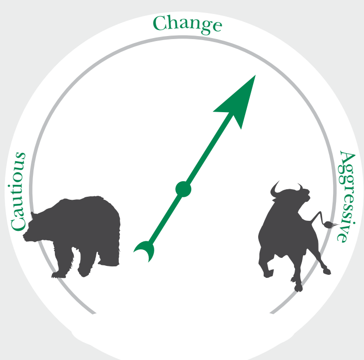
Dick Davis
Investment Digest
Investing Ideas and Advice from the Best Minds on Wall Street

TOP PICKS FOR 2014

Issue 753 | 33 years in publication | January 22, 2014

Inside

Investment Ideas in this issue that were not featured in Daily Alerts are marked with a ★.



Advisor Sentiment Barometer
Based on the average of the AAII, Investors Intelligence and Timer Digest sentiment surveys.

Welcome to the Dick Davis Investment Digest Top Picks for 2014!

When we asked our contributors for their 2013 Top Picks, the Dow Jones Industrial Average had just closed out 2012 at 13,104.10. By the beginning of 2013, the DJIA was trading at 16,576.66—a 26.5% gain.

It was a tremendous year for the stock markets—and more than double the average annual historical gain of 10%. But our advisors did even better! Their 2013 Top Picks averaged a 31.27% return.

Their selections represented a wide variety of industries and investment instruments, with something to offer all types of investors. The best performer—**MGIC Investment Corp.** (MTG), which gained 194.08%—was chosen by George Putnam III of The Turnaround Letter. In second place was **Datawatch Corporation** (DWCH), picked by David Covas of The Oberweis Report, which returned 148.25% to shareholders. The third top gainer was **Illumina** (ILMN), recommended by Nate Pile of Nate's Notes, which rose 111.09%.

For 2014, we've once again asked our advisors for their single favorite investment idea. And they submitted a nice range of recommendations—including technology, energy, finance, biotech, healthcare and infrastructure.

We've also included a few other recommendations that were sent in since our last issue.

We hope these selections will help you get started with another profitable year in investing.

Nancy K Zambell

Nancy Zambell

Top Picks/Growth

Growth is very much on the mind of our advisors, as they have found a number of companies expecting significant expansion in the coming months.

Facebook (FB, 59)

from Cotton's Technically Speaking | January 2 Daily Alert

We believe that Facebook (FB), a premier social networking company, is here to stay. Having a Facebook page has become an integral part of American life, and we expect that trend to continue.

The stock came out of a head and shoulders reversal pattern in July of this year, crossing above the neckline of about $31 per share, on big volume. It is estimated to earn $.83/share in 2013 and $1.12/share for 2014.

We gave a BUY Rating to the stock on March 4, 2013 at $27.76 in our weekly online Market Letter. It has

Continued on page 2

doubled since then, and we expect it to double again within the next 12 months.

Joseph Cotton, Cotton's Technically Speaking, www.cottonstocks.net, 727-289-4436

Ubiquiti Networks (UBNT, 43)

from BI Research | January 17 Daily Alert

Ubiquiti Networks (UBNT) is truly a disruptive, R&D-focused, wireless networking company. By "wireless networking," I mean products that deliver carrier class wireless networking performance for video, voice and data that can support both indoor and outdoor wireless networks and can scale to hundreds for clients per base station. Ubiquiti's products include the world's first sub-$100 router capable of 1 million packets per second; a line of wireless backhaul products; and enterprise level products including Wi-Fi systems, its AirCam video surveillance cameras, and its mFi line-up of machine to machine remote monitoring/control products.

By "R&D-focused," I mean a whopping 65% of its employees are engineers who are hands-on—actually developing and designing networking products. And by "disruptive," I mean that the company identifies a market/product, includes only the design features actually used by about 85% of users, deploys its proprietary technologies to design a better product, skips all the bells and whistles most don't use that drive up the price ... and then prices it way below the competition—up to 80% below the competition.

Its products are so good that it has sold over a billion dollars' worth of them in the past few years—without a salesforce ... just via word of mouth and through its 100,000 member Ubiquiti Network Forum.

EPS was $.91 for FY 6/13, and the consensus sees that doubling to $1.83 in FY 6/14 on 70% sales growth, to $545 million. ... The Vice President of Qualcomm recently forked over more than $1.1 million dollars to double his position in the company, at around $38.

Tom Bishop, BI Research, www.biresearch.com

FelCor Lodging Trust (FCH, 8.58)

from The Turnaround Letter

FelCor Lodging Trust (FCH) is a real estate investment trust (REIT) that owns 61 upper-scale hotels around the U.S. Going into the recession in 2008, FelCor had too many hotels in weaker markets and too much debt. Over the last few years, FelCor has refocused is portfolio on premier properties in the stronger hotel markets. It has also reduced debt and refinanced much of the remaining debt to reduce interest costs.

All of these actions now have FelCor's financial results heading in a positive direction. Furthermore, macro industry conditions remain very favorable. Demand for hotel rooms has been growing steadily for the last few years, as both business and leisure travel rebounds. However, the supply of hotel rooms has been relatively flat, with very few new hotels being built.

Both the broad industry trends and the company's strategic moves bode well for FelCor stock. Moreover, the company has just reinstated a small dividend, and we expect the payout to grow as FelCor's results continue to improve.

Disclosure Note: Accounts managed by an affiliate of the Publisher of The Turnaround Letter own FelCor Lodging stock.

George Putnam III, The Turnaround Letter, www.turnaroundletter.com, 617-573-9550

HomeAway (AWAY, 42)

from Cabot Market Letter | December 30 Daily Alert

HomeAway (AWAY) is the leading online marketplace for rental properties. The company had 773,000 total paid listings among its various sites (including the popular VRBO.com site) at the end of September.

Growth has been steady, thanks to the recurring yearly fees that property owners pay to have their places listed (renewal rates average 75% or so). But the big catalyst is HomeAway's recent adoption of a pay-per-booking feature, which is likely to accelerate listings growth and attract an entirely new set of customers, especially deep-pocketed property managers that are eager for business.

The stock has come alive on the pay-per-booking release, with shares ripping higher after sitting out this year's bull market for eight months. With five times as much traffic as its nearest competitor, HomeAway is clearly the leader. And the flood of new business it's sure to garner in the quarters ahead should keep big investors interested.

Michael Cintolo, Cabot Market Letter, www.cabot.net, 978-745-5532

Dick Davis Investment Digest
P.O. Box 2049
Salem, MA 01970
978-745-5532
Nancy Zambell, Editor

Contact
nancy@dickdavis.com

Subscriptions: subs@dickdavis.com

Feedback: comments@dickdavis.com
or www.surveymonkey.com/dddsurvey

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Your next issue will be published February 19, 2014.

★ Pharmacyclics (PCYC, 144)

from The Medical Technology Stock Letter

Pharmacyclics (PCYC) received three Breakthrough Therapy Designations (BTD) by the FDA and subsequent approval in November for Imbruvica, a very safe pill that has shown unprecedented efficacy to treat mantle cell lymphoma (MCL). The pill is also expected to be approved for a much larger B-cell cancer market, chronic lymphocytic leukemia (CLL), by the end of February.

The next catalyst for PCYC will be the release of data at the end of January from the RESONATE trial, the first Phase III study of Imbruvica in patients with refractory/relapsed CLL. RESONATE should continue to demonstrate Imbruvica's incredible efficacy and safety as a once-a-day cancer pill.

With the drug already on the market for MCL, we expect CLL sales to ramp up rapidly, as there is a large pool of CLL patients that have been watching and waiting for a safe and effective treatment for CLL.

A stronger-than-expected Imbruvica launch will force many Wall Street analysts to raise the consensus estimate, in our view, as Imbruvica may become one of the best-selling drugs ever.

Last but not least, in early 2014 PCYC will reveal its program for autoimmune disease, leading to blockbuster new market opportunities—with an "ibrutinib-like" lead compound for rheumatoid arthritis and related conditions. PCYC is a buy under 125 with a target price of 175.

