

Upside

Best buys in small and midcap stocks

Vol. 39, No. 1, January 1, 2018

4 NEW BUYS

■ Founded in 1915, **Allison Transmission** (\$43; *ALSN*) is the world's largest maker of automatic transmissions for medium- and heavy-duty commercial vehicles. The company is also a leading provider of hybrid propulsion systems for city buses. With a footprint that spans more than 80 countries, Allison has manufacturing facilities in the U.S., Hungary, and India. Analysts see solid growth, with the consensus calling for sales to surge 22% and per-share earnings 98% in 2017, followed by respective gains of 5% and 8% in 2018.

An expanding presence in emerging markets, robust cash flow, product launches, and market-share gains should drive growth. To be sure, the eventual adoption of commercial electric trucks, which often don't include transmissions, is a looming risk. But, with an estimated 60% global market share, Allison maintains a strong foundation for growth. Shares are attractively priced at 15 times trailing earnings, a 38% discount to the median industrial stock in the S&P 1500. *While Allison's market capitalization of \$6.4 billion is larger than our typical new recommendation, the stock is being initiated as a Buy.*

■ **Riverview Bancorp** (\$9; *RVSB*) operates 19 branches around Vancouver, Washington, and has assets

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Our 6 top picks for 2018

When the earnings outlook is solid but stocks are broadly expensive, like now, value-minded investors need to keep an open mind. Only 11% of the small, midcap, and large stocks in the S&P 1500 Index have trailing price/earnings ratios below 14 — well below the norm of 24% since 1994. So, finding downright bargains is tough, even if you're looking in all sectors.

A value-oriented approach can work in today's market environment, but you should look for value in relation to growth and overweight sectors with the best fundamentals.

► **Growth at a discount.** Buying cheap shares in no-growth companies was not a winning strategy in 2017, and we don't expect that to change in 2018. In our view, today's best values can be found among growers with some cyclical exposure. With conditions overseas improving and a healthy U.S. economy receiving a major dose of fiscal stimulus, we expect solid earnings growth to continue — even before the added boost from lower corporate tax rates.

The bigger risk, in our view, is an economy that overheats, lifting bond yields and putting downward pressure on stocks' price/earnings ratios. Buying attractively valued growers won't protect you from such a decline, but such stocks are likely to hold up better than the very fastest growers with the richest valuations.

► **Overweight the best sectors.** We're always looking for opportunities in all corners of the market, but our Quadrix®-driven approach is pointing us toward consumer-discretionary, financials, and

technology stocks. Those three sectors, which rank best based on the percentage of stocks with Overall scores above 80 and above 90, also rank among the top four sectors based on total number of U.S.-traded stocks.

We don't want our Buy List or even our Best Buy List to be dominated by one or two sectors, and we're always trying to diversify within sectors by spreading our bets among industry groups. We continue to look for opportunities in the industrials and health sectors, and we've recently lifted our exposure to materials names because of improving fundamentals.

Still, for now, most of our favorite

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OUR YEARLY RETURNS

| | Upside Best Buy List | Upside Buy List | Russell 2000 Index | S&P 500 Index |
|----------------|----------------------------|-----------------------|--------------------------|---------------------|
| Total * | 742.2% | 811.3% | 240.8% | 106.1% |
| 2017 * | 13.9 | 21.0 | 13.7 | 19.9 |
| 2016 | 6.5 | 9.0 | 19.5 | 9.5 |
| 2015 | -4.6 | -8.8 | -5.7 | -0.7 |
| 2014 | 1.8 | 7.7 | 3.5 | 11.4 |
| 2013 | 63.4 | 53.4 | 37.0 | 29.6 |
| 2012 | 9.8 | 11.6 | 14.6 | 13.4 |
| 2011 | -8.8 | -9.8 | -5.5 | 0.0 |
| 2010 | 21.5 | 24.0 | 25.3 | 12.8 |
| 2009 | 27.5 | 32.7 | 25.2 | 23.5 |
| 2008 | -44.7 | -47.5 | -34.8 | -38.5 |
| 2007 | 0.5 | 4.5 | -2.8 | 3.5 |
| 2006 | 18.6 | 18.2 | 17.0 | 13.6 |
| 2005 | 5.4 | 9.1 | 3.3 | 3.0 |
| 2004 | 38.3 | 46.8 | 17.0 | 9.0 |
| 2003 | 90.0 | 76.0 | 45.4 | 26.4 |
| 2002 | -6.7 | -0.5 | -21.5 | -23.4 |
| 2001 | 1.2 | -0.8 | 1.0 | -13.0 |
| 2000 | 14.1 | 27.1 | -4.2 | -10.1 |
| 1999 † | 43.4 | 20.8 | 15.1 | 12.9 |

* Through Dec. 22. † May 28, 1999, to Dec. 31, 1999
Returns exclude dividends and transaction costs.

6 top picks

names are in the technology and consumer-discretionary sectors. That preference is reflected in the composition of our buy lists — and in our capital-gains favorites for 2018. The six stocks, reviewed below, include three from technology and two from consumer discretionary.

■ **Advanced Energy Industries** (\$69; *AEIS*) supplies components used to produce semiconductors, flat-panel displays, analytical instrumentation, solar panels, and medical-imaging equipment. Semiconductor-equipment makers Applied Materials and Lam Research account for about 56% of sales. Both key customers anticipate another year of robust growth in 2018. Moreover, the company generates about 68% of sales in the U.S., suggesting it should be helped by the lower corporate tax rate in 2018.

Rising volumes are boosting operating profit margins, up in each of the past four quarters. Free cash flow surged 59% to \$167 million for the 12 months ended September, boosting net cash to \$9 per share. Management's capital-deployment strategy calls for 70% of excess cash going towards deals and 30% toward stock buybacks.

Although estimates for Advanced Energy are rising, expectations for 2018 still appear conservative, with the consensus projecting 6% higher per-share profits on 8% revenue growth. Shares trade at 15 times trailing earnings, versus their five-year median of 19 and the industry median of 20 for S&P 1500 semiconductor-equipment stocks. *Advanced Energy is a Best Buy.*

■ U.S. sales of light vehicles slipped 1.5% in the first 11 months of 2017, and analysts expect another down year in 2018. But **Dana's** (\$32; *DAN*) diversified business model helps brace the auto-parts supplier against softness in the U.S. car market. The U.S. represents 46% of Dana's sales, with light vehicles about 45%. Dana also supplies parts for commercial vehicles (22% of sales) and off-road vehicles for markets

FINANCIALS, CONSUMER, TECH STAND TALL

Whether small and midcap stocks are expensive or cheap, the best reason to watch them is always the same: their sheer number. Of the 4,674 U.S.-traded stocks with stock-market values of at least \$25 million, 3,949 have values below \$10 billion, the typical dividing line between large and midcap stocks. About 3,441 have values below \$4 billion, a typical maximum for a small stock.

Among the 585 stocks with Overall Quadrix scores above 80 and Value, Performance, and Earnings Estimates scores above 20 — a typical screen for new recommendations — 379 stocks are from the financials, consumer-discretionary, or technology sectors. As shown below, these three sectors also feature heavily on our Best Buy and Buy lists.

| Sector | Overall Quadrix Above 80 And Value, Performance, Earnings — Estimates Above 20 — | | % Exposure — To Sector — | |
|------------------------|---|----------------------------|-----------------------------|--------------------|
| | Number Of Stocks | % Of Stocks From Sector | On Our Best Buy List | On Our Buy List |
| | Financials | 166 | 28% | 18% |
| Consumer discretionary | 113 | 19 | 35 | 23 |
| Technology | 100 | 17 | 35 | 21 |
| Industrials | 76 | 13 | 6 | 12 |
| Energy | 41 | 7 | 0 | 0 |
| Materials | 33 | 6 | 6 | 15 |
| Health care | 30 | 5 | 0 | 0 |
| Consumer staples | 14 | 2 | 0 | 3 |
| Real estate | 9 | 2 | 0 | 3 |
| Telecom | 2 | 0 | 0 | 0 |
| Utilities | 1 | 0 | 0 | 0 |

including agricultural, mining, and construction (16%). Additionally, its power-technologies unit (18%) makes gaskets and engine-sealing systems for all three types of vehicles.

