TEMATICA INVESTING

THEMATIC COMMENTARY, EQUITY RESEARCH & INVESTING STRATEGIES

Christopher Versace
CHIEF INVESTMENT OFFICER, TEMATICA RESEARCH, LLC

INSIDE THIS ISSUE

Tickers Featured:

GOOGL, AMZN, T, NKE, PETS, DOC, RGC, SBUX, DIS, YHOO

SPECIAL PUBLISHERS NOTE:

No, you're not going crazy, this issue of ***Tematica Investing*** is indeed coming to you one day early.

Also, the next edition will be published on Wednesday July 6th. That's right, we'll be taking next week off, but rest assured, should a situation call for it, we'll issue you a trading alert via email with specific instruction on what if anything to do!

Economics & Expectations

The last week was quite the roller coaster ride for the stock market, given the ping-pong effects associated with Brexit polls. Despite expectations for the "Stay" vote to win, polls emerging during last week indicated a surge in "Leave", and that quickly raised all sorts of questions when it came to trade, currency, employment and related economic topics should Britain actually leave the European Union.

All of this uncertainty carried the weight of a stone on the market last week. Over the weekend however, a new set of polls came out favoring "Stay" over "Leave", and the stock market initially soared on that news out of the gate yesterday.

While we can understand the reasons that started the Brexit conversation, we see longer-term risk in Britain's voice being lost as a stand-alone entity. We believe it is better for the UK to influence the EU rather than having not seat at the table. As much as we are encouraged by the latest polls, as investors we realize there are several days to go until the vote, which will be this Thursday June 23rd.

Polls can swing both up and down, keeping the stock market on its toes. That has us remaining cautious until the votes are in and we know what is what as they say.

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.

TEMATICARESEARCH

www.tematicaresearch.com

©2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

A Look a the Recent Market

After yesterday's strong start to the week's trading, all the major indices closed well off their highs, leading them all to drift lower over the last several days. As if the pending Brexit wasn't enough, we have just 8 days left until the close of the June quarter, which means we anticipate we will soon be hearing from companies with negative earnings pre-announcements.

Given the economic data of late, as well as the Organization of Economic and Cooperative Development, World Bank and the Federal Reserve all trimming 2016 growth expectations, we continue to see second half earnings expectations for the S&P 500 group of companies as aggressive compared to the first half.

As such, we are going to hold the ranks for the time being and look to revisit things on July 6th, when the next edition of ***Tematica Investing*** will be published. That's right, we'll be taking next week off, but rest assured, should the situation call for it, we'll issue you a trading alert via email with specific instruction on what to do.

Tematica Select List Review

Over the last month we added companies to the ***Tematica Contender List*** as well as several positions to the ***Tematica Select List***, including **Nike (NKE), Amazon (AMZN), Starbucks (SBUX)** and **Alphabet (GOOGL)**. The initial performance over these last few weeks has been positive in aggregate, but the more pronounced performers have been **Physicians Realty Trust (DOC)** and **AT&T (T).** Not surprising really, given the re-evaluation that growth has been going through, and the Fed's punting on raising interest rates has once again brought higher dividend yielding stocks back in vogue.

The two under performing stocks over the last few weeks have been our recent additions — Nike and Alphabet, but as you'll see in the updates over the next several pages, the risk-reward at current levels, plus strong thematic tailwinds, keeps both of those stocks on the ***Tematica Select List*** despite their performance as of late.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

Alphabet (GOOGL) *Asset-Lite*

Shares of this near-ubiquitous search company that also houses YouTube! and several other key online and mobile platforms have fallen 3.67 percent since we added them to the ***Tematica Select List*** on June 15.

As we outlined in our initiation note, we see the company's service as sticky and inelastic (search, video) as well as pointed in the direction that both consumers and businesses are headed (online shopping, online advertising). These drivers have not changed over the last two weeks. No matter the economy, consumers will continue to search and watch video.

