What a month it’s been! The Chicago Cubs won four games in a row to break the curse and win their first World Series since 1904...

AT&T announced an $85 billion offer to buy out Time Warner...

Oh, and Americans elected a new president.

If you’ve been watching the stock market for the last week, it’s probably hard not to think that Donald Trump’s election has huge implications for the U.S. economy and the stock market. After all, stocks made their biggest weekly rally in nearly three years.

That surely suggests that growth and earnings are about to hit hyperdrive, right?

Well, yes and no.

There’s reason to believe some companies could see a surge in earnings over the next couple of years. Like banks...

**Financials Lead the Rally**

*Wealth Advisory* stock Bank of America (NYSE: BAC) is a prime example. It has run from $17 to $20 in four days.

As you probably know, Bank of America has been trading at a discount to tangible book value for years. Tangible book value is “bricks and mortar” valuation that simply seeks to put a monetary value on the buildings and other assets of a company. Goodwill measures and earnings don’t count toward tangible book value.

Yes, BofA and the other banks were rallying because the “break up the banks” duo of Elizabeth Warren and Bernie Sanders has lost influence.

But there’s even more to it than that. It has to do with the Dodd-Frank banking regulation law.

Now, this law was passed to prevent banks from engaging in the type of behavior that helped bring about the financial crisis. The law basically says that banks have
to have more ready cash on hand (Tier 1 capital) and can’t make their business all about trading risky assets, like mortgage-backed securities.

Dodd-Frank has long been a target of Republicans. They don’t like it because they believe it restricts a bank’s ability to make money. Republicans generally favor less regulation, and Dodd-Frank adds layers of compliance rules that banks have spent millions to understand and implement.

Now, there’s a very interesting proposal concerning Dodd-Frank. Some are suggesting that banks should have a “buyout” option. That is, banks that get their Tier 1 capital above Dodd-Frank requirements should be able to start adding some exposure to more risky assets (i.e. mortgage-backed securities) to boost their earnings power.

This is a great idea because it rewards good behavior. If you simply let banks do what they want, they will absolutely put the economy at risk again. They did it in the late 1980s, giving us the S&L crisis, and they did it 20 years later with the housing bubble. So adding a “good behavior buyout” to Dodd-Frank is a reasonable compromise to keeping banks healthy and also letting them leverage their earnings.

I’ve had a $24 target for BofA. Because at $24, BofA would trade at book value and at about a 25% premium to tangible book value. Both of these valuations seem reasonable. And investors are buying the stock as fast as they can right now because not only are these valuations reasonable, but they are also realistic in the near future.

Biotech and pharmaceutical companies also may be in line for a jump in earnings.

As a presidential candidate, Hillary Clinton promised to do something about drug prices. So biotech and pharmaceutical stocks have been weak for six months.

Trump hasn’t given any indication that drug pricing is a concern for him. With freedom to price drugs as they see fit, we should expect biotech and pharma stocks to do well.

**Infrastructure? We’ll See…**

Trump has floated the idea of a trillion-dollar infrastructure bill. This is likely to get done.
Sure, Republicans have resisted increases in spending under Obama. But that’s because they don’t like him and they haven’t wanted to help him succeed (regardless of what’s good for the country). But now that there’s a Republican in charge, you can bet they will open the purse strings.

But the investment opportunity here may be more difficult to nail down.

For instance, talk of a big infrastructure spending bill pushed shares of Caterpillar (NYSE: CAT) up nearly 10%. But should CAT be trading near two-year highs? The forward P/E for CAT is now 29. And revenue is still expected to be flat from this year to next. Flat, as in no growth.

Seems to me that CAT might sell a few more pieces of heavy machinery under a spending bill. But I don't see how they sell enough to justify a forward P/E of 29. Aren’t there a bunch of CAT machines sitting around idle right now?

Will GDP Really Rise?

To be blunt, not likely.

It’s been about seven years since Bill Gross and Mohamed El-Erian coined the term “New Normal” to describe a prolonged period where growth would be stuck in the 2% range. That’s where we’ve been, it’s where we are, and it’s where we are likely to remain.

There are many reasons for the New Normal. But it mostly comes down to a global scenario where there is too much production and consumption is constrained by too much debt. Trump can say that trade deals are the problem. But there’s no bringing manufacturing back to the U.S.

Manufacturing remains the biggest sector of the U.S. economy.
To quote a MarketWatch article from earlier this year:

Gross output of U.S. manufacturing industries — counting products produced for final use as well as those used as intermediate inputs — totaled $6.2 trillion in 2015, about 36% of U.S. gross domestic product, nearly double the output of any of the other big sectors: professional and business services, government and real estate.

Total production of U.S. factories peaked in 2007 before falling by 18% during the Great Recession, according to the Federal Reserve’s industrial production report, which measures the volume of goods produced rather than the market value of those goods. The manufacturing sector has nearly recovered from the recession; output in 2015 was within 3% of the 2007 level.

The issue is that manufacturing jobs have fallen from 17.3 million in 2000 to 12.3 million in 2015. And that’s simply because factories have become more automated and more efficient. It’s not some conspiracy, and it’s not trade deals, either. It’s evolution and innovation.
The Wealth Advisory Investment Plan

Yeah, the more things change, the more they stay the same. And that includes the Wealth Advisory investment plan. We are going to continue to focus on U.S. stocks. We will continue to find great companies at a fair price that pay solid dividends.

You’ll notice that this month, we’ve added a new category to the portfolio: Capital Appreciation. We want to bring you profit opportunities whenever we find them. Sometimes that means companies that don’t pay dividends and aren’t likely to start anytime soon. In other words, growth companies.

Of course we will continue to focus on dividends and income. But the Capital Appreciation category will allow us to expand our profit horizons.

Now, if you haven’t started investing, I want to share some charts with you.

As this chart shows, the longer your time frame for holding an investment, the better your odds of making money. It may sound incredible, but hold stocks for just three years, and you have an 83% chance of making money.

And at 20 years, you make money. Period. So start investing. If not for you, then for your kids or your grandkids. It’s the right thing to do.

And if you’re wondering what to invest in, these next two charts will show you...
What you’re seeing is the opportunity cost of choosing investments other than the S&P 500. It’s remarkable. I can easily see how somebody might think Muni Bonds would beat the S&P 500. Nope. They’ve underperformed by almost 10% over the last five years.

Corporate bonds don’t do much better. Treasuries do a lot worse.

Sure, five years is a small sample size. But the point remains valid. Invest in America’s best companies, and you will be successful.

Now, let’s get to the Feature Recommendation...
Feature Recommendation

Last week, Donald Trump won the U.S. presidential election in one of the most stunning upsets in political history. And whether that victory left them elated, disheartened, or indifferent, investors reacted in force.

Markets Race Higher

The Dow Jones Industrial Average hit new highs and stocks took off as buyers digested the news and looked for the companies set to benefit the most from a Trump presidency and a Republican majority in the House and Senate.

Infrastructure stocks skyrocketed as investors placed their bets on The Donald making good on his promise to invest around $1 trillion in new roads, bridges, tunnels, and other infrastructure projects.

Biotech stocks saw lots of action because the market is hoping for renewed M&A activity once those companies repatriate trillions of dollars currently stashed offshore thanks to Trump’s plan for a one-time tax break for companies that bring their cash back to the U.S.

The shares of private prison companies soared after the “law and order” candidate won the election, partially on promises of stemming the increase in violent crimes of recent years.

And, of course, defense stocks saw big moves higher, too, since the president-elect has been so vocal about beefing up military spending and removing budget restrictions from defense spending.

Well, I’m not one to complain about markets going up, but I do offer some words to temper the gleeful buying sprees some investors have gone on.

Don’t Get Too Excited

While America’s infrastructure is in dire need of a makeover, it’s going to be tough — even with a Republican majority in both legislative houses — to get $1 trillion worth of spending added to an already overinflated budget and an ever-increasing deficit. I mean, Republicans have always fought against increased spending. So, while we’re likely to see some increase in infrastructure projects once Trump takes
office, they’re not going to hockey stick on January 21st. So I expect to see many folks who chased those infrastructure companies higher losing some serious cash as reality sinks in and prices return to more reasonable levels.

The repatriation of those corporate profits currently held outside our borders will be a boon to companies and investors alike, but until we see actual deals starting to take place as far as biotech M&A is concerned, chasing those shares higher seems like a very risky proposal. If the deals never materialize, again, many who bought while the prices were hitting 52-week highs are going to be caught with their pants down.

I don’t doubt that private prison companies are going to do well in the future — which is both a good and a bad thing. Sure, it’s great to get criminals off the streets and make the world a safer place for everyone else. But, I mean, I’m not really a fan of having a vested interest in crime increasing in our country. I’d rather see those numbers going down. Plus, those stocks have gone up so much over the past few days that buying now would just be asking for trouble. The way we win in the stock market is buying low and selling high. These stocks are really high right now, and investing in them at current prices puts us at severe risk of having to sell as they start to return to lower levels.