John McCamant, The Medical Technology Stock Letter, www.bioinvest.com, 510-843-1857

★ MannKind (MNKD, 5.55)

from Nate's Notes

MannKind Corp. (MNKD) is a development-stage drug company whose lead product is *Afrezza*, an inhalable form of insulin for patients with diabetes. Following the completion of two successful Phase III trials in 2013, the company has filed for approval of the drug from the FDA, and a verdict is due sometime around the middle of 2014 (if not sooner). ... We also anticipate the company will announce a partnership for commercialization of the drug sometime in Q1 or early Q2. While we believe *Afrezza* has the potential to be a game changer in the battle against diabetes (and thus warrants an investment all on its own), what makes the story especially intriguing from an investment standpoint is that there is an exceptionally large short position in the stock. ...

The company's founder and CEO, billionaire Alfred Mann, has essentially taken the other side of the trade by investing close to $1 billion of his own money in the story over the years. And given his multi-decade track record of successfully starting, growing, and then selling innovative technology companies for a pretty penny, we are happy to be investing alongside him in this situation.

There are never any guarantees when it comes to the FDA (and thus the story is still considered "speculative"), but we believe there is the potential for a significant short squeeze to develop in the stock if the pieces fall into place for the company in 2014.

Nate Pile, Nate's Notes, www.NotWallStreet.com, 707-433-7903

★ LiveDeal (LIVE, 14)

from The Konlin Letter

LiveDeal, Inc. (LIVE) provides online customer acquisition services for small-to-medium sized local businesses (SMBs), focusing on marketing solutions for mobile devices.

In September, LIVE launched LiveDeal.com, a unique, real-time "deal engine" connecting merchants with consumers. LIVE believes it has developed a first-of-its-kind web/mobile platform providing restaurants with full control and flexibility to instantly publish customized offers whenever they wish to attract customers using superior geo-location technology.

LiveDeal.com enables a 20-table restaurant looking to attract 10 new customers on a rainy Tuesday night to create a deal for that day only, set the maximum number of claimants that can redeem the offer to 10, and publish the deal within seconds to nearby consumers. The advanced publishing options allow restaurants to manage traffic by eliminating the number of available vouchers (the basic service is free to the restaurant) to consumers. Other publishing companies not only could deplete up to 75% of restaurant revenues, but could also send hundreds of clients to a small restaurant during the restaurant's already busy night. ...

Revenues for the first 9 months ending June 30, 2013 declined to $1.3 million, with a net loss increasing to ($1.64) per share vs. ($0.38) for the same period in the prior year. The decline in revenues and increase in the net loss was primarily due to the discontinued Legacy products and services in connection with pursuing its new business strategy. Ending June 30, 2013, cash and cash equivalents were $1 million, with no debt. Of the 3,515,679 shares outstanding, approximately 72% are held by insiders.

The stock had a major breakout and got ahead of itself as we write. In my opinion, due to the problem of liquidity (limited number of shares in the float) and volatility, a historic remedy would be a forward split. We would only purchase on pullbacks in the $4.75 area or any indication of a forward stock split—for a first target of $13, especially since LIVE's national expansion is planned for 2014.

Over 65% of its visitors are mobile users, with 30% of LIVE's user-base returning to the site on a daily basis, demonstrating that LiveDeal.com provides a high value proposition for users. Ultimate target $31.

Konrad Kuhn, The Konlin Letter, www.konlin.com, 631-744-8536

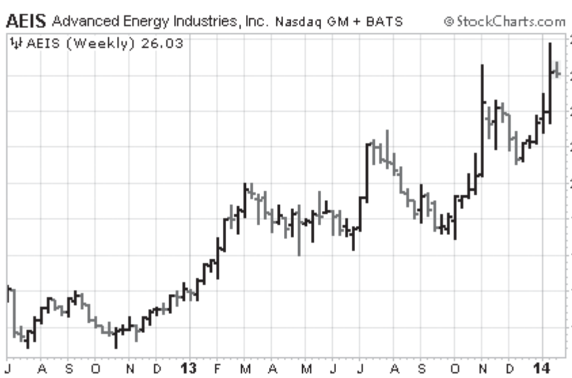
★ Advanced Energy (AEIS, 26)

from The Personal Capitalist

Advanced Energy (AEIS) designs, manufactures and sells power conversion products that transform power into various usable forms.

Products used in the solar energy industry provide exciting growth prospects for the company. AEIS believes that its solar revenues will reach $400 million in 2014, vs. $212 million in 2013.

We have followed AEIS for many years starting with an investment in Plasmatherm in July of 1992, which became RF Power, which was eventually purchased by AEIS. Originally we focused on the semiconductor equipment segment, but now see major additional revenues coming from solar.



Most analysts following the stock rate it as a buy or buy/hold. Standard & Poor's rates it as a four-star buy. For fiscal year 2014, analysts estimate that earnings per share will grow by 15% to $1.96. Our cost basis is $0.24 per share giving us a nice profit. We continue to like the company›s growth prospects. Looks like a great buy to us.

Sean Christian, The Personal Capitalist, 9524 East 81 Suite B #1715, Tulsa OK 74133, (918) 481-5050

★ Abraxas Petroleum (AXAS, 3.24)

from The Coolcat Explosive Small Cap Growth Stock Report

Abraxas Petroleum (AXAS) is a San Antonio-based crude oil and natural gas exploration and production company with operations across the Rocky Mountain, Permian Basin and onshore Gulf Coast regions of the United States and in the province of Alberta, Canada. The company has strung together three straight profitable quarters and seen revenues jump 47% in that stretch. Current estimates are for earnings of $0.20 per share for fiscal 2013 and $0.32 per share this year, which would give it a PE of 10. The stock is about 20% below its mid-November peak.

Kevin Kennedy, The Coolcat Explosive Small Cap Growth Stock Report, www.coolcatreport.com, 559-875-0613

★ Geeknet (GKNT, 18)

from the Coolcat Technology Plus Report

Geeknet (GKNT) is the parent company of ThinkGeek, an online retailer which serves the needs and interests of technology professionals and enthusiasts for technology, gadgets and toys. After earning more than $2 per share last year, the stock has stumbled with three straight losing quarters. The stock seems to have found long-term support at 12 and has trended higher in recent months. Analysts see the company's crucial fourth quarter pushing it into the black for the fiscal year on revenues of almost $80 million and see earnings of $0.79 per share and sales of $172 million next year.

Kevin Kennedy, The Coolcat Technology Plus Report, www.coolcatreport.com, 559-875-0613

★ Gogo (GOGO, 25)

from The Coolcat Total Stock Market Report

Gogo (GOGO) provides in-flight connectivity and wireless in-flight digital entertainment solutions on more than 2,000 commercial aircraft. Its partners include Aeromexico, American Airlines, Air Canada, AirTran Airways, Alaska Airlines, Delta Air Lines, Japan Airlines, United Airlines, US Airways and Virgin America. It also has more than 6,500 business aircraft outfitted with its communications services. The stock has also taken flight since coming public at 16 in June and rising as high as 35.77 last month. It's currently in correction mode and has fallen more than 36% off its peak.

Kevin Kennedy, The Coolcat Total Stock Market Report, www.coolcatreport.com, 559-875-0613

★ Calgon Carbon (CCC, 21)

from The Periscope Report

We look for small-cap companies that have monopolistic market positions, strong cash flows, and a proven management team. Calgon Carbon (CCC) is a leader in "carbon reactivation," which is used for the treatment of drinking water, wastewater, ballast water, air emissions, and a variety of industrial and commercial manufacturing processes.

The cost of having carbon reactivated is approximately 50% of the cost of new carbon. Plus, spent carbon containing organic contaminants is required to be disposed of at a recognized waste processing facility. Reactivation makes this unnecessary. Demand for activated carbon in 2013 was 2.7 billion pounds, with global capacity of 3.5 billion pounds. CCC had 10% market share in 2013, more than any competitor.

Looking out to 2017, the market is estimated to grow to 4.5 billion pounds, 11% compound annual growth. … CCC has ten reactivation sites across the globe in five different countries, including Belgium, the U.K., Japan, China and numerous facilities in the U.S.—more than any competitor. CCC has increased its reactivation production capacity to 250 million pounds per year, by far the largest capacity in the market.

About 24% of CCC's business is in drinking water. This market opportunity will grow every year because drinking water becomes more of a problem as the population grows. More regulations are being placed on wastewater treatment, especially ballast water treatment, which is a $28 billion market. CCC is already the leader in UV treatment for ballast water. … CCC completed a $50 million share repurchase program in 2013; another $100 million buyback program was approved for 2014. We believe CCC can increase earnings to at least $1.20 per share in fiscal 2014. The stock is trading for an enticing 16 times our estimate.

