2015-2016 Haslam Torch Fund
4th Quarterly Report
July 1st – September 30th, 2016
# Table of Contents

2015-2016 Haslam Torch Fund Q4 Report

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover Page</td>
<td>1</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>2</td>
</tr>
<tr>
<td>Letter to Mr. &amp; Mrs. Haslam</td>
<td>3</td>
</tr>
<tr>
<td>Summary of Goals</td>
<td>4</td>
</tr>
<tr>
<td>Economic Outlook</td>
<td>5</td>
</tr>
<tr>
<td>Q4 Actions Summary</td>
<td>6</td>
</tr>
<tr>
<td>Portfolio Asset Allocation</td>
<td>7</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>7</td>
</tr>
<tr>
<td>Portfolio Weights by Sector</td>
<td>8</td>
</tr>
<tr>
<td>Best and Worst Performers</td>
<td>9-10</td>
</tr>
<tr>
<td>Fund Performance: Tear Sheet</td>
<td>11</td>
</tr>
<tr>
<td>Equities Analyses by Sector:</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>12-19</td>
</tr>
<tr>
<td>Healthcare</td>
<td>20-23</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>24-26</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>27-34</td>
</tr>
<tr>
<td>Information Technology</td>
<td>35</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>36</td>
</tr>
<tr>
<td>Materials</td>
<td>37</td>
</tr>
<tr>
<td>Industrials</td>
<td>38-39</td>
</tr>
<tr>
<td>References</td>
<td>40-41</td>
</tr>
</tbody>
</table>
Dear Mr. and Mrs. James A. Haslam, II:

Thank you for the privilege of serving as portfolio managers on the Haslam Torch Fund. This experience has been rewarding both academically and professionally. We are now better prepared for the careers that we soon will pursue upon completion of the MBA program at the Haslam College of Business. We greatly appreciate your generosity and support.

We had three performance goals for the Fund during our tenure: 1) to earn a positive return; 2) to outperform a weighted average of the S&P 500 and the Barclays U.S. Aggregate Bond Index; and 3) to outperform the LaPorte Fund. For our final quarter ending on September 30, 2016, the Fund earned a positive return of 2.24 percent and outperformed our weighted average benchmark. However, we underperformed relative to the LaPorte Fund, which earned a return of 2.80 percent. For our tenure, the Fund earned a positive return of 6.32 percent and outperformed the LaPorte Fund, which earned a tenure return of 4.66 percent. However, we missed our weighted average benchmark, which earned a return of 10.58 percent.

The quarter ending on September 30, 2016 was marked by continued low unemployment of 5 percent and rising inflation of 1.5 percent (2.2 percent excluding food and energy). Despite calls for an interest rate hike, the Fed did not adjust U.S. monetary policy. Nevertheless, domestic economic growth remained flat due in part to low wage growth and low consumer spending. Moreover, a strong U.S. dollar and international instability, particularly following Brexit, restricted growth in global markets. Finally, the political climate during the presidential election year added to investor uncertainty and market volatility. In general, these conditions impacted Fund performance as well as our investment decisions.

Entering the quarter, the Fund was overweight in financials and consumer discretionary. As we revised our economic forecast, our strategy during our final quarter included reducing our positions in these sectors. Accordingly, we sold (in whole or in part) certain holdings in financials and consumer discretionary due to concerns regarding future growth or to capture profits for reinvestment elsewhere. Finally, as we prepared to transition control of the Fund to the incoming managers, we reviewed our investment thesis for each holding to ensure that the Fund was aligned with its investment objectives. As a result, we believe that the incoming managers are well positioned to achieve their performance goals moving forward.

Once again, thank you for the opportunity to be part of the Haslam Torch Fund. We are grateful for your generosity and support of the Fund as well as the Haslam College of Business.

Sincerely,

Colin Campbell
Ridge Carter
Thatiana Haddad
Shane Kaster
Tyler Morgan
Quarterly and Tenure Goals
1. Earn a positive return.
2. Outperform our benchmark, a weighted average of the S&P 500 and Barclays U.S. Aggregate Bond Index.
3. Outperform the LaPorte Torch Fund.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.) Earn a Positive Return</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2.) Beat our Benchmark</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>3.) Beat the LaPorte Fund</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>

Vision
To generate sustainable long-term growth in portfolio wealth and to “pass the Torch” to the next team of HTF managers in a consistent manner.

Mission
The HTF Team will maintain a diverse, risk-balanced portfolio while diligently following relevant news sources to ensure that our investment decisions are prudent in light of current and forecasted market trends and economic forces.

Management Philosophy
The HTF Team uses a “top-down” approach to investing, focusing on trends in the general economy first, then on the specified industry, and finally on the particular companies within that specified industry. Each manager on the HTF Team is expected to maintain an informed understanding of the entire portfolio’s holdings as well as any breaking news stories that may affect the state of the market in general. Additionally, each manager has specific sector assignments.
Economic Outlook
Entering the forth quarter of our tenure, we expected a flat growth in the economy. Although indicators favored consumer sectors, including low unemployment and low gas prices, we did not see an increase in consumer spending. The Fed meetings indicated that even though the economy was stable and jobs were being created, it still was not time for an interest rate hike. International instability was still a concern, especially after Brexit. Finally, we believed that consumers were not spending money in retail, entertainment and travel. In general, our strategy entering the forth quarter was to decrease our positions in consumer discretionary and in the financial sector.

Foreign Markets
We entered the forth quarter with a strong dollar that started weakening. But foreign markets were still unstable. Moving forward, we thoroughly discussed the geographic revenue segmentation of each company proposed and we maintained minimal exposure to foreign markets, especially the U.K.

Interest Rates
With the economy growing steady and jobs being created, we saw interest hike as a possibility in the previous quarter. After entering in the forth quarter, we thought with the instability in the international markets, an interest rate hike in Q4 was unlikely. As a result, we reexamined our approach to positions in the financial sector, and decreased our financial positions in our portfolio. At the same time, we continued to monitor the statements of the FOMC and the Chairwoman of the Federal Reserve, Janet Yellen. We believed an interest hike is still likely to happen in 2016, so we kept larger banks in our portfolio.

Labor Market
The labor market continued to add jobs. The labor force participation rate increased during Q4, initial jobless claims generally decreased, and the domestic unemployment rate remained relatively low. We also observed an increase in Wages. The indicators show a better economy and a good environment for customer spending, that we believe is going to increase slowly. Nevertheless, we did not materially alter our outlook that these indicators would create opportunities within the consumer sectors.

Housing Market
Similar to the prior quarter, existing homes sales declined while home prices and housing starts increased, which indicated a possible housing shortage. With low unemployment and low mortgage rates, we believed that a housing shortage may create opportunities in the construction industry and materials sector due to new homebuilding and renovation projects.
We completed the following actions during Q4:

- We sold 380 shares of **The Walt Disney Co.** on July 8th, 2016
- We sold 1000 shares of **US Bancorp** on July 12th, 2016
- We sold 300 shares of **Lear Corp.** on August 18th, 2016
- We sold 19 shares of **PJT Partners, Inc.** on August 18th, 2016
- We sold 118 shares of **ULTA Salon Cosmetics** on August 18th, 2016
- We sold 1000 shares of **Delta Airlines** on August 25th, 2016
- We sold 760 shares of **Blackstone Group** on September 1st, 2016
- We sold 170 shares of **Cracker Barrel** on September 1st, 2016
## Portfolio Asset Allocation

### 2015-2016 Haslam Torch Fund Q4 Report

### Asset Allocation (End Q4: September 30th, 2016)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Q4 Ending Value</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternatives</td>
<td>$234,250.00</td>
<td>21%</td>
</tr>
<tr>
<td>Cash</td>
<td>$315,956.73</td>
<td>29%</td>
</tr>
<tr>
<td>Equity</td>
<td>$541,258.91</td>
<td>50%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,091,465.64</strong></td>
<td><strong>100%</strong></td>
</tr>
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</table>

