

Sabrient Baker's Dozen Model Portfolio – October 2019

Ticker	Company Name	Industry	Mkt Cap (\$B)	NTM EPS Growth	Fwd. PE	Fwd. PEG	Div. Yield	Notes	
1	ALK	Alaska Air Group, Inc.	Airlines	8.3	33.3%	10.0	0.30	2.1%	The Seattle-based airline has grown in recent years with over 115 destinations across the entire U.S., but still has a primary focus on the West Coast. The acquisition of Virgin America has helped ALK become the 5th largest domestic airline by adding over 40 new routes. In mid-2018 the company shifted all operations under the Alaska Air brand in order to capitalize on the recognition of its award-winning service. ALK has been working to upgrade amenities in an effort to improve customer experience, including expansion of premium seating, Wi-Fi connectivity and in-flight entertainment.
2	ALL	The Allstate Corporation	Property and Casualty Insurance	35.5	32.7%	10.6	0.32	1.9%	ALL offers a wide range of insurance products including auto, homeowners, renters, and life insurance. The company's SquareTrade brand, which offers protection for consumer electronics, including TVs, smartphones, computers, and home appliances, is providing significant growth. SquareTrade gives the company exposure to a new segment of the insurance industry that is growing rapidly. Property and casualty insurance premiums written also continue to increase, while ALL recently increased its outlook for underwriting profitability.
3	ANTM	Anthem, Inc.	Managed Health Care	63.8	27.2%	11.6	0.43	1.3%	As a health insurance provider, ANTM is either the number one or two provider in each of the 14 states in which it operates, with an average market share of 35%. The company's Medicare Advantage program is expected to be a driver for growth by increasing membership by more than 20%. ANTM's recent expansion into Minnesota during the first quarter is on track to provide growth to the commercial fully-insured segment.
4	ARNC	Arconic, Inc.	Aerospace and Defense	12.2	33.1%	12.5	0.38	0.3%	ARNC manufactures engineered aluminum products with a wide range of end-market applications. The aerospace market provided strong organic revenue growth over the last year, with defense aerospace in particular increasing at a double-digit rate. Aerospace engines and commercial airframe sales are expected to continue to grow as the demand for airplanes remains strong. Commercial transportation and automotive are also contributing to the positive growth outlook for ARNC, as the trend of increased use of lightweight materials continues.
5	CF	CF Industries Holdings, Inc.	Fertilizers and Agricultural Chemicals	10.6	54.8%	18.4	0.33	2.5%	With operations primarily in the U.S., CF produces nitrogen-based crop nutrients. A tight global market caused nitrogen prices to increase for the last two years. Demand growth is projected to outpace growth in supply through the rest of the year, keeping prices high. Higher prices have led to increasing margins over the last year. CF enjoys the competitive advantage of lower energy costs versus foreign competition, as new environmental regulations in China and Europe restrict the use of lower cost coal.
6	CI	Cigna Corporation	Health Care Services	62.2	22.9%	9.2	0.40	0.0%	CI offers health services and medical insurance. Its demonstrated efficiency in controlling medical costs has allowed it to offer competitive price points, reinforcing its affordability value proposition. CI has pursued a strategy of diversifying its operations through acquisitions, making the company less dependent on its core commercial business and increasing its exposure to areas such as pharmacy care and healthcare supply chain management. The company's growth outlook accelerated through its acquisition of Express Scripts, which also facilitated greater vertical integration. Strong cash flow generation has allowed the firm to deleverage its balance sheet and return capital to shareholders while continuing to pursue strategic M&A opportunities.
7	CMC	Commercial Metals Company	Steel	2.2	26.0%	8.1	0.31	2.5%	Steel producer CMC has been working to increase the company's production of engineered specialty steel products, primarily proprietary rebar. Such specialty products provide higher margins and are less affected by changes in raw material prices. CMC's investment in a new micro mill has allowed the company to ramp up production capacity as it prepares for growing demand for nonresidential construction and infrastructure. CMC also runs a major recycling operation that is benefiting from rising scrap prices.
8	KBH	KB Home	Homebuilding	3.2	30.3%	11.1	0.36	1.0%	KBH is a homebuilder with properties in several states across the U.S. that span a wide range of price points. The company is benefiting from increasing demand driven by steady economic growth and low interest rates. KBH primarily targets first-time home buyers, but offers multiple options within the same community to appeal to several market segments. This strategy helps differentiate KBH from competitors and has helped lead to a growing backlog for the company.

