



OptionsHawk Monthly Market Brief – October 2019

S&P 500 (SPX) Technicals

Analysis: The S&P cleared its Q4 2018 downtrend in late January of 2019 and since that time has stayed in an orderly channel up pattern shown below. As we close September we have pulled back in to the rising 8 and 13 week moving averages as well as the mid-channel line while the 21 week moving average aligns with a retest of the early September base breakout at 2925. A deeper correction in this channel would target 2840/2865 zone as lower rail support while major resistance stands at 3020 with upside targets likely capped at the upper channel 3100 through October. There are some concerns of the longer term pattern, a broadening one, while RSI is showing notable bearish divergences. The 2825 and 2740 levels are key supports on a channel break, while retracing 50% of the Q4 2018 low to recent high at 2690 could also come into play. The market continues to be one rewarding buying support and selling resistance as there has been essentially no progress for nearly two years now in this sideways, albeit wide, range.



Key Levels

	<u>Support</u>	<u>Resistance</u>
Level 1	2965	3020
Level 2	2940	3100
Level 3	2925	3160
Level 4	2900	3250

Fundamental Valuation Bands

	2019		Value	2020		Value
	EPS	Multiple	Level	EPS	Multiple	Level
Bull	170	17.5	2975	180	17	3060
Neutral	167	16	2672	176	15.5	2728
Bear	163	14	2282	170	14	2380

Market Health/Sentiment Check

Indicator	Level	Implications
Short Term Moving Average Slopes	Rising	Bullish
Long Term Moving Average Slopes	Rising	Bullish
8/21 Week EMA Crossover	Above	Bullish
NYSE McClellan Oscillator (NYMO)	6.5	Neutral
NYSE Summation (NYSI)	782	Above 8 EMA – Bullish
NYSE A/D (Cumulative)	145,850	New High - Bullish
NYSE Cumulative TICK	22,781	New High - Bullish
NYSE TRIN 21 MA	1.02	Bearish – Topping
NAAIM	77	Elevated – Neutral
AAll Sentiment	35.3% Bulls	Neutral
Investors Intelligence Survey	55.1% Bulls	Overly Bullish
CBOE Equity Put/Call 50 MA	0.671	Bearish Rising Trend
VIX:VXV Ratio	0.865	Topping Signal

Macro Catalyst Watch and Review

Macro Data & Indicators

We have seen a mixed month of data with some signs of global economic activity bottoming after a few months of weakness, but continue to see further weakness in US Manufacturing while Servicing has been strong. August Industrial Production came in above estimates and Philly Fed beat consensus. Housing Data has picked up recently as well. The leading economic index was flat in August and seeing mostly signs of a modest growth environment continuing. The US Citi Economic Surprise Index has surged higher. GDP growth came in late in the month for Q2 at 2%, in line with expectations, and continues to show expansion albeit a slowing period.



Central Banks

The Fed cut rates in September in what was described as a “Hawkish Cut” though indications we are likely to see another cut this year. Globally we are seeing stimulus continue as well as accommodative policy outside of Norway who delivered a surprise rate rise. BOJ maintained its policy with indications it could ease further in coming months while ECB cut the deposit rate and launched a new bond-buying program.

Bonds & Credit

Yields put in a low in early September and Bonds pulled in off highs, though remain in a rising trend. Credit markets are not flashing any warning signs.

Catalyst Watch

<u>Date</u>	<u>Event</u>
10/1	US Raises Tariffs on China
10/4	US Jobs Report
10/15	US Earnings Season Starts
10/15	Democratic Debate
10/17	EU Leaders Summit
10/18	China Economic Data for September
10/24	ECB Meeting
10/27	Argentina Elections
10/30	FOMC Meeting
10/31	BOJ Decision

Bull & Bear Flow Monthly Leaderboard

<u>OPTIONSHAWK DATABASE AGGREGATE FLOW BIAS MONTH AHEAD</u>	
BULLISH	LOW, SYMC, BABA, MPC, NXPI, SNE, UTX, GIS, BA, BPMC, SWK, FB, ATVI, VFC, AA, MDCO, XPO, PYPL, MDT, PDD, RCL, YUM, TSN, SHAK, SPLK, LRCX, MCHP, CDEV, CVS, CMCSA
BEARISH	BMY, IBM, TGT, PZZA, MAR, SFIX, CTL, FIZZ, TEAM, ZM, UBER, RIO, KMX, CBS, QSR, MUR, DPZ, TWLO, QRTEA, CAT, SPOT, JBHT, WIX, PLCE

Hawk Vision – 5 Technical Set-Ups in Quality Fundamental Stocks (Hawk 350 Universe) with Options Flow

*** We highlight these kind of set-ups daily in the OptionsHawk Trading Hub***

Marathon Petro (MPC) shares clearing out of an 11 month downtrend with weekly RSI breaking out, the move out of the base measures up to \$70. Option traders positioned in size calls ahead of the move and with the recent activist push have seen a lot of adjustments, but still looking for further upside over the next 4 months based on positioning.



Taiwan Semi (TSM) with a monthly bull flag breakout and has seen size buyers in January \$45 calls as well as \$46/\$50 spreads, a relative strength name and expecting this move to continue to \$50.



Nike (NKE) shares with an important triple top breakout and look poised to push higher to \$100 into year-end.



Boeing (BA) has broken out of a forty point range with weekly RSI at multi-month highs, a name with plenty of bullish positioning in open interest including 1700 March \$395 calls bought on 8/19.



Campbell Soup (CPB) with a bull flag set-up on the daily, a relative strength name since September, and has seen size buyers in January calls as well as 2800 of the \$47 puts sold to open.



Options Radar Highlights

9/4/19

Sea Ltd (SE) with buyers of 3,000 January \$33 calls up to \$3.50 to open and volumes up over 6,300 now with more bought up to \$3.80. SE has seen a number of put sales recently including the Sept. \$27 strike over 12,000X, the November \$26 and \$29 strikes over 5,000X, and the February \$28 strike over 4,000X. Shares have pulled back from 52-week highs around \$38 and basing around the 23.6% retracement of the rally from the December lows. SE is trying to put in a strong reversal candle on the weekly and move back above the 20-week MA while a move higher targets \$45+. The \$12.61B company trades 12.3X sales and 5.4X cash with EPS estimates for \$1.40/share in FY21. SE expects 33% and then 29% revenue growth the next two years as they monetize their gaming channel and expand into new geographies like Latin America. SE expects the region to be a big driver for the next 1-2 years with more than 600M potential users. The company has seen success with their multiplayer battle royal title Free Fire which is driving user growth and engagement across all of their major markets, especially paying users which rose 295% Y/Y. Meanwhile, their e-commerce platform Shoppee continues to expand its footprint and monetization efforts with better take rate and market share gains. Gross orders rose 93%. Analysts have an average target for shares of \$42.50. CLSA upgrading to Buy on 8-28. The firm thinks expectations were too high for last quarter but the company continues to execute well and grow its core user base. Goldman positive on 8-13 with a \$43 Pt while Piper also positive citing checks on Free Fire on iOS and Google Play. They think the Digital Entertainment business will continue to see strong growth the next several quarters. Short interest is 6.6% and up from around 3.8% in March. Hedge Fund ownership rose 11% in Q2. Sachem Head a notable new buyer of 2.6M shares while Newbrook Capital and Whale Rock also buying more than 2M shares each.

