SPECIAL REPORT

SABRIENT BAKER’S DOZEN 2014
Sixth Annual Report
January 13, 2014

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INTRODUCTION

For the past five years, Sabrient has published the annual *Baker’s Dozen*, a portfolio of 13 top-ranked stocks that display particularly high quality and sustainability of earnings, exhibit strong growth potential relative to their peers, and appear to be well-positioned to outperform going forward. The stocks represent a cross-section of sectors and industries. Each scores particularly well in our system, yet they are not necessarily household names.

Over that five-year period—2009 through 2013—the Baker’s Dozen outperformed the S&P 500 Index by an average of 16% per year.

In 2012, the Baker’s Dozen gained 43.05%, more than tripling the performance of the S&P 500. Last year, the Baker’s Dozen 2013 gained 54.12%, doubling the S&P 500. The 2013 performance was measured from January 11 through December 31 to coincide with the launch of the first Baker’s Dozen Unit Investment Trust (UIT), which was sponsored by First Trust Portfolios. You can view all past portfolios and performance on the Sabrient website.

The Baker’s Dozen 2014 is the sixth in the series—and the second in the UIT series.

Following is a market overview and the Baker’s Dozen stock selection strategy. You can find the portfolio list on page 7 and the descriptions of the stocks and rationale for their selection begin on page 8.
MARKET OVERVIEW

Stocks closed 2013 on a high note, as Santa made his widely-expected appearance on Wall Street. In fact, the S&P 500 achieved its highest return since 1997, with a total return exceeding 30%. It is notable that more than 450 of the 500 stocks had positive returns, and about half of the gains for the year occurred after Labor Day. Also, for the last two months, bulls showed a noticeable preference for higher-beta, lower quality names ("risk-on").

Other asset classes fared much worse. The Barclays U.S. Aggregate Bond Index fell -3%, which was its first down year since 1999. Gold lost -28%, which was its worst year since 1981. Absent a constant threat of global economic meltdown, it seems that nobody anymore feels much need to keep stores of gold in their portfolio.

Of course, the strong market was driven largely by the Federal Reserve’s monetary stimulus program, which kept interest rates so low that capital had virtually nowhere to go but risk assets, particularly equities. However, liquidity couldn’t do it alone, and encouraging signs of US and global economic recovery have supported the bull case, as has continued slow but steady corporate earnings growth.

Bears would argue that the Fed has merely created a stock market valuation bubble, as the extreme levels of liquidity have failed to trickle down throughout the economy in the form of lending, but instead have been used by banks' trading departments; and the big corporations have chosen to use cash and cheap debt to buy back their shares rather than invest in PP&E and new hiring.

Indeed, P/E multiple expansion has been an undeniable contributor to the market’s stellar performance. True, the low interest-rate environment justifies higher multiples in equities, so current multiples are not yet unreasonable. But further market gains will need to come from robust corporate earnings growth—and that will require top-line revenue growth rather than the cost-cutting, productivity gains, and efficiencies that are pretty much exhausted at this point.

For 2014, cash will continue to offer no return for the foreseeable future (i.e., “cash is trash”). Longer-term (10–20-year) Treasuries will be at risk of loss of principal as long-term rates creep higher, while mid-maturity (2–5-year) bonds will offer a small return without a significant risk to principal.

So, the equities should remain the investment of choice, and the Federal Reserve has given the market two strong signals: First, that it sees sustainable improvement in the economy sufficient to begin “tapering” its quantitative easing, and second, that it stands ready to support continued recovery as required (“Don’t Fight the Fed!”). But even the most bullish market commentators are forecasting only modest gains, perhaps no more than 10% at the top end.

In any case, stocks finally might be ready to see their extraordinarily high correlations (i.e., “all boats lifted in a rising tide”) fall, which means that thoughtful stock-picking offers the potential for outsized gains. Moreover, this should translate into a “flight to quality” in which the best companies with the most sustainable earnings growth and reasonable valuations get the most
attention, while the speculative high-flyers that have been coat-tailing on bullish exuberance fall back. Notably, Sabrient subsidiary Gradient Analytics, a forensic accounting research firm serving the institutional investment community, specializes in identifying those impostors with low quality and sustainability of reported earnings.

Even in the highly-correlated markets of 2012 and 2013, Sabrient has proven its ability to beat the market handily, as our Baker’s Dozen annual portfolio of high-potential GARP stocks more than tripled the S&P 500 return in 2012 and more than doubled it in 2013. The mid-cap heavy 2013 portfolio saw all 13 positions comfortably positive by double-digit percentages, led by Jazz Pharmaceuticals (JAZZ). In fact, 11 of the 13 positions outperformed the market average while enduring none of those upsetting meltdowns that offset the strong performers.