The Best Offense is a Strong Defense

Then there are the defense companies. They’re a pretty safe bet. Those prices have gone up steadily over time as our military-industrial complex continues to grow. But many of them hit new highs last week after investors started to pile in to capture the Trump-related profits.

That being said, there are some relatively unknown players in that game not getting the same kind of buying action as the big names. Plus, another campaign promise we heard over the past year was for a reduction in the size of the federal government. That’s something Republicans have been pushing for years and something the new president will likely be able to get accomplished. But, having worked for the U.S. government in the past, I know that the best (and favored) way to get the number of federal employees down is to turn them into government contractors. Then you can show a lower number of government employees without reducing staff at all. Uncle Sam can be very tricky.

Well, one of the little-known defense companies I was referring to is also one of the top government contracting companies. It’s number six on the list, actually.
And as the move to increase defense spending and reduce the federal workforce gets going, it stands to see profits rolling in from both.

I thought about recommending one of the top five government contractors — all defense companies. But after the moves we saw last week, all of them are sitting just off 52-week highs. And I’m not one to buy at the top just so I can sell at the bottom. Plus, we already own number two on this list:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Post-Election Gain</th>
<th>Current Price</th>
<th>52-Week High</th>
<th>% Off High Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lockheed Martin</td>
<td>8%</td>
<td>$259.17</td>
<td>$266.93</td>
<td>2.91%</td>
</tr>
<tr>
<td>2</td>
<td>Boeing</td>
<td>6%</td>
<td>$148.52</td>
<td>$150.59</td>
<td>1.37%</td>
</tr>
<tr>
<td>3</td>
<td>Raytheon</td>
<td>11%</td>
<td>$148.26</td>
<td>$152.58</td>
<td>2.83%</td>
</tr>
<tr>
<td>4</td>
<td>General Dynamics</td>
<td>12%</td>
<td>$168.55</td>
<td>$168.60</td>
<td>0.03%</td>
</tr>
<tr>
<td>5</td>
<td>Northrop Grumman</td>
<td>8%</td>
<td>$247.50</td>
<td>$249.98</td>
<td>0.99%</td>
</tr>
</tbody>
</table>

But the next company on the list, the sixth-biggest government contractor — because it’s not a very well known one — only went up about 5% last week. And it’s sitting a solid 22% off its 52-week high price. That’s one of the reasons it’s going to be our feature recommendation this month.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Post-Election Gain</th>
<th>Current Price</th>
<th>52-Week High</th>
<th>% Off High Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Feature Recommendation</td>
<td>5%</td>
<td>$46.45</td>
<td>$59.52</td>
<td>21.96%</td>
</tr>
</tbody>
</table>

This company delivers solutions and services in the national security, health, and engineering markets in the United States and internationally. Through its national security solutions and health and engineering segments, it counts the federal government, U.S. military, U.S. intelligence community, Department of Defense, numerous government agencies of U.S. allies abroad, and many commercial hospitals and industrial companies as customers.
I know, right? Leidos Holdings? I hadn’t heard of this one, either. But it’s the sixth-biggest government contractor. In 2013, the U.S. government had obligations worth well over $6 billion with Leidos, and the company performed over 30,000 contract-related actions.

Leidos is an applied technologies company. That means it provides high-tech solutions to some of the toughest problems facing governments and commercial companies... solutions like biomedical research, explosives detection systems, cyber security, energy, infrastructure, and health.

And this company doesn’t just rely on the U.S. government for its revenues. Leidos counts most of the biggest oil companies in the world as customers. It also provides support for U.S. allies such as the UK and Canadian governments.

That means as oil companies come out of the trench caused by the drastic drop in oil prices, Leidos stands to benefit as well. With increased drilling, those heavyweights will also have increased needs for the specialized services offered by companies like Leidos. We’re really talking about a company that’s perfectly positioned to profit from the U.S. election last week and the resurgence of oil prices.

So, now that we’ve explored the revenue streams that will keep growing Leidos’ top line, let’s take a closer look at the stock itself.

Leidos pays a dividend. Not just a dividend, but one of the largest in the industry. It’s also an undervalued stock that trades at a price-to-book discount of 60%
compared to the rest of the industry. If that’s not enough, the stock also trades at a substantial price-to-sales discount — 59% to be specific.

In addition to being undervalued and paying a great dividend, Leidos’ free cash flow has increased by two-thirds since 2013 (when it was making over $6 billion from the U.S. government alone). And last quarter, it grew revenues year over year by more than 43%. That’s a figure that will jump even more as the Republicans reduce the federal workforce and the government has to rely more on contracting companies like Leidos for staffing solutions.

With everything going right for Leidos’ top line and an already attractive stock price, this little-known contractor is primed to make waves in the investing world as it capitalizes on all of the growing trends around it.

**Leidos common stock is a buy under $50. I'm setting a 12-month price target at $65.**
The Wealth Advisory Portfolio

The Wealth Advisory portfolio is strategically designed to offer you both long-term dividend growth and capital appreciation. Our rigorous analysis consistently uncovers the best dividend and growth opportunities available today. Here is our current portfolio, along with recent earnings, news, and our thoughts on each position.

Click on the company names to be directed to the original recommendations for more information about each company and our original reasons for entering the positions.

Dividend Growth

The true secret to getting wealthy in the stock market is deceptively simple: Buy solid, dividend-paying stocks, and reinvest those dividends. Studies repeatedly show that as much as 70% of stock market gains come from dividends.

That may sound like a boring, even obvious observation. But it's actually quite profound — because it takes virtually all of the risk out of investing.

When you buy a dividend stock, you don’t have to wait for the stock to move higher to make money. A dividend stock starts paying back your investment the minute you buy it. And it will continue to pay long after you’ve recouped your initial investment.

By focusing on dividend payments, you can systematically plan for wealth creation.

Alcoa Corporation (NYSE: AA)

What It Does: Alcoa engages in engineering and manufacturing lightweight metals worldwide. Formerly the upstream segments of Alcoa, Inc, Alcoa Corporation consists of the cast products, rolled products, and energy segments of Alcoa, Inc.

Wealth Advisory Earnings Grade: TBD

• Alcoa, Inc. beat estimates two of the past four quarters

Headlines:

• Alcoa, Inc. separation became effective Nov 1. The two companies now
trade as Alcoa Corporation (AA) and Arconic, Inc (ARNC).

**TWA Bottom Line:** Alcoa Corporation was launched Nov 1, 2016 as an industry leader in bauxite, alumina, and aluminum products. With global aluminum demand growth projected at 5% for this year and expected to double from 2010 levels by 2020, Alcoa Corporation is well positioned to profit. Its parent company practically invented the aluminum industry and the strong portfolio passed on to Alcoa Corporation promises to continue to deliver substantial value to shareholders. The newly formed company has the largest bauxite mining portfolio in the world and is the world’s largest alumina producer. I’m happy to maintain my “Buy” rating on Alcoa Corporation at an elevated buy-under price of $30. I’m also increasing my 12-month target to $40.

**Arconic, Inc. (NYSE: ARNC)**

**What It Does:** Arconic, Inc engages in engineering and manufacturing lightweight metals worldwide. Formerly the value-add segments of Alcoa, Inc, Arconic, Inc. consists of the downstream operations of the former company — multi-materials innovation, precision engineering, and advanced manufacturing.

**Wealth Advisory Earnings Grade: TBD**

- Alcoa, Inc. beat estimates two of the past four quarters

**Headlines:**

- Alcoa, Inc. separation became effective Nov 1. The two companies now trade as Alcoa Corporation (AA) and Arconic, Inc (ARNC).

**TWA Bottom Line:** Alcoa Inc. spun-off Alcoa Corp and changed its name to Arconic Inc. on Nov 1, 2016. Arconic is the “value-add” side of the original company’s operations and is engaged in providing solutions to the aerospace, automotive, construction, transportation, energy, and defense industries. Almost three quarters of the company’s 2015 revenues came from products where it ranks either number one or number two in the global market. That being said, the stock is having a tough time finding its place with investors and has slumped since the separation. For that reason I’m setting the rating as a “Hold” and the 12-month price target at $22
Bank of America (NYSE: BAC)

**What It Does:** Bank of America operates as a bank holding company that offers consumer and retail banking services, real estate financing, wealth management services, global corporate and commercial banking, investment banking, and global fixed income and equities services.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations four of the past four quarters

**Headlines:**

- Republican sweep of House, Senate, and Presidency leads banks and exchanges higher. BAC shares 6% higher in first trading session after election.

