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INTRODUCTION

The Sabrient’s Baker’s Dozen portfolio was introduced in January 2009 and has been launched every January since then. The Baker’s Dozen strategy seeks stocks that we believe exhibit strong earnings growth potential relative to their peers, trade at an attractive valuation for the projected growth, display particularly high earnings quality and sustainability, and generally appear to be well-positioned to outperform the benchmark going forward.

The final stock selections represent a cross-section of sectors and industries, and each stock scores particularly well in our model. For a more detailed look at our stock selection strategy, see page 10.

Below is a chart that summarizes the annual performance of the Baker’s Dozen Model Portfolio against the S&P 500 Index. The portfolio has produced returns exceeding the returns of the Index for six out of eight years, and by an average of over 1100 basis points (11 percentage points) per year over the eight-year period.


* See accompanying Notes regarding change in portfolio measurement dates, which differ from actual calendar years.

NOTES:
Portfolio performance reported above is based upon simple price returns on an equal-weighted portfolio of thirteen stock holdings and does not include cash dividends.

For 2009 through 2012, entry prices for the portfolio holdings are assumed at the closing prices for the last trading day preceding the roll-out of the reported portfolio and exit prices are as of the closing dates for the roll-out of the next portfolio for the following year, as reflected in the table below. While the portfolios were rolled-out consistent with the beginning of the calendar years for 2009 - 2012, beginning in 2013 and each year thereafter, the roll-out dates were moved to mid-January and the entry prices are assumed at the closing prices on the day of the roll-out. The 2016 portfolio is still open and 2016 returns shown in the chart above are through December 30, 2016. S&P performance returns have been adjusted to correspond with the same entry and exit dates as used for the model portfolio.

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<td>1/15/2016</td>
<td>12/30/2016</td>
</tr>
</tbody>
</table>

Past performance is not indicative of future results, which may vary. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur.

Investors should not assume that future performance results will be profitable or equal to implied past model performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment strategy will be profitable.

Portfolio performance shown above is for a model portfolio and does not reflect the performance of an actual client’s account or any advisory fees, brokerage commissions or other expenses that might apply.

The model portfolio is based on the same investment objective for all periods shown. The composition of the model portfolio will differ significantly from the securities that comprise the S&P 500 Index, however, due to the strategic investment process used to generate the model portfolio and to the smaller number of holdings in the model portfolio. No attempt is made to mirror the performance of the S&P 500 Index, and the volatility of the model portfolio may be materially different from that of the S&P 500 Index.
MARKET OVERVIEW

January 2017

As we enter 2017, there is a tailwind of consumer and investor optimism, plus perhaps a palpable “fear of missing out” on a surging stock market. The corporate “profit recession” was already showing signs of reversing even before the presidential election, so stocks were poised to rally once the uncertainty about the election was lifted, no matter who won. Equity investors now seem willing to ignore the news headlines that were so distracting for so long and instead focus on the many positive fundamentals. Rather than fearing the uncertainty of this new (and maverick) administration, they instead have an expectation of a more business-friendly environment, overdue fiscal stimulus to complement a still-accommodative Federal Reserve, and a desirably higher level of inflation. Even the Fed is finally admitting that monetary stimulus alone can’t do the trick. Furthermore, the technical picture remains strong, as the Dow is gathering strength to challenge psychological round-number resistance at 20,000, and market breadth is impressive, led by small caps and value stocks. We believe there is a favorable environment for US equities going forward, especially fundamentals-based portfolios like Sabrient’s annual Baker’s Dozen.

Starting in summer 2015 until mid-February 2016, fundamentals were seemingly ignored as election campaign rhetoric and news headlines were the primary focus each day, including China’s weakening growth, currency devaluation, and fears of a hard landing, as well as the Federal Reserve plan to tighten up its loose monetary policy, and weak oil prices. It was a risk-on/risk-off trading environment. As a result, market leadership was narrow and dominated by a handful of mega cap favorites—particularly the “FANG” (Facebook, Amazon, Netflix, Google) stocks. Many companies and market segments that exhibited attractive forward valuations in our model simply languished.