STOCK SELECTION STRATEGY

All 13 stocks in the Baker’s Dozen portfolio are what we consider GARP stocks—those that exhibit “growth at a reasonable price.” In other words, they are undervalued stocks with strong growth potential. Our aim is to find stocks whose projected 2014 EPS growth rate is at least double its forward P/E. In addition to the growth and value requirements, the companies that make the cut must have conservative accounting practices.

To select the Baker’s Dozen, we create a short list of high-quality stocks using our unbiased, fundamentals-based, quantitative approach using various statistical analytics, including current stock valuations, forward earnings outlook, as well as factors such as a company’s earnings and price momentum. More specifically, the selections are based on the following concepts:

1. **Forward GARP**: To find strong GARP stocks, we estimate earnings growth for the coming year (using consensus figures) and divide it by the stock price.

2. **Analysts’ Behavior**: To assure ourselves that a stock has strong growth potential, we evaluate the consensus of the sell-side (a.k.a., Wall Street) analysts who follow the stock to determine how confident they are in their forecasted earnings estimates. Upward revisions by a large percentage of the analysts provide that assurance.

3. **Long-term Earnings Growth Rate**: With the goal of holding these stocks for a full year, we need to be confident that, by the end of the year, the stocks will likely still be selling at a price well above their current value. To that end, we estimate the secular growth rate of earnings (3-5 years) and divide that by the forward P/E. There’s no guarantee, of course, that negative developments won’t occur in the coming year, but this is one of the measures we use to improve our chances.

4. **Cost of Absolute Growth**: We calculate the projected absolute earnings growth for each of the next four quarters to determine the cost of absolute growth at current stock prices.

5. **Earnings Quality Rank (EQR)**: Whether a company practices conservative or aggressive accounting is critical to the long-term success of the company. That’s why we depend on EQR, our proprietary forensic accounting factor, to rank the conservatism of the company’s accounting. We then down-weight the scores of companies that have aggressive accounting practices and
eliminate those with overly aggressive accounting practices or troubling accrual accounting trends.

6. **Sector and Industry Diversification**: To achieve diversification we allow no more than four stocks in any one sector and no more than two stocks in any one industry. (See SectorCast Rankings below.)

The stocks were chosen from the following sectors, ranked in order of Sabrient’s forward-looking SectorCast as of 1/3/2014.

- Technology
- Financial
- Energy
- Industrials
- Health Care
- Consumer Goods (Cyclicals)
- Utilities
- Consumer Services (Non-Cyclicals)
- Basic Materials
- Telecommunications

As a final check, David Brown leads the Sabrient/Gradient team in examining external factors like current news, technical charts, fundamental issues, and insider buying activity, as well as an in-depth forensic accounting look “under the hood” at the quality and sustainability of each company’s reported earnings and corporate governance. The final 13 stocks are those David believes will be among the top performers in 2014.
BAKER’S DOZEN 2014 PORTFOLIO

The 2014 stocks are presented in alphabetically order. Whereas prior Baker’s Dozen portfolios have tended to be heavy with mid-caps (between $1-5 billion), this year’s portfolio includes 11 large-caps (>$5 billion). The portfolio performance will be tracked on the Baker’s Dozen website at http://bakersdozen.sabrient.com, after an “embargo period” to honor the exclusive head-start owed to subscribers.

