N A T E ' S N O T E S

# NATE'S NOTES

Winning Ideas for the Individual Investor

*Way down deep, we're all motivated by the same urges. Cats have the courage to live by them.*

- Jim Davis (creator of *Garfield*)

## Inside this issue



| | Since Last Issue | Year To Date | Since Inception 10/31/97 |
|---|---|---|---|
| Model | +5.1% | +9.5% | +2,115.1% |
| Aggressive | +21.2% | +6.9% | +6,293.7% |
| DJIA | +1.9% | +5.8% | +251.5% |
| NASD | +2.5% | +16.0% | +402.6% |

A monthly publication by Nate Pile www.NatesNotes.com Issue 284 September 14, 2018

## Sleeping Well… and enjoying the bull market!

As was the case last month, a big inter-issue move in MannKind's stock has once again helped both Portfolios make bigger moves than the market as a whole on an isssue-to-issue basis… and, as you can see in the performance table above, I am very pleased to report that the move was in our favor this time around!

In addition, though there are a few stocks in the newsletter that are starting to lag the market in a somewhat alarming fashion, I am also very pleased to report that many of our other stocks are showing great relative strength these days (even if not to the same degree as MannKind), and the price action we are seeing in the likes of Apple, Cleveland-Cliffs, Illumina, Luminex, and NVIDIA these days, for example, is exactly the sort of action we would hope to see if we were looking for additional confirmation that we are, in fact, moving even more solidly into the frothy, blow-off phase of the bull market that has been underway for several years now.

Tackling the issue of the stocks that are lagging the market first, along with Electronic Arts and First Solar (whose underperformance can pretty clearly be tied to "nothing more" than the current status of global economic relations), I have to admit that I am also somewhat concerned by price action we have been seeing lately in a number of chip stocks… and though some are acting well, the fact that a growing number of stocks in the sector are starting to trace out chart

**Nate's Latest Stock Recommendations (as of 9/14/18)**

| | Company | Symbol | Originally Rec'd. @ | Closing Price | Strong Buy ≤ | Buy ≤ | New Orders^ (Aggressive Portfolio in parentheses) | First Buys |
|---|---|---|---|---|---|---|---|---|
| CORE STOCKS | Apple | AAPL | $0.97 | $223.84 | $215* | $235* | | ✔ |
| CORE STOCKS | Celgene | CELG | $0.44 | $87.17 | $78 | $90 | Buy 100 (500) | ✔ |
| CORE STOCKS | Illumina | ILMN | $17.92 | $353.12 | $335* | $360* | | ✔ |
| CORE STOCKS | MannKind* | MNKD | $42.55 | $1.65 | $5 | $10 | Buy 10,000 (100,000) | ✔ |
| CORE STOCKS | NVIDIA Corp. | NVDA | $4.49 | $276.43 | $260* | $280* | | ✔ |
| CORE STOCKS | Tekla Life Sciences Investors | HQL | $21.17 | $19.52 | $18 | $21 | | ✔ |
| CORE STOCKS | Walt Disney Co. | DIS | $13.00 | $109.26 | $106 | $115 | | ✔ |
| | AS Ranger Equity Bear | HDGE | $10.56 | $7.34 | $7 | $9 | | |
| | Catasys** | CATS | $10.51 | $10.51 | $10 | $15 | Buy 5,000 (25,000) | ✔ |
| | Cirrus Logic | CRUS | $38.39 | $39.71 | $35 | $42 | | |
| | Cleveland-Cliffs | CLF | $11.15 | $11.51 | $9* | $13* | Buy 500 (5,000) | ✔ |
| | Electronic Arts | EA | $17.01 | $114.27 | $110* | $120* | Sell 75 (500) | |
| | First Solar | FSLR | $60.91 | $48.21 | $44* | $50* | Sell 200 (1,000) | |
| | Luminex | LMNX | $19.58 | $29.78 | $28* | $32* | | ✔ |
| | NXP Semiconductors | NXPI | $24.26 | $92.76 | $82* | $90* | | |
| | PowerShares DB Ag. | DBA | $36.90 | $17.05 | -- | $18* | | |
| | PowerShares DB Cmdties. | DBC | $35.30 | $17.20 | -- | $18* | | |
| | Qorvo | QRVO | $8.29 | $75.74 | $65 | $80 | Sell 50 (500) | |
| | Skyworks Solutions | SWKS | $29.63 | $87.73 | $84* | $92* | Sell 50 (500) | |
| | SPDR Gold Trust ETF | GLD | $93.39 | $113.01 | -- | $116 | | ✔ |

