



Model Portfolio Monthly Update: September 30, 2016

There are limitations inherent in our theoretical model results, particularly with the fact that such results do not represent actual trading and they may not reflect the impact material economic and market factors might have had on our decision making if we were actually managing client money. Please see additional disclaimers and disclosures at the back of this report.

We highlight stocks that demonstrate solid growth at a reasonable price (GARP). Stocks selected for our model portfolio strategies all rank highly for the following metrics, with an emphasis on proxies for cash flow growth and ROIC:

- Relative Value
- Operating Momentum
- Analyst Revision Momentum
- Fundamental Quality

Page 2 contains rebalancing actions for our long-only model portfolio.

Page 3 contains rebalancing actions for our short-only model portfolio.

Target and stop prices, as well as updated return data, to be provided in our daily reports that will follow.

Commentary

This is an abbreviated update to our longer, month-end report we will release shortly.

Long Model Portfolio -- Rebalancing Actions

9/30/2016 Rebalancing					
Core and Opportunistic Long Portfolio:					
28 stocks in the model portfolio = 3.57% weight per position					
Close Position		Hold/Rebalance		Open Position	
Drew Industries Incorporated	DW	American Eagle Outfitters, Inc.	AEO	Marriott International, Inc.	MAR
Amgen Inc.	AMGN	Vipshop Holdings Limited	VIPS	Home Bancshares, Inc. (Conway, AR)	HOMB
Alphabet Inc.	GOOG	Papa John's International Inc.	PZZA	JetBlue Airways Corporation	JBLU
Lexington Realty Trust	LXP	Lowe's Companies, Inc.	LOW	Masco Corporation	MAS
		Gentex Corp.	GNTX	Cintas Corporation	CTAS
		ULTA Salon, Cosmetics & Frag	ULTA	VeriSign, Inc.	VRSN
		Sysco Corporation	SYU	InterDigital, Inc.	IDCC
		Apollo Global Management, LL	APO	Equity LifeStyle Properties, Inc.	ELS
		Federated Investors, Inc.	FII		
		Principal Financial Group Inc.	PFG		
		First Horizon National Corporat	FHN		
		Hawaiian Holdings Inc.	HA		
		Dycom Industries Inc.	DY		
		EMCOR Group Inc.	EME		
		NetEase, Inc.	NTES		
		Texas Instruments Inc.	TXN		
		Logitech International SA	LOGI		
		Citrix Systems, Inc.	CTXS		
		Lam Research Corporation	LRCX		
		Applied Materials, Inc.	AMAT		

Source: Ascendere Associates LLC

Short Model Portfolio -- Rebalancing Actions

When the market anticipates an improving economy from low price levels, low-quality stocks will at times out-perform high-quality stocks as the expected improvements in fundamentals are discounted from a relatively more depressed price level.

9/30/2016 Rebalancing					
Core and Opportunistic Short Portfolio:					
23 stocks in the model portfolio = 4.35% weight per position					
Close Position		Hold/Rebalance		Open Short Sale	
Under Armour, Inc.	UA	Tribune Media Company	TRCO	Sinclair Broadcast Group, Inc.	SBGI
Deutsche Bank AG	DB	Wynn Resorts Ltd.	WYNN	MPLX LP	MPLX
Jacobs Engineering Group Inc.	JEC	Melco Crown Entertainment Lir	MPEL	ConocoPhillips	COP
Colfax Corporation	CFX	Netflix, Inc.	NFLX	InterOil Corporation	IOC
Caterpillar Inc.	CAT	Ctrip.com International Ltd.	CTRP	Terex Corporation	TEX
Workday, Inc.	WDAY	Tesla Motors, Inc.	TSLA	Joy Global, Inc.	JOY
PTC Inc.	PTC	Archer-Daniels-Midland Compa	ADM	NXP Semiconductors NV	NXPI
		Superior Energy Services, Inc.	SPN	Freeport-McMoRan Inc.	FCX
		The Blackstone Group L.P.	BX		
		Credit Suisse Group AG	CS		
		Ultragenyx Pharmaceutical Inc	RARE		
		Tesaro, Inc.	TSRO		
		ACADIA Pharmaceuticals Inc.	ACAD		
		Tableau Software, Inc.	DATA		
		FMC Corp.	FMC		
		Tableau Software, Inc.	DATA		

Source: Ascendere Associates LLC

DISCLOSURES

Ascendere is in the business of providing equity research and related consulting services to investors and their advisors. The equity research it provides includes basic quantitative model portfolios and more detailed fundamental research with respect to individual stocks. In addition, the firm manages stock portfolios for itself and clients.

Ascendere does not rate stocks on any scale, but does offer individual stock commentary and valuation opinions. With regard to Ascendere's portfolio strategies, "long" or "high-quality" baskets should generally be considered buys, unless otherwise noted. Stocks in our "short" or "low-quality" baskets should generally be considered sells, unless otherwise noted. While exceptions may occasionally occur, typically stocks in the high-quality basket are expected to outperform the S&P 500 over a month's time and stocks in the low-quality basket are expected to underperform. A more relevant benchmark would comprise of all stocks and ADRs that trade on major U.S. stock exchanges with a market cap above \$2 billion.

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J. Stephen Castellano – founded Ascendere Associates LLC to provide innovative equity research and investment advisory services that blends fundamental and quantitative approaches.

In general, our approach is quite simple -- we believe that return on invested capital and long-term earnings growth are key to stock valuation. More specifically, we use powerful and unique financial models that combine publicly available data, consensus estimates and our own inputs to generate consistent and actionable stock recommendations.

Among the services that Ascendere provides are: 1) detailed custom equity research analysis; 2) valuation scenario analysis studies; 3) supply /demand studies; 4) long and short stock idea generation; 5) portfolio feedback; 6) detailed fundamental financial modeling services; and 7) additional analytical consulting services. Additional information is available at www.ascenderellc.com.

Mr. Castellano has over 15 years of experience in equity research and related consulting work. At PaineWebber, Warburg Dillon Read and Credit Lyonnais Securities he developed fundamental equity valuation models and conducted in-depth research on the steel and telecom services industries. At Boston Private Value Investors, he developed quantitative models for stock idea generation and also provided general fundamental equity research coverage. Steve received a MBA from the F. W. Olin School of Business at Babson College (2005) and a BA from Oberlin College (1993).

Mr. Castellano's career history is highlighted below:

- Ascendere Associates, LLC (2009-Present)
- Boston Private Value Investors , Equity Research, Equity Research Analyst (2005-2009)
- Pyramid Research, Contract Consultant, Telecom Services (2002-2003)
- Credit Lyonnais Securities (USA), Equity Research, Telecom Services, Vice President (2000-2001)
- Warburg Dillon Read, Equity Research, Telecom Services, Research Associate (1999-2000)
- PaineWebber, Equity Research, Steel and Nonferrous Metals, Research Associate, Editor (1995-1999)