1Q15 conference call, management reiterated its commitment of $1 billion worth of dropdowns to Valero Energy Partners LP (VLP) in 2015, with

Continued on page 8

The easiest way to trade US and Canadian stocks online.
Division of Pennaluna & Co. member FINRA/SIPC
www.penntrade.com

SILVER SAVER
Save in Silver & Gold Bullion
Quick Delivery or Insured Storage
Simple. Safe. Secure.
www.silver123.net

Continued from page 7

the second $500 million transaction slated for 2H15. In light of the company's large backlog of high-quality MLP-able assets within the c-corp, we expect VLO will maintain a minimum drop down pace of $1 billion per annum over the next 4-5 years. Perhaps more importantly, management reaffirmed its commitment to returning cash to shareholders in the form of dividends and buybacks, with a payout ratio (including both dividends and buybacks) of at least 50%. We expect VLO will buy back $2 billion of stock annually through the end of the decade. We also believe VLO will benefit over the next several years from wider Gulf Coast differentials, improved Quebec City earnings following the reversal of Line 9B, and contributions from recent growth capital initiatives.

Financial Services

Citigroup (NYSE: C; $65 PT). We expect Citigroup to outperform its large-cap bank peers in 2015 as it benefits from: 1) having corrected qualitative issues identified in the 2014 CCAR, which resulted in return to meaningful capital deployment with the 2015 CCAR; 2) increased focus on execution across core markets/businesses following non-core retail market exits (including more than ten in LatAm, Asia, EMEA) and business sales (OneMain); 3) emerging market (EM) footprint growth continuing to outpace developed markets (DM); 4) utilization of a $48bn deferred tax asset; 5) continued reduction in Citi Holdings (U.S. nonprime mortgage portfolio run-off/sale); and 6) progress on 2015 profitability goals. These trends should strengthen tangible book (ex. deployment) and narrow its valuation discount, currently at 1.0x tangible book.

Manulife Financial (NYSE: MFC; C$26 PT). Of all our stocks, Manulife has the greatest leverage to a strengthening global economy and the greatest sensitivity to rising interest rates. Although continued low interest rates creates headwinds, they are not insurmountable; underlying growth in earnings and profitability is evident and we see upside potential even before a lift in rates, particularly if MFC continues to deploy its excess capital. Upside can also come from its growing Asia operations, which is experiencing double-digit sales growth in insurance and wealth management. With the next true lift in sentiment likely to come with greater conviction on rising interest rates, the current uncertainty offers a good opportunity to buy shares.

MGIC Investment Corp. (NYSE: MTG; $14 PT). We believe the Street is underestimating the earnings growth trajectory in a sub-normalized loss environment and see significant upside potential to MGIC Investment shares as consensus estimates should move higher. MTG's earnings already reflect a normalized run rate but as the higher quality post-crisis vintages come to dominate the in-force book, we see an extended period of sub-normalized losses with significant EPS gains.

NASDAQ OMX Group (Nasdaq: NDAQ; $57 PT). Nasdaq remains our top investment idea based on its: 1) attractive valuation (sizable discount to peers and the market), 2) recurring and diversified revenue base, and 3) strong free cash flow supporting its capital return efforts. We look for NDAQ to outperform our broader coverage as the exchange shows sustained earnings improvement over the course of the year despite the slower volumes we have seen as of late. We anticipate that strong expense management (3% y/y decline forecast) and capital deployment efforts (a 67% y/y increase in its quarterly dividend announced in 2Q) will supplement steady growth in NDAQ's non-transaction businesses (~75% of revenue generation).

Prologis, Inc. (NYSE: PLD; $52 PT). Prologis is our Top Pick based on its strong earnings growth and compelling valuation, particularly relative to net asset value. We forecast 11.8% long-term CAD growth vs. 8.5% for our REIT coverage, driven by increased demand for industrial real estate, ongoing reconfiguration of the supply chain and its global development pipeline. PLD stock has underperformed, we think due to a perceptual overhang on both pricing and funding of the recently closed KTR Capital Partners acquisition. However, the company has already achieved better than expected lease up of the assets and funded most of the deal without additional equity. We see the current stock level as a compelling entry point given PLD's dominant global platform and earnings growth.

Prudential Financial (NYSE: PRU; $98 PT). Prudential Financial benefits from a strong global life insurance and asset management platform with half of earnings from outside the U.S. (nearly all Japan). PRU should deliver an above-average mid-teens ROE through 2016, but trades at a discount to the industry on P/E partially due to concerns about looming Fed regulation, in our view. Once this overhang is quantified, we expect PRU's valuation to rise. PRU's expanded U.S. variable annuity products offer attractive risk-adjusted returns, and there is a strong pipeline of pension risk transfer deals. The individual life and group insurance businesses offer lowdouble digit ROE potential, although we think this could take time to achieve. Meanwhile, its International business generates consistent ROEs in the high teens to low 20s, and strong free cash flow.

SVB Financial Group (Nasdaq: SIVB; $169 PT). SVB Financial Group is our Top Pick based on the growth in the technology/innovation economy it serves, its differentiated balance sheet, and our above-consensus 2015 and 2016 EPS forecasts. Its status as one of a select number of growth financials, leading asset sensitivity, and high quality deposit franchise should support its premium valuation as its earnings continue to increase.

Healthcare

Alexion Pharma (Nasdaq: ALXN; $205 PT). We are changing our Top Pick to Alexion Pharmaceuticals from Gilead Sciences, though we continue to like the Gilead story. ALXN shares have

Continued on next page

Continued from previous page

largely rebounded following two main concerns – competitive threats to its sole product Soliris from development-stage products like Alnylam Pharmaceuticals' ALN-CC5, and the high premium (140%) it paid for its May 2015 acquisition of Synageva. However, we see opportunity for further upside. First, Soliris continues to grow steadily in approved indications and potential label expansion would meaningfully expand its market, with data expected next year. Second, Strensiq and Kanuma are expected to launch this year and diversify its pipeline.

Baxter (NYSE: BAX; $80 PT). We believe Baxter's new products (especially its recombinants, HyQ, and hematology/oncology pipeline) and its margin opportunity (cost cutting, product mix, and leverage) remain underappreciated, and its split on 7/1/15 into a biopharmaceutical company and a medical products company will act as a key catalyst that should support the stock, as spin-offs have typically done well for the spinner in the past. While the near-term numbers are weighed down by transition costs, we think there is upside to expectations set for 2016 and note margin expansion sources for Baxter and new products begin to kick in for Baxalta later this year. We think that the bad news is out of the way and that the spin could act as a catalyst for BAX shares.

Express Scripts (Nasdaq: ESRX; $102 PT). Among our healthcare supply chain universe, we believe that pure-play pharmacy benefit manager (PBM) Express Scripts Holding is best positioned to manage rapidly rising pharmaceutical costs and capitalize on the fast-growing specialty pharmaceutical opportunity.

Thermo Fisher Scientific (NYSE: TMO; $165 PT). Thermo Fisher Scientific once again showcased its management depth, business diversification, and results track record at its annual investor conference in May, and we bumped up our price target to $165. The message around strategy was consistent, and expectations around future growth were positive. The company's track record of execution and performance has led to a reliable business model with high visibility into organic growth. Augmenting that growth, Thermo Fisher announced the opportunity to re-deploy $15 billion toward bolt-on M&A and share repurchase through 2018. We continue to recommend shares as a core holding for exposure to innovation in healthcare.

Valeant Pharma (NYSE: VRX; $275 PT). Valeant Pharmaceuticals is beginning to gain recognition for its improved organic growth prospects, which should drive sustained earnings growth as well as multiple expansion. VRX has been defined by its aggressive acquisition-driven strategy, perceived to be focused on mature products, but we believe it is beginning to bear the fruit of its own late-stage pipeline, in particular pipeline assets acquired with Bausch & Lomb and Salix Pharmaceuticals. With modest patent expiries in coming years, we believe VRX should show strong organic growth as it benefits from numerous product launches, though we continue to see opportunities for M&A, which should meaningfully contribute to growth.

Industrials

Cemex S.A. (NYSE: CX; $13 PT). Among the Latin American Cement & Construction companies, we continue to prefer CEMEX. In our base case, we expect the company's U.S. division to contribute additional US$180mn EBITDA in 2015, driving the vast majority of the total expected EBITDA growth of US$260mn. Although currency weakness in two key markets – Mexico and Colombia – has negative implications for their EBITDA contribution, CEMEX showed in its 1Q results that growth in U.S. dollar-denominated EBITDA is achievable through strong volume growth and price increases in local currency terms. Moreover, in our view, the current strength in the U.S. dollar reflects the strength in the U.S. economy, which ultimately should be beneficial for CEMEX's exposure to the U.S. residential market.

General Electric (NYSE: GE; $33 PT). Execution on the sale

Continued on page 10

Precious Metals Trends, Gold, Silver, Uranium, Oil & Gas

TheResourceInvestor.com

American Gold Exchange, Inc.