The S&P 500 index began 2016 with its worst January performance in history, falling -10.5%. Things were not looking so good from the standpoint of the so-called January effect as a predictor for the balance of the year. But in the background, it was evident that fundamentals were solid and improving, there was no recession in sight, and the only thing apparently holding back stock prices was global uncertainty. Then on February 11, the market suddenly reversed to the upside. At first it was driven by the normal oversold short-covering in the more beaten-down segments, which is usually short-lived. However, this time the rally held strong and began to broaden into fundamentally solid companies with attractive valuations. This healthy broadening continued throughout the year, with brief speed bumps along the way caused by momentous events like the Brexit vote and our presidential election, among others. Formerly neglected Energy and Financial sectors finished the year as the top performers.

The S&P 500 ended up last year with a gain of +9.5% (price index), even after giving back nearly 2% in the last two weeks of the year. Including dividends, the S&P’s total return was almost +12%. The Dow Jones Industrial Average finished up +13.4%, with Goldman Sachs (GS) contributing the most to this price-weighted index, while Nike (NKE) hurt it the most. Nasdaq was up a respectable +7.5%. But small caps finished particularly strong, with the Russell 2000 up
+19.7% and the S&P 600 up +24.7%, which illustrates improving market breadth. Notably, all the small cap outperformance versus the S&P 500 came after the presidential election. Moreover, value stocks greatly outperformed growth. For example, the S&P 500 Value Index was up +14.5% while the S&P 500 Growth Index only gained +5.2%. The outperformance of small caps over large caps and value stocks over growth indicates to me that market participants are seeking out longer-term investment opportunities rather than just short-term trades, which is encouraging.

Looking at the sectors within the S&P 500, Energy was the top performer for 2016 at +24.9%, followed by Financial at +20.1% (+16.3% just since the November 8 election), Industrial +17.4%, Basic Materials +14.5%, Technology +12.9%, and Utilities +12.2%. Healthcare was the worst at -4.3%, as it simply couldn’t shake headline and regulatory risk, followed by newcomer Real Estate at -1.4%. Consumer Staples and Consumer Discretionary were also laggards at +2.4% and +4.1%, respectively. Not surprisingly, Energy was also the most volatile sector. In the S&P 400 Mid Cap Index and S&P 600 Small Cap Index, Basic Materials was the top performing sector.

Although the MSCI Emerging Markets Price Index was up by +8.1% (+10.9% total return) during 2016, it is notable that ever since the election it has negatively diverged from US equities, likely due to the expected negative impact of rising interest rates and a strengthening dollar on emerging market countries that carry dollar-denominated debt. Moreover, during the past decade, the average annual total return of the S&P 500 index was +6.87%/year while the MSCI Emerging Markets Index was only +1.09%/year. Thus, some market commentators think that global markets are destined to outperform after such a lengthy period of underperformance—due to mean reversion, if nothing else.

Brazil had a strong recovery year, with its stock market the biggest gainer on the global stage, rising +69% as measured in US dollars. Worst performing was China at -18% in USD. Natural gas and crude oil were particularly strong, with oil closing the year at $55. Gold finished up +8% and silver +16%. The US dollar rose +20% vs. Mexico peso, +3.3% vs. euro, and +6.9% vs. China yuan, but fell -15.2% vs. Russia ruble and -17.8% vs. Brazil real.

The CBOE Market Volatility Index (VIX), aka fear gauge, closed the year at 14.04, although it was as low as 11.27 back on December 21. After spiking as high as 23 in advance of the November 8 election, it fell immediately thereafter and has remained securely below the 15 threshold between complacency and fear ever since.

With the election behind, market participants were able to focus on the solid economic fundamentals and the prospect of fiscal stimulus and regulatory reform. This likely will comprise lower corporate and personal taxes, immediate expensing of capital investment (rather than depreciating over time), incentives to repatriate offshore-held cash, reduced regulatory burdens, infrastructure spending programs (including investment in inner cities), improved international trade deals, a freer market for healthcare coverage, and streamlined approval of new drugs and therapies. As a result, we already have seen a marked boost to Sabrient’s portfolios, which are based on our bottom-up, numbers-driven, fundamentals-based, forward-looking growth-at-

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BakersDozen.Sabrient.com
reasonable-price (GARP) quant model. This was partly due to the shift from a news-driven cloud of uncertainty and risk-on/risk-off behavior to fundamentals-driven trading and valuations, but also due to the many solid valuations in neglected market segments getting their overdue attention—such as the airlines, which scored quite well in our system last January. Note that the US Global Jets ETF (JETS) was up +11.8% by the end of 2016, even though it was down nearly -5% in advance of the election before taking off on a big multi-week rally.

