

## The World MoneyShow Orlando, January 29 - February 1, 2014

## RAW UNEDITED TRANSCRIPT:

Friday, January 31, 2014: 12:15 pm - 1:45 pm **3 Stocks to Buy and 3 Stocks to Sell Now!**Terry Savage, Jack Ablin, Jim Jubak, Louis Navellier, Ned Riley, Eric Vermulm

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TERRY SAVAGE: Ladies and gentlemen, I know you're interested in getting the hot stock tips and picks—no they're picks, not tips, so we want to get going. I'm Terry Savage and I'll be your moderator for today. I know some of you and I'll introduce myself better in a moment, but first let me tell you this luncheon wouldn't be possible without the constant, every year I think it is, support of Petra Voss, so let's have a few words from Halder Latey (SP?). Thank you.

HALDER LATEY: Thank you. Good afternoon everyone. On behalf of Petra Voss, I would like to thank you very much for coming. For several years Petra Voss has been attained on the Money Show and it is always a great opportunity for us to meet our shareholders and with our show investors. Thank you again for the opportunity. It is a pleasure to be here with you. Enjoy your lunch, enjoy your show, and a nice party for you. Thank you very much.

TERRY SAVAGE: Thank you. We thank you and we thank Petra Voss for being our constant supporter, especially for this wonderful event which I've had the privilege of moderating in the past actually. My name is Terry Savage. If you search the Moneyshow.com website, you'll see personal finance articles I've written over the years. I've been a friend of the Gifflers for too many years to say publicly, but I do, we all do remember doing an event in Bermuda in spring of 1980, I believe it was, so that's how far we go back. I love doing the programs with them. I write a syndicated column and my website is Terrysavage.com, if you want to know more about me. I don't sell anything, I don't have any clients. I just love being up here in the midst of some of the smartest minds. I want to reiterate what Kim Giffler always says. I could do her speech by heart—we share the same sentiments. We brought together the smartest guys in the room, no doubt about that. They always have interesting ideas. I've kept their notes for years and years and J think you would have come out far ahead following them. That said, each stock you buy should be done with a look at your own risk tolerance, your own time horizon, you own perspective, in terms of your entire financial picture. So, while you will get some great ideas today--again, write them down, put stars next to them—I always do for the ones that I want to buy. I'll tell you a short story I wrote maybe 15-20 years ago. There was a biotech analyst and I said give me one stock that I can buy and hold for a long time...I'm not much of a trader, and I bought the stock at \$5 or \$6 a share, not a lot. I kept it and I kept it and I ran into him here in Orlando maybe four or five years ago and I said, you know, I've still got this stock. He said, you kept it all this time. He said you know they're being bought out at 20 something or 60 something—I forget what it was----a huge premium to the purchase price. I said yes, what do I do? He said you sell it out to this offering, so I'm not a trader myself so some of these stocks may be either trades for you or long-term investments.

Let's get started by meeting our panelists and I'm going to ask them each to say one thing about their philosophy of the market, how they pick stocks and what they think of the market now, before we get to their picks. On our far left is Jack Ablin, Chief Investment Officer and Executive Vice President of BMO, that's Bank of Montreal, a Private Bank. Jack Ablin's—you can read the bios, you have them—Jack Ablin is quoted everywhere in the world, so instead of taking up that time, Jack where are we now in the market? How do you choose? How did you come up with the picks you'll give us?

JACK ABLIN: Sure, what I do and what we do at BMO Private Bank is really look at the world from 30,000 feet, take a macro-view, and really try to understand how much risk we want to take for our clients at any given time. Once we've identified how much risk we want to take, then it's our job to allocate that risk. Where do we find the best opportunities? Where do we find the most risk to avoid in building our client portfolio, so really, it's just an active asset allocation approach, knowing that our job, because we manage money exclusively for individuals and families, is to protect and



enhance people's lifestyle. Where I see things now, again, I'm not a permabull; I'm not a permabear. I see that the market is overvalued, depending on some measures. The S&P can be 15% to 20% overvalued, based on historical measures. On the other hand, the market can stay overvalued for a while. There are some positive factors, like the economy and abundant liquidity and favorable momentum, so for now, we're in, we've been in. We're overweight equities, but we're going to continue to watch things like liquidity levels, things like the economic progress we're making and, of course, momentum as an indicator that, perhaps, we've run as far as we can for a little while and we want to take some risk off the table, but for right now, we're in.

TERRY SAVAGE: Okay, I don't know if you're taking notes but I am and they'll be up in my blog tomorrow when I do a rehash of what I learned at this conference. Jim Jubak needs very little introduction, especially here. He's a Senior Markets Editor at moneyshow.com. Jubakpicks.com is where you can find his specifics all the time. Jim, you swing with the tides—what do you see now for the market?

Jim Jubak: I'm actually a long-term trend investor. I don't mean market trends. I mean economic trends, fundamental trends, and that's very difficult right now when we've got a lot of volatility. I like, for example, many global markets in the long term. In the short term, this is a very scary place to be. I see 2014 as two different years. The first half, I would say up to June, I think the volatility you're seeing right now, driven by emerging markets, is likely to continue. I don't necessarily see the U.S. market going down a whole lot. From historic numbers, we're near historic highs. We haven't had a decent correction in a long time. It's hard to find anything more than 4% or 5% correction in the S&P, so we're going to see volatility that, in comparison to 2013, feels scary. I think the turning point comes in June or so when we move past these major monetary events. We move past the Bank of Japan and worries about the tax increase in Japan undermining abenomics. We get a signal from the People's Bank of China that they're going to provide monetary stimulus after skirting worries about growth, so I think the second half of the year is much more placid than the first, and I think 10% on the S&P from here would be what I'd be looking at.

TERRY SAVAGE: Did you say the second half of—I want to make sure because I want to write this down—that the second half of the year would be more placid?

Jim Jubak: More placid in the sense of I think it's an up half without the volatility that we're getting right now.

TERRY SAVAGE: You forgot to mention the presidential, I mean the congressional elections. Does that impact anything?

Jim Jubak: I don't care. I think it's much more important to know what the election politics are in Japan, India, Turkey at the moment, than in the U.S.