Your Reliable Hard Asset Advisor
Gold, Platinum, Silver, Rare Coins
www.amergold.com

The Morgan Report
Money, Metals & Mining
Silver Analysis & Research
SILVER-INVESTOR.COM

Continued from page 9

of GE Capital assets is the key catalyst for General Electric stock, in our view. The combination of Capital asset sales, an improving margin structure, and a top-of-the-group dividend yield makes GE one of the most compelling stories in our universe. The overall GE story has improved at a faster rate than expected, in our view, but investors still seem wary about execution given the stock is trading at 15.8x 2016E EPS, a relative discount to the peer group at closer to ~16.5x.

McGraw Hill Financial (NYSE: MHFI; $120 PT). We view McGraw-Hill Financial as an attractive way to invest in the growth tailwinds for rating agencies; namely, European disintermediation, recovery in structured products, and the development of local debt markets in emerging markets. We expect MHFI will supplement this top-line growth (which we believe can be high single digits over the long term) by taking tangible steps to rationalize its cost base, including lower legal costs post-Department of Justice (DOJ) settlement, and close its margin gap (currently 540bp) to Moody's in the ratings business. Finally, MHFI is more than just a rating agency (~55% of EBIT), as its portfolio includes fast-growing and high-margin blue chip assets like S&P Dow Jones Indices, Platts, CapIQ, and J.D. Power and Associates (JDPA).

Mobileye (NYSE: MBLY; $66 PT). Just as PCs and smartphones transformed computing, software will change the way we drive, and Mobileye will likely be at the forefront of that change. MBLY is in the sweet spot of the fast-growing advanced driver assistance systems (ADAS) and semi-autonomous driving markets, providing the most costeffective solution in the industry. We believe MBLY stock offers considerable upside potential given the company's strong competitive position in the ADAS value chain, its margin moats, and its highly scalable business model, which helps drive attractive software-like financial metrics.

Mohawk Industries (NYSE: MHK; $230 PT). Mohawk Industries operates in an effective duopoly in the domestic carpet business; has a commanding share of the domestic ceramic tile and laminate flooring segments; and competes in the carpet tile and hardwood segments. As such, it is highly levered to both residential and non-residential construction. MHK has a long track record of strong execution, as evidenced by its 2014 results in which the company's earnings growth was driven by deal synergies and productivity initiatives. In 2015, we believe Mohawk is favorably positioned to benefit from growth in residential construction and a recovery in commercial construction. In the Carpet segment, we believe raw material deflation as well as low- to mid-single-digit growth should result in meaningful margin expansion given the firm price environment. In Ceramic, product innovation is driving top-line growth opportunities, while capital investment projects should improve profitability in the segment globally. In addition, we believe the recently closed acquisition of IVC Group and Kai should yield both cost and revenue synergies in 2H15.

Orbital ATK (NYSE: OA; $100 PT). Orbital ATK, which resulted from the February 2015 merger of Orbital Sciences and the remaining part of Alliant Techsystems post Vista spin, has the attributes of a premium defense company with a uniquely attractive growth profile vs. broader industrials. Shares have been volatile following a rocket launch failure in 2014, and a lack of investor familiarity with the new entity hasn't helped. However, over the next three years, we expect OA to feature a MSD% top-line CAGR, a 15%+ EPS CAGR, and FCF conversion of 120%+ by 2016. Revenues are supported by a robust $12bn backlog, and 200bp+ of margin expansion should be largely driven by rate ramps and risk retirements on major programs.

Spirit Airlines (Nasdaq: SAVE) ($98 PT) - Spirit Airlines is an ultra-low cost carrier (ULCC) that offers no-frills flights in large and mid-sized U.S. cities and near-international leisure markets. Spirit Airlines is focused on the pure leisure segment of the U.S. market, a segment that other airlines have largely withdrawn from in recent years. This void allows Spirit to both generate best-in-class global airline returns (20%+ pre-tax ROIC) and grow capacity at a 20% long-term rate. Moreover, Spirit's fare unbundling strategy generates sizeable ancillary revenues relative to the industry, while cost discipline propels margin. These factors combined allow the company to stimulate incremental travel rather than focus on taking share from legacy peers. We view Spirit as one of the best organic growth stories in airlines today, but at valuation levels below similar airlines historically.

XPO Logistics (NYSE: XPO; $60 PT). XPO Logistics offers investors access to a proven management team executing a refreshing growth strategy within a relatively mature peer universe. The recently announced acquisition of Norbert Dentressangle transforms the company into a major global logistics player. Further, the subsequent capital raise of over $3bn signals ambitious growth targets may be on the horizon. We see a realistic case for a $90 share price by 2018 based on continued organic growth and additional acquisitions. XPO replaces Union Pacific as our Top Pick.

Internet & Media

Comcast (Nasdaq: CMCSA; $68 PT). Comcast is one of the largest and fastest-growing media companies and the only vertically integrated/diversified media play. Despite the above and having an EBITDA 60% larger than that of Disney, Comcast's EV is smaller than Disney's. While this is driven in part by concerns around regulation, capital intensity, and cable M&A dynamics, we believe the market is valuing Comcast's cable business similar to a newspaper business, at only 6x EBITDA, which offers an attractive opportunity. On the media side, Comcast's FCF and EBITDA growth is similar to Disney's; however, Comcast, which is more diversified, trades at a discount to Disney.

Continued on next page

Continued from previous page

Facebook (Nasdaq: FB; $98 PT). Over the next few years, we expect advertising dollars to continue to move online, particularly to mobile. Facebook is likely to be a major beneficiary of this seismic shift. The company has made an impressive transition away from the desktop with 73%+ of its ad revenue now coming from mobile. It continues to demonstrate a good understanding of the major online trends and is well positioned to capitalize on them. With more than a billion engaged global users, FB's ability to target advertising both on and off Facebook.com should lead to continued strong revenue growth in 2015 and beyond. We remain cognizant of potential near-term FX headwinds as the dollar marches toward parity with the euro, though strong business fundamentals should remain intact.

21st Century Fox (Nasdaq: FOXA; $39 PT). Amid the uncertainty and secular concerns around the media and advertising industry, we see Twenty-First Century Fox as the most attractive name in our coverage. While concerns about potential downward guidance revisions and management transition are valid, these risks are widely understood. Despite these issues, Fox faces less advertising pressure than its peers; its growth is outpacing the industry, even on our conservative numbers; and it has exposure to international growth in markets like India.

Power & Utilities

Promotora y Operadora de Infraestructura SAB de CV (OTC: PUODY) (MXN 215) - After strong operational results in 1Q15, we continue to prefer PINFRA as our Top Pick in Mexico infrastructure. Despite recent negative industry news flow, we remain positive on PINFRA's growth profile. Industry performance has been decidedly negative this year; PINFRA has outperformed peers (-1% YTD versus OHL -19%, ICA -28%, and IDEAL -22%) but it has underperformed the Mexbol Index by 8% YTD. We believe PINFRA's share price is being negatively affected by investor concerns about the industry. In our view, however, PINFRA's business model is well differentiated from those of its peers as it focuses on cash flow generation (we expect free cash flow to equity to post an 18% CAGR from 2015 to 2018), attractive IRR levels, and maintaining low debt levels, which we think makes the company the best positioned in the industry to take advantage of new projects. In the medium term, PINFRA will have two options: pay dividends or reinvest its cash flow in new projects at an IRR target of 10-12% real. In our view, either option would be positive for PINFRA's share price.

NextEra Energy Partners, LP (NYSE: NEP; $117 PT). NextEra Energy is one of the highest quality companies in the regulated utility universe, in our view, with 5-7% targeted earnings growth generated from continued investment in its Florida Power & Light (FPL) regulated entity and a highly visible development backlog of renewable projects at its unregulated subsidiary, NextEra Energy Resources (NEER).

Retail

G-III Apparel Group (Nasdaq: GIII; $75 PT). We expect GIII to realize 20%+ organic EPS growth for the next three years, driven by a combination of top-line expansion and margin improvement. Moreover, GIII is one of the few companies under coverage we see as near-term acquisitive – providing a likely upside case.

HanesBrands (NYSE: HBI; $38 PT). Hanesbrands offers a differentiated growth story still early in its development, with a long runway of significant earnings potential ahead thanks to a proven M&A platform and its Innovate-to-Elevate margin expansion initiatives. In short, we believe the combination of these two catalysts can drive 20% EPS growth longer term, and given HBI trades at approximately 20x NTM P/E, we see a 1.0x PEG as a highly attractive valuation.

Hilton (NYSE: HLT; $34 PT). Hilton Worldwide's strong brands, robust development activity, and focus on geographic and chainscale diversity provide a base for the company to generate growth in a wide variety of market

Continued on page 12

J.Taylor's
MININGSTOCKS.COM
Gold, Energy & Tech Stocks
J. TAYLOR'S GOLD, ENERGY & TECH STOCKS IS PUBLISHED WEEKLY.

Gold Stock News
Top Gold Stock Picks, Live Charts, News, Area Plays
GoldStockNews.com

Continued from page 11

conditions and cycles. We expect Hilton will generate industry-leading growth in its management and franchise business in 2015, while announcements regarding the initiation of a dividend and potential spin-offs of real estate and timeshare could be further catalysts.

