Martin's Ultimate Portfolio

MUP-190

Trading Update Plus a Look at Our Holdings

by Mandeep Rai and Wayne Burritt on May 27, 2016 at 4:00 pm EST (2016-05-27)

The market has pulled together a few up days over the past week and looks poised for a potential break-out.

That's good news, but it's not a done deal.

And we're not about to pop open the champagne.

In fact, the market's failure to eclipse the important 2,150 level has happened numerous times over the past year. Take a look …

The S&P 500 — a good proxy for the broader market — tried and failed to eclipse 2,150 (the green arrows) multiple times last summer, then again in November, and still again in April.

That's a pattern of failure.

As we've said here before, a break above 2,150 — and then a hold near that level — would be a good first step in reversing that failing pattern.

Is that the only go signal we're waiting for? Not in the least. But it's at the top of our reasons that give us pause right now …

- The market is over-extended — in fact, it's up 3.4% in just four trading days. Best to let it settle a bit.
- Fed Chair Janet Yellen spoke earlier this afternoon. Her comments have the potential to shove markets one way or the other without much effort, but traders already checked out for the holiday, so the market reaction was largely muted.
- We're still getting a host of mixed fundamental signals from the economy, from earnings (lousy) to consumer sentiment (ok) to housing (better). You name it, it's a mixed bag.

That's why the best thing to do is to stay put.

That's right: We won't be trading on Tuesday. (Monday is a holiday.)

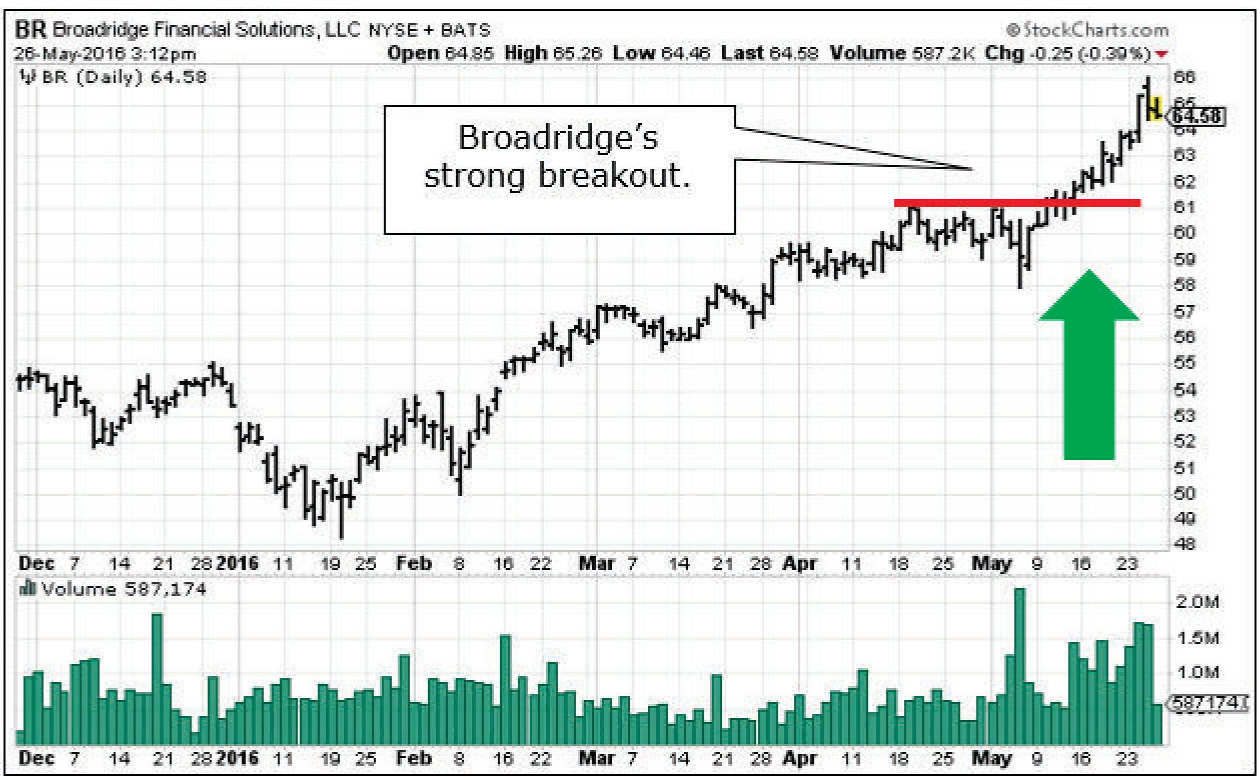
We do have a handful of excellent candidates that may be ready to go next week. Perhaps even as early as Wednesday.