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Company Name</th>
<th>Sector</th>
<th>Industry</th>
<th>Market Cap ($)</th>
<th>Cap Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>Actavis, plc</td>
<td>Healthcare</td>
<td>Pharmaceuticals (Generic/Specialty)</td>
<td>$28.77 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>ADMI</td>
<td>Archer Daniels Midland Company</td>
<td>Consumer NonCyclics</td>
<td>Food Processing</td>
<td>$28.8 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>ARRS</td>
<td>Aris Enterprises, Inc.</td>
<td>Technology</td>
<td>Communications Equipment</td>
<td>$3.02 B</td>
<td>Mid-cap</td>
</tr>
<tr>
<td>ESRX</td>
<td>Express Scripts Holding Company</td>
<td>Consumer NonCyclics</td>
<td>Retail/Drugs</td>
<td>$54.7 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>HII</td>
<td>Huntington Ingalls Industries, Inc.</td>
<td>Industrials</td>
<td>Heavy Electrical Equipment</td>
<td>$4.17 B</td>
<td>Mid-cap</td>
</tr>
<tr>
<td>JAZZ</td>
<td>Jazz Pharmaceuticals, plc</td>
<td>Healthcare</td>
<td>Pharmaceuticals (Generic/Specialty)</td>
<td>$6.63 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>LUV</td>
<td>Southwest Airlines Co.</td>
<td>Industrials</td>
<td>Airlines</td>
<td>$12.97 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>MPC</td>
<td>Marathon Petroleum Corporation</td>
<td>Energy</td>
<td>Oil &amp; Gas Refining/Marketing</td>
<td>$25.8 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>MRVL</td>
<td>Marvell Technology Group, Ltd.</td>
<td>Technology</td>
<td>Semiconductors</td>
<td>$6.6 B</td>
<td>Large-cap</td>
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<td>NTAP</td>
<td>NetApp, Inc.</td>
<td>Technology</td>
<td>Computer Hardware</td>
<td>$13.05 B</td>
<td>Large-cap</td>
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<tr>
<td>NXPI</td>
<td>NXP Semiconductors NV</td>
<td>Technology</td>
<td>Semiconductors</td>
<td>$10.85 B</td>
<td>Large-cap</td>
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<tr>
<td>FRU</td>
<td>Prudential Financial, Inc.</td>
<td>Financials</td>
<td>Insurance Life/Health</td>
<td>$41.93 B</td>
<td>Large-cap</td>
</tr>
<tr>
<td>TX</td>
<td>Tremont S A</td>
<td>Basic Materials</td>
<td>Steel</td>
<td>$5.87 B</td>
<td>Large-cap</td>
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</table>

Data Sources

Financial data: Reuters Knowledge Direct (RKD)
Wall Street earnings projections: Thomson Reuters I/B/E/S
Insider trading activity: Washington Services
Sectors classifications: Thomson Reuters Business Classification (TRBC) system
NOTE: Consensus estimates may vary slightly among different sources;

Sabrient Baker’s Dozen UIT

For the second year in a row the Sabrient Baker’s Dozen is being offered as a Unit Investment Trust (UIT) by First Trust Portfolios L.P. This gives you the choice of building a Baker’s Dozen portfolio through direct investment in the individual equities or by investing in the UIT. For more information on the UIT, please contact us and we will put you in touch with a representative at First Trust.
STOCK DESCRIPTIONS AND RATIONALE

The following pages contain descriptions of each of the 13 stocks along with the rationale for selection.

We’ve included price charts to give you a graphic view of each stock. Although price action wasn’t really a factor in the initial selection, we viewed the charts for the final cut to avoid stocks in freefall. We’ve also referenced the company website for your convenience in learning more about each company.

Four of this year’s selections are renewals from the 2013 portfolio. They are ESRX (+26.33% in 2013), JAZZ (+128.20%), MPC (+47.98%), and NXPI (+64.04%). Performance for 2013 was measured from January 11, the launch date, through December 31, 2013.

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Actavis, plc (ACT)

Actavis is a global, integrated specialty pharmaceutical company focused on developing, manufacturing and distributing generic, brand and bio-similar products. Actavis develops and out-licenses generic pharmaceutical products to customers in more than 100 countries outside of the U.S. through its Medis third-party business. In October 2013, Actavis announced the acquisition of Warner Chilcott plc, creating an $11 billion specialty pharmaceutical company with over $3 billion in pro forma sales. Actavis was founded in 1983 and is headquartered in Parsippany, New Jersey with an additional office in Dublin, Ireland.

Reasons for Selection

Actavis has shown tremendous revenue growth over the trailing 12 months, excellent cash flow growth, and looking forward, it has the best quarter-over-quarter earnings growth projections of any stock in our universe! What’s unusual about ACT is that it has large projected growth rates despite its status as well-established pharmaceutical company. It stands gain from new generic versions of brand-name drugs, and at the same time, its acquisition of Warner Chilcott has reduced its reliance on generics as its biggest revenue stream.
- Sector (Industry): Healthcare (Pharmaceuticals-Generic/Specialty)
- Forward P/E ratio: 14
- Analysts have revised EPS estimates up in the last 30 days
- Expected earnings growth current quarter: 89%
- Expected earnings growth next quarter: 60%
- Expected earnings growth 2014: 37%
- Expected earnings growth 5-year: 22%
- Website: www.actavis.com

Price chart for Actavis as of January 9, 2014  (Source: Yahoo! Finance)

The Actavis logo is a trademark or registered trademark of Actavis plc.