TERRY SAVAGE: Boy that was a quote for you. Lou Navellier, you read all his newsletters. He picks stocks for a living, but before you pick them for us, give us your perspective Lou.

LOUIS NAVELLIER: Sure, well it's pretty simple. The market did have a problem for a while that there were no earnings for five quarters on the S&P, and so we had an earnings drought and no one cared though, because the Fed was pumping during that drought. Then earnings finally materialized in October, the third-quarter earnings came out. The earnings that are coming out now, the fourth quarter, are actually the best in almost three years and then earnings will go up every quarter this year. When I was on CNBC the other day, I guess it was yesterday, they said well where are the earnings coming from? I'll explain it to you. Obviously, we had 3.7% GDP growth in the second half of last year, so some things have gotten better. The Fed's zero interest rate policy which will continue for a while after they're done with their quantitative easing is a flashing light for corporate America to hurry up and borrow in the bond market, buy their stock back. I know in our Blue Chip Growth letter, we have over 30 stocks buying back a billion dollars more stock a year. We've lost a trillion dollars of stock float in the last two years and the last I looked, the markets only worth \$18 trillion. Then finally, the dollar's weak. A year ago, when I was here, the dollar was strong; now the dollar's at a two-year low against the Euro, a one-year low against 15 major currencies. It might be up against the emerging markets, but the bottom line is a weak dollar creates windfall profits for corporate America. Half the S&P sales are outside the United States, so all of a sudden, what I look for—great sales and earnings are finally here—and we've had a stunning start to



earnings season. We started with Micron Technology and Consolation Brands and just one stock after another. Yesterday was VISA and TMO Instruments. It was just wonderful and I can tell you that it's very exciting to be a stock picker and have earnings. The only problem for you guys is just fewer stocks going higher, so last year it was a broadbased year where a lot of low quality stocks rallied. This year it's going to be more narrow, more firmly focused, but that's what I do, so that's why I'm happy. Oh by the way, the market yields more than the bank, and if you own the S&P and it's tax-advantaged, so you can get out of the market but the market yields more than the bank. So I would be pretty patient with the market. I think it's just gyrating here and I think all these are distractions and excuses to correct it. It is oscillating. It might be down today. It will be up Monday.

TERRY SAVAGE: I know you're going to tell me you don't care because all you care about is your stocks, but for year-end S&P, percentages up, or is this it?

LOUIS NAVELLIER: I mean I would be disappointed if the S&P wasn't up 18 or so this year. I think last year, it did go up a multiple expansion. It went more than earnings did, but the market has a very good foundation under it with over 2% dividend yield and just relentless stock buybacks and now finally, a weak dollar. The worst thing that could happen to me is if the dollar got strong, that would be devastating to me because it would start to pinch corporate profits, but right now, it's looking fine. It's all stock-picking now, it's not sectors. There's a great outfit we follow—Bespoke—it does all the sector analysis. There isn't a sector out there that's sending any signals, it's all static. So either you pick them right or you don't.

TERRY SAVAGE: Well that's what we're going to do in just a moment, but let me move on to Ned Riley, Riley Asset Management. Alright, Ned, where are you and how do you look at the market and how do you make your picks?

NED RILEY: Well, Terry that's a good question. I think I'm here in Orlando, but I feel like I should be back in Naples. Let me tell you, what I really feel philosophically is that people should challenge the conventional wisdom. I'm a common sense type of investor. With my 2.9 average out of 4 GPA at college, I decided to be an ironworker first instead of an investment person. I learned from that, that intelligent investing is basically an oxymoron. Unfortunately, I do have great skepticism about Wall Street, about the input that we get. Not that they're bad people. It's just that I have a feeling that they're very lemming-Oriented and very clustered around their feelings. I'm a long-term investor. I believe in the stock market. I've believed it for the last 10 years, 15 and 20, and I hate to go back any further, but it takes me back into the ironworking days, and when I start to look at people in a quandary about where to put their money, I really am scared by the fact that the average investor has reduced their exposure to the stock market from about 60% down to 42% during this period of time. I'm a bull. Yes, you will have years like this but I believe we're in a secular bull market. We'll bring equity ??\_\_\_\_\_53:31 back to the 9% historical average since 1926, and I would stick with a very, very low turnover in that portfolio because the biggest mistakes you can make is when adversity is there and everybody's telling you to sell, you should actually resist, as they say, the conventional wisdom. The bottom line is, basically, I am a contrarian by nature and I have been in the investment business 44 years.

TERRY SAVAGE: Well, we're going to come back to this, but I've got three pretty blue-shot guys. Are you talking about what the S&P 500 might do by the end of the year?

NED RILEY: No idea Terry, and I tell you that because I can't guess what the confluence of events are going to take place. Terry, anywhere from 10 to 12% up, but it could be seven. I believe in a long-term fixture, as I said about 9% from the equity market, about five and a half percent from bonds, about 3% from Treasury bills.

TERRY SAVAGE: I got you. Now let me move on to Eric. This is Eric Vermulm. Did you hear Jim Stack? I adore Jim Stack. Sorry guys, if there was only newsletter on the planet that I could afford to buy, it would be Jim's. I've said that publicly because it covers a range of everything you need to know and, besides, he comforts me so that I can comfort others actually. You've made me look good, Jim, over all these years. So, in addition to doing the newsletter, you manage money. I know what Jim does, a lot of people here do, but what is the portfolio management technique and where are you now?



Eric Vermulm: The portfolio management technique that we're using is very similar to what's in the newsletter. We focus on a safety first philosophy as far as managing money and the recommendations in the newsletter. We have three keys, we think, to that safety first philosophy. We look at portfolio allocation. We are equity investors, but we're not 100% invested at all times. We're willing to move to cash when we feel the warning flags are there. Right now, we're about 82% invested. We think that that's a very good place to be right now. We're five years into this bull market. We have some concerns. Once a bull market gets to that age, it's more than likely in the final third of the bull market, but at the same time, when we look at our fundamental and technical indicators, a lot of proprietary indicators that Jim has developed internally over time, we aren't seeing any major warning flags in any of those. I think another panelist said, we think at this point, this is a correction still. We haven't seen the deterioration in technical indicators like the advance decline line, issues like that that would indicate that we are heading into a bear market.