The 10-year Treasury closed 2016 at 2.45% after starting the year at 2.27% and falling to as low as 1.37% in early July. After the election, it reached as high as 2.60% in mid-December, but then yields pulled back a bit after their rapid post-election rise. The 30-year closed 2016 at 3.06% (high of 3.18% in mid-December). On the short end of the yield curve, the 2-year climbed to 1.19% (high of 1.27% in mid-December) by year end, and the 5-year was at 1.93% (high of 2.07% in mid-December). Thus, the spread between the 10-year and 2-year closed 2016 at 126 bps, while the spread between the 30-year and 5-year was 113 bps. While some think we finally are seeing the long-anticipated “Great Rotation” from bonds into stocks, others think bonds simply needed to reach a yield that would attract income investors. Perhaps they are at such a level now. If yields do stabilize, it also would keep the dollar from surging too strongly. Similarly, high-quality stocks paying a solid dividend yield should once again attract buyers.

CME fed funds futures place the odds of the next rate hike occurring in February at only 3%, but odds rise to 25% by March, 37% in May, and 70% in June (plus a 21% probability of two rate hikes by then). In any case, rates remain low by historical standards, and we still have an accommodative Fed.

Notably, Federal Reserve governors have been giving speeches indicating a need for complementary fiscal stimulus to their monetary policies. In other words, they are admitting that their limited monetary policy tools are not sufficient by themselves. They have spoken of the power of fiscal policy to enhance productivity and speed economic growth, calling for investment in public infrastructure and education, extending unemployment benefits, cutting the payroll tax, loosening obstructive regulation, and creating incentives for private investment—all to “take some pressure off” the Fed.

For many years, the US long enjoyed an average annual GDP growth rate of 3.3%, and yet despite the Fed’s best efforts, we haven’t seen even one year of 3% growth since 2005, marking an 11-year stretch that is the longest in modern history. In fact, the economy weakened in 2015 and 2016 compared with 2013 and 2014. Nearly eight years of singular reliance on the monetary policies of ZIRP and QE merely served to prop up a stagnant economy by inflating assets at the expense of an ever-widening wealth gap—that is, those who already own assets are doing quite well while the large majority who aspire to higher wages and asset ownership are finding it increasingly difficult. This growing wealth and income inequality around the world has spawned widespread discontent, resentment, class warfare, and a powerful populist movement, leading to unforeseen results like Brexit in Europe, and the rise of Bernie Sanders and election of Donald Trump here at home.
Of course, the high expectations that are getting priced into stocks will need to be fulfilled. But despite the ongoing talk about how our nation is more divided than ever, all citizens should agree that a robust economy that lifts incomes rather than just asset prices has a better chance of creating opportunities across the socioeconomic spectrum and narrowing the wealth gap. Broad prosperity has a way of curing a lot of societal ills.

Economic reports have been strengthening, including Consumer Confidence, ISM Manufacturing, and Global Manufacturing PMI. Although there may be some trimming among Wall Street analysts’ EPS estimates for multinationals in 2017 due to the strong dollar, the upcoming Q4 earnings reports are likely to be strong. And this is now a prerequisite for continued upside in the broad market averages given that P/E multiples on the overall market are at such lofty levels. Thus, the most immediate catalyst for a continuation of the market rally is not so much what changes the new administration can quickly implement but rather corporate earnings growth, led by top-line (revenue) growth.

In fact, the “profit recession” already was beginning to reverse during the second half of 2016, even before the election, but a boost in capital expenditures will be key to continuing the trend. Despite historically low interest rates, spending on new equipment virtually collapsed last year, with the oil industry being the poster child for slashed spending. Certainly, a cut to corporate income tax rates would help boost capital expenditures. And if government-sponsored infrastructure spending eventually materializes, it can provide a long-term source of demand for new equipment from companies in Technology and Industrial sectors. Also, given the promise of regulatory reform, the great outperformance in small caps since the election may be signaling an impending surge in new business formations in 2017, which would also reverse a downward trend. Indeed, small caps look poised to lead a continued rally, especially since they are less impacted by rising borrowing rates and a strong dollar.

As for Sabrient’s market outlook, we see improving corporate profits, stable oil prices in a Goldilocks range between $40 and $60 (i.e., high enough for the industry to earn profit and justify capital investments but still low enough for consumers to tolerate prices at the pump), and modest inflationary pressures on wages and prices, with the added boost of overdue fiscal stimulus complementing a still-accommodative Fed monetary policy. This creates a favorable environment for the economy, corporate earnings, and equities for 2017 and into 2018. In addition, a world awash in cheap money continues to see the US as a favored investment destination. And hedge funds seem to agree, as during Q4 the $3 trillion hedge fund industry increased net equity exposure to 63%—and given that assets in long positions among long/short funds remain 20% below their five-year average, there may be more buying to come. In addition, developed markets overseas have been lagging even as their fundamentals have been strengthening, so there might be some solid offshore opportunities based on relative valuation alone.

