PENN WEALTH PUBLISHING | INVESTMENT INTELLIGENCE

THE PENN WEALTH REPORT

VOLUME 7/Issue 02 03 March 2019

BREXIT

THE IRISH BACKSTOP

THE ROOTS OF BREXIT'S BIGGEST CHALLENGE STEM BACK TO A CENTURY-OLD CIVIL WAR

Cover: With the EU's uber-arrogant leadership, it is difficult to see a positive outcome, post-Brexit, for the entire continent.
Photo licensed

BREXIT

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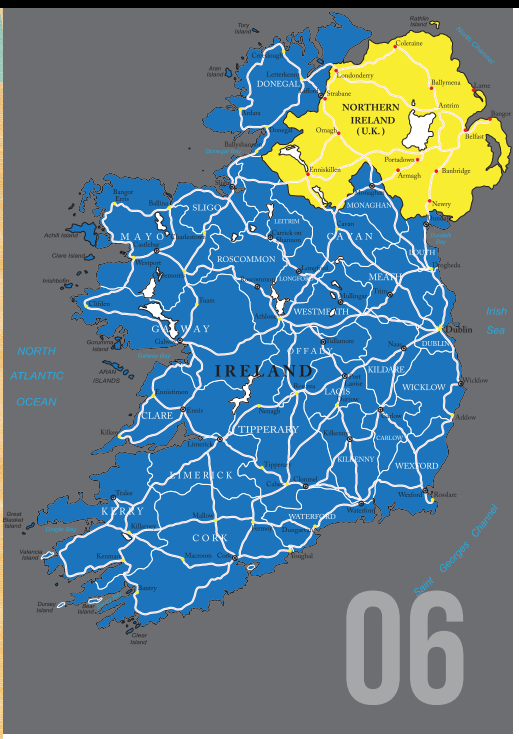

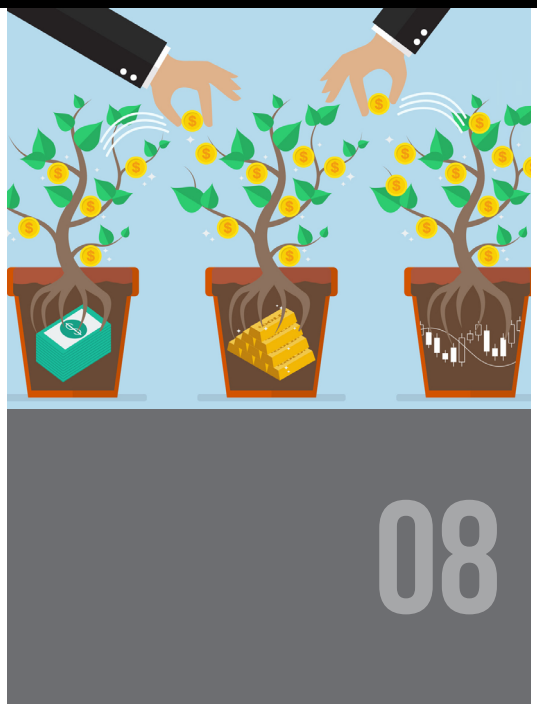

FRONT MATTER

TACTICAL AWARENESS

INVESTMENT INTELLIGENCE

UNDER THE RADAR

THE TRADING DESK

THE PENN STRATEGIES

WEEKLY BUSINESS REPORT

From the Editor/

Staying on the Lookout for the Technologies of the Future

We may look back and kick ourselves for not investing in the likes of Apple, Microsoft, and Oracle a generation ago. Don't fret: a slew of exciting new industries will soon create similar opportunities.

Probably the most exciting—and most *overlooked*—Penn strategy is our New Frontier Fund. Searching for new entrants to this vehicle can be a rush, though it is fraught with danger. We are on the constant lookout for *viable* companies on the cutting edge of science and technology. Not that penny stock your buddy has "inside information on," but the *real* companies, generating *real* income, creating the products and services that will lead us into the future.

The New Frontier Fund was on my mind as I was watching the first-ever launch of the SpaceX Crew Dragon sitting atop a Falcon 9 rocket, powered by 9 Merlin engines. The virtually flawless launch, and subsequent docking of the Crew Dragon to the International Space Station, gave me goosebumps. It was an inspiring sight, reminiscent of the launches I used to watch as a kid. The exciting events produced by NASA before that agency was gutted, for all intents and purposes, by a president who shall not be named. You can come to your own conclusions (we did) as to why this person spat in the face of John F. Kennedy by slashing the NASA budget and perverting its mission, but that is in the past. The agency is back with a vengeance, armed with new missions and new partners from the private arena. From plans for stations on the lunar surface, to a new US Space Force, to a manned trip to Mars, America has regained the mantle as the world's space exploration superpower. It is a disgrace that it was ever given up.

Courtesy of SpaceX; Public Domain

Think back to the nascent stages of the personal computer revolution and the ability we suddenly had to tap into an amazing new creature called the Internet. These were the movements which transformed our lives, and the investment landscape. Seemingly overnight, new technology names like Microsoft, Oracle, and Apple took over the mantle of leadership from old industrial heavyweights like General Motors and General Electric. Others, like Yahoo, flew sky-high and then crashed to earth.

It is important to study the past generation of new tech investments, because we believe the same type of revolution (or, at least, radical evolution) is about to occur in areas such as space travel, artificial intelligence, medical sciences, and power generation (forget wind and solar; think hydrogen and biofuels). For astute investors, opportunities will abound. Of course, for every wild success story there will be a dozen flounders. The key is doing the research.

But fear not, this thesis provides the backdrop to the Penn New Frontier Fund. Over the coming months, we will build-out new science and technology platforms and pages on our sites and within our publications. Here's to vibrant and exciting times ahead!

MSH

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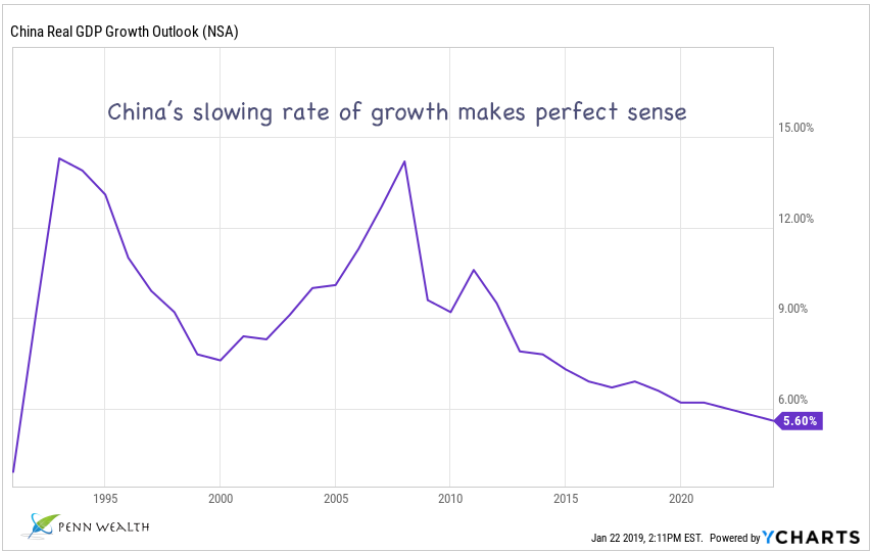
Michael S. Hazell
editor-in-chief

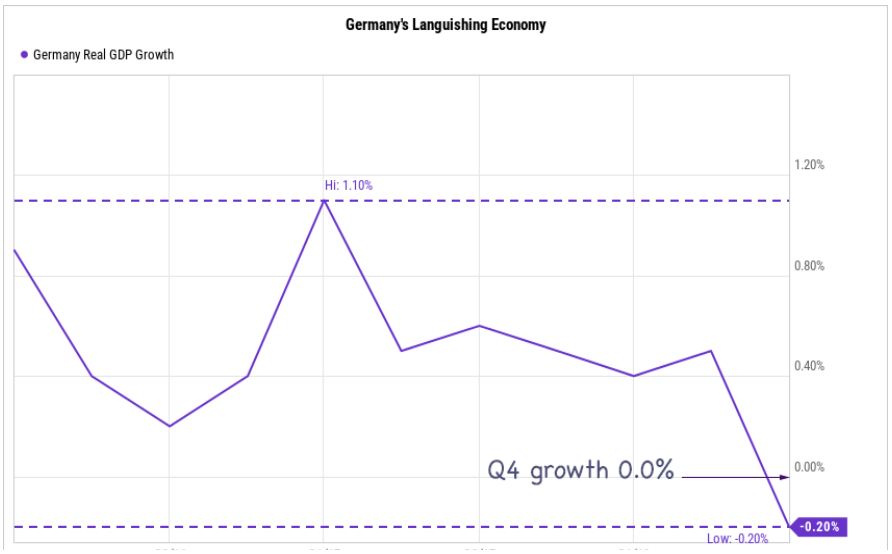
The Week in Charts

Charts tell the story. Here are some of our favorites from recent days. For the top business and economics stories of the week, visit PENN...After Hours at WWW.PENNECONOMICS.COM.

China's slowing growth rate

For years, the mainstream media plotted out the day and time in which the Chinese economy would pass the American economy in size and scope. It was a faulty argument, and we knew it. An emerging market can be expected to see double-digit growth rates in the early years; rates that are unsustainable. It didn't matter—it made good copy. The latest numbers are in and they aren't pretty: China's rate of economic growth is the slowest it has been since 1990, and the slope continues downward moving forward.



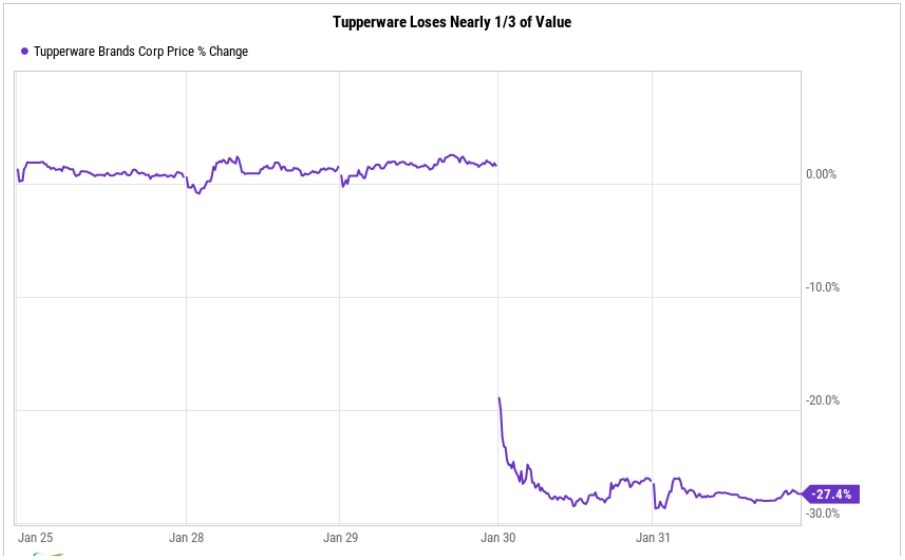


Germany dodges a recession

It literally could not have been any closer. Germany dodged a recession, which is technically defined by two consecutive quarters of negative growth, by 0.00%—as that was its GDP for the fourth-quarter of 2018. The country has been hit with a double-whammy: a slowing growth rate in China (their largest overall importer), and auto tariffs from the United States (their leading auto importer).