Dana's off-road unit is driving growth, with sales up 60% in the first nine months of 2017. And its light-vehicles unit continues to offer solid momentum in a challenging environment, with sales up 24% for the nine months ended September. Dana has significant exposure to aftermarket-vehicle parts, which tend to exhibit higher profitability and lower volatility.

December-quarter estimates have increased since Dana raised its 2017 guidance in October. But consensus estimates, projecting 5% lower per-share profits and 22% sales growth, still leave room for upside. For 2018, profits are projected to climb 13% on 6% revenue growth. *Dana is a Best Buy.*

■ **MKS Instruments** (\$95; *MKSI*) shares offer a rare blend of cheap valu-

ation, sturdy financial strength, rising analyst estimates, robust share-price action, and strong short-term and long-term operating growth. With an Overall rank of 99, MKS is one of eight stocks in the S&P 1500 Index to score above 70 for all six Quadrix categories. Almost 60% of the company's sales come from semiconductor industry, which uses MKS products to deposit thin films on silicon wafers.

MKS shares have surged 61% over the past year yet trade at just 14.5 times estimated 2018 profits, below the industry average of 16. Estimates for 2018 have steadily marched higher in the past 90 days, with the consensus projecting earnings per share of \$6.56, implying 12% growth. If MKS matches that estimate and its trailing P/E ratio, currently 18, rises to its industry average of 23, the shares would rally to \$151 over the next 12 months. *MKS is rated Best Buy.*

■ **Patrick Industries** (\$69; *PATK*) has

surged 32% in the past year, lifted by the prevailing tailwinds of the improving U.S. economy. The company supplies building products for the recreational vehicle (69% of sales in first nine months of 2017), manufactured housing (13%), industrial (12%), and boating (6%) markets.

Patrick has delivered 16 straight quarters of higher per-share profits and 25 straight quarters of revenue growth. For the 12 months ended September, both profits and sales rose more than 20%, helped by acquisitions and market-share gains. Patrick has spent about \$660 million on 44 acquisitions since 2010, including 13 deals in 2017.

The strong housing market, low gasoline prices, and healthy consumer spending should help Patrick deliver another strong year of growth. Earnings per share are projected to climb 16% in 2018 on 17% higher revenue. The shares remain attractively valued versus peers at 19 times estimated 2018 profits, versus the average of 21 for S&P 1500 building-products stocks. *Patrick Industries is a Best Buy.*

■ Companies expect to boost their technology budgets, a bullish signal for distributor **Tech Data** (\$98; *TECD*).

Goldman Sachs has surveyed the spending plans of chief information officers since 2003, and the December reading was its highest on record.

A wholesale distributor, Tech Data supplies hundreds of thousands of technology products, such as printer equipment, mobile devices, virtualization software, and data-center servers. Tech Data has revamped its business by selling off underperforming operations in South America in 2016 and completing a \$2.67 billion deal in February to broaden its services portfolio. These moves helped sales jump 37% for the nine months ended October, while operating cash flow doubled.

In December, the company launched Tech-as-a-Service, bundling hardware, software, and services into a single monthly subscription. This package could give Tech Data a steadier revenue stream and help it win bigger contracts. Tech Data is expected to grow per-share profits 15% next year, ahead of average growth of 12% for S&P 1500 technology distributors. At 10 times estimated year-ahead profits, the stock trades about 20% below its industry average. *Tech Data is a Best Buy.*

■ **Thor Industries** (\$153; *THO*), the

largest manufacturer of recreational vehicles, finds itself in the middle of an unprecedented period of expansion. The Recreation Vehicle Industry Association raised its forecasts in November, projecting 17% higher total RV shipments in 2017, the strongest growth since 2010 and the highest volume since at least 1973. RV shipments are now expected to rise 3% in 2018, which would mark the ninth straight year of growth.

Prior upswings have typically lasted three to five years, inviting questions about whether the market may be peaking. A spike in fuel prices or interest rates, or an economic downturn, would certainly crimp RV sales. But favorable demographic trends signal a long runway for growth. The bulk of RV owners have typically been 55 to 74 years old, an age bracket projected to rise 15% in 2025 from 2015. RVs are also gaining popularity among Millennials.

Thor's backlog has jumped 70% to \$3.58 billion in the past year, equaling nearly half of Thor's annual sales. Analyst estimates forecast 29% higher earnings per share for fiscal 2018 ending July on 18% revenue growth. *Thor is a Best Buy.*

OUR BEST BUY LIST

| Company (Price; Ticker) | Fiscal Year End | Estimated — Current Year — | | | Estimated — Next Year — | | | Quadrix Overall Score | Sector Scores 12-Reranked | | |
|--|-----------------|----------------------------|------------|-----------|-------------------------|------------|-----------|-----------------------|---------------------------|------------------|-----------------------|
| | | Sales Growth | EPS Growth | P/E Ratio | Sales Growth | EPS Growth | P/E Ratio | | Factor | Reranked Overall | Industry |
| Advanced Energy (\$69; <i>AEIS</i>) | Dec. | 38% | 51% | 15 | 8% | 6% | 14 | 98 | 92 | 95 | Semiconduct. equip. |
| Boise Cascade (\$40; <i>BCC</i>) | Dec. | 12 | 85 | 20 | 8 | 21 | 17 | 99 | 96 | 97 | Forest products |
| Carter's (\$117; <i>CRI</i>) | Dec. | 5 | 10 | 21 | 6 | 12 | 19 | 90 | 83 | 82 | Apparel |
| Cirrus Logic (\$52; <i>CRUS</i>) | Mar. | 7 | 8 | 11 | 4 | 0 | 11 | 96 | 98 | 92 | Semiconductors |
| Dana (\$32; <i>DAN</i>) | Dec. | 23 | 27 | 13 | 6 | 13 | 11 | 100 | 80 | 100 | Auto parts |
| Entegris (\$30; <i>ENTG</i>) | Dec. | 13 | 48 | 22 | 9 | 17 | 19 | 90 | 88 | 92 | Semiconduct. equip. |
| Evercore Partners (\$92; <i>EVR</i>) | Dec. | 10 | 22 | 17 | 6 | 9 | 16 | 97 | 97 | 97 | Investment banking |
| First American Fin'l (\$59; <i>FAF</i>) | Dec. | 3 | 20 | 16 | 2 | 11 | 14 | 97 | 94 | 92 | Prop. & casualty Ins. |
| KB Home (\$32; <i>KBH</i>) | Nov. | 20 | 57 | 18 | 8 | 22 | 15 | 95 | 100 | 95 | Homebuilding |
| Meridian Bancorp (\$21; <i>EBSB</i>) | Dec. | 21 | 35 | 24 | 17 | 22 | 19 | 96 | 61 | 86 | Thriffs & banks |
| MKS Instruments (\$95; <i>MKSI</i>) | Dec. | 47 | 94 | 16 | 8 | 12 | 14 | 99 | 99 | 98 | Semiconduct. equip. |
| Patrick Industries (\$69; <i>PATK</i>) | Dec. | 29 | 25 | 22 | 17 | 16 | 19 | 91 | 55 | 91 | Building products |
| Stoneridge (\$24; <i>SRI</i>) | Dec. | 18 | 7 | 16 | 4 | 1 | 15 | 98 | 89 | 98 | Auto parts |
| Tech Data (\$98; <i>TECD</i>) | Jan. | 38 | 43 | 11 | 3 | 15 | 9 | 97 | 98 | 93 | Tech distributors |
| Thor Industries (\$153; <i>THO</i>) | Jul. | 18 | 29 | 17 | 6 | 10 | 15 | 99 | 98 | 99 | RV makers |
| Tower International (\$31; <i>TOWR</i>) | Dec. | 3 | 11 | 8 | 5 | 8 | 8 | 99 | 96 | 98 | Auto parts |
| Vishay Intertechnology (\$21; <i>VSH</i>) | Dec. | 12 | 67 | 15 | 5 | 3 | 14 | 94 | 84 | 87 | Elect. Components |

Note: Quadrix and Sector scores are percentile ranks, with 100 the best. Top picks for 2018 in **bold**.