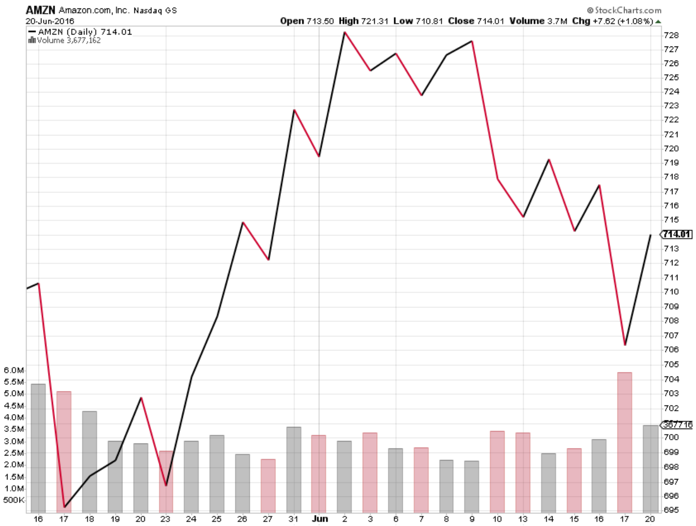
While some may be disappointed, this has us licking our chops given the long-term opportunity we see in its various businesses, especially as the advertising industry continues to shift spending to online and mobile. As we noted last week, this should drive a pick-up in earnings growth generated by its very sticky platforms.

We would look to use any market volatility, including any Brexit-related movement, to scale into this core Asset-Lite holding below $700.

Our price target remains $880.

Amazon.com (AMZN) *Connected Society*

Shares of the e-commerce and Cloud solutions company that sit at the heart of our ***Connected Society*** investing theme are up modestly since we added them on May 25. We continue to be bullish on AMZN as we saw more confirmation last week on our primary thesis for the shares, which is the accelerating shift toward digital commerce.



In the next few weeks, the National Retail Federation will publish its 2016 Back to School shopping forecast, and we expect it too will confirm our Amazon thesis as the ***Cash-strapped Consumer*** looks to take advantage of the increasingly ***Connected Society*** to search out deals and savings on student supplies ranging from notebooks to laptops. Given Amazon's move into apparel, the Back to School shopping season could be the first major push in this direction.

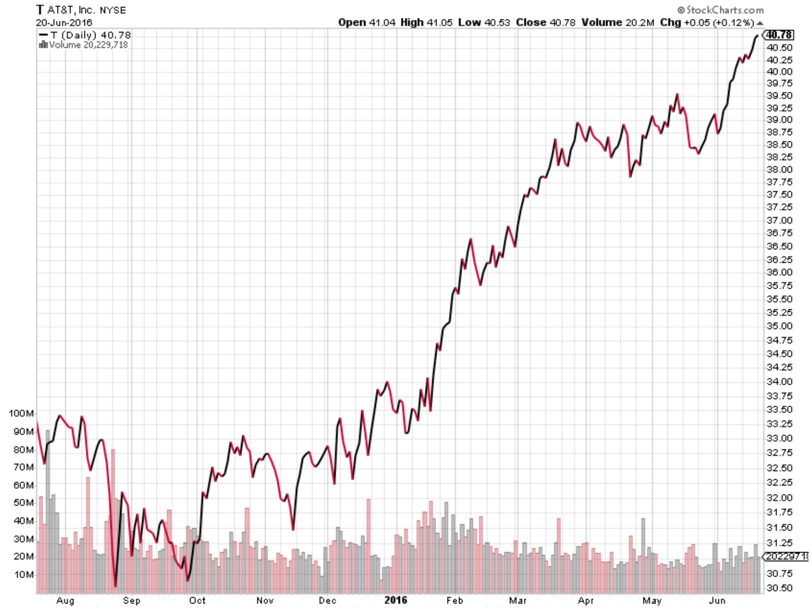
Yesterday, it was reported that Amazon has cut its "Fulfillment by Amazon" merchant fees for flat items that can be shipped in envelopes rather than boxes. This should help the company's cost structure on thousands of products ranging from "makeup, mobile phones and stickers" that are shipped for free translating into better revenue sharing and profits for Amazon. Most of this kind of inventory comes from third-party merchants that give Amazon a cut of each sale for handling storage, packaging and delivery. According to a report by Bloomberg, Amazon ships "tens of millions" of units that fit the corresponding size and weight dimensions. To us, this confirms the company's continuing focus on driving efficiency with an eye on profits.

Our price target on AMZN shares remains $880.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

AT&T (T)

Connected Society



Shares of this mobile connectivity consumer non-discretionary company are up 6 percent over the last month, handily beating the S&P 500. We attribute the move to AT&T's enviable dividend yield, which is still an impressive 4.7 percent. As we've been sharing, that yield, combined with the sticky, inelastic nature of AT&T's mobile business offers a port in the storm for investors that are once again questioning growth expectations.