9/10/19

Sage Therapeutics (SAGE) with 1,000 November \$160 calls opening \$9.50 on Monday afternoon, and has 1,866 of the November \$180 calls in open interest as well as November \$175 and \$160 short puts in open interest for 1000X each. Last week a spread sold 800 January \$200 calls to buy the \$150/\$110 put spread in a likely collar on a stock position. SAGE shares have sold off the past week and closed below the 200 day MA yesterday, though \$146 is a key volume profile support bar to watch for a reversal candle. The \$8B Biotech is expecting revenues to start ramping in FY20 with estimates of \$111M and \$410M seen for FY21. SAGE will next report on 11-5 and presents at the CSFB Healthcare Conference on 11-11. It recently presented Phase 2 SAGE-217 data in the NEJM and coming off a strong quarter that exceeded estimates with key upcoming readouts including SAGE-718 Phase 1 in Huntington's in 2H19, and SAGE217 MDD Phase 3 MOUNTAIN, RAINFOREST, and SHORELINE studies in Q419 and 2020. Analysts have an average target of \$200 on shares and short interest at 15% of the float has been rising to a new three-year high. Piper with a \$206 target sees SAGE-217 as transformative as a new drug for mood disorders with key Phase 3 data due by Q1 2020, and robust data so far gives high conviction. Wedbush started shares Outperform in May with a \$207 target. Hedge Fund ownership fell 28.3% in Q2 filings. SAGE has been seen as a potential M&A target for Biogen (BIIB) which saw November upside call spreads open yesterday.

9/20/19

Centene (CNC) bullish action this morning with 1000 October \$45 calls bought \$2.50 to \$2.60 and 1000 December \$45 calls bought \$4.10 offer, and follows the December \$47.5/\$42.5 bull risk reversal 2,500X5,000 yesterday and 2,500 December \$47.5 calls opened the prior day. CNC has seen accumulation in upside calls across multiple months and still has 12,500 December \$47.50 short puts in OI. Shares have pulled back and based for a few weeks at the rising 233 week EMA and looking to rebound. The \$19B managed care Co. trades 9.45X Earnings, 12.7X FCF and involved in M&A with a merger with WellCare (WCG), though rumors persist that Humana (HUM) may look to buy CNC and break up that deal. Hedge funds Corvex Management LP and Sachem Head Capital Management LP have built stakes in U.S. health insurer Centene Corp and are exploring challenging its planned \$17.3 billion acquisition of WellCare Health. Analysts have an average target of \$72 and short interest has risen to 18.5% of the float, though likely M&A arbitrage related. Viking Global also added to its large position in Q2 and Third Point took a new stake, hedge fund ownership up 44%. CNC will host an Investor Day on 12-13 and next reports 10-22. Deutsche Bank started coverage at Buy with a \$62 target earlier this month seeing it well positioned to grow market share organically and through the WCG acquisition, but also believes it is a M&A target itself.

9/23/19

Veeva Systems (VEEV) with 1,000 January \$160 calls being bought this morning up to \$10.10 and follows the March \$260 ITM puts sold around \$21.50 to open on Friday. VEEV has seen some December \$150 calls bought 850X recently as well. Shares have pulled back off of 52-week highs in July around \$175 and rebounding just above the 200-MA. A move above \$159 clears downtrend resistance and YTD VPOC with a move higher targeting \$169 and then longer-term extension to \$210. MACD is crossing over bullish on the daily as well. The \$21.37B company trades 15X cash and 21.4X EV/sales with mid-teens EPS growth and revenue growth settling into a 17-18% annual range. VEEV continues to see strong customer growth with Engage doubling its footprint, continued expansion into new geographies and Vault adding its first 'top 20 medical device' customer. The company still sees Vault in the early innings of market penetration and now representing more than half of their revenue mix. Analysts have an average target for shares of \$170. Stephens with a \$185 PT on 8-28 expecting Veeva to manage through its CFO transition well while Vault continues to drive transitions from the legacy systems. Needham has a \$200 PT for shares. They see add-on modules like Nitro and Andi helping drive strong performance and multiple levers to drive growth above 20%. Short interest is 2.3% and its lowest level in over a year. Hedge fund ownership jumped 34% in Q2. Melvin Capital a new 600,000 share position.

Trades of the Week

Posted Weekly at OptionsHawk.com <https://www.optionshawk.com/trade-of-the-week/>

Earnings Recap

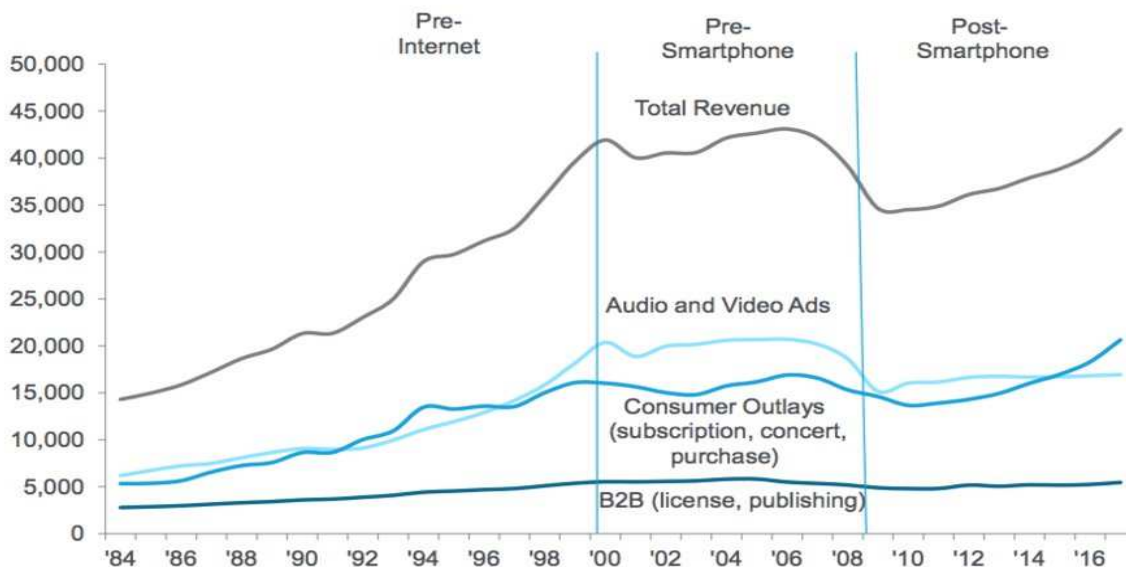
Strong Beats	Bullish Themes	Weak Outlooks	Bearish Themes
COUP, MDB, HQY, WORK, SMAR, DOCU, GWRE, ZM, ADBE	Software Growth	FDX	Global Trade, Transports
PANW, CRWD	Cyber-Security	FUL	Chemicals
LULU, NKE	Athletic-Wear		
RH	Home Spending		
AVGO, JBL	Semi's		
DRI	Casual Dining		
KMX	Auto Dealerships		
INFO	Fin-Tech		

Theme of the Month

Live Events

The market for live events such as concerts, performing arts and sports is a significant and growing space which is being driven recently but a generational shift towards 'experiential' buying. Millennials, now the largest generation by population globally, control nearly \$1.3T in consumer spending according to Boston Consulting and moving into their peak spending years. And live events are where most prefer to spend their time and money. Eventbrite estimates that 78% of millennials would choose to spend money on an event over buying something digital and 55% are spending more on events now in 2019 than ever before. They also note that 9 out of 10 have attended at least one live event in the last year. There's a lot of drivers for this shift including a larger amount of disposable income, a greater sense of community and the growth of social media influence.