STOCK PICKS

6 investable trends for 2018

Trying to predict the economy or stock market with precision is a fool's errand. But that does not mean that trends can't be extrapolated, or that you can't look ahead using common sense. Among all the prognostications you're likely to hear heading into 2018, here are six we see as more likely to happen than not — along with ways to play all six.

LOWER TAX BILLS

A reduction in the U.S. corporate tax rate to 21% will boost earnings for companies with relatively high tax rates, with small companies in line to benefit most. Based on an average of the last four quarters, companies in the S&P SmallCap 600 Index reported a tax rate of 29.1%, compared to 26.4% for those in the S&P 500 Index. Among small stocks, consumer discretionary (32% average tax rate) and financials (31%) stand to gain the most, while technology (24%) and energy (27%) may only see modest earnings boosts.

■ **Boise Cascade** (\$40; BCC) reported a tax rate of 36.6% in the September quarter, up one percentage point from a year earlier. The tax hit was impacted by state taxes, helping push the effective rate above the federal statutory rate of 35%. A leading maker of wood products and building materials, Boise's primary markets include home construction, repair, and commercial building. The combination of low home inventories and new buyers entering the housing market should help sustain growth. And in the wake of two major hurricanes hitting the U.S., commodity prices have risen, helping boost profit margins. *Boise, capable of climbing 20% in the year ahead, is being upgraded to Best Buy.*

HIGHER INTEREST RATES

In mid-December, the Federal Reserve raised its benchmark rate a quarter percentage point to a range of 1.25% to 1.50%, marking the fifth increase in the past two years. The Fed targets three quarter-point increases in 2018,

LOWER TAX BILL

| Company (Price; Ticker) | — Tax Rate — | | 12-Month | | Quadrix | |
|----------------------------------|----------------|--------------------|------------------|----------------|---------------|-----------------|
| | Recent Quarter | Trailing 12 Months | – Growth – Sales | – Growth – EPS | Overall Score | Industry |
| Boise Cascade (\$40; BCC) | 36.6% | 35.8% | 10% | 51% | 99 | Forest products |
| KB Home (\$32; KBH) | 36.6 | 35.2 | 23 | 20 | 95 | Homebuilding |
| Tower International (\$31; TOWR) | 36.0 | 28.1 | 0 | 20 | 99 | Auto parts |

Note: Quadrix scores are percentile ranks, with 100 the best.

HIGHER INTEREST RATES

| Company (Price; Ticker) | 12-Month | | Quadrix | | Key Interest Rate Metric (Recent Value) | Industry |
|------------------------------------|------------------|----------------|---------------|---------------|---|----------|
| | – Growth – Sales | – Growth – EPS | Overall Score | Overall Score | | |
| Fed. Agricultural Mtg. (\$79; AGM) | 32% | 19% | 98 | 98 | Effective spread (0.92%) | Thrifts |
| First American Fin'l (\$56; FAF) | 7 | 7 | 97 | 97 | Invest. income (\$37.9 mil.) | Insur. |
| Meridian Bancorp (\$21; EBSB) | 27 | 41 | 96 | 96 | Net interest margin (3.3%) | Thrifts |

HEALTHY M&A ACTIVITY

| Company (Price; Ticker) | 12-Month | | Quadrix | | 2017 Price Change | Industry |
|----------------------------|------------------|----------------|---------------|---------|-------------------|-----------------|
| | – Growth – Sales | – Growth – EPS | Perfor- mance | Overall | | |
| Apollo Global (\$34; APO) | 64% | 128% | 80 | 98 | 74% | Asset mgmt. |
| Evercore (\$92; EVR) | 15 | 29 | 83 | 97 | 34 | Invest. banking |
| Houlihan Lokey (\$46; HLI) | 28 | 37 | 92 | 85 | 47 | Invest. banking |

with two more such increases in 2019 and two in 2020. Other key lending rates have also moved higher, including the prime rate. Rising rates boost profit margins for many financial firms, including banks, insurers, and thrifts.

■ Higher interest rates are helping lift **Meridian Bancorp's** (\$21; EBSB) profitability. The fast-growing thrift reported a net interest margin of 3.30% in the September quarter, up slightly from the June quarter, reflecting robust loan growth and gains in net interest income. The acquisition of Meetinghouse Bancorp, a deal valued at roughly \$18 million, was expected to close on Dec. 29 and boost per-share earnings by 2% to 3%. Meetinghouse has assets of nearly \$120 million and deposits of roughly \$100 million. In early December, Meridian raised its quarterly per-share

dividend a penny to \$0.05, payable on January 2. *The stock, yielding 1.0%, is being upgraded to Best Buy.*

M&A ACTIVITY

A healthy economic backdrop, rising stock prices, and cheap debt financing propelled worldwide deal-making in 2017 — trends expected to continue in the year ahead. The total global value of announced mergers and acquisitions rose 3% in the first nine months of 2017, according to Thomson Reuters. While uncertainty over tax reform and regulatory policies weighed on the pace of U.S. deal-making, improving clarity and healthy business confidence could help lift M&A activity.

■ A leading independent investment-banking advisory firm, **Evercore Partners** (\$92; EVR) had a busy 2017.

The company was involved in nearly 140 transactions, including the potential sales of Aetna and Scripps Networks. Founded in 1995, Evercore has handled more than \$2 trillion in mergers and acquisitions, divestitures, and public offerings. The company does not offer acquisition financing or directly manage private-equity funds, allowing it to sidestep business conflicts — a competitive advantage when hunting deals. *Evercore, with a Quadrix Overall score of 97, is a Best Buy.*

MILLENNIAL SPENDING

Millennials, those defined by the U.S. Census Bureau as being born between 1982 and 2000, total more than 80 million and represent roughly one-quarter of the U.S. population, making them the largest demographic group. Importantly, many millennials are entering their prime spending and household-formation years, helping drive demand for high-ticket items like cars, recreational vehicles (RVs), and homes.