It's been reported that AT&T is a final bidder on Yahoo! (YHOO), and we see that potential win as a positive as it should help add a protective ***Content is King*** moat around its mobile and satellite businesses. Our one concern would be if AT&T gets caught in a bidding war — past a certain point, potential synergies to be had with Yahoo's under performing assets may not make financial sense. As we move into the final bidding process, we will continue to keep our ear to ground on this and what it may mean for AT&T.

We will continue to look for opportunities to add to the position size. We are eyeing potential upside to our $42 price target to $44.

Walt Disney Company (DIS)

Content is King

Disney shares were unchanged over the last month, but we continue to see meaningful upside in the shares unfolding over the next several quarters. After much talk and growing speculation over the last several months, Disney finally opened the gates at its Shanghai park, its first in mainland China, to more than 600,000 visitors since trial operations began just over a month ago. Despite it being Disney's largest park to date, comments from CEO Bob Iger suggest the company is already contemplating expansion.

This weekend, Disney also found itself atop the weekend box office for the eleventh time this year, this time with it's the Pixar's ***Finding Dory***. This ***Finding Nemo*** franchise extension broke its share of box office records, including the largest opening weekend for an animated feature. Dory also opened in 29 international territories this weekend scoring an estimated $50 million for a global opening gross of $186.2 million. Its international roll-out includes the largest Pixar opening ever in China ($17.5M) and the biggest Disney/Pixar opening weekend ever in Australia ($7.6M). The release, so far, makes up 32 percent of the international marketplace with openings in France and Spain taking place next weekend along with the rest of Europe in the coming weeks.

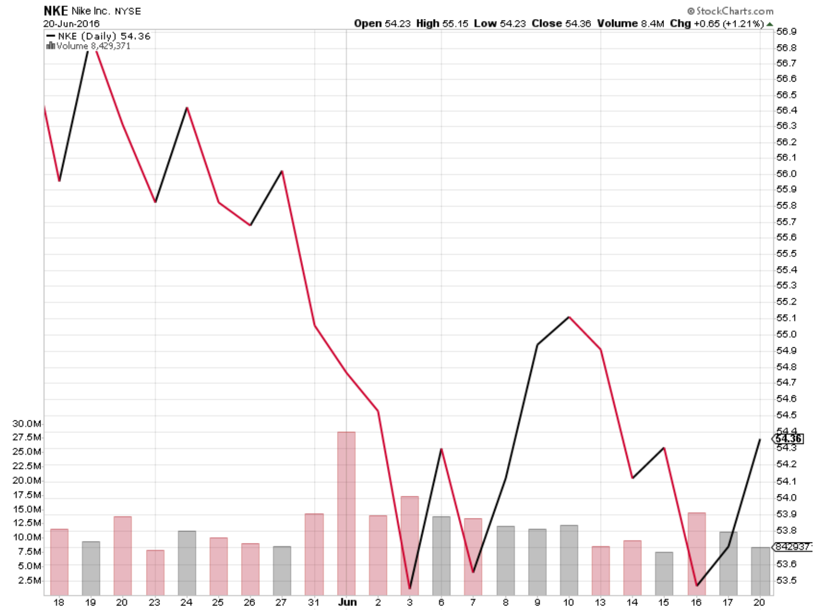
We continue to see Disney as *The Content is King* company with its international efforts propelled by rising disposable incomes and a brand-conscious *Rising Middle Class*.

Our price target remains $125.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

Nike (NKE)

