

# TEMATICA INVESTING

THEMATIC COMMENTARY, EQUITY RESEARCH & INVESTING STRATEGIES



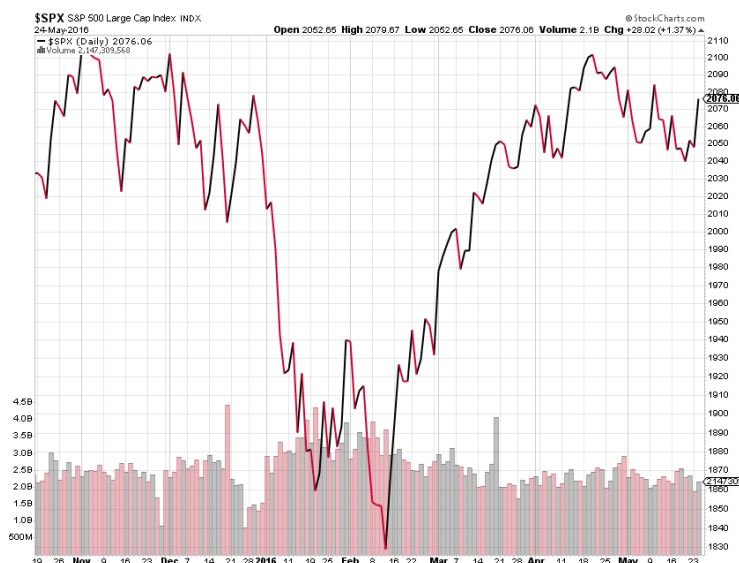
**Christopher Versace**  
CHIEF INVESTMENT OFFICER,  
TEMATICA RESEARCH, LLC

*Tematica Investing*, a weekly publication by 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.

## Economics & Expectations

In this week's **Monday Morning Kickoff**, we shared expectations for a much more subdued week, with only a few key economic data points and a slower speed of earnings reports. Talk about not getting what you expect.

Once again we've got conflicting views on whether the Fed will hike interest rates in June. We also saw the continued strengthening of the US dollar, and on the back of a greater than expected inventory drawdown, oil prices are nearing \$50 a barrel. Combined with the late week rally we saw last week that snapped the prior 3-week losing streak in the market, the S&P 500 is up more than 2 percent over the last few days.



A good portion of that move was had yesterday, following one of the strongest New Home Sales reports in years. As we know, however, one month does not make a trend, nor can it overshadow the string of disappointing housing data earlier in 2016. Furthermore, the strong April pushed available inventory down to just 4.7 months, well below the 6-month average we tend to see at this time of year.

The quick reaction may be to think of homebuilding stocks. But given student debt, credit card and auto loan debt levels that we track as part of our **Cash Strapped Consumer** theme, we suspect homebuilders will be far more judicious, lest they get stuck with unsold homes. Also too, **JPMorgan Chase (JMP)** has



launched 3 percent down-payment product, mirroring another product available through Fannie Mae and Freddie Mac. Tematica CIO Chris Versace had a chance to touch on this and more with Charles Payne on **Making Money on FoxBusiness** (see right)

We'll have more on the Fed and the rate hike as we get more data in the coming weeks. With the market continuing to melt up with no commensurate movement in earnings expectations for the S&P 500, we'll continue to be selective with new positions on the **Tematica Select List**. While it looks like the domestic economy is on firmer footing than the March quarter, we'd rather listen to the data than jump the gun like many did just a few months ago.



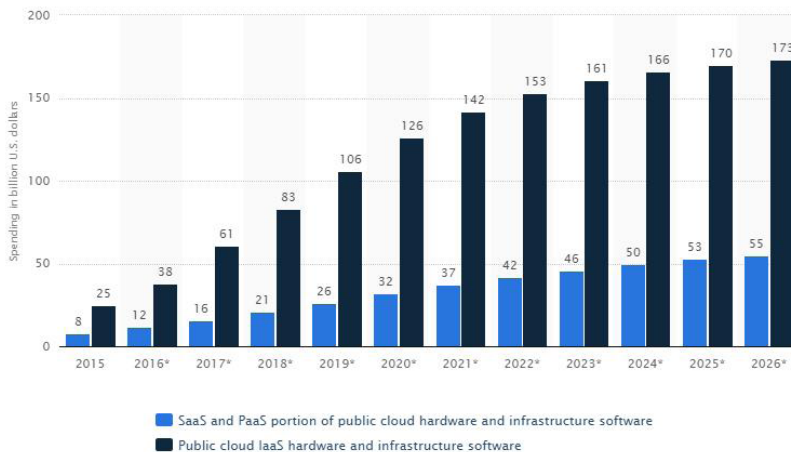
## Multiple Thematic Tailwinds Behind Amazon