Figure 4. U.S. Music Value: Advertising and Consumer Outlays (\$ millions)



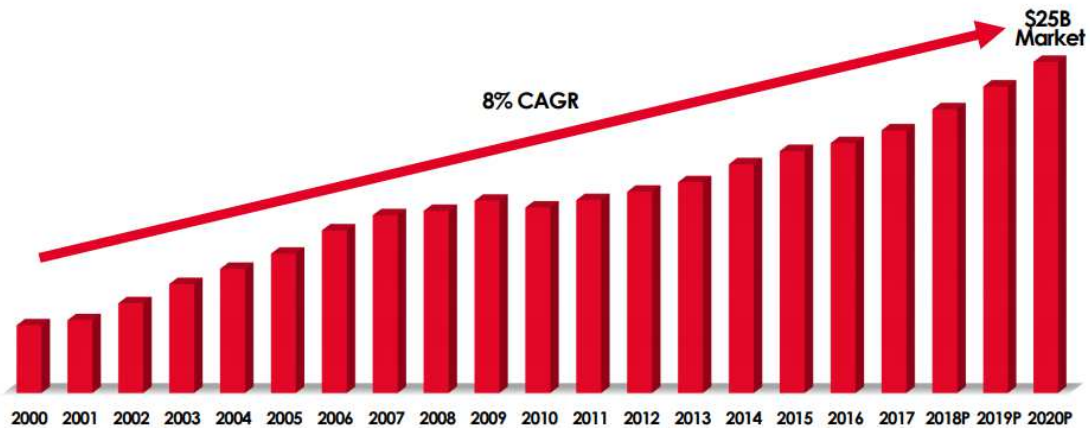
Source: Citi Research, RIAA; Polltrak; Magna

The global ticketing industry is expected to grow to \$105B by 2022 with music the largest aspect of that segment. According to Grandview Research, the market for online ticketing will be \$68B by 2025 while the secondary market will be \$15B. Sports are expected to grow into an \$80B industry in the US by 2022, a 3% CAGR, while the live concert industry will be a \$31B market by 2022, growing larger and faster than music streaming.



Live is growing

Global concerts ticket revenue



There are multiple ways to position in this area including venues, ticketing, promotion, and artists.

Live Nation (LYV) is probably the most all-encompassing name in the space with exposure to venues, ticketing, and sponsorship. They operate more than 37 venues and 100+ facilities worldwide which are home to music festivals, sports, and more. In terms of ticketing, they encompass brands like Ticketmaster, Tickets.now.com and others which have a dominant foothold in the space. The \$14.6B company has been one of the steadiest in the market with shares up near 40% for the year. It trades a little rich on valuation but as they continue to add market share through M&A, their scale is unmatched. They continue to see a lot of opportunity in the US. At the Goldman Communicopia conference in September CEO Michael Rapino highlighted better monetization of their events as a longer-term catalyst. He said “we’re still very underdeveloped in the U.S. compared to most hospitality companies. I’ve talked before about the sports business \$40, \$45 per head, the masters is \$400 per head. And you’re there for the week. The concert business, in our amphitheatres, we’re in the \$20s, in theaters and clubs, we might be in our teens.” LYV recently added OCESA in Mexico which is a top global promoter and gets them into markets in South America where they currently have no footprint. They’ve faced some concerns recently over antitrust.

Ebay (EBAY) is a ticketing-centric name in the space with their Stub Hub segment which is a leader in the secondary market. The business had more than 240M unique visitors last year from 64 countries with event exposure to music, theater, sports, and more. They partner with the leagues as well as teams to build up supply. Volumes in Q2 were up 6% with better conversions, active buyer growth, and first-party sales. They’re also launching a new loyalty program to drive retention. Technology has been a key area of investment to help reduce costs and improve margins. Stub Hub has been at the center of recent activist plans with the company as Elliott Management wants to see it sold or spun off into a separate company. A July report from CNBC said there were multiple interested parties.

World Wrestling (WWE) is a \$5.59B company which operates a sizable live events business around professional wrestling. They oversee all aspects of their event planning including ticket sales, both primary and secondary, as well as promotion. WWE hosts a number of large-scale events each year including their show at Metlife stadium which had over 82,000. They’ve seen some attendance issues start to improve recently with NA numbers down 4% in Q2, better than the 12% drop in Q1, and coming off a successful Wrestlemania. They see new storylines and new superstars as key drivers going forward. For WWE, live ticket sales are a smaller part of their revenue base (~16%).

Endeavor (EDR) is a private company which has exposure to a number of facets of live event content including promotion. They are expected to IPO in the future after shelving plans in late September. There are two main areas where EDR relies on live event growth. First, they are the majority owner of the UFC which, like WWE, has grown significantly over the last five years. The league has seen more than 40 sell-out events in the last three years and they've captured a significant share of the millennial viewing market. Second, EDR represents talent which is seen on stage. Talent management is their longest-running business and one they are most associated with. In 2018, 60% of headliners at major music festivals in the US were under management by EDR. Third, EDR owns and operates over 700 annual events including fashion weeks, culinary and lifestyle festivals, art fairs, and more.

Madison Square Garden (MSG) is a \$6.47B company which has exposure to both live sports and entertainment. The former is through their operation of professional sports franchises the NY Knicks and NY Rangers. They also promote events like boxing, college basketball, MMA, e-sports, and more. Their entertainment business is focused on concerts, family shows, and performing arts. Finally, they have venue exposure with the namesake MSG in New York and others like Tao, Marquee, and Lavo in Chicago and LA. They continue to expand as well. MSG is set to open a Las Vegas venue in 2021 the 'MSG Sphere' which is expected to be a transformative venue. MSG President Andrew Lustgarten said in August they expect Sphere to go beyond traditional live events, "We believe this project is going to revolutionize live entertainment. We think that like any other venue, it has the base levels of revenue. It has the ability to book concerts, it has the ability to book some sporting events just like any other venue. But then it has the ability to book a whole host of new types of performances, those that we create to our attraction business that we're going to run multiple times a day and for the corporate events. It's going to be the host of anybody looking to launch a product or hopefully, anybody looking to launch a product."

iHeartMedia (IHRT) is a smaller name which recently emerged out of bankruptcy. The \$438.5M company trades 6.77X EV/sales and assets that span across radio, podcasting, and more. IHRT has an under-the-radar live business with 20,000 local events last year and eight major "iHeart" branded events. This includes their namesake festival, Country Festival, podcast awards, and Jingle Ball.



Eventbrite (EB) is an event-management company which focuses on helping users create and promote local or mid-market events. They also do online ticketing services and act as a portal for individuals looking for events near them like auto and air shows to concerts and food festivals. They did 3.9M events in 2018 and 265M tickets overall, notable scale worldwide as they cater to mid-market creators. EB sees a \$14B market opportunity as they grow into verticals like tours and attractions. Their all-in-one platform offers creators flexibility to manage marketing/advertising, analytics, checkout and other event-day projects. EB has struggled after going public in September of 2018 around \$35 and unable to gain traction. This has largely been due to integration issues from their acquisition of Ticketfly in 2017, a distribution service previously owned by Pandora. They suffered a security breach in May of 2018 and lost a number of customers during the transition over to the EB platform.