Tupperware falls off of cliff

That iconic American brand whose products were at the center of attention during millions of "Tupperware parties" held between the 1950s and 1970s. Just five years ago, Tupperware (TUP $26-**$29**-$52) had a market cap of $5 billion. After a disappointing earnings report, and an announcement that the unsustainable 10% dividend yield would be cut by a reasonable 60%, investors turned the company into a $1.4 billion small-cap.



Global Strategy: Europe

The Irish Backstop

Prime Minister Theresa May has muddled Brexit, but its stickiest issue started long before she came to power.

The issue can trace its roots back to 1922, in the aftermath of the Irish War of Independence. This ugly, two-and-a-half-year guerrilla war pitted British forces against the Irish Republican Army (IRA) for control of the island. In the end, the Irish Free State became an independent nation, but six counties of Northern Ireland remained aligned with the United Kingdom. A century later, the ugliness of that brutal war continues to haunt the UK.

Fast-forward seventy-six years from the formation of the Irish Free State, which would ultimately become the Republic of Ireland, and we come to the Good Friday Agreement of 1998. This rather complex trilateral agreement between the Republic of Ireland, Northern Ireland, and England mapped out the flow of goods and services between the three entities. Without getting into the wonkish details, the germane result of the Agreement was an "invisible border" between the two distinct parts of Ireland. Which brings us to our current nightmare.

At the center of the storm: the Irish backstop.

Some individuals are very skilled at negotiating deals (Ronald Reagan at Reykjavík comes to mind), while others, like Britain's dangerously-inept buffoon Neville Chamberlain, should be kept far away from the negotiating table. Margaret Thatcher would have been a dream negotiator for England during the Article 50 negotiations, but the country had to settle for Theresa May. Actually, Brexit Secretary David Davis began the negotiations in earnest with his counterpart, the EU's Michel Barnier, on 19 June 2017 in Brussels.

Two big factors were working against the British: Theresa May's lack of negotiating skills, and the EU's desire to punish the English reprobates who dared vote to leave the precious Union. The EU, represented by European Commission President Jean-Claude Juncker and European Council President Donald Tusk, felt they had everything to gain and nothing to lose in the discussions. May naively believed the talks would be done in good faith. Foolishly, she promised there would never be a "hard" border between the UK's Northern Ireland and the EU's Irish Republic.

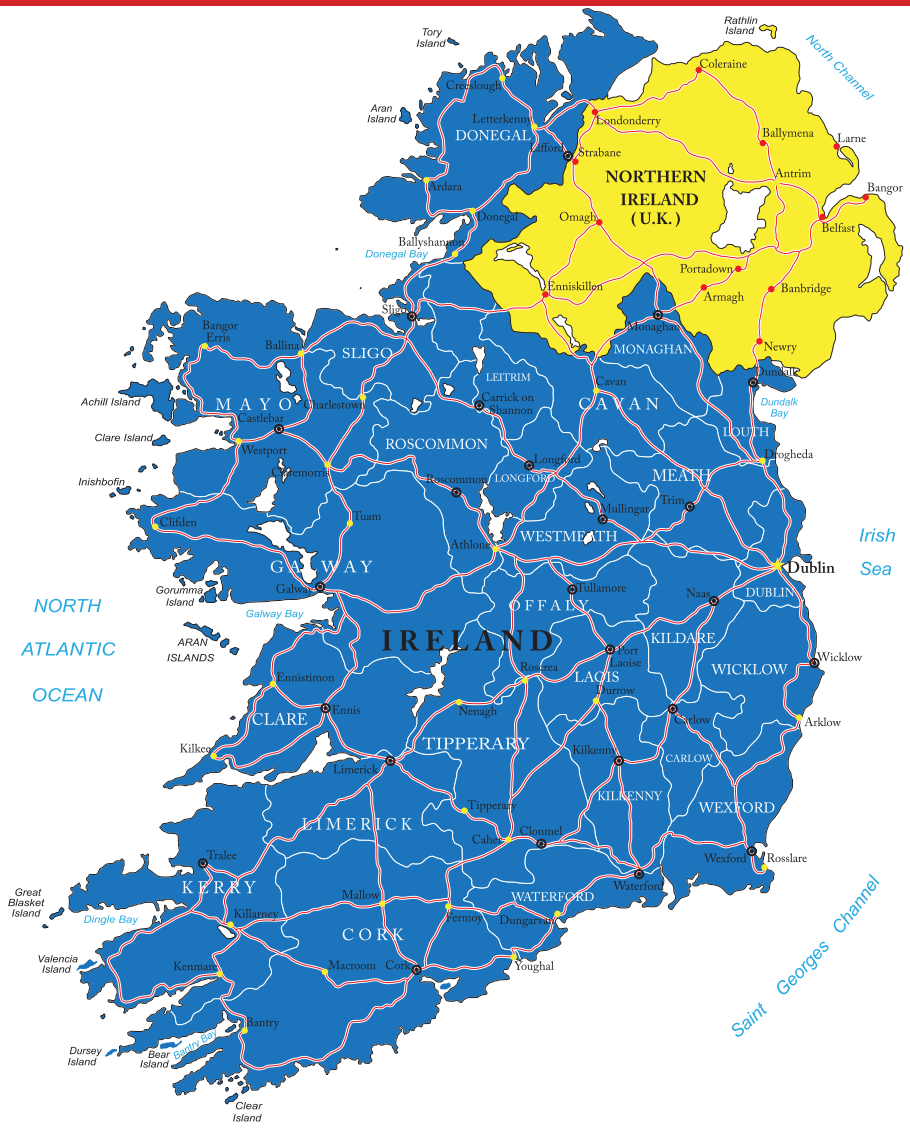
Much like Chucky Schumer and Nancy Pelosi when the president took "full credit for any government shutdown," when May made this explicit promise, the EU knew they had her. If Ireland was still a full member of the Union, and there was no hard border between the two countries, they saw only one possible outcome: some degree of usurpation of British powers on the island.

Members of May's Conservative Party came to the same (correct) conclusion, which led to the greatest parliamentary defeat for a sitting leader in the history of the UK when the settlement was shot down.

How the backstop tied the UK's hands in negotiations.

Let's first reinforce the point that the EU believes they have the upper hand in the negotiations, and that they have no intention of giving an inch more than they already have—which is, essentially, nothing. Donald Tusk, the arrogant president of the European Council, gave a speech in early February in which he said, "I have been wondering what the special place in hell looks like for those who voted for Brexit without even a sketch of a plan on how to (deliver) it safely." When someone uses idiotic hyperbole which includes the phrase, "special place in hell," it is fair to say that we are not dealing with a rational mind. There is no doubt that the British team did not take this into consideration when they opened the talks, but they certainly *must* be coming to that realization by now.

May has threatened the EU with the following ultimatum: if a new deal cannot be reached, she has no intention of calling for a new national referendum (to overturn the Brexit vote), and she is willing to make a "hard" Brexit. The problem with that threat is that it cannot coexist with her promise to Ireland for no "hard" border. If the UK blows out of the EU, sans new deal, the Republic of Ireland will still be part of the EU's customs union, which will require one of two things: an actual border (unacceptable), or Northern Ireland remaining part of the customs union as well (unacceptable). The EU is well aware of this, and it is one reason why they are not willing to go back to the negotiating table and offer anything substantive.



What is done is done. Since the UK cannot go back in time, sending in a better team of negotiators, the government is trying a new tactic: using the existing rules of Article 50 to force a new set of terms.

A change of tactic and possible outcomes.

The current Brexit Secretary, Stephen Barclay, is now telling the EU that, under its own rules, the Irish backstop can only be a temporary step. And, in fact, he is right. Under Article 50 of the Lisbon Treaty, which deals with countries leaving the bloc, any interim actions needed during the exit process must, by law, be temporary. In other words, the EU's certain attempt to circumvent Northern Ireland's direct ties to the UK would be illegal.

So, where do we go from here? Let's consider the five possible options, ranging from least- to most-likely.

Option 1: A new referendum. This truly is the least-likely outcome. There was a national vote, the majority of voters chose to leave the bloc, and any attempt to take a mulligan would be met with furor. Furthermore, May has already said this is not even on the table.

Option 2: A renegotiation of the terms. This transpiring is almost as unlikely as a new referendum. There is no doubt that the EU will be economically hurt by the UK's exit from the Union, but the ruling class in Brussels is simply too highbrow to admit that fact. They would rather punish the UK than forge another deal which might actually be more amenable to both sides. Recall Tusk's quote. They furtively take great joy in the realization that England will be hurt far more than continental Europe. Furthermore, they believe the current rotten deal will prevent England from negotiating bilateral trade deals with other countries, at least as long as the Irish backstop is in place.

Option 3: Extend the 29 March Brexit deadline. This is looking more and more likely. The EU has nothing to lose, so why not? Parliament, however, is ambivalent at best. Tory MPs recently made it clear to May that extending the deadline doesn't solve anything. It should be noted that an EU court ruled recently that the UK can halt the process and choose to stay in the Union at any time up to the 29th of March. How magnanimous. This only further inflamed the Brexiteers.

Option 4: May calls for a general election. The country is at an impasse: conservative MPs are dead-set against the prime minister's current deal, meaning she would need to garner enough votes from other parties, including Labour, to overcome her own party's justified antipathy. Labour desperately wants to regain power, however, placing their titular head—Jeremy Corbyn—in the seat of power. Any success for May would be a setback for Labour.

If May wants a general election to break the deadlock, she would have to make the request to Parliament, and two-thirds would have to vote aye. This process would take time, and it would be almost impossible to pull it off before the 29 March Brexit deadline. Which would, seemingly, leave only one other course of action.

Option 5: The hard, no-deal Brexit. What once seemed unfathomable—leaving the Union without a deal in place—is now a real possibility. Neither side would win, but it would be better for the UK than accepting the rotten deal May originally negotiated.

Brussels would try and make life miserable for England, and they would attempt to convince as many major financial institutions to pull up stakes from London and come to Berlin or Paris. Their willing accomplices in the British press are also working that angle: a major UK news publication recently wrote an article in which it stated, "Nearly one in three businesses in the UK is considering moving operations abroad...a new survey found." One in three? Really? An idiotic assertion based on a push poll, no doubt.

Both the government and the citizenry appear to be preparing for this possibility, however. A major concern involves the availability of food and other essential items in the aftermath of a hard Brexit. Government notices have gone out to British schools warning them to "be flexible" with respect to fresh food for school meals. Unilever, the $144 billion, UK-based household and personal products giant has begun stockpiling toiletry items. British companies are preparing for the worst by raising their cash stockpiles.

The sad reality is that the same group which mucked up the talks would pilot the country through uncharted waters. An even scarier scenario would have Corbyn's bunch at the helm. Brit's should pray for an "Option 6" to magically soon appear.

