TEMATICA INVESTING

THEMATIC COMMENTARY, EQUITY RESEARCH & INVESTING STRATEGIES

Christopher Versace
CHIEF INVESTMENT OFFICER, TEMATICA RESEARCH, LLC

INSIDE THIS ISSUE

While we wait for the annual gathering of central bankers at the Kansas City Fed's 40th Economic Policy Symposium in Jackson Hole, Wyoming later this week — an event that will feature both Fed Chairwoman Janet Yellen and European Central Bank Chief Mario Draghi among others — the stock market put in a mixed week since our last issue of *Tematica Investing*. The S&P 500 climbed 0.13 percent, while the Dow Jones Industrial Average dipped 0.16 percent over the last five days. Even though the **August Flash PMI** reports for Japan, Eurozone and the US were encouraging, the market waits with bated breath for what Yellen and Draghi will say in the coming days. From our perspective, we highly doubt either will break new monetary policy ground or shed light on what their respective next moves will be. That means once the hoopla dies down, we're in for several quiet days to close out what remains of summer before Labor Day weekend.

Perusing the positions on the Tematica Select List

We can easily say the last week was also a good one for a number of our holdings, including **Physicians Realty Trust (DOC), Nike (NKE)** and **Under Armour (UA)**, as well as our most recent addition, **AMN Healthcare Services (AHS)**. To us, Physicians Realty Trust shares are a great example of how we prefer to invest — the company's business is clearly benefitting from our ***Aging of the Population*** investing theme, which in and of itself is a very pronounced tailwind. Because we've been patient investors with the DOC position, we're up more than 60 percent as of last night's close from our initial purchase base in late June of 2014.

How's the S&P 500 performed over the same time frame?

It's up a paltry 11.6 percent in comparison. We think we'll stick with our strategy and we hope you do too.

The same ***Aging of the Population*** thematic tailwind bodes extremely well for AMN Healthcare shares — which also benefits from the ***Scarce Resources*** thematic as the nation clamors for more nurses. Subscribers that are underweight DOC shares should look to shore up their AHS holdings.

Of course, from time to time, there will be some laggards — like our **Disney**

Tematica Investing, a weekly publication by Chief Investment Officer Chris Versace, is designed for the experienced or professional investor, providing in-depth information on real-time developing thematic strategies, economic outlook, investment trading ideas, and analysis of the most pressing developments for the market, as well as forces that drive both our thematic perspectives and thematic recommendations.

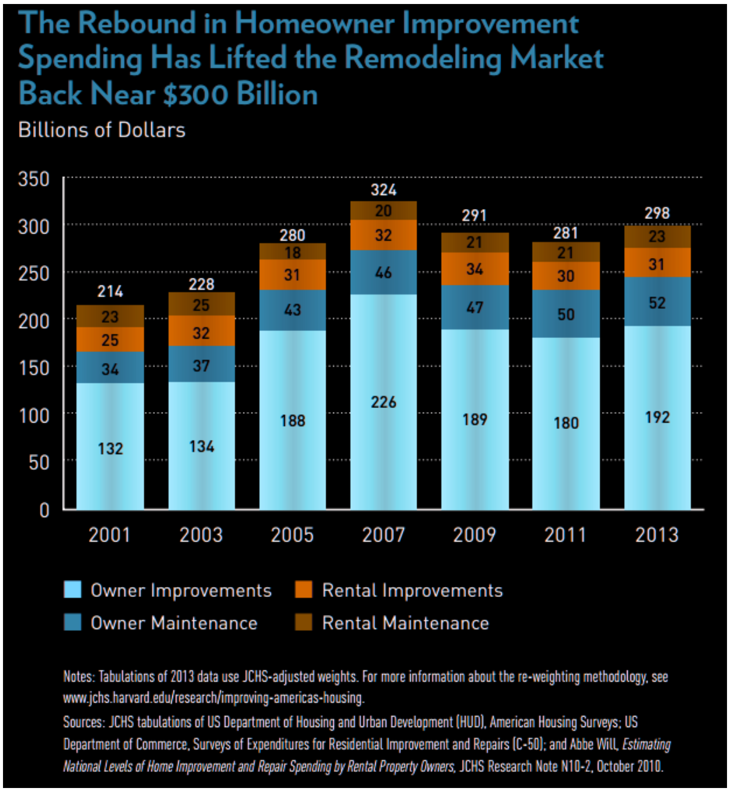
(DIS) shares — but we also know that big companies are like tankers and it takes some time to get going. At least with Disney, we know that have such a robust pipeline of movies that will spill over into the parks and merchandize business that we can afford to patient. Other positions, like recently added **Sherwin Williams (SHW)** just need some positive data points to corroborate our thesis. We saw that yesterday in the July New Home Sales report that easily trounced expectations.