Industry Snapshot of the Month

Life Science Tools (LST)

Components: BAX, BDx, BIO, CTLT, FLDM, GRFS, MMSI, MSA, MTD, STE, WST, A, DHR, WAT, BRKR, PKI

The global life science analytical instruments market is expected to exhibit a stellar growth rate of 6.5% from 2017 to 2023 (forecast period). The market valuation can touch USD 56.7B by 2023. The market can accrue massive revenue due to increased interest in drug discovery and development, increased spending in research and development in the pharmaceutical sector, and emergence of numerous applications. Prevalence of orphan diseases and the boom in the elderly population are other factors which can buttress the market demand till 2023. There are a number of high quality companies in this group that is likely to see sustained growth.

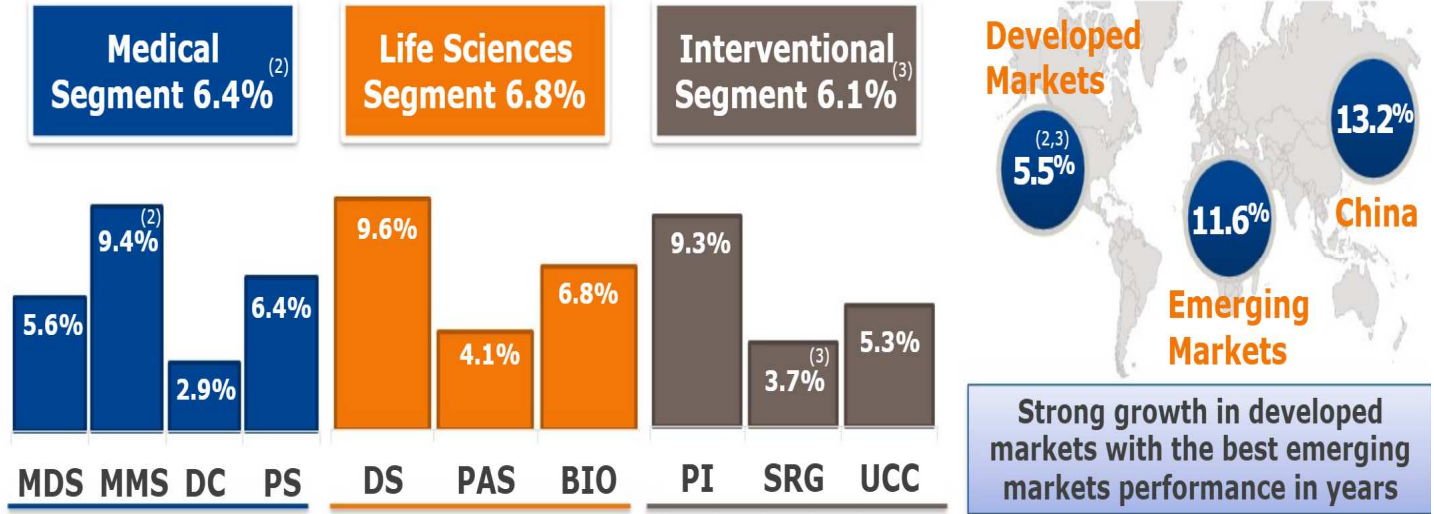
Customer Types

	Academia and Government	BioPharma*	Applied Markets
Definition	<ul style="list-style-type: none"> Non-profit customers and centers relying on government funding, primarily from the NIH in the U.S.** Basic and translational research Incentive to innovate: High (very early technology adopter) 	<ul style="list-style-type: none"> For-profit organizations developing therapies for treatment of diseases such as cancer or Alzheimer's Preclinical research (and some use during clinical trials) Incentive to innovate: Moderate to high (early technology adopter) 	<ul style="list-style-type: none"> For-profit or government-funded institutions and laboratories Testing (and some basic research [e.g., in AgBio]) Incentive to innovate: Low to moderate (late technology adopter****)
Example customers	<ul style="list-style-type: none"> Stanford Professor (Academia) USCD Associate Professor (Academia) Missouri U. Core Lab Director (Academia) NIH Post-Doctoral Fellow (Government) 	<ul style="list-style-type: none"> Pfizer (Large Pharma) Novartis (Large Pharma) Amgen (Large Biotech) Actellion (Small / Specialty Pharma) Covance (CRO) 	<ul style="list-style-type: none"> DuPont (AgBio) Vet. diagnostic labs (Animal health) Central science lab (Biosecurity) IEH labs (Food safety) FBI lab services (Forensics) Clinical (Non-IVD) customers (e.g., Hospitals, reference labs)
Market size / growth (2017)	\$21.5B (~41% of total) / 2% (2017-21 CAGR)	\$19.4B (~37% of total) / 4% (2017-21 CAGR)	~\$11.5B (~22% of total) / 12% (2017-21 CAGR)
Key trends driving and moderating growth	<ul style="list-style-type: none"> Increased funding in China and U.S. Increased use of 2nd hand instrument vendors (e.g., eBay, BioSurplus) Flat or decreasing funding in most developed countries (e.g., Japan, Canada) Uncertainties in the funding environment in Europe due to political, social issues (e.g., Brexit) 	<ul style="list-style-type: none"> New innovation cycle driving shift to large molecule drugs Increased interest in personalized medicine Increased reliance on contract research organizations (CRO) for preclinical studies Continued pressure on R&D funding Patent expirations, with increased competition from generics 	<ul style="list-style-type: none"> Continued interest in increasing ease of use, reproducibility, and throughput at a lower cost per test Increased use for compliance with regulations (especially outside the U.S.) Adoption of novel technologies (e.g., NGS, mass spectrometry) in clinical settings (e.g., hospitals, reference labs) Dependence on government funding in some markets

Note: * BioPharma includes instrument and reagent purchased by CRO (not price of services charged to BioPharma)