Portfolio Construction

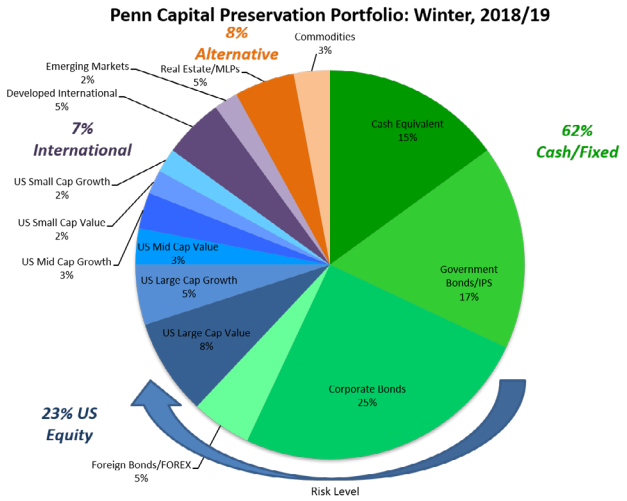
CASH/FIXED INCOME
INTERNATIONAL EQUITIES
US EQUITIES
ALTERNATIVE INVESTMENTS

Tactical Asset Allocation—Winter 2018/19

Capital Preservation Portfolio

The Capital Preservation Portfolio is for the most risk-averse Americans. The goal for this model is what the name implies: protecting capital. Here's the challenge: the simple act of living erodes capital through inflation, so keeping everything in cash is not a good option. Unfortunately, the safest of investments—money markets and bank savings accounts/CDs—are also not keeping up with even today's low rate of inflation. This is why it is still important to have a percentage of the portfolio invested in lower-beta stock market instruments, such as an S&P 500 index fund.

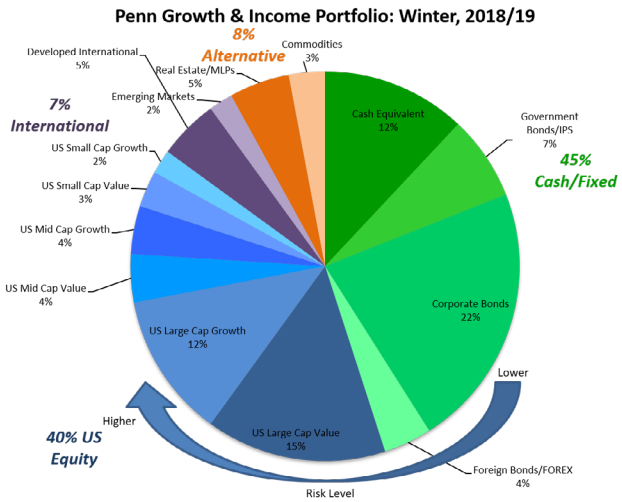
Risk Level 1-27



Growth & Income Portfolio

The Growth & Income Portfolio may be ideally suited for those either in retirement or nearing retirement. The goal is to generate a stream of cash (via dividends and interest) which can provide a nice monthly "paycheck" to owners, but still provide enough growth from the principal to allow for an annual cost of living raise. How much should be taken out of this portfolio on a monthly basis? Take the portfolio's current value times 0.05, divide that number by twelve, and you have the answer. Don't let anyone tell you that more can or should be taken out. If more is needed, it should come from elsewhere.

Risk Level 28-50

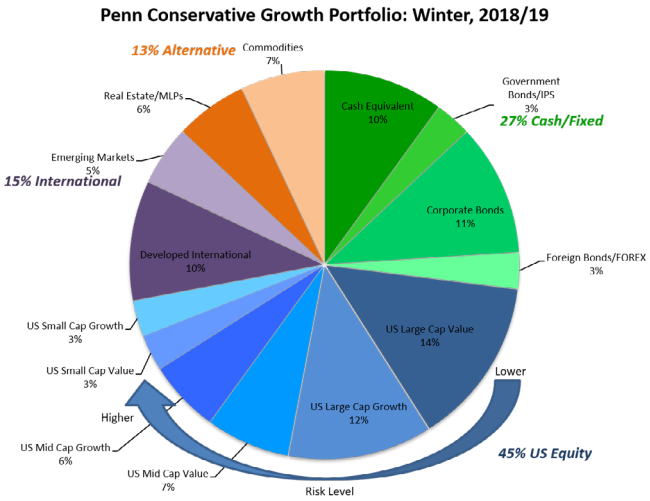


These four allocations are based on our view of the short-term investment and economic horizon, and are for informational purposes only. Always consult your investment professional when designing your own portfolio. To identify your personal Risk Number, visit the Penn Wealth Risk Management page.

Conservative Growth Portfolio

The Conservative Growth Portfolio is where a plurality of American probably fit within the investment universe. This investor wants growth, is not taking any income from their portfolio yet, but is still very cognizant of the risks—both seen and unseen—on the horizon. The biggest surprise for this portfolio this quarter is the 45% allocation to US equities. This is a smaller allocation than in recent quarters, and reflects both the concerns we have for equities in the short term, and the emergence of new opportunities overseas and in alternative investments (like commodities).

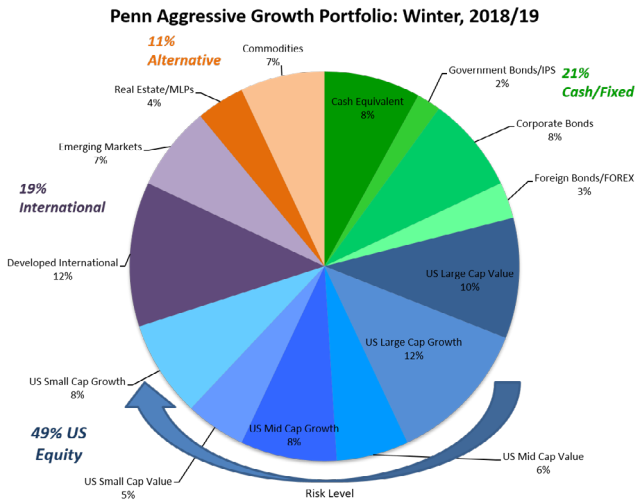
Risk Level 51-89



Aggressive Growth Portfolio

The Aggressive Growth Portfolio is designed for Americans with the highest appetite for risk. Either they are relatively young, with a smaller portfolio, or they have enough discretionary income to be as bold as possible. It may surprise some people to see such a large (21%) allocation within the cash and fixed income style boxes, but this is by design. It is hard to take advantage of a market comeback if there is no cash to deploy as the opportunities arise. This portfolio has the largest international play, both within developed and emerging markets, and by far the largest small-cap (<$2 billion in size) exposure.

Risk Level 90-100



Information Technology Services

Cognizant Technology Solutions, Inc

As companies across the globe struggle to remain on the cutting edge of technology, Cognizant stands ready to serve their needs.

You have probably seen their creative commercials on TV. Perhaps the one of an automobile driving itself to the shop, passing two unconcerned street cops. Or the one featuring a medical professional examining an elderly woman's eyes using an app on his smartphone. Not only is Cognizant Technology Solutions (CTSH $59-**$72**-$85) driving companies toward the future of their respective industries, it is also doing a really good job of advertising it.

Founded in 1994 as an in-house technology unit of Dunn & Bradstreet, the firm began serving the IT needs of external companies two years later. It turns out that really great companies are often really lousy at trying to make sense of the technological advances affecting their industry. That's where Cognizant comes in.

And let's face it, with the rapid pace of change, why *wouldn't* a company hire an outside consulting and problem-solving firm to come in, perform a complete review of systems, and then offer solutions? Of course, Cognizant also happens to *provide* these solutions.

As the turn of the millennium approached, Cognizant was focused primarily on Y2K projects. As the tech bubble was in the midst of bursting, the company began taking on IT services projects from providers who did not want them (due to size), or from companies which had gone belly-up.

By 2002, Cognizant was generating sales of over $200 million per year, had no debt outstanding, and had stashed away $100 million in free cash. By 2012, annual revenues had topped $6 billion, and last year the company generated $16.12 billion in sales.

In an industry of standoffish wonks and analytical geeks, Cognizant built its following by providing exemplary service to clients; focusing on their needs, and continually keeping management abreast of the actions required to achieve dominance in their respective industry. A winning (and rare) combination of technology and service.

> "IN AN INDUSTRY OF STANDOFFISH WONKS AND ANALYTICAL GEEKS, COGNIZANT BUILT ITS FOLLOWING BY PROVIDING EXEMPLARY SERVICE TO ITS CLIENTS.

Focus on, master, and then dominate specific industries; repeat.

Cognizant operates through four major segments: Financial Services (its original expertise); Healthcare; Products and Resources; and Communications, Media, and Technology. While the company receives over 90% of its current revenue from three areas (financial services, healthcare, and manufacturing), it has been methodically expanding into new industries, such as: telecom; energy and utilities; media and entertainment; and travel and hospitality.

With a heavy presence in India, Cognizant can appear to be a "domestic" company whether dealing with North American or Asian firms. In fact, roughly half of the company's 280,000 employees are based overseas.

Catalysts going forward.

We see two major growth drivers for Cognizant going forward. From a geographical standpoint, the company can amass increased market share at it pushes into developing Latin American areas, and both developed and emerging European regions.

From a regulatory standpoint, companies are under ever-increasing government scrutiny (especially from the European Union), and most are coming to the conclusion that a third-party provider reduces their level of regulatory risk. As one of the most well-respected companies in the industry, Cognizant should benefit from this environment.

Financials.

Cognizant has increased its sales every single year for the past decade, from $3.3 billion in 2009 to $16.1 billion last year. The company has a squeaky-clean balance sheet, and positive net income year after year.

While we opened CTSH in the Penn New Frontier Fund at $50.90 per share, we recently added to that position when shares were priced at $72. We also raised our initial price target to $85 per share.

Symbol: CTSH

Class: Large-Cap Core

Sector: Information Technology

Industry: IT Services

Purchase Price: $50.90

P/E Ratio*: 20

*As of date written

Cognizant is a well-diversified IT services provider based out of Teaneck, New Jersey. Founded 25 years ago, the company now employs over 280,000 workers. Ranked 195th on the Fortune 500, Cognizant is consistently listed as one of the most admired companies in the world. Cognizant's stated mission is to move clients' business, operating, and technology models into the digital area. 90% of the company's revenues come from three main industries: financial services; healthcare; and manufacturing, retail, and logistics.