Furthermore, we think that lofty valuation multiples on the broad cap-weighted US indexes are hitting upper limits, so a further market advance will need to be driven by earnings growth rather than further P/E expansion. And this will require corporate focus on capital investment and top-line growth—not just stock buybacks, cost-cutting, and productivity improvements. We expect
continued broadening and fundamentals-driven investing, which tends to reward small caps, value stocks, and thoughtful stock-picking, including Sabrient’s GARP approach.

Our sector rankings are based on a similar GARP model to the one we use for Baker’s Dozen, and we aggregate GARP scores for individual stocks to create virtual profiles of the 10 major sectors. Right now, top-ranked sectors include economically-sensitive Technology, Financial, and Materials, along with Healthcare, which constitutes a generally bullish ranking, and you will see names from these sectors in our new portfolio. In fact, we maxed out on the 30% sector limitation for Technology, with four companies in the portfolio (from semiconductors, internet, and electronics) each given an equal 7.5% weighting. There are two from Financial (both from the insurance industry), two from Healthcare (one biotech and one offering health care plans), and one from Materials (steel), along with targeted names from Energy and Consumer, even though those sectors don’t rank as highly in aggregate.

Note: The Market Overview was written by Scott Martindale, president of Sabrient. He also writes the Sector Detector blog and newsletter, posted on Sabrient.com, which shows what a sector rotation model might suggest if a given portfolio is due for a rebalance.
STOCK SELECTION STRATEGY

The Baker’s Dozen portfolio is composed of 13 stocks that Sabrient believes are positioned to perform well in 2017, selected using Sabrient’s proprietary stock selection methodology from a cross-section of industries. They are GARP stocks—stocks that we believe provide opportunity for growth at a reasonable price—which are meant to be held for a full 12 months.

Sabrient’s core selection methodology for the Baker’s Dozen combines a “quantamental” GARP approach with a forensic accounting “backstop” that is intended to reduce the risks associated with accounting warning signs.

“Quantamental” refers to an approach that uses a quantitative screen with a qualitative/fundamental overlay. “GARP” stands for growth at a reasonable price, and “forensic accounting” refers to the evaluation conducted by a forensic accounting research team from Sabrient’s wholly-owned subsidiary, Gradient Analytics, LLC, of the quality and sustainability of a company’s reported earnings, its accrual accounting practices, and anomalous insider selling behavior.

The quantitative Earnings Quality Rank (EQR), which was created by the Sabrient and Gradient research teams, is an important factor in the Baker’s Dozen strategy. EQR helps to down-weight stocks of companies having indicators that earnings might not be sustainable due to their accounting practices.

Other factors in the GARP model include historical and forecasted earnings growth and valuations, and the recent dynamics of Wall Street analysts’ estimates (i.e., the number of analysts who have revised up or down and the magnitude of those revisions).

Our goal is to identify high-potential performers that still trade at attractive valuations, while reducing the risk of surprise meltdowns (due to accounting issues leading to earnings misses, restatements, or investigations) that offset the winners.

Following are the major steps in the selection process:

1) Select GARP stocks. Use the forward earnings outlook of a consensus of Wall Street analysts and adjust the projected growth using a proprietary algorithm.

2) Evaluate Analysts’ Behavior. Evaluate the consensus of the analysts to determine how confident they are in the earnings estimate forecasts.

3) Estimate Long-Term Earnings Growth Rate. Estimate the secular growth rate of earnings (3-5 years) and divide that by the forward price to earnings ratio, to assess the reasonableness of the stock price and the likelihood of further appreciation within the next 12 months. This assumes that there are no negative developments in the meantime.
4) **Calculate the Cost of Absolute Growth.** Calculate the projected absolute earnings growth for each of the next four quarters and determine the cost of absolute growth.

5) **Evaluate the Quality of Earnings with EQR®.** Use Sabrient’s proprietary forensic accounting factor (Earnings Quality Rank or EQR) to score stocks based on their perceived accounting risks. Eliminate or penalize companies having indicators of high accounting risk.