MGM Resorts (NYSE: MGM; $24 PT). MGM Resorts International remains our top gaming pick for 2015 as we believe the company currently offers the most attractive valuation of the large-cap gaming operators. Given MGM's geographic diversity, the company should benefit from improving trends in Las Vegas – despite tough comps in the first quarter – while its exposure to Macau could be favorable in the near term should the current headwinds facing that market abate. We would note that if fundamentals improve materially in Macau and gross gaming revenue (GGR) trends re-accelerate, shares of the large-cap operators with more relative exposure to that market could outperform MGM. However, given the continued volatility in GGR trends, we believe it behooves investors to be positioned with an operator that has presence in both markets.

Panera Bread (Nasdaq: PNRA; $210 PT). Panera Bread is one of the more discretionary restaurant names we prefer in an improving U.S. macro consumer environment. Beyond macro drivers, PNRA is working to reverse the disappointing comp and traffic trends of 2013-14. The turnaround is driven by Panera 2.0, which is an overhaul of the consumer-facing model, driven by both digital and operational enhancements. We expect that 2.0 will support a re-acceleration in EPS growth medium term. And importantly, we believe short-term expectations will be supported by an increase in leverage for share repurchase, further cost reduction efforts, and plans for refranchising. We see a favorable risk-reward, especially as traffic has already begun to turn prior to the full rollout. While many are cautious on a 12+ month turnaround, we expect the shares will outperform, driven by EPS upside and multiple expansion.

Royal Caribbean Cruises (NYSE: RCL; $87 PT). Royal Caribbean remains our top Leisure pick. We believe RCL is on track to meet its Double Double goals by 2017 (doubling EPS; double-digit ROIC) which implies EPS of $6.90 by 2017. Strategic deployment changes, premium pricing on newer vessels, and moderate industry capacity growth in the Caribbean this year should drive local currency revenues. While EPS growth remains vulnerable to FX, management is currently working to mitigate this headwind.

Technology

Cavium (Nasdaq: CAVM; $85 PT). We see sustained multiyear growth in Cavium's core business with significant earnings potential from ThunderX and Xpliant. CAVM's base business is levered to strong end market growth trends within the security, wireless infra, and data center end markets, but we also see TAM expansion through its Fusion-M (doubles basestation content and likely drives share gains), Liquid IO (gen 2 ramps 2H15), 2/4 core Octeon (addresses FSL $500+ business), and Fusion (small cell) products. ThunderX (ARM server SoC) and XPliant (switch silicon) both add incremental $1bn+ TAMs with disruptive solutions. CAVM will likely need to weather one more quarter without real upside but multiple products are progressing toward material revenue in 2016. We see significant upside potential as each $100mn in incremental revenue drives $0.70-1.00 in EPS.

Corning (NYSE: GLW; $26 PT). Corning's long-term growth prospects remain encouraging, in our view. The launch of Gorilla Glass 4 has been successful and additional glass industry dynamics remain beneficial. Other new glass products highlight Corning's ability to move with the market and compete with non-glass solutions over time. Capital allocation will remain a major component of the story and the company's large share repurchase program (roughly $1bn remaining) and $0.48 annual divided should lend support to the stock.

Oracle (NYSE: ORCL; $48 PT). Oracle is emerging from an extended period of product development and internal changes that position it well to capitalize on key tailwinds through 2016. With better execution in software and stabilization in hardware, we think investor sentiment will become more positive, specifically as quarterly results have been better, and the current valuation makes Oracle shares attractive.

TSYS (NYSE: TSS; $47 PT). Total System Services is our new Top Pick (replacing Vantiv). Despite recent accounts on file (AOF) wins (e.g., BMO, TD, BAC) TSS expects to be able to grow North American revenue by mid-to-high single digits organically on an annual basis over the longer term. Given strong drivers such as card transactions (Nilson projects transactions on cards to grow ~7% from 2013 to 2018), and AOF outsourcing trends, we see the implied 5-9% y/y longer-term growth guidance as achievable, particularly when combined with nominal GDP growth. We also see the company's growth in NetSpend as a source of potential upside, which combined with better-than-expected trends in direct merchant acquiring, should drive upside to guidance/estimates and valuation.

Telecommunications

SBA Communications Corp. (Nasdaq: SBAC; $136 PT). The dislocation between tower sector valuation levels and our increasing comfort on an improving demand backdrop, coupled with the company's recent buyback authorization, elevates SBA Communications to become our Top Pick (replacing American Tower). Although concerns around a potential interest rate hike are likely to keep valuation levels compressed in the near-term, improving industry fundamentals, driven by the broader need for carriers to support rising data traffic, gives us comfort in the company's ability to deliver above-peer AFFO growth of 15-20% per year. Thus, absent any valuation re-rating (which we would not rule out), SBA's ability to deliver on its mid-term outlook should support at least 15% upside to shares, in our view.

Puma Reports Multiple Massive Sulphide Drill Intercepts at Turgeon Project's Dragon Zone

Puma Exploration's (TSX.V: PUM) initial 2015 drill program at its Turgeon Copper-Zinc VMS Project in New Brunswick, targeting the newly discovered Dragon Zone, successfully confirmed the existence of a third major VMS system at Turgeon which doubles the volume of the previously known sulphide mineralization envelope. The four holes of the most recently completed program encountered multiple massive sulphide drill intercepts up to 13 meters wide. These massive sulphide intercepts, averaging 5 meters of core length, are composed of variable amounts of pyrite, chalcopyrite and sphalerite. Also, the typical higher-grade Cu-Zn stockwork zones that were intersected are located within a larger Cu-Zn mineralized halo intercept exceeding 100 meters. Puma has also achieved another milestone with the discovery of this new fertile syn-volcanic fault that is interpreted to be the source of mineralization with higher grade zones of 6.1% zinc equivalent ("Zneq") over 4.1 meters (FT15-04) and 5.8% Zneq over 4.0 meters (FT15-03). Highlights of the program results include: Multiple massive sulphide drill intercepts with up-to 13 meters in length and averaging 5 meters; Three new holes within the high grade zone confirms the existence, and increases the size of the higher grade mineralization previously encountered in the discovery drill hole FT14-05 (6.8% Zneq over 6.8m) with 6.1% Zneq over 4.1 meters (FT15-04) and 5.8% Zneq over 4.0 meters (FT15-03); The persistent alteration and mineralization halo indicates the presence of a major hydrothermal system with 0.8% Zneq over 112.5m (FT15-01), 0.8% Zneq over 116.5m (FT15-03) and 2.4% Zneq over 23.1m (FT15-04); A newly discovered, significant Cu-stockwork mineralization zone indicating the presence of an entirely new VMS system in the Dragon Zone area with 2.2% Cu over 2.1m (FT15-01) and 1.2% Cu over 2.4m (FT15-03); The best drill results were located in the newly found fertile syn-volcanic fault zone that was outlined; A precisely designed upcoming drill campaign will verify the best potential targets; All three zones including the new Dragon zone, Powerline and Zinc Zone are open in all directions and at depth.

PUMA EXPLORATION

TSX.V: PUM
OTCBB: PUXPF

Contact: Marcel Robillard, President

212, Avenue de la Cathédrale
Rimouski (Québec)
Canada G5L 5J2
Phone: (418) 724-0901
Toll-free: (800) 321-8564
president@explorationpuma.com
www.pumaexploration.com

Fairmont to Begin Drilling at Forestville Quartzite Property; New Quartzite Zone Discovered

Fairmont Resources (TSX.V: FMR) is about to commence drilling at the Forestville Quartzite Property. The drill will be operated by the CFP Forestville as part of their Diamond Drilling Education Program. Magnor Exploration Inc. will provide geological support for the drilling program. While doing reconnaissance traverses, Magnor identified a new quartzite zone located 2 km east of the main quartzite horizon. The new zone is exposed on surface for a minimum 25m by 300m. This zone is in the vicinity of previously report (in press release dated January 23, 2015) sample 1989027907 which reported 99.91% SiO_2. The Forestville Quartzite property is located 20 kilometres north-northwest of the town of Forestville, Quebec. The property has been optioned for the purpose of testing the chemical and physical properties of the quartzite as potential raw material source of high purity glass, fibre optics, ferrosilicon and silicon metal. A numer of customer site visits have occurred on the Buttercup Dense Aggregate Property and Baie-Comeau Quartzite. Discussions with additional customers continues, as does material testing from Buttercup, Baie-Comeau and Forestville by customers. Fairmont's Quebec properties cover numerous occurrences of high-grade titaniferous magnetite with vanadium. Where these occurrences have been tested they have display exceptional uniformity with respect to grade. These occurrences are of considerable interest due to their proximity to tide water, with the Grand Anse Sea Terminal at the Port of Saguenay located within 100km of all of Fairmont's Quebec titaniferous magnetite properties. Fairmont also has high purity quartz and quartzite properties along Quebec's North Shore from Lac-Saint-Jean to Baie-Comeau. Fairmont's goal is to become one of the dominant publically traded industrial minerals companies in Canada. Fairmont recently received a Certificate of Authorization, allowing 300,000 tonnes annual titano-magnetite aggregate production from the Buttercup property. Fairmont completed the first blast on the Buttercup Property, part of its plan to put one project into production per year, and permitting a high purity silica project in 2015.

FAIRMONT RESOURCES, LTD.
TSX.V: FMR

Contact:
Michael Dehn,
President, CEO
600 Orwell St. Unit 14
Mississauga, ON,
Canada L5A 3R9
Phone: (647) 477-2382
michael@fairmontresources.ca
www.fairmontresources.ca

Stocks to Watch

HENDERSHOT INVESTMENTS
11321 Trenton Ct., Bristow, VA 20136.
1 year, 4 issues, $50.
www.hendershotinvestments.com.