Suitable for the

New Frontier Fund

Morningstar Style Box™

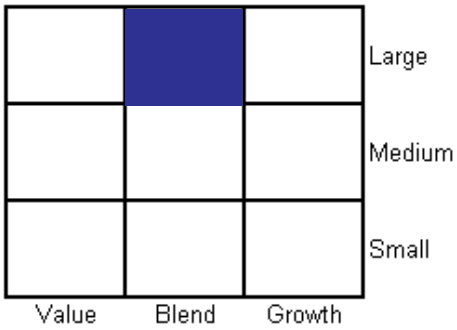
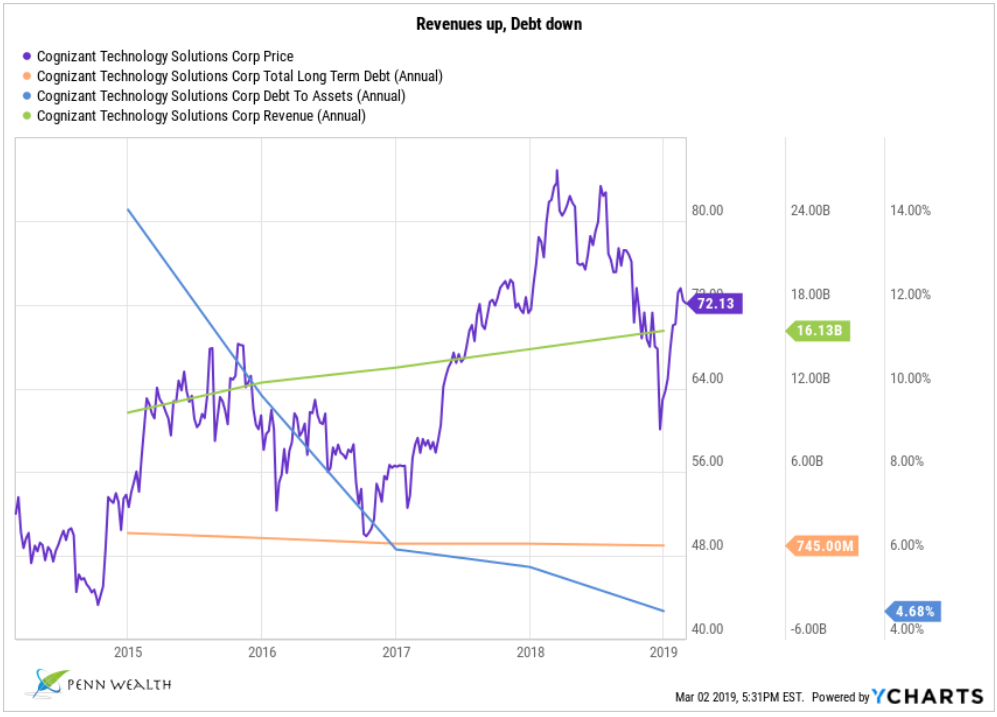
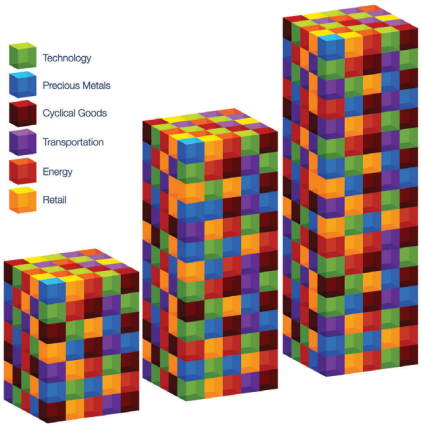


Photo courtesy of Cognizant Technology Solutions, Inc



While Cognizant's revenues increase like clockwork year in and year out, the company has been dramatically reducing its debt load. Right now, the company carries a crazy-good debt level of 6.5% compared to the its net worth.

See disclaimers on the back cover of The Report. This is not a solicitation to invest. Always consult your financial professional before making an investment.



Open-Ended Mutual Funds

AMG Yacktman Fund

Every so often we find an open-end fund worthy of admission to the Dynamic Growth Strategy.

136.5%. That is not the aggregate 10-year performance of the AMG Yacktman Institutional fund (YACKX **$20.39**); it is the percentage the fund *outperformed* the S&P 500 over the past ten years. That is simply remarkable.

In an attempt to make lemonade out of lemons, every time a serious correction hits (and we have seen our share since 1997) we turn the carnage into a laboratory to see what performed the best during the tumult. Often, gold or bonds have been the answer. That was certainly not the case in Q4, but our screens did filter out this little gem.

While some mutual fund research firms list this fund as a large-cap value holding, that can be misleading. Longtime fund managers Stephen Yacktman and Jason Subotky will go where they need to for growth—and risk management.

Going into the fourth quarter, when a strong six month rebound in the markets had given many a false sense of security, Yacktman and Subotky were busy moving capital to cash. By Q4, in fact, nearly one-third of the fund's $8 billion in assets sat in cash equivalents.

And what a difference that astute and prescient move made on the fund's relative performance. While the benchmark S&P 500 finished the year down 6.24%, the AMG Yacktman finished 900 basis points higher, at +2.79%.

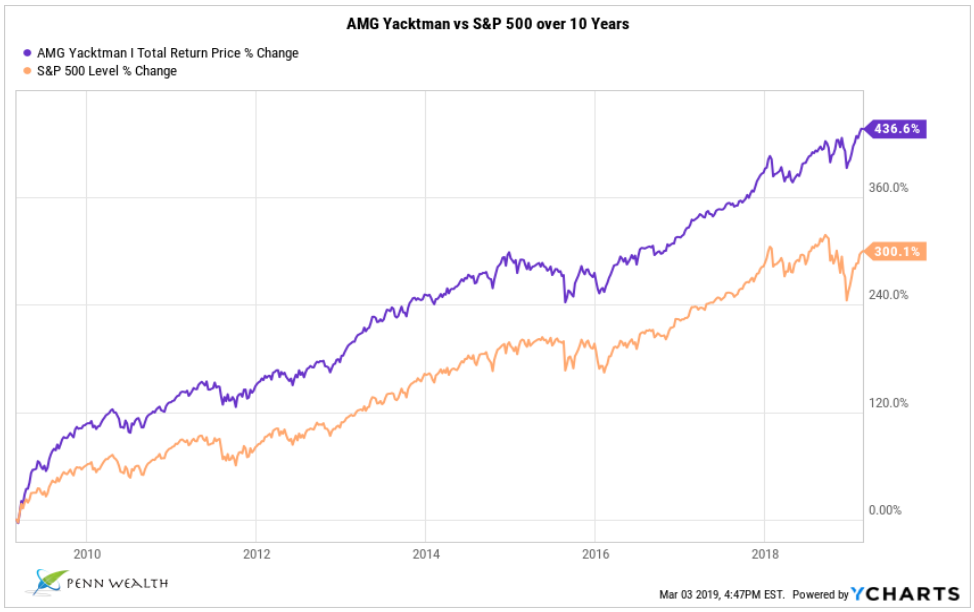
What is the fund's process?

One of the factors that gives this fund the ability to steer clear of trouble and take advantage of opportunities as they arise is the freedom the two managers have from an equity selection standpoint. While the majority of PMs must be careful to avoid style drift—moving from the fund's stated objective, this fund has the freedom to go where the managers want to take it. Right now, the fund has an R-squared measure of 81.3 compared to the Russell 1000 Value Index, and an 80.4 compared to the S&P 500, even though the latter is its stated benchmark. That may change on a whim.

That being said, Yacktman and Subotky use a very disciplined approach, targeting investments that have strong management teams in place, products or services with a distinct advantage over the competition, and undervalued share prices. When there is a dearth of choices based on these metrics, the two may simply raise their cash position as they did leading into the end of 2018.

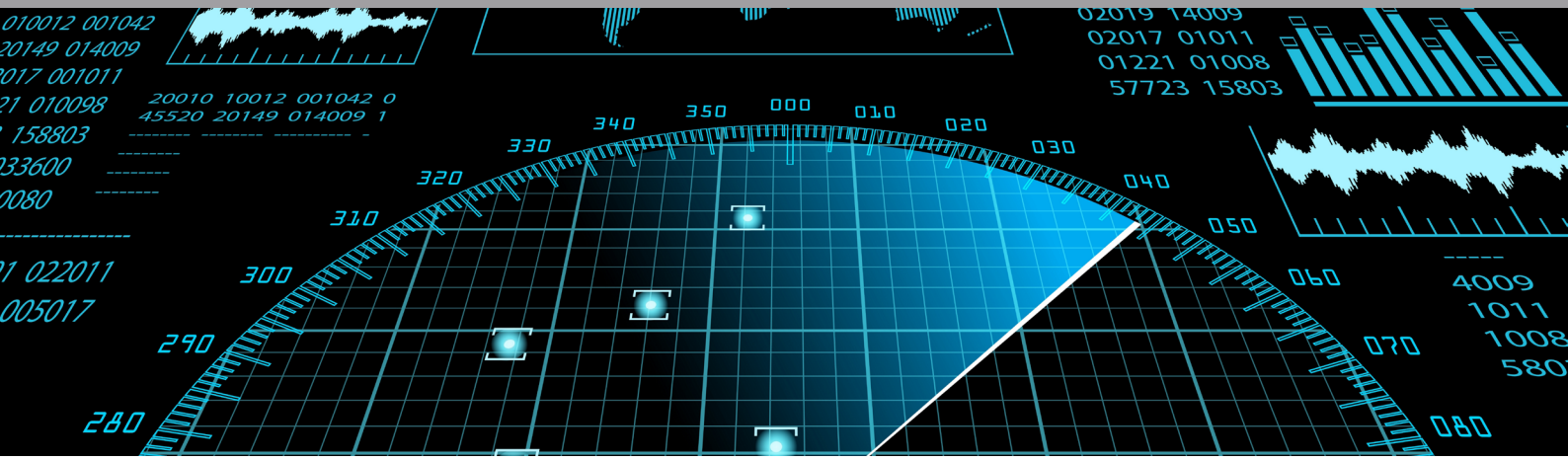
Another unique aspect of the fund is its number of holdings. While some managers find safety in numbers (100+ investments in an equity fund is the norm), the Yacktman may carry substantially fewer holdings, and overweight the top positions. For example, there are currently 29 equities and 5 bonds in the fund. Samsung holds the pole position, with an 8.51% weighting, while Procter & Gamble, Twenty-First Century Fox, PepsiCo, and Coca-Cola round out the top five.

With a reasonable expense ratio (for an open-ended fund) of 0.76%, we have added YACKX to the Dynamic Growth Strategy as a core holding.



WHAT DOES R-SQUARED MEASURE?

R-squared is a measure of an investment's correlation/performance to its stated benchmark. For example, if a fund mirroring the S&P 500 has an R-squared value of 100, it is completely correlated to the benchmark and performance of the index. An R-squared of zero means a fund has no correlation at all to its benchmark.



Under the Radar

Four companies being ignored—or missed—by the financial press

1 *BioSpecifics Technologies Corp*

Biotechnology

Collagenase is an enzyme which breaks down collagen in damaged tissue and helps healthy tissue to grow. While this substance can be produced by the human body as part of its normal immune response, it has been the target of a handful of biotech companies for use in the treatment of certain diseases. BioSpecifics Technologies Corp (BSTC $38-**$61**-$66) is one such company. This $450 million micro-cap makes injectable collagenase (CCH) to treat Peyronie's disease (PD) and a host of other maladies and indications, such as cellulite and lateral hip fat. Founded in 1957, BSTC made $16 million in profit TTM on nearly $30 million in revenue.

2 *Amplify Online Retail ETF*

Discretionary: e-Commerce

Does anyone believe we are at the saturation point for online retail? Even close? Neither do we. The Amplify Online Retail ETF (IBUY $37-**$44**-$55) is a $300 million ETF focusing on—as the name implies—online retailers. The fund is based on a globally-diverse benchmark of publicly-traded companies which derive 70% or more of their revenue stream from online or virtual sales. While the usual suspects are included in the current 44-name-strong lineup, like Amazon (AMZN) and PayPal (PYPL), some lesser-known names are at the top of the list. For example, education services company Chegg, Inc (think textbook rentals and online tutoring) is the largest holding. Few know about this fund, but it is worth keeping an eye on.

3 *Plains All American Pipeline LP*

Oil & Gas Storage & Transportation

Plains All American Pipeline LP (PAA $19-**$23**-$28) is a $17 billion midstream energy interest engaged in the transportation, storage, terminalling, and marketing of crude oil and liquid natural gas (LNG) in the US and Canada. With a relatively clean balance sheet (the company earned $1.2 billion on $33 billion in revenue TTM and has been reducing its debt/net worth ratio) and a strong portfolio of oil pipelines, Plains is well poised to take advantage of the increased demand for American light sweet crude. Additionally, the limited partnership has an extensive network of pipelines surrounding the lucrative Permian basin and Bakken Formation. PAA has a P/E ratio of 16 and a dividend yield of 5.15%.