Tickers	Company Name	Mkt. Cap	EV/EBITDA	EBITDA Chg.	FY2 P/E (x)	FY1 Diluted EPS - Adjusted YoY (%)	FY2 Diluted EPS - Adjusted YoY (%)	FY1 Revenue YoY (%)	FY2 Revenue YoY (%)	FY1 Gross Margin (%)	EBITDA Margins	3 Year ROIC	EV/FCF	FCF Yield
A	AGILENT TECHNOLOGIES INC	24,715.79	19.0x	8%	22.71x	10.54%	11.31%	4%	8%	56.71%	24.93%	13.64	27.9x	14.60%
BAX	BAXTER INTERNATIONAL INC	44,622.58	17.9x	7%	23.16x	10.93%	11.53%	1%	5%	44.76%	22.46%	4.87	57.1x	21.06%
BDX	BECTON DICKINSON & CO	68,446.88	16.2x	-13%	19.57x	6.10%	10.92%	8%	5%	55.69%	38.02%	7.76		8.66%
BRKR	BRUKER CORP	6,734.15	18.4x	14%	23.78x	15.18%	13.56%	8%	6%	50.00%	18.67%	21.17	40.4x	6.76%
CTLT	Catalent, Inc.	7,534.84	17.9x	9%	23.13x	2.95%	12.86%	13%	8%	35.07%	22.36%	7.63	87.9x	2.29%
DHR	Danaher Corporation	105,072.84	23.2x	5%	25.61x	6.14%	19.20%	4%	22%	55.86%	23.90%	5.72	32.4x	33.80%
FLDM	FLUIDIGM CORP	387.97	(7.4x)	15%	(8.60x)			7%	14%	61.25%	(36.95%)	(27.69)	(7.3x)	(1.42%)
GRFS	Grifols SA	24,632.03	22.0x	5%	15.35x	3.22%	10.85%	7%	7%	46.40%	27.98%	6.74		41.14%
MMSI	MERIT MEDICAL SYSTEMS INC	1,669.04	12.8x	15%	14.78x	5.08%	15.24%	15%	9%	48.19%	15.85%	6.47		0.44%
MSA	MSA Safety Inc	4,178.57	15.6x	8%	20.48x	8.44%	7.99%	4%	5%	45.57%	20.32%	7.54		2.55%
MTD	METTLER TOLEDO INTERNATIONAL INC/	17,589.99	23.4x	8%	27.95x	11.55%	11.96%	3%	5%	57.78%	26.15%	35.31	37.8x	0.71%
PKI	PERKINELMER INC	9,614.75	19.6x	13%	18.74x	11.86%	14.39%	5%	7%	51.08%	20.30%	6.45	34.7x	3.54%
STE	STERIS plc	12,420.14	18.2x	12%	24.38x	12.01%	9.84%	6%	6%	43.47%	23.90%	6.74		3.00%
WAT	Waters Corporation	15,267.88	18.8x	0%	22.51x	8.85%	12.57%	1%	5%	58.60%	35.29%	15.95	30.3x	2.74%
WST	WEST PHARMACEUTICAL SERVICES INC	10,545.73	26.9x	14%	41.70x	8.90%	12.15%	6%	7%	32.84%	20.25%	11.89	57.2x	1.93%
Average		23,562.21	17.5x	8%	21.02x	8.70%	12.45%	6%	8%	49.55%	20.23%	8.68	39.8x	9.45%

Becton Dickinson (BDX) is a large cap player with a \$68B market cap that screens cheap on an EV/EBITDA basis despite having far superior EBITDA margins, strong FCF, and a high ROIC. BDX has transformed over the past few years with key acquisitions of CareFusion and CR Bard, two quality companies. It is delivering strong revenue growth across its three segments while expanding margins, and seeing strong innovation with new product uptake. It is also seeing strong growth in emerging markets, a large future opportunity for continued expansion.



Steris (STE) is the mid-cap that stands out with a \$12.35B market cap trading 24.4X Earnings while delivering double digit EPS growth and strong EBITDA margins. STE has balanced segments and a high amount of recurring revenues while seeing robust FCF growth. It remains on a path to continue generating double digit earnings growth.

CUSTOMERS



Hospitals, Surgery & GI Centers



Medical Device Manufacturers



Pharmaceutical Production

REPORTING SEGMENTS

Healthcare Products

Infection prevention and procedural solutions for healthcare providers worldwide, including consumables, equipment maintenance and installation services, and capital equipment.

Healthcare Specialty Services (HSS)

A range of specialty services for healthcare providers including hospital sterilization services and instrument and scope repair.

Applied Sterilization Technologies (AST)

Contract sterilization and laboratory services for medical device and pharmaceutical Customers.

Life Sciences

Consumable products, equipment maintenance and specialty services, and capital equipment primarily for pharmaceutical manufacturers.

% of REVENUE



M&A Deal of the Month

Alder Bio (ALDR) on 9/16 with a \$2B acquisition from **Lundbeck** that came at an 85% premium and included a CVR. Lundbeck highlighted the fact that eptinezumab could be the first intravenous CGRP drug to come to market. The takeover centers on a near-approval anti-CGRP antibody that could address Lundbeck's need for near-term revenue drivers to mitigate the upcoming loss of patent protection on Northera. The Anti-CGRP Migraine Prevention market is estimated to be valued above \$5B.

Looking at forecasts for ALDR revenues are seeing reaching \$375M in FY22 (FY+3), putting the deal at 5.33X Sales (Potential), and puts clinical-stage Biotech names back on the map for M&A with Neuro remaining a key focus area. Interestingly, ALDR is a one-trick pony with its entire value dependent on Eptinezumab.

There are 88 Biotech stocks in the \$500M to \$1.5B market cap range, but looking at ones focused in the Neuro space gives us **Alector (ALEC)**, **Axsome (AXSM)**, **Omeros (OMER)**, **Voyager (VYGR)**, and **Cortexyme (CRTX)**. AXSM stands out as a name with a lot of bullish options positioning and strong price action.

CRTX is an interesting new name to me with a \$644M market cap trading 5X Cash, a company rethinking the cause of Alzheimer's Disease, citing a connecting between periodontal bacteria and the risk of Alzheimer's. It is enrolling Phase 2/3 GAIN Alzheimer's trial with topline data expected late in 2021. If the trial proves successful it could be an absolute game-changer for Alzheimer's disease, a massive opportunity as one of the diseases where multiple companies have continued to fail, but CRTX is taking a different angle and has a chance to make a real breakthrough.

ALEC has a \$1.27B market cap and trades just 3.1X Cash, a company also targeting neurodegeneration, and taking an approach designated as immune-neurology recruiting the brain system to do the work. It is a novel approach it sees with similar potential that immuno-oncology has had with cancer. The company has three drugs, one for the frontotemporal dementia and 2 for Alzheimer's disease. The company is well financed with \$400M in the bank, which is expected to last until mid-2022 and allow it to reach 3 transformative milestones in the next 3-4 years. Its goal is for approval of FTD drug that can be extended to other indications, including ALS, Parkinson's and Alzheimer's disease. And will have completion of 2 Phase IIs in Alzheimer's drugs that are paid for, but a 50% owned by ALEC.

VYGR is also intriguing after a big move to start 2019 shares have channeled back in orderly fashion to a 61.8% Fibonacci retracement, falling more than 40%. VYGR describes itself as a convergence of Neuroscience and Gene Therapy. VYGR is very early stage with Parkinson's the most advanced program currently, but also targeting Huntington's and Alzheimer's. It has partnerships with leaders like NBIX and ABBV and is well financed trading just 2X Cash. VYGR's CNS Gene Therapy Platform could be attractive in a M&A scenario.

Small Cap of the Month

Zynex (ZYXI) is a \$315M medical technology company generating impressive top-line growth of 36% in 2018 and 33% in 2019 and shares have climbed 240% YTD. Despite the big move shares trade 29X Earnings and 8.5X Sales with a debt-free balance sheet and sees FY20 revenue growth at 28% and EPS growth of 35%. ZYXI is a maker of non-invasive electrotherapy pain management devices "TENS" that accounts for the majority of revenues but also moving into diagnostics and monitoring solutions. NexWave targets healing through increased blood circulation with the Electrotherapy market value seen at \$500M Worldwide. InWave delivers therapy for incontinence treatment, a \$5B global industry. NeuroMove assists in stroke rehabilitation, a \$100M industry. It also has a blood volume monitor product, a \$3B industry. ZYXI has a high percentage of

recurring revenues and operates with 80% gross margins. It operates a razor-blade like model and saw strong growth in device and supply orders last quarter.