TERRY SAVAGE: How do you feel about the end of the year, S&P?

Eric Vermulm: Toward the end of the year, right now like I said, we're not seeing any significant warning flags so we remain bullish on the market.

TERRY SAVAGE: Let's get the hotline in case he changes his mind.

Eric Vermulm: Want to watch the hotline in case we change our mind, but we're not making significant changes. Usually, the fundamental indicators that we're seeing remain bullish, so we're holding our allocation there in about 82% and not.

TERRY SAVAGE: Okay, do you want to give us S&P percentage?

Eric Vermulm: We did a lot of historical analysis. A lot of people are concerned after last year. 32% on the S&P last year, but we didn't see a high correlation on where the market will end the year. It isn't that we'll have a negative year after such a positive year but again, we probably won't have a very highly positive year again, so we're pretty neutral on where the market will be by year end.

TERRY SAVAGE: Okay, here's what we're going to do. We'll go quickly and I'm going to try and do something really different here. I begged and pleaded with the money show people so don't complain even if you can't see exactly. What I did was ask them to give me live charting, I mean this is live on stockcharts.com website. I'm going to do my best to put up a chart, as I ask each of the people to give their stock picks. I'm not going to say anything about the chart. This chart goes back—it's a six-month chart, this must be right? I know, this is my placeholder. I'm going to ask Jim Jubak, and your first stock is BAP. I'm going to get good at this by the time we get through all these things. Update—alright is that it? Alright, you name the stock. I'll put up the chart quietly and just zip through them and explain your reasons why, etcetera.

JIM JUBAK: So you see here that the stock is named Credit Corp. It trades in New York as an ADR. It's a Peruvian bank. You see its low volatility, very steady chart. Peru was either, depending on what you use as currency conversion, Peru was either the worst or the second worst performing market in the world in 2013. Peru is going to grow probably something like 5%, 5.2% in 2014, according to forecasts. Big stimulus package from the government, fundamentals look really good. Looks like a credit upgrade is coming for Peru. This is a way to play the Peruvian economy with a stock that is, as you see, trading at a relatively good price right now historically, so that's my first pick.

TERRY SAVAGE: Okay and I did the prices last night about 1:32. Watch me; I'm going to be good at this. Okay, next stock.

JIM JUBAK: Next stock is Ebay. If you follow the news at all, you notice that Carl Ichan has decided that his next target, after Apple, is Ebay. The argument being that Ebay has two basically very different businesses. There's the Ebay marketplace which is growing 10% 12% a year, and there's Paypal which is growing at more like 17%-18% a year. He suggested that they spin this off. Ebay has basically said this makes no sense so they basically decided instead, to do an Apple and launch a big buyback. I like the mobile ping sector right now. I think it's very, very hot. You're going to see a lot of IPOs. Long-term, I have no idea whether Paypal will be the winner in this sector. As I said, there are a lot of new



companies. There's a lot of activity going on here. I think the number of IPOs and I think Ichan's business and the fact that this is an 18% growth rate makes this a really pretty cheap way to get into that part of the market.

TERRY SAVAGE: Okay and last night it closed at 53, let's call it. Now....go ahead.

JIM JUBAK: Last one is MGM Resorts International. This represents a kind of stock that I'd really like to find more of in this market in that it's being driven by a pretty good, straightforward calendar event. MGM owns a huge hunk of the strip in Vegas, something like 60% of the rooms on the strip. Company almost went bust because it racked up a lot of debt to buy all those rooms and to build all those rooms, which meant that it was late in launching a second casino in McGill. They have one but when Las Vegas Sands and Wynn moved into an area in McGill called the Peninsula with their second casinos, MGM was behind the curve. They now have a coat-tie casino under construction. We know that it's going to be ready to open in 2015, so basically what you're doing here is looking at a company where there's a big lump of incremental revenue and profit coming down the road. As long as....my suggestion for following this stock is to basically follow the construction reports. If they continue to pour concrete on schedule, this is a good indicator that this is actually coming on schedule and its schedule, more than anything else; that you're looking at here but this is a big bump to revenue to add a second casino in McGill.

TERRY SAVAGE: I'm not going to do the sales yet, we're going to go through all the buys, but quick question, I should have asked with all of them but I'll start now. At around 24.5, a little under, yes, 24-1/2 right now, maybe this last is 24.29. Anyway, what's your target and what's your timeframe?

JIM JUBAK: I'm holding this through, the coat-tie casino, and then I will have to see what else they've got on their construction schedule so this is certainly at hold through 2015.

TERRY SAVAGE: Where would you like to be selling it>

JIM JUBAK: I wouldn't like to sell lit at all. I love the Asian gambling business. I think it's a growth industry going forward, so depending on where they're putting their money. I wouldn't sell it necessarily ever.

TERRY SAVAGE: Now I know we're using candlestick charts so maybe you'll come up and switch me over to line charts, but anyway, it's already had a run. Does that bother you?

JIM JUBAK: Yeah, I prefer to buy here than I preferred it at 28. I like this drop and, as I say, I think you're looking at a stock where you've got an event out there which has uncertainty and when the event happens the uncertainty gets removed and you get the bump for removal of the uncertainty.

TERRY SAVAGE: Lou, I'm going to go right to you. We'll get your three stocks to buy first.

LOUIS NAVELLIER: Sure, Alliance Datasystems, ADS, is in the credit card business. They build loyalty programs for big companies. They also open all their websites and everything, make them more efficient. We just had VISA had blow-out earnings we expect Alliance Data to have the same. Their sales are supposed to be up 16.6—I mean should be up 26.6, so we're very, very excited about them. Lionsgate Entertainment is LGF. This is a movie studio, obviously, in Southern Cal. They dominate the Hunger Games franchise. There are going to be more series coming out. They will have very good earnings this quarter. It's a very, very well-run company.

TERRY SAVAGE: Stock a little over \$32. The previous, Alliance Data, was around 249.