### Q4 Alternative Investments

<table>
<thead>
<tr>
<th>Holding Description</th>
<th>% of Portfolio</th>
<th>Q4 Return</th>
<th>Tenure Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comcast Corp., Notes</td>
<td>2.45</td>
<td>-1.63</td>
<td>9.61</td>
</tr>
<tr>
<td>Aflac, Inc., Sub. Deb.</td>
<td>4.85</td>
<td>0.69</td>
<td>11.46</td>
</tr>
<tr>
<td>RenaissanceRe Holdings, PFD</td>
<td>3.78</td>
<td>1.33</td>
<td>15.21</td>
</tr>
<tr>
<td>Prudential Financial, PFD</td>
<td>2.90</td>
<td>-0.34</td>
<td>10.51</td>
</tr>
<tr>
<td>Verizon Communications, PFD</td>
<td>5.12</td>
<td>2.94</td>
<td>13.13</td>
</tr>
<tr>
<td>Stanley Black &amp; Decker, Deb.</td>
<td>2.36</td>
<td>-1.17</td>
<td>6.74</td>
</tr>
</tbody>
</table>

### Q4 ALTERNATIVES EFFICIENCY

- % of Portfolio
- Q4 Return

#### Holding Descriptions:
- **Comcast Corp., Notes**
- **Aflac, Inc., Sub. Deb.**
- **RenaissanceRe Holdings, PFD**
- **Prudential Financial, PFD**
- **Verizon Communications, PFD**
- **Stanley Black & Decker, Deb.**
Portfolio Weights by Sector
2015-2016 Haslam Torch Fund Q4 Report

S&P 500 Sector Weightings vs. Haslam Fund

<table>
<thead>
<tr>
<th>Sector</th>
<th>S&amp;P 500</th>
<th>Haslam Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cons. Stap.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cons. Disc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>28.95%</td>
<td></td>
</tr>
</tbody>
</table>

Q4 Key Statistics

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 Dividend Yield</td>
<td>0.65%</td>
</tr>
<tr>
<td>% Overweight in Financials</td>
<td>4.89%</td>
</tr>
<tr>
<td>% Overweight in Telecom</td>
<td>5.34%</td>
</tr>
<tr>
<td>% Underweight in Info Tech</td>
<td>19.90%</td>
</tr>
<tr>
<td>% Underweight in Energy</td>
<td>7.28%</td>
</tr>
<tr>
<td>% Portfolio in Cash</td>
<td>28.95%</td>
</tr>
</tbody>
</table>
### Q4 Best Performers

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Portfolio</th>
<th>Q4 Return</th>
<th>Tenure Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackberry</td>
<td>1.33</td>
<td>18.93</td>
<td>-14.84</td>
</tr>
<tr>
<td>Bank of America</td>
<td>4.30</td>
<td>18.50</td>
<td>5.45</td>
</tr>
<tr>
<td>FedEx</td>
<td>3.20</td>
<td>15.61</td>
<td>22.40</td>
</tr>
<tr>
<td>CRH</td>
<td>1.83</td>
<td>12.47</td>
<td>13.70</td>
</tr>
<tr>
<td>Blackstone</td>
<td>0.00</td>
<td>12.19</td>
<td>-8.71</td>
</tr>
</tbody>
</table>

### Q4 Worst Performers

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Portfolio</th>
<th>Q4 Return</th>
<th>Tenure Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kroger</td>
<td>2.45</td>
<td>-19.00</td>
<td>-20.90</td>
</tr>
<tr>
<td>Jazz Pharmaceuticals</td>
<td>2.34</td>
<td>-14.03</td>
<td>-0.53</td>
</tr>
<tr>
<td>Cracker Barrel</td>
<td>0.00</td>
<td>-8.92</td>
<td>8.28</td>
</tr>
<tr>
<td>CVS Health</td>
<td>2.32</td>
<td>-6.61</td>
<td>-4.52</td>
</tr>
<tr>
<td>Verizon</td>
<td>2.86</td>
<td>-5.90</td>
<td>24.66</td>
</tr>
</tbody>
</table>

### Q4 Risk Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Haslam Portfolio</th>
<th>Weighted Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>0.83</td>
<td>1.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.42%</td>
<td>0.46%</td>
</tr>
<tr>
<td>Sharpe Measure (Annualized)</td>
<td>1.57</td>
<td>1.45</td>
</tr>
<tr>
<td>Treynor Measure (Annualized)</td>
<td>0.1525</td>
<td>0.1278</td>
</tr>
<tr>
<td>R-Squared (vs. Weighted Benchmark)</td>
<td>0.82</td>
<td>1.00</td>
</tr>
</tbody>
</table>
## Tenure Best Performers

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Portfolio</th>
<th>Tenure Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ulta</td>
<td>1.79</td>
<td>60.52</td>
</tr>
<tr>
<td>Verizon</td>
<td>2.86</td>
<td>24.66</td>
</tr>
<tr>
<td>Amgen</td>
<td>5.35</td>
<td>23.34</td>
</tr>
<tr>
<td>FedEx</td>
<td>3.20</td>
<td>22.40</td>
</tr>
<tr>
<td>VCA</td>
<td>4.07</td>
<td>22.35</td>
</tr>
</tbody>
</table>

## Tenure Worst Performers

<table>
<thead>
<tr>
<th>Holding</th>
<th>% of Portfolio</th>
<th>Tenure Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marathon Oil</td>
<td>0.00</td>
<td>-42.90</td>
</tr>
<tr>
<td>Kroger</td>
<td>2.45</td>
<td>-20.90</td>
</tr>
<tr>
<td>Fifth Third Bank</td>
<td>0.00</td>
<td>-18.68</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>0.00</td>
<td>-16.63</td>
</tr>
<tr>
<td>Blackberry</td>
<td>1.33</td>
<td>-14.84</td>
</tr>
</tbody>
</table>

## Tenure Risk Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Haslam Portfolio</th>
<th>Weighted Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>1.03</td>
<td>1.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.73%</td>
<td>0.66%</td>
</tr>
<tr>
<td>Sharpe Measure ((Annualized))</td>
<td>0.69</td>
<td>1.20</td>
</tr>
<tr>
<td>Treynor Measure ((Annualized))</td>
<td>0.09</td>
<td>0.15</td>
</tr>
<tr>
<td>R-Squared ((vs. Weighted Benchmark))</td>
<td>0.87</td>
<td>1.00</td>
</tr>
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</table>
## Fund Performance