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9	NMIH	NMI Holdings, Inc.	Thrifths and Mortgage Finance	1.9	33.1%	10.2	0.31	0.0%	NMIH is capitalizing on a favorable housing market environment for mortgage insurance, as well as benefiting from increased refinancing on existing mortgages. This increased refinancing along with new loan origination has helped the company report a record bottom-line performance of \$0.59 per share in the second quarter of 2019. In addition, the FHA has reiterated its commitment to its mortgage insurance programs, which helps private mortgage insurers like NMIH.
10	PPC	Pilgrim's Pride Corporation	Packaged Foods and Meats	7.2	58.3%	13.6	0.23	0.0%	PPC is a producer of fresh, frozen, pre-marinated, and ready-to-eat chicken products in North America and Europe. The company has been shifting its product mix to more specialty birds, which include antibiotic-free and organic chicken, as consumer demand for premium products increases. Specialty birds are expected to make up at least 40% of the company's fresh chicken sales going forward, more than double the rate of the last few years. PPC's antibiotics-free "Just BARE" brand is expected to boost growth in the company's prepared foods segment.
11	RCII	Rent-A-Center, Inc.	Computer and Electronics Retail	1.5	31.9%	11.0	0.34	3.8%	RCII leases household goods to consumers, primarily on a rent-to-own basis. A transition to e-commerce has become a major growth driver for the company. The recent acquisition of Merchants Preferred, a provider of virtual rent-to-own services, has helped RCII fast-track its growth in online retail. The company's online business is expected to provide long-term growth and keep the company competitive in the modern economy.
12	RNR	RenaissanceRe Holdings Ltd.	Reinsurance	8.4	47.4%	14.4	0.30	0.7%	RNR provides property, casualty, and specialty reinsurance and insurance products. The company has demonstrated material growth in gross premiums written, driven by expansion across a number of its underwriting platforms. A lower level of insured catastrophe events has resulted in lower claim expense, pushing underwriting income higher. RNR's recent acquisition of TMR Group creates a larger reinsurance risk pool and is expected to be immediately accretive to earnings.
13	VAC	Marriott Vacations Worldwide Corporation	Hotels, Resorts and Cruise Lines	4.8	33.7%	12.9	0.38	1.7%	VAC operates vacation ownership properties, such as timeshares, under a range of brands that include Marriott, Sheraton, Westin, and Hyatt. The company is successfully finding new customers through its new marketing and sales strategy, which led to first-time-buyer tours representing 45% of tours taken during the second quarter of 2019. VAC also recently acquired ILG, adding 43 vacation ownership properties, primarily on the higher end.

	Mkt Cap (\$B)	NTM EPS Growth	Fwd. PE	Fwd. PEG	Div. Yield
Average:	17.0	35.8%	11.8	0.33	1.4%
Median:	8.3	33.1%	11.1	0.33	1.3%

DEFINITIONS:

NTM EPS Growth = Next 12 months earnings per share year-over-year expected growth rate, based on consensus of sell-side analysts as reported by S&P Capital IQ

Fwd. PE = Forward (or expected) Price/Earnings ratio, based on consensus of sell-side analysts' earnings per share estimates for the next 12 months as reported by S&P Capital IQ

Fwd. PEG = Fwd. PE divided by NTM EPS Growth rate (i.e., Ratio of Forward P/E to Forward Growth)

Numbers shown were calculated using data as of market close on 10/17/2019

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