International Stock of the Month

WiseTech Global (WTC:AU) is a \$7.8B provider of logistics software trading 24X EV/Sales and generated 55%, 48%, and 45% topline growth the last three years and now entering a period of 25% expected annual growth in revenues. It screens as a top high growth name overseas and operates with 17.8% FCF margins. The logistics industry is a massive one and WiseTech’s CargoWise is a single software solution to better manage the global supply chain. It operates with 99% recurring revenues and very low customer attrition while also being profitable. Industry dynamics highlighted below are all seen as positive for WiseTech’s business.

The company also is expanding via acquisitions, noting in its latest interim report: “In addition to the strong organic growth from our existing technology platform, since the beginning of 1H19, we have acquired 11 logistics solutions businesses spanning new geographies focusing primarily on customs and new adjacencies with potential global capacity. These acquisitions are at various stages of completion and integration and, once fully integrated, they will expand the functionality, scope and value of our industry-leading technology and provide strong bases for further accelerating our organic growth.”

Increasing regulation	positive	Fast to market with new regulatory changes
Increasing complexity	positive	Relentless innovation investment, automates or eliminates processes
Growth in transactions	positive	Highly scalable, integrated platform, productivity focused
High fragmentation	positive	Operating system for logistics, one to thousands of users
Pressure on supply chain execution margins	positive	SaaS, pay for use monthly in arrears, productivity benefits
Capital constraints	positive	No upfront capital, easily add users and regions, only pay for use
Increasing network tie-ups	positive	Integrated global platform, 125+ countries, real time visibility
Demand for faster throughput	positive	Highly automated, more productive, enter data once
Cycles in 3PL verticals – economic up/downturn	positive	Pay for what you use, linked to value point
Consolidation across 1PL/2PL/3PL, Amazon	positive	Execution capability across supply chain, plug into myriad systems
3PL consolidation growing	positive	Seamless, swift, scalable on-board of thousands, global rollouts
High labour cost in high GDP trade routes	positive	Significant productivity gains through technology
Impact of political change (new gov/Brexit)	positive	Unsurpassed software development capacity to meet change
Shift from in-house to commercial systems	positive	SaaS since 2008, cloud, all devices, LDaaS and PaaS to come
		Commercially proven, integrated global platform used by largest global 3PLs



IPO Watch

10x Genomics (TXG) recently came public and trading higher in the early days with a market cap now at \$5.8B, a player in the hot diagnostics industry. TXG is growing rapidly but is trading extremely rich at 40X trailing revenues. It has the potential to emerge as a leader in a space that is a near guarantee to continue to experience significant future growth no matter the Macro-climate.

S-1 Highlights:

Overview

We are a life science technology company building products to interrogate, understand and master biology. Our integrated solutions include instruments, consumables and software for analyzing biological systems at a resolution and scale that matches the complexity of biology. We have built deep expertise across diverse disciplines including chemistry, biology, hardware and software. Innovations in all of these areas have enabled our rapidly expanding suite of products, which allow our customers to interrogate biological systems at previously inaccessible resolution and scale. Our products have enabled researchers to make fundamental discoveries across multiple areas of biology, including oncology, immunology and neuroscience, and have helped empower the single cell revolution hailed by *Science* magazine as the 2018 'Breakthrough of the Year'. Since launching our first product in mid-2015 through June 30, 2019, we have sold 1,284 instruments to researchers around the world, including 93 of the top 100 global research institutions by publications, and 13 of the top 15 global pharmaceutical companies by 2018 revenue. We believe that this represents the very beginning of our penetration into multiple large markets. We expect that 10x will power a "Century of Biology", in which many of humanity's most pressing health challenges will be solved by precision diagnostics, targeted therapies and cures to currently intractable diseases. Our product portfolio consists of multiple integrated solutions that include instruments, consumables and software. These solutions guide customers through the workflow from sample preparation to next-generation sequencing to subsequent analysis and visualization.

Market Opportunity

We believe our solutions, which enable a comprehensive view of biology, target numerous market opportunities across the more than \$50 billion global life sciences research tools market. We view much of this total market opportunity as ultimately accessible to us due to our ability to answer a broad diversity of biological questions. Based on the capabilities of our current solutions, and focusing solely on cases where our current solutions offer alternative or complementary approaches to existing tools, we believe, based on our internal estimates, we could access approximately \$13 billion of the global life sciences research tools market. We believe we can further drive growth across our current and adjacent markets by improving, or enabling new uses and applications of, existing tools and technologies, as our solutions allow researchers to answer questions that may be impractical or impossible to address using other products.

Financials

Our revenue was \$71.1 million and \$146.3 million for 2017 and 2018, respectively, representing an annual growth rate of 106%, and \$59.2 million and \$109.4 million for the six months ended June 30, 2018 and 2019, respectively, representing an annual growth rate of 85%. We review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

	As of December 31,		As of June 30,	
	2017	2018	2018	2019
Instrument installed base	491	1,021	701	1,284

Our financial performance has largely been driven by, and in the future will continue to be impacted by, the rate of sales of our Chromium instruments. Management focuses on instrument sales as an indicator of current business success and a leading indicator of likely future sales of consumables. We expect our instrument sales to continue to grow as we increase penetration in our existing markets and expand into, or offer new features and solutions that appeal to, new markets. We plan to grow our instrument sales in the coming years through multiple strategies including expanding our sales efforts globally and continuing to enhance the underlying technology and applications for life sciences research. As part of this strategy and in an effort to increase the rate of sales of our instruments, we increased our sales force by 144% from January 1, 2018 through June 30, 2019, with 78 commissionable sales representatives as of June 30, 2019.

Insider Activity Monthly Recap

For Detailed Write-Ups Visit <https://www.optionshawk.com/options-trader/insider-trading-spotlight/>