LOUIS NAVELLIER: Then Micron Technology, MU, has already announced they're profiting from high dram prices. It started off the earning season great. The stock has settled down and it's still a very, very good buy and we're very happy with that. Am I supposed to throw my bonus stocks on the buy/sell?



TERRY SAVAGE: I wanted the charts, but let me ask a question. So, the market is backing off here. It's consolidating. You guys have said you're bullish. I want to ask a general question about your stock picks Lou. If someone goes home, should it matter? Let's say this one, we've got the stock chart up. It's trading at 23.33. Is somebody waiting for it now because they're worried about the market in the next two weeks or something, to go to 21 or are they going to get scared they missed it if it goes to 24-1/2? If you had someone out here who had a portfolio, you wanted to get them invested, would you buy this stock now?

LOUIS NAVELLIER: Yes, as a matter of fact it was buying...I have actually a mutual fund I see, money's coming in that fund every day and when I buy I'm buying my core holdings on dips, okay. Now what happens is, if they're already announced their earnings often I'll wait a bit. Micron announced their earnings a couple weeks ago, I can buy it now again, but a lot of times stocks will burp after having good earnings okay. It's kind of like you eat a big meal.

TERRY SAVAGE: Burp up or burp down?

LOUIS NAVELLIER: No they usually burp down. That's why February can be a soft month because sometimes you have a good earnings season in January. This January turned upside down so let's not worry about February, even though it's next Monday, but the truth of the matter is I like to buy my core holdings on dips, so when I go to invest the new cash is going in the funds, I'm not buying stocks that are up that day. I'm buying ones that are down and I'm just trying to get them at the low end of the range.

TERRY SAVAGE: Okay full disclosure—I firmly hope that every single stock that these people recommend, they already own. I mean why would they be telling you about it if they didn't own it, so if you have some kind of a conflict let me know, but otherwise, full disclosure. We're just going to presume that your money's where your mouth is. Okay, Ned Riley, let's get your pick up. Go ahead, take the mike.

NED RILEY: First on my list is three Qs. I'm a fan of exchange-traded funds for most people, primarily because I find it, as an individual who has invested money for 40 years, very difficult to beat the market and very difficult to pick the one or two winners that are going to be in somebody's portfolio. I selected the Qs. It is a top 100 stock in the Nasdaq Index. For four years, Apple had driven that index way beyond that of the S&P 500 so it was carrying it online. I like the index now because, simply, it provides you with diversification, opportunity to buy some small companies that are growing rapidly. As an example, Facebook just moved up to the ten position in the fund itself, while Apple is number one. The growth rate of these stocks is in excess of 20% in aggregate. That's not market weighted, but more importantly, this index is still only selling at 19 times earnings, this QQQ. I did recommend the Qs at this same presentation three years ago and here it is, 2014, and I am still recommending the Qs because I do believe this index is going to provide a better return than the S&P 500 and the growth is going to come from some other source other than the typical stocks that we may look at like an Apple or an Intel or some of the others. It's my mainstay in my portfolio in answer to your question, Terry. I have had this for five years in my portfolio and I've had its ups and downs but now it's priced at about 86 and I'm still pleased with that.

TERRY SAVAGE: 86.30 as of this moment. Alright, your next one I'm going to put up—XLV.

NED RILEY: XLV is the healthcare exchange traded fund. It has 45% of pharmaceuticals. It has 55% in biotech. Interestingly, despite the problems in the pharmaceutical industry, I am still a strong advocate that people are getting older and, as we get older, we clearly are still taking more medications. The top of my cupboard in the pharmacy that I have at home I can't even remember all the pills I've got up there but I know I pay dearly for them, but the real kicker in this one is the biotech side of it. 55% of the portfolio is biotech. There's where your growth is going to come from, so you've stability on one hand with the pharmaceuticals and you've got clearly some growth aspects from biotech. When you look at it, it's price earnings ratio is only 16 times which is right on the S&P 500 and it's yield is 1.9%; not spectacular, but it's sure a lot better than the Treasury bills that you hold.

TERRY SAVAGE: I never heard anybody compare healthcare sector to Treasury bills, but I'll let that pass. You noticed I switched to line charts at the top. In case you're a technician, it's a 50-day moving average. I'm noticing that a bunch of these stocks have just bounced to their 50-day and have found resistance there, or some support, I should say.



NED RILEY: Well, I think there's quite a lot of support. Basically, as we know, it's begun the year of exchange-traded funds and so that clearly to try to invest in one or two stocks and if I give you one or two stocks is, I can be very candid, it may not work at all, but if I can select 100 stocks of which maybe 20 or 30 are really successful over a period of time, as was in the Qs, then I think you'll be better off than trying to rifle shoot one or two.

TERRY SAVAGE: Now just disregard the next name on your list but not the next symbol.

**NED RILEY: SPY** 

TERRY SAVAGE: SPY was meant to be the Standard & Poor 500 ETF.

NED RILEY: The S&P 500, I mean this is like my chicken out, and I call it that because simply, I think people need a core in their portfolio that's going to do what the market does. Through thick or thin, it may be down, but it will be down when the S&P is down by the same percentage. It will be up the same percentage as the S&P, and people should actually try to just emulate the market over time. I've found very few professionals and I have a few of them that work with me over the years and we've had this debate, where you can actually consistently beat the stock market and I won't go through the whys and wherefores of that, but if you do have the market performance over time, you're going to find that you beat a lot of the professional money managers out there. Nothing wrong with them---they're brilliant people, but the fact is this does have a low-cost component exchange traded fund. I think it's 12 basis point cost. Those are my three.

TERRY SAVAGE: Okay, good. Alright, we'll come back and get the down side, but let me go to Eric and let me move to yours okay and I'll give you full disclosure. It makes me real happy to see this on your list. For a brief moment, when we did a deal with Pennzoil, which I was no the board of. I was also on the board of Devon Energy and I kept all the stock because it was such a great company, even through the ups and downs. I'm glad it's on your buy list—want to give us a reason why—it's around 60 right now.