### 2015-2016 Haslam Torch Fund Q4 Report

<table>
<thead>
<tr>
<th>Holdings by Sector</th>
<th>Portfolio Weight</th>
<th># of Shares</th>
<th>Beginning Value</th>
<th>Ending Value</th>
<th>Dividend</th>
<th>Q4 Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative (Indicated by ** below)</td>
<td>21.46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financials</strong></td>
<td>20.72%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>AFLAC</em></td>
<td>4.85%</td>
<td>2,000</td>
<td>$53,280.00</td>
<td>$52,960.00</td>
<td>$687.50</td>
<td>0.69%</td>
</tr>
<tr>
<td>BANK OF AMERICA</td>
<td>4.30%</td>
<td>3,000</td>
<td>$39,810.00</td>
<td>$46,950.00</td>
<td>$225.00</td>
<td>18.50%</td>
</tr>
<tr>
<td>BLACKSTONE</td>
<td>0.00%</td>
<td>0</td>
<td>$18,650.40</td>
<td>$273.60</td>
<td></td>
<td>12.19%</td>
</tr>
<tr>
<td>JPMORGAN CHASE</td>
<td>4.88%</td>
<td>800</td>
<td>$49,712.00</td>
<td>$53,272.00</td>
<td>$384.00</td>
<td>7.93%</td>
</tr>
<tr>
<td>PJT PARTNERS</td>
<td>0.00%</td>
<td>0</td>
<td>$437.00</td>
<td></td>
<td></td>
<td>5.60%</td>
</tr>
<tr>
<td><em>PRUDENTIAL</em></td>
<td>2.90%</td>
<td>1,200</td>
<td>$32,232.00</td>
<td>$31,692.00</td>
<td>$431.25</td>
<td>-0.34%</td>
</tr>
<tr>
<td><em>RENAISSANCE</em></td>
<td>2.38%</td>
<td>1,580</td>
<td>$41,222.20</td>
<td>$41,238.00</td>
<td>$530.78</td>
<td>1.33%</td>
</tr>
<tr>
<td>US BANCORP</td>
<td>0.00%</td>
<td>0</td>
<td>$40,330.00</td>
<td></td>
<td></td>
<td>1.47%</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>15.16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AETNA</td>
<td>3.41%</td>
<td>322</td>
<td>$39,325.86</td>
<td>$37,174.90</td>
<td>$80.50</td>
<td>-5.26%</td>
</tr>
<tr>
<td>AMGEN</td>
<td>5.35%</td>
<td>350</td>
<td>$53,252.50</td>
<td>$58,383.50</td>
<td>$350.00</td>
<td>10.29%</td>
</tr>
<tr>
<td>JAZZ PHARMACEUTICALS</td>
<td>2.34%</td>
<td>210</td>
<td>$29,675.10</td>
<td>$25,510.80</td>
<td></td>
<td>-14.03%</td>
</tr>
<tr>
<td>VCA</td>
<td>4.07%</td>
<td>635</td>
<td>$42,932.35</td>
<td>$44,437.30</td>
<td></td>
<td>3.51%</td>
</tr>
<tr>
<td><strong>Consumer Staples</strong></td>
<td>7.24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CVS</td>
<td>2.32%</td>
<td>285</td>
<td>$27,285.90</td>
<td>$25,362.15</td>
<td>$121.13</td>
<td>-6.61%</td>
</tr>
<tr>
<td>KROGER</td>
<td>2.45%</td>
<td>900</td>
<td>$33,111.00</td>
<td>$26,712.00</td>
<td>$108.00</td>
<td>-19.00%</td>
</tr>
<tr>
<td>PROCTOR &amp; GAMBLE</td>
<td>2.47%</td>
<td>300</td>
<td>$25,401.00</td>
<td>$26,925.00</td>
<td></td>
<td>6.79%</td>
</tr>
<tr>
<td><strong>Consumer Discretionary</strong></td>
<td>13.60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRACKER BARREL</td>
<td>0.00%</td>
<td>0</td>
<td>$29,149.90</td>
<td></td>
<td>$748.00</td>
<td>-8.92%</td>
</tr>
<tr>
<td><em>COMCAST</em></td>
<td>2.45%</td>
<td>1,000</td>
<td>$27,460.00</td>
<td>$26,700.00</td>
<td>$312.50</td>
<td>-1.63%</td>
</tr>
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<td>DISNEY</td>
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<td>$30,528.00</td>
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<td><em>STANLEY BLACK &amp; DECKER</em></td>
<td>2.36%</td>
<td>1,000</td>
<td>$26,450.00</td>
<td>$25,780.00</td>
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<td>-1.17%</td>
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<td>3.36%</td>
<td>490</td>
<td>$37,842.70</td>
<td>$36,642.20</td>
<td>$201.25</td>
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<td>TIME WARNER INC.</td>
<td>3.65%</td>
<td>500</td>
<td>$36,770.00</td>
<td>$39,805.00</td>
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<td><strong>Information Technology</strong></td>
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<td>BLACKBERRY</td>
<td>1.33%</td>
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<td>$33,504.00</td>
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<td>CRH</td>
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<tr>
<td>DELTA AIRLINES</td>
<td>0.00%</td>
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<td>$202.50</td>
<td>1.11%</td>
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<td>FEDEX</td>
<td>3.20%</td>
<td>200</td>
<td>$30,356.00</td>
<td>$34,936.00</td>
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<td><strong>Cash</strong></td>
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<td>$315,956.73</td>
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**Q4 Totals**

- Portfolio Weight: $1,116,632.17
- Ending Value: $1,091,465.64
- Dividend: $7,104.94
- Q4 Return: 2.24%
**Aflac, Inc. Sub. Debentures (NYSE: AFSD)**

**Total Q4 Return:** 0.69%
- Beg. Shares: 2,000
- End. Shares: 2,000
- Beg. Value: $53,280.00
- End. Value: $52,960.00

**Total Tenure Return:** 11.46%
- Beg. Shares: 2,000
- End. Shares: 2,000
- Beg. Value: $49,980.00
- End. Value: $52,960.00

**Q4 Actions**
- Held

**Description**
Aflac, Inc. provides supplemental insurance in the United States and Japan. Its products include accident/disability plans, cancer expense plans, short-term disability plans, sickness and hospital indemnity plans, hospital intensive care plans, and fixed-benefit dental plans. Aflac’s geographic revenue segments in Japan and the U.S. account for approximately 75% and 25% of total revenue, respectively. The subordinated debentures have a coupon rate of 5½%, a callable date of September 26, 2017, and a maturity date of September 15, 2052. (1) (19)

**Performance Drivers**

**Positive Triggers:** Aflac has a competitive advantage in supplemental insurance in terms of lower costs and higher operating margins. Further, demographic trends such as aging populations in Japan and the U.S. indicate increased future demand for supplemental insurance. (1) (19)

**Negative Triggers:** Given that the Japanese geographic revenue segment accounts for 75% of revenue, the Japanese economy and the yen-to-dollar exchange rate are concerns. (1) (19)
Bank of America Corporation (NYSE: BAC)

**Total Q4 Return:** 18.50%
Beg. Shares: 3,000  End. Shares: 3,000
Beg. Value: $39,810.00  End. Value: $46,950.00

**Total Tenure Return:** 5.45%
Beg. Shares: 0  End. Shares: 3,000
Beg. Value: $0.00  End. Value: $46,950.00

**Q4 Actions**
Held

**Description**
Bank of America Corporation offers banking, investing, asset management, and other financial and risk-management products and services. The firm has mortgage lending and investment banking and securities brokerage subsidiaries. Bank of America’s U.S. geographic segment accounts for approximately 87% of its total revenue. Bank of America pays a dividend yield of 1.5%. (1)

**Performance Drivers**

**Positive Triggers:** Bank of America has limited international exposure as it earns approximately 87% of its total revenue in the U.S. Bank of America passed its 2016 CCAR and received approval to increase dividends and proceed with a $5 billion buyback program, which should drive stock prices. (1)

**Negative Triggers:** We purchased Bank of America based on statements by the Federal Reserve in advance of the June 2016 meeting. Our investment thesis was that Bank of America is best-positioned among peers to gain from an interest rate hike in the near-term and long-term. Although a summer interest rate hike did not follow the disappointing May 2016 jobs report and the Brexit vote, we believe Bank of America has strong long-term return potential for the portfolio as we entered our position at a price approximately 40% below book value. (1)
Blackstone Group LP  (NYSE: BX)

Total Q4 Return:  12.19%
Beg. Shares: 760  End Shares: 760
Beg. Value: $18,650.40  End Value: $20,651.20

Total Tenure Return:  -6.94%
Beg. Shares: 760  End. Shares: 0
Beg. Value: $23,613.20  End. Value: $0.00

Q4 Actions
Sold

Description
The Blackstone Group L.P. is a global alternative asset manager and provider of financial advisory services. The firm’s asset management businesses include the management of corporate private equity funds, real estate funds, mezzanine funds, proprietary hedge funds, and closed-end mutual funds. Blackstone also provides M&A, reorganization, and private placement advisory services. (1) (22)

Performance Drivers
Positive Triggers: Blackstone has limited direct international exposure as its U.S. geographic segment accounts for 100% of revenue. Further, Blackstone has a strong balance sheet with liquidity to capitalize on attractive investment opportunities in a slower economy. (1) (22)

Negative Triggers: Market volatility adversely impacts revenue by reducing the performance of the investments in various funds. Further, many funds rely heavily on leverage to achieve attractive rates of return for investors, which involves the risk of failure of the underlying assets. We liquidated our position in Blackstone on September 1, 2016 in anticipation of a Q3 or Q4 interest rate hike, which likely will have a negative impact on Blackstone’s funds. (1) (22)
JPMorgan Chase & Co. (NYSE: JPM)

Total Q4 Return: 7.93%
Beg. Shares: 800  End Shares: 800
Beg. Value: $49,712.00  End Value: $53,272.00

Total Tenure Return: 0.53%
Beg. Shares: 0  End. Shares: 800
Beg. Value: $0.00  End. Value: $53,272.00

Q4 Actions
Held

Description
JPMorgan Chase & Co. provides global financial services and retail banking. The firm provides services such as investment banking, treasury and securities services, asset management, private banking, card member services, commercial banking, and home finance to business enterprises, institutions, and individuals. JPMorgan earns approximately 76% of its total revenues in the U.S. JPMorgan pays a dividend yield of 2.8%. (1) (35)

Performance Drivers
Positive Triggers: Only 24% of JPMorgan Chase’s total revenue is exposed to direct foreign market risk. JPMorgan Chase’s corporate and investment banking segment accounts for 35% of its total revenue, and M&A activity tends to increase in a slower economy. JPM passed its 2016 CCAR and received approval of a $10.6 billion buyback program, which should drive stock prices. (1) (35)

Negative Triggers: JPMorgan Chase’s consumer banking segment accounts for approximately 45% of its total revenue, which is more profitable when interest rates are higher. Based on the disappointing May 2016 jobs report and the Brexit vote, the anticipated summer interest rate hike did not occur. (1) (35)
Prudential Financial, Inc. Sub. Debentures (NASDAQ: PJH)

**Total Q4 Return:** -0.34%
Beg. Shares: 1,200  End Shares: 1,200  
Beg. Value: $32,232.00  End Value: $31,692.00

**Total Tenure Return:** 10.51%
Beg. Shares: 1,200  End. Shares: 1,200  
Beg. Value: 30,240.00  End. Value: 31,692.00

**Q4 Actions**
Held

**Description**
Prudential Financial, Inc. provides financial services throughout the United States and several locations worldwide. The firm offers a variety of products and services, including life insurance, mutual funds, annuities, pension and retirement related services and administration, and asset management.