When we think of the increasingly **Connected Society** there is no shortage of companies to choose from. One in particular, that is a prime beneficiary of the accelerating shift to digital commerce (both online and mobile) as well as Cloud adoption, is **Amazon (AMZN)**. That's right, while many increasingly think of Amazon as the go-to replacement for in-store shopping, its digital commerce business accounted for just 57 percent of its operating profit in the March 2016 quarter. The balance was had at the company's rapidly growing and profitably growing Amazon Web Services, better known as AWS.

Amazon Web Services (AWS) is the company's secure cloud services platform, offering compute power, database storage, content delivery and other functionality. While Amazon has been rather tight lipped about its AWS customer base, it has shared that it has over 1 million customers with growing adoption in the Fortune 500. In 2016, spending on public cloud Infrastructure as a Service hardware and software is forecast to reach \$38 billion, growing to \$173 billion in 2026. With just \$7.88 billion in revenue in 2015, we see AWS benefitting from a rising



Public cloud Infrastructure as a Service (IaaS) hardware and software spending from 2015 to 2026, by segment (in billion U.S. dollars)



© Statista 2016

tide that will lift all boats as companies and other institutions continue to embrace the Cloud.

Getting back to the business that most people tend to associate with Amazon, what we call digital commerce, we've seen online and more recently mobile shopping continue to take share from brick and mortar retailers. According to data from the National Retail Federation (NRF), Holiday sales in 2015 increased 3 percent to \$626.1 billion while online and other non-store holiday sales grew 9 percent to \$105 billion. We'd note that 9 percent was significantly stronger than the 6 to 8 percent growth NRF originally forecasted. Given the increasing ease associated with mobile and online shopping, including the shrinking time to consumer and ever expanding product offering, we see continued share gains by digital commerce.

The data we've received thus far in 2016 is already pointing to that on an accelerated basis. Comparing over all growth in retail sales ex-auto vs. that at e-retailing/non-store category shows the latter to have gain share every month in 2016. Putting the April Retail Sales report under the microscope shines a clear light on this.

The reported increase of 1.3 percent in April Retail Sales over the previous month (0.8 percent excluding auto sales) vs. the 0.8 percent expected (0.5 percent ex-auto), as well as the 3 percent increase compared with April 2015, tells a somewhat different story to that of the big-box department stores. Although an April rebound from the March contraction was predicted, the rash of bad news spinning out of **Macy's (M)**, **Gap (GPS)**, **Nordstrom (JWN)**, **Kohl's (KSS)** and other retailers set a somber expectation for what was to come. Those retailers either delivered weaker-than-expected April same-store sales figures, cut their outlook — citing weak mall traffic and a tepid consumer — or both.

What the April reports showed is that consumers are cautiously spending. A reading of up 0.8 percent excluding autos is hardly gangbusters, and we see other confirming signs of this in our Cash Strapped Consumer investing theme. But we also continue to see a shift in what they spend on and where they spend.

Once again, non-store retailers — the vast majority of which use electronic shopping — grew faster than other segments, climbing 10.2 percent in April year-on-year, vs. 3.0 percent for overall Retail Sales. That performance confirms the continued shift to online and mobile shopping that is part of our **Connected Society** investing theme. The fact that April's increase was stronger than



**The Connected Society** is a result of a sea change in how people communicate, get news, shop, transact, invest, share pictures and videos, and consume digital content in one form or another.

This dramatic change in consumption behavior has rippled across a number of industries — music, television, movies, news and publishing, and mail — with more to be affected (transportation and logistics, healthcare, groceries, and education to name a few). Looking back just a few years, a key example would be the shift from desktop computing to lap top computers, which was then disrupted by the iPad and tablet computing.