But we want to let the smoke clear before we do any more trading.

When it's time to make a move, you'll be the first to know.

Now, to our portfolio …

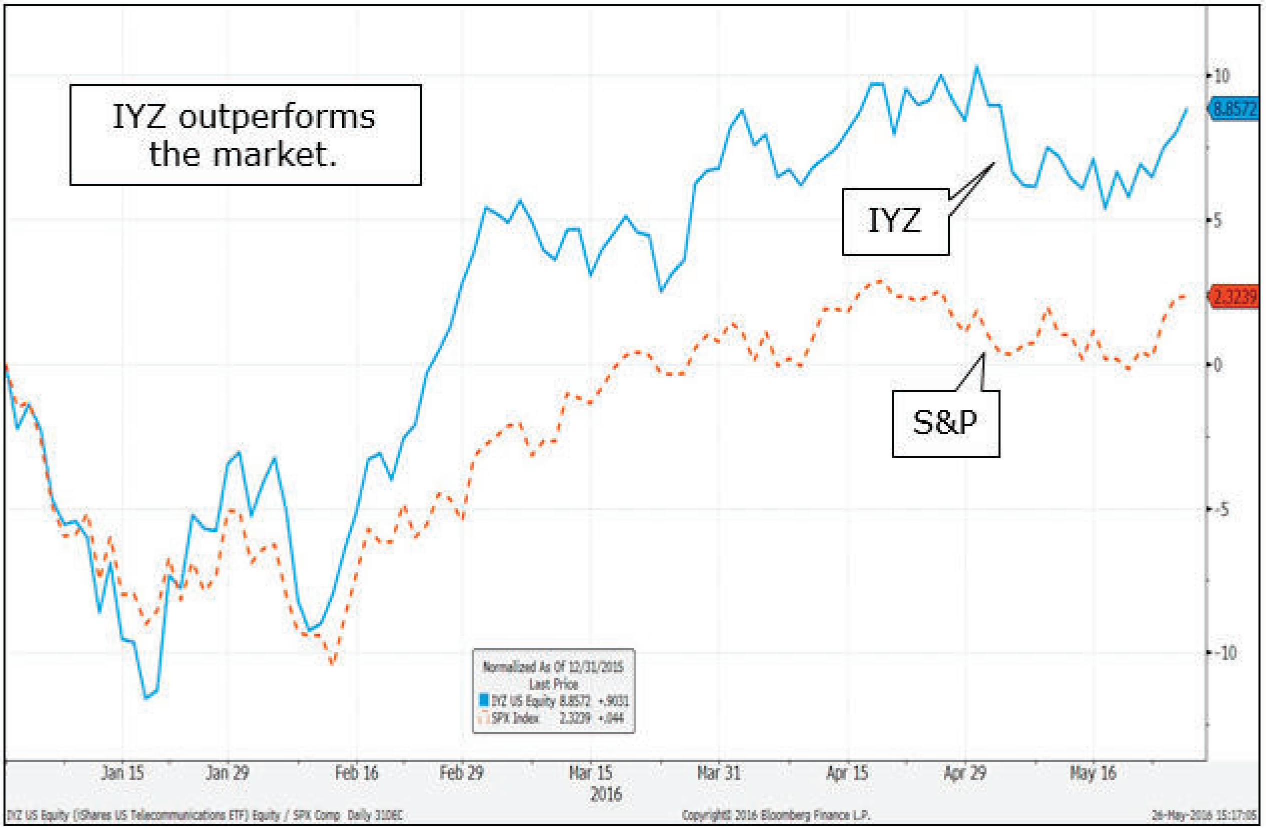
Our **Broadridge Financial (BR)** is in open gain territory and when we took a gander at the latest stock chart, we knew that was just the beginning …