Prudential’s U.S. geographic revenue segment accounts for 70% of its total revenue. The subordinated debentures have a coupon rate of 5¾%, a callable date of December 4, 2017, and a maturity date of December 15, 2052. (1) (32)

**Performance Drivers**
- **Positive Triggers:** An aging population in the U.S. indicates increased demand for many of Prudential’s products. (1) (32)
- **Negative Triggers:** Prudential earns almost 30% of its total revenue in Asian markets where growth and financial instability are concerns. (1) (32)
PJT Partners, Inc.  (NYSE: PJT)

**Total Q4 Return:** 5.60%
- Beg. Shares: 19
- End Shares: 19
- Beg. Value: $437.00
- End Value: $461.46

**Total Tenure Return:** 16.13%
- Beg. Shares: 0
- End. Shares: 0
- Beg. Value: $0.00
- End. Value: $0.00

**Q4 Actions**
- Sold

**Description**
PJT Partners, Inc. operates as a global advisory-focused investment bank. The firm provides a wide array of strategic advisory, restructuring, reorganization, fund placement, and secondary advisory services. PJT offers services to corporations, financial sponsors, real estate funds, institutional investors, private equity funds, hedge funds, and governments. PJT is a 2015 spinoff of Blackstone Group L.P. (1) (15)

**Performance Drivers**

- **Positive Triggers:** Increased M&A activity boosts demand for investment banking advisory services, which should be a revenue driver for PJT. (1) (15)

- **Negative Triggers:** PJT has limited diversification outside of financial advisory services. We liquidated our position in PJT on August 18, 2016 to capture profits earned since its 2015 spinoff from Blackstone Group. (1) (15)
RenaissanceRe Holdings Ltd. Preferred  (NASDAQ: RNR.PRE)

Total Q4 Return: 1.33%
Beg. Shares: 1,580  End Shares: 1,580
Beg. Value: $41,222.20  End Value: $41,238.00

Total Tenure Return: 15.21%
Beg. Shares: 1,580  End. Shares: 1,580
Beg. Value: $37,635.60  End. Value: $41,238.00

Q4 Actions
Held

Description
RenaissanceRe Holdings Ltd is a global provider of reinsurance and insurance. The firm’s business primarily consists of catastrophe reinsurance, specialty reinsurance, and individual risk business. RenaissanceRe’s U.S. geographic revenue segment accounts for approximately 60% of its total revenues. The preferred shares have a dividend rate of 5 3/8% and a perpetual call date of June 1, 2018. (1) (45)

Performance Drivers

Positive Triggers: The acquisition of specialty casualty unit, Platinum Holdings, is expected to be a key growth driver in 2016. (1) (45)

Negative Triggers: Catastrophe rates have fallen since 2014. Further, the catastrophe reinsurance business is unpredictable, which results in unforeseeable claims and losses. (1) (45)
U.S. Bancorp (NYSE: USB)

Total Q4 Return: 1.47%
Beg. Shares: 1,000  End Shares: 1,000
Beg. Value: $40,457.50  End Value: $40,669.15

Total Tenure Return: .04%
Beg. Shares: 500  End. Shares: 0
Beg. Value: $20,505.00  End. Value: $0.00

Q4 Actions
Sold

Description
U.S. Bancorp is a diversified financial services company that provides lending and depository services, cash management, foreign exchange, and trust and investment management services. The firm also provides credit card services, mortgage banking, insurance, brokerage, and leasing. U.S. Bancorp pays a dividend yield of 2.5%. (1) (53)

Performance Drivers

Positive Triggers: U.S. Bancorp has limited direct international exposure as it earns 100% of its total revenue in the U.S. U.S. Bancorp has responded to declining top-line revenue by improving operating margins. The firm leads many peers in operating efficiency ratios. (1) (53)

Negative Triggers: Following the disappointing May 2016 jobs report and the Brexit vote, the anticipated summer interest rate hike did not occur. Further, U.S. Bancorp scored lower than many peers on its CCAR, which limits the amount of additional capital it can return to shareholders. We liquidated our position in U.S. Bancorp on July 15, 2016. (1)
Aetna, Inc.  

(NYSE: AET)

**Total Q4 Return:**  
-5.26%  

- Beg. Shares: 322  
- End Shares: 322  
- Beg. Value: $39,325.86  
- End Value: $37,174.90

**Total Tenure Return:**  
6.43%  

- Beg. Shares: 322  
- End Shares: 322  
- Beg. Value: $35,230.02  
- End Value: $37,174.90

**Q4 Action**  
Held

**Description**  
Aetna is a managed care company, and member of the Fortune 100, that sells various health insurance plans and related services. Available products include medical, pharmaceutical, dental, long-term care and disability plans. (18)

**Performance Drivers**

**Positive Triggers:** Aetna now has eighteen of the twenty state approvals needed for the merger to continue (up from sixteen the previous quarter). (17) (69) (73) At the federal level, Judge Bates, who will hear the Aetna-Humana merger case, has previously ruled in favor of businesses and against the government, which is seen as a positive sign for a successful Aetna-Humana merger. (17)

**Negative Triggers:** Generally, health care reform and political instability still remain major risk factors for the overall health care industry. Aetna has pulled out of the healthcare exchanges in eleven of the fifteen states in which it operates, citing loses. (17) Since Aetna does plan to stay in four states in which it operates in the health care exchanges, Aetna has direct exposure to any changes to the Affordable Care Act. Furthermore, changes to the Affordable Care Act, especially in terms of compliance related issues, put Aetna at risk to lack of revenue predictability.
Amgen, Inc.  (NASDAQ: AMGN)

Total Q4 Return: 10.29%
Beg. Shares: 350 End Shares: 350
Beg. Value: $53,252.50 End Value: $58,383.50

Total Tenure Return: 23.34%
Beg. Shares: 350 End Shares: 350
Beg. Value: $48,412.00 End Value: $58,383.50

Q4 Action
Held

Description
Amgen is a biopharmaceutical company that stands as one of the largest independent biotechnology firms. The company was named after its focus, Applied Molecular Genetics. The company's product lines encompass cancer, chemotherapy, and arthritis. (20)

Performance Drivers
Positive Triggers: One of Amgen's strongest positive triggers is its immense pipeline. Amgen currently has twelve products in Phase III, seven in Phase II, fifteen in Phase I, and six biosimilars in its pipeline. (70) Amgen's majority domestic sales help it dampen the effects of international instability. Higher margins due to higher efficiency by decreasing SG&A and R&D will help shield Amgen from the volatile health care industry. (17) Amgen also recently had its biosimilar to Humira, Amjevita, approved by the FDA. (17)

Negative Triggers: A decrease in R&D spending since 2014 could be seen as a potential negative trigger given that R&D spending is the fuel that makes pharmaceutical companies run; however, Amgen appears to continue generating successful products as 12 are currently in Phase III. (17) Therefore, we believe the decrease in R&D spending may be more of an increase in efficiency than it is a decrease in productivity; however, some drugs are feeling the R&D pinch as Kyprolis did not meet expectations for some patients with multiple myeloma. (17)
**Jazz Pharmaceutical PLC**  (NASDAQ: JAZZ)

**Total Q4 Return:** -14.03%

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<th>Beg. Shares: 400</th>
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<td>Beg. Value: $29,675.10</td>
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**Total Tenure Return:** -0.53%

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<th>Beg. Shares: 400</th>
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<tbody>
<tr>
<td>Beg. Value: $53,124.00</td>
<td>End Value: $25,510.80</td>
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</table>

**Q4 Action**

Held.