Better than expected July New Homes Sales report, which rose 12.4 percent month over month and more than 31 percent year-over-year to 654,000 homes on a seasonally adjusted annual rate. The results marked the strongest month since October 2007 and are a positive sign for position in paint and coatings company, Sherwin Williams.

When we consider that New Home Sales are reported when a contract is signed, it means more painting will be needed in the coming months.

Later today at 10 AM ET the National Association of Realtors will publish the July Existing Home Sales report, which is expected to come in at around 5.5 million units on a seasonally adjusted annual rate. Much like New Home Sales, we see Existing Home Sales as an indicator of remodeling activity as new owners take over the dwelling, be it a single-family home, condominium or co-op. As we discussed when we added Sherwin Williams to the *Tematica Select List*, we are bullish on repair and remodel market prospects over the next few years.

Given the low levels of available housing inventory and an upward move in housing prices over the last several quarters, we continue to see homeowners updating and investing in their homes to drive the value higher. Adding to our conviction, earlier this week John Burns Real Estate Consulting shared on CNBC that home remodeling spending is expected to hit an all-time higher near $304 billion this year and continue to grow 26 percent over the next three years.



As you can imagine, we continue to have a Buy on Sherwin Williams shares, and our $350 price target remain intact. Given the bullish outlook for repair & remodel spending, however, we're making another addition to the Tematica Select List that is also powered by that aspect of our ***Rise & Fall of the Middle Class*** investing theme.

Let's get to it and set our cycle for profits…

Adding Whirlpool Corp. to the Tematica Select List

When we recently added shares of paint and coatings company Sherwin Williams to the Tematica Select List, two aspects of the thesis were the improving tone of the domestic housing market and continued favorable prospects for repair and remodeling spending. The domestic housing market continues to improve, as evidenced by the July Housing Starts report and the month-over-month improvement in the National Association of Home Builders (NAHB) Housing Index. We've all read about the upward move in home prices, which has brought more homes onto the market in 2016, as well as spurred repair and remodeling beforebeing listing. The same rise in home prices has also led others to stay put and upgrade their homes, rather than pay those home prices.

According to Metrostudy's latest Residential Remodeling Index (RRI) released just a few days ago, the remodeling activity nationwide accelerated in the second quarter and is expected to pick up further in the back half of 2016, with additional gains in 2017. Among home remodeling projects, kitchen remodeling tends to have one of the highest cost-to-value dynamics. According to U.S. News & World Report, "a minor kitchen remodel adds an average of 82.7 percent of the project's cost back to the home's value."

Putting those two together has brought Whirlpool to our attention, given its industry-leading position in household appliances around the globe, which makes it the number one major appliance manufacturer in the world. Key appliance markets for the company include laundry appliances (29 percent of 2015 revenue), refrigerators and freezers (28 percent), cooking appliances (18 percent) and other appliances (25 percent) such as air purifiers, dehumidifiers, compactors and water filtration systems.

While you may be aware of the Whirlpool brand, you may not be aware that it is the company behind other appliance brands, including KitchenAid, Maytag, Jenn-Air, Gladiator, Consul, Brastemp, Amana, Bauknecht,

Whirlpool Corporation
NYSE: **WHR**

Theme: ***Aging Population / Scarce Resources***

Price on 08/23/16: **$186.24**

- Whirlpool Corporation, incorporated on August 10, 1955, is a manufacturer and marketer of home appliances.
- The Company manufactures products in approximately 15 countries and markets products around the world under brand names, such as Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, Jenn-Air and Indesit.
- The Company's segments include North America, Latin America, EMEA (Europe, Middle East and Africa) and Asia.
- The Company manufactures and markets a line of home appliances and related products. Its principal products are laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, mixers and other portable household appliances. It also produces hermetic compressors for refrigeration systems.