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Archer Daniels Midland Company (ADM)

Archer Daniels Midland Company is one of the largest agricultural processors in the world, converting oilseeds, corn, wheat and cocoa into products for food, animal feed, industrial and energy uses. With more than 265 processing plants, 460 crop procurement facilities, and the world's premier crop transportation network, ADM helps connect the harvest to the home in more than 140 countries. Founded in 1902 and incorporated in 1923, ADM is headquartered in Decatur,
Illinois, and operates processing and manufacturing facilities across the United States and worldwide.

**Reasons for Selection**

Archer Daniels is a reasonably-priced backbone for the Baker’s Dozen portfolio. It is a very safe company with reasonable growth for an unpredictable market. It has historically done well in bull and bear markets, and it scores consistently high in our cash flow metrics and across a number of our strategies. The company has been growing revenue consistently over the past decade, and we expect that trend to continue into 2014. ADM’s projected earnings growth rate of 45% for 2014 is very impressive for a company of its size and maturity.

- Sector (Industry): Consumer Non-Cyclicals (Food Processing)
- P/E ratio: 19
- Forward P/E ratio: 13
- Dividend: 2.2%
- Excellent free cash flow
- Analysts have revised EPS estimates up in the last 30 days.
- Expected earnings growth 2014: 45%
- Expected earnings growth 5-year: 13%
- Website: www.adm.com

Price chart for Archer Daniels Midland as of January 9, 2014 (Source: Yahoo! Finance)

The Archer Daniels Midland logo is a trademark or registered trademark of the Archer Daniels Midland Company

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ARRIS Enterprises, Inc. (ARRS)

ARRIS is a global video and broadband technology company operating in three business segments: Broadband Communications Systems; Access, Transport & Supplies, and Media & Communication Systems. The company specializes in integrated broadband network solutions that include infrastructure and CPE products, as well as systems and software for content and operations management and professional services. The company, founded in 1969, was formerly known as ARRIS Group, Inc. and changed its name to ARRIS Enterprises, Inc. in April 2013. The company is headquartered in Suwanee, Georgia, with R&D, sales and support centers throughout the world.

Reasons for Selection
ARRIS has the reputation of a conservative, well-managed powerhouse. It has delivered great revenue growth historically and continues to have excellent long-term growth projections. We call it a powerhouse company because it’s the main equipment provider to cable companies in the United States: Comcast and Time-Warner account for 33% and 20% of total revenue respectively. In addition to its corner on the market, ARRIS acquired Motorola Home from Google last year. After the dust settled, Google and Comcast each own 8% of ARRIS. Comcast’s stake was a $150 million investment, and that investment shows support for the acquisition by one of the biggest names in the industry. ARRIS will continue to see a revenue boost from its acquisition, and it expects to benefit from an expanded customer list and the some 2000 patents it now owns. Innovation could very well accelerate in 2014.

- Sector (Industry): Technology (Communications Equipment)
- Forward P/E ratio: 11
- Great revenue and cash flow growth in trailing 12 months
- Analysts have revised EPS estimates up in the last 7 days
- Expected earnings growth current quarter: 60%
- Expected earnings growth next quarter: 88%
- Expected earnings growth 2014: 32%
- Expected earnings growth 5-year: 41%
- Website: www.arrisi.com
Price chart for ARRIS as of January 9, 2014  (Source: Yahoo! Finance)

ARRIS and the ARRIS Logo are trademarks or registered trademarks of ARRIS Enterprises, Inc.

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Express Scripts Holding Company (ESRX)

Express Scripts provides integrated pharmacy benefit management (PBM) services, including network-pharmacy claims processing, home delivery, specialty benefit management, benefit-design consultation, drug-utilization review, formulary management, and medical and drug data analysis services. The company also distributes a full range of biopharmaceutical products and provides extensive cost-management and patient-care. The company operates primarily in the United States and Canada. Formerly known as Aristotle Holding, Inc., it changed its name to Express Scripts Holding Company in April 2012. The Company was founded in 1986 and is headquartered in St. Louis, Missouri.