Rise & Fall of the Middle Class



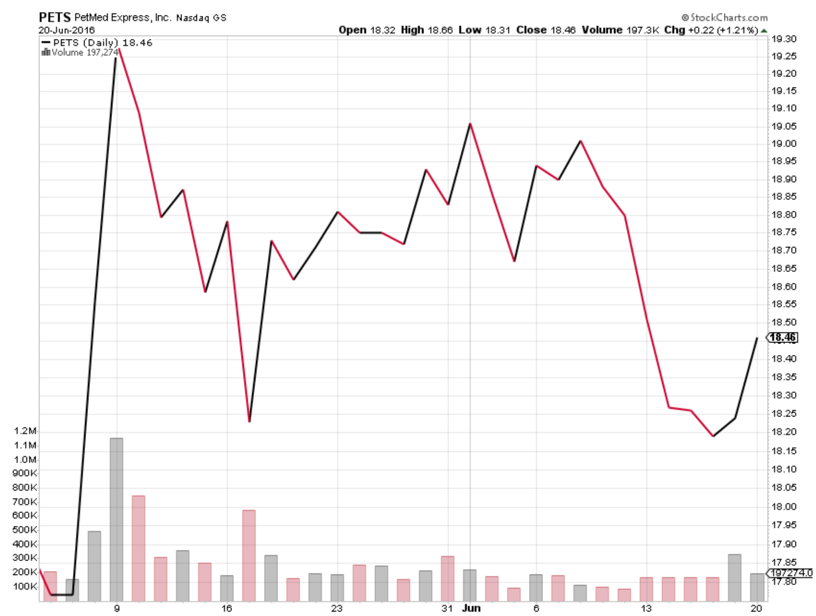
Since we added Nike shares to the ***Tematica Select List***, they've been an under performer, falling just shy of 3.10 percent. Given our long-term time horizon, we will continue to be patient with the shares.

With the Cleveland Cavaliers winning the 2016 NBA Championship and Nike ambassador LeBron James as well as the forthcoming Olympics, we may not need to be patient for too long. The recent liquidation of Sports Authority will be a short-term hiccup relative to longer term growth prospects for branded sports apparel and the global athleisure trend. We are comforted by the May Retail Sales Report that continued to show strong demand for sporting apparel and equipment.

Our price target on NKE shares remains $66.
We would look to scale into the position closer to $50.

PetMed Express (PETS)

Connected Society



Shares of this online pet pharmacy company are down just over 1 percent over the several weeks, but that blow was softened by the $0.19 per share dividend paid on May 18. The downward move comes despite favorable data contained in the May Retail Sales Report that confirmed our thesis on the name.

We remain encouraged by data that point to the continued shift to online and mobile spending during the company's seasonally strongest quarter. The secular shift tied with PetMed's more focused spending bodes well for additional margin expansion in the current (June) quarter.

We will continue to look for opportunities to build the PETS position below $18, which in light of its better-than-4 percent dividend yield should make the shares increasingly attractive. Given the accelerated shift in online shopping, we are boosting our price target to $22 from $20.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

Physicians Realty Trust (DOC)

Shares of this healthcare real estate company were the best performer on the ***Tematica Select List*** over the last month, climbing 8 percent, compared to 1.5 percent for the S&P 500. Much like AT&T shares, the company's enviable dividend yield, which still sits at 4.4 percent, and demographically driven tailwind that is our ***Aging of the Population*** investment theme continue to attract investors.

We are boosting our price target from $18 to $22, which offers 14 percent upside when factoring in the company's current 4.4 percent divided yield. Even though we have boosted the price target we would not commit fresh capital to this position.

Moreover, as we raise that price target we will also boost our protective stop loss to $18 from $16.

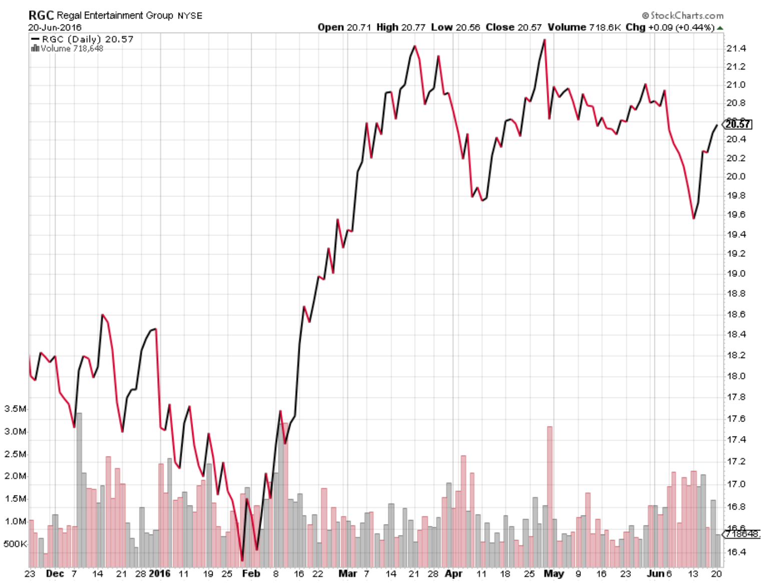
Aging of the Population

Regal Entertainment Group (RGC)

Regal shares are down 1 percent over the last month, which reflects a somewhat weaker second half of May. Part of that was due to the strong showing at the start of month with Marvel's ***Captain America: Civil War*** and a later than usual Memorial Day weekend. The box office has started to rebound in June, helped by Disney's record breaking ***Finding Dory*** (see Disney earlier).