■ **KB Home** (\$32; *KBH*) has delivered some 600,000 homes since it was founded in 1957. Operating in 36 markets across seven states, KB primarily serves young and first-time buyers, which accounted for nearly 60% of houses the company sold over the last 10 years. KB focuses on energy- and water-efficient homes that help reduce the impact on the environment — qualities that appeal to millennials. Healthy home deliveries and high average selling prices are driving growth. In the September quarter, the company delivered 2,765 homes (up 11% from a year earlier) with an average selling price of \$411,400 (up 12%). *KB remains a Best Buy.*

GLOBAL VEHICLE SALES

Solid global economic growth, robust financial markets, and healthy replacement trends are helping fuel worldwide auto sales. To be sure, U.S. sales of new cars and trucks for 2017 are expected to be down from a record 17.5 million in 2016. But solid demand in such key markets as China, Germany, India, and Japan should help sustain growth. In addition, higher content per vehicle is

ROBUST MILLENNIAL SPENDING

| Company (Price; Ticker) | 12-Month – Growth – | | Est. Current Year | | Quadrix | | Industry |
|-----------------------------------|------------------------|-----|-------------------|-----|---------|-------|-----------------------|
| | Sales | EPS | EPS | P/E | Overall | Score | |
| KB Home (\$32; <i>KBH</i>) | 23% | 20% | \$1.76 | 57% | 18 | 95 | Homebuilding |
| Patrick Ind. (\$69; <i>PATK</i>) | 29 | 26 | 3.05 | 25 | 22 | 91 | Building products |
| Thor Ind. (\$153; <i>THO</i>) | 48 | 48 | 9.13 | 29 | 17 | 99 | Recreational vehicles |

STEADY GLOBAL VEHICLE SALES

| Company (Price; Ticker) | % Of Sales From Overseas | 12-Month – Growth – | | Est. Curr. Year | | Quadrix |
|--|--------------------------------|------------------------|-----|-----------------|-----|---------|
| | | Sales | EPS | EPS | P/E | Overall |
| Dana (\$32; <i>DAN</i>) | 54% | 19% | 46% | 27% | 13 | 100 |
| Stoneridge (\$24; <i>SRI</i>) | 38 | 16 | 9 | 7 | 16 | 98 |
| Tower International (\$31; <i>TOWR</i>) | 33 | 0 | 20 | 11 | 8 | 99 |

RELAXED REGULATIONS

| Company (Price; Ticker) | 12-Month – Growth – | | Est. Curr. Yr. | | Quadrix | | Industry |
|---|------------------------|------|----------------|-----|---------|-------|-----------------|
| | Sales | EPS | Growth | P/E | Overall | Score | |
| Apollo Global Mgmt. (\$34; <i>APO</i>) | 64% | 128% | 26% | 11 | 98 | 98 | Asset mgmt. |
| Evercore (\$92; <i>EVR</i>) | 15 | 29 | 22 | 17 | 97 | 97 | Invest. banking |
| Meridian Bancorp (\$21; <i>EBSB</i>) | 27 | 41 | 35 | 24 | 96 | 96 | Thrifts |

boosting sales for parts makers, and a rebound in commercial truck manufacturing bodes well for results.

■ **Tower International** (\$31; *TOWR*) makes body structures, chassis parts, and suspension components for 11 of the 12 largest car makers, including Ford (32% of 2016 revenue), Fiat-Chrysler (21%), and Volkswagen (11%). Europe accounts for roughly one-third of annual sales. Tower is benefiting from program launches and healthy demand for light trucks and SUVs. New contracts and incremental business on renewal contracts should drive growth. Tower believes it is positioned for organic growth well above industry levels through 2019. Along with targeted acquisitions, the company has earmarked cash flow for dividend hikes. *Tower is rated Best Buy.*

RELAXED REGULATIONS

To encourage growth and boost business confidence, President Trump has rolled back regulations across several sectors, including financials, energy, and health care. In mid-December, the

Trump administration said it had withdrawn or delayed nearly 1,600 planned regulatory actions. A top priority, Trump promised more rollbacks, saying “I want every cabinet secretary, agency head, and federal worker to push even harder to cut even more regulations in 2018.”

■ **Apollo Global Management** (\$34; *APO*) stands to gain from the Trump administration’s efforts to ease Wall Street rules. A leading alternative asset manager, Apollo would benefit from a rollback of the regulatory burden of the Dodd-Frank financial reform law. Apollo focuses on private equity investments, including leveraged and distressed buyouts. In December, the company agreed to acquire Qdoba Restaurants from Jack in the Box (\$100; *JACK*) for \$305 million in cash. In another recent deal, Apollo agreed to acquire Sun Country Airlines, the largest privately held independent airline in the U.S., for an undisclosed amount. Finally, Apollo and a handful of other investors agreed to acquire Voya Financial’s (\$51; *VOYA*) variable annuity business. *Apollo is rated Buy.*

PORTFOLIO REVIEW

VISHAY UPGRADED

Vishay Intertechnology (\$21; *VSH*) is being upgraded to Best Buy. A leading maker of semiconductors and electronic components, the company boasts solid operating momentum and strong market positions. The stock earns an Overall Quadrix® score of 94, with 90 for Momentum and 81 for Value. Shares have rallied 30% in 2017 but upside remains, as profit estimates could prove low. For 2017, the per-share consensus is \$1.42, up from \$1.34 three months ago and above the \$0.85 earned in 2016. For 2018, the consensus calls for 4% growth to \$1.47 — a conservative estimate, in our view. *Vishay is a Best Buy.*

SELL WALKER & DUNLOP

Walker & Dunlop (\$47; *WD*) is being dropped from coverage because of weak Quadrix scores and discouraging stock-price action. The Overall score is 79, down from 96 at the beginning of November. Scores for Momentum, Earnings Estimates, and Performance are below 50. *Subscribers should sell Walker, which was first recommended at \$48.75 in June and upgraded to Best Buy at \$47.01 in August.*

NEWS ROUNDUP

■ **Consolidated-Tomoka Land** (\$64; *CTO*) sold 27 acres of land near Daytona Beach for \$6.2 million. The company expects to book a gain of roughly \$4.6 million, or \$0.52 per share, with proceeds used to fund a previously acquired property in Oregon. *The stock is rated Buy.*

■ **Federal Agricultural Mortgage** (\$79; *AGM*) fired president and CEO Timothy

EDITOR'S NOTE

Check www.UpsideStocks.com for our twice-weekly hotlines, updated Tuesdays by 5 p.m. Central time and Fridays by noon. Subscribers can also call our toll-free telephone hotline at (866) 852-3204. **For January, the passcode is 439.**

RANK CHANGES

UPGRADES TO BEST BUY: **Boise Cascade** (\$40; *BCC*), **Meridian Bancorp** (\$21; *EBSB*), **Vishay Intertechnology** (\$21; *VSH*).

NEW BUYS: **Allison Transmission** (\$43; *ALSN*), **Riverview Bancorp** (\$9; *RVSB*), **Sprouts Farmers Market** (\$25; *SFM*), **Stifel Financial**

Custom Stock Screen: This month our Web feature highlights our top picks for income and dividend growth.

Editor: **Richard Moroney, CFA**
Managing Editor: **David Wright, CFA**

(\$60; *SF*).

DOWNGRADES TO SELL: **Walker & Dunlop** (\$47; *WD*).

A complete list of all recommendations, with initial purchase prices, is available on request or on our Web site (www.upsidestocks.com).