**Description**

Jazz is a biopharmaceutical company that aims to identify and develop products that especially address unmet medical needs. The company focuses on sleep, hematology, and other areas where treatment gaps may be filled. (34)

**Performance Drivers**

**Positive Triggers:** Jazz currently has three products in Phase III, one about to enter Phase III, one in Phase I, and one in development. (34) While this pipeline is much smaller than Amgen, Jazz operates in a niche market which gives it much more pricing flexibility. Jazz bolstered its cancer drug line by its acquisition of Celator, whose Vyxeos treatment helped leukemia patients live longer than the standard treatment. (17) Jazz has filed a rolling NDA with the FDA for Vyxeos and believes it will finish in Spring of 2017. (17) Given the promise of a successful completion of its NDA, we decided to hold Jazz even though significant negative pressure still exists for the specialty drug industry.

**Negative Triggers:** Recently, media and political figures have raised concern over the high prices of specialty drugs. If prices were lowered for specialty drugs, Jazz would have a dramatic decrease to its bottom line due to its reliance on high prices. This decrease would be exacerbated by Furthermore, Jazz’s slim pipeline make it less able to dampen the volatility of health care reform.
VCA Antech, Inc.  (NASDAQ: WOOF)

Total Q4 Return: 3.51%
Beg. Shares: 635   End Shares: 635
Beg. Value: $42,932.35   End Value: $44,437.30

Total Tenure Return: 22.35%
Beg. Shares: 1,000   End Shares: 635
Beg. Value: $52,650.00   End Value: $44,437.30

Q4 Action
Held

Description
VCA is a pet healthcare services provider which operates small veterinary hospitals throughout the U.S. and Canada. The company also runs a nationwide clinical laboratory system, AntechDiagnostics, and the leading animal diagnostic imaging company. (54)

Performance Drivers
Positive Triggers: Due to its organic growth and bolt-on acquisitions, VCA continues to grow steadily. (17) VCA runs a total of 682 animal hospitals, which represents a 2.5% market share of animal health care facilities. (17) Besides organic growth, bolt-on acquisitions could be an area of future growth as well due to the unconsolidated nature of the animal health care industry. (17)

Negative Triggers: A negative trigger is the potential for individuals to see animal health care as a discretionary expense. This sentiment would be especially true in rough economic times. Pets, however, seem to be as integral as ever to families, so the spending is unlikely to drop sharply if at all.
CVS Health Corp. (NYSE: CVS)

Total Q4 Return: -6.61%
Beg. Shares: 285  End Shares: 285
Beg. Value: $27,285.90  End Value: $25,362.15

Total Tenure Return: -4.52%
Beg. Shares: 500  End Shares: 285
Beg. Value: $48,240.00  End Value: $25,362.15

Q4 Actions
Held

Description
CVS Health Corp. is an integrated health care provider with broad offerings that include pharmacy benefit management (PBM) services, mail order, retail and specialty pharmacy, disease management programs, and retail clinics. Following the acquisitions of Omnicare and Target’s pharmacy and clinics businesses in the prior quarter, CVS became the largest retail clinics provider in the U.S. (9)

Performance Drivers
Positive Triggers: CVS’s move to become an integrated health care company is a key positive for future earnings growth. With an aging population, both CVS’s retail and services segment stand to benefit as demand for services and prescription should remain high. (17) CVS’s acquisition strategy of Omnicare and Target Pharmacy has helped expand its locations and visibility while also driving revenue growth. We should be begin to see further value from the Target Pharmacy acquisition as CVS begins its key marketing push, a endeavor the company has postponed in order to fully integrate these new locations. CVS also has realized positive renewal levels for its PBM services, which comprises a majority of its revenue.

Negative Triggers: Key threats to CVS will be drug reimbursement levels from federal and state governments. (1) With this being an election year, uncertainty remains with how the election will impact CVS’s business. The company is also facing competitive pressure within its PBM. (17) In addition to competitive pressures, PBM customers are questioning fee levels and value received for these services. This has resulted in several large customers sharing fee and service information, which could lead to fee reductions during negotiations.
### The Kroger Co. (NYSE: KR)

**Total Q4 Return:** -19.00%
- Beg. Shares: 900
- End Shares: 900
- Beg. Value: $33,111.00
- End Value: $26,820.00

**Total Tenure Return:** -20.90%
- Beg. Shares: 0
- End Shares: 900
- Beg. Value: $0.00
- End Value: $26,820.00

### Q4 Actions
- Held.

### Description
With over 3,700 stores in 34 states, The Kroger Co. is the largest U.S. supermarket chain, surpassed in grocery sales only by Wal-Mart. Recent acquisitions, such as Harris Teeter, Roundy’s and Mariano’s, propelled Kroger’s store locations and revenue to new highs. (44)

### Performance Drivers

**Positive Triggers:** Kroger has done an excellent job at attracting customers from a broad economic spectrum. The company has attracted a wealthier clientele with its premium products and craft beer, while also delivering reasonable prices for budget shoppers. (44) This is a trend the company expects to continue into the future. Kroger has also expanded their online ordering platform, included digital coupons, and added new items to the shelves. This has all been part of Kroger’s attempt to reach its customer and efforts are showing as customer traffic remains steady. With margins being compressed due to a continued drop in prices, Kroger has moved to gain market share, and is currently the largest grocer in the country (ex. Walmart). Through this environment, Kroger has increase its tonnage (volume units) sold, and stands to gain when prices rebound.

**Negative Triggers:** Impacting earnings is slowing food cost inflation. While this helps Kroger to continue to offer affordable prices, it is impacting comparable store sales growth which had been down nearly 4% for the most recent quarter, though customer traffic remained steady. (17) Weak fuel margins and competitive pricing wars have also contributed to negatively impact earnings. With lower earnings, Kroger has announced a reduction in capital expenditures in the near term, which will lower their future growth options.
The Proctor & Gamble Co.  (NYSE: PG)

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<th>Total Q4 Return:</th>
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<tr>
<td>End Shares: 300</td>
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<tr>
<td>End Value: $26,925.00</td>
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<table>
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<tr>
<th>Total Tenure Return:</th>
<th>9.51%</th>
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<tr>
<td>End Shares: 300</td>
<td></td>
</tr>
<tr>
<td>End Value: $26,925.00</td>
<td></td>
</tr>
</tbody>
</table>

Q4 Actions
Held

Description
Founded in 1837, the Proctor & Gamble Co., together with its subsidiaries, is an American multinational consumer goods company headquartered in Cincinnati, OH. With roughly $76.3 billion in 2015 revenue, PG is the global leader in home and personal care products. PG markets its products primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, salons, distributors, online e-commerce, high-frequency stores, and pharmacies. (44)

Performance Drivers

Positive Triggers: PG is currently undertaking a $10 billion cost savings initiative in an effort to improve company earnings and cash flow. As a part of this initiative, PG is undertaking a massive portfolio restructuring shedding over 100 lower performing brands and 20,000 jobs. (17) PG maintains excellent market share among its core products and is considered one of the most stable dividend payers. (17)

Negative Triggers: While PG’s cost saving initiative is expected to drive some value, the company must find a way to improve organic sales growth. Limited growth has further impacted PG’s ability to maintain market share, which is critical for the company as it relies on high volume sales of its low margin products to drive earnings. PG has not developed a multi-billion dollar product in over a decade, while they spend $2 billion per year on R&D. (1) The company also faces currency headwinds and declining emerging market sales as roughly one-third of revenue is international.
Cracker Barrel Old Country Store, Inc. (NASDAQ: CBRL)

**Total Q4 Return:** -8.92%

- **Beg. Shares:** 170
- **End Shares:** 0
- **Beg. Value:** $29,149.90
- **End Value:** $0

**Total Tenure Return:** 8.28%

- **Beg. Shares:** 170
- **End Shares:** 0
- **Beg. Value:** $25,037.60
- **End Value:** $0

**Q4 Actions**

Liquidated entire CBRL position for $25,800.80 on 9/30/16.