Reasons for Selection
Express Scripts is one of the four stocks we’re renewing from the 2013 Baker’s Dozen portfolio. Part of our initial thesis on recommending ESRX last year was that it was best-positioned to benefit from the roll-out of ObamaCare. So far, that is the case. More and more insurance companies are directing customers to Express Scripts, and we expect even more prescriptions to pass through its hands as healthcare costs rise for Americans because it is a low-cost provider. From a quant perspective, the combination of its forward growth and value scores is better than
last year’s. It has excellent cash flow and revenue growth, and its cash position has improved as a percentage of its assets.

- Sector (Industry): Consumer Non-Cyclicals (Retail-Drugs)
- P/E ratio: 32
- Forward P/E ratio: 14
- $5 billion levered free cash flow
- Expected earnings growth 2014: 14%
- Expected earnings growth 5-year: 15%
- Website: www.express-scripts.com

Price chart for Express Scripts as of January 9, 2014  (Source: Yahoo! Finance)

The Express Scripps logo is a trademark or registered trademark of Express Scripts Holding Co.

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Huntington Ingalls Industries, Inc. (HII)

Huntington Ingalls designs, builds and maintains nuclear and non-nuclear ships for the U.S. Navy and Coast Guard and provides after-market services for military ships around the globe. The company also operates as a full-service systems provider for the design, engineering, construction, and life cycle support of major programs for surface ships; and a provider of fleet support and maintenance services for the U.S. Navy. HII also provides a wide variety of products
and services to the commercial energy industry and other government customers. HII employs more than 37,000 in Virginia, Mississippi, Louisiana and California. The company is based in Newport News, Virginia.

**Reasons for Selection**

HII has a near monopolistic position on the Navy’s demand for nuclear ships (it’s the sole provider of aircraft carriers), and perhaps more importantly, the maintenance of the fleet. It is a unique provider and unlikely to lose its dominant role because there are no other serious competitors with such a wide grasp on the market. It also is rumored to be working on new products with the military. Despite a 60% run-up in the second half of 2013, HII is still attractively valued as its margins—and correspondingly, its earnings—continue to improve. A very important part of being a “sole-source” provider is a reputation for conservatively estimating percentage completion of its projects, which HII has. Given the propensity of United States to conduct operations around the world and the growing geopolitical importance of the South Pacific, it is likely that the Navy will continue to improve and grow its mobile outpost capabilities, i.e. aircraft carriers.

- Sector (Industry): Industrials (Heavy Electrical Equipment)
- P/E ratio: 21
- Forward P/E ratio: 14
- $18 cash/share
- Great cash flow
- Analysts have revised EPS estimates up in the last 7 days.
- Expected earnings growth next quarter: 58%
- Expected earnings growth 2014: 36%
- Expected earnings growth 5-year: 26%
- Website: www.huntingtoningalls.com
Price chart for Huntington Ingalls as of January 9, 2014  (Source: Yahoo! Finance)

The Huntington Ingalls logo is a trademark or registered trademark of Huntington Ingalls Industries, Inc

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Jazz Pharmaceuticals, plc (JAZZ)

Jazz Pharmaceuticals is a specialty biopharmaceutical company engaged in the identification, development, and commercialization of pharmaceutical products for various medical needs in the United States, Europe, and other countries. The company markets its products through its sales representatives, distributors, and wholesalers, as well as through third party vendors. Its marketed product portfolio includes Xyrem® (sodium oxybate) oral solution, Erwinaze® (asparaginase Erwinia chrysanthemi), Prialt® (ziconotide) intrathecal infusion, FazaClo® (clozapine, USP) HD and FazaClo LD. Outside of the US, Jazz Pharmaceuticals also has a number of products marketed by its EUSA Pharma division. Jazz Pharmaceuticals is headquartered in Dublin, Ireland.

Reasons for Selection
Jazz is the second of the four stocks we’re renewing from the 2013 Baker’s Dozen. Despite its exceptional price growth over the past year, it has great growth projections and trades at more attractive valuations than last year. It’s delivered excellent revenue and cash flow growth and
earnings haven’t outpaced revenues. It has a strong commercial focus and expertise in narcolepsy, oncology, pain, and psychiatry, and it recently acquired Gentium (GENT), its largest competitor in Europe for the treatment of those diseases. Jazz paid a favorable price for Gentium in cash, and it expects added revenue and synergy towards new and existing products from the acquisition. For us, this is one of the most exciting things going forward.