Tom Byrne, The Periscope Report, 4025 Sunset Ridge Drive, Canyon Ferry Crossing, Helena, MT 59602, 406-465-4663

Top Picks/International Growth

International stocks are making a comeback, especially in the technology and energy industries.

LightInTheBox Holding (LITB, 11)

from Cabot China & Emerging Markets Report | January 3 Daily Alert

There is no rational way to figure out which emerging market stock will come out at the top a year from now. Emerging markets are just too volatile for long-term projections. But I'm picking a stock based almost entirely on its story, which I think has the potential to be huge.

The company is LightInTheBox Holding (LITB), and it's a Chinese company that operates a global online retail site. LightInTheBox offers customers around the world a chance to buy customized products (like wedding gowns) direct from factories at low prices. The company's websites are available in 27 languages and are reachable by 80% of global Internet users. LightInTheBox has been growing revenue fast (98% growth in 2011, 72% in 2012) and turned a profit in Q4 2012 and Q1 2013.

The shares have been in a downtrend since the company's August earnings report disappointed traders, falling from a high of $23 to around $8 in recent trading. LightInTheBox announced in December a share repurchase program of up to $20 million for its American Depositary Shares to run through December 2014.There's no doubt that there's risk in LITB, but the potential is also huge. And at current levels, it's a reasonable buy; just keep your stops handy.

Paul Goodwin, Cabot China & Emerging Markets Report, www.cabot.net, 978-745-5532

Yandex (YNDX, 44)

from Cabot Stock of the Month | January 15 Daily Alert

World markets lagged the U.S. in 2013, and I think the best are likely to beat it in 2014. I think investors' perceptions of Russia are likely to improve substantially in the coming year, which should give a nice boost to leading Russian stocks. Russia gave Edward Snowden protection while he spoke the truth, and the Winter Olympics will show Russia in a positive light.

Yandex (YNDX) is the Google of Russia, with 62% of the market for Internet search. The company has operations in several former Soviet republics, but gets 97% of its revenue from Russia itself. Russia has just 53% Internet penetration, but with the rapid development of mobile networks, that's rising fast. In the third quarter, the number of searches on Yandex grew 26%, paid clicks expanded 50% (the price-per-click dropped 5%) and the firm repurchased 6.6 million shares in the quarter (about 2% of the total outstanding), as part of a 12 million-share buyback. As a result, revenues grew 35% to $315 million, and earnings grew 38%, to $0.29 per share.

YNDX began trading in mid-2011, but peaked at $42.01 on its first day, and for the past two months, the stock has been working to break out above that old resistance to hit new highs. When it does, the stock will be free to climb higher.

Timothy Lutts, Cabot Stock of the Month, www.cabot.net, 978-745-5532

Delek Group (DGRLY, 39)

from Global Investing | December 19 Daily Alert

Delek Group's (DGRLY) quarterly net [income] fell 25% from prior year levels to NIS 70 million ($19.8 million) because of new Israel taxes on repatriated gains, higher financing costs, and marginally lower natural gas sales, plus losses on its southwestern U.S. refinery. ...

The bad news was no surprise. We own Delek for its potential when its huge Israeli and Cypriot offshore gasfields begin supplying markets. One field, Tamar, went live 6 months ago supplying the Jewish State. Their payback depends on a political decision from Jerusalem: gasification or pipelines? Distant or regional sales? These will determine the destination of the much larger, rightly named Leviathan offshore gas field with over 4 trillion cubic feet.

Delek meanwhile is getting Tamar gas to supply its Delek Israel gas stations with compressed natural gas for 7 years. Via two subs, DGRLY owns 31.25% of Tamar while Noble Energy (NBL), the operator, owns 36%. They just found two further gasfields southwest of Tamar with an estimated 700 million cubic feet. This will be brought to shore using an existing platform near Tamar, and help bring up the gas pressure.

DGRLY owns 15% of Cyprus gasfield Aphrodite, holding over 3 trillion cubic feet. NBL is the operator. The divided island of Cyprus may become the site of a liquefaction plant or share in a floating plant between Israel and Cyprus. This would avoid the environmental impact of bringing gas to Israel's Mediterranean coast. If linked to Leviathan, the LNG could then be shipped by Australia's Woodside Petroleum (WPLAX), a stakeholder in Leviathan, pending Israeli government permission.

An alternative is to ship Cyprus and Israeli natural gas to Western Europe. An even more audacious geopolitical move, if the Israeli Government agrees, would be reversing the regional pipelines bringing gas from the Egyptian Delta over the Sinai Desert to Israel. It could supply Egypt, Jordan and maybe Turkey, alongside other Muslim countries.

This could bring peace to the region. But even short of that pipe dream, Delek holds great potential.

Vivian Lewis, Global Investing, www.global-investing.com, 212-758-9480

Top Picks / Small-Cap/Low-Priced

Although low-priced stocks can be more speculative, they often have huge potential.

Quest Water Global (QWTR, 0.20)

from Conservative Speculator | December 26 Daily Alert

Quest Water Global Inc. (QWTR), an emerging growth situation, has designed and is beginning to sell its AQUAtap™ Community Drinking Water Stations in rural communities in developing countries that do not have drinking water systems.

The first country it is targeting is Angola. Its units are patented solar-powered, high efficiency, zero carbon emission, compact, self-contained, reliable, and reasonable in cost. They change unsafe polluted water sources to as much as 100,000 liters per day of 100% purified natural drinking water for entire communities.

Its wholly-owned subsidiary recently received its first order of about $1.8 million for units to be installed in Angola, and plans to build a plant with Angolan partners to manufacture the units that will be installed in Angola.

Quest also signed a joint venture to market and distribute AQUAtap™ units in the Caribbean & in Central America.

This is one situation that will, in my opinion, do well even in a bad economic environment. QWTR should be an important part of your portfolio of long-term potential big winners.

Larry Oakley, Conservative Speculator, www.wallstreetcorner.com, 843-645-2729

Marquee Energy (MQL.V or MQLXF, 0.83 —*note the recent symbol change from SKWEF*)

from S.A. Advisory | December 27 Daily Alert

Marquee Energy is a small and rapidly growing light oil & gas exploration and production (E&P) company drilling in southern Alberta, Canada. Marquee recently purchased additional acreage production within their core "Michichi" Holdings.

The current exit estimates for 2013 are 4,500 boe/d (early estimates). For 2014, the exit rate is around 5,100 barrels of oil equivalent per day (boe/d). After the recent asset purchase and "flow thru," there are 84 million shares fully diluted and outstanding. Management has issued cash flow estimates of $0.46/share or 1.6x cf/share for 2014 (a very cheap valuation).

At present, p1+ p2 (net present value (NPV) 10%) equals around $254 million and exit debt for 2013 of around $64 million. Marquee is trading at only 1/3 net asset value (NAV)—a very cheap metric. Marquee, for its size, has a huge stable of drill sites with very seasoned management. The core acreage has over 160 drill sites.

We believe that management will engage the investment community during early 2014 in order to expand market awareness in all of North America, which in our opinion, will dramatically enhance the share price.

Another cheap metric—based on Marquee's exit rate of 4,500 boe/d—is the price/flowing barrel of only $28k/barrel. This value—when compared to its peers—indicates another example of just how cheap Marquee Energy shares are trading and just how undervalued it is.

We believe that Marquee Energy could easily double or triple from current levels—just based upon greater awareness—because of the company's very cheap metrics. The company could also be a candidate for a "big fish" looking for cheap assets and production. If you are looking for a super cheap junior oil with huge upside potential and limited downside risk, you came to the right place.

William Velmer, S.A. Advisory, www.saadvisory.com, 801-272-4761

★ Exide Technologies, Inc. (XIDEQ, 0.28)

from The Cheap Investor

With operations in more than 80 countries, Exide Technologies is one of the world's largest producers and recyclers of lead-acid batteries.

Exide filed for reorganization under the bankruptcy law in June 2013—not because of debt but because of cash flow issues and environmental problems with its Vernon battery recycling plant in California. The recycling facility was bought by Exide in 2000. In October, Exide reached a settlement with the California Department of Toxic Substance Control (DTSC) to invest $7 million over the next two years to clean up and upgrade the facility.