Shares Outstanding	75.44M
Avg. Volume	836.31K
Market Cap	14.04B
EPS: '15 / '16/ '17	12.38/14.68/17.26
Cash (mrq): $US	959M
Debt (mrq): $US	5.22B
Net Cash (mrq)	-4.261B
Revenue (ttm)	20.65B
Enterprise Value to Revenue (ttm)	0.88
Annualized Dividend Per Share	$4.00
Dividend Yield	2.19%

Jenn-Air, Indesit and other major brand names in nearly every country around the world. Across its spectrum of brands, Whirlpool has strong position in premium, mass merchant and value appliance categories. Most shoppers tend to think that since they are buying the appliance, they are the company's customer, but the reality is they are the end customer. Whirlpool's clients tend to be the likes of **Lowe's (LOW), Sears (SHLD), Home Depot (HD), hhgregg (HGG), Best Buy (BBY)**, GPA - Grupo Pão De Açúcar, IKEA, Alno, Suning, major buying groups and home builders.

Looking at Whirlpool from a geographic perspective, its largest and most profitable region is the US (52 percent of June quarter sales; 71 percent of operating profits) followed by Europe, Middle East & Africa (25 percent, 13 percent), Latin America (16 percent;10 percent) and Asia (7 percent; 6 percent). This mix means paying attention to dollar moves and currency headwinds. While nearly 100 percent of US households have refrigerators, only 88 percent have laundry appliances and 65 percent have dishwashing appliances. Continued adoption mixed with new homes sales and repair/remodel spending bode well for continued strong performance in the company's core market. Outside the US, household penetration of refrigeration, laundry and dishwashing appliances are far lower in China (36 percent), India (16 percent) and Latin America. Each of those markets has rising middle classes that bode well for appliances volumes over the next few years, hence WHR shares being a part of our ***Rise & Fall of the Middle Class*** investing theme.

As you can notice by the percentage differences between revenue and operating profits by geography, one key driver of the company's business is the domestic business. But, in order to hit its longer-term margin and EPS targets, it will take a combination of higher volumes and the realization of cost reduction initiatives, particularly at its Indesit acquisition in Europe (October 2014) and Hefei acquisition in China (October 2014). At these acquired businesses, Whirlpool has identified more than $350 million in cost synergies, with $200 million to be realized in 2016.

Whirlpool has made good progress on improving its US margins thus far in 2016, hitting 12.3 percent in the June quarter, which is the midpoint of its 2016 target of 12.0 - 12.5 percent. Good progress has also been made in Asia as June quarter margins were also well within 2016 targets. In Latin America, margins are improving year over year, but it will take far more improvement in the next two quarters to hit the company's target of 7 - 7.5 percent vs. 6.1 percent in the June quarter. That leaves Europe, Middle East & Africa (EMEA), which with operating margins of 4.6 percent in the June quarter is well below the company's 5.5 percent-6.0 percent target for this year.

Aside from cost synergies and volume, keeping tabs on margins also means keeping a close eye on key material costs, including plastic, resins, copper, aluminum and steel. In recent months, steel spot prices have been climbing, but Whirlpool has long-term contracts for key materials, including steel. This likely means steel costs will be an issue to watch several quarters out.