**new recommendation *changes since last issue ^we will use closing prices 9/17/18 for all transactions patterns that suggest the sector may finally be "rolling over," know that I am watching the situation especially closely for signs that will let us know with a bit more certainty whether the pullback is just part of a healthy round of profit-taking in the context of an ongoing bull market… or if the group is actually acting as the canary in the coal mine for the rest of the market (and, unfortunately, it is still too early to know for sure),

On the flip side of the coin, however, not only are all of the stocks mentioned above acting extremely well these days, all five of the indices I use to gauge the health of the overall market are still flashing "bull market" signals for us (see the ***revised*** Eyebrow Levels table below for more information).

And, since our game plan calls for us to position our portfolios based on what the market is <u>actually</u> doing rather than what we think (or are worried it might do), you are naturally encouraged to be as patient as you can about taking profits in the current market environment, while also "selling down to the sleeping point" as needed if you ever find yourself starting to lose sleep over the size (or direction) of either a particular stock or your portfolio as a whole.

As you know, as the market has continued to creep higher, I have found it necessary to honor my own "sleeping point," and, over the course of the past couple of issues, we have paid off a bit of our margin debit in the Aggressive Portfolio and moved roughly 11% of the Model into cash; however, I want to remind you that since "peace of mind" is such an important part of finding success in the stock market, you should aim for whatever number helps you sleep at night… even that means your own portfolio is only 50% invested, for example! Not only does the peace of mind you'll have by selling down to your own sleeping point make it worthwhile, you'll have the added bonus of knowing that if the market does happen to head higher from here while you are "less than fully invested," it will likely be doing so with a vengeance.

That being said, though I am selling a few more shares of the some of the stocks that have been underperforming lately, based on how the overall market is acting, how some of the underlying stories are unfolding, and because I naturally want to start a position in the new stock I am recommending this month, I am putting some money back to work on a net basis this month (and will be sitting on roughly 8% cash in the Model after this month's trades, if you're wondering).

<u>**New Recommendation: Catasys (CATS – $10.51)**</u>

As mentioned last month, while a combination of us being in the late stages of a bull market (which makes "bargains" scarce) and it being hard to find anything more compelling than I have found the MannKind story to be while the market cap has been sitting down here under $500 million (or even $1 billion), now that MannKind appears to be entering a new era and is likely to require much less "hand-holding" in the months (and quarters… and years!) ahead, I am finally ready to recommend a new stock that I believe also has the potential to generate some significant gains for us in the years ahead based on its market cap today versus what it has the potential to be worth in, say, five years if the company continues to execute on its business plan.

Nate Pile

Catasys is an up-and-coming company that has created a comprehensive program (called OnTrak) that is designed to help health insurers reduce claims costs associated with members who have behavioral health disorders that also cause or exacerbate other co-existing medical conditions.

In a nutshell, Catasys has developed a proprietary data analysis platform that it combines with predictive modeling techniques to identify individuals in a healthcare plan who suffer from chronic conditions, but, because they may not be receiving the support they need to successfully manage these underlying conditions, end up costing the plan a great deal of money on other "secondary" items like ambulance transports and visits to the ER that can be prevented (or minimized) with even a small increase in the amount of support that is provided to the patient.

Once the individuals in a plan have been identified, the OnTrak program kicks in and a 52-week intensive outpatient program begins in which the patients are engaged and provided with nurses (or other appropriately qualified "coaches," depending on the underlying situation), sometimes in person, sometimes via video conferencing (or perhaps both), and this coach proactively works with the patient to gain better control of their underlying condition (which, in turn, leads to fewer "secondary" events in the patient's life).