Long-term investors should hop aboard Canadian National Railway

Ingrid Hendershot: **Canadian National Railway** (NYSE: CNI; TSX: CNR) is a true backbone of the economy, transporting more than C$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods. It operates a rail network of approximately 20,000 route miles of track spanning Canada and mid-America from the Atlantic and Pacific oceans to the Gulf of Mexico.

Industry Leader

Founded nearly 100 years ago, Canadian National Railway (CNI) is celebrating this year the 20th anniversary of the firm's initial public offering. Since de-regulation of the rail industry – first in the United States in 1980 and later in Canada in 1987 and 1996 – the overall rail industry has embarked on a transformational journey with CNI becoming an industry leader in North America. Once a largely Canada-only enterprise, CNI's operations today span eight Canadian provinces as well as 16 U.S. states, transporting freight traffic over an approximately 20,000 mile rail network that reflects more than $8 billion of acquisitions since 1998.

Operating the largest rail network in Canada and the only transcontinental network in North America, the company serves close to 75% of the U.S. population and all major Canadian markets. CNI carries more than 300 million tons of cargo for exporters, importers, retailers, farmers and manufacturers. CNI's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better positions the company to face economic fluctuations and enhances its potential for growth opportunities.

Canadian National leads the North American rail industry in terms of efficiency and operating margins. Supply Chain Collaboration Agreements with ports, terminal operators and customers helps Canadian National drive efficiencies across the entire supply chain.

Profitable Operations

With a business model focused on cost efficiency and asset utilization, CNI generates highly profitable operations. Net profit margins have approximated 25% or better over the last five years. Canadian National is loaded with strong operating cash flows, which have totaled nearly $17 billion over the last five years. Over the same period, the company has reinvested nearly $10 billion in capital expenditures to expand their network and build for the future.

While maintaining a prudent financial structure, the company has also returned nearly $10 billion to shareholders through $3.2 billion in dividends and $6.6 billion in share repurchases over the past five years with 28 million shares authorized for future share repurchases. CNI has boosted its dividend for 19 straight years at a 17% compounded annual growth rate. In 2015, CNI increased the dividend a whistle-blowing 25% with a dividend payout of 35% of earnings targeted over time. During the first quarter, free cash flow chugged 32% higher to $524 million with CNI paying $252 million in dividends and repurchasing $410 million of its shares.

Double-Digit Growth

Over the past five years, revenues have compounded at a 10% annual rate with EPS rolling up a 14% annual growth rate. CNI delivered solid 2015 first quarter results with revenues steaming ahead 15% to $3.1 billion and EPS (adjusted to exclude a gain on a rail line sales last year) firing up a 30% gain to $.86.

Revenues increased for grain and fertilizers (24%), forest products (23%), automotive (23%), metals and minerals (22%), petroleum and chemicals (13%) and intermodal (13%). Coal revenue declined 13% during the quarter due to weaker global demand. Overall, revenues were favorably affected by foreign currency and improved operating conditions due to a more normal winter when compared to the same period in 2014. For the full 2015 year, management reaffirmed their outlook for double-digit earnings growth.

Long-term investors should hop aboard Canadian National Railway, a HI-quality industry leader generating double-digit growth and profitable operations while also rewarding shareholders with growing dividends and share buybacks. Buy."

Editor's Note: Hendershot Investments Inc. is a money management firm whose goal is to both build and preserve their client's wealth. To that end, they invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. For more information on the money management services they provide call (703) 361-6130 or visit the website at www.hendershotinvestments.com.

THE BOWSER REPORT
PO BOX 5156, Williamsburg, VA 23188.
Monthly, 1 year, $64 (print) or $74 (both print and online). www.thebowserreport.com.

Virco provides furniture and equipment for schools pre-K through 12

Faris Sleem: "**Virco Manufacturing Corp.** (VIRC) designs, produces, and distributes a wide variety of furniture for the commercial and educational markets. The company is currently the leading manufacturer and supplier of furniture and equipment for K-12 schools nationwide. VIRC offers furniture consisting of desks, chairs, tables, stools, and many more. These products are distributed to public and private schools (pre-K through 12th grades) colleges and universities, government facilities, convention centers and places of worship. The company has developed a comprehensive product offering that enables customers to purchase all of its products from one source.

The first and fourth quarters are significantly slower than the second and third due to the seasonality of the school furniture niche. However, Virco entered the fourth quarter with a backlog that was $3,000,000 higher than the prior year. This reflected a steady year-long improvement in order rates. The order growth avoided the negative affects of winter weather on overall demand. The company hopes to repeat this pattern of steady progress despite the recent recession and struggles of the furniture market. All of the company's assets have been retained or strengthened due to impressive management and capitalization on a healthy and steady recovery.

In order to compete with the Chinese outsourcers that are new to the school furniture industry, VIRC focuses on its public image and customer service. The company has won many awards in the past for their sustainability and environmental awareness. Management has implemented multiple programs such as Cash for Cardborad, which has helped schools earn well over $100,000 from recycling. This has resulted in a series of honors from the U.S. Environmental Protection Agency.

While Virco's public image and exceptional customer service help retain contracts, the company is looking to capture more market share from Chinese competitors in the coming years. Schools are cutting costs by minimizing staff, cutting out middlemen during delivery and managing inventory more efficiently. This results in larger budgets. Since these Chinese companies are not able to distribute their goods to the schools directly, VIRC can capitalize on their weakness. This also allows Virco to provide schools with their complete product assortment as opposed to just a few specific products.

Financials

Although the fourth quarter, which ends January 31, is seasonally the slowest for VIRC, revenue jumped 30.2% – from $19.5 million to $25.4 million – resulting in close to a $3,000,000 improvement in Virco's net operating loss for the entire fiscal year. Earnings in the most recent quarter increased 26%, and the company reported a net profit of $849,000 (or $0.06/share) in fiscal 2015, which is an impressive increase from the $1,730,000 loss in 2014. The CEO attributes the improvements in sales and earnings to a slow and steady recovery.

After a 150% EPS increase in 2015, Finviz.com, an online financial research and analysis source, is still forecasting a 35% increase in the coming year. This means that analysts are expecting FY2016 net income to surpass $1 million.

Although the company's balance sheet has no red flags, with assets outweighing liabilities and with minimal long-term debt, the most reassuring financial indicators are the recent quarter's profitability and the projective positive earnings forecast.

Insiders

Currently, 12% of shares are held by insiders. There has been zero insider selling over the past two years, which is a great sign that management and officers are long on the stock. Institutions and mutual funds appear to have the same opinion, holding 26% of VIRC's float.

Looking Ahead

Sales of their new product lines including Analogy, Zuma, Civitas and Sage recently increased $3.9 million. With anticipated earnings growth and profitability, the company has promising financial health in its future. Elimination of central warehouses, higher school budgets and the strengthening economy are set to benefit Virco's sales and customer retention. Due to the volatility of commodity prices, the company is anticipating uncertainty with transportation and energy costs. This could be a restricting factor yet it would affect the industry as a whole, not just one company.

Office: 2027 Harpers Way, Torrance, CA 90501, Tel. (310) 533-0474, www.virco.com"

INCOME PERFORMANCE LETTER
P.O. Box 383, Williamsport, PA 17703.
Monthly, 1 year, $199.
www.leebincomeperformance.com.

For growth and growing dividend buy Public Storage REIT

Genia Turanova: "**Public Storage** (PSA) is the leading U.S. self-storage REIT. It operates more than 2,250 unique and diverse company-owned locations in the United States and Europe totaling approximately 146 million net rentable square feet in the Unites States and 193 storage facilities located in seven Western European nations with approximately ten million net rentable square feet operated under the "Shurgard" brand. Public Storage also owns a 42 percent common equity interest in *PS Business Parks, Inc*. (PSB) which owned and operated approximately 28 million rentable square feet of commercial space at March 31, 2015. Based on the number of tenants, Public Storage is among the largest landlords in the world.

We find several sides to Public Storage attractive; these highlight our investment case. First, the company is the leader in one of the most fundamentally attractive subsectors, albeit a niche, of the REIT industry. It owns about 5 percent of the entire U.S. self-storage industry and is almost twice as large as its four next public competitors combined.

In 2014, Public Storage's U.S. self-storage business generated 93 percent of total revenues and 84 percent of net operating income. This is a business that benefits from an improving economy, while having some recession-resistant qualities, and its other fundamentals are appealing as well.

Self-storage is characterized by limited supply of new properties. This creates good conditions for higher occupancies, better rental rates and lower customer acquisition costs. In 2014, Public Storage's customer acquisition costs as a percent of revenues decreased to 5.9 percent from 9.2 percent in 2011.

Of course, this does not mean the supply will be limited forever. Competition – via new supply – presents one of the main risks to owning Public Storage as it would provide occupancy and price pressures. Still, just like any real estate, a rule of "location, location, location" would still apply: a new supply of self-storage space would have to compete not on price alone, but also in convenience. Also, growth in storage demand has exceeded the growth in the U.S. population, and there is room for expansion.