Shares of Broadridge moved sideways from late April to early May. Then promptly ran into resistance at $61, failing to get above it three times.

Last week, it made another run and this time pierced $61. The stock is now eclipsing new highs. And that means we're looking for $70, $75, even $80 down the road.

The outlook for our **iShares US Telecommunications** (**IYZ**) should get a boost soon. And that's not a big surprise …



The IYZ is up 7.8% since the beginning of the year. That's over three times better than the S&P 500's 2.3%. And that's likely to continue.

Reasons …

IYZ carries a beta of .81. That means it's less volatile than the broader market. (A beta of 1.0 means a stock is just as volatile as the broader market.) And in today's market, less volatility is a selling point.

IYZ dividend yield is 2.45%, better than the broader market's 2.2%, and far better than the Nasdaq-100's 1.32% and the small-cap Russell 2000's 1.64% — another selling point.

IYZ continues to be a solid defensive play. And that's attractive as investors continue to seek safe investments that are likely headed up, regardless of the ups and downs in the economy.

Our **Pool Corp. (POOL)** holdings have open profits. And while that's a good thing, we're looking for even more down the road.

And we're not alone.

Neuberger Berman — the $243 billion private investment manager — operates the $10.1 billion Neuberger Berman Genesis Fund. And at the top of the fund's holdings: Pool.

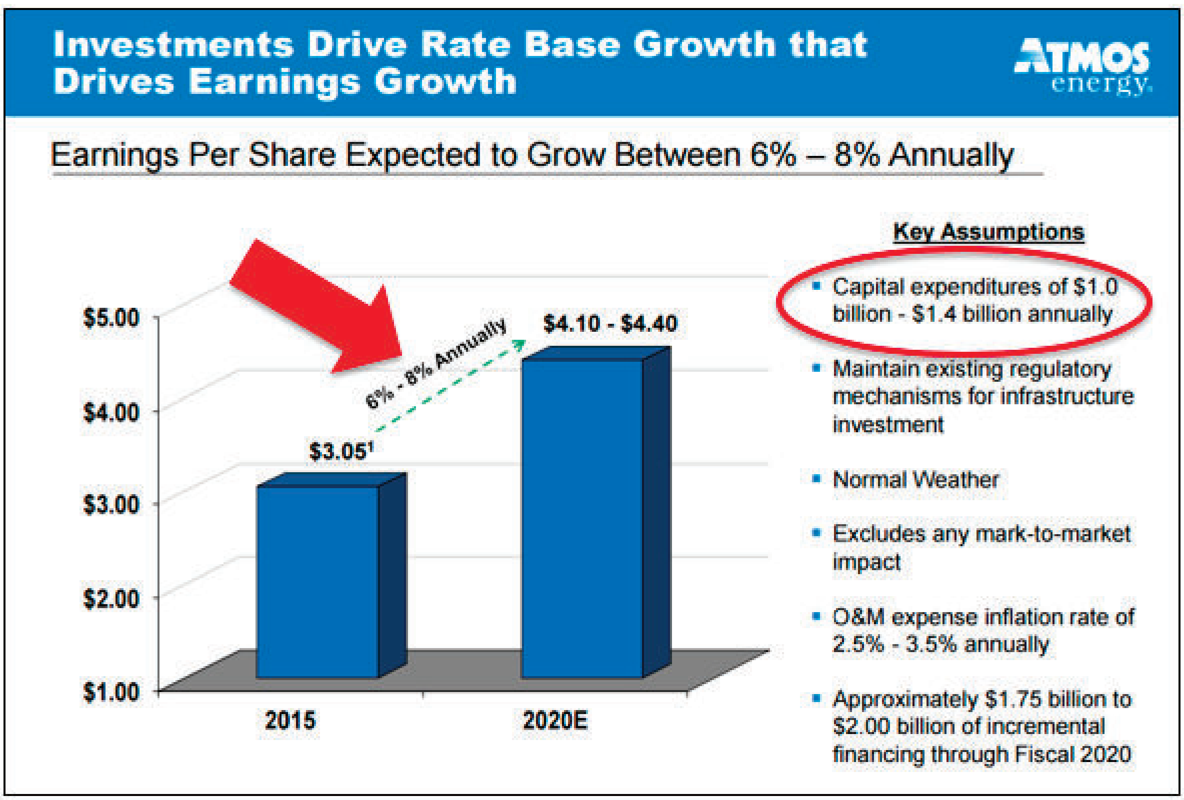
The fund — which has beat its benchmark for just about any time period you can imagine — is run by Brett Reiner. He prides himself on the fund's Steady-Eddie approach and likes Pool for the same reasons we've talked about here …