- Sector (Industry): Healthcare (Pharmaceuticals-Generic/Specialty)
- P/E ratio: 23
- Forward P/E ratio: 17
- ROE: 30%
- $10 cash/share
- Analysts have revised EPS estimates up in the last 30 days
- Expected earnings growth this quarter: 16%
- Expected earnings growth next quarter: 29%
- Expected earnings growth 2014: 26%
- Expected earnings growth 5-year: 23%
- Website: www.jazzpharmaceuticals.com

Price chart for Jazz Pharmaceuticals as of January 9, 2014  (Source: Yahoo! Finance)

The Jazz logo is a trademark or registered trademark of Jazz Pharmaceuticals.

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Southwest Airlines Co. (LUV)

Southwest is the nation’s largest carrier in terms of originating domestic passengers boarded. With the acquisition of AirTran Airways, to be completed by the end of 2014, it will operate the largest fleet of Boeing aircraft in the world to serve 96 destinations in 41 states, the District of Columbia, the Commonwealth of Puerto Rico, and five near-international countries. Currently, Southwest distinguishes itself with two customer-pleasing services: the first two pieces of checked luggage (weight and size limitations apply) and all ticket changes without additional fees. Southwest boasts 40 consecutive years of profitability. The company is headquartered in Dallas, Texas.

Reasons for Selection

With many of the airlines trading at attractive valuations with excellent projected earnings growth rates, the competition for selection was tough. However, Southwest was a clear winner in our eyes. Over the past year it has shown good growth in income and operating cash flow. Looking forward Southwest has a great opportunity with new terminals that it won at New York’s LaGuardia and Washington’s Reagan National airports. The margins at these airports are among the highest in the nation. Furthermore, Southwest’s merger with AirTran will bring additional revenue streams.

- Sector (Industry): Industrials (Airlines)
- P/E ratio: 24
- Forward P/E ratio: 16
- $4.78 cash/share
- Analysts have revised EPS estimates up in the last 7 days.
- Expected earnings growth current quarter: 188%
- Expected earnings growth next quarter: 100%
- Expected earnings growth 2014: 20%
- Expected earnings growth 5-year: 41%
- Website: www.southwest.com
Price chart for Southwest Airlines as of January 9, 2014  (Source: Yahoo! Finance)

The Southwest logo is a trademark or registered trademark of Southwest Airlines.

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Marathon Petroleum Corporation (MPC)

Marathon is the nation’s fourth-largest refiner, with a crude oil refining capacity of approximately 1.7 million barrels per day in its seven-refinery system. Marathon brand gasoline is sold through approximately 5,100 independently owned retail outlets across 18 states in the Midwest, Southeast and Gulf Coast regions. In addition, Speedway LLC, an MPC subsidiary, owns and operates the nation’s fourth-largest convenience store chain, with approximately 1,470 convenience stores in nine states. MPC also owns, leases, or has ownership interests in approximately 8,300 miles of pipeline and owns/operates 84 light product and asphalt terminals. Marathon is headquartered in Findley, Ohio.

Reasons for Selection
Marathon is the third of the four stocks we’re renewing from the 2013 Baker’s Dozen. It has excellent cash flow and better long-term growth earnings growth projections than it did last year. In fact, it has grown from the fifth to the fourth largest transportation fuels refiner in the US. For many of the same reasons we like Ternium we also like Marathon. MPC is a fully integrated oil player—they make money on every aspect of the petroleum chain. Because it owns and operates its wells, MPC will not be affected by the crack spread like other refiners who buy oil. (Crack spread is the differential between the price of crude oil and petroleum products extracted from it.)
According to earnings projections, MPC will deliver its strongest growth in the second half of 2014. The quarter-over-quarter growth at that point is expected to be very large.

- Sector (Industry): Energy (Oil/Gas Refining/Marketing)
- P/E ratio: 13
- Forward P/E ratio: 10
- Forward annual dividend: 1.9%
- ROE: 19%
- $6.70 cash/share
- $1.91 billion levered free cash flow
- Nearly all analysts have revised EPS estimates up in the last 7 days.
- Expected earnings growth 2014: 48%
- Expected earnings growth 5-year: 11%
- Website: www.marathonpetroleum.com

Price chart for Marathon as of January 9, 2014  (Source: Yahoo! Finance)

The Marathon logo is a trademark or registered trademark of Marathon Petroleum Corporation.

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Marvell Technology Group Ltd. (MRVL)

Marvell Technology is a leading fabless semiconductor company and supplier of HDD controller chips. It designs, develops, and markets analog, mixed-signal, digital signal processing, and embedded and standalone ARM-based microprocessor integrated circuits. It offers mobile and wireless products comprising communications and applications processors; thin modems; Wi-Fi and other communication protocols, including Bluetooth, NFC, and/or FM; and mobile computing products. It also provides a range of integrated data storage products, including hard disk drive, solid-state drive, and hybrid hard disk drive controllers, as well as storage-system products. Founded in 1995, Marvell Technology has operations worldwide and more than 7,000 employees. The company is headquartered in Bermuda with the US headquarters in Santa Clara, California.