*TWA Bottom Line:* After a rocky start to the year and a volatile summer, BAC stock is up 7% for the year on the back of a dividend hike and increased share repurchase program, solid earnings reports every quarter in 2016, and a boost after Republicans swept the presidential elections last week. In fact, prices are up over 60% since the lows we saw in mid February. Investors who took that opportunity to add to their positions should be feeling pretty savvy right about now. On top of all that, when the Fed increases interest rates (which it will eventually), BAC stands to profit mightily. One of its largest sources of revenues there is interest (around 50% of total income), and as rates increase, BAC will just make more and more cash. I'm adamant about *Wealth Advisory* members owning this one and have a “strong buy” rating on Bank of America. I'm so confident in the company that I’m raising the 12-month price target slightly to $25.

Boeing Company (NYSE: BA)

**What It Does:** The Boeing Company designs, develops, manufactures, sells, services, and supports commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems and services worldwide.

**Wealth Advisory Earnings Grade: A**

- Beat expectations three of the past four quarters
Headlines:

- Aerospace and defense industries benefitted from a Republican sweep of last Tuesday's general election. BA share price was up over 2% in the first day of trading.

**TWA Bottom Line:** At the start of 2016, Boeing's backlog stood at 5,795 planes. That's seven and a half years of production. It delivered a record 762 commercial planes in 2015 and is on track to deliver close to that number in 2016 as well. The company has averaged over $78 billion per year in commercial airplane sales over the past five years and now controls around 45% of a market that's expected to generate $5.2 trillion in revenue over the next two decades. That astronomical backlog has fallen some (it currently sits at 5,600 planes — or $462 billion), but not because orders have slowed. In fact, it's beating rival Airbus in the net orders race so far this year and should finish out the final quarter with another strong performance. The company is running more efficiently and putting out 200 airliners a quarter now. And to top that off, investors rushing to realign portfolios with a Republican sweep of the general election last week pushed shares even higher. Since the 52-week low we saw this past February, prices have gone up over 30% even with a relatively flat summer trading season. I consider these shares a “buy” on any weakness, but the company is doing so well that I'm raising my buy-under price to $140. This is the kind of stock you want to pick up on any dips. I'm also increasing my 12-month target to $190, and I think that will still be a conservative estimate.

**Cisco Systems (NYSE: CSCO)**

**What It Does:** Cisco Systems designs, manufactures, and sells Internet Protocol (IP)-based networking and other products related to the communications and information technology industry worldwide.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations four of the past four quarters

**Headlines:**

- Cisco could get huge tax break on $62 billion trapped overseas.

**TWA Bottom Line:** Cisco basically made the Internet possible by providing the
switches and connections that facilitate information transfer on the World Wide Web. Now the company is planning on doing the same thing with the Internet of Things (IoT). As new CEO Chuck Robbins continues his plan to dominate the newest corner of the Internet, we should see both revenues and earnings increase by leaps and bounds. That’s not common for a company that’s as tenured as Cisco but, with the move away from hardware and towards software solutions, not at all unreasonable to forecast. Also, through President-elect Trump’s cash repatriation plan, Cisco could be able to bring back around $62 billion in funds held overseas. This would mean increased capital investments and perhaps the return of some of that money to investors through increased dividends and share buybacks. Cisco stock is a buy anywhere under $35. The 12-month price target is $45.

**Cypress Semiconductors (NASDAQ: CY)**

**What It Does:** Cypress Semiconductor Corporation designs, develops, manufactures, markets, and sells mixed-signal programmable solutions worldwide — think the tiny chips that make your cell phone and tablet so fast.

**Wealth Advisory Earnings Grade: A+**

- Beat or met expectations four of the past four quarters

**Headlines:**

- Cypress continues to streamline business by announcing intended layoffs.

**TWA Bottom Line:** I know I keep saying we shouldn’t have long to wait for the buyout to materialize. But you’ve got to keep in mind that’s in a broader sense. I don’t think it’s going to take years, but it’s probably going to take more than just a couple of months. Cypress recently got another offer from TGP Capital at the end of August. Nothing is confirmed yet, but this is the second offer in just a few months, so we’re likely to see even more interest as weeks pass. That would translate into an even higher takeover price and more profits for us. Cypress has been actively streamlining its business — most recently announcing the decision to lay off 500 workers. This obviously isn’t great for those employees, but is another sign that CY is looking to become a more desirable takeover target. CY is still a buy under $12 with a buyout target of $15.
The Walt Disney Company (NYSE: DIS)

What It Does: The Walt Disney Company operates as a worldwide entertainment company. Through its four business segments, it operates a portfolio of amusement parks and recreational facilities, distributes television content, produces movies, and sells related merchandise.

Wealth Advisory Earnings Grade: A

- Beat estimates three of last four quarters

Headlines:

- Disney and Hulu strike deal to include DIS networks (such as ESPN) in new streaming-TV service coming soon.

TWA Bottom Line: Records are being set at the box office, and Disney is winning. The Marvel franchise is doing amazingly well. In fact, the latest release, Doctor Strange, is at the top of the box office list and pushed Disney past the $6 billion global mark last week. New Star Wars movies are coming. New Toy Story movies are coming soon too. And Shanghai Disney added huge revenue potential. The only knocks have been ESPN and a pricing snafu at Disney World Orlando. Unfortunately for our shares, those two shortcomings are all the market seemed to care about. But Disney is now exploring options for selling ESPN direct to viewers and has gotten on board with the MLB's digital content platform, known as MLBAM. That's an opportunity for Disney to get its content directly to viewers and sell ad space directly to companies. And while the company announced that it had decided not to make a bid for Twitter last month, the deal with Hulu will get Disney's content out to viewers who have decided to cut the cord. Disney's dividend has increased 290% since 2009, and there's another hike coming soon. It's tough to find a better stock to hold onto. With that in mind, I'm maintaining my “buy” rating and keeping the limit at $100. The 12-month price target remains at $135.

Juniper Networks (NYSE: JNPR)

What It Does: Juniper sells routing and switching gear to corporations, but in addition to the routers and switches that direct traffic on the Internet, the company also provides software, tech support, and training.
**Wealth Advisory Earnings Grade: A**

- Beat estimates three of the past four quarters

**Headlines:**

- Although security revenues at JNPR fell from the previous year, they grew on a quarter-over-quarter basis.

**TWA Bottom Line:** Despite the pressure on its Internet security business from Cisco’s increased presence in that market, Juniper Networks is still a solid play on mobile carrier network upgrades and the explosion of Internet data. The stock is super cheap, with a P/E of 16, and super undervalued. It's down for the year mainly due to honest management, but it's getting closer and closer to breaking even YTD. The folks in charge know this isn't going to be a strong year, and they admitted they're not expecting the same kind of growth as 2015. But they're acting wisely during this slump, buying back shares while prices are low to return capital to shareholders. I'd rather have a company that under-promises and over-delivers than the opposite. And in its most recent earnings report, the company increased guidance on Q4 revenues and EPS. Management is seeing sales and earnings both coming in above consensus when it reports in January 2017. I'm keeping the limit price at $25 and am maintaining my 12-month target of $36. Look for dips to add to or establish a new position.

**Nokia (NYSE: NOK)**

**What It Does:** Nokia is a wireless infrastructure company with a focus on cell networking equipment.

**Wealth Advisory Earnings Grade: B**

- Beat estimates two of the last four quarters

**Headlines:**

- Nokia selected to help build out Thailand’s first Software Defined Network (SDN). The network will deliver ultra-broadband mobile access to 40% of the Thai population.

**TWA Bottom Line:** The next generation of wireless technology (5G) is coming. It...
promises speeds that are 10 times faster than current networks can offer. And by virtue of its Alcatel acquisition (which is now officially complete), Nokia will be a major player. Plus, the purchase of Eta Devices in September helped to position Nokia perfectly to gain a lead in the quest to capture the 5G market. And don't forget that Nokia gets licensing payments from Samsung and Apple. Ever since exiting the mobile phone business, NOK's share price has been in a slump, but within the next few months, it'll be back with a vengeance. And with Samsung having so much trouble with its Galaxy series (the FAA even considers them a fire hazard) and Apple iPhone sales waning some, this could be the perfect time for a reliable name like Nokia to step in and take back some market share. The new smartphones are expected to debut before the end of this year and a recent leak of the intended design already has people excited. I still rate Nokia a “strong buy,” but I'm keeping my lowered limit price at $6 or less. These levels are a great opportunity to add to a position or establish a new one. The 12-month price target is $10.

**Starbucks (NASDAQ: SBUX)**

**What It Does:** Starbucks Corporation operates as a roaster, marketer, and retailer of specialty coffee worldwide.

**Wealth Advisory Earnings Grade: A**

- Beat or met expectations four of past four quarters

**Headlines:**

- Starbucks already reporting sales growth in China after recently moving into the world's biggest tea market.