Exide Technologies is an unusual bankruptcy as, according to its latest earnings report 9/30/13, the company has $83.4 million ($1.06 per share) in cash. (That's very impressive for a stock selling at $0.28). Yearly revenues are about $3 billion and total debt is about $1 billion.

We think Exide has the potential to follow American Airline's recent example. After filing for bankruptcy in November 2011, and seeing its stock plunge to $0.20, in November 2012, American filed its reorganization plan, and the stock skyrocketed from $0.37 to $13.50 by November 2013. Today it's trading at over $25 a share. American had a deficit book value of $6 billion and 340 million shares outstanding, while Exide has a book value of $0.54 per share and only 78 million shares outstanding.

Exide plans to deliver a comprehensive business plan by March 14 and probably will release its reorganization plan by April or May 2014.

We think Exide has the potential to skyrocket several times from this low level. It's a longer-term investment and an interesting speculation for those that can stand the risk.

Bill Mathews, The Cheap Investor, www.thecheapinvestor.com, 847-697-5666

★ Auxilio (AUXO, 1.25)

from The Quiet Investor

Auxilio (AUXO) is a unique entry in a niche it created in the health care industry. They take over the printing of documents in hospitals, which has become an expensive proposition because of the unnecessary duplication.

On average, a hospital will print five million documents per month with the average document printed some nine times.

Auxilio surveys a hospital's print production and structure, makes a proposal that can save significant money while still adhering to regulatory requirements, embeds a cadre of personnel, and sets up a centralized control, all for a set monthly fee. It also takes over the leases of the hospital's printers, so that a hospital can take that chore and expense off its agenda.

Thus, Auxilio loses money in the first few months of a new contract. But the leases are for five years, and there have been a few extensions already, although the business is relatively new.

Some 95 hospitals of the 5,600 in the U.S. have signed on, and the third quarter of 2013 was the first breakthrough quarter of earnings, with 4c per share. This business should be incremental as new hospitals sign on, so EPS should expand at a fairly regular rate. As the cadre become more familiar with the workings of the hospital, there is often an opportunity to realize even more savings than at first expected, and these can be shared between the hospital and Auxilio.

John Gay, The Quiet Investor, 32 Kyle Ct., Willowbrook, IL 60527, 630-654-1254

AgJunction (AJX.TO, 1.16)

from Contra the Heard Investment Letter | December 31 Daily Alert

AgJunction (AJX.TO) has undergone a rapid renaissance under Rick Heiniger, who became President/CEO just over a year ago. He was well informed about the company's operations prior to signing on for the leadership role, as he was already a member of the Board of Directors and had sold his corporation to AJX a few years prior.

Under Heiniger, headquarters were moved from Calgary, Canada to Kansas. Staff was reduced by about 100 people to 170. One division was sold for approximately $20 million so that the enterprise could focus completely on agriculture. Its products in the GPS sector compete at the top of the industry with companies like John Deere, with whom it also has a working relationship.

The company was marginally profitable during the third quarter, typically its weakest. Margins increased slightly to 46%. Revenues for the year should click in at about CAD $60 million. There is about $12 million in the till, and the balance sheet sparkles with zero debt. That means bankers will not come calling. Given that the turnaround is now complete, additional write-offs are not expected, and it should be full speed ahead. The Initial Sell Target is $3.49, about triple the current trading price.

Benj Gallander, Contra the Heard Investment Letter, www.contratheheard.com, 416-410-4431

Top Picks/Value Stocks

Value stocks are a perennial favorite of many investors and these offer some nice industry diversification.

Oracle (ORCL, 38)

from Hendershot Investments | January 6 Daily Alert

Oracle (ORCL) engineers software and hardware to work together in the cloud and data centers.

Fiscal second quarter revenues rose 2% to $9.3 billion, with EPS up 6% on lower shares outstanding. Revenue growth was driven by a 6% increase in software license updates and product support, offset by declines in hardware systems products and services revenues.

In constant currency, the hardware business grew 2%, driven by double-digit growth in Exadata, Exalogic and Exalytics, with the SPAR SuperCluster and Big Data Appliances doing even better with triple-digit growth.

The company's cloud (Software as a Service) business delivered overall bookings growth of 35% in the quarter. The fastest growing cloud services were Fusion Human Capital Management and Fusion Salesforce Automation, each growing bookings at a triple-digit rate.

Oracle's operating margin was 37% during the quarter and is poised for expansion due to product mix changes and leverage from investments in the sales force.

For the first time ever, Oracle generated more than $15 billion in operating cash flow over four quarters. Free cash flow increased 17% in the first half of the fiscal year to $7.2 billion, with the company ending the quarter with $37 billion in cash.

Oracle returned $6.9 billion of cash to shareholders, year-to-date, through $1.1 billion in dividends and $5.8 billion in share repurchases. Over the last 12 months, the company has paid out 90% of free cash flow to shareholders through $1.9 billion in dividends and the repurchase of 323 million shares for $10.7 billion. With a free cash flow yield of nearly 9%, Oracle appears attractively valued. Buy.

Ingrid R. Hendershot, Hendershot Investments, www.hendershotinvestments.com, 703-361-0125

Great Southern Bank (GSBC, 30)

from Positive Patterns | January 16 Daily Alert

I believe this is the year that the small/regional banks will shine. As the banking industry shrinks, we are likely to see even more consolidation/acquisitions in the next 24 months. New tax laws in place for financial institutions may spur some of this acquisition activity.

One bank I like that is particularly attractive is Great Southern Bank (GSBC). It could be a take-out candidate, but I like the story without that, as GSBC can stand just fine on its own. GSBC has a market cap of about $420 million and 107 branches—the biggest number in southwest Missouri and Arkansas. GSBC sells for about 1.25 times 'Book'—cheap in my mind's eye.

GSBC came through the recent bank mess with flying colors. Ninety-five percent of the banks were forced to cut their dividend; GSBC did not. Many banks were forced to retreat and shrink, but GSBC bought three different banks from Uncle Sam (FDIC) at bargain prices and opened new branches 'on the cheap.' While most banks retreated, the good banks advanced. Many banks were forced to sell stock or preferred to raise their capital ratios. GSBC did not.

GSBC has active insider ownership (the Turner family owns about 33% and they don't sell stock much either). Now shareholders should reap the rewards of having wise management onboard, a seemingly rare thing in recent years in the banking industry.

GSBC is a solid, trouble-free bank. Even now—five years after the smash—most big banks are still licking their wounds and dealing with legacy issues. On the other hand, GSBC has a clear runway, is well capitalized, and can look forward to a bright future. I would also add that the southwest Missouri economy is doing just fine. All in all, GSBC appears to us to be a bargain here, especially at the $28-$32 area.

Bob Howard, Positive Patterns, P.O. Box 310, Turners, MO 65765, 417-887-4486

Myriad Genetics (MYGN, 25)

from Shortex Market Letter | December 20 Daily Alert

Myriad Genetics (MYGN) 52-week high; 38.27, 52-week low: 22.20; market cap: $1.79B; EPS: 1.57; P/E: 15.31.

The molecular diagnostic/predictive medicine prognostic tests company is being bashed by competitors, who are out skirting/challenging its patents issues. Side steps its various medicine tests plans and excessive put options: indicative of the end of its slide. Cash in hand over $450M, no debt. Reversal challenging primary resistance @ 25.30-26.40 and secondary resistance @ 27.60-28.90.

Buying range: 23-26; near-term objective: 34; intermediate objective: 41; stop loss: 21.

Joseph Parnes, Shortex Market Letter, www.shortex.com, 800-877-6555

International Business Machines (IBM, 189)

from Heartland Advisers | January 14 Daily Alert

Since International Business Machine's (IBM) founding in 1910, it's been at the forefront in the constantly changing area of high technology.

I've been following IBM since the early 1980s, and it's gone through periods when Wall Street analysts have been skeptical of IBM's future. Today is one of those times, providing you with an excellent buying opportunity.

The skepticism comes from the supposed inability to react to such developments as the progression from typewriters to computers, and from mainframes to personal computers. After that, IBM got out of the personal computer business, which had become a commodity with low prices to a service company. It sold its computer manufacturing business to Lenovo.