Initially, the company was focused primarily on patients who suffered from behavioral or mental health related illnesses such as substance abuse, anxiety, and depression, but as its data analysis platform has grown, it has also begun to tackle patients with other co-morbid ("more than one chronic illness") conditions such as diabetes, hypertension, coronary artery disease, COPD, and congestive heart failure… and with the massive amounts of data that are becoming available for analysis thanks to the digitizing of health records over the past several years, it is becoming possible to sift through this data with ever increasing accuracy to identify patients that are strong candidates to find success with a program like OnTrak.

Though the numbers will obviously vary from patient to patient, Catasys claims that it is reducing claims cost by roughly 50% for the health plans it is currently working with across the country, and though other companies will undoubtedly be joining the fray, Catasys appears to be establishing itself as an early leader in being able to provide this service to insurers (and once their plan is in place and generating results, it will be that much harder for competitors to come in and knock them out of that position).

Along with being at the forefront of the sort of data analysis that is becoming possible in this era of digital medical records,

## New To The Newsletter?

Here are a few guidelines to help you get started:

- Decide how much of your overall portfolio you'd like to allocate to the ideas in *Nate's Notes*... and then plan on investing it in roughly equal amounts each month over a period of several months.
- Make your initial purchases based on the "first buys" that are check-marked in the table on the front page of the newsletter (note that you do not have to buy all of them each month!), as well as in the commentary found in the company write-ups.
- Try to invest slightly more money in "core stocks" vs. "non-core stocks" (60%-40%, respectively, is a reasonable ratio to aim for when first starting out).

You can read more on this topic in the May 2013 issue of the newsletter online.

Catasys also benefits from the fact that its Founder and CEO is Terren Peizer; though I was not familiar with his name before I started following the company, I can tell you that he has had a long and successful career that started in finance but has gone on to involve the starting, buying, and/or selling of a number of companies along the way, and, given his still quite large stake in Catasys (more on this below), it would not surprise me if the goal here won't be to eventually sell the company as well.

As just mentioned, though his stake is technically held by Acuitas Holding Group, LLC (his personal holding company), Mr. Peizer is the largest shareholder in Catasys – of the 15.9 million shares outstanding, he still own 10.4 million of them!

On the one hand, this is a good thing, as he's clearly in a position to do well if the company does well, but, on the other hand, I want to make sure you understand that because he owns so much of the stock, there are very few other shares available for trading, and, frankly, this extreme lack of liquidity is one of the biggest risks I see in recommending the stock at this point in the company's history (simply because even the slightest amount of buying – or selling – pressure has the potential to cause large swings in the stock price).

That being said, this is a situation that lines up nicely with the idea that I first read about in a quote from Warren Buffett, namely, "if we bought the stock today and then the stock market closed for five years, do we think our investment would be worth quite a bit more when it re-opened?"... and, as mentioned above, given where things currently stand in the race to digitize everything, I think the odds are good that Catasys will be a quite bit larger company in five years than it is today.

Of course, the stock market isn't likely to be closed for five years, and thus, I want to remind you of a couple of things that are worth keeping mind before you make a decision about adding Catasys to your own portfolio, especially if you are someone who likes to watch stocks on a daily basis and may sometimes "get sucked into the action:"

• First, as mentioned above, the float (i.e. the stock available to be traded on the open market) is extremely small, and thus, you are encouraged to be especially disciplined about not "chasing" the stock if it starts to head higher in a hurry (and, likewise, not be too quick to panic if suddenly takes a large tumble "on almost no volume"), and

• Second, given Mr. Peizer's large position and the typical path to growth for a company like Catasys, there will almost certainly be at least one secondary offering along the way so that Mr. Peizer can liquidate a portion of his holdings and the company can raise additional capital, and I just want to make sure you know ahead of time that "dilution" will almost certainly be taking place at some point along the way.