4 *ON Semiconductor Corp*

Info Tech: Semiconductors

ON Semiconductor Corp (ON $15-**$23**-$27) is a $9 billion semiconductor company which provides high-performance analog and mixed-signal devices to original equipment manufacturers (OEM) and distributors. The Phoenix-based firm, founded in 1999, operates in three segments: Power Solutions Group (think batteries and power converters), Analog Solutions Group (amplifiers, memory solutions, microcontrollers), and Image Sensor Group (image and light sensors). With its tiny (for a tech company) P/E ratio of 10, expect ON to be a heavy player in the Internet of Things (IoT), 5G revolution.

Trading Desk

Actions we have taken at the Penn Trading Desk, plus a look at what other Wall Street analysts have to say...

A HALCYON MONTH IN THE MARKETS. NEW POSITIONS YIELDED POSITIVE RESULTS, AND PROFITS WERE TAKEN ON AN UNDERVALUED GEM.

Penn: Open SIG in ITP

After reporting a drop in YoY holiday sales of about 1.5%, and lowering guidance for 2019, investors punished jewelry conglomerate Signet (SIG $28-**$26**-$71) by pounding shares down below their 52-week lows—a 25% loss on the day. We have followed the owner of Zales, Kay, and Jared long enough to recognize this as an emotional overreaction. We added SIG to the Intrepid at $25 per share, which was right at the new 52-week low price. Our initial target is $40 per share, which would represent a 60% gain.

Penn: Open YACKX in DGS

While we don't typically add open-ended mutual funds to our portfolios (due primarily to higher fees and reduced tradability), every now and again one filters through our screeners that we just cannot ignore. Such was the case with the AMG Yacktman Fund, Institutional class (YACKX **$19.50**). We are in volatile times. Going into Q4, this fund's managers were over 30% in cash. They saw the trouble coming. Currently holding only around 30 stocks, the team looks for strong free cash flow and manageable debt levels. Their skill and discipline have paid off, year in and year out. While the S&P was busy losing over 6% during the past 52 weeks, the Yacktman was gaining nearly 3%. We replaced the Buyback Achievers Fund with this gem.

Penn: Open GOOGL in GLC

After Google parent Alphabet's (GOOGL $978-**$1,129**-$1,291) Q4 results came in, the stock was hammered down about 3% after hours. Odd, as the top and bottom lines handily beat. Investors didn't like the big uptick in CapEx, which hit a whopping $7 billion in the quarter. Investors completely misread the report, and we bought on the dip. We added GOOGL to the Global Leaders Club at $1,128.80/share.

Penn: Move T to SIP

To make room for Alphabet (GOOGL) within the Penn Global Leaders Club, we moved a quite-languishing AT&T (T $27-**$30**-$38) back into the Strategic Income Portfolio, along with its 6.89% dividend yield. We continue to believe in T's story, despite the share price, so we are not willing to let go of it. The GLC, however, holds only 40 positions, and the company wasn't really a good representative of that strategy's philosophy.

Canaccord: Raise TSLA target price

There are some companies generally loathed by the public, and others generally loved. Few, however, have such a "barbell" of opinions as EV-maker Tesla (TSLA $245-**$314**-$387). Elon Musk's auto company took a spike up after investment bank Canaccord Genuity reiterated its "buy" rating on the company and jacked its target price all the way from $330 to $450 per share—which would represent a 43% jump from the current price per share.

Penn: Open JWN in ITP

While investors are busy throwing all bricks-and-mortar retailers to the curb, they are missing out on the gems. Nordstrom (JWN $43-**$44**-$68), for example, has doubled its revenue over the past decade while keeping its net income at a very healthy level, yet the company's shares are floating near a 52-week low. JWN has a P/E ratio of 16. We took the latest drop as an opportunity to re-add the company to our Intrepid Trading Platform, picking up the shares at $44.30.

Penn: Close BBY in ITP

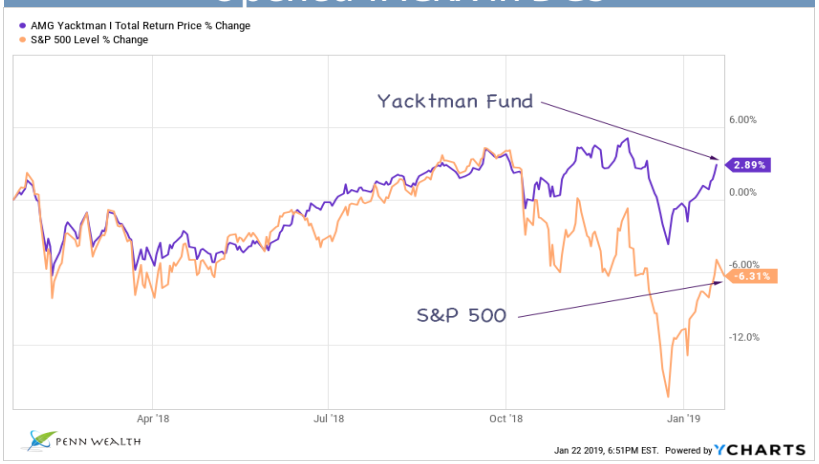
We knew Best Buy (BBY $48-**$70**-$84) was undervalued when we bought it ten weeks ago at $56.56/share. After spiking 17% on 27 Feb and hitting our $70 price target, we closed the position in the Intrepid, taking our 24% short-term profit to the bank.

Opened SIG in ITP

Signet is one of our favorite trading stocks

Opened YACKX in DGS

Yacktman's fund managers moved to over 30% cash before Q4 last year.

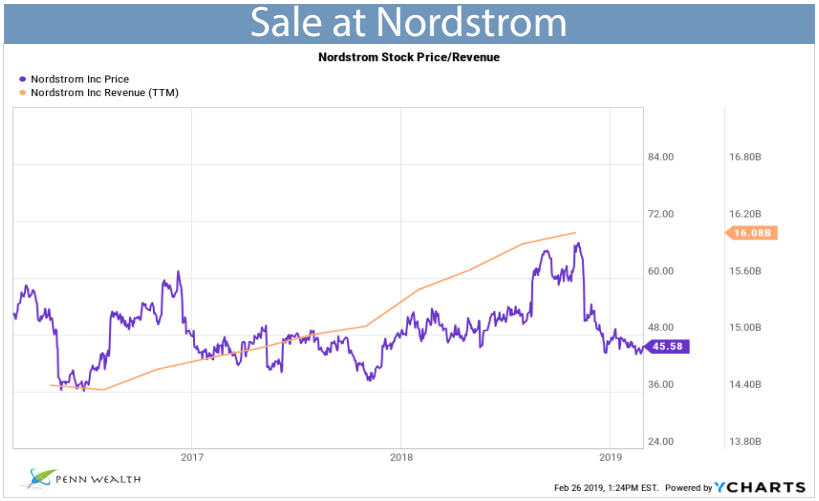


Opened GOOGL in GLC

Investors misread the Q4 earnings report, opening a buying opportunity.

Sale at Nordstrom

Nordstrom is one of the most well-run, higher-end department stores



Weekly Business Report

Electric Utilities

PG&E announces bankruptcy plans, CEO resigns, shares plummet

Three months ago, California's largest utility, PG&E Corp (PCG $9-**$9**-$49), had a market cap of $35 billion and a healthy dividend yield of over 4%. A regulated utility with a fat dividend—why on earth wouldn't a conservative investor pick up some shares for the income stream alone? If investors needed to feel better about a purchase, they only had to look at some of the glowing industry analyst reports on the company.

Then the California wildfires hit, with evidence pointing to sparks emanating from faulty Pacific Gas & Electric-managed power lines sitting at ground zero. The company's market cap shot down to $12 billion, and shares were slashed in half, from near $50 to $25.

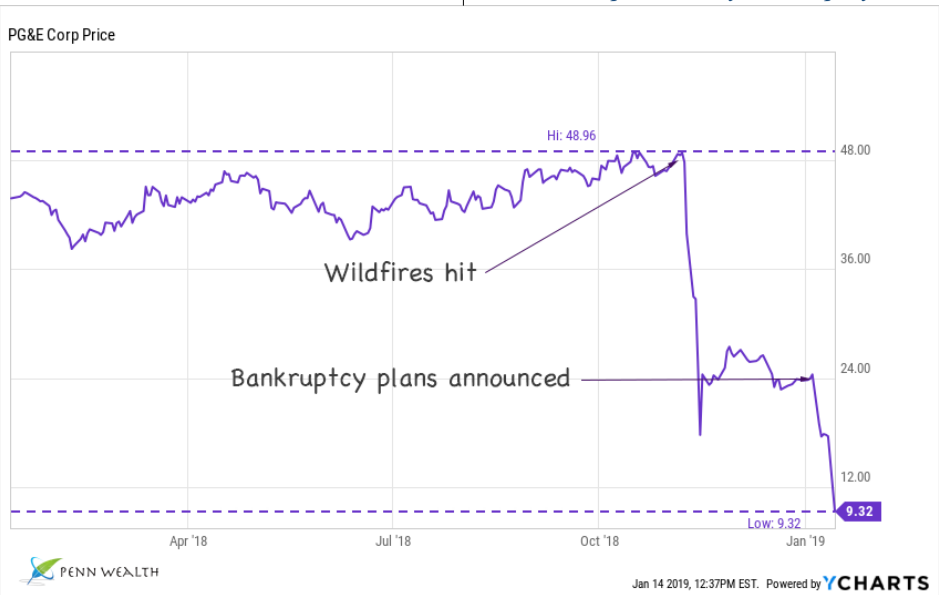
Fast forward to Monday the 14th of January, and we have the surprise announcement that the company would file for Chapter 11 bankruptcy protection. After that announcement, PG&E's market cap fell to under $5 billion, and shares were down 50%, to under $10 per share. The company was hoping for a reprieve from the California state government; instead, they received a deluge condemnation from lawmakers. This despite the fact that the California government's forest (mis)management policies have arguably exacerbated all of these recent forest fires.

So what happens next to the 114-year-old PG&E? In its comments on the plans to file for bankruptcy on or around 29 Jan, the company said it faces up to $30 billion in fire-related liabilities—just under its peak market cap. It also announced that CEO Geisha Williams was stepping down—effective immediately—and that the firm's general counsel would serve in the interim.

Obviously, a regulated utility which provides power to 16 million Californians cannot just cease to be. While operating under a court-supervised bankruptcy, citizens will continue to receive power and be billed for the energy (with rates increasing due to the filing), but shareholders and bondholders will be in for a rough ride (as if the 80% stock price hasn't been rough enough).

One ironic twist: California's renewable energy push will be dealt a setback, as alternative energy companies wishing to sell electricity to the region's regulated provider (PG&E) will find that task a lot more difficult with their customer operating under Chapter 11.

No investment is ever completely safe, but regulated utility companies are supposed to be "safer" alternatives to growth stocks. This is a great reminder for investors to make sure they understand a company (PG&E had filed for bankruptcy before) prior to investing. A full 85% of PCG stock was/is owned by institutions, which should be a good sign. It wasn't here, which means investors should always limit their exposure to any one company.