Analysts are currently nervous because the last few quarter's revenues have been declining, causing an irrational overreaction as the price went from a high of almost $216 to its current drop in price in $178 range.

IBM has a dividend of over 2%, which will give you a good income while you wait.

Russ Kaplan, Heartland Adviser, www.russkaplaninvestments.com, 402-614-1321

Questcor Pharmaceuticals (QCOR, 62)

from Cabot Benjamin Graham Value Investor | January 21 Daily Alert

Questcor Pharmaceuticals (QCOR) is a specialty pharmaceutical company providing H.P. Acthar Gel (Acthar), a prescription drug for treating autoimmune disorders and other ailments, including MS (multiple sclerosis). Questcor is in Phase II trials to gain FDA approval to sell Acthar as a treatment for ALS (Lou Gehrig's disease). In 2014, sales are forecast to increase 30%, and EPS (earnings per share) are estimated to jump 38%, to $6.32.

QCOR shares have dropped recently—after the report of an investigation by the states of Pennsylvania and New York—and, in addition, by the Securities and Exchange Commission. Details are few, but the investigation seems to include examining Questcor's labeling and marketing practices. Realistically, Questcor will lose part of its fight and will be fined and admonished. The outcome will probably have no material effect on the company's sales and earnings.

Questcor shares are now a bargain at 11.8 times current EPS with a dividend yield of 2.2%. The balance sheet includes minimal debt, but QCOR shares are high risk because of the speculative nature of the company's biotechnology business and the pending investigation. I expect QCOR's shares to achieve my Minimum Sell Price of 114.85 within two years.

J. Royden Ward, Cabot Benjamin Graham Value Investor, www.cabot.net, 978-745-5532

★ Nuance Communications (NUAN, 15)

from The National Investor

I am a satisfied customer of Nuance Communications (NUAN), having owned two versions of its Dragon Naturally Speaking software. The company is the acknowledged leader in speech recognition software, its platforms used in everything from Apple's mobile products to applications in the health care industry and more.

Recently, the company has been dealing with some self-inflicted growing pains of sorts; ones that should work out over the long term, but for the time being have hit earnings. Specifically—as are some other software makers, including Microsoft—Nuance is transitioning to a subscription model for its software/services, rather than relying on larger (but usually one-time) licensing fees and software sales.

Noted investor Carl Icahn used the occasion of Nuance's share price decline, after it issued lower guidance late last year, to further bolster his stake in the company to near 20%.

Nuance is too good a company, and Icahn is in deep (he also placed his son and another colleague on Nuance's board late last year.) Whether a management shakeup or a takeover by Apple, I don't think we'll be waiting too long before some event reinvigorates the outlook of a company whose transition will, I believe, go better than its worst detractors fear.

Chris Temple, The National Investor,
www.nationalinvestor.com, 715-939-1200

Top Picks/Funds

MainStay Marketfield (MFLDX)

from Bob Carlson's Retirement Watch | January 20 Daily Alert

We're in a transition between economic environments, says Michael Aronstein of MainStay Marketfield (MFLDX). The fund caught most of the major investment trends in recent years, and that shows in its stellar returns, especially when measured on a risk-adjusted basis. But the fund was flat to down during the last quarter of 2013. That's because Aronstein and his team have been shifting the portfolio somewhat to capture what they believe are emerging trends.

Aronstein believes that central bank easy money policies caused much of the asset price inflation of the last five years. A number of assets already reached excessive price levels and won't rise further. Some have been sinking.

The MainStay Marketfield team expects that at some point the Fed's monetary policy will cause higher consumer prices.

He expects the U.S. stock bull market will continue for 18 to 36 months, from late 2013. To prepare, he's gradually shifting the portfolio. For example, late in 2012 the fund began selling short long-term U.S. Treasury bonds. The fund also has been increasing exposure to cyclical and resource sectors of the stock market.

The fund continues to sell short emerging market stocks (except Mexico). That's helped most of the last two years, but hurt performance during the last quarter of 2013. Aronstein believes selling short the emerging markets will remain a good position because many emerging economies are suffering from rising inflation and outflows of capital. These pressures could result in some countries defaulting on their debts.

MainStay Marketfield also was among the first to plunge into European stocks after the Greece crisis, and that has helped returns.

Bob C. Carlson, Bob Carlson's Retirement Watch,
www.retirementwatch.com, 800-552-1152

Top Picks/Market Advice

A few advisors hold a contrarian view of the markets, as you will see below.

★ Short the U.S. stock market

from The Elliott Wave Theorist

Top recommendation: Short the U.S. stock market. Use S&P futures, options, bear funds or ETFs. This is the best bet on the board and a rare opportunity to make money on the downside at the start of a Supercycle-degree decline.

Robert R. Prechter, Jr., The Elliott Wave Theorist,
www.elliottwave.com, 770-536-2514

★ Volatility Index (VIX)

from The Inger Letter

'Caveat Emptor' is our pick of the year for stocks. Money-printing dependencies have dominated the rise in equities, with S&P's essentially dependent upon the narcotic of Quantitative Easing asset purchases, warranted by a recovering economy, or not. That now means markets have to depend on actual engines of growth—not merely fallback on Fed policy—to advance.

Historically, money managers will not respond until computer-generated algorithmic signals force their hand to cut-back (or redemptions trigger a comparable behavior, with snowball effect potential). Forecasting 2014 to begin with a 'brick wall of resistance,' as part of a topping-out process, it is inappropriate to encourage buying in general, or any single stock at the moment.

That will change as we eagerly look forward to valuation metric facts that justify the enthusiasm that a narcotic-like dependence on Fed policy does not. You can buy a stock on any given day; but you can't sell on any given day, once it breaks.

In 2014, there are lots of stocks that 'will' eventually become attractive, but with the market having 'crashed' upwards, it's lunacy to chase now. Hence, we will pick a 'play' that could hedge against loss or be profitable on its own merits by simply suggesting that volatility will be forthcoming. We thus suggest the Volatility Index (VIX).

What's required isn't that S&P decline from any particular level, but simply that it decline with gusto at some point. While the leverage works for you if you use options, the premium is pretty high because the pros are very active in this realm. One could just buy the VIX contract without levering it or in a timeframe, and if it moves off what has developed as a 'base,' profit accordingly.

I'm thinking this could be done several times this year. The bulls think VIX will go a bit lower. We doubt much, but so what? If one is long from 10-12, we are of a mindset that we'll see at least 20, and likely more, during the year. It's a realistic viewpoint as proactive protection against a market decline or calamity, which will see others reactively scrambling.

Gene Inger, The Inger Letter, www.ingerletter.com

★ Proshares Short 20 Plus Year Treasury (TBF, 32), Proshares Ultrashort Lehman 20 Plus Year Treasury (TBT, 74), and Direxion Daily 20 Plus Year Bear 3 Shares (TMV, 65)

from Sound Advice.

Our recommended No-Brainer ETFs are The Proshares Short 20 Plus Year Treasury (TBF), which uses no leverage; The Proshares Ultrashort Lehman 20 Plus Year Treasury (TBT), which uses 2:1 leverage; and The Direxion Daily 20 Plus Year Bear 3 Shares (TMV), which uses 3:1 leverage.

We have dubbed our ETFs "No-Brainers" because it is only going to be a matter of time when bond yields were going to rise. They always do after recessions.

The price action of these ETFs is based on the changes in long-term treasury bonds, specifically BlackRock's iShares 20+ Year Treasury Bond ETF (symbol TLT), which holds a portfolio exclusively of long-term Treasury bonds with an average maturity length of 27.54 years.

The prices of these ETFs fluctuate in accordance with TLT, only in the opposite direction, multiplied by the leverage each uses. For example, a decline of say, 1.0% in TLT will cause TMV to increase by 3.0%, TBT by 2.0%, and TBF by 1.0%. Conversely, an increase in TLT will cause our No-Brainers to drop in the same fashion.

It's not a question of whether bond yields will continue to rise; it is a matter of how fast. The most recent time long-term Treasury bond yields rose significantly was from December 18, 2008 to June 10, 2009, when 30-year Treasury bond yields rose from 2.55% to 4.75%.