**Description**

Cracker Barrel Old Country Store, Inc. operates 635 casual-dining restaurants throughout the U.S., 83% of which are near interstate highways and the rest near tourist destinations. (6)

**Performance Drivers**

**Positive Triggers:** CBRL boasts the highest ROE and annual dividend yield (5.01%) among its fifteen casual restaurant industry peers. CBRL’s strategic roadside store locations benefit from increases in domestic highway travel, particularly when air traffic is down due to geopolitical and national security concerns, as well as relatively low fuel prices. In addition, CBRL’s low price strategy and its concerted emphasis on value and its unique dining experience have helped CBRL outperform its peers on same-store sales and traffic since 2012. At the same time, CBRL wisely reminded its customers of these efforts by completing a re-imaging campaign on its 1,600 billboards. (1)(6)(17)

**Negative Triggers:** Long-distance travelers and vacationers, which account for about 40% of sales, are critical to CBRL’s success because of their tendency to spend more than local customers. As evidence of the importance of this customer segment, CBRL spends nearly half of its advertisement budget on its billboards. In fact, CBRL is one of the five largest billboard advertisers in the U.S. We note as a potential negative that the prevalence of this customer segment is subject to volatile oil prices and seasonality. Another concern for CBRL is the heavy discounting by industry rivals, which has forced CBRL to emphasize value to a degree that affects COGS and SG&A expenses. With the understanding that much of CBRL’s perceived value is due to its unique dining experience (e.g., Americana décor and made-from-scratch food), we are concerned about CBRL’s ability to maintain a relative value advantage over its peers (specifically those peers with cost advantages). Finally, and perhaps most notably, we are concerned with decreasing demand for fast casual restaurants. This concern is driven by increasing consumer preferences for fast-casual dining, a segment which aligns well with younger demographics and local customers. This concern is compounded by the adverse affects of food deflation which are currently affecting all restaurant and grocery segments. (1)(6)(17)
Comcast Corp., 5.0% Notes  (NYSE: CCV)

<table>
<thead>
<tr>
<th>Total Q4 Return:</th>
<th>-1.63%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 1,000</td>
<td>End Shares: 1,000</td>
</tr>
<tr>
<td>Beg. Value: $27,460.00</td>
<td>End Value: $26,700.00</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Tenure Return:</th>
<th>9.61%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Shares: 1,000</td>
<td>End Shares: 1,000</td>
</tr>
<tr>
<td>Beg. Value: $25,500.00</td>
<td>End Value: $26,700.00</td>
</tr>
</tbody>
</table>

Q4 Actions

Held

Description

Comcast Corporation provides media and television broadcasting services, including video streaming, television programming, high-speed internet, cable television, and communication services. Comcast generates approximately two-thirds of its revenue from cable services and the other one-third from NBC Universal. (1)(4)

Performance Drivers

Positive Triggers: Comcast has the second-largest share of the pay-TV market after years of weakness in this category and in spite of market saturation headwinds. In addition, Comcast has driven subscriber gains via improved customer service initiatives and the continued successful marketing of its X1 operating system. As the largest U.S. broadband provider, with over 23 million subscribers, Comcast still projects adding over 1 million data clients per year. Moreover, Comcast’s content ownership via NBC Universal, DreamWorks, and via partnership with Netflix all contribute to a unique content-owning position among its rivals that should only build further on recent box office success and strong attendance at theme parks. (1)(4)

Negative Triggers: Market saturation and cord-cutting trends in the pay-TV market present significant concerns for Comcast’s cash flows and overall performance, as consumers eliminate cable or internet services from their budgets. Moreover, because much of Comcast’s success can be attributed to its high operating margins, we are closely monitoring these adverse effects on margins. (1)(4)(17)
The Walt Disney Co.  (NYSE: DIS)

Total Q4 Return: 2.39%
Beg. Shares: 380  End Shares: 0
Beg. Value: $37,171.60  End Value: $0

Total Tenure Return: 1.49%
Beg. Shares: 280  End Shares: 0
Beg. Value: $28,616.00  End Value: $0

Q4 Actions
Liquidated entire DIS position for $37,790.80 on 7/8/16.

Description
The Walt Disney Company, together with its subsidiaries and affiliates, is the largest entertainment company in the world. Disney produces motion pictures, television programs (e.g., 80% ownership of ESPN), music, books, and magazines, and its content is licensed for a number of other media. Disney’s revenue is roughly segmented as follows: 45% for media networks, 30% for theme parks & resorts, 16% for studio entertainment, and 9% for consumer products and interactive media. (1)(17)(51)

Performance Drivers

Positive Triggers: Disney commands tremendous brand equity and market power. In prior quarters, much of Disney’s success was based on incredible box office results with Pixar’s Finding Dory and the rebooted Star Wars. In addition, Disney’s partnership with Netflix will likely produce future box office success as it renews nostalgic brand loyalty via older films, which will compliment its plan for releasing numerous live-action reboots (e.g., Jungle Book, Cinderella, etc.). Finally, Disney continues to benefit from its newly-opened Shanghai Disneyland, as it only begins to tap into Asian markets, and Disney has plans to continue its international amusement park presence (e.g., future plans for Jurassic Park themed amusement park in Costa Rica). (1)(17)(51)

Negative Triggers: Despite the positive triggers mentioned above, we were more concerned about the lack of significant growth drivers in the near future as well as the presence of numerous concerning headwinds. Most notably, Disney’s reliance on ESPN to provide over 45% of total operating income present more risks than advantages, especially in light of market saturation and cord-cutting trends in the pay-TV market. These concerns are evinced by ESPN’s recent subscriber losses, which more than offset ESPN’s industry-high subscriber fees. These trends apply pressure on affiliates which, in turn, compounds Disney’s woes in terms of reliance on negotiating high affiliate fees for revenue. (1)(17)(51)
Lear Corp. (NYSE: LEA)

Total Q4 Return: 11.80%
Beg. Shares: 300
Beg. Value: $30,528.00
End Shares: 0
End Value: $0

Total Tenure Return: 5.37%
Beg. Shares: 300
Beg. Value: $32,634.00
End Shares: 0
End Value: $0

Q4 Actions
Liquidated entire LEA position for $34,131.81 on 8/18/16.

Description
Lear Corporation is one of the largest global manufacturers and suppliers of automobile parts, including seating, electrical distribution systems and electronic modules, as well as related sub-systems, components and software. Lear has had contracts with virtually every major automotive manufacturer in the world. Lear’s net sales are generally segmented by geography as follows: North America: 43%; Europe and Africa: 37%; Asia: 18%; and South America: 2%. (1)(10)(17)

Performance Drivers
Positive Triggers: Lear’s revenue growth has outpaced industry auto production with market share gains as vehicles adopt new technology and low fuel prices spur demand for trucks and SUVs, aiding record profit margins. Generally, bigger and more luxurious vehicles require more content, which directly impacts Lear’s sales and margins. Lear’s focus on gaining market share in emerging markets is key for further seat-content growth, with opportunities to convert the high percentage of cloth seats and manual systems to leather seats and electrical. In addition, Lear’s ability to secure contracts in countries with typically high auto manufacturing forecasts is promising (e.g., U.S., Mexico, China, and Western Europe). Moreover, to pursue its goal of competing more in the electrical systems segment, Lear has expanded key component and software capabilities through organic investment and acquisitions to ensure a full complement of the highest quality solutions. (1)(10)(17)(56)

Negative Triggers: Despite Lear’s relative advantages over its peers, Lear’s fate is ultimately dependent on consumer demand for new automobiles. Unfortunately, numerous reports on decreasing automobile demand essentially placed a surprisingly low ceiling on Lear’s net sales and probability potential. In addition, many experts perceive the decreasing North American demand as a normalization from increases in recent years, rather than a mere speed bump. This hurts Lear more than most of its peers because of Lear’s reliance on on U.S. and European markets, as evinced by the fact that Ford, GM, BMW, Volkswagen, and Fiat Chrysler make up two-thirds of revenue. Further, sluggish foreign demand and currency exchange issues compound other current challenges. (1)(10)(17)
Stanley Black & Decker Inc., 5.75% Deb.  (NYSE: SWJ)

**Total Q4 Return:**  -1.17%
Beg. Shares: 1,000  End Shares: 1,000
Beg. Value: $26,450.00  End Value: $25,780.00

**Total Tenure Return:**  6.74%
Beg. Shares: 1,000  End Shares: 1,000
Beg. Value: $25,500.00  End Value: $25,780.00

**Q4 Actions**
Held

**Description**
Stanley Black & Decker Inc. is the result of the 2010 merger between Stanley Works and Black & Decker. The combined company is a diversified global provider of hand tools, power tools and related accessories, mechanical access and electronic security solutions, healthcare solutions, engineered fastening systems, and more. Revenue is generally segmented as follows: tools and storage account for 65%, security solutions account for 18%, and industrial tools accounted for 17%. The U.S., European, and Asian segments account for the largest percentages of revenue at roughly 55%, 30%, and 10%, respectively. (1)(11)(23)