ERIC VERMULM: Sure and full disclosure we own all the stocks that I'm going to mention and we continue to buy them for client accounts as of right now. First one is Devon Energy. Energy has a very high batting average in the late stages of a bull market. Historically, has done very well late in the ball, and it also does very well in early stages of the bear. Has historically held up better than almost any other sector out there after the initial market peak, so we like the energy sector for that. Devon, specifically, is an American-based oil and natural gas company. With recent changes, they are 100%; reserves are in North America, on shore North America. Pretty evenly balanced—50% oil, 50% natural gas, and right now, they're benefiting from both sides. Oil—they're in some attractive fields like the Eagleford down in Texas. They just bought Geo-Southern's assets in that field. We think that's a pretty low-risk play for them, and the natural gas side, some people would say quietly, other people would not, but natural gas is up 150% in the last two years from \$2 up to \$5 last week. So of the 50% of production that comes from natural gas is definitely benefiting in that respect. They've announced that they're going to push all their mid-stream assets down into a MLP, so they move off balance sheet, and they're still retaining majority ownership of those and 70% of the general partnership so the incentive distribution rights could be very profitable for Devon Energy. They have \$4 billion dollars in cash on the balance sheet and they trade at what we think is about a 20% discount to similar peers.

TERRY SAVAGE: Such nice news. Okay, ESRX is your next one.

ERIC VERMULM: Next stock is Express Scripts and they are a pharmacy benefit manager in the healthcare sector, which we, like Ned, think has great opportunity here. They are the largest pharmacy benefit manager in the country. Basically, a pharmacy benefit management of PBM is the coordinator between health insurance plans, drug companies, retail pharmacies and you, and we think they sit at the confluence of a number of very positive trends. Ned mentioned the aging of the population and that's one of the trends we like. Right now, 13% of people in the US are over 65. By 2030, 20% of the population will be over 65, and on average, a person over 65 takes three times as many prescriptions as someone under 65 so that's definitely a favorable demographic trend. The Affordable Care Act, Obamacare, is going to bring another 30 million people onto insurance. Surveys show that once people are on health insurance, the first thing



they do is start using the prescription plan. Also, there's a large wave of generic drugs, branded drugs going to generic. Express Scripts makes about 40% more on every generic prescription they fill than on a branded prescription, so that wave of patent expiration definitely benefits them.

TERRY SAVAGE: Before you go off that, the stocks run up a lot. Since Thanksgiving, it's up 15%.

ERIC VERMULM: Stock's up a lot; it's at about 17 times earnings right now. It's median, over time, is about 22 times earnings. It's expected to continue growing earnings of about 15% per year and they throw off 7% free cash flow in any given year. It's not a highly capital intensive business, so we think there's strong continued upside for this stock.

TERRY SAVAGE: Okay, I just figured that was on a lot of people's minds; is it too late?

ERIC VERMULM: Our last idea is Crown Holdings, a stock that we just recently purchased for client accounts. It's a material stock. It's the number maker of food cans worldwide and the number three maker of beverage cans worldwide, but a key in our mind is they are the number one make of beverage cans in Asia Pacific. They've put a lot of money into expanding their facilities in Asia Pacific, so they are now the low-cost producer for beverage cans in that area of the world. They have spent the money already so I think we can buy now and have the benefit of that Cap X. Demographically, Asia Pacific, there's an emerging middle class demanding more middle class food products, beverages and sodas being at the top of that list, oftentimes, and, as far as penetration, aluminum cans are only 5% of beverages in China. They are 50% in the US. We think that China will continue to adopt aluminum beverage cans as a mean of storing those beverages, so I think we have a great trend here in terms of Crown Holdings.

TERRY SAVAGE: Look at this chart. That's the weirdest chart I've ever seen. Was that dropped when you bought and then it went right up back in November and what about now?

ERIC VERMULM: We've really been buying recently, so we've been buying on the recent dip....

TERRY SAVAGE: Okay down to around 40 and it's now 41.

ERIC VERMULM: Yes, we've been taking the current opportunity with the sell-off to add to positions, so we think at 14 times earnings it's much cheaper than close competitors like Ball or Ciglon, so we think there's a good 30% to 50% upside on this case.

TERRY SAVAGE: Thank you, we'll come back and get your sells if we have time. Somebody, let me know what our out time is here, but we want to do—Jack Ablin is kind of straddling, literally, the responsibility of this panel which was to choose longs and shorts, so Jack did something that really probably—explain what you did here Jack, and I'll try and put your first long up.

JACK ABLIN: Sure, so from the perspective of macro, I'm looking at themes that will likely persist for a while, so you can long one part and short another and then just play the difference. By the way, I should have mentioned before, speaking of old age, I really started my career working for Ned Riley and now I'm old, and Ned's probably the reason I'm in the investment business, actually, so I have a lot of respect for Ned and I still can't beat him at golf. The first one I want to talk about is yield. I think yield is very important to everyone. Tax yield certainly important. HYD is the market vector's high-yield municipal bonds. It is high yield. It is aggressive on the credit side. I think, given that this was an ETF that was down substantially last year as investors were worried about Detroit. They were worried about Puerto Rico, but I will say that the yields, tax-free, is about 7%, but the only problem I have with this, is because it is longer term in nature, that interest rate risk could cause a problem for this, so what I thought would be the best trade to do would be to offset the interest rate risk with an offsetting position in TBF, which just shorts the 20-year plus interest rate. So this way, as investors start to move toward buying these high-yield municipals to try to capture the attractive yield, it will still benefit even if interest rates, as I do believe, will likely trend back to its more normal level as the Fed moves to the sidelines. So if you take the interest rate out you put half in HYD and half in TBF. Remember TBF does not have a yield, and you still end up with about 3.5% tax-free yield with very little interest rate risk.



TERRY SAVAGE: Look up on the wall. I want to ask two questions. That's the offset. That's the ratio of the two of them. Do you want to comment on that or is that just too complicated to try and explain? I did a ratio...

JACK ABLIN: What's happening is actually, normally, when you're doing a hedge, one will make money while the other one loses money. It's just happened, over the last couple months, that they're actually both moving. You know, we're actually making money in the Muni because it got so cheap and interest rates are rising, so actually, right now, both working. Like I said, it's really designed to be a more stable .....