Buzby, saying he was terminated “solely on the basis of violations of company policies unrelated to the company’s financial and business performance.” The company appointed Lowell Junkins, a member of the board since 1996, interim CEO. *The stock is rated Buy.*

■ **First American Financial** (\$56; *FAF*) agreed to acquire Bank of America’s lien release business, which offers products and services for real estate transactions. Terms of the deal, expected to close during the first quarter of 2018, were not disclosed. *The stock is rated Best Buy.*

■ **Huntsman** (\$33; *HUN*) plans to repay \$511 million of senior secured term loans, a move that strengthens its balance sheet and lowers interest expense. Aided by robust cash flow, the company has repaid \$2.1 billion in debt

this year. *Huntsman is rated Buy.*

■ **KMG Chemicals** (\$66; *KMG*) reported strong October-quarter results. Adjusted per-share earnings were \$0.83, up 73% and \$0.20 above the consensus. Revenue jumped 45% to \$111 million, versus the single analyst estimate of \$107 million. *The stock is rated Buy.*

■ In the November quarter, **Winnemac Industries** (\$58; *WGO*) reported per-share earnings of \$0.57, up 36% and \$0.05 above the consensus. Boosted by acquisitions, revenue surged 83% to \$450 million, topping the consensus by \$63 million. Gross profit margin increased more than two percentage points to 14%, reflecting robust sales of campers. On Nov. 25, orders stood at 2,632 units, up 15%. The backlog jumped 21% to \$251 million. *Winnemac is rated Buy.*

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UPSIDE BUY LIST

Once a stock no longer qualifies as one of our top picks, *Upside* drops coverage. In our view, all stocks listed below are suitable for purchase and have upside potential of at least 10% over the next six months or 20% over the next year. **Stocks rated "Best Buy," shown in bold, represent the top picks for 12-month gains.** A complete list of recommendations, with initial purchase prices, is available on request and on our Web site, UpsideStocks.com.

Quadrix® scores are percentile ranks, with 100 the maximum. A stock's **Overall** Quadrix score depends on its scores for **Momentum** (recent operating results),

Value (price/earnings, price/cash flow, and other valuation ratios), **Quality** (long-term growth record and returns on assets, equity, and investment), **Financial Strength** (debt levels, interest coverage, and profit margins), **Earnings Estimates** (trends in analyst estimates), and **Performance** (stock returns).

The **12-Factor Sector** score considers statistics that work well within a sector. **Reranked Overall** score reweights the six Quadrix category scores to assign extra weight to those that work best within a sector. Both sector scores rank stocks relative to the companies in the S&P 1500 Index.

| Company (Price; Ticker) | 52-Week Price Range | Market Cap. (Mil.) | Quadrix® Scores | | | | | | | Sector Scores | |
|--|---------------------|--------------------|-----------------|-------|---------|----------|--------------------|---------------|---------|------------------|------------------|
| | | | Momen- tum | Value | Quality | Strength | Earnings Estimates | Perfor- mance | Overall | 12-Factor Sector | Reranked Overall |
| Advanced Energy (\$69; AEIS) | \$95 - \$54 | \$2,763 | 98 | 79 | 98 | 92 | 80 | 29 | 98 | 92 | 95 |
| AdvanSix (\$43; ASIX) | 47 - 21 | 1,331 | 48 | 72 | 76 | 55 | 27 | 89 | 77 | 57 | 75 |
| Allison Transmission (\$43; ALSN) ^{d *} | 46 - 33 | 6,370 | 98 | 86 | 89 | 77 | 94 | 80 | 100 | NA | NA |
| Apollo Global Mgmt. (\$34; APO) ^d | 34 - 19 | 6,489 | 75 | 93 | 71 | 77 | 90 | 80 | 98 | 99 | 98 |
| Boise Cascade (\$40; BCC) ^{d ↗} | 41 - 22 | 1,550 | 94 | 75 | 86 | 41 | 96 | 96 | 99 | 96 | 97 |
| Builders FirstSource (\$22; BLDR) | 21 - 11 | 2,512 | 68 | 78 | 91 | 24 | 13 | 92 | 88 | 80 | 88 |
| Carter's (\$117; CRI) ^d | 117 - 78 | 5,595 | 45 | 63 | 96 | 63 | 93 | 88 | 90 | 83 | 82 |
| Cirrus Logic (\$52; CRUS) | 72 - 49 | 3,422 | 65 | 96 | 99 | 85 | 54 | 12 | 96 | 98 | 92 |
| Consolidated-Tomoka Land (\$64; CTO) ^d | 64 - 50 | 351 | 83 | 87 | 98 | 88 | NA | 61 | 99 | 77 | 100 |
| Dana (\$32; DAN) ^d | 33 - 18 | 4,711 | 96 | 84 | 91 | 47 | 95 | 93 | 100 | 80 | 100 |
| Entegris (\$30; ENTG) ^d | 33 - 18 | 4,365 | 96 | 47 | 92 | 79 | 59 | 84 | 90 | 88 | 92 |
| Evercore (\$92; EVR) ^d | 93 - 67 | 4,043 | 70 | 84 | 97 | 68 | 56 | 83 | 97 | 97 | 97 |
| Federal Agricultural Mtg. (\$79; AGM) ^d | 80 - 54 | 853 | 93 | 75 | 86 | 66 | 96 | 75 | 98 | 89 | 94 |
| First American Fin'l (\$56; FAF) ^d | 58 - 37 | 6,346 | 78 | 80 | 75 | 69 | 95 | 87 | 97 | 94 | 92 |
| Gray Television (\$17; GTN) | 18 - 10 | 1,243 | 53 | 93 | 92 | 50 | 66 | 88 | 96 | 98 | 90 |
| Houlihan Lokey (\$46; HLI) ^d | 47 - 30 | 3,063 | 82 | 57 | 74 | 80 | 50 | 92 | 85 | 45 | 62 |
| Huntsman (\$33; HUN) ^d | 34 - 19 | 8,137 | 73 | 73 | 45 | 43 | 98 | 92 | 86 | 88 | 89 |
| KB Home (\$32; KBH) ^d | 32 - 16 | 3,134 | 93 | 68 | 87 | 30 | 58 | 94 | 95 | 100 | 95 |
| KMG Chemicals (\$66; KMG) ^d | 68 - 36 | 845 | 96 | 46 | 76 | 50 | 98 | 94 | 90 | 62 | 79 |
| Louisiana-Pacific (\$26; LPX) | 29 - 19 | 3,824 | 96 | 92 | 94 | 75 | 89 | 50 | 99 | 98 | 100 |
| Meridian Bancorp (\$21; EBSB) ^{d ↗} | 21 - 16 | 1,096 | 96 | 61 | 92 | 91 | 74 | 72 | 96 | 61 | 86 |
| MKS Instruments (\$95; MKSI) ^d | 111 - 59 | 5,240 | 97 | 75 | 95 | 78 | 71 | 79 | 99 | 99 | 98 |
| Patrick Industries (\$69; PATK) | 70 - 40 | 1,715 | 78 | 48 | 97 | 55 | 98 | 86 | 91 | 55 | 91 |
| Riverview Bancorp (\$9; RVSB) ^{d *} | 10 - 6 | 198 | 90 | 63 | 72 | 89 | 51 | 81 | 89 | NA | NA |
| SP Plus (\$38; SP) | 41 - 27 | 855 | 54 | 76 | 88 | 46 | 71 | 73 | 90 | 79 | 94 |
| Sprouts Farmers Mkt. (\$25; SFM) [*] | 26 - 17 | 3,382 | 86 | 69 | 92 | 51 | 97 | 83 | 97 | 84 | 100 |
| Stifel Financial (\$60; SF) ^{d *} | 61 - 42 | 4,863 | 88 | 81 | 72 | 43 | 96 | 86 | 97 | 91 | 91 |
| Stoneridge (\$24; SRI) | 25 - 14 | 678 | 86 | 78 | 96 | 59 | 73 | 91 | 98 | 89 | 98 |
| Tech Data (\$98; TECD) | 111 - 81 | 3,761 | 85 | 94 | 74 | 37 | 90 | 53 | 97 | 98 | 93 |
| Thor Industries (\$153; THO) ^d | 157 - 88 | 8,089 | 99 | 66 | 97 | 66 | 99 | 92 | 99 | 98 | 99 |
| Tower International (\$31; TOWR) ^d | 34 - 21 | 652 | 76 | 93 | 80 | 51 | 91 | 86 | 99 | 96 | 98 |
| Ultra Clean (\$21; UCTT) | 35 - 9 | 726 | 100 | 89 | 93 | 52 | 88 | 43 | 99 | 67 | 97 |
| Vishay Intertech. (\$21; VSH) ^{d ↗} | 23 - 15 | 3,306 | 90 | 81 | 56 | 69 | 77 | 84 | 94 | 84 | 87 |
| Winnebago Industries (\$58; WGO) ^d | 59 - 24 | 1,833 | 92 | 59 | 94 | 49 | 69 | 94 | 95 | 78 | 95 |

* Initiated coverage. ↗ Upgraded since last issue. ^d Pays a dividend. NA Not available. Dropped coverage since Dec. 4: Walker & Dunlop (WD).