Economics: Happiness Index

What happened to those glowing reports on holiday retail sales?

Just a few months ago we wrote about the strong holiday retail sales figures, as noted in a release by Mastercard SpendingPulse. On Thursday morning, Dow futures went from up nearly double-digits to down nearly double-digits after a Commerce Department report flew in the face of those rosy numbers. What gives? How can two data points be so different for the same time period?

The Commerce Department's Advance Monthly Retail Trade Report shows a drop of just over 1% in consumer spending for the last month of the year, against expectations for a gain. Drilling down into the report, it gets even more depressing: outside of vehicles and building materials, every retail category dropped, with department store sales falling 3.3% year over year (YOY)—the weakest retail sales figure in nearly a decade.

We could chalk it up to the rise of the online retailer, but if we dig even deeper into the Commerce Department's figures we find a 3.9% decline in sales for mail-order and e-commerce vendors. After Wall Street digested this sour breakfast, the only thing keeping the indexes from falling further was the premise that Jay Powell just lost more oxygen for his rate hike argument.

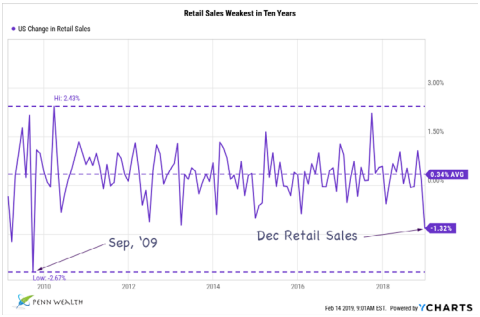
We have a different takeaway, however. The press gave this report way too much airtime. Back in December (it seems so long ago), consumers were dealing with two months of a plummeting stock market, talk of a slowing global economy, and the specter of a government shutdown (you can bet that somewhere around 800,000 government workers cut back on Christmas spending leading into the actual event).

Furthermore, we reject the argument that adding more to our $1 trillion outstanding credit card balance by spending with abandon is somehow good for the economy.

Yes, we are chronically drilled with the cliché that the US consumer accounts for two-thirds of GDP, but padding an economy with more consumer debt is an unsustainable condition. Maybe, just maybe, the American consumer became a bit more responsible this past Christmas season.

A brief collection of our favorite stories from the past few weeks...

The press made too much of this report, and we probably did as well. After decades of following government releases on the state of the economy, we have been amazed at just how often they (the releases) have been quickly refuted with new data. We expect that willl be the case this time as well.



Food Products

Kraft Heinz loses one-quarter of its value, and Buffett's Berkshire is paying the price

The deal felt smarmy to us from the beginning. A storied American company, Kraft Heinz (KHC $35-**$35**-$70), being purchased by a Brazilian company thanks to the help of Berkshire Hathaway's (BRK.B) Warren Buffett. The price? $72.50 per share. At the time of the purchase, back in 2013, Buffett said "This is my kind of deal." Now, after falling 25% in one morning, KHC sits at $35 per share, and Berkshire earnings are getting cut in half due to the meltdown of the company's largest holding. Buffett's company is taking a nearly $4 billion hit on the massive drop.

The loss of one-quarter of its (KHC's) market cap was the result of a slew of bad news being thrown at investors in the earnings release: The company would take a $15.4 billion write-down on its two biggest names, Kraft and Oscar Meyer; the KHC dividend would be slashed by 36%; both revenue and earnings came in well below expectations; oh, and the SEC is investigating the firm for its accounting policies and internal controls. A number of industry analysts cut their ratings on the company after the shockingly-bad report.

Pardon us while we shed some crocodile tears for this formerly-great American company, now controlled by Buffett, Berkshire, and Brazil's 3G. It has used questionable tactics to go after rivals, it has allowed 3G to employ their typical "slash and burn" cost-cutting tactics (with employees paying the price), and it is in an industry which consumers are now shunning. Let's see what the "oracle of Omaha" has to say about this mess at the annual Berkshire sycophant-fest this May.

Industrial Conglomerates

If GE sells (all of) its units, it will be able to pay down (some of) its debt

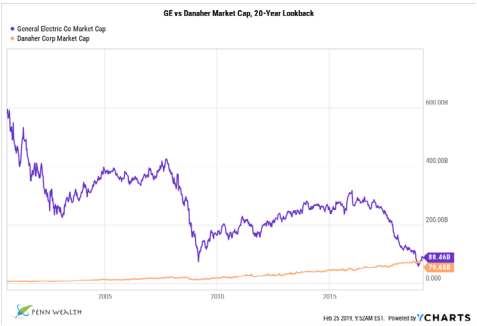
It is so sad what has happened to one of America's great companies. Through rotten "leadership," beginning with Jeffrey Immelt, General Electric (GE $7-**$12**-$16) has become a comical shell of its former self. Here's the latest: the $88 billion company, once the largest company in the world, has agreed to sell its biotech unit to Danaher (DHR $95-**$121**-$121) for $21 billion to pay down some of its debt.

Once a universe apart in market cap, the two companies are now approximately the same size. It should be noted that GE's current CEO, Larry Culp, was once the CEO of Danaher, which makes this deal all the more interesting.

For fun, let's compare the two companies' financials. GE has a market cap, as mentioned, of $88 billion. It has total current liabilities of $110 billion and long-term liabilities of $148 billion. As for Danaher, the company has a market cap of $85 billion, current liabilities of $5 billion, and long-term liabilities of $15 billion. But it gets even better. GE's overhead includes the salaries of 313,000 workers around the world.

Costly enough, but that is nothing compared to its underfunded pension plan. GE has over 600,000 past and current workers covered by a defined-benefit pension plan (as opposed to the modern-day defined contribution plan, such as the common 401(k)). While workers have been promised roughly $100 billion in payments by the company, it only has $70 billion set aside for those payments (i.e. it is underfunded to the tune of $30 billion). While the $21 billion it gets from the sale of its biotech unit will help, it will also lose the $3 billion per year in revenue currently generated by that unit. GE was up 15% on the news of this deal.

Larry Culp claims to have a strategic plan for GE's turnaround, but it has yet to crystalize in any way we can see. Investors applauded the plan to pay down a bit of the company's massive debt load, but the systemic issues remain.



Global Debt

Nearly one-quarter of all government notes around the world now carry a negative yield

For the minority of economists arguing for more Fed rate hikes, the chief argument has been that the central bank needs to re-stock its ammo pile to be prepared for the next economic downturn. The higher the rates, the more the government can lower those rates to spur economic activity. Compared to the rest of the world, however, it appears that the US Treasury has the largest stockpile of ammo.

It is a difficult concept to fathom, but right now nearly one-quarter of all government-issued notes around the world offer a negative yield to investors. $8 trillion worth of bonds around the world will pay investors precisely zilch in interest. That is wrong in so many ways, but here's the most pressing concern: economic activity around the world is slowing, but the central banks will watch their respective economies fall while they sit with their hands tied behind their backs.

Japan and developed Europe—especially Germany—are the most at risk, in our opinion. On the sliding yield curve, you would have to go out eight years to find a German bond yielding anything above 0.0%. On a bright note, Japan's 10-year bond now offers investors a positive yield: 0.01%. Incredible.

A lot of blame for the economic slowdown has been placed on Trump's trade battle with China, but global government wonks need to look in the mirror to find the real culprit—it has simply been too easy of an "out" to put new charges on the government credit card.

Odds are great that we will see a US/China trade deal reached soon. However, this will not be a panacea for the global debt crisis. Responsible government behavior is the only solution, but—from Brussels to Tokyo to DC—when is the last time we saw that manifest in a real and lasting manner?

e-Commerce

Stamps.com cut in half in one day

It always seemed like an odd business model to us: in a world going away from physical mail, sell (ultra-low-margin) postage stamps online. Nonetheless, Stamps.com (STMP $82-**$99**-$286) made it work—at least until last week. After ending its exclusive partnership with the USPS, the company's shares went from $200 to $100 in one session. Of course, the smarmy lawyers immediately came out of their hovels to begin soliciting investors for a massive class action lawsuit.

5G will change the way Americans live on a daily basis, but the technology is not yet in place. *Photo licensed.*

Telecommunication Services

Why is Sprint suing AT&T over what you see at the top of your smartphone?

Just how big is the 5G revolution? From a speed standpoint, imagine everything you do via the internet, whether on your mobile device or laptop, transpiring at least ten times faster—and that is a conservative estimate. But 5G is so much more. It will allow the "Internet of Things," or IoT, to become a reality. Virtually everything you use, from the car you drive to your home appliances, will become "connected." It is not a stretch to say it will change the way we live.

Here's the thing, though: 5G isn't available yet. The technology requires that a much higher frequency—millimeter wave bandwidth, or mmWave—be used, and the infrastructure buildout effort will be enormous. But, that hasn't stopped AT&T (T $27-**$30**-$38) from running a massive campaign built around their "5GE" technology, which is nothing more than a dressed-up version of their 4G LTE system. In other words, it is not, in any way, 5G technology (the "E" stands for evolution, by the way). In addition to the ad campaigns, the company has been persuading hardware companies like Apple (AAPL) to put the "5GE" label on the top of their smartphones, where users typically see something like "LTE" when they are out of wi-fi range.

This is clearly a questionable tactic, to say the least, and it has the other carriers fuming. Sprint (S), in fact, has filed a lawsuit in federal court against AT&T which states, in part, that "the significance of AT&T's deception cannot be overstated." Despite holding the telecom giant in our Strategic Income Portfolio, we completely agree with the complaint. It is clearly—in our minds—deception. T will be one of the first companies to roll out 5G technology, but that doesn't give them the right to fool consumers.

Investors, as well as consumers, should be incredibly excited about the rollout of 5G technology. The investment opportunities created by the IoT will be bountiful. Here's something many Apple critics probably haven't considered: everyone who wants blazing-fast speed (and isn't that all of us?) using the new technology will need a brand new smartphone equipped to handle the mmWave bandwidth, which will lead to massive demand for new iPhones. And that is something Tim Cook is certainly well aware of.

Interactive Media & Services

Despite a massive beat, Alphabet shares tumbled after the earnings release

The figures are staggering. For the fourth quarter, Google parent Alphabet (GOOGL $978-**$1,129**-$1,291) reported revenue of $39.3 billion—a 22% spike from the same quarter in the previous year. But what about earnings? They came in at $12.77 per share, versus expectations for $10.86 per share. Investors rewarded these glowing numbers by chipping 3% off of the share price after hours.

What bothered the fickle investment community? The operating margin contracted a bit (21% versus 29.6% in Q4 of 2017) because of the company's enormous research and development budget. In Q4, Google had $7.1 billion in capital expenditures (CapEx), with $6 billion of that going to R&D. Compare that to the $4.3 billion it spent a year earlier, and we have some spooked investors.

Isn't that supposed to be a good thing? A company actually staying on the cutting edge instead of performing some type of financial engineering wizardry to make the numbers look a certain way? Google's very capable CFO, Ruth Porat, did say that CapEx spending should be more in line with previous years' spending for the remainder of 2019, but it costs a lot of money to invest in the type of industries the company sees at the core of its strategic future, like artificial intelligence and autonomous vehicles. In the meantime, advertisers overwhelmingly find Google the most effective way to attract new business, providing the company with a steady revenue stream to fund future ventures.