**TWA Bottom Line:** *Wealth Advisory* members have done great with Starbucks. And even though we've got ~150% gains, I will probably always rate Starbucks a buy because its execution is so good. I really can't say enough good things. I mean, there's more money on SBUX gift cards than there is on deposit at some publicly traded banks (more than a billion dollars). It’s been a rough 12 months for the stock price, with growth slowing compared to previous years. But as SBUX irons out the wrinkles from its Teavana acquisition (closes Teavana stores and incorporates the products into Starbucks shops), I expect to see the price rebound exponentially. The push into China (and the rest of Asia) has the potential to add billions in revenue over the coming years, too. In the most recent earnings call,
management also explained the drop in transactions. They modified the rewards program to account for money spent instead of transactions and this caused a drop in the number of receipts printed. People are no longer having each item rung up separately to get more rewards. So, we won't be able to really compare transaction growth on a year-over-year basis until we've had a full year of the new program. But sales increased and management cited increased efficiency arising from the revamp of the program. This is another stock all Wealth Advisory members should own, and at current prices, it's a steal. I'm keeping the limit at $60, but it would be tough to go wrong buying this coffee roaster at any price. I'm keeping the $85 price target the same because I am so confident in this company and its management.

Whole Foods Market, Inc. (NASDAQ: WFM)

**What It Does:** Whole Foods Market operates natural and organic foods supermarkets. Its stores offers produce, packaged goods, bulk, frozen, dairy, meat, bakery, prepared foods, coffee, tea, beer, wine, cheese, nutritional supplements, vitamins, body care, pet foods, grocery, and household goods.

**Wealth Advisory Earnings Grade: A**

- Beat or met expectations four of past four quarters

**Headlines:**

- John Mackey named as single CEO of WFM. Former Co-CEO Walter Robb will remain on the board of directors.

**TWA Bottom Line:** Grocery stocks in general haven’t had the greatest year. There’s reduced consumer spending and fears of deflation weighing the entire industry down. But the company is steadily proceeding with its 365 store debuts, and that’s going to be a big growth driver over the coming years. Millennials (the target market for 365) are already sending in good reports about their 365 experiences. CS analysts went as far as to say that “the drop in the stock only creates a better set-up” and that they see it as an opportunity to get in on the early stages of the repositioning that will lead to sustained long-term growth. This is a turnaround play, a growth stock. And the growth is far from over. We’re looking at prices near the 52-week lows. That reads as a huge opportunity for investors. I hope everyone has been buying shares during the dip because it’s not going to last. With the election now over and a Republican sweep of DC, investors are expecting
consumer spending to ramp back up. In fact, share prices are up over 6% this month alone with much of that gain coming right after the election. I’m keeping the buy limit at $33 to keep in line with current prices and the 12-month target at $47.50.

**Future Dividend Payers**

One of the sweet spots for a dividend stock is that moment when it starts paying dividends. That moment comes when the business has become stable and predictable but there is also plenty of growth ahead.

This category may never make up a very large portion of The Wealth Advisory’s portfolio. Still, we think it is worthy of your attention.

**Blue Buffalo Pet Products (NYSE: BUFF)**

**What It Does:** Blue Buffalo Pet Products operates as a pet food company in the United States, Canada, Japan, and Mexico.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations four of the past four quarters

**Headlines:**

- BUFF hires former Proctor & Gamble global pet care director to head R&D department.

**TWA Bottom Line:** Americans will spend more than $60 billion on their pets this year. That’s 25% growth in just five years and a great trend for investors. BUFF has a proven new user acquisition strategy and already controls about 6% of the $26 billion pet food market. The share price took a hit on news of a secondary offering but recovered quickly. There was another offering that closed last month — initial investors cashing in on some of their IPO shares. But that’s business as usual for a newly public company — it’s how IPO investors get paid and nothing to worry about. The stock is not cheap, but you’re paying for quality and growth. BUFF has been one of the only top-line growth stories in the highly competitive consumer staples industry. And the company recently made a $150 million investment in a new R&D center and manufacturing plant to help expand business even farther. But I’m not the only analyst who’s bullish on Buffalo. There are six buy ratings and
no sells on the stock, and the consensus price target calls for 20%+ upside from current prices. I’m maintaining my “buy” rating and limit entry price of $27.50. I’m keeping the 12-month target at $40.

**First Solar (NASDAQ: FSLR)**

**What It Does:** First Solar builds solar farms and signs long-term deals to deliver power to utilities so the utilities can meet regulations for solar power generation.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations in four of the past four quarters

**Headlines:**

- Solar stocks hit hard as Republicans sweep general elections and investors weigh panel oversupply.

**TWA Bottom Line:** Yes, it has been tough sledding for solar stocks. At first, the issue was just that the industry planned to build all the big solar installation projects this year, before tax credits expired. So 2016 has been a banner year for growth, but there is uncertainty about 2017. Plus, competitor SunPower slashed its guidance, causing the entire industry to take another slide down. And analysts have been downgrading solar stocks left and right as the tail wags this dog. Then Republicans swept the general elections and it’s no secret that President-elect Trump is not a huge supporter of alternative energy. And around the same time, investors started to notice that there was an oversupply of panels out there creating an imbalance between supply and demand. Talk about the perfect storm! But here’s the deal: First Solar is the best solar company in the world. It has tons of cash and practically no debt. It’s beat expectations handily the past four quarters. It doesn’t deserve to be lumped in with poorer-run operations. Nor does it deserve to be hit so hard by a temporary surplus of panels on the market. Think long term and own it. All that cash is going to come in handy when less efficient competitors want to unload valuable assets at discount prices. And no matter who’s in the White House, alternative energy is going to become a necessity in the future. I am keeping my limit price at $40 — but reiterating that this is one all **Wealth Advisory** readers must own. I’m lowering the 12-month price target to $75 though to take into account the headwinds solar stocks may face in the near future.
Micron Technology (NASDAQ: MU)

What It Does: Micron Technology offers semiconductor solutions for pretty much every computing resource imaginable.

Wealth Advisory Earnings Grade: A+

• Beat expectations in four of the past four quarters

Headlines:

• A strong rally in the tech sector (especially semiconductors) has sent short sellers scrambling to cover their losing bets and driven prices even higher in the process.

TWA Bottom Line: I've been telling you that Micron is THE tech value play for months now. And the price momentum we've seen is proving that thesis 100% correct. The stock is up over 70% in just the past six months and is still heading skyward. Demand is heating up, as are prices for MU’s main chips (DRAM). Those prices are up over 14% since last month. And Micron’s streamlined operations will lead to even more profits from those increased revenues. Translation: the stock price can scream higher. It was a $34 stock at the height of the last cycle. And it's been heading back in that direction all of 2016. Plus there is buyout potential. This one remains a buy, and I'm keeping the limit at $18 and the 12-month price target at $30. It's still a steal at current prices (especially considering a component shortage at HP that suggests continuing increased demand for MU’s products). So if you don't have a position yet, I'd recommend you establish one soon because it's not going to stay this cheap for long.

Under Armour, Inc. (NYSE: UA)

What It Does: Under Armour develops, markets, and distributes branded performance apparel, footwear, and accessories for men, women, and youth primarily in North America, Europe, the Middle East, Africa, the Asia-Pacific, and Latin America.

Wealth Advisory Earnings Grade: A

• Beat expectations three of the past four quarters
Headlines:

• UA revised its forward guidance lower in the last earnings report and investors panicked, but margin pressures leading to lowered guidance are transitory in nature.

**TWA Bottom Line:** Nike is valued at $87 billion; Under Armour is valued at $16 billion. There is a lot of growth ahead for UA as it continues to gain on Nike. To say it’s been a tough month for this stock would be an understatement after the hit it took post-earnings. But the pressures that were cited as reasons for lower growth expectations aren’t long-lasting ones and the new categories (footwear, fashion, and lifestyle) have huge long-term potential. I can’t tell you exactly when UA will start paying a dividend, but it will happen. UA recently added retail industry veteran Chip Molloy (former CFO of PetSmart) to the team to bring even more experience and talent to the table. And the Olympics gave revenues an extra boost, too. The price has been dropping with the entire retail sector, and the stock was hit hard when CEO Kevin Plank announced slower than expected growth going forward. But once the effects of the new distribution center and the new categories hit revenue we’ll see those prices start to jump back up. Under Armour, Inc. (NYSE: UA) is still a buy under $40. The 12-month target is $60.

**Zoe’s Kitchen (NYSE: ZOES)**

**What It Does:** Zoe’s Kitchen develops and operates a chain of fast-casual restaurants. It operates a range of restaurant formats, including in-line, end-cap, and freestanding restaurants.

**Wealth Advisory Earnings Grade: A**

• Beat or met expectations four of the past four quarters

Headlines:

• Voters in Arizona, Colorado, Maine, and Washington approved measures to increase minimum wages in their states last week.