TERRY SAVAGE: I want to ask you a question. You buy one, the short the other—I mean you buy the other to short against it, so you get a 3.5% net tax-free return. Why wouldn't you just buy a better qualify tax-free municipal bond fund and settle for 3.5% tax-free? Why go through the hedging process?

JACK ABLIN: You could, but this would have actually not only no interest rate risk, it probably has negative interest rate risk. I think you actually would make money if interest rates rise. With an intermediate bond fund, I'm not sure you can get 3.5% for one thing and, if you could, you would still have some interest rate risk, but certainly as an alternative. I will say one of the things we're doing on the taxable side is buying floating rate bank loans—these floating rate senior bank loans. This structure is very similar to a bank loan, except it would be tax free.

TERRY SAVAGE: Okay, I'm going to move you on to your next one.

JACK ABLIN: Sure, just Natural Gas Short Crude Oil. Now this was a little bit tricky to do if you're not going into the futures' market, because you have to rely on these funds, but these funds buy equities, not trying to capture the commodity, because the ETFs in commodities trade pretty sloppy. I just want to long natural gas and short crude. The reason is natural gas trading for 4-5 dollars in MCF kicks out to about \$25 a barrel in terms of its energy output on a crude oil equivalent basis and there are a lot of advantages of natural gas. Not just relative to crude but also relative to our position in other countries. Europe pays nearly \$15 in MCF. Far East pays a little bit more than that, so to the extent we do start to export natural gas, we would see it rise. We have clients, for example, business clients who are actually helping transportation countries shift away from diesel and onto natural gas and then financing that capital investment. I think, actually, that one of the biggest risks in the macro landscape is a substantial decline in crude oil prices, and if you think Russia's having difficulties right now with the Ruble, they do rely on roughly a quarter or third of their budget on crude.

TERRY SAVAGE: Okay, I just put up the chart of the Short Oil Fund. It's not that you want to be short of this stock—you want to own it, because it, itself is short.

JACK ABLIN: Right, so it would be long positions in both, but it's an offsetting position.

JACK ABLIN: Lastly, HEDJ. This one does have the natural hedge imbedded in it. This is just long European stocks, short for Euro. Our view here is that, we're starting to see some stresses in the Euro zone. While confidence is going up in Germany, their inflation is continuing to drop, alarming Christine Lagarde, alarming Mario Draghi. They're also facing European Parliamentary elections in May and there's a decent chance that the "Fascist" party could actually gain a foothold into the European Parliament, so my sense is that policy makers will likely take steps to try to ease the fiscal restraints that they have on their neighbors and that will involve weak ending the Euro. I also think that will unleash a fair amount of equity power there, but if you're just investing in European stocks with the Euro, you would take two steps forward owning the equities and then one step on the currency translation, so by owning HEDJ, you're actually long European equities and then if the Euro declines, you would actually benefit from that as well. So we'll see how that plays out.

TERRY SAVAGE: Okay, so that's one stock. It's kind of a hedging position. The first two of Jack's recommendations were buy one of those and buy one of these to offset, so but if you're hedge fund, you can just go long this and short that so we are our own little investment master symposium hedge fund. Now let me go back to you, Jim Jubak, and get your



three sells up, now I want to say, you just made your predictions recently, if anybody made them a couple weeks ago, maybe they've already moved in your favor I hope. Anyway, why don't you go ahead Jim.

JIM JUBAK: Okay, what's the worst thing that can happen to a momentum stock? It can start to show some fundamentals. This is where the 3D printing industry is right now and, especially, 3D Systems which have sort of been the poster child for the whole sector. One of the things that happened recently was that General Electric started to talk about moving the production of its jet fuel nozzles to 3D manufacturing and they said, well, we've even got companies that are doing this for us and they named two companies, both European players and people went wait a minute, I thought 3D Systems was like the leader in this, and it turns out that people are starting to pay attention to the fact that their product is pretty crummy in the industrial space, so that's a long-term sell.

TERRY SAVAGE: That there's competition, or what do you say?

JIM JUBAK: What I'm saying basically is that people started to pay attention to what they actually make and,

TERRY SAVAGE: As opposed to the story?

JIM JUBAK: As opposed to the story and we all know that 3D printing is going to eventually be a major production, industrial production industry, whether you and I are going to have three printers in our house turning out shoes is another question entirely, but it's clear that in the industrial space it will happen, and what people will start to look at is the difference between an industrial 3D printer that a GE would buy and the kind of hobby 3D printers that a company like 3D Systems and to some extent, Stratasys, are producing big gap.

TERRY SAVAGE: Stories over?

JIM JUBAK: Not over, just momentum stocks don't die easily. Best Buy—this was a better short before Best Buy reported earnings. I don't know what they did today.

TERRY SAVAGE: I'll give it to you right now, BBY.

JIM JUBAK: This is supposed to be a turnaround story. It's clearly not working, so I don't know whether there's any point in shorting this any longer.

TERRY SAVAGE: When did you send, oh my gosh, look at that.

JIM JUBAK: It was only a week ago I picked this. They started to fall then so, basically, what you're also getting today was there was the sense of, the industry, was that Best Buy was having trouble because of competition with Amazon and so all you really had to do was to figure out a way to complete with Amazon. With yesterday's really bad revenue numbers from Amazon, bad in the sense they didn't meet Wall Street expectations, that whole equation has come up for question which is that, well maybe the problem isn't simply that they have to figure out a way to compete better with Amazon. Maybe indeed, this whole electronic sector is a black hole, and there's really no way to fix this company and this is Sears redux without the real estate. Last one is McDonalds.

TERRY SAVAGE: Full disclosure, I was on the board for 12 years. Still have a lot of stock in my deferred comp.

JIM JUBAK: Full disclosure, I don't eat McDonald's anymore.

TERRY SAVAGE: Full disclosure, quarter-pounder with cheese is great once in a while.

JIM JUBAK: Anyway, but Chipotle is better.

TERRY SAVAGE: We own them, we've sited them.



JIM JUBAK: Have you sold them?

TERRY SAVAGE: Sorry, I was asked to board them.