6) **Diversify by Sector and Industry.** Lastly, diversify by sector and industry, allowing no more than approximately 30% of the portfolio in any one sector and no more than approximately 15% of the portfolio in any one industry.

David Brown and the Sabrient analysts review the fundamentals and news of the stocks on the quantitatively ranked short list and select a small group of finalists. Then the Gradient analyst team reviews the financial filings (10-Ks and 10-Qs), conference call transcripts, and insider buying/selling activity of the finalists to determine which stocks should be eliminated in light of elevated risk. They also review a third-party corporate governance metric that assesses risk in the areas of board structure, executive compensation, shareholder rights, and audit and control —primarily for companies from market segments that Sabrient believes may be more vulnerable to violations of public trust. From the remaining finalists, David Brown then selects 13 stocks for the final sector/industry-diversified portfolio.
BAKER'S DOZEN 2017 PORTFOLIO

Here is the Baker's Dozen 2017 Portfolio. The stocks include 12 large-caps and one mid-cap and are presented in alphabetical order. The portfolio performance will be tracked on the Baker's Dozen website at http://bakersdozen.sabrient.com.

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* Sectors used by First Trust Portfolios

Data sources used in selecting the stocks include S&P Capital IQ\(^1\), Reuters Knowledge Direct, Thomson Reuters I/B/E/S, and Washington Services. Sectors are those used by First Trust Portfolios.

Company descriptions on the following pages are compiled from the company websites and news releases. Company fundamentals can be found on several free websites, including MarketWatch, Bloomberg, and Yahoo! Finance. Price charts can be created with free tools at StockCharts.com.

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STOCK DESCRIPTIONS

Archer Daniels Midland Company (ADM)
77 West Wacker Drive, Suite 4600
Chicago, Illinois 60601

Archer Daniels Midland is the world’s largest producer of corn and one of the world’s largest agricultural processors and food ingredient providers, making products for food, animal feed, and industrial and energy uses. With more than 32,300 employees, ADM serves customers in more than 160 countries. The company boasts a global value chain that includes 428 crop procurement locations, 280 ingredient manufacturing facilities, 39 innovation centers, and the world’s premier crop transportation network. The company was founded in 1902 and is headquartered in North Chicago, Illinois.

On January 10, 2017, ADM signed an agreement to acquire Crosswind Industries, Inc., a Kansas-based producer of contract and private label pet treats and foods. The global pet food industry represents a strong opportunity for strategic growth. With this addition of five new facilities, including four extrusion plants and a highly efficient packaging facility, ADM’s capabilities in the fast-growing pet food market are greatly enhanced.

Quick Facts

- Sector: Consumer Staples
- Dividend: 2.8%
- Strong bear market score
- World’s largest producer of corn
- Serves customers in more than 160 countries
- Agreement pending to acquire Crosswind Industries, a producer of pet treats and foods
- Founded in 1902
- Headquartered in North Chicago, Illinois
- Traded on the New York Stock Exchange
- Website: www.adm.com
American International Group, Inc. (AIG)
175 Water Street
New York, NY 10038

American International Group is a global insurance organization serving commercial, institutional, and individual customers in the Americas, the Asia Pacific, Europe, the Middle East, and Africa. AIG was founded as a general insurance company in 1919 in Shanghai, China under the name American Asiatic Underwriters. The company was incorporated as American International Group (AIG) incorporates in Delaware in 1967.

AIG became a household name during the 2008 financial crisis when the Federal Government bailed out the company, which was on the verge of collapse, with a $182 billion loan. While repayment of the loan was never a sure thing, AIG did repay the loan by 2012, and the Federal Government made a $23 billion profit with the sale of AIG stock.

With that chapter now behind them, AIG moves into 2017 with a stronger balance sheet. The company has continued to shrink its legacy portfolio of non-strategic assets in an effort to increase liquidity and reduce risk, a trend that has also led to a persistent increase in return on equity of the company’s core operating portfolio.

Quick Facts

- Sector: Financials
- Dividend: 1.9%
- Turnaround story that provides the most projected EPS growth in the portfolio
- Founded in 1919
- Headquartered in New York, New York
- Website: www.aig.com
The Allstate Corporation (ALL)
2775 Sanders Road
Northbrook, IL 60062

The Allstate Corporation, together with its subsidiaries, engages in property-liability insurance and life insurance in the US and Canada. Allstate insurance is sold primarily through Allstate exclusive agencies, but certain products are also offered under the brands Esurance, Encompass, and Answer Financial. Allstate is the nation’s largest publicly held insurer for personal lines. The company was founded in 1931 as part of Sears, Roebuck & Co. It became a publicly traded company in 1993 and a totally independent company in 1995 after Sears divested its remaining shares to Sears stockholders.