Reasons for Selection

Marvell has the largest market share of any supplier of hard-disk drive chips. It is a clear leader in its markets, especially in wifi, with its energy efficient products. We like its prominence in mobile applications and its foothold in the 4G LTE expansion in China. Marvell is projected to grow earnings by at least 50% quarter over quarter in 2014.

- Sector (Industry): Technology (Semiconductors)
- P/E ratio: 29
- Forward P/E ratio: 14
- No debt
- 100% of covering analysts have revised EPS estimates up in the last 60 days.
- Expected earnings growth 2014: 15%
- Expected earnings growth 5-year: 10%
- Website: http://www.marvell.com
Price chart for Marvell as of January 9, 2014  (Source: Yahoo! Finance)

The Marvel Technology logo is a trademark or registered trademark of Marvell Technology Group Ltd.

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NetApp, Inc. (NTAP)

NetApp, Inc designs, manufactures, and markets of storage and data management solutions. The company supplies enterprise storage and data management software and hardware products and services. Founded in 1992, the company is based in Sunnyvale, California.

Reasons for Selection
NetApp has been roughly doubling earnings every quarter with no earnings misses, and we expect this trend to continue into 2014. Right up with NXPI and ACT, NTAP has some of the best quarter-over-quarter earnings growth projections for 2014. It is currently sitting on a very healthy cash position, despite investing heavily in R&D over the last two years, which is a great advantage considering the tough competition it faces. NTAP should start to reap more of those benefits in 2014. We like its earnings strength and balance sheet heading into the New Year.
• Sector (Industry): Technology (Computer Hardware)
• P/E ratio: 25
• Forward P/E ratio: 13
• Dividend: 1.5%
• $15 cash/share and $1 billion levered free cash flow
• Expected earnings growth 2014: 12%
• Expected earnings growth 5-year: 14%
• Website: www.netapp.com

Price chart for NetApp as of January 9, 2014  (Source: Yahoo! Finance)

The NetApp logo is a trademark or registered trademark of NetApp, Inc.

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NXP Semiconductors NV (NXPI)

NXP provides mixed signal and standard product solutions for radio frequency (RF), analog, power management, interface, security, and digital processing products worldwide. The company is a leading innovator in the automotive, identification and mobile industries, and in application areas including wireless infrastructure, lighting, healthcare, industrial, consumer tech and computing. Headquartered in Eindhoven, The Netherlands, NXP has operations in more than 25 countries. In 2012 the company posted revenue of $4.36 billion.
**Reasons for Selection**

NXP is the fourth of the four stocks we’re renewing from 2013’s Baker’s Dozen. In all of these renewals, including NXPI, the combination of forward growth and value is better than last year. NXP has some of the best quarter-over-quarter earnings growth projections in our universe. It has a stellar year of price performance to back it up, and it still trades at attractive valuations. Its ten largest OEM customers are: Apple, Bosch, Continental, Delphi, Gemalto, Giesecke/Devrient, Huawei, NSN, Panasonic and Samsung.

- Sector (Industry): Technology (Semiconductors)
- P/E ratio: 80
- Forward P/E ratio: 10
- Great cash flow
- Expected earnings growth current quarter: 88%
- Expected earnings growth next quarter: 22%
- Expected earnings growth 2014: 25%
- Expected earnings growth 5-year: 35%
- Website: www.nxp.com

Price chart for NXP Semiconductors as of January 9, 2014  
(Source: Yahoo! Finance)

The NXP logo is a trademark or registered trademark of NXP Semiconductors.

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Prudential Financial, Inc. (PRU)

Prudential is a financial services leader with operations in the United States, Asia, Europe, and Latin America. The company offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management. Prudential was founded in 1875 and is headquartered in Newark, New Jersey.

Reasons for Selection
Prudential is a healthy company and part of the backbone of the portfolio. It has great cash flow and good long-term earnings growth projections for a company of its size. It has a whopping $105 cash or cash-equivalents per share. While it does have a negative projected earnings growth rate for 2014 (-4%), its quarter-over-quarter projected earnings growth rates in the first three quarters of the year are outstanding—greater, in fact, than ARRIS. Prudential has a high level of interest in emerging markets, which could prove to benefit it greatly toward the end of the year.