JIM JUBAK: Anyway, what I think is the reason to take a very skeptical look at McDonald's is that the CEO, in their most recent earning statement, said something along the lines of, you know, we got a mind-share problem. We don't seem to be as relevant to consumers as we used to be. Now this is a very difficult problem to fix. It's a longer-term problem than the price is wheat is going up, your margins are falling. You can't fix it by running people through the drive-through window in three seconds less. McDonald's is really facing a changing market. They've dealt with the changing market by really emphasizing the low-cost dollar menu but if you frequent McDonald's, and since I don't shop there, I don't know this, but the dollar menu is now the dollar plus menu. They can't get away with those prices any more so this is a company in search of a strategy to deal with a market that's changing underneath them, so I think this is a longer-term problem for McDonald's.

TERRY SAVAGE: Okay, well that's what makes markets. I really dearly hope you're wrong about that.

JIM JUBAK: They're not going to do away with your quarter pounder with cheese.

TERRY SAVAGE: Well that makes me happy. Lou, wait a minute, do I have sell stocks for you?

LOUIS NAVELLIER: No, we just had two I was a fan of and three bonus stocks.

TERRY SAVAGE: Okay so these are three more long stocks?

LOUIS NAVELLIER: Three more bonus and two stocks I'm not crazy about.

TERRY SAVAGE: Is there anything—let's do the two stocks you're not crazy about first.

LOUIS NAVELLIER: Well I overlap with Ned on these. Well, Twitter just doesn't earn money and I don't like theme stocks. I don't like all the hype when they go public. Of course, a lot of the insiders are now going to dump the stock because when it went public the stock was restricted and, of course, if you're an insider you will sell like crazy. So I'm not a big fan of Twitter.

TERRY SAVAGE: I'm going to interrupt you. This was also on Ned's pick for stocks he would sell so I'm going right over. I got the chart up. Come on everybody's tweeting. We even get it now.

LOUIS NAVELLIER: Yeah, but we have to make money so.

UNKNOWN SPEAKER: Twitter's doing everything correct, no question about it, but I sure don't want to go over the next three to five years head to head with Google, Yahoo, Facebook and try to gain market share from any one of them. I mean, let's face it, Facebook has 83% of the internet covered already. They have a great operation—they're much more socially oriented. But there's one thing that really sticks in my craw right at the moment, is that when investment people can't price a stock on a price-earnings ratio basis, they then go to the old trick of pricing it to sales. They used to do this at the top of every market. You got to go extend it out, extend it out. Oh by the way, those that are bold enough have made predictions for the year 2021 for Tesla, Facebook and for my wonderful....

TERRY SAVAGE: I want to just focus you both on Twitter and ask you two very naïve questions. Number one, the problem seems to be there are no really ads. There's no revenue source. I mean you've got a lot of people. Is the problem that there is no way to grow revenue?



LOUIS NAVELLIER: They'll figure out how to monetize and make money. It's just grossly overhyped and the insiders are going to dump, as the restricted stock comes due. That's what insiders do.

TERRY SAVAGE: Okay, at one point would they become or could they ever, given their valuations now, but if you were selling them, at one point do you think there could be a deal where they could be acquired by anybody like Facebook.

LOUIS NAVELLIER: Well they could but that's a wild card. You know, a kid—they're all using Instagram now instead of Facebook. I know Facebook had good earnings the other day. You know, just find a kid with a cell phone and see what they're using and they're using Instagram now.

TERRY SAVAGE: Okay, so now you both also have TSLA, so I'm going to come back to you Lou and give me your opinion.

LOUIS NAVELLIER: Sure, I'm originally from California and Teslas have invaded there. They're everywhere. I'm actually from Berkeley and I don't know if you know Berkeley, it's pretty easy to get run over, between the Priuses and the Teslas because they're so quiet. The car is built like a skateboard, very innovative. They take the double AA lithium batteries, about 7000 of them, and they put them in the floor panel of the car. It's literally an electric skateboard. Very innovative. Those batteries are cheaper but the problem is if you snag something, it might catch fire. The other problem is that, mechanically, they've cleaned out the market for batteries. Panasonic can't make any more so they're going to hit some production constraints. What drove Tesla higher was Wall Street. See they kicked Oracle out of the QQQ, the Nasdaq 100, and they put in Tesla. Clearly, it couldn't handle the money. The equally weighted ETFs are very popular on Wall Street. That means Tesla gets the same weight as Apple. They clearly couldn't handle the money. Salesweighted fundamental ETFs are very popular on Wall Street. People just chilling. Sales momentum, \_\_\_\_ momentum, and then all of a sudden, no one looks at a P/E ratio so it got to 10 times sales. 440 times forecast earnings. It's a nice car but it's grossly overvalued and even Mr. Musk, their chairman, keeps reminding everybody we're overvalued. That's because he sees these Wall Street machines get wound up, feed money into the stock and no one's looking under the hood at the valuation. The company is a survivor but it's just not worth the price right now.

TERRY SAVAGE: At your end, it was around 100-108 and it's 183. Anything to add Ned, and then I'll give you a shot at Facebook also.

NED RILEY: Terry, it just gives me more conviction that it probably shouldn't be bought if it went from 100 to 180. One of my tricks in trying to look at things to sell, is I try to look for those that are peaking or actually reporting the best news they could possible report and everybody says that things are up to perfection. That means that there aren't many other people around to buy the stock. In the case of Tesla, we've got a problem. They've got to build an infrastructure across the country to charge the cars. They've got to build their own dealership because, in many states, they won't allow a dealership and a manufacturer to get together. They've got to compete with BMW, Mercedes and others. Those are the ones they picked on because they're not going to the lower end of the market until the end of this decade and I just think that at the price that it's at today and it may not fall. I mean it may go higher and higher. There's more than one stock I've been wrong on that's gone much higher but boy oh boy when they starting valuating it again, on 2021 earnings, to justify a price in the year 2014, I either have a problem with that, or I'd like to meet the omniscient person that could be accurate.

TERRY SAVAGE: Now, your third stock to sell. I just put up the chart of Facebook which looks like it's making a new high for this move. It's 62-1/2 more or less. So, we did talk about Facebook not being as cool as Instagram but I mean, really, sell it?