On January 4, 2017, Allstate closed its acquisition of SquareTrade, a consumer protection plan provider that distributes through many of America’s major retailers.

Quick Facts

- Sector: Financials
- Dividend: 1.8%
- Highest free cash flow yield in the portfolio and low debt-to-equity provide defensive qualities
- Largest publicly held insurer for personal lines in US
- Provides insurance products to about 16 million households
- Known by its slogan: “You’re in Good Hands with Allstate®”
- Founded in 1931
- Headquartered in Northbrook, Illinois
- Traded on the New York Stock Exchange
- Website: www.allstate.com
Broadcom Limited (AVGO)
1 Yishun Avenue 7
Singapore 768923
Singapore

Broadcom Limited is a diversified global semiconductor company that serves multiple applications within four primary end markets: wired infrastructure, wireless communications, enterprise storage, and industrial and others. The company, formerly known as Avago Technologies, was founded in 2005. Avago bought Broadcom in February 2016 and took the Broadcom name. It is headquartered in Singapore.

In November 2016, Broadcom announced that it would acquire Brocade Communications Systems (BRCD), a maker of routers, switches and other computer networking equipment, for $5.5 billion in cash. The deal is expected to close in the first half of 2017.

Quick Facts

- Sector: Information Technology
- Dividend: 2.3%
- Non-GAAP EPS has met or exceeded estimates since Q1 2010
- Acquisition pending of Brocade Communications Systems (BRCD)
- Founded in 2005
- Headquartered in Singapore
- Traded on the Nasdaq Stock Exchange
- Website: www.broadcom.com
BP P.L.C. (BP)
1 St James's Square
London SW1Y 4PD
United Kingdom

BP is a multinational producer of oil and gas. The company operates in three segments: Upstream, Downstream, and Rosneft. The Upstream segment includes exploration, production, transportation, storage and processing of oil and natural gas. The Downstream segment includes the refining, marketing, manufacturing, transportation, trading and supply of crude oil, petrochemicals and petroleum products. This segment also sells gasoline, diesel, and aviation fuel. The Rosneft segment engages in the exploration and production of hydrocarbons in the United States, Canada, Vietnam, Venezuela, Brazil, Algeria, the United Arab Emirates, Turkmenistan, and Norway. This segment also owns and operates refineries in Russia and Germany.


Quick Facts

- Sector: Energy
- Dividend: 6.5%
- Highest dividend yield of the portfolio
- Impressive turnaround story with > 100% projected EPS growth following a down year in 2016
- Major US subsidiary: BP America, Inc. based in Houston, Texas
- One of the largest leaseholders in the Gulf with acreage in about 400 lease blocks
- Founded in 1889
- Headquartered in London, UK
- Traded on the New York Stock Exchange, as well as the London and Frankfort exchanges
- Website: www.bp.com
Celgene Corporation (CELG)
86 Morris Avenue
Summit, NJ 07901

Celgene is an integrated global biopharmaceutical company. It is engaged primarily in the discovery, development and commercialization of innovative therapies for the treatment of cancer and inflammatory diseases through gene and protein regulation. Products are marketed under the brand names Revlimid, Vidaza, Thalomid, Pomalyst/Imnovid, Abraxane, and Istodax. Approximately 18 late-phase trials of various drugs are expected to be completed by 2018.

The company was founded in 1980 and is headquartered in Summit, NJ. Celgene UK & Ireland is a subsidiary of Celgene Corporation.

Quick Facts

- Sector: Health Care
- Dividend: 0.0%
- Strong bull market score
- #397 on Forbes Global 2000 list
- 18 late-phase trials expected to be completed by 2018
- Founded in 1980
- Headquartered in Summit, NJ
- Traded on the New York Stock Exchange
- Website: www.celgene.com
Dollar Tree, Inc. (DLTR)
500 Volvo Parkway
Chesapeake, VA 23320

Dollar Tree is the largest single-price-point retailer in North America, operating thousands of stores across 48 contiguous U.S. states and five Canadian provinces. The company operates in two segments, Dollar Tree and Family Dollar. The Dollar Tree segment offers merchandise at the fixed price of $1.00. The Family Dollar segment offers consumable merchandise, home products, apparel and accessories merchandise, and seasonal and electronics merchandise. As of January 30, 2016, the company operated 13,851 stores in 48 states, the District of Columbia, and five Canadian provinces. The company was founded in 1986 and is headquartered in Chesapeake, Virginia.