PRU had delivered earnings surprises in three of the last four quarters, beating estimates by an average of 18%. It also recently raised its dividend.

- Sector (Industry): Financials (Insurance Life/Health)
- Forward P/E ratio: 9
- Forward annual dividend: 2.4%
- $105 cash cash-equivalents per share
- Analysts have revised EPS estimates up in the last 7 days.
- Expected earnings growth current quarter: 29%
- Expected earnings growth 2014: -4%
- Expected earnings growth 5-year: 14%
- Website: www.prudential.com
Price chart for Prudential as of January 9, 2014  (Source: Yahoo! Finance)

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Ternium SA (TX)

Ternium is a leading steel producer in Latin America, with an annual production capacity of approximately 10.8 million tons of finished steel products. The company manufactures and processes a broad range of value-added steel products for customers active in the construction, automotive, home appliances, capital goods, container, food, and energy industries. With production facilities located in Mexico, Argentina, Colombia, the southern United States and Guatemala, Ternium serves markets in the Americas through its integrated manufacturing system and extensive distribution network. In addition, Ternium participates in the control group of Usiminas, a Brazilian steel company. The company is headquartered in Luxembourg.

Reasons for Selection

Ternium impressed us because it is the most fully integrated steel manufacturer that is publically traded. It is diversified with mining and manufacturing operations in many different countries. Unlike other steel manufacturers, TX is not subject to commodity constraints (cost of iron ore), and the obstruction to growth that could be caused by a union is of little impact due to the diverse geographical locations of its operations. Ternium’s goal is to be the most efficient steel provider to anyone in the world, and it’s off to a great start: revenue is expected to grow 10% this year (very large for a commodity). The company has great margins (thanks to full integration), and its long-
term earnings growth rate is excellent for its price. Ternium is a great example of a low-cost provider.

- Sector (Industry): Basic Materials (Steel)
- P/E ratio: 53
- Forward P/E ratio: 9
- Forward annual dividend: 2.1%
- Analysts have revised EPS estimates up in the last 30 days.
- Expected earnings growth current quarter: 93%
- Expected earnings growth 2014: 32%
- Expected earnings growth 5-year: 77%
- Website: www.ternium.com

Price chart for Ternium as of January 9, 2014  (Source: Yahoo! Finance)

The Ternium logo is a trademark or registered trademark of Ternium S.A.

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A NOTE FROM DAVID BROWN

That’s our Baker’s Dozen for 2014. Will it do as well as in previous years? Only time will tell, and past performance, of course, is no guarantee of future performance. We hope we’ve found at least thirteen stocks that will outperform the market. We wish you all the best of personal and investment success in 2014 and beyond.

CEO and Chief Market Strategist
THE BAKER’S DOZEN TEAM

Assisting in the production, selection, and distribution of the Baker’s Dozen research and report were Chairman and Chief Market Strategist David Brown; Analyst Walter Gault, Senior Vice President Scott Martindale, Senior Quantitative Analyst Josh Russell, Editor Kassandra Bentley, President Scott Brown, Gradient Associate Director of Research Nick Gibbons, and Gradient Director of Research Brent Miller. David Brown made the final selection of the stocks.

You can read their bios on the Sabrient website at www.sabrient.com.

ABOUT THE COMPANY

Sabrient Systems, LLC specializes in unbiased, fundamentals-based quantitative equity research for the benefit of investment professionals, hedge funds, and self-directed investors. The firm analyzes nearly 6,000 U.S.-listed stocks and ETFs and identifies those that appear poised to outperform or underperform the market. Sabrient first published its rankings in 2002, and its models have consistently outperformed relevant benchmarks over a broad range of investing styles, market caps, time frames and market conditions. Its long/short strategies have produced 10-year annualized returns ranging from 21% to 47%. Sabrient is based in Santa Barbara, California.

In 2011, Sabrient acquired Gradient Analytics, a forensic accounting research firm serving institutional portfolio managers and hedge funds. Gradient publishes in-depth research on a selection of U.S. and international companies with a focus on quality and sustainability of earnings and anomalous insider behavior (buying, selling, and equity incentives activity). Together, Gradient and Sabrient developed the Earnings Quality Rank (EQR) for fundamental screening and quantitative modeling. Gradient is based in Scottsdale, Arizona.

FOR FURTHER INFORMATION

For information about the Baker’s Dozen, please email support@sabrient.com.