**CATS is considered a strong buy under $10 and a buy under $15.**

### An Upgrade For MannKind

As many of you know, MannKind recently announced that it has signed a deal with United Therapeutics (UTHR – $123.92) under which MannKind will receive $45 million upfront, up to an additional $50 million in milestone payments, and low double-digit royalties on any sales that may come from United Therapeutics' effort to commercialize treprostinil delivered via the Technosphere platform. Also, the agreement stipulates that there may be additional payments and royalties involved for another unnamed compound that United Therapeutics is interested in.

Now that the company has put some money its coffers and given itself the largest cushion that it has had time-wise since getting Afrezza back from Sanofi, as well as set a very nice mark against which future deals for other Technosphere candidates can be negotiated, I am even more confident that the company really is entering a new era. It is becoming more and more clear that Mike Castagna has the train back on the tracks in a big way, and so, along with adding a few more shares to our already intentionally large positions this month, I am also upgrading MannKind by making it a "core stock" going forward. Thanks for your patience with the story!

## "Eyebrow Levels" (revised)

(used to help us gauge the overall health of the market*)

| Index | Current | One Eyebrow | Two Eyebrows |
|---|---|---|---|
| DJIA | 26,155 | 24,350 | 23,000 |
| Nasdaq | 8,010 | 7,250 | 6,500 |
| S&P 500 | 2,905 | 2,675 | 2,500 |
| BTK | 5,140 | 4,200 | 3,900 |
| SOX | 1,377 | 1,175 | 1,025 |

**As long as all five indices are trading above their "one eyebrow" levels, it is a sign that the current uptrend is still intact; however, if the indices start to dip below those levels, it will cause me to raise an eyebrow and wonder if the trend may be coming to an end... and if both eyebrows go up, it will mean that things are deteriorating in a hurry (if you see eyebrow levels being broken, start looking for a "Special Alert" from me in your email box).*

# N A T E ' S   N O T E S

## AdvisorShares Ranger Equity Bear • HDGE

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Net Assets (millions) |
|---|---|---|---|---|---|
| $10.56 | $7.34 | $8.64 | $7.28 | ETF | $179.0 |


As is to be expected based on the fact that the market is continuing to power higher, shares of HDGE have continued to drift lower over the past four weeks, and though they have not yet started to hit new all-time lows, they are right on the cusp of possibly doing so. As mentioned in previous issues, this "inverse ETF" (which is actually short a basket of stocks, unlike many other inverse ETFs that are built around futures and options contract) is only in the newsletter for those subscribers who are very aggressive with their money and are looking for a vehicle that won't just preserve capital in a down market, but, at least in theory, should make money during a bear market. **HDGE is considered a strong buy under $7 and a buy under $9.**

## Apple • AAPL

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $0.97 | $223.84 | $229.67 | $149.16 | 5,068.8 | $1,134,600.2 |


As you can see in the chart to the left, Apple's stock has continued to power higher in the four weeks since last month's issue went to press, and though the run will eventually come to an end, I want to remind you that, for now, you should be as patient as possible when it comes to taking profits. The company is continuing to find success in expanding the "services" side of its business, and several of the new features that have been added to the new Apple Watches (esp. those related to monitoring health) ought to only help accelerate the progress the company has been making in dominating that "new" product category. I am raising the buy limits a bit this month, and **AAPL is now a strong buy under $215 and a buy under $235.**

## Catasys • CATS

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $10.51 | $10.51 | $10.92 | $3.30 | 15.9 | $167.1 |


Though it can be psychologically difficult to buy a stock that has already tripled off its 52-week low, I want to remind you that not only is this a long-term investment and "today's market cap is likely to seem cheap compared to where it could be in five years," but we are also at a point in the market cycle in which this sort of stock has the potential to triple again if the bull market can hang on for awhile longer, so don't be afraid to start nibbling (but, again, also please be wary of "chasing" it due the thin float!). Fun Fact: long-time subscribers will recall that CATS was also the ticker of Catalyst Semiconductor, a small company recommended in 2001 and eventually bought out in 2008. **CATS is a strong buy under $10 and a buy under $15.**

## Celgene • CELG

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $0.44 | $87.17 | $147.17 | $74.13 | 808.7 | $70,494.4 |