- Pool is a leading wholesaler of swimming pool supplies with a staggering 40% market share.
- The company has huge operating efficiencies compared to its biggest competitors.
- They've grown revenues 5% to 10% and operating profits are about twice that.
- 85% to 90% of Pool's sales come from maintenance products, making them less sensitive to pool makers' seasonal, weather, and economic cycles.

And don't forget: When a well performing fund like Genesis keeps Pool at the top of their list — with a holding of *2.2 million shares* — it's a big vote of confidence. And that's another selling point for investors.

It's no secret that one of the biggest drivers of growth in the utility business is capital investment. After all, the massive infrastructure needed to produce power, gas, and water — from transmission lines to power plants to sewage systems — is staggering.

That's why we were excited to see the capital expenditure budget forecast for **Atmos Energy (ATO)** …



Over the next five years, the company's $1.0 billion to $1.4 billion annual capital expenditure budget should drive earnings from $3.05 to the $4.10 to $4.40 range.

That translates to earnings-per-share growth of 6% to 8% annually. And with most of those earnings typically going toward dividends, the company's dividend yield — which already stands at a solid 2.33% — should continue to shine.

The markets aren't out of the woods yet. So, we're keeping our hedges in place, including our **ProShares Short S&P500 (SH)**, **ProShares UltraShort QQQ (QID)**, and **ProShares Short MSCI EAFE (EFZ)**.

Have a great Memorial Day weekend.

Good luck and God bless!

Mandeep and Wayne

Martin Weiss, Founding Editor

Martin's Ultimate Portfolio

Click on the security name for our in-depth report.
Click on the symbol for our Weiss Ratings report.
(Not always available on all investments)
Existing Portfolio
If you don't own them, follow the instructions below.

Stocks: Security Name	Symbol	Recommendation	Allocation
Pool Corp.	**POOL**	Buy Limit: $91.63	2%
Atmos Energy	**ATO**	HOLD	2%
Broadridge Financial Solutions, Inc. (BR)	**BR**	Buy Limit: $61.32	2%
ETFs: Security Name			
ProShares Short S&P500	**SH**	HOLD	6%
ProShares UltraShort QQQ	**QID**	HOLD	2%
ProShares Short MSCI EAFE	**EFZ**	Buy Limit – $34.50	4%
Utilities Select Sector SPDR ETF	**XLU**	Hold – Place Stop Loss at $44.69	2%
iShares US Telecommunications	**IYZ**	Buy Limit – $31.88	2%
SPDR Dow Jones REIT ETF	**RWR**	Buy Limit – $95	2%

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