It's through this lens that we look to which companies are leading this disruption — which companies are enabling these shifts because of their disruptive technology or business models? Which ones are benefitting from pain points associated with this increasingly digital lifestyle?

that for the first four months of 2016 (up 8.1 percent) tells us consumers are increasingly shifting where and how they shop to online. We see Amazon as a natural beneficiary as it expands its Amazon Prime offerings. This was confirmed by Channel Advisors, which reported Amazon's April same-store-sales rose 12.9 percent. That figure was confirmed in a report by **Comscore (SCOR)** that also showed double digit gains at Amazon during the month.

## Amazon's Not-So-Secret Weapon for Online Retailing

The not so secret to Amazon's success has been its ability to increase the number of services under its Prime umbrella, both in the US as well as outside. For those that are not familiar with the Prime service, — for a \$99 annual fee, Prime customers receive free Two-Day Shipping for eligible purchases, unlimited streaming of movies and TV shows with Prime Video, and the ability to borrow books from the Kindle Owners' Lending Library. Amazon is extremely tight lipped on the number of Prime customers, however third party data published by Consumer Intelligence Research Partners (CIRP) found Amazon had more than 54 million U.S. customers in January 2016. That's roughly 46 percent of all US households. CIRP estimates Amazon Prime members spend on average \$1,100 per year at Amazon, not counting the annual membership fee.

As we just mentioned, Amazon continues to expand its Prime footprint in order to capture a greater percentage of consumer spending. In our view, the two-day free shipping with Prime has been key in taking share from brick & mortar stores. With Amazon looking to compress that time to customer even further while offering more products and services through Prime, such as restaurant delivery, fresh produce and groceries, we see the company taking a greater and greater slice of consumer spending dollars in the coming quarters.



We could list all of the benefits to be had with Prime, but over the last few weeks Amazon has continued to aggressively expand its offering. A rather comprehensive list of [Prime benefits can be had here](#). You'll note that several of these benefits potentially put Amazon in our **Cashless Consumption** and **Content is King** investing themes. The more thematic tailwinds pushing on the company's business the better is our view, as it likely means more confirming data points and potentially even faster earnings growth ahead.

## We'd like to point out two recently announced additions to the Prime service.

Recently, the Wall Street Journal reported Amazon will launch new private-label brands, including Happy Belly, Wickedly Prime and Mama Bear, in the coming weeks. These brands, which will house products such as nuts, spices, teas, coffee and baby food as well as household items like laundry detergent, are the latest salvo from Amazon as it looks to expand its Prime offering, while potentially bolstering margins with private-label products.

The move to private label is hardly new as most grocery chains have already made that move. Per

the Journal, these brands/products are slated to hit in late May-early June, and we will be looking to see if Amazon is starting with a small rollout or across its national footprint. The bottom line is it looks like Amazon is poised to grab even more wallet share, this time from grocery stores such as **Kroger (KR)** and others, especially as it closes the gap on time to customer down to one and two days.

Last week, Amazon continued to grow its Prime footprint by expanding its restaurant delivery offering into New York and Dallas. Amazon's service is free with Prime membership and promises no markups from restaurants' online menus, which, if you've tried online ordering through third parties, you know tend to gouge. We think Amazon's no-fee structure will help drive use and retention, and expect to see additional rollouts in the coming months. In our view, this puts shares of **GrubHub (GRUB)** in Amazon's crosshairs, not a place we would want to be.

On the heels of the strong March-quarter bottom-line beat, earnings exceptions have been boosted to roughly \$5.35 per share this year up from \$1.25 in 2015, with significant growth continuing to \$9.78 per share in 2017. While Amazon shares may appear expensive on a price to earnings (P/E) basis, digging into our valuation tool belt and using a price-to-earnings growth rate (or PEG ratio) paints a very different picture. Even if we don't expect Amazon to deliver 83 percent year over year earnings growth in 208, odds are high that continued share gains in the US and outside as Prime expands and more businesses adopt AWS services, its EPS growth should still be significant. If we dial back that growth rate, we could still EPS of well north of \$15 in 2018. Based on those expectations, we calculate AMZN shares to be worth \$880 with just a price-to-earnings growth multiple at 1.1x. At current levels, that offers roughly 24 percent upside from current levels.