Another key metric where Public Storage excels is the percentage of customers who have stored with the company for longer than one year as it measures "stickiness" of its services and the ability to raise rents. Here, the percentage of customers storing for longer than one year (in the same store group of properties) increased by 5.3 percent (in 2014 compared to 2011) to a record 56.7 percent.

Self-storage businesses, generally, break-even at about 30 percent occupancy, and require little maintenance capital expenditures. Public Storage operates at an above 90 percent occupancy rate. Further, in the 1Q 2015, domestic occupancy rates continued to accelerate and reached 93.4 percent. In the quarter, notably, realized rates increased 5.6 percent to $15.6 per square foot.

The REIT, as a result of these business characteristics, has the ability to generate tremendous amounts of free cash flow, which, in turn, could be used either to reinvest in the business or distribute via dividends. Over the last 20 years, PSA's cash flow and dividends per share have each grown at about 9 percent per year.

In addition, what makes Public Storage especially attractive to us is its lower risk compared to peers: it's much less leveraged than the average REIT and has a strong balance sheet, with very low debt.

Finally, we like the recent dividend increase and view it as a sign of strength. As the REIT reported results for the quarter ended March 31, 2015, it also announced a whopping 21 percent dividend increase. Beginning June 30, Public Storage shareholders of record as of June 15, 2015 will receive $1.70 quarterly for a yield of 3.5 percent."

****

PEARSON INVESTMENT LETTER
published for clients of Pearson Capital, Inc.
P.O. Box 3739, Apollo Beach, FL 33572.
Monthly, 1 year, $150.
http://www.pearsoncapitalinc.com.

Walgreens: Now the eleventh-largest retailer of any type in the world

Donald Pearson highlighted **Walgreens Boots Alliance** (WBA) a holding company in his recent issue of *Pearson Investment Letter.*

Walgreens Boots Alliance operates one of the largest drug store chains in the world. The company provides its customers with access to consumer goods and services, pharmacy, and health and wellness services in communities across America. The company sells prescription and non-prescription drugs, as well as its products and services, through its retail stores, mail, and online. The company has an extremely long history of successful mergers

and acquisitions [M&A]. From its single-store beginnings, Walgreens has grown into a leading drugstore chain.

Following seventeen years of organic growth without any acquisitions, in 2003 Walgreens acquired eleven stores from Hi-School Pharmacy. In 2010, Walgreens acquired the Duane Reade drugstore chain, then, in 2012, it acquired the USA Drug chain. It then formed a partnership with the Boots, a drug store in the United Kingdom to create a "global pharmacy-led, health and wellbeing enterprise." In August 2014, Walgreens announced that it would exercise its option to fully combine the companies.

Today, according to recent figures, Walgreens owns the largest number of drugstores in the U.S., totaling 8,330 stores. Walgreens is now the eleventh-largest retailer of any type in the world, the sixth-largest retailer of any type in the U.S., and is among the top fifty e-retailers in the world.

The Company operates in around 25 countries, which include the wholesale and distribution network with over 340 distribution centers and more than 180,000 pharmacies, health centers and hospitals in 19 countries. Institutional Holdings: 1,904."

****

HEARTLAND ADVISER
983 S 119th Ct., Omaha, NE 68154.
Monthly, 1 year, $150.
www.RussKaplanInvestments.com.

Procter & Gamble: The bluest of blue chips

Russ Kaplan: "What will the world look like ten years into the future? Computers will probably be much different than they are today. Social media will evolve in new directions and one can only guess who the winners and losers will be.

I do know however, that people will still be buying Crest toothpaste and Tide detergent. These are among the many products produced by our newest recommendation **Procter & Gamble** (PG).

Back during the financial panic of 1837, William Procter & James Gamble formed a partnership to make soap and candles. A famous early product was Ivory soap, which is still being sold today.

Today Procter & Gamble produce numerous products and is continuously developing new ones and improving on their existing products.

This company is among the bluest of blue chips with a Value Line rating A++. It is not a stogy company. It is highly profitable with a return on equity of 17.5%.

There is considerable ownership by the company's officers and directors, providing the long-term perspective, which is very important. The head of the company, Alan Lefley, owns 572,370 shares. Berkshire Hathaway owns almost 53 million shares and it almost always pays to go along with Warren Buffett.

For those who are income oriented this is an excellent selection. Procter & Gamble has a dividend of 3.4% and this dividend has been raised five times since 2011 and probably will be raised again in the near future,"

Editor's Note: For a limited time subscribers can receive a full one year subscription to *Heartland* Adviser, now in its 31st year of publication, for half price – $75. Send payment to Russ Kaplan Investments, 983 S 119th Ct., Omaha, NE 68154.

****

INVESTMENT QUALITY TRENDS, 2888 Loker Ave. East, Ste. 116, Carlsbad, CA 92010. 1 year, 24 issues, $310. Online, $265. www.iqtrends.com.

Timely Ten Undervalued stocks

Kelley Wright: "The Timely Ten is not just another "best of, right now" list. It is our reasoned expectation based on our methodology and experience for what we believe will perform best over the next five years.

Do we believe that all 10 will appreciate simultaneously or immediately? Of course not. Our four-plus decades of research and experience, however, leads us to believe that these stocks, purchased at current Undervalued levels, are well positioned for both growth of capital and income.

The Timely Ten consists of Undervalued stocks that generally have a S&P Dividend & Earnings Quality rating of A- or better, a "G" designation for exemplary long-term dividend growth, a P/E ratio of 15 or less, a payout ratio of 50% or less (75% for Utilities), debt of 50% or less (75% for Utilities), and technical characteristics on the daily and weekly charts that suggests the potential for imminent capital appreciation.

The current 10 selections and their yields are: **CVS Caremark** (CVS) yielding 1.3%; **Schlumberger Ltd.** (SLB) yielding 2.4%; **Union Pacific** (UNP) yielding 2.3%; **Eaton Corp.** (ETN) yielding 3.3%; **TJX Companies** (TJX) yielding 1.2%; **Int'l Business Machines** (IBM) yielding 3.1%; **Fluor Corp.** (FLR) yielding 1.6%; **Potash Corp.** (POT) yielding 5.3%; **Phillip Morris Int'l** (PM) yielding 4.9%; **Chevron Corp.** (CVX) yielding 4.5%."

VALUE LINE MARKET FOCUS
485 Lexington Ave., FL 9, New York, NY 10017.
www.ValueLine.com.

3M Company: Decline in price has created good a entry point for investors

Ian Gendler recently highlighted **3M Company** (MMM). "The Minnesota-headquartered diversified manufacturer and technology corporation has operations in more than 70 countries and annual sales that top $30 billion. It employs almost 90,000 individuals, has a market capitalization of $100 billion, and has been a member of the Dow Jones Industrial Average since 1976.

After a terrific multiyear run, the stock has recently declined in price. We attribute the drop to disappointing first-quarter financial results. For the period, although share net was slightly higher than the year-earlier term, the figure was $0.08 lower than our estimate. The bottom-line miss stemmed from unfavorable currency translation rates, as the strong dollar took a bite out of revenues and profits.

We think that the recent price decline has created a good entry point for investors. In fact, in our view, 3M would make a fine addition to most equity portfolios. For starters, the stock is currently ranked favorably for both Timeliness™ and Safety™. In addition, management has a history of being shareholder friendly. More specifically, the board has been aggressively repurchasing stock and has allocated large sums to increase the quarterly dividend payout. Looking ahead, we think that these trends will persist for many years.

As for operations, we are bullish in regard to 3M's prospects. Although this year's bottom line will probably continue to be hampered by unfavorable currency translation rates, we think that double-digit earnings growth is plausible in 2016. Recent acquisitions should soon begin to bear fruit, and we think that the operating margin will widen due to lower operating expenses."

****

INVESTOR ADVISORY SERVICE
711 W. 13 Mile Rd., Madison Heights, MI 48071.
Monthly, 1 year, $399. E-subscription, $299.
www.InvestorAdvisoryService.com.

Taro Pharmaceutical Industries: Growth through research

Douglas Gerlach: **Taro Pharmaceutical Industries Ltd.** (NYSE: TARO) is an Israeli-based company that develops, manufactures, and markets prescription and over-the-counter drugs for sale primarily in the United States, Canada, and Israel. The company focuses mainly on topical creams and ointment generic drugs, largely for dermatological applications. Other dosage forms include liquids, capsules, and tablets. Other diseases treated include cardiovascular, neuropsychiatric, and anti-inflammatory therapeutic categories.

The company markets more than 200 drugs for sale in more than 25 countries. Nystatin/Triamcinolone, a combination antifungal and corticosteroid used to treat various fungal infections, represents about 12% of Fiscal 2013 sales. Taro relies heavily on the North American market as 88% of sales are to the U.S. and 7% to Canada. Customers are a mix of wholesalers that fulfill the orders of Pharmacy Benefit Managers (PBMs), large pharmaceutical companies where Taro acts as manufacturer, and over-the-counter (OTC) drug retailers primarily selling under their brand names. About 51% of sales are made to three customers.

Over the past few years, the company has enjoyed both volume and pricing gains. However, in the past year volume turned slightly negative, and fiscal fourth quarter volume was flat. The company planned for this occurrence by expanding its research and development capability and is now spending about 8% of sales, up from 6% in Fiscal 2011.