**Performance Drivers**

**Positive Triggers:** Years of satisfied customers and successful downstream distributor relationships enable Stanley Black & Decker to feature its prominent products on the shelves of big box hardware and home-improvement stores. As potentially the most well-known manufacturer of power tools, Stanley Black & Decker benefits greatly from upticks in home construction activity. Although new home sales are relatively flat, renovation and repair projects in existing homes are growing, which should continue to positively impact revenue in 2016 and into 2017. Alternative investments will continue to be part of our investment strategy next quarter given our conservative economic forecast. (1)(11)

**Negative Triggers:** As mentioned above, because Stanley Black & Decker’s sales are strongly correlated to home construction, we will continue to monitor housing market and construction activity indicators. In addition, discussions of a potential divestiture of the non-electronic parts of Stanley Black & Decker’s security business seem to have ended; however, we continue to monitor this subject. Finally, we note that any sharp decline in consumer spending or a steep interest rate hike would have a negative impact on share price. Accordingly, we will continue to closely monitor consumer spending indicators and signs from the Federal Reserve moving forward. (1)(17)
The TJX Companies, Inc.  (NYSE: TJX)

Total Q4 Return:  -2.84%
Beg. Shares: 490  End Shares: 490
Beg. Value: $37,842.70  End Value: $36,642.20

Total Tenure Return:  5.57%
Beg. Shares: 0  End Shares: 490
Beg. Value: $0  End Value: $36,642.20

Q4 Actions
Held

Description
The TJX Companies, Inc. is a specialty apparel and home fashion retailer that offers a wide range of off-price, brand name, and designer merchandise. TJX operates stores in the U.S., Canada, and Europe, including TJ Maxx, Marshalls, and Home Goods. The U.S. segment typically accounts for around 75-77% of revenue. In its prior fiscal year, TJX generated nearly $31 billion in revenue, of which apparel & footwear accounted for 55%, home fashions for 30%, and jewelry & accessories for 15%. (1)(8)

Performance Drivers
Positive Triggers: As TJX’s sales continue to outperform rival department stores, it seems as though TJX is impervious to macroeconomic pressures because of its ability to offer value and a treasure-hunting experience to both the occasional and frequent shopper. Moreover, TJX’s buying arm (including more than 18,000 vendors) dominates rival off-price buyers, which facilitates easier buying during difficult macroeconomic environments – e.g., TJX can offer products at 40-60% below department and specialty store retail prices. Moving forward, we expect TJX to continue to benefit from its opportunistic buying model as other retailers struggle to manage inventory levels in the face of macroeconomic pressures and the industry shift to e-commerce. In addition, we believe that TJX will benefit from a shift in consumer preference for value at discount prices largely because there are very few major players that can effectively compete in this space. Moving forward, we note TJX management’s ambitious goal of reaching $40 billion in revenue by boosting store count by more than 50% to 5,600 stores. (1)(8)(17)

Negative Triggers: As a discount retailer, TJX should outperform in a slow-growth economy relative to traditional retailers. However, a sharp downturn in the economy would result in consumer spending declining even further, which in turn would adversely impact revenue. Furthermore, an increased shift in consumer preference away from brick-and-mortar shopping to e-commerce would have negative implications for TJX’s business model. In addition, TJX’s international expansion comes with currency exchange risks due to the strong U.S. dollar. (8)(17)
### Time Warner Inc. (NYSE: TWX)

<table>
<thead>
<tr>
<th>Total Q4 Return:</th>
<th>8.80%</th>
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<td>500</td>
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<td>End Shares:</td>
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<tr>
<td>Beg. Value:</td>
<td>$36,770.00</td>
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<td>End Value:</td>
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<th>Total Tenure Return:</th>
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</tr>
<tr>
<td>End Shares:</td>
<td>500</td>
</tr>
<tr>
<td>Beg. Value:</td>
<td>$0.00</td>
</tr>
<tr>
<td>End Value:</td>
<td>$39,805.00</td>
</tr>
</tbody>
</table>

#### Q4 Actions
- Held

#### Description
Time Warner Inc. is a media and entertainment company. Time Warner’s businesses include cable television networks that provide programming, feature films, television and home video production and distribution, and magazine publishing. (23)

#### Performance Drivers

**Positive Triggers:** Time Warner has a diversified portfolio that enables risk mitigation. For example, Time Warner owns different networks, produces shows (Warner Bros.), and owns the rights to broadcast sports (including the NBA). In addition, Time Warner owns HBO, which launched a streaming service (similar to Netflix) that does not depend on cable companies. Time Warner also bought 10% of Hulu, which is a competitor of Netflix, to expand in the streaming business. We think that content streaming is a lasting trend for the future of the industry because it provides a more affordable form of entertainment than paying for cable. (42) (71) (17)

**Negative Triggers:** Aside from the HBO streaming service described above, Time Warner largely depends on revenue from cable companies. If advertisers decide to reduce spending on television, it will reduce Time Warner’s margins. As a result, we are monitoring Time Warner’s initiatives to invest in more options that do not rely on cable companies. If the shift in the business takes too long, there will be a negative impact on revenues and margins. (42)
Ulta Salon, Cosmetics & Fragrance, Inc.  (NASDAQ: ULTA)

Total Q4 Return: 5.79%
Beg. Shares: 200  End Shares: 82
Beg. Value: $48,728.00  End Value: $19,514.36

Total Tenure Return: 60.52%
Beg. Shares: 0  End Shares: 82
Beg. Value: $0  End Value: $19,514.36

Q4 Actions
Liquidated 118 shares of ULTA for $32,034.98 on 8/18/16.

Description
As the largest U.S. retailer of mass and prestige beauty, skin, and hair products, Ulta Salon, Cosmetics & Fragrance, Inc. sells cosmetics, fragrances, skin & hair products, and beauty appliances & accessories. Ulta also offers hair salon services, manicures, pedicures, massages, and other beauty & spa treatments at many of its stores. (1)

Performance Drivers
Positive Triggers: Ulta has gained popularity and market share by enhancing its multichannel retail offerings, expanding its product mix, and promoting its loyalty program. As a result, sales have increased over 200% since 2008. In addition, customers appreciate Ulta’s focus on exclusive products and smaller-ticket, personal care items as well as its convenient website integration. At the same time, Ulta’s strategic focus on supply chain optimization, including the addition of a new distribution center and systems to manage demand and labor, will help Ulta achieve its long-term same-store sales growth of 5-7% and expand its store locations by 100 units annually. (1)(17)

Negative Triggers: As one of the Fund’s highest returning equities, our concerns for Ulta are mainly technical in nature. As the price continues to elevate its 52-week high, and all-time high for that matter, we want to ensure that it is not the result of being overbought by the market. To that end, we are concerned about the fact that Ulta’s P/E ratio is much higher than its industry rivals; however, Ulta has continued to meet and exceed earnings estimates and same store sales goals. To address this concern, we decreased our position and took profits off of the table. (1)(17)
BlackBerry Limited  
(NASDAQ: BBRY)

**Total Q4 Return:** 18.93%
Beg. Shares: 1,815  
End Shares: 1,815
Beg. Value: $12,178.65  
End Value: $14,483.70

**Total Tenure Return:** -14.84%
Beg. Shares: 0  
End Shares: 1,815
Beg. Value: $0.00  
End Value: $14,483.70

**Q4 Actions**

Held

**Description**

BlackBerry has created a niche in the smartphone market as a “secure” device. Similar to Apple, BlackBerry has its own operating platform, BB10. BlackBerry sells services, hardware, and software, which provide 49%, 43%, and 7% percent of revenue, respectively. The United Kingdom and United States combine for 57% of revenue. (1)

**Performance Drivers**

**Positive Triggers:** BlackBerry recently confirmed they are leaving the hardware business. Hardware as percent of revenue has declined from 60% to 55.6% to 42.9% in 2013, 2014, and 2015, respectively. During that same period, services have increased (as percent of revenue) from 35.3% to 39.6% to 48.6% and software has almost tripled: 2.3% to 3.4% to 7.0%. Blackberry just hired a new CFO which is a positive management change. Also, BlackBerry has built a reputation for security software (BB10, BES12, WatchDox, etc.), which is important for future outlook. (52) In recent quarters, BlackBerry grew in software revenue. (42) Finally, we believe that the new deal with the Senate for an emergency alert software and the possible deal with the German government (Samsung hardware + BBRY software) will outweigh the negative triggers.