The biggest risk to the downside is that Amazon fails to deliver expected earnings growth. Given its pension for continued investment, this has meant AMZN shares can be volatile around quarterly earnings. That said, in the last few quarters Amazon has adopted a far greater focus on profitability at the core digital commerce business This focus is also being helped



by the continued growth of very profitable AWS, something see continuing. Should this occur to a drastic degree with EPS growth slowing to just over 20 percent in 2018 AMZN shares would be fully valued near \$660 on a PEG basis.

Given the favorable risk-to-reward, **we are adding AMZN shares to the Tematica Select List**, and we intend to use any near-term market weakness to scale into this position. Given the volatile nature of AMZN shares, we will hold off from adding a protective stop loss at this time, lest we get stopped out before being able to build the position on the Select List.

One thing we did not mention is Amazon’s investment in **Atlas Air Worldwide Holdings (AAWW)** following its agreement with Amazon to provide air cargo services starting in the second half of this year. As part of the transaction, Amazon receives warrants in Atlas that could potentially give it a nearly 30 percent stake in AAWW if exercised at \$37.50 per share over the next five years. Currently AAWW shares are trading at \$44.62, which suggests Amazon’s stake to be worth more than \$300 million. We see the investment in Atlas Air less as a financial one and more as a long-term strategic one that should help Amazon cut time to customer while growing its Fulfilled by Amazon digital commerce business.

**Bottomline on (AMZN) Amazon.com Shares:**

- **We are adding AMZN shares, which closed on 5/24/16 at 704.20, to the Tematica Select List**
- **We intend to use any near-term market weakness to scale into this position, but given the volatile nature of AMZN shares, we will hold off from adding a protective stop loss at this time**
- **We calculate AMZN shares to be worth \$880 with a price-to-earnings growth multiple at 1.1x, roughly 24 percent upside from current levels.**



**Amazon.com Inc.**

NASDAQ: **AMZN**

Theme: **Connected Society**

Price on 05/24/16: **\$704.20**

- Amazon.com, Inc. sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through retail Websites, such as amazon.com, amazon.ca, amazon.com.mx, amazon.com.au, amazon.com.br, amazon.cn, amazon.fr, amazon.de, amazon.in, amazon.it, amazon.co.jp, amazon.nl, amazon.es, and amazon.co.uk
- It also manufactures and sells electronic devices, including kindle e-readers, fire tablets, fire TVs, and echo, as well as fire phones.
- Further, it offers compute, storage, database, and other AWS services, as well as fulfillment, publishing, digital content subscriptions, advertising, and co-branded credit card agreements services.
- The company was founded in 1994 and is headquartered in Seattle, Washington.

Shares Outstanding	471.83M
Avg. Volume	4,237,740
Market Cap	332.26B
EPS: '15 / '16 / '17	\$1.25 / \$5.34 / \$9.78
Cash (mrq): \$US	15.86B
Debt (mrq): \$US	17.61B
Net Cash (mrq)	-1.75B
Revenue (ttm)	113.42B
Enterprise Value to Revenue (ttm)	2.91
Dividend Per Share	--
Dividend Yield	--

## HOLDINGS UPDATE: Stopped Out of Costco Shares

Housekeeping items can be fun and interesting, but other times they can leave a sour taste in our mouth. Today's is certainly the latter, as we note our **Costco Wholesale (COST)** shares were stopped out last week. Even though the shares crossed our \$140 protective stop loss for only a brief period, and the shares are now trading back up above \$143 per share today, the fact of the matter is they crossed that line.

We continue to be big believers in COST shares as a **Cash Strapped Consumer** play. After a cooling off period, which will afford us the time to digest the company's earnings report late tonight and conference call tomorrow, we'll look to revisit COST shares.