UPSIDE OPPORTUNITIES

4 new buys for 2018

Continued from page 1

totaling \$1.15 billion. By the numbers, the stock ranks among the best thrifts in Quadrix®, reflecting strong operating momentum. In the September quarter, total assets rose 17%, return on equity nearly doubled to 10.4%, and net interest margin hit 4.0%, up from 3.7%. The efficiency ratio, a measure of expenses as a percentage of revenue, improved to 65.2%, versus 78.7% a year earlier. Riverview earns an Overall score of 89 and Momentum rank of 90.

Through Dec. 26, Riverview had rallied 25.1%, outpacing the 21.5% return for the S&P 1500 Index. At 20 times trailing earnings, the stock now trades 36% above its five-year average P/E ratio. Yet Riverview's valuation seems reasonable considering its growth outlook, as it figures to benefit from rising interest rates and growth in deposits and management fees. For fiscal 2018 ending March, the consensus estimate calls for per-share earnings of \$0.47, implying 42% growth. For 2019, the consensus estimate is \$0.69, up 47%. *Riverview is being initiated as a Buy.*

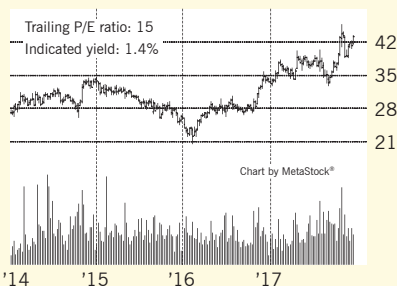
■ With annual sales of about \$4.6 billion, **Sprouts Farmers Market** (\$25; *SFM*) won't be confused with Whole Foods. Focusing on reasonably priced natural and organic products, the fast-growing food retailer operates more than 280 stores in 15 states, up from about 200 locations at the start of 2015. Steady store expansion — more than 30 locations opened in 2017 — and strong same-store sales growth should drive earnings.

Sprouts earns an Overall score of 97, versus an average of 63 for the 11 food retailers in Quadrix. The Earnings Estimates score is an outstanding 97. Profits estimates are trending higher, reflecting improved profit margins and share repurchases. For 2017, consensus per-share profit estimates have climbed to \$0.99, up from \$0.93 three months ago and 20% above 2016 earnings. For 2018, the consensus is

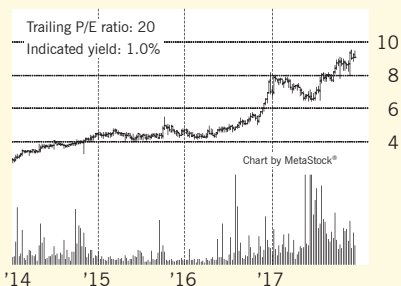
QUADRIX LEADERS

| Company (Price; Ticker) | Fiscal Year End | – Est. Curr. Year – | | Quadrix Overall Score | Industry |
|--|-----------------|---------------------|----------|-----------------------|------------------|
| | | Est. EPS | % Change | | |
| Allison Transmiss. (\$43; <i>ALSN</i>) | Dec | \$2.52 | 98% | 17 | Heavy trucks |
| Riverview Bancorp (\$9; <i>RVSB</i>) | Mar | 0.47 | 42 | 19 | Thrifts |
| Sprouts Farmers Mkt. (\$25; <i>SFM</i>) | Dec | 0.99 | 20 | 25 | Food retail |
| Stifel Financial (\$60; <i>SF</i>) | Dec | 3.48 | 32 | 17 | Investment banks |

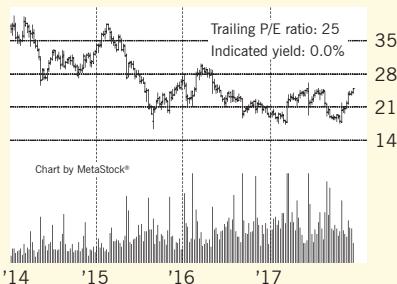
ALLISON TRANSMISSION



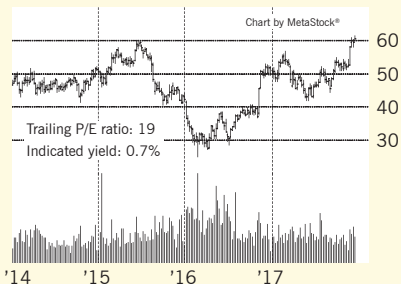
RIVERVIEW BANCORP



SPROUTS FARMERS MKT.



STIFEL FINANCIAL



\$1.13, implying 13% growth. Sales are projected to climb at least 13% each year. *Sprouts is being initiated as a Buy.*

■ With a 127-year history, **Stifel Financial** (\$60; *SF*) offers investment banking, asset management, and securities trading and research. A bank and trust division has \$14.5 billion in assets. Stifel is benefiting from solid growth in advisory revenue, improved net interest income, and higher service fees. The stock's Overall score is 97, and both sector-specific scores are above 90. Stifel earns outstanding ranks for Momentum (88) and Earnings Estimates (96).

For 2017, Stifel prompted upward

analyst revisions by delivering strong results — per-share profits topped expectations by 7% in the September quarter and by 20% in the June quarter. The full-year estimate is \$3.48, up from \$2.63 in 2016 and above the consensus of \$3.43 three months ago. For 2018, the consensus is \$3.94, up 13%. Robust operating momentum and a strong balance sheet are generating excess capital, and a portion is now funneled to shareholders. In September, the company paid its first dividend — a quarterly payout of \$0.10 per share. A dividend payout ratio of only 12% leaves ample room for potential dividend hikes. *Stifel, yielding 0.7%, is being initiated as a Buy.*

BUY LIST STATISTICS

INVESTMENT RESULTS

Upside will drop coverage of any stock that no longer ranks among our top picks for new buying, and our original purchase price plays no role in our decision to keep

or sell a stock. Still, partly because of requests from subscribers, this data is provided below and on our Web site at www.UpsideStocks.com.