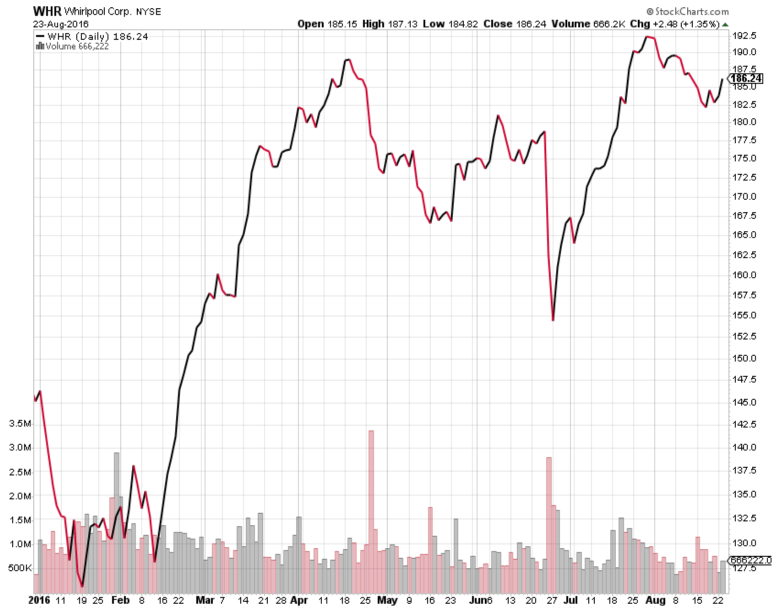
As we see it, the improving domestic housing market, combined with domestic repair & remodel spending, are driving the bulk of 2016 earnings expectations of $14.68 per share. While that underlying strength will continue into 2017, to hit 2017 consensus earnings expectations of $17.26 per share Whirlpool will need to deliver on margin improvements at its EMEA and Latin America businesses. Progress in both geographies should make the investment community get more comfortable with the company's long-term EPS target of $20.

In recent years, Whirlpool has been steadily increasing its annual dividend from $2.00 per share in 2012 to an annual dividend this year of $3.90 per share. Last week, the company declared its next quarterly dividend of $1.00 per share, which is payable on Sept. 15 to shareholders of record as of Friday, August 26. This, of course, offers a sense of urgency for subscribers, particularly those looking to maximize dividend income.

The company's increasing dividend has helped with the step up function we see in the stock price over the last several years. Since 2013, WHR shares have traded on a dividend yield basis between 1.5 percent and 3.0 percent, with the stock peaking on average over the 2012-2016 period at 1.7 percent and bottoming at 2.5 percent. Applying that dividend yield average high and low bumpers to the annualized $4 per share dividend implies a price target between $232 and $161.Compared to the current stock price, that offers the upside of 30 percent vs. potential downside of 13 percent — pretty good in our opinion.

Looking at the shares from a P/E basis, that $232 share price equates to just under 16x expected 2016 earnings of 14.68 per share. Soon after the Labor Day weekend, investors will begin to turn their gaze to 2017 expectations, and the current consensus calls for Whirlpool to earn $17.26 per share next year. That near 17 percent expected EPS improvement comes on revenue growth of just under 5 percent, which means Wall Street expects the company to deliver margin improvement.

Over the coming quarters, should the company convince investors that it can deliver $17 in earnings next year, we see greater comfort with our $232 price target, which equates to 13.4x 2017 consensus expectations. Longer term, as Whirlpool continues to deliver margin improvement on its way to achieving its long-term EPS target of $20 per share, we are apt to see PE multiple expansion. Even if we don't, the EPS growth alone could deliver a stock price near $260.



During the June quarter, Whirlpool repurchased $100 million worth of shares and the company has roughly $900 million remaining under its current share repurchase authorization. If the company were to complete that $900 million authorization at or near the current share price, we estimate it would shrink the outstanding share count by roughly 6 percent. Needless to say, shrinking the share count along with improving margins would put the company on a solid path for continued EPS improvement toward its long-term goal of $20 per share.

Like other new positions on the *Tematica Select List*, we are not issuing a protective stop loss at this time as our strategy will be to use any measurable weakness in the shares to build out the position size while simultaneously improving the cost basis. One those steps have been taken or if sign emerges that we are due for a meaningful market retracement, then we will issue a stop-loss level.