A conservative approach would be to assume that these yields will not rise any higher than the last peak. From current prices, TBF would then climb to $37.7, a 17% gain; TBT would rise to $103.4, a 37% gain; and the most responsive ETF, TMV, would increase to $108.6, a 58% gain.

However, this time it is likely that bond yields will be marching substantially higher in view of the imminence of the Fed's bond-buying tapering and ultimate selling of its massive portfolio of Treasury bonds. Accordingly, it is not unreasonable to assume the current upswing in yields will not end at 4.75%, but at a higher level.

In addition, the U.S. $16 trillion national debt is now close to 100% of GDP. This means the Treasury will need to sell more Treasury bonds to fund this higher debt load, adding upward pressure on long-term Treasury bond yields.

These ETFs are not for an indefinite "buy and hold" investment strategy, especially the most highly-leveraged (TBT and TMV). Excess volatility in bond yields over an extended period will cause erosion in the prices of these ETFs. More importantly, they will drop when bond yields decline, and are only for periods when bond yields are certain to rise substantially.

There will definitely be a time to sell these ETFs and we will continue to watch them closely.

These ETFs are worth a substantial investment right now for the immediate future because the profit potential is so great.

Gray Cardiff, Sound Advice,
www.soundadvice-newsletter.com, 800-825-7007

Growth Stocks

Energy, technology and healthcare are often growth favorites. But growth can also be found in a variety of niches.

★ Air Lease (AL, 33)

from Upside

Air Lease (AL), a fast-growing lessor of commercial aircraft, is benefiting from the upturn in air travel and strong demand from air carriers. Airlines increasingly are opting to rent aircraft because of their stretched balance sheets and need for more fuel-efficient jets. On September 30, Air Lease had 182 aircraft serving 79 airlines in 45 countries.

The stock excels in Quadrix, where it earns an Overall score of 96, reflecting impressive scores for Momentum (91) and Quality (82).

For 2013, a rising consensus estimate calls for per-share earnings of $1.72, implying 34% growth. In 2014, per-share earnings are expected to increase 29% to $2.22. Earnings have topped expectations in five of the last six quarters. Shares have rallied 47% this year but upside potential remains given the company's robust profit momentum. Air Lease is being initiated as a Buy.

Richard J. Moroney, CFA, Upside, www.upsidestocks.com, 800-233-5922, December 2, 2013

★ Adobe Systems (ADBE, 61)

from Argus Weekly Staff Report

We are upgrading Adobe Systems (ADBE) from Hold to Buy with a target price of $71. Although ADBE shares are highly-priced, if the company hits its aggressive revenue and EPS targets or over-delivers as it did in FY13, we think ADBE could move still higher.

The company is transitioning from a perpetual-license model to the SaaS model. Instead of paying a one-time license fee of $1,200-$2,600 for CS 6, individuals can sign up for a $49.99 monthly membership. Sales under the SaaS model are recognized monthly rather than all at once. Management expects flat revenue growth in FY14 with revenue reaccelerating in FY15 and FY16 to a 20% CAGR.

We are lowering our FY14 EPS estimate to $1.13 from $1.62, compared to management's guidance of $1.10. Sales of cloud-based services have risen faster than expected, and as these sales are recognized monthly), revenue growth has declined. However, management expects revenue to stabilize in 2014. We are establishing a FY15 EPS estimate of $1.98, in line with management's forecast of about $2.00. We are raising our long-term growth rate forecast to 11%.

Adobe ended fiscal 4Q13 with 1.439 million Creative Cloud subscriptions, up 39% sequentially and 3-times year-over-year. Adobe easily surpassed its FY13 goal of 1.25 million Creative Cloud subscriptions. These new subscriptions drove a 40% sequential increase in Creative Cloud annual recurring revenue, to $768 million, in the fiscal fourth quarter.

Joseph Bonner, CFA, Argus Weekly Staff Report, www.argusresearch.com, 212-425-7500, December 16, 2013

*Here's a second opinion on **Adobe Systems (ADBE)**
from Capitalist Times

Shares of Adobe Systems have rallied by more than 20% since we added the stock to the Wealth Builders Portfolio, fueled by strong uptake for the company's Creative Cloud suite of design programs.

We're glad to see Adobe Systems' transition to an SAAS model gaining traction; this approach has a number of advantages. Rather than creating new applications and functionalities and then bundling them into a new version of Creative Suite, Adobe Systems can introduce incremental enhancements to its products and immediately deliver those changes to the entire Creative Cloud user base.

By transitioning to this new model, Adobe Systems swaps periodic, lumpy revenue for the consistency of recurring subscriptions. We expect this SAAS solution to continue its strong growth in 2014. We are upgrading Adobe Systems as a buy up to $63.00 per share.

Elliott Gue & Roger Conrad, Capitalist Times, www.capitalisttimes.com, 888-960-2759, January 15, 2014

★ Pason Systems (PSI.TO, 24)

from Market Insider Bulletin

Pason Systems (PSI.TO) provides instrumentation and communication systems to land-based and offshore drilling rigs worldwide. In the 2nd quarter of 2013, revenues of $82.4 million were 2% lower than a year ago. 71% of revenues were generated in the U.S., 16.5% in Canada and 12.5% overseas. The quarterly cash flow of $0.62/share was up by 7% from 2012. At the end of June 2013, PSI had no long-term debt, working capital of $109.7 million and 82.1 million of outstanding shares.

Four insiders, including the CEO, bought 9,200 shares during December at prices just below the recent all-time high. While the value of insider purchases is not remarkable, buying near the all-time high is.

PSI is in a strong uptrend, displaying superior relative strength to the TSX Composite. On the downside, minor support can be expected at $21 and more substantial support at $18-$18.20.

Tony Jasansky, Market Insider Bulletin, 106 Neighbourly Lane, Richmond Hill, Ontario L4C 5L7, January 2014

★ Biogen (BIIB, 311)

from The Complete Investor

Biogen (BIIB) remains a compelling buy. The European Union granted the company 10 years of exclusivity, ensuring that Biogen's leading treatment for multiple sclerosis will have a worldwide market. Annual sales by the end of the decade could easily exceed $6 billion.

By a wide margin, Biogen is the leader in the MS market, and its drugs both oral and injected come as close as possible to curing this debilitating and refractory disease. Few big-cap companies have nearly assured annual growth of 30% or more over the next five years, making Biogen an exceedingly rare investment.

Biogen has very strong pipelines and, thanks to exploding earnings, extremely high free cash flow to acquire other companies that have promising therapies but lack the funds to market them. Moreover, though the drugs from Biogen are expensive, they result in even higher savings by keeping patients out of hospitals sometimes for years.

Few if any companies can match Biogen in their risk/reward profiles, and we recommend it for all growth investors.

Stephen Leeb, PhD., The Complete Investor,
www.completeinvestor.com, 866-833-2070, January 2014

★ Allscripts Healthcare Solutions (MDRX, 17)

from The MoneyLetter

One name that I really like is Allscripts Healthcare Solutions (MDRX). Allscripts is a provider of clinical, financial, connectivity and information solutions and related professional services to hospitals, physicians and post-acute organizations.

Its Sunrise Enterprise suite consists of a range of acute care electronic health records integrated with financial and administrative solutions for hospitals and health systems, including performance management and revenue cycle as well as access management.

I believe the growing share of recurring revenues (in part due to the company's large installed physician base) combined with recent bookings trends sets the company up well for improving trends in 2014.

Although Allscripts has been one of the top performers in the healthcare technology universe in 2013 (shares up 61% year-over-year), I believe its earning power may still be undervalued. I rate Allscripts a buy with a 12-month target price of $20 per share.

John Stephenson, The MoneyLetter,
www.adviceforinvestors.com, 800-804-8846,
December 30, 2013

★ E-House Holdings Limited (EJ, 14)

from Stellar Stock Alert

Shares of E-House Holdings Limited (EJ) soared in December, moving up 30% by month's end. The big increase came on the announcement that the company's third quarter was better than expected.

According to Zacks, "Its solid performance was driven by significant growth in revenue that climbed 43% year over year in the quarter under review. An 85% year-over-year surge in revenues in its real estate online services, chiefly driven by growth in e-commerce revenues, contributed to this upside. Also, revenues from real estate information and consulting services escalated 47% year over year. Further, the company raised its already hiked fiscal 2013 total revenue guidance that reflects a 51% year-over-year increase."