After looking like it might be gearing up to test the $100 mark as August came to an end, I'm afraid that Celgene's stock has since pulled back a bit; the good news, however, is that the price action we have been seeing lately is helping to boost my confidence that the stock really is forming a base from which we ought to get one more nice run as part of the climax of the bull market. Due to the "pruning" that we have been doing over the past nine months in response to the poor relative strength of the stock, both Portfolios have become somewhat underweighted in the stock... but the time has come for us to start growing our positions again. Especially as a "first buy," **CELG is a strong buy under $78 and a buy under $90.**

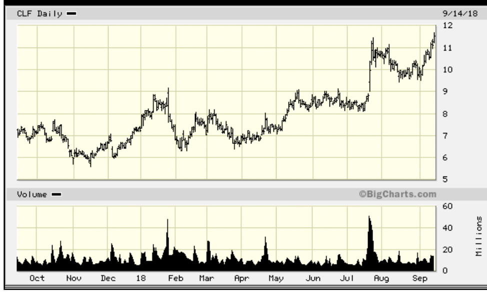
## Cirrus Logic • CRUS

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $38.39 | $39.71 | $58.80 | $34.78 | 66.4 | $2,635.2 |


After looking like it might finally be regaining some traction, I am afraid that Cirrus' stock took a fairly dramatic tumble this week in response to changes that have been made in Apple's iPhones... and, while this is hardly "end of the world" news for Cirrus, I am afraid that it is yet another piece of news that is causing investors to shy away from the stock. We have already sold a fair amount of the stock out of both Portfolios, and I do not feel any need to shrink our positions even further. At some point, we will either start to rebuild our positions or decide that it is time to move on from the stock, but for now, I am content sitting on our small positions while watching and waiting. **CRUS remains a strong buy under $35 and a buy under $42.**

Core Stocks shown in orange • Charts courtesy of BigCharts.com • All prices shown are as of the publication date

## Cleveland-Cliffs • CLF




| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $11.15 | $11.51 | $11.66 | $5.60 | 301.3 | $3,468.0 |

In response to the company completing the sale of its Asia Pacific operations and recently announcing that it plans to pay off roughly $220 million in senior debt that is due in 2020, I am pleased to report that the stock is once again starting to power into new multi-year high territory. Though you are naturally encouraged to lock in some profit if it will help you sleep at night, given how the story is shaping up (and especially in light of where we are at in the overall market cycle), I am raising the buy limits a bit and adding a few more shares to both Portfolios this month… and, provided you are not already overweighted in the stock, you are encouraged to do the same! **CLF is now a strong buy under $9 and a buy under $13.**

## Electronic Arts • EA

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $17.01 | $114.27 | $151.26 | $99.63 | 313.0 | $35,766.5 |


Grrr! As mentioned in last month's issue, as long as the stock could hold above $125, I could feel comfortable saying the uptrend was still intact; however, as you can see in the chart to the right, not only did EA's stock fail to hold above that level, it actually "gapped down" to well below to that level a few weeks after last month's issue went to press, and, at least for now, it has failed to mount any sort of meaningful rally following the drop. Though it is still too early to know whether EA is trying to warn us ahead of time that the market is rolling over… or if it might instead roar back with a vengeance… I am taking a few more chips off the table this month "just in case." **EA is considered a strong buy under $110 and a buy under $120.**

## First Solar • FSLR


| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $60.91 | $48.21 | $81.72 | $45.26 | 106.3 | $5,124.7 |

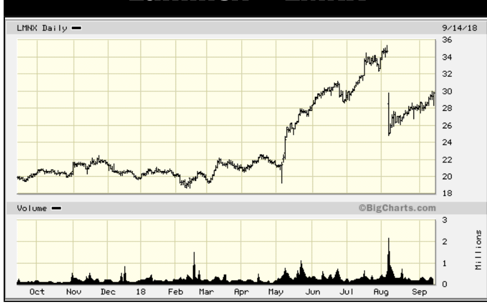
Unfortunately, along with EA's stock (and a few others in the newsletter this month as well), I am afraid that First Solar's is also bucking the trend of the overall market these days, with the only "silver lining" being that it is much easier to say with a high degree of certainty that the stock is a fairly major casualty of the global trade war that is currently underway (so at least we know what we are dealing with). That being said, though I am taking a few more chips off the table this month in order to redeploy that capital into other situations that are not facing the same headwinds, I do still believe in the company on a longer-term basis (so please do not sell your entire position!). **FSLR is now a strong buy under $44 and a buy under $50.**