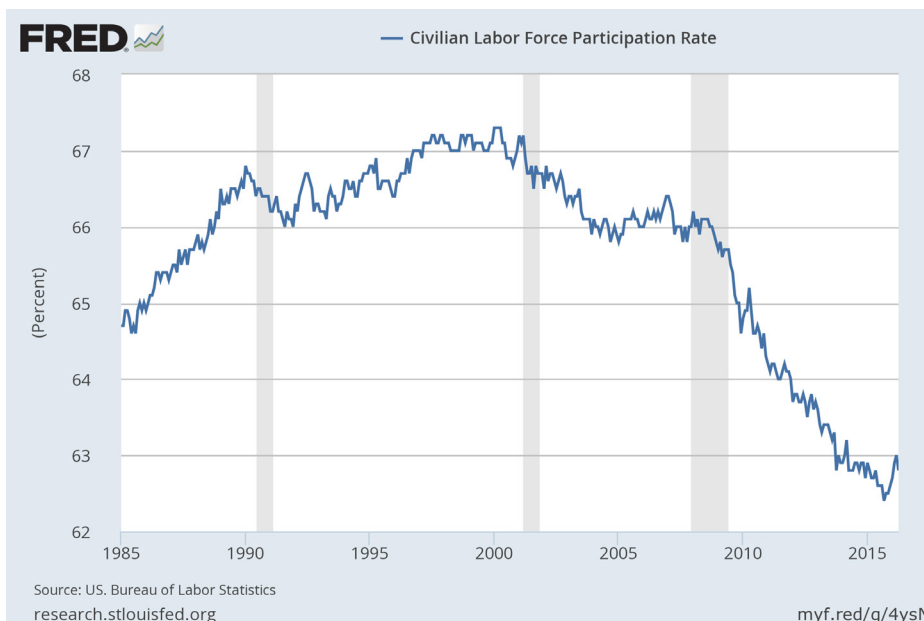
## Ask Tematica

Our subscriber question this week concerns the issue of full employment and whether or not the economy is really at such a level:

*Yesterday, San Francisco Federal Reserve Bank President John Williams said that he believes the United States is "basically at full employment or very near it based on 5 percent [un]employment rates." Are we really at full employment? It certainly doesn't feel like it.*

Perhaps the only institution other than the White House that likes to trot out the 5 percent unemployment rate is the Fed, but let's remember the Fed tends to be a cheerleader for the economy. Consider the self fulfilling prophecy of economic gloom that would ensue if the Fed were to be present an uncertain economic picture let alone one of a slowing economy.

That criticism aside, there are a number of other metrics and indicators that tell us that even though the unemployment rate may indeed be at 5 percent, it's a very different 5 percent than we've seen in the past. To paraphrase the classic Buick car commercial tag line, this is not your father's unemployment rate. Let us explain . . .



We could talk about the quality of jobs, or lack thereof, or the sharp increase in part-time work due in part to the Affordable Care Act. If President Obama's overtime rule goes forward, odds are we could see another push by employers to shrink hours worked. But we're all about the data, so let's dig into that

In looking at Gallup's Payroll to Population metric that hit 44.9 percent in April and the April Labor Force Participation Rate of 62.80 percent reported by the Bureau of Labor Statistics (see the chart on previous page), it's rather obvious this 5 percent unemployment rate is much different. That's largely because of the ballooning in the number of people that have left the labor force. Currently there are 94.1 million people that are neither employed or unemployed, up from 79.1 million in 2000. While some of this can be explained by retirees (currently 49.7 million vs. 41.2 million in 2008), the reality is more people have dropped out of the labor force. In the eyes of the government, if you're not in the labor force you don't factor into the unemployment rate calculation.

**In our view, it's more than past time to focus on a payroll to population or labor force participation rate and throw the outmoded and misleading unemployment rate out the nearest window.**

## *What We're Enjoying*



### THE STEVE CZABAN SHOW

We have to admit, while we're crunching through stock tables, earnings reports, and thematic news items, we don't always have Fox Business, CNBC, or Bloomberg TV on in the background. When we need a distraction of sorts, we typically turn to sports talk radio and on many a morning, more than one of us is listening to the Steve Czaban show.

Broadcasting from here in the Nation's Capital where Tematica is based, Steve and his team offer a humorous and oftentimes very politically incorrect view of the current happenings in the sports world, as well as pop culture.

We love the show because they don't take themselves — or anything frankly — too seriously (except for maybe yard machines and home audio visual equipment), and they approach the sports world as the typical sports fan would. Throw in some stories about middle-aged suburbanite dads shuttling between kids' sports events, landscaping projects, stinking up the golf course, and adult rec-league hockey, and it's right up our alley!

"The Czabe" broadcasts weekday mornings from 6-10 AM Eastern — when he's not on vacation, which is often! — and can be heard on Yahoo Sports Radio local affiliates, SiriusXM, on many PodCast sites and on StreamYSR.com archives, which is how we typically listen. All this means, you can listen no matter where you are, whenever you want! Be sure to check it out yourself.