Quick Facts

- Sector: Consumer Discretionary
- Dividend: 0.0%
- Strong cash flow and revenue growth over the last 12 quarters
- High operating cash flow yield
- 13,851 stores in 48 states, the District of Columbia, and five Canadian provinces.
- A Fortune 200 company
- Founded in 1986
- Headquartered in Chesapeake, Virginia
- Traded on the New York Stock Exchange
- Website: www.dollartree.com
Facebook, Inc. (FB)

1601 Willow Road
Menlo Park, CA 94025

Facebook is a leading online social media and social networking service that enables people to connect, share, discover, and communicate each other on mobile devices and personal computers worldwide. Facebook operates Instagram, a mobile photo-sharing application; Messenger, a messaging application for mobile and web-based platforms and devices; and WhatsApp Messenger, a mobile messaging application. The company also develops Oculus virtual reality technology and content platform.

The company has a partnership with the Federation of Indian Chambers of Commerce and Industry to augment the Millennium Alliance initiative, as well as support and expand the development of the social enterprise sector in India. Facebook was founded in 2004 and is headquartered in Menlo Park, California.

Quick Facts

- Sector: Information Technology
- Dividend: 0.0%
- Good long-term (5-Year) EPS growth rate
- Strong bull market score
- Operates, Instagram, Messenger, and WhatsApp Messenger
- Founded in 2004
- Headquartered in Menlo Park, California.
- Traded on the New York Stock Exchange
- Website: www.facebook.com
Lam Research Corporation (LRCX)
4650 Cushing Parkway
Fremont, CA 94538

Lam Research is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. The company provides thin film deposition products, plasma etch products, and single-wafer clean products. LRCX is a leading manufacturer of the semiconductor equipment needed to produce the intricate memory and logic chips used in the new technology market, which includes connected cars, virtual reality, machine learning, and IoT (Internet of Things). LRCX offers its products in the United States, Europe, Taiwan, Korea, Japan, China, and Southeast Asia. The company was founded in 1980 and is headquartered in Fremont, California.

Quick Facts

- Sector: Information Technology
- Dividend: 1.6%
- Strong bull market score
- Strong cash position
- Founded in 1980
- Headquartered in Fremont, California
- Traded on the Nasdaq Global Select Market®
- Website: www.lamresearch.com
Marathon Petroleum Corporation (MPC)
539 South Main Street
Findlay, OH 45840

MPC is the nation's third-largest refiner, with seven refineries and a crude oil refining capacity of approximately 1.8 million barrels per calendar day. Its subsidiary, Speedway, owns and operates the nation's second-largest convenience store chain, with approximately 2,770 convenience stores in 22 states. The company markets its products in the Midwest, Northeast, East Coast, Southeast and Gulf Coast regions.

MPC was formed in 2011 when the original Marathon Oil Corporation (MRO) split into two entities. MRO, headquartered in Houston, became the upstream company (production and exploration), and MPC, headquartered in Findlay, Ohio, became the downstream (refining) company.

Quick Facts

- Sector: Energy
- Dividend: 3.0%
- High operating cash flow yield provides support for dividend
- Founded in 2011 as a spin-off of Marathon Oil Corporation (MRO)
- Headquartered in Findlay, Ohio
- Traded on the New York Stock Exchange
- Website: www.marathonpetroleum.com
Steel Dynamics, Inc. (STLD)
7575 West Jefferson Boulevard
Fort Wayne, IN 46804

Steel Dynamics is one of the largest domestic steel producers and metals recyclers in the US, with facilities located throughout the United States and in Mexico. The company produces engineered steel products and liquid pig iron, and processes and sells ferrous and nonferrous scrap. The company was founded in 1993 and is headquartered in Fort Wayne, Indiana.

