

Dear Premium Portfolio Subscriber,

## Mid-May 2016 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 67% since its inception** (August 2, 2000)! This portfolio is up 110.88% since inception (August 2, 2000) vs. a gain of 43.62% in the S&P 500 over the same time frame. We hope that you are participating in these profits. For the month of April 2016, The Buyback Premium Portfolio gained 1.60% vs. a gain of 0.27% in the S&P 500.

**New Premium Portfolio Recommendation**: On May 5, we issued a recommendation to sell 2 stocks (**CBRCD** and **CY**) at market and use the proceeds (approximately 20% of the portfolio value for each stock) to buy the following 2 stocks at market:

Ticker	Company Name
RF	Regions Financial
SIRI	Sirius XM

### Regions Financial Corp.

We last bought **Regions Financial Corp. (RF)** in February, and it has floated to the top of our list again.

You'll recall it is a leading regional bank in the southeastern U.S., has about \$126 billion in assets, is a member of the S&P 500 Index and is the 17th largest bank in the U.S. (based on assets). A full-service consumer and commercial bank, Regions provides wealth management, mortgage, and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates some 1,630 banking offices and 2,000 ATMs.

It has won awards of excellence for having an engaged workplace, providing distinguished service to small business and middle market clients, and was ranked among the top 10 percent of companies for customer service in 2015.

Analysts taking the long view have noted that while Regions (like other financial institutions), faced major problems during the 2008-09 meltdown and recovery was slow, management has done a good job of returning to banking basics and strengthening the loan portfolio while also expanding the bank's customer and asset base. Strong cost-cutting initiatives and shareholder-friendly dividend and repurchase activities have rewarded shareholders.

Regions beat analysts' expectations in Q1, posting a \$257 million profit, up 118% from Q1 2015. Total revenue (net of interest expense) came in at \$1.37 billion in the quarter, up 6.5% on a year-over-year basis. During the quarter, Regions returned about \$255 million as capital to shareholders through \$80 million dividend payment and repurchase of common stock for \$175 million.

RF has reduced shares outstanding by 5.4% in the past 12 months.

### Sirius XM Holdings

We bought satellite radio giant **Sirius XM Holdings Inc. (SIRI)** several times in 2015, and the last time in January, and it has risen to the top of our filters again.

You'll recall it is the world's largest radio broadcaster measured by revenue, and the largest pay-radio service (a market leader in car radio service), with a record total 30.1 million paid subscribers.

SiriusXM creates and broadcasts commercial-free music; premier sports talk and live events; comedy; news; exclusive talk and entertainment, and a wide-range of Latin music, sports and talk programming. SiriusXM is available in vehicles from every major car company in the U.S. and on smartphones and other connected devices as well as online at [siriusxm.com](http://siriusxm.com). Its SiriusXM Music for Business provides commercial-free music to a variety of businesses. It is also a leading provider of connected vehicles services to major automakers, which gives customers access to safety, security, and convenience services including automatic crash notification, stolen vehicle recovery assistance, enhanced roadside assistance and turn-by-turn navigation.

Sirius just announced it would take its Canadian unit, SiriusXM Canada, private and will pay around \$275 million in the deal, boosting its stake in the unit to 70% from 37%.

The company reported that its Q1 net income totaled \$171.3 million (\$0.03 in earnings per share, which met the consensus estimate). Revenue was \$1.2 billion in the first quarter (up 11.1% over the prior year). This compares to \$1.08 billion a year ago and also beat the consensus estimate of \$1.18 billion. On the growth front, Sirius XM added 465,000 net new subscribers in the first quarter.

The sustained momentum of auto sales, where Sirius gets most of its subscribers via promotional trials, bodes well.

In December the company closed a five-year deal with radio personality Howard "King of all Media" Stern, which may indicate the company is moving beyond simple delivery of audio programming. While it keeps his show live for another five years, it also gives Sirius the rights to Stern's archive of shows for an additional seven years after that, making it unlikely Stern will take his talents elsewhere. And in making the announcement, Stern said he thinks Sirius will be able to create a "virtual world" for his fans in the years to come, causing speculation about a possible expansion into video and interactive components, and about whether Sirius is still just a satellite radio service or an entertainment provider that's evolving into something more. Could in-car video viewing be in our future?

The company said it sees 2016 revenue of about \$4.9 billion, in line with the average analysts' estimates, with 1.6 million net account additions, about 200,000 higher than the company's initial forecast and guidance.

SIRI has been a historically robust repurchaser. Management has reduced shares outstanding by 9.4% in the past 12 months.

**We will continue to hold 5 positions (100% invested).** Current positions are: **GRPN, ZNGA, FIG, RF** and **SIRI**

**New subscribers:** Buy equal dollar amounts of **GRPN, ZNGA, FIG, RF** and **SIRI**. (Buy approximately 20% of the portfolio value for each stock.)