## Thematic Signals

Here we go, more “ripped from the headlines” data points and other pearls of wisdom that lend credence to our investing themes. Without further ado, here we go...



### **Aging of the Population**

According to new findings from Gallup, 31 percent of non-retired U.S. adults predict they will retire after age 67, the current minimum age for receiving full Social Security retirement benefits. Another 38 percent expect to retire between the ages of 62 and 67, spanning the existing Social Security age thresholds for benefits eligibility, while 23 percent expect to stop working before they turn 62 — that is, before becoming eligible for any Social Security retirement benefits.

### **Asset-Lite**

Automakers are looking toward a technology-driven future, one where they increasingly acknowledge that getting around may not require owning a car. Two new large investments from **Toyota (TM)** and **Volkswagen (VLKAY)** have confirmed this growing trend. The Japanese carmaker is forming a partnership with and invested an undisclosed amount in Uber, while VW put \$300M into Israeli taxi startup Gett. The news comes just months after **General Motors (GM)** injected \$500M into ride-hailing app Lyft.

### **Cash Strapped Consumer**

The trend of Millennials returning home to live with their parents has even gotten to the point where one out of six home buyers have or plan to have a grown child at home, and home builders are building to accommodate that fact. As Pew also points out, it's not just the United States facing this issue. While in the US 32.1 percent of Millennials are living at home, that number spikes to a mind-boggling 48.1 percent across the European Union's 28 member nations.

---

“We know as the guest and our consumer has moved through the course of 2016, prices of the pump, fuel prices have risen and that certainly an impact.”

—**Target (TGT)** CEO Brian Cornell

---

“... when you start tightening up in promotion, you are playing a game of chicken with your customers, and they try to wait you out.”

—**Gap (GPS)** CEO Arthur Peck (Apparel Retail)

### **Cashless Consumption**

Britain has passed another milestone on the path to a cashless society, with 2015 the first year that cash was used for less than half of all payments by consumers. Cash usage will be eclipsed by debit cards and contactless payments by 2021, according to Payments UK, which represents the major banks, building societies and payment providers. In 2015 cash made up 45.1 percent of payments, compared with 64 percent in 2005, and is expected to fall to just a quarter by 2025.

---

**MasterCard (MA)** has inked a deal with **Pizza Hut (YUM)** to bring **Softbank's (SFTBY)** robot companion, Pepper, to restaurants across Asia by the end of 2016. The move is intended to push the MasterPass digital wallet, which Pizza Hut patrons can use by either tapping the Pepper icon within the app or by scanning a QR code on Pepper's display. Besides taking payments, the robot can chat with customers, take orders and make recommendations.

---

Just over one month after Apple Pay rolled out to iPhone and Apple Watch users in Singapore through American Express integration, **Apple (AAPL)** on Tuesday announced new partnerships with five local banks that bring with them support for credit and debit cards issued by **Visa (V)** and MasterCard. With support from POSB, DBS Bank, OCBC Bank, United Overseas Bank and Standard Chartered Bank, Apple Pay can now be provisioned with more than 80 percent of all Visa and MasterCard cards issued in the country, the Straight Times reports. Apple Pay launched in Singapore last month through a deal with **American Express (AXP)**.

### **Connected Society**

After supposed years of internal debate and discussion about how to do so, Apple is preparing to open up Siri to apps made by others. The Information reports that **Apple (AAPL)** is also working on an **Amazon (AMZN)** Echo-like device with a speaker and microphone that people can use to turn on music, get news headlines or set a timer. Apple already has deals with a handful of third-party services, such as Yelp, but those deals came from Apple working on a company-by-company basis. With an SDK, any developer would be able to integrate their app with Siri. According to the report, the app developers would be responsible for ensuring that Siri connected to their app when appropriate.

---

Using an iPhone or Apple Watch to unlock (or even summon) a car is no big deal these days, but an Apple patent granted today describes an extremely powerful and flexible approach that includes the ability to create limited, temporary 'keys' for others. The patent describes a primary device presumably held by the owner of the car, allowing full control of the vehicle. This would include unlocking it, starting the engine and activating personalized settings such as seat adjustments.