Quick Facts

- Sector: Materials
- Dividend: 1.6%
- Second highest free cash flow yield in the portfolio
- Strong long-term growth
- Strong TTM EPS growth
- Founded in 1993
- Headquartered in Fort Wayne, Indiana
- Traded on the Nasdaq Stock Exchange
- Website: www.steeldynamics.com
UnitedHealth Group, Inc. (UNH)
9900 Bren Road East
Minnetonka, MN 55343

UnitedHealthcare Group offers a broad spectrum of products and services through two distinct platforms: UnitedHealthcare, which provides health care coverage and benefits services, and Optum, which provides information and technology-enabled health services. Its OptumRx segment offers pharmacy care services and programs. The company contracts directly with more than one million physicians and health care professionals, and 6,000 hospitals and other care facilities nationwide. The company was founded in 1974 and is headquartered in Minnetonka, Minnesota.

On January 9, 2017, UNH’s Optum agreed to acquire Surgical Care Affiliates, Inc. (SCAI), a leading ambulatory surgery center and surgical hospital provider.

Quick Facts

- Sector: Health Care
- Dividend: 1.5%
- Strong recent upward revisions by analysts
- One of the largest health insurers with approximately 48 million members
- Acquisition pending of Surgical Care Affiliates
- A Fortune 50 health and well-being company
- Founded in 1974
- Headquartered in Minnetonka, Minnesota
- Traded on the New York Stock Exchange
- Website: www.unitedhealthgroup.com
Western Digital Corporation (WDC)
3355 Michelson Drive, Suite 100
Irvine, CA 92612

Western Digital Corporation provides data storage devices and solutions worldwide. It offers performance hard disk drives (HDDs); capacity HDDs and drive configurations; and enterprise solid state drives. The company also licenses its technologies. Products are marketed under the HGST, SanDisk, and WD brands to original equipment manufacturers (OEMs), distributors, resellers, cloud infrastructure players, and retailers. WDC serves storage subsystem suppliers, OEMs, including PC and Mac OEMs, and Internet and social media infrastructure players. The company was founded in 1970 and is headquartered in Irvine, California.

Quick Facts

- Sector: Information Technology
- Dividend: 2.8%
- Highest GARP score in portfolio
- Lowest forward PE in portfolio
- Strong upward revisions by analysts
- Recently acquired SanDisk, a global leader in flash storage solutions
- Founded in 1970
- Headquartered in Irvine, California
- Traded on the Nasdaq Stock Exchange
- Website: www.wdc.com
THE BAKER’S DOZEN TEAM

Leading the research team in the stock selection for the Baker’s Dozen 2017 was David Brown, chairman and chief market strategist. He began the stock selection process with the quantitative rankings and research provided by Jeffrey Brown, director of quantitative research, and analysts Rick Hoselton and Robert Grueneberg. David was assisted in the qualitative analysis by Sabrient analysts Daniel Vickers and Matt Bailey and by Gradient analysts Brent Miller, CFA; Nick Yee, CPA; Daniel Stone, and Byron Macleod, CFA. Also providing valuable input were Danny Vickers, CEO; Scott Martindale, president; and Ray Chiarello, chief financial officer and chief compliance officer. The Baker’s Dozen report was written by Kassandra Bentley and Scott Martindale, with assistance from Ray Chiarello, Daniel Vickers, and Brent Miller. You can read their bios at www.Sabrient.com.

COMPANY OVERVIEW

Sabrient Systems is an independent equity research firm based in Santa Barbara, CA. The firm is led by former NASA scientist David Brown, who worked on the lunar landing project and has been developing computer models for over 40 years. We offer fundamentals-based quantitative (and “quantamental”) equity research, rankings, tools, strategies, and commentaries to portfolio managers, hedge funds, sponsors of investment products, and broker/dealers. Sabrient publishes long portfolios, many of which are offered as packaged investment products (ETFs and UITs) through institutional partners like First Trust, BlackRock, Direxion, and BMO.

In 2011, Sabrient acquired Gradient Analytics, an independent forensic accounting research firm based in Scottsdale, Arizona, that has long served institutional portfolio managers and hedge funds. Gradient’s research team of CFAs and CPAs publishes in-depth reports that analyze earnings quality and anomalous insider behavior for selected U.S. and International companies. Although the majority of Gradient’s clients use Gradient’s red-flag alerts for generating short ideas and for helping to develop a strong short thesis around those ideas, Gradient also helps clients reduce risk to enhance overall performance of their long portfolios. Gradient’s forensic accounting expertise has proven to be a valuable addition to the final review process for Sabrient’s long portfolios.
FOR FURTHER INFORMATION

For more information about the Baker’s Dozen, visit the Baker’s Dozen website at http://bakersdozen.sabrient.com.

For more on Sabrient and Gradient Analytics, visit www.sabrient.com and www.gradientanalytics.com.