**Negative Triggers:** BlackBerry still has declining year-over-year total revenue, especially due to hardware revenue. BlackBerry is now focusing in software more than hardware, and we believe that hardware losses will be offset by software following this strategy. Additionally, BlackBerry has been a late mover in the technology sector, which gives most analysts a lack of confidence that the company will overcome its problems. (17)
Verizon Communications, Inc.  (NYSE: VZ)

**Total Q4 Return:** -5.90%

<table>
<thead>
<tr>
<th>Beg. Shares</th>
<th>End Shares</th>
<th>Beg. Value</th>
<th>End Value</th>
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<tbody>
<tr>
<td>600</td>
<td>600</td>
<td>$33,504.00</td>
<td>$31,188.00</td>
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**Total Tenure Return:** 24.66%

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<thead>
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<th>Beg. Shares</th>
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<th>Beg. Value</th>
<th>End Value</th>
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<tbody>
<tr>
<td>600</td>
<td>600</td>
<td>$26,106.00</td>
<td>$31,188.00</td>
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Verizon Preferred  (NYSE: VZA)

**Total Q4 Return:** 2.94%

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<tbody>
<tr>
<td>2,000</td>
<td>2,000</td>
<td>$55,000.00</td>
<td>$55,880.00</td>
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**Total Tenure Return:** 13.13%

<table>
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<th>Beg. Shares</th>
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<th>End Value</th>
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<tbody>
<tr>
<td>2,000</td>
<td>2,000</td>
<td>$52,000.00</td>
<td>$55,880.00</td>
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</table>

Q4 Actions

Held

Description

Verizon is a telecommunications company segmented into two branches, wireline and wireless, which contribute 29% and 71% of total revenue, respectively. Its wireless services are the most well-known, while its wireline services include its FiOS industry. All of Verizon’s revenue is generated domestically. (1)

Performance Drivers

**Positive Triggers:** The number of connected devices is predicted to increase from 5 billion in 2015 to 20 billion in 2020. (48) This is a good sign for Verizon as the majority of its business is wireless. Verizon covers 95% of the country and has loyal customers because of the high quality offered. (42) According to a survey of tech executives by KPMG, mobile devices are predicted to be the largest growth driver in the tech industry. (48) In addition, this “connected” trend is a positive sign for future data consumption. Recent acquisitions (e.g., AOL) and the new streaming service will help to increase revenue and mitigate future risks. (17)

**Negative Triggers:** Counter to the number of connected devices, smartphone penetration is at 81%, which could lead to increased competition between providers for new consumers and to encourage users to switch providers. Also, other providers are lowering costs to the end user in order to attract consumers, which can squeeze margins and Verizon recently had to cut jobs in its retail locations. (1) (17)
CRH (NYSE: CRH)

<table>
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<th>Total Q4 Return:</th>
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<td>Beg. Shares: 600</td>
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<tr>
<td>Beg. Value: $17,048.00</td>
<td>End Value: $19,962.00</td>
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<table>
<thead>
<tr>
<th>Total Tenure Return:</th>
<th>13.70%</th>
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<tr>
<td>Beg. Shares: 0</td>
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<tr>
<td>Beg. Value: $0.00</td>
<td>End Value: $19,962.00</td>
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</tbody>
</table>

Q4 Actions

Held

Description

CRH public limited company is a global building materials group. CRH manufactures and distributes a range of construction products, such as heavy materials and elements, to construct the frame and value-added exterior products. CRH products serve a wide customer base in the areas of residential, non-residential and infrastructure. (23)

Performance Drivers

Positive Triggers: Because transportation of cement is expensive, the sector has barriers of entry from competitors located in other countries. CRH is well-positioned geographically in the U.S. (to take advantage of the construction momentum) and in Western Europe (economies in recovery tend to increase construction expenditure). We believe that the positive triggers are stronger than the negative triggers, and the diversified portfolio of CRH will help mitigate the risks. Standard & Poor’s recently upgraded CRH’s rating. (42)(72) (NEW NUMBER)

Negative Triggers: First, CRH is an international company with presence in 34 countries; thus there is currency risk. Second, CRH has been relying on acquisitions as a growth strategy, and there is the risk that synergies will not meet expectations. Lastly, there is political risk involved in CRH’s activities in the United States because it is an election year and construction is highly dependent on government spending. (42)
Delta Air Lines, Inc.  (NYSE: DAL)

**Total Q4 Return:** 1.11%
Beg. Shares: 1000  End Shares: 0
Beg. Value: $36,430.00  Ending Value: $36,833.85

**Total Tenure Return:** -16.63%
Beg. Shares: 0  End Shares: 0
Beg. Value: $0.00  Ending Value: $0.00

**Q4 Actions:**
Liquidated our position in DAL at $36.64 per share. Also received a dividend payment of $202.50

**Description**
Delta Air Lines, Inc. is one of the world’s largest airlines and is headquartered in Atlanta, GA. Through its network, Delta services over 360 destinations in 66 countries. Delta operates through segments including airline, cargo, and refinery, with roughly 87% of earnings coming from their passenger transportation service. (44)

**Performance Drivers**

**Positive Triggers:** Delta is focused on US growth to drive earnings. Among its U.S. peers, Delta has achieved the highest yield and load factors year-to-date (17), and remains in our opinion best in class within the U.S. airline industry. While unit revenue was down through the quarter, the company is still aiming to be the first to return to positive unit revenue. Delta’s efforts to reduce its debt level has paid off for the company by achieving an investment grade debt rating. Part of Delta’s cost reduction effort has been to defer updating its fleet to improve its debt position. As a result, Delta has instead chose to focus on preventative maintenance. (1)

**Negative Triggers:** Through the summer, we did not realize the increase in passenger flying like we expected for Delta, or the industry in general. Impacting Delta’s earnings in quarter were unfortunate terrorist activity, which we feel led to heightened fears on travel. In addition, Delta also experienced a major computer outage which caused massive delays and damaged the company’s image. While the company has been able to enjoy lower fuel prices, the increase over this past quarter should hurt operating margins as some hedging worked against the company. Brexit also impacts Delta as the company has a strong presence through its joint venture with Virgin Atlantic Airlines. (1) In the future, potential government regulations related to emissions standards could impact Delta as it will force the company to update its fleet and thus worsen its debt position. (17)
FedEx Corp. (NYSE: FDX)

**Total Q4 Return:** 15.61%
- Beg. Shares: 200
- End Shares: 200
- Beg. Value: $30,356.00
- End Value: $34,936.00

**Total Tenure Return:** 22.40%
- Beg. Shares: 200
- End Shares: 200
- Beg. Value: $28,796.00
- End Value: $34,936.00

**Q4 Actions:**
Held

**Description**
FedEx delivers packages and freight throughout an integrated global network. The company specializes on express shipments which generates approximately 58% of its revenue. FedEx ships worldwide with 28% of its revenue generated from foreign operations. (33)

**Performance Drivers**

**Positive Triggers:** Our outlook for FedEx remains positive as online shopping grows and FedEx makes strategic moves to address this demand. This aspect continues to surprise and FedEx is making the right moves to better service customers through both its Express and Ground segments. FedEx has invested heavily within its ground segment to better compete with UPS and gain greater market share with increasing demand. Though Brexit left concerns regarding FedEx’s integration of TNT Express, FedEx has stated that the integration is on pace with their expectations, and should be fully streamlined in 2018. Synergies related to this acquisition have already begun to show and should continue to reveal themselves through the next year. (1)

**Negative Triggers:** General economic conditions remain a concern for FedEx, however, negative outlooks have been countered with surprising online shopping levels. Still this remains a concern for FedEx, especially its Freight segment which is highly correlated with economic activity. Low oil prices actually present a negative situation for FedEx as margins on their fuel surcharges decline, thus impacting earnings. Competition continues with UPS as pricing wars pose a threat to both companies as they compete for share. While many view Amazon’s shipping strategy as a significant threat, FedEx maintains that Amazon makes up a small part of overall revenue, and should not impact earnings significantly.
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