The boost in R&D spending has led to 35 Abbreviated New Drug Applications (ANDAs) and one New Drug Application (NDA) awaiting FDA approval. The majority of this pipeline is focused on dermatological products, where Taro is already the leading generic drug company according to IMS industry data.

Taro is very well capitalized. The company has over $900 million in cash and marketable securities, about $21 per share. It plans to use this cash to further invest in its drug pipeline, pursue accretive acquisitions, and repurchase shares. The company recognizes that valuations for generic drug companies are very high at the moment, and management pledges to be careful not to overpay. The firm targets a return on investment of 20% to keep itself disciplined.

Corporate governance is a risk when purchasing Taro stock. About 80% of the voting rights are controlled by Chairman Dilip Shanghvi, members of his family, and Sun Pharmaceutical Industries Ltd. In turn, Mr. Shanghvi and members of his family control 64% of Sun Pharmaceutical. We usually see valuation discounts for stocks of companies where the public shareholders are in the minority. This definitely seems to be the case with Taro.

The status of public investors being in the minority also impacts corporate communications. Management is relatively tight-lipped. It is only in the past year that the company has been holding quarterly conference calls. Further, Taro management does not like to discuss items such as individual drugs citing "competitive reasons." We hope that over time, management will get more comfortable with its strategy and provide additional insight.

Industry analysts expect 16% per-year earnings growth over the next five years. We are more conservative and project 14%. Five years of this growth would generate EPS of $21.80. Combined with an average high P/E ratio of 15.1, the price could appreciate to 329, a potential 18% annual return. The downside price of 89, a loss of 38%, was calculated using the average low P/E of 7.9 and Fiscal 2014 EPS of $11.32.

For more information on Taro Pharmaceutical Industries Ltd. visit www.taro.com."

Atna Reports 75% Quarterly Increase in Pinson Gold Ore Shipments

Atna Resources recently reported that its Pinson Mine, located near Winnemucca, Nevada increased Second Quarter gold ounces shipped by 75% over First Quarter results. During the Second Quarter, the mine shipped 13,260 tons of ore at an estimated grade of 0.402 ounces per ton, containing approximately 5,320 gold ounces versus 7,977 ore tons containing 3,043 ounces in the First Quarter. A total of six ore shipments were made in the Second Quarter. Estimated gold recovery for ore sold in the quarter is approximately 94.5%, of which Atna will be paid for 73.9 percent of the recovered gold value. Since the re-start of Pinson, a total of 29,070 tons of ore at a grade of approximately 0.389 ounces per ton have been shipped. The production ramp-up at Pinson is following plan, with a target of achieving over 12,000 ounces per quarter production rate by year-end 2015. Operating time at the mine was increased to a 24-hour, seven day per week schedule in June, and crew sizes will increase as additional working faces are developed. Assay lab operations at Pinson commenced during the quarter and are now supporting daily production requirements. Underground reverse circulation ("UGRC") drilling is being conducted on a routine basis at the mine in support of stope design and economic analysis. During the quarter, 25 holes totaling 3,630 feet were completed in the Otto, Ogee, and Adams Peak zones. Work in the Otto resulted in the definition of gold mineralization in the central and southern portions of the ore zone. This work provided infill drilling in areas currently defined as indicated and inferred resources to upgrade the zone for immediate mining. UGRC drilling in the Ogee zone further defined the second longhole stope for engineering design as well as confirmed a sparsely drilled area along the eastern margin of the minable reserves. Drilling in the Adams Peak zone, currently being accessed, returned strong grades over minable thicknesses in an area previously considered to be beyond the economic limits of mineralization. Further drilling will be required to fully evaluate the southern end of the Adams Peak zone of mineralization.

ATNA RESOURCES LTD.
TSX: ATN
US OTC QB: ATNAF
Contact: Valerie Kimball
Corporate Communications/
Corporate Secretary
Toll Free: (877) 692-8182
vkimball@atna.com
www.atna.com
Shares Outstanding:
208.4 million
52-week High $0.24
52-week Low $0.06

Torex Gold Reports Postive PEA for Media Luna Project, New Resource Estimate

Torex Gold Resources Inc. recently announced a positive Preliminary Economic Assessment for its 100% owned Media Luna Project in southwest Mexico. The company also announces a new NI 43-101 inferred mineral resource estimate of 7.42 million gold equivalent ounces, including 3.98 million ounces of gold, at a cut-off grade of 2 g/t gold equivalent. "Our strategy has always been to get the El Limon-Guajes resource up to 5 million ounces and build the mine, find a second mine on the same property and build that one as well. Progress toward completion of the construction of the ELG Mine continues to be excellent, and this PEA for the Media Luna resource illustrates the potential viability of those resources on the same property both on a commercial and social basis. The conceptual mine design is innovative and elegant in the way that it turns technical and social challenges into commercial advantages. The design minimizes the amount of land required, provides the potential for long term employment opportunities for neighbouring communities, and utilizes the recently built ELG infrastructure to minimize security exposures and to control costs. That this PEA is based on exploiting only 31% of the targeted magnetic anomalies is a testament to the potential of the Media Luna anomalies to support an expansion of the existing mineral resources," said Fred Stanford, Torex President and CEO. The concept for recovery of the Media Luna resource is through underground mining methods at 7,000 t/d with the mineralized material being transported via a hybrid underground / aerial / underground rope conveyor. Processing to produce both a Copper/Gold/Silver concentrate as well as doré bars would be completed using the existing plant and through a circuit to be added for flotation and concentrate handling. Production at the ELG mine would continue at 14,000 t/d with the higher grade 7,000 tonnes directed to the processing plant and the lower grade 7,000 tonnes directed to stockpile for processing in the future. Development of the Media Luna resource would take place over a four year period.

TOREX GOLD RESOURCES INC.
TSX: TXG
Contact: Gabriela Sanchez,
Vice President,
Investor Relations
145 King St. West, Suite 1502
Toronto, ON M5H 1J8 Canada
Phone: (647) 260-1500
Fax: (416) 640-2011
gabriela.sanchez@torexgold.com
www.torexgold.com

Conrad's UTILITY INVESTOR
Capitalist Times, LLC
6841 Elm St. #1057, McLean, VA 22101.
Monthly, Online e-Letter, 1 year, $199 (*Special Offer)*. www.ConradsUtilityInvestor.com.

Telefonica: Turnaround gains traction

Roger Conrad: "Thus far in 2015, **Telefonica's** (Madrid: TEF, NYSE: TEF) shares have generated a total return of more than 10 percent in their home market. However, the global telecom giant's American depositary receipt (ADR) is down more than 13 percent this year, including dividends.

This disparity stems from the US dollar's strength relative to the euro, a headwind that could worsen, depending on how Greece's ongoing sovereign-debt crisis is or isn't resolved.

On the plus side, US investors who take a longer view can establish a position in the Continent's best-in-class telecom provider at a discounted price. Trading at a mere 4.2 times cash flow, Telefonica's ADR sports a generous dividend yield of about 6 percent.

And a multiyear turnaround effort that focused on cutting debt, building scale in key growth markets and shedding underperforming businesses in the UK, Ireland and the Czech Republic has moved Telefonica closer to increasing its dividend.

Last year's acquisition of wireless provider E-Plus Group has ratcheted up Telefonica's profitability in Germany, while aggressive cost cutting and a focus on improving network quality has enabled the firm to reverse its shrinking sales in Spain.

Investments to expand Telefonica's wireless and broadband networks in Brazil and other rapidly growing South American markets have also helped to bolster margins.

Although weakness in the Brazilian real has weighed on repatriated revenue, the recently closed acquisition of Vivendi's (Paris: VIV, OTC: VIVHY) Brazilian unit makes Telefonica the leading telecom provider in South America's largest economy – a huge growth driver over the long term.

Other promising endeavors include a joint venture with **Bouygues** (Paris: EN, OTC: BOUYF) to provide telecom services to multinational companies in France.

These moves prompted Telefonica's first-quarter earnings release to proclaim that the company had entered "a new growth cycle" fueled by Internet television and other broadband services.

Standard & Poor's acknowledged Telefonica's improved revenue mix and commitment to debt reduction by upgrading the telecom provider's credit outlook to positive.

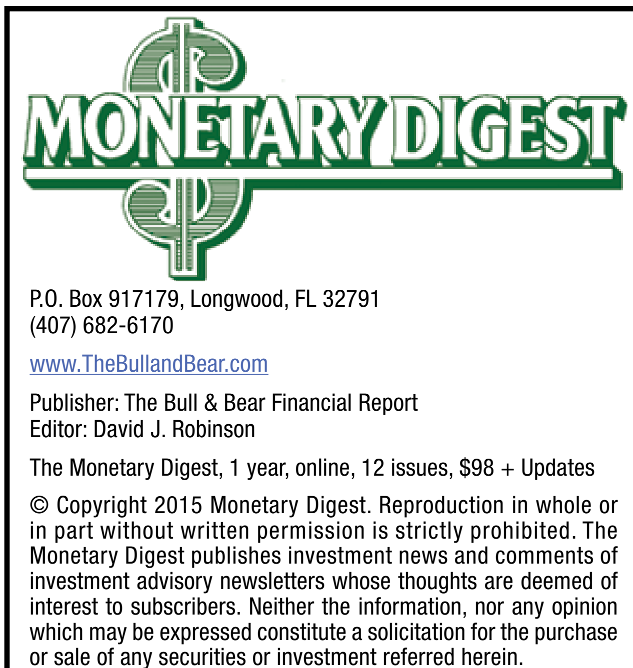
Despite all this progress, Telefonica still needs to roll over EU18.7 billion (US$20.87 billion) in debt by 2017, an obstacle that will prevent the firm from restoring the dividend to the lofty levels that prevailed before 2012.