Love 'em or hate 'em, Google remains the dominant player in digital advertising, not to mention its wide array (hence the name change to Alphabet) of other money-making units. It would be fair to consider them the sector's version of General Electric in the 1950s and '60s. With a rock solid management team, the company is undervalued at its current price.

Multiline Retail

JC Penney to stop selling appliances; furniture will be only available online

It was just three years ago that JC Penney (JCP $1-$1-$5) CEO Marvin Ellison spearheaded "Project Silver," which brought back appliances to the store after a 33-year absence in the space. Now, with Ellison gone, new CEO Jill Soltau has made one of

her first major strategic decisions: the store will stop selling appliances, and will only sell furniture online and in a very few, select stores.

This actually makes a lot of sense, despite the argument that Sears' (SHLD) demise will have shoppers looking elsewhere in the mall for their household appliances. The segment has a very thin profit margin, and the company—whose shares are now trading at $1.33—does not have the luxury of using valuable space for low-margin items. The same goes for furniture, though they are not abandoning that business altogether.

It is rather interesting to see how the background of each of JC Penney's last three CEOs impacted the decisions they made at the retailer. The bumbling Ron Johnson, who spearheaded the Apple store format when he was with the Cupertino tech giant, tried to bring the concept to JCP locations with segmented little "stores within a store." That alienated Penney's customer base quickly. Ellison, who had come from Home Depot (and who is now the Lowe's CEO) brought in appliances—akin to what is available at the home improvement stores. Jill Soltau's background is in retail fashion and fabrics, having just come from Jo-Ann Stores. She wasted no time in dumping the appliances to create more room for fashion. Hopefully, the third time (CEO) is the charm.

We saw the demise of Radio Shack and Sears coming well before their respective management teams knew what hit them—they were too close to the problem to see it rationally. We don't feel that way about JCP. Its demise is certainly not set in stone, but it needs to act quickly and decisively. Once again, it will all distill down to leadership—either it will be there or it won't. And the livelihood of around 100,000 employees will be dependent upon the answer to that question.

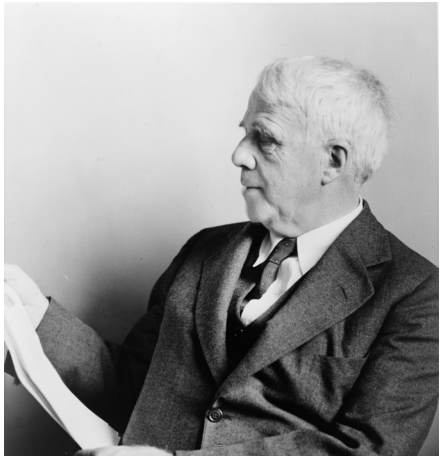
Quotes of the Week *(For more, visit our blog at PennWealth.wordpress.com)*

1919, Notman Photo Co.; Public Domain

Good vs Evil

"Little progress can be made by merely attempting to repress what is evil; our great hope lies in developing what is good."

—Calvin Coolidge



By Fred Palumbo; Public Domain

Humor

"Don't ever take a fence down until you know why it was put up."

—Robert Frost

By Frans Hals; Public Domain

Emotional Control

"Whenever anyone has offended me, I try to raise my soul so high that the offense cannot reach it."

—René Descartes

Penn Strategies

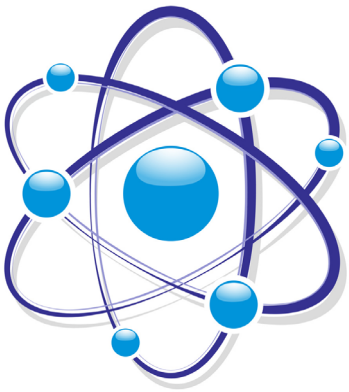
Penn Strategic Income Portf

Asset Class	Classification	Sym	Yield	Name
Allocation	Balanced Open End	BALFX	**2.01%**	American Func
Income	Bank Loan	SRLN	**4.85%**	SPDR® Blacksto
Allocation	Convertibles	CWB	**5.91%**	SPDR® Blmbg E
Taxable Bond	Corporate Bond	LQD	**3.64%**	iShares iBoxx $
Worldwide Bond	Emerging Markets Bond	PCY	**4.86%**	Invesco Emerg
Corporate Bond - High Yield	High Yield Bond	HYT	**8.69%**	BlackRock Corp
Government Bond - Treasury	Intermediate Government	GOVT	**1.96%**	iShares US Tre
Income	Intermediate-Term Bond	BOND	**3.46%**	PIMCO Active I
Growth and Income	Intermediate-Term Bond	TOTL	**3.40%**	SPDR® Doublel
Income	Multisector Bond	NFLT	**4.77%**	Virtus Newflee
Corporate Bond - High Yield	Nontraditional Bond	HYZD	**5.31%**	WisdomTree In
Corporate Bond - General	Nontraditional Bond	IGIH	**4.76%**	Xtrackers Inv G
Growth and Income	Preferred Stock	PFF	**6.11%**	iShares US Pre
Equities	Regulated Electric Utilities	EIX	**4.09%**	Edison Interna
Specialty - Real Estate	REIT	ADC	**3.54%**	Agree Realty C
Specialty - Real Estate	REIT	O	**4.10%**	Realty Income
Specialty - Real Estate	REIT	VNQ	**4.54%**	Vanguard Real
Growth and Income	Short-Term Bond	IGSB	**2.45%**	iShares Short-T
Worldwide Bond	World Bond	TPINX	**6.44%**	Templeton Glo

Penn Strategic Income Portfolio

olio (sorted by classification)

	52 Wk Low	Price	52 Wk Higl	1-yr return	Stop	Duration
ds American Balanced F1	$26.04	**$27.09**	$28.13	8.84%		5.90
one / GSO Senior Loan ETF	$44.37	**$45.89**	$47.69	1.71%		N/A
Barclays Convert Secs ETF	$45.13	**$48.84**	$54.99	-0.49%		N/A
$ Invmt Grade Corp Bd ETF	$111.25	**$113.75**	$121.18	-2.39%		8.27
ing Markets Sov Debt ETF	$25.56	**$26.79**	$29.63	-4.65%		N/A
p High Yield	$8.95	**$9.83**	$11.07	-3.35%		N/A
asury Bond ETF	$24.05	**$24.79**	$25.00	1.47%		5.79
Bond ETF	$100.80	**$103.05**	$105.83	1.08%		5.65
Line Total Return Tact ETF	$46.63	**$47.55**	$48.50	1.52%		4.56
et Multi-Sect Bd ETF	$22.19	**$23.64**	$25.29	-2.00%		N/A
nterest Rt Hdg Hi Yld Bd ETF	$21.10	**$23.09**	$24.42	0.64%		-0.01
Grd Bd Intst Rt Hdg ETF	$20.99	**$22.81**	$24.99	-2.57%		N/A
ferred Stock ETF	$33.26	**$35.36**	$38.22	-1.79%		4.60
tional	$45.50	**$59.32**	$71.00	-1.05%	$44.00	N/A
Corp	$43.74	**$60.91**	$63.00	27.97%		N/A
Corp	$47.25	**$64.29**	$66.91	26.53%		N/A
Estate ETF	$71.08	**$77.75**	$84.55	2.60%		N/A
Term Corporate Bond ETF	$50.59	**$51.80**	$52.25	1.63%		2.70
obal Bond A	$11.21	**$11.45**	$12.13	1.17%		-1.34



Penn Strategies

Penn Dynamic Growth Str

Specialty	Symbol	Name	Function	Style
Aerospace & Defense	ITA	iShares US Aerospace & Defense ETF	Satellite	Industry
Commodities	DBC	Invesco DB Commodity Tracking	Satellite	Sector
Consumer Staples	XLP	Consumer Staples Select Sector SPDR® ETF	Satellite	Sector
Cybersecurity	CIBR	First Trust NASDAQ Cybersecurity ETF	Satellite	Thematic
Emerging Markets	IEMG	iShares Core MSCI Emerging Markets ETF	Satellite	Strategy
Emerging Markets	BIKR	Rogers AI Global Macro ETF	Satellite	Strategy
Energy	XLE	Energy Select Sector SPDR® ETF	Core	Sector
Health Care	VHT	Vanguard Health Care ETF	Satellite	Industry
Industrials	XLI	Industrial Select Sector SPDR® ETF	Satellite	Industry
Large-Cap Blend	PKW	Invesco BuyBack Achievers ETF	Satellite	Market Ca
Large-Cap Growth	RPG	Invesco S&P 500® Pure Growth ETF	Core	Market Ca
Large-Cap Value	USMV	iShares Edge MSCI Min Vol USA ETF	Core	Strategy
Mid-Cap Blend	NFO	Invesco Insider Sentiment ETF	Satellite	Market Ca
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF	Core	Market Ca
Mid-Cap Value	VOE	Vanguard Mid-Cap Value ETF	Core	Market Ca
Precious Metals	GLD	SPDR® Gold Shares	Satellite	Commodit
Real Estate	ICF	iShares Cohen & Steers REIT ETF	Satellite	Strategy
Small Cap Growth	IJT	iShares S&P Small-Cap 600 Growth ETF	Core	Market Ca
Technology	XLK	Technology Select Sector SPDR® ETF	Satellite	Sector
Utilities	XLU	Utilities Select Sector SPDR® ETF	Satellite	Sector

Penn Dynamic Growth Strategy

rategy (sorted by specialty)

	52 wk Low	Price	52 wk High	1-year Return	RSI	Notes
	$160.29	$181.80	$218.83	-6.23%	55	
	$14.32	$15.32	$18.65	-7.94%	54	only in IRA accts to avoid K-1 filing
	$48.33	$51.63	$58.95	-6.11%	46	
	$21.84	$24.49	$28.92	1.80%	55	
	$45.35	$49.03	$62.70	-14.97%	58	
	$22.80	$23.93	$30.84	N/A	N/A	
	$53.36	$62.01	$79.42	-16.66%	54	
	$148.31	$164.64	$181.92	3.80%	53	
	$59.92	$67.87	$80.96	-12.91%	55	
p	$48.95	$54.58	$63.49	-10.41%	53	
p	$93.10	$104.44	$121.47	-4.49%	56	
	$49.50	$53.34	$57.67	2.03%	51	100 least vol S&P stocks; rebal qtrly
p	$53.28	$58.54	$67.18	-6.72%	52	
p	$105.97	$119.63	$137.73	-3.90%	57	
p	$89.59	$100.06	$117.97	-10.78%	54	
y	$111.06	$121.80	$129.52	-2.90%	64	
	$88.40	$98.78	$106.14	5.75%	53	
p	$151.27	$170.77	$209.28	-1.78%	56	
	$57.57	$63.54	$76.27	-2.93%	51	
	$47.37	$53.23	$57.18	8.94%	47	