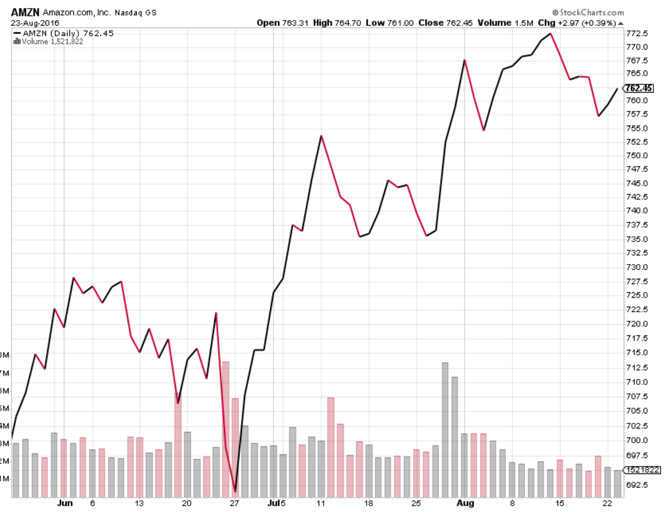
Bottomline on
(WHR) WHIRLPOOL CORP:

- **We are adding Whirlpool Corporation (WHR) shares that closed on August 16th at $186.24 to the Tematica Select List.**
- **Our price target on the shares is $232.00.**

Updates Updates Updates

Amazon.com (AMZN)

Connected Society



Shares of the e-commerce and Cloud solutions company that sits at the heart of our ***Connected Society*** investing theme dipped modestly over the last week, bringing the year to date return to roughly 12 percent. While things have been far quieter than usual when it comes to Amazon, the company still had several notable items worth discussing.

First, over the last week the company released several new pilots for its Prime Video business. Amazon has done this over the last few years to help it decide which programs to pursue, but this year in addition to Prime members Amazon also uploaded these new pilot episodes to **Facebook (FB)** and **Alphabet's (GOOGL)** YouTube. Our thinking is that this is pretty smart as it helps the content reach a wider audience and add more data to analyze as they decide which pilots to sign-on for a full season of episodes, while also serving as an opportunity to convert Amazon users to Amazon Prime customers.

Also last week, Amazon made strides in its gaming platform efforts when its game streaming business Twitch acquired Curse, a global multimedia and technology company focused on creating content and products specifically for gamers. One of Curse's better-known products is Curse Voice, which lets players chat with each other while gaming. Combining game streaming with Twitch, game development with Double Helix and now chatting with Curse means this business line is likely to be a strong focus for Amazon going forward. Moves such as these in video and gaming content, give Amazon firm standing within our ***Content is King*** investing theme. The only thing we like better than one pronounced tailwind is another one pushing on the business.

Finally, sifting through 13-F filings we found that Tiger Global increased its position in Amazon to 1.5 million shares at the end of June, up from 1 million at the end of March. While we can't speak for Tiger Global's mindset, we suspect its thinking is similar to ours, heading into the seasonally strong shopping season in the second half of 2016, AMZN will benefit from the accelerating shift to digital commerce. The bottom line is Amazon's expanding footprint from a product, service and geography perspective uniquely position it to gain share, as consumers continue to shift where and how they spend.

We continue to be bullish on AMZN shares and our price target remains $900.

CalAmp Corp. (CAMP) — *Connected Society*

CalAmp is a wireless solutions company that competes in the developing Internet of Things market, better known as telematics. In many respects, we are in the early innings of this aspect of the Internet of Things, but given the persistent need for companies to manage costs and vehicle uptime, we see a lot of road ahead for CalAmp's hardware and services business.

We see the recent heat up in driverless car news — Uber saying it would offer autonomous rides by the end of summer in Pittsburgh, and **Ford Motor (F)** putting "fully driverless vehicles, without steering wheels or pedals, on the road by 2021 — as bullish for the adoption of telematics and related services. Amid other driverless car announcements, the next step to watch on all of this will be new rules and regulations from the National Highway Traffic Safety Administration. While the NHTSA is expected to be innovation friendly, we strongly suspect safety will be a key concern.

We see the need to monitor and track driverless cars as well as safety prevention as bullish for our CAMP shares. Nearer term, the LockJack integration plus the growing subscription services business bode well for additional margin improvement and EPS generation in the coming quarters.

