

Dear Premium Portfolio Subscriber,

Mid-December 2015 Update

Our recommendations center on a collection of five stocks that we believe, as a group, will outperform the market this month. **The Buyback Premium Portfolio is beating the S&P 500 by more than 73% since its inception** (August 2, 2000)! This portfolio is up 117.87% since inception (August 2, 2000) vs. a gain of 44.67% in the S&P 500 over the same time frame. We hope that you are participating in these profits. For the month of November 2015, The Buyback Premium Portfolio gained 2.39% vs. a gain of 0.05% in the S&P 500.

New Premium Portfolio Recommendation: On Dec. 1, we issued a recommendation to sell 5 stocks (**GPS, SCSS, SIRI, TDC** and **VIPS**) at market and use the proceeds (approximately 20% of the portfolio value for each stock) to buy the following 5 stocks at market:

Ticker	Company Name
AES	AES Corp
GRPN	Groupon Inc
SUBCY	Subsea 7
WEN	Wendy's Co
XRX	Xerox Corp

AES Corp.

AES Corp. (AES) is a Fortune 200 global power company, serving 18 countries through a diverse portfolio of distribution businesses as well as thermal and renewable generation facilities. Its workforce is 18,500 people, and it is based in Arlington, Virginia.

AES is also a leader in commercial energy storage solutions, which improve flexibility and reliability of the power system, and provide customers with a complete alternative to traditional peaking power plants. The company's Advancion™ 4.0, the next generation of battery-based energy storage, resulted from AES' 8+ years of commercial experience operating grid-connected energy storage. It is available to leading utilities, power markets, and independent power producers. AES introduced the first grid-scale advanced battery in commercial power market service in 2008 and operates the largest fleet of battery-based storage assets in service today.

Q3 earnings were \$180 million, with a profit of 26 cents per share. Earnings, adjusted for one-time gains and costs, came to 39 cents per share, which exceeded Wall Street expectations of 36 cents per share. The company posted revenue of \$3.72 billion in Q3. AES' 2014 revenues were \$17 billion and AES owns and manages \$39 billion in total assets.

Management has reduced shares outstanding by **5.63%** in the last 12 months.

Groupon Inc.

Groupon Inc. (GRPN), the online marketplace, is pretty much the place you start when you want to buy something, offering consumers discounts on restaurants, vacations, electronics, fashion, beauty, home furnishings and other goods, both locally and around the world. From the perspective of a business, it helps them attract, retain and interact with customers, and provides them with a suite of products and services, including customizable deal campaigns, credit card payment processing capabilities, and point-of-sale solutions to help them grow and operate more effectively. It was founded in 2008 and headquartered in Chicago.

Under new chief executive Rich Williams (who joined Groupon in 2011 from Amazon), Groupon plans a big \$200 million marketing push in 2016, so get ready to hear about them in search-engine marketing, Facebook and TV ads, as well as drive-time radio and hotel elevators. He's working on restructuring, pulling out of some non-profitable markets, and plans a turnaround in the company's performance with a three-pronged strategy emphasizing international growth, shopping and marketing initiatives.

Thanksgiving weekend sales were improved 41% year over year, while customers purchased 52% more Groupons over that four-day period, Williams said in a blog post.

Management has reduced shares outstanding by **8.53%** in the last 12 months.

Subsea 7 SA

Subsea 7 SA (SUBSCY) is one of the world's leading global contractors in seabed-to-surface engineering, construction and services to the offshore industry. They plan, design and deliver complex projects in harsh and challenging environments. They operate worldwide and in all deepwater offshore markets. The company is based in London.

Q3 gross margins increased from 20.45% to 23.56% compared to same quarter last year, and operating margins were 29.25% compared to 20.88% last year in Q3.

Management has reduced shares outstanding by **6.94%** in the past 12 months.

The Wendy's Co.

We have bought **The Wendy's Co. (WEN)** twice in the last 2 years. Wendy's is the world's third-largest quick-service hamburger company, including more than 6,500 restaurants in the U.S and 28 countries and U.S. territories worldwide. We last bought it in Sept. 2015 and sold a month later, and it is at the top of our filters again.

Shares rose 14.7% last month as Q3 revenue and earnings came in ahead of Wall Street expectations. Analysts (and customers!) favor the restaurant's new "4 for \$4" value-focused campaign (a bacon cheeseburger, chicken nuggets, fries, and a drink), and believe it will protect them from competition, recapture market share from Burger King, and will drive sales growth.

Wendy's also continues to transition to a franchise model, with management projecting 540 locations will be sold this year and next, thus reducing costs, boosting company margins and releasing capital to be returned to shareholders as dividends and buybacks.

In fact, Wendy's has returned \$1.1 billion to shareholders via buybacks and dividends so far this year. Management has reduced shares outstanding by a whopping **25.12%** in the last 12 months.

Xerox Corp.

We bought iconic brand **Xerox (XRX)** in September and sold it a month later, and it has risen to the top of our filters again. The Xerox name may conjure up old-school archaic photocopies, but this 109-year-old company is in the long process of moving beyond its copying roots.

Xerox is transforming itself from a print and copy powerhouse into a software company targeting businesses and local governments. For instance, Xerox is the company behind the payment processing for California's Medicaid enrollees, as well as the electronic tolls used on some of Texas' highways. Xerox is also pushing to move into the cloud, especially in the healthcare sector, where everything is moving toward a digital and easily accessible environment. While Xerox moves to become a service-oriented and higher-profit consulting business, its legacy printing business is still generating substantial cash flow in the meantime.

Interestingly, billionaire activist investor Carl Icahn is now the second biggest shareholder (a 7.1% stake purchase); financial wags say he has the financial muscle to chase a stock he believes in. He called the stock "undervalued."

Although Q3 was tepid, Xerox's 30-day trend in share price was better than its peer median.

Xerox repurchased \$1.3 billion through the first nine months of 2015, and has reduced shares outstanding by **11.31%** in the past 12 months.

We will continue to hold 5 positions (100% invested). Current positions are:
AES, GRPN, SUBCY, WEN and XRX.

New subscribers: Buy equal dollar amounts of **AES, GRPN, SUBCY, WEN** and **XRX**. (Buy approximately 20% of the portfolio value for each stock.)