That's impressive. EJ has a lot of room left to grow, so it remains a strong buy.

Richard Schmidt, Stellar Stock Alert,
www.stellarstockalert.com, 800-456-5705, January 2014

★ Altius Minerals, (ALS.TO, 16)

from Adrian Day's Global Analyst

Altius Minerals (ALS.TO), one of our long-time top holdings, announced just before Christmas that it was buying 51% of a package of mineral royalties for $233 million. The royalties are on 11 long-life producing mines of potash and coal, with most of the coal assets paying based on production not the prevailing coal price. They are mostly low-risk assets with almost utility-like returns.

In addition, Altius acquired (from the seller, Sherritt) a package of pre-production coal assets, which provides upside for Altius to create new royalties.

To finance the deal, Altius will take on $130 million in debt, in addition to its cash on hand; it will issue no equity. The company's aversion to debt is well known, and they intend paying down the debt as rapidly as makes sense.

The transaction completes the transformation of Altius from a prospect generator exploration company to a mineral royalty company. It will now become Canada's largest diversified royalty company. Altius also has a cash-flow generating royalty on the Voisey's Bay nickel mine, as well as a significant royalty on the development-stage Kami iron ore deposit. Once in production, Kami will generate as much as these new royalties (while Voisey's Bay, at around $5 million last year, is considerably less). At that point, Altius will be well diversified in its revenue-producing assets, with even more diversification in its exploration and joint venture programs.

In truth, almost from the beginning, Altius has used its exploration prowess to generate projects on which it could obtain royalties.

We suspect that once the debt has been reduced and perhaps after the Kami comes on stream, Altius may well decide to pay a dividend, further setting it apart in the resource sector.

Post the transaction, Altius remains a low-risk, value play. Altius continues to have considerably upside from development of its other assets, eventually becoming an income play as well.

Adrian Day, Adrian Day's Global Analyst, www.adriandayglobalanalyst.com, 410-224-8885, January 2014

★ Montage Technology Group (MONT, 24)

from The Oberweis Report

Montage Technology Group (MONT) is a global fabless provider of analog and mixed-signal semiconductor solutions currently addressing the home entertainment and cloud computing markets. Since its inception in 2004, the company has sold over 230 million integrated circuits, which have been shipped to over 150 end customers worldwide.

Initially, Montage developed commercial solutions for the home entertainment market to address the rapidly growing demand for television in China, Southeast Asia and other emerging markets. According to iSuppli, the total number of set-top boxes sold by Chinese manufacturers is expected to grow at a compound annual growth rate of 12% from 2012 to 2016.

Montage's end customers in the home entertainment market include nine of the 10 largest set-top box manufacturers in China as measured by units sold in 2012. In the cloud computing market, Montage is currently one of two LRDIMM memory buffer suppliers validated by Intel for DDR3 technology, the most prevalent industry standard for memory integrated circuits used in servers.

The company expects revenue from LRDIMM memory buffers to increase as a percentage of total revenue, driven largely by growth in cloud computing. In the company's latest reported third quarter, sales increased approximately 46% to $30.1 million from $20.6 million in the third quarter of last year. Montage Technology reported earnings per share of $.30 in the latest reported third quarter versus $.23 in the same quarter of last year.

These shares may be appropriate for risk-oriented investors.

Jim Oberweis, CFA, The Oberweis Report, www.oberweisreport.com, 800-323-6166, January 2014

Value Stocks

Frequently, transitions offer investors an opportunity to buy at a discount.

★ Bed Bath & Beyond (BBBY, 66)

from Dow Theory Forecasts,

Bed Bath & Beyond (BBBY offers a play on pent-up demand in the housing market. The retailer also exemplifies our strategy of buying strong growth at a reasonable price. The stock, earning a Value rank of 82 despite rallying 38% this year, is rated Buy and a Long-Term Buy.

Bed Bath is notorious for stuffing shoppers' mailboxes with 20%-off coupons. Its shares offer a similar discount, trading at just 16 times trailing earnings, 17% below the median for home-furnishing retailers and 18% below the median for consumer-discretionary stocks. Bed Bath shares also trade at less than 15 times year-ahead earnings, projected to rise 9%. The discount share price reflects pervasive pessimism about traditional retailers—the fear that cheaper, online competition threatens their long-term prospects.

Bed Bath controls roughly 24% of the $46 billion U.S. market for home furnishings but was slow to build its Web presence and severely lags its smaller peers online. Less than 1% of sales in fiscal 2013 ended February came from the Internet. Scrambling to amend that oversight, Bed Bath has revamped its website and built a fulfillment center for online orders. Web sales could reach 4% of total revenue in fiscal 2014 ending February and 10% by fiscal 2016.

Despite its limited online presence, Bed Bath has managed to deliver consistently strong growth. Same-store sales have risen in 16 consecutive quarters and total revenue in 18 straight quarters. In the past year, Bed Bath

& Beyond has outgrown its peers, with sales up 17% (the industry averaged 9% sales growth) and per-share profits up 11% (10%). Bed Bath's smaller chains—particularly World Market, Christmas Tree Shops, and Buy Buy Baby—lack the market penetration of the namesake brand and have greater growth potential.

For the November quarter, Bed Bath has targeted per-share profits of $1.11 to $1.16, implying a gain of 8% to 13%, on sales growth of 6% to 8%. The consensus projects earnings of $1.15 per share and revenue growth of 7%. Management sees 2% to 4% higher same-store sales in the six months ending February.

Richard J. Moroney, CFA, Dow Theory Forecasts, www.dowtheory.com, 800-233-5922, December 20, 2013

Funds & ETFs

You'll find diversification, with a dose of growth in these investments.

★ Hennessey Cornerstone Growth (HFCGX)

from The Chartist Mutual Fund/ETF Letter

The Hennessy Cornerstone Growth Fund (HFCGX) seeks long-term growth of capital by investing in 50 small cap, growth-oriented companies, screening for undervalued stocks with above-average growth potential.

The HFCGX formula marries value with momentum, seeking growth at a reasonable price. Stocks for the portfolio are selected by strict adherence to the following time-tested, quantitative formula: Market capitalization exceeding $175 million, price to sales ratio below 1.5, annual earnings higher than the previous year, positive stock price appreciation, or relative strength, over 3- and 6-month periods, select the 50 stocks with the highest 12-month price appreciation.

It is ranked 1 star from Morningstar with a low historical return and an above average risk score. Its best 3-month return was +32.04% from 10/02/1999–12/31/1999 and worst 3-month return was -39.03% from 09/01/2008–11/30/2008.

Dan Sullivan, The Chartist Mutual Fund/ETF Letter, www.thechartist.com, 800-942-4278, January 9, 2014

★ iShares MSCI Brazil Capped (EWZ, 42)

from Active Trading Partners

The best time to buy cheap is when you are afraid to bring up your ideas around the water cooler at work for fear of the peer laughter. Our work centers on looking for oversold conditions and crowd behavioral anomalies that can give us better low risk entries with good upside potential. A combination of fundamentals and technical, combined with Elliott Wave Theory patterns can lead to nice profits with low risk.

For just a quick idea that would make sense in this area, we point out an ETF that you could look at entering now as it is way out of favor and very oversold.

Everyone hates Brazil stocks now, but they have some of the most valuable natural resources in the world, and Brazil almost always bounces back strong off bear cycle lows. Here is a way to play the commodity rebound we see in 2014: iShares MSCI Brazil Capped (EWZ) exchange-traded fund.

David A. Banister, Active Trading Partners, www.activetradingpartners.com, December 30, 2013

★ First Trust ISE-Revere Natural Gas ETF (FCG, 20)

from Stock Trader's Almanac

Based upon the Amex Natural Gas Index (XNG), there is a seasonal tendency for natural gas companies to enjoy gains from the end of February through the beginning of June. Natural gas's fundamentals were quite bleak from 2008 through early 2012. Economic growth was tepid keeping its demand in check while new exploration and production technologies flooded the market with excess supply. Prices plummeted during that time, triggering consolidation within the sector, less exploration and production.

However, now producers have much better control of supplies and economic growth is picking up, creating additional demand. As a result, natural gas prices have found a floor, but remain quite volatile. During last year's seasonally favorable period, natural gas rallied from just barely above $3 to nearly $4.50/mmBtu. Although natural gas is currently trading near $4.50/mmBtu, current inventories and demand could easily support much higher prices.