**TWA Bottom Line:** With just ~190 locations, Zoe’s is still flying under the radar. That can’t last. In the next year, it will hit the big East Coast markets: New York and Boston. In fact, our “Next Chipotle” stock, opened a Baltimore location earlier this year as its expansion plans move north. California and Chicago are coming
soon, too. I think investors will flock to this undiscovered “fast-casual” gem in the near future. In fact, the stock is up over 11% this past month. Zoe’s has been one of my favorite stocks for a while now. It got pummeled when it missed revenue estimates, but as the expansion continues and the chain hits the bigger markets of NYC, Beantown, Cali, and Chi-Town, sales should explode. Accordingly, I am sticking with my strong buy rating with a limit entry price of $30 a share. My 12-month price target remains $55. Like First Solar, I have to stress that this is another must-own stock for every Wealth Advisory subscriber.

**Real Estate Investment Trusts**

*It’s generally assumed that REITs are very interest rate-sensitive. But studies show that REITs perform better than regular stocks when interest rates are rising.*

*I will not be selling out of REITs at the first sign of interest rate trouble. We have nice gains with these stocks, and they consistently raise their dividends. Plus, we know the Fed is not going on a prolonged rate hike campaign. Three small hikes are not going to impact REITs very much. So, in a general sense, I don’t expect a lot of downside for REITs. I’m actually expecting much upside, even with the rate increases.*

*Finally, please note the importance of the funds from operations (FFO) metric for REITs. Analysts usually use FFO instead of earnings per share (EPS) when evaluating REITs.*

**Capstead Mortgage (NYSE: CMO)**

*What It Does:* Capstead is a mortgage REIT, or mREIT. It borrows money at one rate, and then buys mortgage bonds (MBS) that pay a higher rate and profits from the difference, or spread, between borrowing costs and interest rate income.

*Wealth Advisory Earnings Grade: B-*

- Beat or met expectations two of the past four quarters

*Headlines:*

- Increased CPRs reduce income for CMO in third quarter.

*TWA Bottom Line:* There’s no point in sugarcoating it: mREITs are really boring,
and there’s not much to update each month. That +10% dividend yield isn’t boring, though, nor is it stopping anytime soon. Income fell at CMO last quarter due to increased CPRs (conditional prepayment rates). That means people are paying off their mortgages faster than expected. Likely that’s got to do with low investment returns. If you’re not making more than the interest rate you’re paying on your loans, then you’re going to repay your loans faster instead of investing that extra money. But even with that earnings miss, CMO prices are up almost 10% in the past month or so. I’m expecting that we’ll see a bit of a pullback as we near the Fed’s December 13 meeting. There’s pretty much no chance we won’t see at least a little rate hike then. And while that’s not going to kill REIT prices, it’s not going to help them either. I’m keeping this one on “Hold” so we can see how that meeting plays out. We’ve considered exiting this one to free up some capital, but that big dividend is just too enticing. We’ll continue to hold it and collect those dividend payments, but watch for a sell notice in case we need to free up some capital to put to work elsewhere. I’m keeping my price target at $13.

**Communication Sales & Leasing (NASDAQ: CSAL)**

**What It Does:** Communications Sales & Leasing engages in the acquisition and construction of infrastructure in the communications industry in the United States.

**Wealth Advisory Earnings Grade: C+**

- Beat expectations one of the past four quarters

**Headlines:**

- CSAL reprices $2.1 billion in loans and reduces interest rate by 50 basis points.

**TWA Bottom Line:** Stocks like Communications Sales & Leasing are why you’re a Wealth Advisory member. You don’t find unknown and underappreciated stocks like this anywhere else. Back in early June, Jim Cramer of Mad Money said he didn’t like the stock at $25. But if he did his homework like I did, he’d have to understand the incredible opportunity here. That’s why CSAL has been on a tear since my February recommendation. We’re up over 65%. And there’s more coming. CSAL is perfectly positioned to cash in on the mobile Internet trend. Management is expecting 40% revenue growth and billions of dollars in contracts booked out over the next decade. We’ll be seeing even more big growth ahead, especially as the company continues to execute its expansion plans with well-timed acquisitions. Repricing
its loans to get a lower interest rate was another smart move by management. I mean, who doesn’t like to pay less to borrow money? The company also changed structures to an UP-REIT. That means instead of selling real estate in a taxable transaction, it can contribute it to a trust in exchange for partnership units that are worth as much as the property. This allows them to avoid costly capital gains taxes when divesting property. I’m keeping my limit entry price and 12-month target steady for now. CSAL is a strong buy under $35. And the 12-month price target is $55.

**CoreSite (NYSE: COR)**

**What It Does:** CoreSite is a real estate investment trust (REIT) that builds, manages, and leases data center space.

**Wealth Advisory Earnings Grade: A-**

- Beat expectations three of the past four quarters

**Headlines:**

- CoreSite opens newest data center in Santa Clara with 62% of rentable square feet already leased. This is its 7th building in Silicon Valley.

**TWA Bottom Line:** Data center REITs have been very hot, and we were on this trend very early. I've said our Internet Royalties stock COR is good for 25% returns for the next several years, and the deal with Ingram Micro and another last month with Gamblit makes that even clearer. Considering the S&P average total return over its lifetime is only 7% per year, that’s not a bad rate for us. Of all the analysts covering CoreSite, I was the most bullish on the stock back when it traded around $33. With growth in cloud computing, IoT, and big data (and more and more companies opting for external IT infrastructure), this data center REIT is in the absolute best place at the absolute best time. And it continues to make moves in the right markets to capitalize on growth and lock in revenues. Its newest data center in Santa Clara is evidence of that. The company now has seven centers in Silicon Valley and upon opening the doors of the newest, 62% of the rentable space was already leased to tech companies. Analysts finally caught on to what a solid earner CSAL is and upped the ante on earnings this past quarter. Management came in just shy of the target — missing by only one cent on revenue that grew over 17% from the same quarter last year. I was pretty happy with that result, but the markets, in their infinite wisdom, decided it was a tragedy and
hacked a solid $10 off the price. That’s just an opportunity to get more shares at a discounted price, though, if you ask me. So I’m maintaining my “Buy” rating but lowering the entry price to $70. I am, however, maintaining my 12-month price target of $100. It should be an easy one to hit.

**Farmland Partners Inc. (NYSE: FPI)**

**What It Does:** Farmland Partners invests in working farms and then rents the land either back to the original farmer or (if the farm comes from an estate sale where the family has no interest in continuing operations) rents it back to one of the largest farming companies in the country.

**Wealth Advisory Earnings Grade: B-**

- Beat or met expectations two of the past four quarters

**Headlines:**

- FPI to merge with American Farmland Partners (AFCO) to create largest farmland REIT in the nation.

**TWA Bottom Line:** It’s tough for farmers right now. Prices have fallen since the 2012 boom. And property taxes have increased a lot. The fallout has hit seed companies like Monsanto and fertilizer companies like Potash Corp. and Mosaic. But not so much for Farmland Partners. Management is doing a fantastic job navigating a tough market because it’s run by people with experience in farming instead of experience at hedge funds. The merger with AFCO adds about 30k acres to the holdings and will make it the biggest and best-managed farmland REIT in the U.S. with about 75% row crops (corn, soybeans, etc.) and 25% specialty crops (fruits, vegetables, nits, etc.). Plus, once the merger is complete, the combined companies will have an ever bigger dividend payout to share with investors. That should happen towards the end of this year or early in 2017, so keep an eye out for that bump coming soon. FPI is the best of the farmland REITs, so if you haven’t already picked up shares, I highly recommend doing so at any price under $12.50. I’m keeping the 12-month target at $20, but I wouldn’t be surprised to see it go higher once the purchase of AFCO is completed.
Medical Properties Trust Inc. (NYSE: MPW)

What It Does: MPW buys hospitals, leases them to operators, and makes money on the spread between finance costs and rental income.

Wealth Advisory Earnings Grade: A

- Beat or met expectations four of the past four quarters

Headlines:

- MPW makes $1.25 billion acquisition of nine acute care hospitals owned by Steward Health Care Systems (owned by Cerberus). In order to help fund the purchase, MPW is selling 33.5 million shares in a secondary offering

TWA Bottom Line: It’s been a tough couple of months for MPW shareholders. First there was the fear of rate increases driving the price down. Those fears are far overblown, however. Rates would have to rise significantly to affect MPW’s borrowing capacity. And that’s just not going to happen. But then, MPW stock hit a bearish technical indicator that caused some investors to panic and bail. And right after that, before shares had time to correct, one of MPW's tenants reported an $11.7 million loss in its third quarter report. Adeptus stock crashed and MPW investors panicked and sold on the news too. That’s why we’re looking at such a substantial loss over the past month. But that worry is far overdone too, and MPW will soon emerge unscathed. This is a quality health care REIT that has been undervalued for some time. And now it's even further undervalued (and also oversold). The forward P/E is low, and the 7.6% dividend is solid. This is the perfect time to add to a position or start one if you haven't already. MPW will recover and these low prices will soon be a thing of the past. I'm dropping the limit to $15 to avoid any price chasing once shares start to move back up, but keeping the 12-month target at $22.