| Company (Price; Ticker) | Initial Rec'd Date * | Months On Buy List | Initial Rec'd Price † | Share-Price Change | Relative Performance ‡ | Annual-ized Change | Price Change ** | | Industry |
|---------------------------------------|----------------------|--------------------|-----------------------|--------------------|------------------------|--------------------|-----------------|-------|----------------------------|
| | | | | | | | Mos. | 2017 | |
| Advanced Energy (\$69; AEIS) | 3/2/17 | 10 | \$62.42 | 10.2% | -0.5% | 12.6% | -6.6% | 25.6% | Semiconductor equipment |
| AdvanSix (\$43; ASIX) | 11/30/17 | 1 | 43.05 | -0.7 | -0.7 | -9.9 | 9.7 | 93.0 | Commodity chemicals |
| Allison Transmission (\$43; ALSN) | New | — | — | — | — | — | 19.9 | 28.6 | Heavy trucks |
| Apollo Global Management (\$34; APO) | 4/27/17 | 8 | 27.20 | 23.7 | 14.7 | 37.6 | 9.6 | 73.8 | Asset management |
| Boise Cascade (\$40; BCC) | 11/30/17 | 1 | 38.50 | 2.9 | 2.9 | 48.5 | 15.6 | 76.0 | Forest products |
| Builders FirstSource (\$22; BLDR) | 3/30/17 | 9 | 14.84 | 46.1 | 34.4 | 66.6 | 25.1 | 97.6 | Building products |
| Carter's (\$117; CRI) | 9/28/17 | 3 | 98.13 | 19.2 | 15.4 | 105.3 | 22.5 | 35.4 | Apparel |
| Cirrus Logic (\$52; CRUS) | 12/1/16 | 13 | 49.33 | 4.5 | -13.0 | 4.2 | 1.0 | -8.8 | Semiconductors |
| Consolidated-Tomoka Land (\$64; CTO) | 9/28/17 | 3 | 60.23 | 5.4 | 1.7 | 24.2 | 9.3 | 18.9 | Real estate services |
| Dana (\$32; DAN) | 8/31/17 | 4 | 24.07 | 33.2 | 23.3 | 144.8 | 16.2 | 69.0 | Auto parts |
| Entegris (\$30; ENTG) | 9/28/17 | 3 | 28.40 | 7.0 | 3.3 | 32.2 | 10.7 | 69.8 | Semiconductor equipment |
| Evercore Partners (\$92; EVR) | 12/1/16 | 13 | 70.25 | 30.7 | 13.1 | 28.5 | 19.4 | 33.6 | Investment banking |
| Federal Agricultural Mtg. (\$79; AGM) | 11/2/17 | 2 | 74.68 | 5.6 | 2.4 | 44.6 | 12.3 | 37.7 | Thrifts & banks |
| First American Fin'l (\$56; FAF) | 8/3/17 | 5 | 48.76 | 15.6 | 5.7 | 44.1 | 14.4 | 53.9 | Prop. & casualty insurance |
| Gray Television (\$17; GTN) | 4/27/17 | 8 | 15.30 | 12.1 | 3.1 | 18.7 | 19.1 | 58.1 | Broadcasting |
| Houlihan Lokey (\$46; HLI) | 9/28/17 | 3 | 39.31 | 16.5 | 12.7 | 86.8 | 22.0 | 47.1 | Investment banking |
| Huntsman (\$33; HUN) | 6/29/17 | 6 | 25.49 | 30.8 | 21.8 | 72.5 | 23.4 | 74.8 | Diversified chemicals |
| KB Home (\$32; KBH) | 7/28/16 | 17 | 16.62 | 90.6 | 63.8 | 57.8 | 50.0 | 100.4 | Homebuilding |
| KMG Chemicals (\$66; KMG) | 12/1/16 | 13 | 33.42 | 98.6 | 81.1 | 90.1 | 26.5 | 70.7 | Specialty chemicals |
| Louisiana-Pacific (\$26; LPX) | 8/3/17 | 5 | 24.39 | 7.0 | -2.9 | 18.6 | -10.2 | 37.9 | Forest products |
| Meridian Bancorp (\$21; EBSB) | 11/2/17 | 2 | 19.90 | 4.5 | 1.3 | 34.8 | 13.4 | 10.1 | Thrifts & banks |
| MKS Instruments (\$95; MKSI) | 6/1/17 | 7 | 82.35 | 15.5 | 4.9 | 28.7 | 7.2 | 60.1 | Semiconductor equipment |
| Patrick Industries (\$69; PATK) | 8/3/17 | 5 | 48.30 | 41.8 | 31.9 | 141.0 | 27.6 | 34.7 | Building products |
| Riverview Bancorp (\$9; RVSB) | New | — | — | — | — | — | 5.8 | 25.1 | Thrifts & banks |
| SP Plus (\$38; SP) | 8/31/17 | 4 | 36.90 | 2.8 | -7.0 | 9.1 | -0.7 | 34.8 | Facilities services |
| Sprouts Farmers Mkt. (\$25; SFM) | New | — | — | — | — | — | 32.2 | 30.7 | Food retail |
| Stifel Financial (\$60; SF) | New | — | — | — | — | — | 18.2 | 20.4 | Investment banking |
| Stoneridge (\$24; SRI) | 3/31/16 | 21 | 14.56 | 62.5 | 23.9 | 32.2 | 23.5 | 33.7 | Auto parts |
| Tech Data (\$98; TECD) | 8/3/17 | 5 | 103.07 | -5.1 | -15.0 | -12.3 | 12.7 | 15.6 | Technology distributors |
| Thor Industries (\$153; THO) | 4/30/15 | 32 | 60.17 | 154.5 | 127.9 | 42.1 | 30.8 | 53.1 | RV makers |
| Tower International (\$31; TOWR) | 11/2/17 | 2 | 33.05 | -5.1 | -8.3 | -30.0 | 22.5 | 10.6 | Auto parts |
| Ultra Clean (\$21; UCTT) | 8/31/17 | 4 | 23.07 | -8.4 | -18.3 | -23.9 | -21.7 | 117.9 | Semiconductor equipment |
| Vishay Intertechnology (\$21; VSH) | 11/30/17 | 1 | 21.90 | -3.7 | -3.7 | -40.7 | 15.9 | 30.2 | Electronic components |
| Winnebago Industries (\$58; WGO) | 2/2/17 | 11 | 31.75 | 81.7 | 68.0 | 94.8 | 32.8 | 82.3 | RV makers |

* Date stock was added to the Buy List. † Split-adjusted price if applicable. ‡ Share-price performance versus Russell 2000 Index. ** Through Dec. 26.