NED RILEY: My feeling about Facebook is the same as I said before—what else can go right for Facebook? They've converted their laptop advertising to the mobile. 55% of revenue now comes from that which is great. They have 83% saturation on the internet. How much more can they expand that with everybody else kind of barking at their heels? When you also look at some of the side issues that they've got, they have regulators now looking at them over privacy laws, which, if you hadn't seen it, they've announced that over this weekend, they're going to release the information that



was private before, for the Super Bowl results or whatever they heck they're measuring, and I would be damn mad that they kind of release my information no matter what it is.

TERRY SAVAGE: Even if it's big data and they don't know who you are?

NED RILEY: I have some days I wake up—I don't know who I am truthfully.

TERRY SAVAGE: Okay, I want to make sure and get Eric's sells in and we're running close to time, so Eric, your first one was, you do it, COL

ERIC: Columbia Sportswear. I have overall concern with the consumer discretionary and, particularly, the apparel retailers and the apparel manufacturers. They've been very weak so far this year and it's been an area that's led the market through this bull, but they're showing some signs of weakness. Columbia makes outerwear clothing, skiwear, in particular. Columbia, Mountain Hardware, Sorrel boots—right now, it's near all-time highs. It's 10% above where it was in 2007. Its earnings are 25% below where it was in 2007 so more expensive than the last peak. You compare these guys to peers, they have lower sales growth, lower margins, lower earnings, higher P/E ratio, lower free cash flow, so we see an average return on capital company, mid- single digit type grower. It dropped 64% in the last bear market. This is not a defensive holding, yet it's trading at 26 times earnings.

TERRY SAVAGE: Is this a, I would sell this stock if I owned it, or if I were a real speculator, I might short it?

ERIC: We are long only investors so this is take profit. I wouldn't recommend any short sells. On a company like this, I definitely wouldn't recommend short sell. There are some reasons.

TERRY SAVAGE: I just wanted to clarify. Here's your next one—LOW--Lowe's.

ERIC: Lowe's discretionary. We have some concern about retail building supply. If you do want to short sell in retail building supply, we'd look at Lumber Liquidators. Again, we don't short, but there's a pretty good short thesis on that stock. Google it. Lowe's, in particular, everybody knows the stock, second biggest home improvement retailer in the country. We actually owned them in 2012 through second half of 2013. Had a very nice return on the stock but we've become concerned about valuation and growth potential. They are, at this point, keep kicking the can down the road on margin expansion potential. When we owned them in 2011, they said they'd get their margins up by 2014. Here we are in 2014 and now they're saying they'll do it by 2016, so we had some concern about that and that caused us to move out of the stock.

TERRY SAVAGE: Alright, your last one is ProShares S&P 500 dividends, wait that's where everybody's been hiding these days. I'll get some dividends, that's okay, I won't worry too much about the stocks.

ERIC: I was worried I might get something thrown at me for recommending to short, not short but sell, a quality blue-chip index like this, but what you see when you look at is, it's outperformed the market over three years. Outperformed over five years, and nearly outperformed last year when every other dividend index underperformed. Utilities underperformed; REITs underperformed. If you plot the dividend aristocrats, which for those of you that don't know, companies in the S&P 500 that have grown their dividend every year for 25 consecutive years. But if you plot them against the ten-year bond yield, or ten-year bond price, I should say, high correlation throughout this bull market until last summer. Interest rates go up, bond prices tanked, but the dividend aristocrats keeps climbing right up. We think there's a pretty good risk of reversion to the mean on that. We think people are hiding in this.

TERRY SAVAGE: Too much of a good thing; in other words, it's worked, it's worked. Alright, we are within three minutes of the end, so I'm going to ask each one of you to give me one sentence, not a long one. Your last words of advice to this audience. I know a lot of you have questions about individual stocks. I didn't want to turn it into a Cramer thing, but our guests said they will stand up for a little while to talk to you afterward. So let me for all of you then, I'm



going to start right down at the end with you. A last word of advice for protecting and growing your portfolio for the rest of this year.

UNKNOWN SPEAKER: For the rest of this year, I think you have to watch the fundamental and technical data. Be willing to pull allocation off the table if we start to get signs of weakness. Again, we're not seeing those, but if we start to see cracks in the technical data, the advance decline line, our bellweather stocks which are showing us a little bit of concern now. Nothing major, but we're watching very closely. If we start to see......

TERRY SAVAGE: So your sentence is, don't go to sleep.

UNKNOWN SPEAKER: Don't go to sleep.

TERRY SAVAGE: Okay, now your sentence.

UNKNOWN SPEAKER: Basically, on a longer term than that, I would suggest to people, basically, don't let the market tell you what to do. Don't let the media tell you what to do. For goodness sakes, stay away from traders who are talking about the next 10 or 15 seconds in their trades but, most importantly, stick with what you decided on and ride through some of the tough times. As I mentioned, the best, and this sounds so silly, the best time to buy stocks is when nobody wants them and the best time to sell stocks is when there's euphoria and everybody wants them.

TERRY SAVAGE: Quintessential wisdom. Jack, your last one sentence bit of advice to people.

JACK ABLIN: Sure, if you want to receive my research, it's free. Just send me an email at jack .ablin@bmo.com and put the word 'research' in the subject line and we'll know to add you to our list.

TERRY SAVAGE: Jim.

JIM JUBAK: Volatility is scary but short-term volatility is actually a good thing if you're looking for putting money to work. Buying on dip. One of the real problems of the reason the market in 2014 there was not enough volatility to put money to work, so 2014 may be scarier, but it's also going to have more opportunities.

TERRY SAVAGE: Interesting, and Lou.

LOUIS NAVELLIER: Well, we really insist that you get a portfolio check-up. Our database of 5000 stocks is online and available to you free. You go to navellier.com or navelliergrowth.com. That's my newsletter site. You can key in all your stocks. We grade them for you on A, B, C, D, and F basis. The top 15% of the market, predominantly A-rated stocks are going to be the most dominant and so, you're just at a point where you got to sell good stocks and buy better stocks.

TERRY SAVAGE: Alright, I think we've had some great advice. You've been a wonderful audience. Thank you. Our session is over.