Omega Healthcare Investors (NYSE: OHI)

What It Does: Omega Healthcare Investors, Inc. invests in health care facilities, primarily in long-term health care facilities with a particular focus on skilled-nursing facilities.

Wealth Advisory Earnings Grade: B+
• Beat expectations three of the past four quarters

**Headlines:**

• OHI teams up with Lindsay Goldberg to form joint venture Second Spring Healthcare Investments and buy 64 facilities from Welltower (formerly Health Care REIT).

**TWA Bottom Line:** Omega remains my favorite health care REIT and one of my favorite REITs in general. Of its revenues, 89% are contracted through 2020. OHI is growing faster — and growing its dividend faster — than any other healthcare REIT. Not only does Omega have a habit of increasing its dividend quarterly, but management has also hiked the payout by over 141% over the past decade. OHI is still in growth mode due to the fact that the U.S. need for skilled nursing is just going to increase. And fears of rate hikes are overblown — they’ll go up, but not that much (they just can’t). So we shouldn’t have to deal with deflated prices for long. That being said, a crash in the bond market last week is putting some pressure on REITs as a whole because it’s pretty much assured investors that there will be a rate hike when the FED meets next in December. That means competition for income stocks like REITs from fixed income securities. But, as I said, it can’t be a big hike and prices should stabilize soon. With a large, stable dividend, strong potential for 20% annual returns, and an attractive forward P/E under 10, I continue to rate Omega Healthcare a “strong buy” but am lowering the limit price to $35. I’m keeping my 12-month price target of $50, however. And we’ll continue to collect that 8%+ dividend and watch the payout amounts grow.

**Realty Income Corp. (NYSE: O)**

**What It Does:** Realty Income Corporation invests in the real estate markets of the United States mainly through investments in commercial real estate.

**Wealth Advisory Earnings Grade:** B-

• Beat or met expectations two of the past four quarters

**Headlines:**

• Realty Income (and other REITs) slow to recover after immediate post-election selloff.
**TWA Bottom Line:** Realty Income is among the premier REITs on the market and makes a great addition to any income portfolio. The dividend is paid monthly, which makes for faster compounding (4.6% a year for the last 20 years — with consecutive hikes for 19 straight). And that dividend payment is up 33% since 2010. The Monthly Dividend Company just paid its 557th consecutive dividend last week. That's a pretty good track record there. Revenues have continued to grow the past three years as well. It’s increased acquisitions and has a gigantic stockpile of dry powder on the balance sheet. Any downward moves we've seen as of late are entirely due to overblown fears of a rate hike. Interest would have to go up well above 1% to affect Realty Income (or any of our REITs, for that matter), and that's just not going to happen anytime soon. Despite missing expectations on revenues last quarter, O still grew the top line by more than 7% year-over-year. I'm keeping my rating of “buy” but dropping the limit price to $65. I'm holding the 12-month target at $85, though. I repeat, fears of massive rate hikes are overblown, and this is another one to pick up on any weakness.

**SmartREIT (TSX: SRU-UN.TO)**

**What It Does:** SmartREIT invests in commercial real estate with a focus on shopping malls and outlet centers and is the largest landlord to Wal-Mart in Canada.

**Wealth Advisory Earnings Grade: A**

- Earnings keep growing as properties stay full.

**Headlines:**

- SmartREIT acquires new property anchored by Wal-Mart and Home Depot stores in Pointe Claire, Quebec.

**TWA Bottom Line:** While SmartREIT might not be the most interesting stock in the *Wealth Advisory* portfolio, it’s certainly one of the safest. And with occupancy rates not straying from 99% for over four-and-a-half years, you can expect more stock price and dividend increases down the road. Even its latest purchase, a mall in Quebec that was bought late last month, is already 99% leased. There’s really not a whole lot to say about this company — and certainly nothing bad. Its biggest customer is Wal-Mart, but unlike other companies that do business with the retail giant, SmartREIT gets to dictate prices, not the other way around. Year to date, FFO is up around 6% from 2015, reflecting solid performance of the investments the
company is making. Occupancy rates increased again, albeit ever so slightly, but it’s tough to grow much from 99%! I’m maintaining my rating of “strong buy” and keeping the limit entry price at $40. The 12-month price target is staying at $50, but I wouldn’t be surprised if that turns out to be conservative. Keep an eye out for dips to accumulate shares or enter a new position.

**Capital Appreciation**

*Here at The Wealth Advisory, we focus on income-generating investments. And you already know why. Dividends make up as much as 70% of stock market gains. But the other big chunk of profits comes from stocks that grow in value over time — otherwise known as capital appreciation.*

Now, we’re long-term investors here, so the biggest part of our profits is going to come from collecting and reinvesting dividends, but there’s no reason we should be sitting out on solid investments that will profit from capital appreciation, too. And that’s where this category of stocks comes into play. Here is where we’ll be looking for growth stocks, acquisition targets, and companies that might not pay dividends (and might never pay dividends) but will keep rising in share price and add to our portfolio gains.

**Ciena Corporation (NYSE: CIEN)**

**What It Does:** Ciena Corporation provides equipment, software, and services that support the transport, switching, aggregation, service delivery, and management of voice, video, and data traffic on communications networks worldwide.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations four of the past four quarters

**Headlines:**

- IT infrastructure provider and privately held data center owner ServerCentral selected Ciena to deliver critical applications. With Ciena’s technology, ServerCentral feels it can maximize the efficiency of its data centers.

**TWA Bottom Line:** We’ve already seen how fast the data center sector is growing — and had great success with our investment in CoreSite because of our
impeccable timing. And now we’re seeing substantial profits from our investment in communications infrastructure growth through CSAL. So, in what you could call a trifecta of investing, we’re putting our money to work with one of the companies that makes all the success COR and CSAL are having possible. Ciena is singlehandedly building the world’s fiber-optic network. It focuses on three drivers of growth and is already best in class in all of them. Ciena is building out global connectivity infrastructure through its metro networks and submarine networks segments. And it’s helping data center companies like CoreSite maximize efficiency and take advantage of every inch of space with its data center interconnect segment. Ciena already calls 80% of the world’s largest service providers its clients and is shooting to hit that 100% mark very soon. This stock is a “strong buy.” And it’s done so well since we entered our position last week that I’ve got no problem raising the entry limit to $25. The 12-month target is going to stay at $33 for now. So, if you don’t have a position already, I recommend you get one soon, because the price is heading up, and as global connectivity keeps growing, so will the value of these shares.

**Twitter (NYSE: TWTR)**

**What It Does:** Twitter, Inc. operates as a global platform for public self-expression and conversation in real time. The company offers various products and services that allow users to create, distribute, and discover content and broadcast and watch video live.

**Wealth Advisory Earnings Grade: A+**

- Beat expectations four of the past four quarters

**Headlines:**

- Twitter partnered with BuzzFeed to host an election night broadcast last week and attracted big-time advertising names such as Paramount Pictures, Amazon.com, Activision Blizzard, Johnnie Walker, and Izod.

**TWA Bottom Line:** Until a few weeks ago, all anyone could talk about was who was going to buy Twitter. Well, that chatter has cooled off, as most of the major suitors have stepped back from the negotiation table. But with Twitter’s millions of users and impressive array of technology, someone is going to buy this company. It’s not a matter of if, but when. Simply speaking, someone is going to own Twitter by this time next year — maybe even sooner. But while we wait on that acquisition to
materialize, we'll be seeing some nice capital appreciation from this investment. The company has grown revenues from around $665 million in 2013 to well over $2.5 billion over the past 12 months. It’s got more cash in the bank than it has outstanding debt — about triple the amount, actually. And it’s actually one of the cheaper stocks in its industry with both price-to-book (P/B) and price-to-sales (P/S) ratios coming in below the average. Plus, management has a knack for beating earnings expectations handily. So, while the possibility of an immediate sale to another company has faded some, I’m still happy to keep this one a “buy” and set the limit entry price at $20. I’ve got a buyout target of $25 and a 12-month target of $30.

**Energy, MLPs, and Royalty Trusts**

*I know it stinks to continually look at the oil stock losses in the Wealth Advisory portfolio, and it may take longer than we’d hoped, but oil prices (and oil stock prices) will recover — we’re already seeing some of that upward movement. And we’ll see more soon as the production freeze OPEC announced takes effect. We’ve picked solid companies that will be able to weather the storm and come out on the other side more streamlined and with less competition, so when the price of oil starts to climb, so will the prices of our stocks.*

**Crescent Point Energy (NYSE: CPG)**

**What It Does:** Crescent Point Energy Corp. acquires, explores, develops, and produces oil and natural gas properties in Western Canada and the United States.