Nevertheless, Telefonica's turnaround story continues to gain traction, and insiders have increased their holdings by more than 20 percent over the past six months.

Telefonica's ADR rates a buy up to US$18 for aggressive investors who don't own the stock already."

Editor's Note: Conrad's Utility Investor delivers high-quality analysis and rational assessment of the best dividend-paying utilities, MLPs and dividend-paying Canadian energy names. Sign up for a *free* subscription to *The Scoop* and receive high-quality analysis and actionable advice from Roger Conrad and Elliott Gue. For a limited time, you will also receive Roger Conrad's new report on Dividend Powerhouses, www.ConradsUtilityInvestor.com.

****



P.O. Box 917179, Longwood, FL 32791
(407) 682-6170

www.TheBullandBear.com

Publisher: The Bull & Bear Financial Report
Editor: David J. Robinson

The Monetary Digest, 1 year, online, 12 issues, $98 + Updates

© Copyright 2015 Monetary Digest. Reproduction in whole or in part without written permission is strictly prohibited. The Monetary Digest publishes investment news and comments of investment advisory newsletters whose thoughts are deemed of interest to subscribers. Neither the information, nor any opinion which may be expressed constitute a solicitation for the purchase or sale of any securities or investment referred herein.

LOOKING FORWARD, published for clients of Friess Associates and Brandywine Funds shareholders, P.O. Box 576, Jackson, WY 83001.

Diamond Resorts International Inc. Earnings forecast to double this year

Chris Aregood: The pitch is simple: If you expect to vacation one week or more per year during the next 10 years, establishing a relationship with Diamond Resorts warrants consideration. More people explore the possibility with each passing quarter and, in a trend that speaks to the Diamond Resorts network's growing appeal, the percentage of folks who buy in keeps rising.

Diamond Resorts International Inc. (Nasdaq: DRII) is a hospitality company. In a variation of the timeshare model, the company sells vacation ownership points that provide access to its network of 338 vacation destinations around the world. Diamond Resorts is the onsite operator for 93 of the properties, making it the industry's second largest resort manager. Revenue reached $861 million in the 12 months through March.

The resort management industry is fragmented, with the top five operators holding a combined

16 percent market share. Diamond Resorts established the platform for its current growth potential through six acquisitions in recent years. The transactions broadened the company's portfolio while enabling it to increase profitability by applying its operational standards to acquired properties.

For example, Diamond Resorts maintains high underwriting guidelines in financing point purchases. The average FICO score of the typical Diamond Resorts financing recipient is 758. Ninety-one percent of the company's relatively few write-offs were legacy loans from companies it acquired.

Your team spoke to Frank Acito, senior vice president of financial planning, about transaction trends. Transaction size averaged $19,477 in the year through March, up 38 percent since the company went public less than two years prior.

Diamond Resorts beat March-quarter estimates with 84 percent earnings growth. Wall Street predicts the company will more than double earnings this year.

VCA is the Leading Provider of Pet Health Care Services in the Country

Pets are part of the family. Sixty-five percent of U.S. households own at least one pet, and together they spend tens of billions of dollars a year on veterinary care and medicine. VCA is uniquely positioned to help owners keep their pets healthy.

VCA Inc. (Nasdaq: WOOF) operates the largest network of veterinary diagnostic laboratories and full-service veterinary hospitals in the U.S. and Canada. The company offers a full range of general medical services for pets such as health exams, vaccinations and dental care as well as critical care and boarding. Laboratories, which represent about 40 percent of sales, provide diagnostic testing and services aimed at detecting and monitoring diseases. Revenue increased to $2 billion in the 12 months through March.

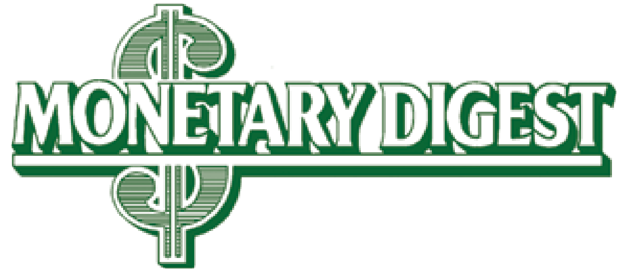
March-quarter earnings grew 19 percent, beating the consensus estimate. Same-store sales grew as customers initiated more health checks and approved more lab testing amid improved discretionary income trends.

Greater volumes produce considerable earnings leverage, particularly in the lab segment where the cost of administering additional tests is low. With strong cash generation, we believe the company is positioned to continue pursuing strategic acquisitions and repurchasing outstanding shares.

Your team spoke to Chief Financial Officer Tomas Fuller regarding VCA's ability to win market share amid new competitive dynamics in the laboratory market. After VCA announced earlier this year that it would acquire laboratory assets from competitor Abaxis, another laboratory competitor decided it would no longer market through distributors. Both developments potentially create volume opportunities for VCA's lab segment, given its larger footprint and the narrowing focus by distributors.

Based on the consensus estimate, Wall Street predicts VCA will grow earnings 19 percent this year."

DIGITAL FORMAT ONLY



THE "SUPER DIGEST" of investment advisory newsletters. For the investor who wants winning market strategies. We scan over 400 investment publications and bring you, each month, the most important and potentially most profitable ideas.

The Monetary Digest features the top stock picks from the nation's best performing market timers as tracked by the leading market timing services.

The Monetary Digest features:

- **Stocks**
- **Mutual Funds**
- **Precious Metals**
- **Real Estate**
- **Options**
- **Commodities**
- **Tax Strategies**
- **Global Stock Markets**
- **Financial Planning**

Charter Subscribers At Half The Price

A full one year subscription to The Monetary Digest costs $98. Charter subscribers are invited to try a full one-year subscription for only $49.

Rate **$49**

This special offer is risk-free. You must be completely satisfied or receive a full refund after the first three issues or a pro-rated refund at any time during your subscription. No questions asked.

1-800-336-BULL

To take advantage of our special digital rate call 1-800-336-BULL. Visa, MasterCard, AMEX accepted. Or send payment to:

The Monetary Digest VOL 15-06
P.O. Box 917179, Longwood, FL 32791

☐ One Year (12 issues) $49 - Save $49
☐ Two Years (24 issues) $80 - Save $116
☐ Check Enclosed ☐ AMEX ☐ Visa ☐ MasterCard

Credit Card # ____________________

Expiration Date __________ Phone ______________

Signature ____________________

Subscribers outside North America please remit in U.S. dollars from a U.S. bank.

Name ____________________

Address ____________________

City / State / Zip ____________________

Email ____________________

NATES NOTES
P.O. Box 667, Healdsburg, CA 95448.
Monthly, 1 year, $289. www.NatesNotes.com.

Disney pushing into new all-time highs

Nate Pile: "Disney's stock is once again pushing into new all-time high territory. Not only is Disney doing well in virtually every industry in which it competes, the fact that the company recently raised its dividend and announced that it will begin paying it semi-annually rather than once a year has probably also helped attract new investors to the stock (and if you happened to own the stock on July 66, you will be receiving a dividend of $0.66 per share on July 29)."

Pile encourages new subscribers to start a position. He adds, "DIS is a strong buy under $110 and a buy under $118."

Mutual Funds

THE COMPLETE INVESTOR
P.O. Box 248, Williamsport, PA 17703.
Monthly, 1 year, $199
www.completeinvestor.com.

Finding value in small packages

Genia Turanova: "**Fidelity Low-Priced Stock Fund** (FLPSX) is a onetime mid-blend fund recently reclassified as a mid-cap value fund. It offers an excellent way to invest in a diversified collection of relatively small stocks – market caps between $2 billion and $10 billion – with value credentials.

To assess value, the fund considers P/Es, price to book, and dividend yields, among other metrics. It looks for companies that at the time of purchase trade at $35 or less per share.

Compared to its peers, Fidelity Low-Priced Stock Fund, as of the latest quarter, is significantly overweighted in consumer discretionary and consumer staples, reflecting its focus on companies with strong brands and that benefit from recurring consumer purchases. The biggest underweighting is in financials, especially banks and real estate investment trusts (REITs), which the fund's managers deem overvalued and vulnerable to regulatory pressures.

Recently the fund has turned its value antennae to the hard-hit energy sector, anticipating opportunities among stocks suffering from the drop in oil prices. Its reasoning: as U.S. rigs are shuttered, supplies will tighten and oil prices will rise, leading to big gains among undervalued energy companies with enough financial strength to survive the downturn. (The fund is now equal-weighted in energy compared to its peers.) The fund also has been buying small-cap Japanese companies.