Penn Strategies

Penn Global Leaders Club

Sector	Industry	Symbol	Company	1-Yr Low
Basic Materials	Chemicals	EMN	Eastman Chemical Co	$67.40
Communication Services	Interactive Media & Services	FB	Facebook Inc	$123.02
Communication Services	Media & Entertainment	DIS	Walt Disney Co	$97.68
Communication Services	Telecom Services	T	AT&T Inc	$26.80
Consumer Cyclical	Home Improvement Stores	HD	The Home Depot Inc	$158.09
Consumer Cyclical	Restaurants	MCD	McDonald's Corp	$146.84
Consumer Cyclical	Specialty Retail	AMZN	Amazon.com Inc	$1,265.93
Consumer Defensive	Discount Stores	DG	Dollar General Corp	$85.54
Consumer Defensive	Discount Stores	WMT	Walmart Inc	$81.78
Consumer Defensive	Grocery Stores	KR	The Kroger Co	$22.85
Consumer Defensive	Packaged Foods	GIS	General Mills Inc	$36.42
Energy	Oil & Gas Equipment & Services	SLB	Schlumberger Ltd	$34.99
Energy	Oil & Gas Integrated	CVX	Chevron Corp	$100.22
Energy	Oil & Gas Refining & Marketing	MPC	Marathon Petroleum Corp	$54.29
Financial Services	Banks - Global	RY	Royal Bank of Canada	$65.76
Financial Services	Capital Markets	LAZ	Lazard Ltd	$33.54
Financial Services	Credit Services	COF	Capital One Financial Corp	$69.90
Financial Services	Credit Services	V	Visa Inc	$111.02
Healthcare	Biotechnology	AMGN	Amgen Inc	$163.31
Healthcare	Biotechnology	CELG	Celgene Corp	$58.59
Healthcare	Drug Manufacturers - Major	BMY	Bristol-Myers Squibb Co	$44.30
Healthcare	Drug Manufacturers - Major	PFE	Pfizer Inc	$33.20
Healthcare	Medical Devices	MDT	Medtronic PLC	$76.41
Healthcare	Medical Instruments & Supplies	BAX	Baxter International Inc	$61.05
Healthcare	Medical Instruments & Supplies	STE	STERIS PLC	$82.88
Industrials	Aerospace & Defense	BA	Boeing Co	$292.47
Industrials	Aerospace & Defense	RTN	Raytheon Co	$144.27
Industrials	Aerospace & Defense	UTX	United Technologies Corp	$100.48
Industrials	Airlines	DAL	Delta Air Lines Inc	$45.08
Industrials	Integrated Shipping & Logistics	FDX	FedEx Corp	$150.94
Industrials	Railroads	UNP	Union Pacific Corp	$121.22
Real Estate	REIT - Office	DLR	Digital Realty Trust Inc	$96.56
Real Estate	REIT - Residential	ESS	Essex Property Trust Inc	$214.03
Technology	Consumer Electronics	AAPL	Apple Inc	$142.00
Technology	Electronic Components	GLW	Corning Inc	$26.11
Technology	Semiconductor Equipment & Materials	AMAT	Applied Materials Inc	$28.79
Technology	Software - Application	ADBE	Adobe Inc	$179.34
Technology	Software - Infrastructure	MSFT	Microsoft Corp	$83.83
Utilities	Utilities - Diversified	EXC	Exelon Corp	$35.57
Utilities	Utilities - Regulated Electric	SO	Southern Co	$42.38

Penn Global Leaders Club

(sorted by sector/industry)

Price	1-Yr High	Stop	Mkt Cap ($M)	Rev TTM ($M)	Prft Mgn TTM	Free $ Flow TTM ($M)	PE Ratio
$76.90	112.45		$10,765	10,137	15.16%	$857	7
$143.80	218.62		$413,251	51,896	37.58%	$17,450	22
$112.65	120.20		$167,699	59,434	21.20%	$9,830	13
$30.87	39.29		$224,672	164,439	20.40%	$20,614	6
$179.41	215.43		$202,649	105,595	10.00%	$10,072	20
$182.37	190.88		$140,591	21,202	24.56%	$4,056	28
$1,640.56	2,050.50		$802,182	220,957	4.03%	$13,361	92
$116.06	118.45		$30,510	25,105	7.24%	$1,465	17
$94.84	109.98		$275,535	511,879	1.01%	$18,428	55
$28.43	32.74		$22,680	124,102	2.99%	$1,163	7
$41.80	60.69	None	$24,944	16,278	12.48%	$2,054	12
$41.74	80.35		$57,802	32,815	-2.00%	$3,469	N/A
$112.54	133.88		$215,039	154,945	9.17%	$14,295	15
$64.87	88.45		$44,816	85,226	4.59%	$3,054	8
$72.79	87.10		$104,731	33,073	29.14%	$12,043	11
$36.86	60.00		$4,352	2,818	11.72%	$550	15
$80.94	106.50		$38,338	27,507	13.75%	$12,218	11
$138.06	151.56		$313,642	20,609	49.98%	$11,995	31
$200.56	210.19		$127,801	23,319	9.44%	$10,448	53
$87.40	107.29	$65.00	$61,115	14,727	19.64%	$4,182	22
$47.99	70.05	$50.00	$78,329	22,037	6.50%	$3,713	54
$42.88	46.47		$247,867	53,373	44.63%	$15,669	11
$84.84	100.15		$113,944	30,378	7.44%	$4,864	51
$66.81	78.38		$35,552	11,060	10.90%	$1,163	30
$110.00	121.67		$9,295	2,696	11.72%	$314	30
$352.90	394.28		$200,407	96,943	10.41%	$13,558	21
$159.17	229.75		$45,296	26,481	9.33%	$1,792	19
$109.95	144.15		$94,929	64,137	7.76%	$4,524	18
$48.56	61.32		$33,294	44,030	8.07%	$2,693	10
$170.99	274.66		$44,636	68,716	7.23%	-$321	9
$153.21	165.63		$112,884	22,525	51.90%	$4,919	10
$106.64	125.10		$21,998	3,000	11.78%	$1,376	80
$249.43	267.41		$16,479	1,392	27.01%	$747	44
$152.29	233.47	None	$722,677	265,595	22.41%	$64,121	13
$30.05	36.56	$29.75	$24,052	10,892	-5.86%	$617	N/A
$34.78	62.40		$33,340	17,253	19.20%	$3,165	11
$237.55	277.61		$115,956	9,030	28.69%	$3,763	46
$102.80	116.18		$789,115	114,906	16.38%	$31,999	43
$45.79	47.40		$44,279	35,523	10.47%	$957	12
$46.61	49.43		$47,957	23,786	10.35%	-$1,246	20

Penn Strategies

Penn Intrepid Trading Platfo

Symbol	Company	Industry
AYR	Aircastle Ltd	Rental & Leasing Services
AMAT	Applied Materials Inc	Semiconductor Equipment & Materials
ACQ.TO	AutoCanada Inc	Auto & Truck Dealerships
BECN	Beacon Roofing Supply Inc	Building Materials
KMX	CarMax Inc	Auto & Truck Dealerships
EIX	Edison International	Utilities - Regulated Electric
GMED	Globus Medical Inc	Medical Devices
NAVI	Navient Corp	Credit Services
JWN	Nordstrom Inc	Department Stores
SIG	Signet Jewelers Ltd	Luxury Goods
STRT	Strattec Security Corp	Auto Parts
SYMC	Symantec Corp	Software - Application
TGT	Target Corp	Discount Stores
TX	Ternium SA	Steel
TRN	Trinity Industries Inc	Railroads

Penn Intrepid Trading Platform

orm (sorted by company name)

52 wk Low	Price	52 wk High	Stop	Mkt Cap ($M)	Rev TTM ($M)	Profit Mgn TTM	PE
$15.75	**$19.71**	$23.14		$1,481	$885	28.03%	6
$28.79	**$38.94**	$62.40		$36,969	$16,802	23.50%	10
$8.36	**$12.55**	$23.86		$344	$3,101	-1.16%	N/A
$24.97	**$35.97**	$56.96		$2,462	$7,018	0.43%	N/A
$55.24	**$59.97**	$81.67	$54.00	$10,200	$17,939	4.30%	14
$45.50	**$62.53**	$71.00	$44.00	$20,373	$12,657	-3.34%	N/A
$38.01	**$46.76**	$57.83		$4,613	$713	21.95%	30
$8.23	**$11.98**	$15.03		$2,929	$1,942	20.34%	8
$43.04	**$45.32**	$67.75		$7,156	$15,860	3.56%	14
$23.61	**$27.76**	$71.07		$1,441	$6,386	-3.10%	N/A
$28.12	**$30.52**	$40.40		$114	$464	-2.53%	N/A
$17.43	**$22.10**	$29.20		$14,127	$4,752	-1.30%	N/A
$60.15	**$76.47**	$90.39	$53.00	$39,905	$74,526	4.36%	13
$25.52	**$28.71**	$42.43	$23.50	$5,636	$11,634	13.17%	4
$18.99	**$23.14**	$39.35		$3,086	$2,509	6.35%	21

Penn Strategies

Penn New Frontier Fu

Symbol	Company	Price	Mkt Cap ($M)	Rev TTM ($M)	Profit TT
AJRD	Aerojet Rocketdyne Holdings Inc	$34.64	$2,715	$1,896	7.2
ATRO	Astronics Corp	$33.33	$1,239	$803	5.8
LGND	Ligand Pharmaceuticals Inc	$119.00	$2,433	$251	57.
NKTR	Nektar Therapeutics Inc	$38.39	$6,684	$1,193	57.
VRTX	Vertex Pharmaceuticals Inc	$187.81	$48,015	$3,048	68.
BIIB	Biogen Inc	$326.83	$64,290	$13,453	32.
TEVA	Teva Pharmaceutical Industries Ltd	$16.73	$18,229	$18,854	-11.
GLW	Corning Inc	$34.69	$27,293	$11,290	9.4
ARW	Arrow Electronics Inc	$79.00	$6,708	$29,677	2.4
CTSH	Cognizant Technology Solutions Cor	$71.38	$41,051	$16,125	13.
EPAM	EPAM Systems Inc	$161.68	$8,759	$1,843	13.
PLAB	Photronics Inc	$9.78	$656	$537	7.7
UCTT	Ultra Clean Holdings Inc	$10.69	$417	$1,097	3.3
LRCX	Lam Research Corp	$173.54	$26,481	$10,871	26.
AVGO	Broadcom Inc	$276.97	$109,709	$20,848	58.
HIMX	Himax Technologies Inc	$3.77	$649	$724	1.1
CVLT	CommVault Systems Inc	$65.39	$3,001	$714	0.5
FTNT	Fortinet Inc	$83.97	$14,328	$1,801	18.
SYMC	Symantec Corp	$22.10	$14,127	$4,752	-1.

Penn New Frontier Fund

nd (sorted by industry)

t Mgn TM	Free $ Flow TTM ($M)	PE Ratio	Industry
24%	$210	20	Aerospace & Defense
33%	$39	24	Aerospace & Defense
00%	$194	21	Biotechnology
09%	$704	N/A	Biotechnology
80%	$1,175	23	Biotechnology
93%	$5,302	15	Drug Manufacturers - Major
40%	$1,795	N/A	Drug Manufacturers - Specialty & Generic
4%	$609	N/A	Electronic Components
1%	$117	10	Electronics Distribution
03%	$2,215	20	Information Technology Services
04%	$255	38	Information Technology Services
72%	-$108	17	Semiconductor Equipment & Materials
34%	$16	N/A	Semiconductor Equipment & Materials
70%	$2,841	10	Semiconductor Equipment & Materials
80%	$8,245	10	Semiconductors
18%	-$47	72	Semiconductors
57%	$90	N/A	Software - Application
44%	$586	44	Software - Application
30%	$1,024	ERR: NO DATA	Software - Application

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