The mobile industry trade association CTIA has published its 2015 state of the wireless industry in the US report and as expected it shows mobile connectivity continued to grow. For starters, "wireless penetration" — the number of active mobile devices as compared to the U.S. population — is at nearly 116 percent, meaning there are about 1.15 wireless devices per person in use. All those phones and tablets suck up a lot of data as collectively we're using 9.65 trillion MB per year of mobile data (or 9.65 billion GB, which is the unit most of us are used to seeing on our bills). Divide that by the population again and we're looking at a little shy of 30 GB per person per year. Five years ago, in 2010, we were collectively using about 388 billion MB of data per year — about a quarter of what we use now. Finally, in the 2005 pre-smartphone era, CTIA considered 8.4 percent of households to be wireless-only (i.e. without a landline). That figure is now at 48.3 percent — just shy of half of all U.S. households.

---

"Simply put, America is over-stored and overstocked. We have approximately 10 times more retail space per capita than our European counterparts and more direct-to-consumer choices too."

—Urban Outfitters CEO Richard Hayne  
(Apparel Retail)

---

"Time to recognize the over storing of America is coming to an end and that the sooner we reduce the store count the better, it will make retailer stronger, more focused and more profitable."

—Perry Ellis Chairman George Feldenkreis  
(Apparel)

---

"I think the industry has definitely been over-stored. We're making some big strides with this right now with over 20 million square feet coming out of the marketplace."

—**Dick's Sporting Goods (DKS)** CEO Ed Stack  
(Sporting Goods)

### **Content is King**

Following up on a deal that was struck a few years ago, this week Netflix released a statement saying that from September on, it will become the exclusive US pay-TV home of the latest films from **Disney (DIS)**, Marvel, Lucasfilm and Pixar.

### **Disruptive Technology**

More than 20 years after **Adidas (ADDYY)** ceased production activities in Germany and moved them to Asia, chief executive Herbert Hainer unveiled a new prototype “Speedfactory” in Ansbach, Germany. The 4,600-square-metre plant is still being built but Adidas opened it to the press, pledging to automate shoe production with robots – which is currently done mostly by hand in Asia – and enable the shoes to be made more quickly and closer to its sales outlets. The factory will deliver a first test set of around 500 pairs of shoes from the third quarter of 2016. Large-scale production will begin in 2017 and Adidas was planning a second “Speed Factory” in the United States in the same year

### **Guilty Pleasure**

J.M. Smucker Co. says it’ll cut prices on its U.S. packaged coffee brands by an average of 6 percent per item — except for coffee pod products, reports International Business Times. “For the last several quarters, lower green coffee costs were reflected in promotional pricing for the majority of our packaged coffee products, and we do not anticipate those prices changing significantly,” said Steve Oakland, who heads up Smucker’s U.S. food and beverage business.

### **Rise and Fall of the Middle Class**

Disappointing shoes sales at DSW Inc. dragged earnings down by more than a third in its first quarter, prompting the retailer to slash its outlook for the year. Chief Executive Roger Rawlins said the company’s reduced earnings and sales guidance reflects soft sales across most brick-and-mortar retailers.

---

“We think that things have bottomed, if that’s the right term in terms of sentiment, in terms of potash prices.”

—**Potash (POT)** CEO Jochen Tilk (Fertilizer)

### **Scarce Resources**

**Deutsche Telekom (DTEGY)** expects the results of an auction of wireless airwaves in the United States in the second half of the year, its chief executive told shareholders on Wednesday. The auction, which is aimed at repurposing low-frequency spectrum relinquished by television broadcasters to wireless companies and other bidders seeking new airwaves to build and improve wireless networks, started end-March. Analysts have previously forecast that the auction could fetch proceeds in the \$15 billion to \$45 billion range.

### **Tooling & Re-tooling**

A study in the Journal of Economic Psychology found that, after screening for differences including education, risk tolerance and financial knowledge, people who are better with numbers tended to be wealthier and accumulate wealth over time. The 2014 Organization for Economic Cooperation and Development assessment — a large-scale international study of financial literacy among 15-year-olds — also tied math skills to financial literacy.