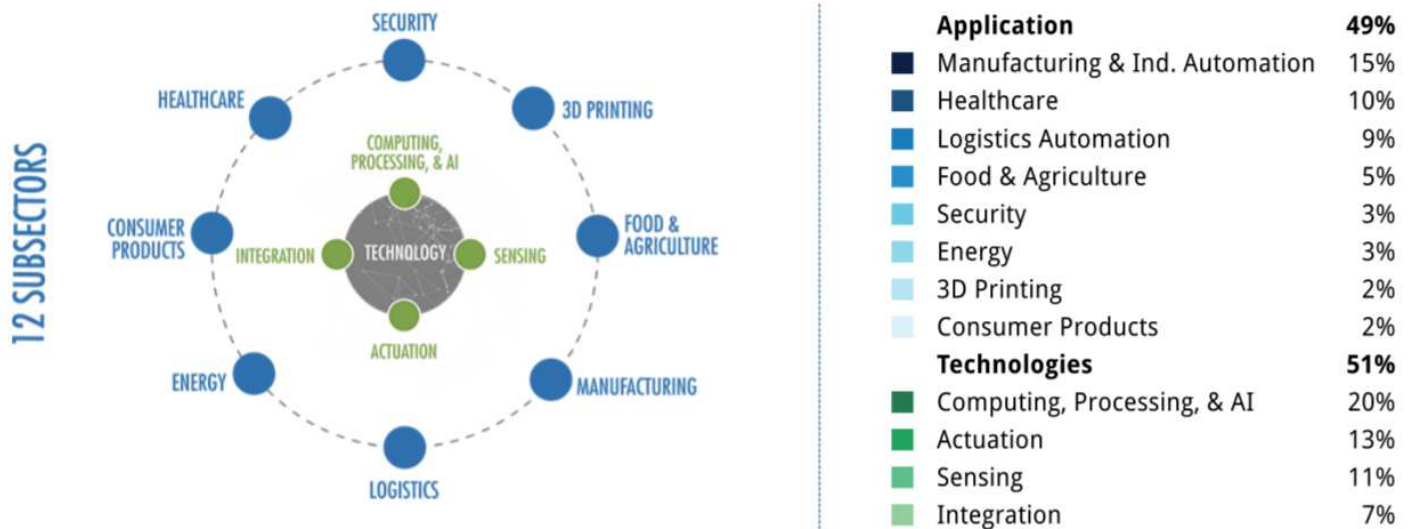
Trade Date	Ticker	Company	Insider Name	Insider Title	Trade Type	Price	Qty	Owned	ΔOwn	Value
9/16/2019	KHC	Kraft Heinz Co	Lemann Jorge P	Dir	P - Purchase	\$28.60	3,496,503	3,516,449	>999%	\$99,999,986
9/10/2019	WMS	Advanced Drainage Systems, Inc	Jones Ross M	Dir	P - Purchase	\$29.75	2,000,000	12,524,282	19%	\$59,500,000
9/3/2019	PVH	Pvh Corp. /de/	Chirico Emanuel	COB, CEO	P - Purchase	\$74.99	133,155	426,778	45%	\$9,985,746
8/30/2019	COTY	Coty Inc.	Harf Peter	Dir	P - Purchase	\$9.49	1,051,507	11,266,958	10%	\$9,979,695
9/10/2019	TPTX	Turning Point Therapeutics, Inc	Glaxosmithkline Plc	Dir	P - Purchase	\$45.00	177,777	2,170,327	9%	\$7,999,965
9/10/2019	TPTX	Turning Point Therapeutics, Inc	George Simeon	Dir	P - Purchase	\$45.00	177,777	2,170,327	9%	\$7,999,965
9/18/2019	KHC	Kraft Heinz Co	Van Damme Alexandre	Dir	P - Purchase	\$28.45	250,000	258,168	>999%	\$7,112,500
9/9/2019	CI	Cigna Corp	Cordani David	Pres, CEO	P - Purchase	\$155.17	32,509	357,554	10%	\$5,044,422
9/10/2019	DRAD	Digirad Corp	Eberwein Jeffrey E.	Dir	P - Purchase	\$10.00	300,000	1,585,092	23%	\$3,000,000
8/30/2019	COTY	Coty Inc.	Laubies Pierre	CEO	P - Purchase	\$9.54	262,000	3,218,675	9%	\$2,499,952
9/11/2019	RBB	Rbb Bancorp	Chang Peter M	Dir	P - Purchase	\$20.00	115,000	525,717	28%	\$2,300,000
9/18/2019	SGMS	Scientific Games Corp	Perelman Ronald O	Dir, 10%	P - Purchase	\$22.41	100,000	36,552,842	0%	\$2,241,000
8/30/2019	NEWM	New Media Investment Group	Reed Michael	CEO	P - Purchase	\$8.78	250,000	627,361	66%	\$2,195,000
9/5/2019	COTY	Coty Inc.	Hughes Fiona	CMO, CB	P - Purchase	\$9.81	210,000	210,000	New	\$2,059,260
9/4/2019	ELAN	Elanco Animal Health Inc	Simmons Jeffrey N	Pres, CEO, Dir	P - Purchase	\$26.55	75,750	470,006	19%	\$2,011,163
9/10/2019	WMS	Advanced Drainage Systems, Inc	Moore Roy E. Jr.	EVP	P - Purchase	\$29.75	67,000	78,288	594%	\$1,993,250
9/16/2019	ABBV	Abbvie Inc.	Schumacher Laura J	Vice COB	P - Purchase	\$70.42	25,000	164,838	18%	\$1,760,523
9/9/2019	LILA	Liberty Latin America Ltd.	Zinterhofer Eric Louis	Dir	P - Purchase	\$17.00	100,000	10,994,608	1%	\$1,700,000
9/13/2019	D	Dominion Energy Inc /va/	Szymanczyk Michael E	Dir	P - Purchase	\$78.85	21,400	75,302	40%	\$1,687,322
9/12/2019	FTAI	Fortress Transportation & Infrastructure	Tuchman Martin	Dir	P - Purchase	\$25.88	60,000	135,000	80%	\$1,552,600
9/9/2019	CSTR	Capstar Financial Holdings, Inc	Flynn Thomas R.	Dir	P - Purchase	\$15.41	97,340	633,623	18%	\$1,500,009
9/3/2019	YEXT	Yext, Inc.	Walrath Michael	Dir	P - Purchase	\$16.42	85,429	2,325,062	4%	\$1,402,326
9/6/2019	FTAI	Fortress Transportation & Infrastructure	Tuchman Martin	Dir	P - Purchase	\$25.64	50,400	50,400	New	\$1,292,181
8/30/2019	ITCI	Intra-Cellular Therapies, Inc.	Alafi Christopher D	Dir	P - Purchase	\$8.52	125,000	5,203,246	2%	\$1,065,213
9/3/2019	LILA	Liberty Latin America Ltd.	Zinterhofer Eric Louis	Dir	P - Purchase	\$16.26	65,000	10,894,608	1%	\$1,057,036
8/29/2019	BG	Bunge Ltd	Continental Grain Co	Dir	P - Purchase	\$52.27	20,000	3,931,155	1%	\$1,045,416
9/10/2019	DOMO	Domo, Inc.	James Joshua G	Founder, CEO, COB, 10%	P - Purchase	\$17.00	60,000	162,143	59%	\$1,020,000