BUY LIST VALUATIONS AND GROWTH RATES

| Company (Price; Ticker) | Current Fiscal Year End | – Last Year – | | – Current Fiscal Year – | | | | — Next Fiscal Year — | | | | Est. L-T Growth | P/E to Growth Ratio |
|---|-------------------------|---------------|--------------|-------------------------|------------|------------|-----------|----------------------|------------|------------|-----------|-----------------|---------------------|
| | | EPS | Sales (Mil.) | Est. EPS | – % Chg. – | Est. Sales | P/E | Est. EPS | – % Chg. – | Est. Sales | P/E | | |
| Advanced Energy Industries (\$69; AEIS) | Dec '17 | \$3.11 | \$484 | \$4.68 | 51% | 38% | 15 | \$4.97 | 6% | 8% | 14 | 12% | 1.2 |
| AdvanSix (\$43; ASIX) | Dec '17 | NA | 1,192 | 2.84 | NA | 23 | 15 | 3.26 | 15 | 5 | 13 | 10 | 1.5 |
| Allison Transmission (\$43; ALSN) | Dec '17 | 1.27 | 1,840 | 2.52 | 98 | 22 | 17 | 2.73 | 8 | 5 | 16 | 16 | 1.1 |
| Apollo Global Management (\$34; APO) | Dec '17 | 2.36 | 1,970 | 2.98 | 26 | 17 | 11 | 3.00 | 1 | 14 | 11 | 10 | 1.1 |
| Boise Cascade (\$40; BCC) | Dec '17 | 1.05 | 3,911 | 1.94 | 85 | 12 | 20 | 2.35 | 21 | 8 | 17 | 18 | 1.2 |
| Builders FirstSource (\$22; BLDR) | Dec '17 | 0.83 | 6,367 | 1.03 | 24 | 9 | 21 | 1.43 | 39 | 7 | 15 | 15 | 1.4 |
| Carter's (\$117; CRI) | Dec '17 | 5.14 | 3,242 | 5.63 | 10 | 5 | 21 | 6.30 | 12 | 6 | 19 | 9 | 2.2 |
| Cirrus Logic (\$52; CRUS) | Mar '18 | 4.49 | 1,539 | 4.85 | 8 | 7 | 11 | 4.83 | 0 | 4 | 11 | 17 | 0.6 |
| Consolidated-Tomoka Land (\$64; CTO) | Dec '17 | 2.85 | 71 | 3.51 | 23 | NA | 18 | 8.99 | NA | NA | 7 | NA | NA |
| Dana (\$32; DAN) | Dec '17 | 1.94 | 5,826 | 2.46 | 27 | 23 | 13 | 2.79 | 13 | 6 | 11 | 13 | 1.0 |
| Entegris (\$30; ENTG) | Dec '17 | 0.94 | 1,175 | 1.40 | 48 | 13 | 22 | 1.63 | 17 | 9 | 19 | 17 | 1.3 |
| Evercore Partners (\$92; EVR) | Dec '17 | 4.32 | 1,457 | 5.28 | 22 | 10 | 17 | 5.78 | 9 | 6 | 16 | 10 | 1.7 |
| Federal Agricultural Mtg. (\$79; AGM) | Dec '17 | 5.01 | 145 | 5.33 | 6 | 13 | 15 | 7.35 | 38 | 9 | 11 | 11 | 1.3 |
| First American Fin'l (\$56; FAF) | Dec '17 | 2.94 | 5,568 | 3.52 | 20 | 3 | 16 | 3.90 | 11 | 2 | 14 | 13 | 1.2 |
| Gray Television (\$17; GTN) | Dec '17 | 1.17 | 812 | 1.55 | 32 | 8 | 11 | 1.68 | 8 | 17 | 10 | 7 | 1.7 |
| Houlihan Lokey (\$46; HLI) | Mar '18 | 1.89 | 872 | 2.16 | 14 | 8 | 21 | 2.32 | 8 | 7 | 20 | 7 | 3.0 |
| Huntsman (\$33; HUN) | Dec '17 | 1.57 | 9,657 | 2.69 | 71 | -3 | 12 | 2.49 | -7 | -9 | 13 | 8 | 1.7 |
| KB Home (\$32; KBH) | Nov '17 | 1.12 | 3,595 | 1.76 | 57 | 20 | 18 | 2.15 | 22 | 8 | 15 | 24 | 0.7 |
| KMG Chemicals (\$66; KMG) | Jul '18 | 2.27 | 333 | 3.17 | 40 | 3 | 21 | 3.75 | 18 | 5 | 18 | 23 | 0.9 |
| Louisiana-Pacific (\$26; LPX) | Dec '17 | 0.89 | 2,233 | 2.24 | 152 | 20 | 12 | 2.04 | -9 | 6 | 13 | 5 | 2.3 |
| Meridian Bancorp (\$21; EBSB) | Dec '17 | 0.65 | 123 | 0.88 | 35 | 21 | 24 | 1.07 | 22 | 17 | 19 | 12 | 2.0 |
| MKS Instruments (\$95; MKSI) | Dec '17 | 3.03 | 1,295 | 5.88 | 94 | 47 | 16 | 6.56 | 12 | 8 | 14 | 20 | 0.8 |
| Patrick Industries (\$69; PATK) | Dec '17 | 2.43 | 1,222 | 3.05 | 25 | 29 | 22 | 3.53 | 16 | 17 | 19 | 14 | 1.6 |
| Riverview Bancorp (\$9; RVSB) | Mar '18 | 0.33 | 44 | 0.47 | 42 | 24 | 19 | 0.69 | 47 | 8 | 13 | 12 | 1.6 |
| SP Plus (\$38; SP) | Dec '17 | 1.32 | 892 | 1.70 | 29 | 2 | 22 | 1.91 | 12 | 2 | 20 | 13 | 1.8 |
| Sprouts Farmers Mkt. (\$25; SFM) | Dec '17 | 0.83 | 4,046 | 0.99 | 20 | 15 | 25 | 1.13 | 13 | 13 | 22 | 12 | 2.1 |
| Stifel Financial (\$60; SF) | Dec '17 | 2.63 | 2,580 | 3.48 | 32 | 11 | 17 | 3.94 | 13 | 6 | 15 | 12 | 1.4 |
| Stoneridge (\$24; SRI) | Dec '17 | 1.42 | 696 | 1.52 | 7 | 18 | 16 | 1.54 | 1 | 4 | 15 | NA | NA |
| Tech Data (\$98; TECD) | Jan '18 | 6.36 | 26,235 | 9.09 | 43 | 38 | 11 | 10.44 | 15 | 3 | 9 | 19 | 0.6 |
| Thor Industries (\$153; THO) | Jul '18 | 7.09 | 7,247 | 9.13 | 29 | 18 | 17 | 10.03 | 10 | 6 | 15 | 15 | 1.1 |
| Tower International (\$31; TOWR) | Dec '17 | 3.36 | 1,914 | 3.73 | 11 | 3 | 8 | 4.04 | 8 | 5 | 8 | 10 | 0.8 |
| Ultra Clean (\$21; UCTT) | Dec '17 | 0.65 | 563 | 2.34 | 259 | 63 | 9 | 2.54 | 9 | 10 | 8 | 15 | 0.6 |
| Vishay Intertechnology (\$21; VSH) | Dec '17 | 0.85 | 2,323 | 1.42 | 67 | 12 | 15 | 1.47 | 4 | 5 | 14 | 20 | 0.8 |
| Winnebago Industries (\$58; WGO) | Aug '18 | 1.93 | 1,547 | 3.10 | 61 | 20 | 19 | 3.61 | 16 | 10 | 16 | 14 | 1.4 |
| Median Upside stock | | | | | 32 | 15 | 17 | | 12 | 6 | 15 | 13 | 1.3 |
| Median S&P SmallCap 600 stock | | | | | 6 | 6 | 22 | | 14 | 6 | 19 | 12 | 1.7 |
| Median S&P MidCap 400 stock | | | | | 9 | 5 | 20 | | 11 | 5 | 18 | 10 | 1.8 |
| Median S&P 500 (large-cap) stock | | | | | 9 | 6 | 20 | | 10 | 5 | 18 | 10 | 1.9 |

PEG ratio equals P/E based on current-year consensus earnings estimate divided by estimated long-term profit growth rate.

Upside

Best buys in small and midcap stocks

SUBSCRIBER TOOLS

January 1, 2018

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- ▶ **Quadrix tools.** Our Web site puts the power of Quadrix in your hands. You can get Quadrix scores on 5,000 stocks,

review stocks that meet predetermined Quadrix criteria, and check out Quadrix scores and total-return data on more than 150 industry groups. You will also find sector-specific Quadrix scores for stocks in the S&P 1500 Index.

- ▶ **Mutual Fund Ranks.** Our Web site provides rankings for more than 5,000 mutual funds and exchange-traded funds (ETFs). Fund scores are computed monthly using total returns, expense ratios, and risk-adjusted performance.
- ▶ **Twice-weekly internet updates.** Every Tuesday by 6 p.m. Central time, we'll provide upgrades, downgrades, and updates on recommended stocks, along with Quadrix information on the entire Buy List. Every Friday by noon Central time, we'll provide a hotline with important developments and list any rank changes. In addition, our Friday Feature highlights particularly attractive small and midcap stocks.
- ▶ **Twice-weekly telephone hotlines.** In case you can't access the internet, every Tuesday by 6 p.m. and Friday by noon we'll update a telephone message listing any upgrades, downgrades, or major developments. Call toll free at (866) 852-3204, then enter the three-digit passcode listed on page 6 of the newsletter. For January, the passcode is 439.

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