We continue to rate CAMP shares a Buy with a $20 price target.

Nike (NKE) and Under Armour (UA) — *Rise & Fall of the Middle Class*

Both Under Armour and Nike shares rose nicely following bullish footwear commentary from both **Dick's Sporting Goods (DKS)** and **Foot Locker (FL)** with respect to their recently completed quarter as well as what's to be had in coming month as those retailers expand their footwear footprint with new locations and showcasing racks. Outside the US, Foot Locker's performance in both Europe and Asia Pacific (up mid-single digits vs double-digit results in 2015) speaks volumes about UA's international expansion, particularly as it bring more running models to market. Per Foot Locker, the running category, not basketball, has been the lead category in both Europe and Asia Pacific.

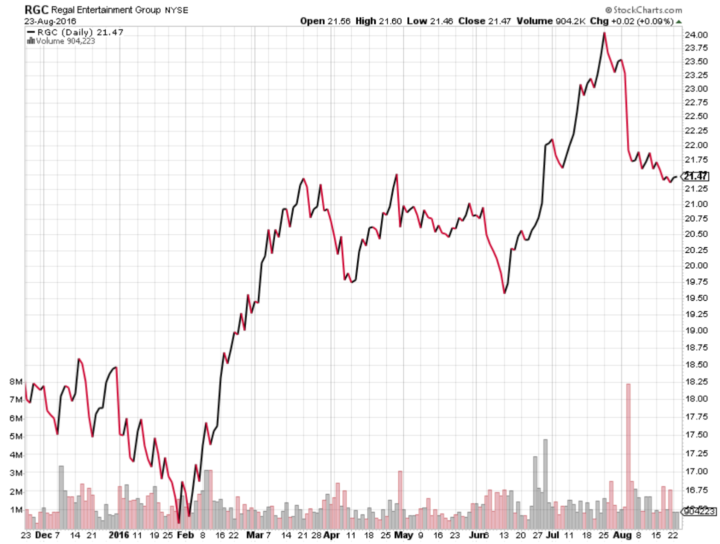
We expect consumer demand for UA's products will continue to climb in the back half of 2016 as the company unleashes new products across its footwear, sportswear and women's businesses. Its expansion of the number of physical locations offering its products, like Foot Locker and **Kohl's (KSS)** domestically, as well as in China and other brand conscious markets outside the US will likely further augment consumer demand.

We continue to rate both UA and NKE shares Buy with respective price targets of $55 and $66.

Regal Entertainment Group (RGC)

Content is King

Over the last few weeks, our shares of Content is King company Regal Entertainment are largely unchanged despite a number of recent films pushing past the $100 million threshold at the domestic box office in July and August. There have been a few clunkers in Ben-Hur and War Dogs, but not every movie can be The Secret Life of Pets and deliver $347.5 million at the domestic box office or even a Suicide Squad that has garnered $264.5 million. But don't despair, for there are a number of high profile films coming in the second half of the year, like Rogue One: A Star Wars Story, Marvel's Dr. Strange Girl on a Train, and Fantastic Beasts and Where to Find Them to name a few.



We'll continue to keep RGC shares on the Tematica Select List and collect our next $0.22 per share dividend as we wait for things to once again heat up at the box office.

Tematica Contenders

As we roll up our sleeves each week we add companies and discard others to our list of ***Tematica Select Contenders***. These are companies that we're doing more work on and in some cases we're waiting for the risk to reward trade-off to reach more appetizing levels.

AWK	American Water Works	*Scarce Resources*
WTR	Aqua America	*Scare Resources*
CHGG	Chegg Inc.	*Tooling & Retooling*
CMG	Chipotle Mexican Grill	*Foods with Integrity*
SCOR	Comscore	*Connected Society*
GLW	Corning Inc.	*Disruptive Technologies*
EPR	EPR Properties	*Content is King*
IMMR	Immersion Corp.	*Disruptive Technologies*
KIM	Kimco Realty	*Rise & Fall of the Middle Class*
LOCK	Lifelock	*Safety & Security*
MKC	McCormick & Co.	*Cashstrapped Consumer / Middle Class*
MRK	Merk & Co.	*Aging of the Population*
NLSN	Nielson NV	*Connected Society*
OME	Omega Protein Corp.	*Fountain of Youth*
PANW	Palo Alto Networks	*Safety & Security*
SYNA	Synaptics Inc.	*Disruptive Technologies*
UNFI	United Natural Foods	*Foods with Integrity*
VZ	Verizon Communications	*Content is King / Connected Society*
XYL	Xylem, Inc	*Scare Resources*