Trade Date	Ticker	Company	Insider Name	Insider Title	Trade Type	Price	Qty	Owned	ΔOwn	Value
9/3/2019	COT	Cott Corp /cn/	Harrington Thomas	CEO	P - Purchase	\$12.56	80,000	257,413	45%	\$1,004,940
9/19/2019	ATH	Athene Holding Ltd	Belardi James Richard	COB, CEO, CIO	P - Purchase	\$25.00	40,000	40,000	New	\$1,000,000
9/6/2019	AC	Associated Capital Group, Inc.	Gabelli Mario J	Exec COB, 10%	P - Purchase	\$33.04	28,000	50,987	122%	\$925,086
9/6/2019	UFI	Unifi Inc	Bishop Robert J	Dir	P - Purchase	\$20.36	41,700	1,638,474	3%	\$849,012
9/13/2019	BHC	Bausch Health Companies Inc.	Papa Joseph C	COB, CEO	P - Purchase	\$23.31	30,000	860,849	4%	\$699,300
9/10/2019	FTAI	Fortress Transportation & Infr	Tuchman Martin	Dir	P - Purchase	\$25.74	24,600	75,000	49%	\$633,158
9/9/2019	PRU	Prudential Financial Inc	Lowrey Charles F	CEO	P - Purchase	\$83.68	7,500	64,485	13%	\$627,600
9/3/2019	ADES	Advanced Emissions Solutions	Alta Fundamental Advisers LLC	Dir	P - Purchase	\$12.35	50,200	1,562,617	3%	\$620,044
9/12/2019	AMG	Affiliated Managers Group, Inc	Byrne Samuel T	Dir	P - Purchase	\$88.77	6,589	22,493	41%	\$584,906
8/30/2019	CTVA	Corteva, Inc.	Engel Klaus A	Dir	P - Purchase	\$30.00	18,393	25,253	268%	\$551,790
9/12/2019	PS	Pluralsight, Inc.	Terrell Karenann K	Dir	P - Purchase	\$17.10	31,500	31,500	New	\$538,609
9/5/2019	ACHC	Acadia Healthcare Company, I	Osteen Debra K	CEO	P - Purchase	\$26.53	20,000	117,178	21%	\$530,660
9/12/2019	PS	Pluralsight, Inc.	Onion Frederick	Co-Founder, 10%	P - Purchase	\$17.19	30,000	1,492,400	2%	\$515,829
8/30/2019	RM	Regional Management Corp.	Basswood Partners, L.L.C.	Director-by-Deputization, 10%	P - Purchase	\$25.88	19,858	167,077	13%	\$513,925
9/4/2019	PVH	Pvh Corp. /de/	Nasella Henry	Dir	P - Purchase	\$80.37	6,250	31,299	25%	\$502,293
9/9/2019	HOME	At Home Group Inc.	Bird Lewis L III	COB, CEO, Pres	P - Purchase	\$7.81	64,005	102,060	168%	\$500,193
9/9/2019	CSTR	Capstar Financial Holdings, Inc	Wilt Toby S	Dir	P - Purchase	\$15.41	32,446	563,801	6%	\$499,993
9/9/2019	CSTR	Capstar Financial Holdings, Inc	Bottorff Dennis	Dir	P - Purchase	\$15.41	32,446	297,307	12%	\$499,993
9/9/2019	CSTR	Capstar Financial Holdings, Inc	Schools Timothy Kyle	See Remarks	P - Purchase	\$15.41	32,446	32,446	New	\$499,993
9/16/2019	CHD	Church & Dwight Co Inc /de/	Farrell Matthew	Pres, CEO	P - Purchase	\$71.32	7,000	147,681	5%	\$499,268
9/9/2019	AERI	Aerie Pharmaceuticals Inc	Anido Vicente Jr	CEO	P - Purchase	\$19.01	26,250	197,631	15%	\$498,953

Trade Date	Ticker	Company	Insider Name	Insider Title	Trade Type	Price	Qty	Owned	ΔOwn	Value
8/30/2019	SBH	Sally Beauty Holdings, Inc.	Miller John A	Dir	P - Purchase	\$12.21	40,500	249,379	19%	\$494,554
9/10/2019	REVG	Rev Group, Inc.	Sullivan Timothy W	CEO	P - Purchase	\$9.58	50,000	1,853,160	3%	\$478,890
8/30/2019	COTY	Coty Inc.	Goudet Olivier	Dir	P - Purchase	\$9.53	50,000	121,666	70%	\$476,380
8/9/2019	FRTA	Forterra, Inc.	Watson Karl	CEO	P - Purchase	\$6.94	65,200	198,800	49%	\$452,488
9/10/2019	TPTX	Turning Point Therapeutics, Inc	Countouriotis Athena	Pres, CEO	P - Purchase	\$45.00	10,000	22,000	83%	\$450,000
9/12/2019	SRPT	Sarepta Therapeutics, Inc.	Barry Richard	Dir	P - Purchase	\$87.49	5,000	3,187,065	0%	\$437,455
9/9/2019	MDP	Meredith Corp	Harty Thomas H	Pres, CEO	P - Purchase	\$35.02	12,000	57,343	26%	\$420,240
9/3/2019	ERI	Eldorado Resorts, Inc.	Pegram Michael E	Dir	P - Purchase	\$36.90	10,000	124,834	9%	\$369,000
8/29/2019	STT	State Street Corp	O Hanley Ronald P	Pres, CEO	P - Purchase	\$50.43	7,000	127,235	6%	\$353,010
8/29/2019	APLS	Apellis Pharmaceuticals, Inc.	Sullivan Timothy Eugene	CFO	P - Purchase	\$29.71	11,699	11,699	New	\$347,630
9/11/2019	CC	Chemours Co	Newman Mark	SVP, COO	P - Purchase	\$16.42	20,000	116,741	21%	\$328,340
8/30/2019	COTY	Coty Inc.	Singer Robert S	Dir	P - Purchase	\$9.31	35,000	270,812	15%	\$325,962
9/16/2019	CADE	Cadence Bancorporation	Fredericks J Richard	Dir	P - Purchase	\$17.96	17,940	112,740	19%	\$322,202
9/9/2019	PRU	Prudential Financial Inc	Falzon Robert	EVP, Vice COB	P - Purchase	\$83.98	3,580	68,399	6%	\$300,648
9/10/2019	WOW	Wideopenwest, Inc.	Crestview Partners III Gp, L.P.	Dir, 10%	P - Purchase	\$5.69	51,481	30,503,410	0%	\$292,990
9/4/2019	ELAN	Elanco Animal Health Inc	Young Todd S.	See Remarks	P - Purchase	\$26.57	10,000	28,883	53%	\$265,700
8/30/2019	NEWM	New Media Investment Group	Tarica Laurence	Dir	P - Purchase	\$8.74	30,000	133,070	29%	\$262,200
9/5/2019	NKTR	Nektar Therapeutics	Doberstein Stephen K	SVP, Chief Scientific Officer	P - Purchase	\$17.28	15,000	107,668	16%	\$259,200
9/4/2019	ESPR	Esperion Therapeutics, Inc.	Mayleben Timothy M	Pres, CEO	P - Purchase	\$34.55	7,500	78,663	11%	\$259,107
9/16/2019	ABR	Arbor Realty Trust Inc	Green William C	Dir	P - Purchase	\$12.83	20,000	103,672	24%	\$256,599
9/9/2019	COMM	Commscope Holding Company	Krause L William	Dir	P - Purchase	\$11.87	21,250	80,843	36%	\$252,248
9/4/2019	AGYS	Agilysys Inc	Srinivasan Ramesh	Pres, CEO	P - Purchase	\$25.13	10,000	225,348	5%	\$251,300
9/19/2019	ATH	Athene Holding Ltd	Beilinson Marc A	Dir	P - Purchase	\$25.00	10,000	10,000	New	\$250,000

Sector ETF Set-Up of the Month

Robo Global (ROBO) is an interesting ETF focused on the AI and Robotics revolution and after a parabolic run through early 2018 shares have seen a correction and look to resume an uptrend to new highs. ROBO's top holdings include AVAV, ISRG, CGNX, ZBRA, IRBT, OII, NVDA and some foreign players. The group trades on average at 26X Earnings, 3X EV/Sales and 21.8X FCF.



Monthly Educational and Insightful Links

[The Big Short's Michael Burry Explains Why Index Funds are Like Subprime CDOs](#)

[Hedge Funds Split Over Following Market Trends](#)

[How David Swensen Made Yale Fabulously Rich](#)

Disclaimer:

Not Investment Advice or Recommendation

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