As we move into the summer box office season, there is a robust slate of films on tap over the next several weeks. With the National Weather Service calling for one of the hottest summers to date, we suspect people will look to movies for more than just escapist entertainment over the coming weeks.

Content is King



With $328 million in cash on hand and strong cash generation, the odds are high the company could either boost its already impressive dividend or return excess capital to shareholders via a stock buyback program.

Either way, we continue to see just over 20 percent upside to our $24 price target when we include the current 4.3 percent dividend yield.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

Starbucks (SBUX) *Guilty Pleasure*

Since we added Starbucks shares to the ***Tematica Select List*** on June 1, the shares are up roughly 1 percent. Recently, investment firm Wedbush, which has an Outperform rating on the shares, reported its channel checks indicated Starbucks same-store-sales growth in the Americas is running ahead of expectations.

Combined with falling commodity input costs, Starbucks looks poised to deliver another quarter of solid performance. Longer-term, international expansion and expanding both its food and alcohol offerings bodes well for further revenue and earnings growth.

We see meaningful upside to our $74 price target.

Thematic Signals

Microsoft targets enterprise market with LinkedIn buy, but is there a better fit? *Tooling & Retooling America*

New FDA-approved weight loss device sucks food straight from your stomach *Fattening of the Population*

Experience Economy now at your local grocery store . . . *Content is King / Connected Society*

Starbucks "cashing-in" on more than just frappuccinos these days *Cashless Consumption*

Target new 'Connected Living' in-store pilot program signals the Connected Home nears the tipping point *Connected Society*

Don't underestimate Amazon move into apparel and what it means for brick & mortar retail business *Connected Society*

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	*Aging Population / Scarce Resources*
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*
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*

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

TEMATICA SELECT LIST PERFORMANCE

as of market close June 20, 2017

(AMZN) AMAZON.COM — *Connected Society*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/24/16	$704.20	$714.01	--	--	1.39%	$880.00	(BUY)

(GOOGL) ALPHABET, INC. — *Asset Lite*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
6/15/16	$733.00	$706.13	--	--	-3.67%	$880.00	(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	$78.63	--	--	-1.18%	--	(HOLD)

(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	$99.57	--	$87.00	-2.54%	$125.00	(BUY)
5/11/16	$101.78	$99.57	--	$87.00	-2.17%	$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	$20.33	$1.58	$18.00	52.89%	$22.00	(BUY)

(NKE) NIKE INC — *Rise & Fall of the Middle Class*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/18/2016	$56.10	$54.36	--	--	-3.10%	$--	(BUY)

(PETS) PETMEDS EXPRESS — *Connected Society*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/4/14	$17.80	$18.46	$0.19	--	4.77%	$22.00	(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	$20.02	--	--	-11.22%	$24.00	(BUY)
3/23/16	$20.56	$20.02	--	--	-2.62%	$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	$20.57	$0.66	$19.00	14.69%	$24.00	(BUY)

(SBUX) STARBUCKS CORPORATION — *Guilty Pleasure*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
5/31/14	$54.89	$55.38	--	--	0.89%	$74.00	(BUY)

(T) AT&T, INC. — *Connected Society*

DATE ADDED	ADD PRICE	CURRENT PRICE	DIVIDENDS	STOP PRICE	RETURN (%)	TARGET	RATING
7/21/15	$34.67	$40.78	$1.40	$36.00	21.66%	$44.00	(BUY)

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.

COMPANIES MENTIONED

Alphabet (GOOGL)

Amazon (AMZN)

AT&T (T)

Nike (NKE)

PetMeds Express (PETS)

Physicians Realty Trust (DOC)

Regal Entertainment Group (RGC)

Starbucks (SBUX),

Walt Disney Company (DIS)

Yahoo! (YHOO)

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.

© 2016 TEMATICA RESEARCH, LLC. ALL RIGHTS RESERVED.