First Trust ISE-Revere Natural Gas (FCG) is an excellent choice to gain exposure to the company side of the natural gas sector. FCG can be bought on dips below $19.01. Once purchased, use a stop loss of $17.11 and take profits at the auto sell, $24.42. Top five holdings by weighting as of yesterday's close are: Quicksilver Resources, Magnum Hunter Resources, Swift Energy, Cabot Oil & Gas and StatoilHydro. The net expense ratio is reasonable at 0.6% and the fund has nearly $450 million in assets.

Jeffrey A. Hirsch, Stock Trader's Almanac, www.stocktradersalmanac.com, 800-762-2974, January 7, 2014

Investment Index

Company Name (Symbol)	Page	Product/ Service	52-week Low-High	Recent Price	Fwd. P/E Ratio	EPS (TTM)	EPS Est.* (current yr.)	Indicated Annual Dividend	Yield**	Web Address
Abraxas Petroleum (AXAS)	4	Energy	1.93 - 3.96	3.24	11	0.11	0.20	n/a	n/a	www.abraxaspetroleum.com
Adobe Systems Inc (ADBE)	12	Technology	37.36 - 61.98	60.85	55	1.35	1.12	n/a	n/a	www.adobe.com
Advanced Energy Inds (AEIS)	4	Technology	13.85 - 27.74	26.01	14	1.33	0.43	n/a	n/a	www.advancedenergy.com
AgJunction (AJX.TO)	8	Technology	0.90 - 1.20	1.16	n/a	(0.48)	n/a	n/a	n/a	www.corp.agjunction.com
Air Lease Corp (AL)	12	Capital Equipment	22.43 - 33.57	32.50	14	1.85	1.72	0.12	0.40%	www.airleasecorp.com
Allscripts Hlthcare Sol (MDRX)	13	Technology	10.12 - 17.25	17.19	37	0.35	0.51	n/a	n/a	www.allscripts.com
Altius Minerals (ALS.TO)	13	Materials	9.09-16.12	15.55	0.35	(0.42)	n/a	n/a	n/a	www.altiusminerals.com
Auxilio (AUXO)	7	Health Care	0.81 - 1.59	1.25	n/a	0.03	n/a	n/a	n/a	www.auxilioinc.com
Bed Bath & Beyond Inc (BBBY)	14	Retail	54.62 - 80.82	66.01	12	4.89	5.21	n/a	n/a	www.bedbathandbeyond.com
Biogen Idec Inc (BIIB)	13	Health Care	143.16 - 311.20	310.65	26	8.02	8.88	n/a	n/a	www.biogenidec.com
Calgon Carbon Corp (CCC)	5	Capital Equipment	15.39 - 21.30	20.60	20	0.80	0.83	n/a	n/a	www.calgoncarbon.com
Delek Group (DGRLY)	6	Energy	23.72 - 40.01	38.75	20	1.88	n/a	0.90	1.75%	www.delek-group.com
E-House Holdings Ltd (EJ)	13	Financial	3.88 - 15.14	14.13	16	0.42	0.59	0.14	1.00%	www.ehousechina.com
Exide Technologies (XIDEQ)	7	Technology	0.11 - 3.62	0.28	n/a	(3.02)	n/a	n/a	n/a	www.exide.com
Facebook Inc (FB)	1	Technology	22.67 - 58.96	58.51	50	0.73	0.84	n/a	n/a	www.facebook.com
FelCor Lodging Trust Inc (FCH)	2	Financial	4.71 - 8.75	8.58	15	0.33	0.38	n/a	n/a	www.felcor.com
Geeknet Inc (GKNT)	4	Retail	12.38 - 20.00	17.90	23	(0.07)	0.58	n/a	n/a	www.geek.net
Gogo Inc (GOGO)	4	Technology	9.71 - 35.77	24.69	n/a	(1.26)	(1.48)	n/a	n/a	www.gogoair.com
Great So. Bancorp (GSBC)	8	Financial	22.60 - 31.23	29.78	15	2.40	2.25	0.72	2.40%	www.greatsouthernbank.com
Homeaway Inc (AWAY)	2	Consumer Cyclical	22.28 - 42.57	41.77	55	0.63	0.63	n/a	n/a	www.homeaway.com
Intl Business Machines (IBM)	9	Technology	172.57 - 215.90	188.51	11	15.60	16.88	3.80	2.00%	www.ibm.com
LightInTheBox Hldg (LITB)	5	Retail	6.18 - 23.38	10.59	50	0.00	0.15	n/a	n/a	www.lightinthebox.com
Livedeal Inc (LIVE)	3	Technology	1.97 - 14.30	14.15	n/a	(1.97)	n/a	n/a	n/a	www.livedeal.com
MannKind Corp (MNKD)	3	Health Care	2.34 - 8.70	5.55	n/a	(0.71)	(0.62)	n/a	n/a	www.mannkindcorp.com
Marquee Energy (MQL.V)	6	Energy	0.42 - 0.89	0.83	n/a	(0.12)	n/a	n/a	n/a	www.marquee-energy.com
Montage Tech. Group (MONT)	14	Technology	10.00 - 26.70	24.29	18	0.76	1.11	n/a	n/a	www.montage-tech.com
Myriad Genetics (MYGN)	9	Health Care	20.02 - 38.27	25.24	13	2.09	2.13	n/a	n/a	www.myriad.com
Nuance Comm. (NUAN)	10	Technology	13.00 - 24.85	14.90	14	1.33	1.18	n/a	n/a	www.nuance.com
Oracle Corp (ORCL)	8	Technology	29.86 - 38.77	38.09	13	2.80	3.04	0.48	1.30%	www.oracle.com
Pason Systems (PSI.TO)	12	Energy	15.75 - 24.42	24.37	17	(0.23)	1.13	0.53	2.30%	www.pason.com
Pharmacyclics Inc (PCYC)	3	Health Care	66.97 - 145.00	144.08	938	1.15	0.85	n/a	n/a	www.pharmacyclics.com.
Quest Water Global (QWTR)	6	Technology	0.01 - 0.46	0.20	n/a	(0.01)	n/a	n/a	n/a	www.questwatersolutions.com
Questcor Pharmac. (QCOR)	9	Health Care	24.75 - 74.76	62.41	9	4.88	5.47	1.20	1.90%	www.questcor.com
Ubiquiti Networks Inc (UBNT)	2	Technology	11.51 - 48.00	43.10	24	1.23	1.48	n/a	n/a	www.ubnt.com
Yandex (YNDX)	5	Technology	19.93 - 45.42	43.66	32	1.09	1.11	n/a	n/a	www.yandex.ru

ETF & CEF Name (Symbol)	Page	52-week Low-High	Recent Price	Indicated Annual Dividend	Yield**	Web Address
Direxion 20+ Trs Bear 3X (TMV)	11	47.24 - 78.54	65.14	n/a	.00%	www.direxionshares.com/etfs
First Tr ISE Rev Nat Gas (FCG)	15	15.27 - 20.62	19.71	0.07	.30%	www.ftportfolios.com
iShares MSCI Brazil Capp (EWZ)	15	40.68 - 57.76	41.78	1.44	3.40%	www.ishares.com
ProShrs Short 20+ Yr Trs (TBF)	11	28.14 - 33.63	31.70	n/a	.00%	www.proshares.com/funds
ProShrs Ultsht 20+ Yr (TBT)	11	58.23 - 82.80	73.66	n/a	.00%	www.proshares.com/funds

Mutual Fund Name (Symbol)	Page	Fund Objective	NAV	Return (%) 3 mos.	1-year	3-year	Min. Invest.	Web Address
Hennessey Cornerstone (HFCGX)	15	Small Blend	16.95	10.21	8.93	15.12	$2,500	www.hennessyfunds.com
MainStay Marketfield (MFLDX)	10	Large Blend	18.68	2.42	14.19	10.55	$5,000,000	www.marketfield.com

Prices are as of January 21, 2014. Estimates for Canadian stocks are in Canadian dollars.
*Using forward estimates. When available, the average estimate across all Wall Street analysts. Failing that, we've quoted the excerpted editor's own estimate, if it is available.
**Yield will vary as a result of price changes.

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