## TEMATICA SELECT LIST PERFORMANCE

as of market close May 24, 2017

### (AGNC) AMERICAN CAPITAL AGENCY CORP

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
7/17/15	\$18.98	\$19.08	\$1.60	\$17.00	8.96%	\$23.00	(BUY)

### (XLY) CONSUMER DISCRETIONARY SPDR (ETF)

*Content is King*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
4/20/16	\$79.57	\$78.36	--	--	-1.52%	--	(BUY)

### (CMG) CHIPOTLE MEXICAN GRILL

*Foods with Integrity*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/11/16	\$452.66	\$457.33	--	\$390.00	1.03%	\$550.00	(BUY)

### (DIS) THE WALT DISNEY CO.

*Content is King*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
4/20/16	\$102.16	\$99.50	--	\$87.00	-2.60%	\$125.00	(BUY)
5/11/16	\$101.78	\$99.50	--	\$87.00	-2.24%	\$125.00	(BUY)

### (DOC) PHYSICIANS REALTY TRUST

*Aging of the Population*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
6/27/14	\$14.33	\$18.93	\$1.58	\$16.00	43.09%	\$--	(BUY)

### (PETS) PETMEDS EXPRESS

*Connected Society*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/4/14	\$17.80	\$18.75	--	--	5.34%	\$20.00	(BUY)

### (SH) PROSHARES SHORT S&P 500 (ETF)

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
1/14/16	\$22.55	\$20.14	--	--	-10.69%	\$24.00	(BUY)
3/23/16	\$20.56	\$20.14	--	--	-2.04%	\$24.00	(BUY)

### (RGC) REGAL ENTERTAINMENT GROUP

*Content is King*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
11/23/15	\$18.51	\$21.00	\$0.44	\$19.00	15.83%	\$24.00	(BUY)

### (T) AT&T, INC.

*Connected Society*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
7/21/15	\$34.67	\$38.50	\$0.95	\$36.00	13.79%	\$42.00	(BUY)

## 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 tradeoff to reach more appetizing levels.

AHS	AMN Healthcare Services	<i>Aging Population / Scarce Resources</i>
CHGG	Chegg Inc.	<i>Tooling &amp; Retooling</i>
SCOR	Comscore	<i>Connected Society</i>
GLW	Corning Inc.	<i>Disruptive Technologies</i>
EPR	EPR Properties	<i>Content is King</i>
IMMR	Immersion Corp.	<i>Disruptive Technologies</i>
KIM	Kimco Realty	<i>Rise &amp; Fall of the Middle Class</i>
LOCK	Lifelock	<i>Safety &amp; Security</i>
MKC	McCormick & Co.	<i>Cashstrapped Consumer / Middle Class</i>
MRK	Merk & Co.	<i>Aging of the Population</i>
NLSN	Nielson NV	<i>Connected Society</i>
PANW	Palo Alto Networks	<i>Safety &amp; Security</i>
SYNA	Synaptics Inc.	<i>Disruptive Technologies</i>
SBUX	Starbucks Inc.	<i>Rise &amp; Fall the Middle Class</i>
UNFI	United Natural Foods	<i>Foods with Integrity</i>
VZ	Verizon Communications	<i>Content is King / Connected Society</i>
XYL	Xylem, Inc	<i>Scarce Resources</i>

## COMPANIES MENTIONED

**Adidas (ADDYY)**  
**Amazon (AMZN)**  
**Apple (AAPL)**  
**AT&T (T)**  
**Costco Wholesale (COST)**  
**Deutsche Telekom (DTEGY)**  
**Dick's Sporting Goods (DKS)**  
**Disney (DIS)**  
**EPR Properties (EPR)**  
**Gap Inc. (GPS)**  
**General Motors (GM)**  
**JPMorganChase (JMP)**  
**MasterCard (MA)**  
**Nike (NKE)**  
**PetMeds Express (PETS)**  
**Pizza Hut (YUM)**  
**Potash (POT)**  
**Regal Entertainment Group (RGC)**  
**Softbank (SFTBY)**  
**Target (TGT)**  
**Toyota (TM)**  
**Volkswagen (VLKAY)**

## 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

**Analyst Certification** - The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the ratings as well as in the substance of this report. The author certifies that no part of his/ her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views.

This research report is provided for informational purposes only and shall in no event be construed as an offer to sell or a solicitation of an offer to buy any securities. The information described herein is taken from sources, which we believe to be reliable, but the accuracy and completeness of such information is not guaranteed by us. The opinions expressed herein may be given only such weight as opinions warrant. This firm, its officers, directors, employees, third party data providers or members of their families may have positions in the securities mentioned and may make purchases or sales of such securities from time to time in the open market.