**Wealth Advisory Earnings Grade: B-**

- Beat expectations two of the past four quarters

**Headlines:**

- CPG uses cost-cutting measures to lower quarterly loss in the face of decreased production and lower average oil and gas prices.

**TWA Bottom Line:** Crescent Point has great assets — and it’s adding more while smaller companies are selling at a supreme discount. It holds a significant stake in the Torquay shale oil field and in the Utica Basin, both of which are extensions of the Bakken/Three Forks formation in Canada and the northwestern United States.
That's one of the most prolific shale fields in the world. Over the next 12 years, Crescent Point plans to drill at least another 480 wells in this region alone. To make matters better as far as future potential is concerned, CPG managed to cut costs by over 30% during the course of 2015. And management has continued that trend throughout 2016 as well. When prices recover, that'll just add even more to the profits. The company recently completed a secondary offering to drum up more funds for more acquisitions and should be adding even more quality assets to its portfolio. At a time when quality assets are on sale at rock-bottom prices, that sounds like a good strategy. And as oil prices start the long climb back up, we should see CPG stock follow suit in short order. I'm keeping it a “buy” with a limit of $15. The 12-month target remains at $22.50.

**Just Energy Group (NYSE: JE)**

**What It Does:** Just Energy provides electricity, natural gas, and solar and green energy in the U.S., Canada, and the UK. It also sells residential solar installations.

**Wealth Advisory Earnings Grade: B**

- Beat or met expectations two of the past four quarters

**Headlines:**

- Just Energy hosts Houston’s 6th annual Energy Day Festival, showcasing ongoing advancements and innovation in science, technology, engineering, and mathematics.

**TWA Bottom Line:** Just Energy is another addition to our long-term investment in the growth of renewable energy. The company excels at providing green energy solutions to residential and commercial customers. And it's continuing to expand both its footprint and consumer base. The company has a P/E and P/S way better than the industry average and pays a sweet dividend yield of 7.7%. It's also an investment in social responsibility — the company helps non-profit organizations get the resources they need to promote the health and well-being of communities in need. The Republican sweep of the general elections last week was particularly hard on renewable energy stocks like JE. Investors are predicting a government in the U.S. that favors fossil fuels over green energy sources. But the fact is that no matter who’s in power, renewable energy isn't just a feel-good fad. It's a necessity of the future. And investors who are planning for the long haul and not betting on short-term trends are the ones who will benefit the most in the end. I'd call
the drop a good opportunity to establish a position or add to an existing one at a discount. The buy limit on this one remains $7, and the price target is steady at $8.25.

**Pattern Energy Group (NASDAQ: PEGI)**

**What It Does:** Pattern Energy Group is a yieldco that buys power generation assets and gets a steady stream of income from the installation, which it uses to pay dividends and fund other purchases.

**Wealth Advisory Earnings Grade: C+**

- Beat expectations one of the past four quarters

**Headlines:**

- Pattern Energy beat expectations but announced a material weakness in internal controls.

**TWA Bottom Line:** Let's address the elephant in the room first. PEGI announced a narrower loss than expected in its quarterly earnings report last week, beating EPS estimates for the first time in a while. But management also announced that there had been a “material weakness” in its internal controls. This weakness was due to the rapid growth of the company and those internal controls not keeping up with the changes. But management (after conferring with the external auditor) confirmed that all financial statements during that time period fairly reported the company's financial position, results of operations, and cash flows. A material weakness, you see, only means that there was an issue that could have caused a problem in the financial reports — not that it actually did cause one. That's the case here. And by reporting it, management is just keeping to its legal duty to do so. But most people won't take the time to research what a material weakness is or read the financial reports of the company to see what, if any, adverse effects it caused. But that's the kind of research we do here at *The Wealth Advisory*. So, after digging through the SEC filings, I see the drop in prices caused by uninformed investors panicking as an opportunity to pick up shares at a discount. Big corporations (like Wal-Mart, one of PEGI's customers) are going to continue to switch to renewable energy sources. And PEGI has new projects in the works to come online in the near future. This is a growing industry that's not going to die out. And investors who get in while prices are low are going to reap some serious rewards. I continue to rate Pattern Energy Group a “strong buy,” but I am lowering
my buy-under price to $15. If you don’t have a position or are thinking of adding to your existing one, now is the time. It may take a bit for prices to recover from the hit this recent news has caused, so I’m lowering my 12-month target to $25. But I’m confident that the stock will recover.

**Teekay LNG Partners (NYSE: TGP)**

**What It Does:** Teekay LNG Partners is an independent owner of LNG carriers with a fleet of LNG carriers, LPG/multigas carriers, and conventional tankers that provides its services through a time-charter or bareboat charter contract basis.

**Wealth Advisory Earnings Grade: C+**

- Beat expectations one of the past four quarters

**Headlines:**

- Teekay CEO and head of board Peter Evenson steps down after 11 years with the Partnership. Mr. Evenson has headed the Partnership that owns TGP since its IPO and helped to grow the company from a fleet of eight vessels to one of the largest LNG carriers in the world.

**TWA Bottom Line:** Although LNG prices are low, Teekay is much less susceptible to that since it doesn’t sell the gas, but only ships it. And producers need to ship their fuel somehow to sell it. Unfortunately, news that the CEO who’s led Teekay since its IPO and has spent 11 years with the Partnership is retiring hit the stock hard. Investors are understandably nervous that the new management team won’t be able to replace Mr. Evenson’s expertise. And we all know how markets hate uncertainty. But the man stepping in to replace the departing CEO has over two decades of leadership experience in the shipping industry and has been with Teekay since 2000. He also comes with the glowing recommendation of the departing boss. I’m not overly concerned that the new management will not be able to continue the tradition of growing the company and the revenues. And I still rate Teekay LNG a “buy.” Prices have dropped under my $15 limit entry price and look very enticing. If you don’t have a position or have been thinking of adding to your existing one, now would be an opportune time. I’m keeping the 12-month target at $25.
Closed-End Funds (CEFs)

A closed-end fund is like a mutual fund except that the assets in the CEF and the number of shares outstanding are fixed. When you buy into a mutual fund or an ETF, the fund gets larger and has to buy more of the assets it’s committed to holding. That’s not true for CEFs.

Closed-end funds are usually focused on providing dividends. They may own municipal bonds or corporate bonds. They may invest in real estate investment trusts (REITs) or other classes of dividend stocks. Some will even use leverage to generate consistent cash returns to pay to investors as dividends. Finally, management fees for CEFs are usually much lower than for actively managed mutual funds simply due to the lower amount of effort they require from portfolio managers.

The bottom line is CEFs are a cheaper alternative to other types of investment funds, which still provide exposure to all of the same markets as their more expensive and less profitable peers.

Alpine Global Premier Property (NYSE: AWP)

What It Does: This fund gives us exposure to premier real estate markets around the world.

• Major Holdings
  o Colony Capital (NYSE: CLNY) — United States
  o Invincible Investment Corp — Japan
  o Starwood Property Trust (NYSE: STWD)
  o Ado Properties SA — Germany
  o Nexity SA — France

• Largest Individual Holding
  o Colony Capital — Commercial Real Estate Investment Trust — main markets in U.S. & Europe
• **Key Facts and Stats**

  o In 2008, AWP cost $14 and paid a 10% dividend.

  o As of now, AWP costs $5 and pays an 11.8% dividend.

  o AWP has paid a distribution for over 115 consecutive months.

  o NAV sitting at $6.12.

  o Current discount to NAV is 16.99%.

  o Three-year average discount to NAV is 14% — shares are cheap.

**TWA Bottom Line:** I continue to rate the Alpine Global Premier Property Fund a “buy.” I am keeping my 12-month price target at $7.50.

**BlackRock Global Opportunities Fund (NYSE: BOE)**

**What It Does:** The BlackRock Global Opportunities Fund is a leveraged fund that sells individual stock options on the fund’s holdings in order to generate income.

• **Fund Investment Strategy**

  o 79% invested in large- and mega-cap stocks — market cap $10B to $200B, 53.11% invested in U.S. equities

  o 44.16% invested in European, Asian, and Canadian equities

  o Invests in stocks from financial, IT, consumer staples, and consumer discretionary industries

• **Key Facts and Stats**

  o Current dividend yield — 8.15%.


  o Current discount to NAV — 13.42%.
Three-year average discount to NAV — 11.37%.

**TWA Bottom Line:** I still rate this fund a “buy” with a limit of $12 and a 12-month target of $15 a share. Look for dips before entering a position or adding to a current one.

**GAMCO Global Gold & Natural Resource Fund (NYSE: GGN)**

**What It Does:** The GAMCO Global Gold, Natural Resources & Income Trust is a leveraged fund that trades derivatives to generate income, which it then distributes as a very nice dividend.