Despite the fund's nearly $46 billion in assets, the average market cap of its holdings is below average for the category. That mainly reflects its large number of positions – around 920 – only a quarter of which are concentrated in the top 10 holdings. Further diversification comes via its hefty international representation: just 55 percent of total assets are in U.S. companies while 34 percent are international (27 percent in developing countries, 7 percent in emerging countries). The remaining 11 percent of assets is currently in cash.

The long-term record is outstanding: over the past 10-year period Fidelity Low-Priced Stock Fund ranks in the top 12th percentile of its category. It's in the top 23rd percentile for the past five years, top 52nd percentile for the past three, and top 22nd for the past year. Turnover is low.

Action Summary: Fidelity Low-Priced Stock Fund remains a buy."

Resource Stocks

THE KONLIN LETTER
5 Water Rd., Rocky Point, NY 11778.
Monthly, 1 year, $95. www.konlin.com.

Gulf Resources: China's leading bromine producer and crude salt supplier

Konrad Kuhn: "**Gulf Resources, Inc**. (Nasdaq: GURE) is a leading provider of chemical products in the People's Republic of China (PRC). GURE primarily produces and distributes bromine and crude salt used to manufacture a wide range of compounds utilized in manufacturing industries and in agriculture. GURE is one of the few licensed bromine producers, and is the largest in China and fourth largest in the world. China's domestic market is large and growing, and the country currently produces about 80% of all bromine compounds domestically. The chemical products are utilized in a variety of applications, including oil and gas field exploration, papermaking chemical agents, waste water treatment chemicals and inorganic chemicals such as industrial refrigeration chemicals. GURE also developed proprietary pharmaceutical intermediary products that await commercialization.

Natural brine is a complicated salt-water system containing many ionic compositions in which different ions have close interdependency relationships and which can be reunited to form many dissolved soluble salts. Bromine is the first component extracted during the processing of natural brine pumped from underground through extraction wells by subaqueous pumps through pipelines to storage reservoirs. The crude salt is produced from the evaporation of the waste water after the bromine production process.

Revenue from FY'14 was $113.7 mil., with 0.46 per share. Revenue for Q1'15 rose 36% to 34.9 mil., with 0.12 per share vs. 0.11 for the same period in the prior year. GURE is financially strong, with cash totaling $111 mil. As of Mar. 31, '15. Of the 45,901,876 shares outstanding, 35% are closely held with institutions owning 8%. The stock was recommended in the 1.80 area for a 1st target of 5-6 and has been trading in its

50-Day MA (rising trend) with short-term support at 2.05 and strong intermediate support at the 1.70 level

The stock has built a strong base since '12 and once it trades at 3.00, its next up-leg will accelerate. We would Add/Buy on all weakness since GURE announced in Jan. it found natural gas resources under its bromine well. The geological horizon well depth is shallow and the structure has preferable highly pure natural gas. The well should be able to have a trial production output of 52,186 cubic meters per day. Based on the assessment report, GURE estimates the well should produce annual revenue of approx. U.S. $4.7 mil. and annual net income of about U.S.$2.3 mil per year. GURE intends to apply for permission to begin trial production to commence in Q3'15. GURE then intends to apply for permission to drill approx. 10 more wells. Given a shortage of natural gas in China and GURE's strong advantage in this small county area, we believe this could represent a substantial business opportunity. If this comes to pass, GURE could become a much larger and more profitable company that would be valued significantly different, increasing shareholder value. Ultimate target 7-8."

Editor's Note: *The KonLin Letter,* consistently rated as one of the best performing Low Priced Stock market letters in the nation, specializes in low priced stocks under $10. This unique service recommends 5 low-priced stock selections each month including a *Featured Stock of the Month,* and reviews 30-35 different small caps while monitoring a broad range of technical indicators for the best possible Market Timing Advice.

****

INVESTECH RESEARCH
2472 Birch Glen, Whitefish, MT 59937.
1 year, 13 issues, $295.

Occidental Petroleum well positioned to grow production and reward shareholders with an attractive total return

Eric Vermulm: "**Occidental Petroleum** (OXY) is an international oil and gas company with the growth potential and financial strength well suited for a late-stage bull market. In the past, Energy has been one of the best performers in a maturing bull market. Additionally, OXY's defensive characteristics have helped it hold up well in prior economic and commodity driven downturns. In the last 12 months, the company, which has 76% of its 2.8 billion barrels of reserves in liquids, saw less than half of the downside of crude oil prices. Not only did OXY hold up much better than crude, it also outperformed the average S&P oil producer over the same period.

Occidental's balance sheet, one of the most attractive in the energy arena, provides a margin of safety in downturns in addition to backing its current 3.9% dividend yield. Although it has over $6.8 billion of debt, much of this is offset by a $5 billion cash stockpile. Factoring in the cash, net debt to capital is a very manageable 7%, better positioning OXY when compared to peers at an average of 28%. With below average leverage, OXY has been able to raise its dividend for 13 consecutive years. Over this time period, the dividend has compounded at an annual rate of nearly 15%.

Balance sheet flexibility is also allowing the company to build out production in the Permian Basin. OXY has long been the largest conventional producer in the oil rich Permian. In recent years, however, unconventional drilling has helped the company reinvigorate its operations in the play and capitalize on existing infrastructure. Due mainly to expansion of its horizontal drilling program, OXY expects company-wide production to grow at a healthy 5-8% per year over the long-term.

The unique mix of defense and offense at OXY makes it both a growing company and one with strong cash generation potential. While lower oil prices are forcing many energy companies to take on more debt, OXY is covering its capital spending and dividend from cash flow. Management is also continuing to search for ways to generate additional cash through non-core asset sales. After spinning-off its higher risk California assets late in 2014, the next targets include the Mid-Continent U.S. acreage and a portion of the Middle East portfolio. Overall, OXY is a company well positioned to not just grow production in coming years, but to reward shareholders with an attractive total return."

Editor's Note: Eric Vermulm is Senior Portfolio Manager of Stack Financial Management. The firm was recently ranked in the *Top 100 Independent Financial Advisors* by *Barron's*. To learn more about Stack Financial Management visit www.StackFinancialManagement.com.

INVESTOR RELATIONS PROGRAMS

The Bull & Bear has several cost-effective Investor Relations Programs for publicly traded companies. Our innovative, **high-impact print and online** campaign includes:

- **Print** • **Internet Exposure**
- **Targeted E-mail** • **E-Newsletters**
- **Investment Seminars**
- **Stock Broker/Share Holder Mailings**

Bull & Bear's IR programs target millions of active investors.

1-800-336-BULL

TheBullandBear.com

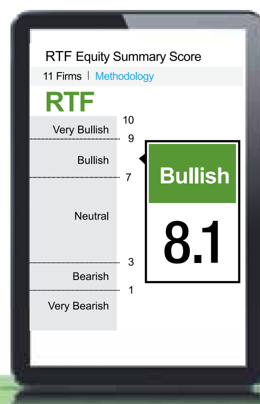
THE ULTIMATE GUT CHECK

With so many perspectives out there, it's hard to know when a stock is the right opportunity for you. Invest with Fidelity and you'll get the same stock ratings used by some of the world's leading institutions, consolidated into a single, numerical score.

EQUITY SUMMARY SCORE by StarMine®.

Use it to help find your next idea, or as one more gut check. Fidelity.com is the only place you'll find it.

Trade commission free for a year when you open an account.* Find more of the expertise you need to be a better investor.



800.FIDELITY | Fidelity.com/score

2014 BEST OVERALL
ONLINE BROKER
4 TIME WINNER†

***This offer is valid for new or existing Fidelity customers. In order to receive the commission-free trades, you must designate an existing eligible account or open and fund a new eligible account with net new assets. Deposits of $50,000 to $99,999 of net new assets will receive 60 commission-free trades for one year. Deposits of $100,000 of net new assets or more will receive commission-free trades for one year, up to a maximum of 100 trades. Commission-free trades must be designated to the one account receiving the qualifying assets and are limited to only online domestic equity trades, and do not include options. No cash compensation will be given for any unused commission-free trades; unused trades expire worthless. Offer is nontransferable, limited to one per individual per rolling 12 months and may not be combined with other offers. Fidelity reserves the right to modify these terms and conditions or terminate this offer at any time. Other terms and conditions, or eligibility criteria, may apply.**

Sell orders are subject to an activity assessment fee (of between $0.01 to $0.03 per $1,000 of principal).

The Equity Summary Score is provided for informational purposes only, does not constitute advice or guidance, and is not an endorsement or recommendation for any particular security or trading strategy. The Equity Summary Score is provided by StarMine, an independent company not affiliated with Fidelity Investments. For more information and details, go to Fidelity.com.

Investing involves risk, including risk of loss.

Images are for illustrative purposes only.

†*Kiplinger's* magazine, December 2014. Results based on ratings in the following categories: total commissions, Investment choices, tools, research, Web site, mobile, and advisory services. Criteria not equally weighted. In 2014, Fidelity tied for #1 with Charles Schwab which ranked 10 leading discount brokers. In 2011, Fidelity tied with TD Ameritrade which ranked 14 discount brokers, was #1 in November 2008 which ranked 12 discount brokers, and tied for #1 with Muriel Siebert in 2007 which ranked 10 discount brokers.

System availability and response times may be subject to market conditions.

Fidelity Brokerage Services, Member NYSE, SIPC. © 2015 FMR LLC. All rights reserved.

691501.2.0