TEMATICA SELECT LIST PERFORMANCE

POSITION	DATE ADDED	ADD PRICE	CURRENT PRICE	DIV. PAID	STOP PRICE	RETURN (%)	TARGET	RATING
ALPHABET, INC. (GOOGL) *Asset-Lite*	6/15/16	$733.94	$796.59	--	--	8.54%	$900.00	(BUY)
AMAZON.COM (AMZN) *Connected Society*	5/24/16	$709.53	$762.45	--	--	7.46%	$900.00	(BUY)
AMN HEALTHCARE SERV. (AHS) *Scarce Res. / Aging of Population*	8/17/16	$33.80	$36.89	--	--	9.14%	$47.00	(BUY)
AT&T (T) *Connected Society*	7/21/15	$34.67	$40.85	$1.91	$39.00	23.33%	$45.00	(HOLD)
Consumer Disc. SPDR (XLY) *Content is King*	4/20/16	$79.57	$81.84	--	--	2.85%	--	(HOLD)
CALAMP CORP (CAMP) *Connected Society*	8/09/16	$15.46	$14.93	--	--	-3.43%	$21.00	(BUY)
DISNEY (DIS) *Content is King*	4/20/16	$102.16	$95.97	--	$87.00	-6.05%	$125.00	(BUY)
	5/11/16	$101.78	$95.97	--	$87.00	-5.70%	$125.00	(BUY)
NIKE INC. (NKE) *Rise & Fall of the Middle Class*	5/18/16	$56.10	$59.62	$0.16	--	6.56%	$66.00	(BUY)
PETMEDS EXPRESS (PETS) *Connected Society*	5/4/16	$17.80	$20.22	$0.38	--	15.73%	$23.00	(HOLD)
PHYSICIANS REALTY TRUST (DOC) *Aging of the Population*	6/27/14	$14.33	$21.32	$2.03	$18.00	62.94%	$25.00	(HOLD)
PROSHARES SHORT S&P 500 (SH)	1/14/16	$45.10	$37.89	--	--	-15.98%	$24.00	(BUY)
	3/23/16	$41.12	$37.89	--	--	-7.85%	$24.00	(BUY)
REGAL ENTERTAINMENT (RGC) *Content is King*	11/23/15	$18.51	$21.47	$0.66	$19.00	19.55%	$24.00	(HOLD)
SHERWIN WILLIAMS (SHW) *Rise & Fall of Middle Class*	8/03/16	$301.06	$291.13	--	--	-3.29%	$350.00	(HOLD)
STARBUCKS (SBUX) *Guilty Pleasures*	6/01/16	$54.90	$56.40	$0.20	--	3.10%	$74.00	(BUY)
UNDER ARMOUR (UA) *Rise & Fall of Middle Class*	7/27/16	$39.26	$43.59	--	--	11.02%	$55.00	(BUY)

as of market close August 23, 2016

STOCKS / FUNDS MENTIONED

Alphabet (GOOGL)
Amazon.com (AMZN)
AMN Healthcare Services (AHS)
Best Buy (BBY)
CalAmp Corp. (CAMP)
Facebook (FB)
hhgregg (HGG)
Home Depot (HD)
Lowe's (LOW)
Nike (NKE)
Physicians Realty Trust (DOC)
Regal Entertainment Group (RGC)
Sears (SHLD)
Sherwin Williams (SHW)
The Walt Disney Corp. (DIS)
Under Armour (UA)

Analyst Positions

At the time of publication, Mr. Versace, Chief Investment Officer of Tematica Research had no positions in the shares of companies mentioned in this issue.

Important Disclosures and Certifications

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