- **Major Fund Holdings**
  - North American Gold Miners and Royalty Plays
    - Randgold (NASDAQ: GOLD)
    - Agnico Eagle Mines (NYSE: AEM)
    - Goldcorp, Inc. (NYSE: GG)
    - Detour Gold Corp (TSX: DGC.TO)
    - Franco-Nevada Corp (NYSE: FNV)
  - Large International Non-Gold Operation
    - Exxon Mobil Corp (NYSE: XOM)
    - Chevron Corp (NYSE: CVX)

- **Key Facts and Stats**
  - Current dividend yield — 15.14%.
  - Current NAV — $5.79.
  - Current premium to NAV — 5.53%.
Three-year average discount to NAV — 3.25%

**TWA Bottom Line:** My recommendation here was less a bet on the resurgence of gold miners and a rally in gold prices and more about that massive dividend. And while I was content to sit back and collect those gigantic monthly income payments, I was super happy to see investors driving up the price of gold and gold miners alike — as well as the price of GGN. With that in mind, I still rate this fund a “strong buy” under $6 a share, but I am sticking with my 12-month price target of $9.

**Mexico Fund (NYSE: MXF)**

**What It Does:** The Mexico Fund invests in the biggest and best companies based in Mexico and trading on the Mexican stock exchange.

- **Major Fund Holdings**
  - Fomento Economico Mexicano SAB (XMEX: FEMSAUBD.MX)
  - Wal-Mart de Mexico (XMEX: WLMEX.MX)
  - Cemex (XMEX: CEMEXCPO.MX)
  - America Movil (XMEX: AMXL.MX)
  - Grupo Financiero Banorte SAB (XMEX: GFNORTEO.MX)
  - Grupo Aeroportuario del Centro Norte (XMEX: OMAB.MX)

- **Key Facts and Stats**
  - Current dividend yield — 4.04%.
  - Current NAV — $16.01.
  - Current discount to NAV — 9.81%.
  - Three-year average discount to NAV is 5.55% — shares are still unusually cheap.
Three-year high NAV is $29.86 — potential upside of 109%.

**TWA Bottom Line:** The U.S. presidential election was not favorable to our shares of MXF. With fears mounting that president-elect Trump will go through with his plan to build a wall between Mexico and the U.S., there’s been mounting pressure on the peso. That means, in terms of dollars, anything that trades in pesos dropped significantly in price. Since the plan as detailed by our future president calls for Mexico to reimburse the U.S. for the expense of said wall, I’m not entirely sure it’s going to happen. Still, I’m moving the Mexico Fund to a “hold” since I’m sure there will be continued downward pressure as the markets digest this new uncertainty. I’m also lowering the 12-month target price to $17.50 to account for the recent drop in prices.

**Preferred Stocks**

*Preferred stock has many similarities with common stock, but some stark contrasts set the two apart. These differences often make preferred shares less risky and more profitable than the common stock issued by a company.*

*Preferred stock gives the owner a higher claim on the corporation’s assets and earnings than you get with common stock. Preferred stock generally has a dividend that must be paid out before dividends to common shareholders, though the preferred shares usually do not carry voting rights.*

*Like common stock, preferred shares trade in the open market, and like common stock, their prices can go up and down based on sentiment about the issuing company. But unlike common stock, preferred stockholders are basically guaranteed a dividend and are given priority above common shareholders when dividends are paid out.*

*With many of these stocks, the dividends will be paid in arrears, meaning that if the company simply can’t pay a distribution, the company can’t slash the payment on the preferred shares like it can on common shares.*

**Alcoa Corporation Class B Preferred Shares (NYSE: AA-PB)**

**What It Does:** Each of these shares represents a one-tenth interest in a share of our 5.375% Class B Mandatory Convertible Preferred Stock, Series 1, par value $1.00 per share of Alcoa Corporation.

- **Key Facts and Stats**
- Current dividend yield — 8.7%
- TWA Yield on Cost — 9.28%
- Maturity Date — 10/1/2017
- Redeemable — Yes
- Cumulative — Yes
- Liquidation Preference — $50
- Shares Offered — 25 Million
- Original Coupon — 5.375%
- Pay Period — Quarterly
  - Pay Dates — 1-Jan, 1-Apr, 1-Jul, 1-Oct
- Recent Gain/(Loss) — 14.51%

**TWA Bottom Line:** What we have here is a way to get a super-high yield out of an extremely stable company. I expect to see both price appreciation and sweet dividend yields out of this one for the duration of our investment. I’m maintaining my limit entry price of $35 and my 12-month target at $47.50.
Exchange-Traded Funds (ETFs)

Exchange-traded funds (ETFs) are marketable securities that track an index, commodity, bond, or a basket of assets like an index fund. ETFs trade just like common stock on stock exchanges, and many pay dividends. Unlike mutual funds, ETFs typically have higher liquidity and lower fees.

An ETF owns the underlying assets and divides ownership of those assets into shares. Shareholders do not directly own or have any direct claim to the assets, but they get to profit as the assets increase in value.

By owning an ETF, investors get the diversification of an index fund as well as the ability to sell short, buy on margin, and purchase as little as one share (there are no minimum deposit requirements). Another advantage is that the expense ratios for most ETFs are lower than those of the average mutual fund.

There is also the potential for favorable taxation on cash flows generated by ETFs, since capital gains from sales inside the funds are not passed through to shareholders, as is usually the case with mutual funds.

Guggenheim S&P Global Water (NYSE: CGW)

What It Does: This fund is composed of 50 equities and seeks results that correspond with the S&P Global Water Index. It invests at least 90% of its assets in common stock and ADRs.

• Major Holdings
  o Geberit AG — 8.33% of assets
  o American Water Works Co — 7.72% of assets
  o Pentair PLC — 5.47% of assets
  o Danaher Corp – 5.27% of assets
  o Xylem Inc. — 5.15% of assets

• Key Facts and Stats
  o Total Assets: $432.16 million
o Net Asset Value (NAV): $29.28

o Annual Expense Ratio: 0.64%

o Yield: 1.55%

**TWA Bottom Line:** Our investment in CGW is based on the fact that water, although it covers the majority of the Earth’s surface, is a finite and extremely limited resource. As global populations continue to grow, so will the need for fresh water. CGW invests in companies that make previously inaccessible water easier to extract, companies that reduce the waste of water in agriculture, and companies that are coming up with ways to make previously non-potable water ready to drink. I’m still rating this one a “buy” under the limit price of $31.50. Remember, we’re only entering a half position right now. And also keep in mind that this is a long-term investment that WILL pay off down the road.

**ProShares UltraShort Utilities (NYSE: SDP)**

**What It Does:** This fund seeks to achieve double the inverse of the return of the Dow Jones U.S. Utilities Index.

- **Major Holdings**
  - Dow Jones U.S. Utilities Index Swap Credit Suisse International — 84.73% of assets
  - Dow Jones U.S. Utilities Index Swap Bank of America NA — 98.71% of assets
  - Dow Jones U.S. Utilities Index Swap UBS AG — 11.13% of assets
  - Dow Jones U.S. Utilities Index Swap Societe Generale — 3.68% of assets
  - Dow Jones U.S. Utilities Index Swap Morgan Stanley & Co International Plc — 1.25%

- **Key Facts and Stats**
  - Total Assets: $10.27 million
- Net Asset Value (NAV): $32.86
- Annual Expense Ratio: 0.95%
- ICF International states that grid managers serving the eastern United States plan to cut the amount of electricity they buy from conventional power plants by roughly 1,400 megawatts by 2019.
- Utilities industry average valuations at all-time high levels.
- EIA reports solar will add more electricity to the grid than any other energy source in 2016.

**TWA Bottom Line:** After two of the largest casinos in Vegas called it quits with their utility company, analysts and investors took notice and realized that this is the start of something much bigger. Solar field and panel installations are growing at the fastest rates ever, and the cost of power generated by these installations is nearing parity with conventional sources such as coal and natural gas. Once that threshold is crossed, there's no reason not to switch to solar power. And as that starts to happen, we'll see even cheaper costs due to the growing scale of the industry. In addition to that, telecom companies are getting in on the action. Some are offering solar-plus-storage options to customers to cash in on the solar revolution and leverage huge customer bases to sell battery storage units. And a conservative federal government, while it might not be the biggest proponent of alternative energy, is going to support freedom of choice in selecting energy providers. There's literally nothing more anti-conservative than forcing someone to buy electricity from a monopoly. Getting in on the ground floor, as we are with our green investments and with our short position on the utilities industry, means we'll be cashing in big time in the coming years. If you haven't done so already, buy these shares. They're up over 15% in the past three months, and that's just the beginning. I'm raising the limit price to $40 to make sure everyone has a chance to get invested, and I'm maintaining the 12-month price target of $55.