## Illumina • ILMN

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $17.92 | $353.12 | $357.93 | $196.00 | 147.8 | $52,191.1 |


As pointed out last month, you really cannot find a more picture-perfect example of the sort of price action we like to see in our stocks than the chart to the right… and though the trend could come to an end as soon as Monday, I am sure that you know by now that my advice is to continue being as patient as possible about taking profits (but DO sell down to your own "sleeping point" if your position is becoming "too large"), and, perhaps just as importantly, please don't be afraid to buy the stock at current prices, especially if you are still working on building up to having a "full" position (and there is nothing wrong with buy just a share or two, if that's all you can afford). **ILMN is now a strong buy under $335 and a buy under $360.**

## Luminex • LMNX




| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $19.58 | $29.78 | $35.37 | $18.62 | 44.2 | $1,316.3 |

Though the large drop that we saw in the stock back in early August clearly took some wind out of its sails at the time, as you can see in the chart to the left, the stock has been doing nothing but working its way steadily higher ever since then… and, again, this is exactly the sort of action we would like to see to help us feel confident about our assessment of where we are at in the overall market cycle. Both Portfolios currently own "enough" Luminex for the time being, but it is a "first buy" for new subscribers, and if you become a holder of record by September 21st, you will be eligible for the $0.06 per share dividend that will be paid on October 12th. With patience, **LMNX is now a strong buy under $28 and a buy under $32.**

| MannKind Corp. • MNKD | Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|---|
| | $42.55 | $1.65 | $6.96 | $0.98 | 140.6 | $232.0 |

As mentioned above, now that Mike Castagna has taken "the cash concern" off the table (at least for the foreseeable future, and perhaps once and for all), as well as put Technosphere "in play" in a big way, I (finally!) feel comfortable upgrading MannKind to "core stock" status. That being said, I will still be doing a "hard check-in" regarding script counts in both the October and January issues, but given where we are at in the rollout of Afrezza (and especially with the recent infusion of cash to accelerate promotional efforts), I remain optimistic that we are going to start seeing some significant growth in prescription counts over the next 3–9 months. **MNKD remains a very strong buy under $5 and a buy under $10.**

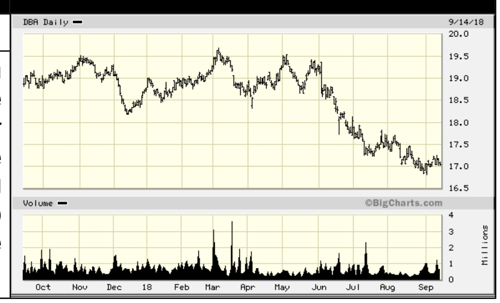
| NVIDIA Corp • NVDA | Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|---|
| | $4.49 | $276.43 | $285.22 | $170.16 | 627.0 | $173,327.1 |

After giving us some pause for concern that a dreaded (at least by chartists) "triple top" might have been forming as last month's issue went to press, I am very pleased to report that rather than breaking down, NVIDIA's stock has since pushed back into record high territory again… and though it's not quite as pretty as Illumina's, as you can see in the chart to the right, NVIDIA's stock is also tracing a textbook example of the sort of price action that we would expect to in this stage of the bull market. This is another stock you are encouraged to be building a position in "even though it's up so much already," and even if you can only afford a shares at a time. **NVDA is considered a strong buy under $260 and a buy under $280.**

| NXP Semiconductors • NXPI | Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|---|
| | $24.26 | $92.76 | $125.93 | $84.59 | 347.0 | $32,190.5 |

Unfortunately, NXP's is not faring as well as NVIDIA's these days, and though it did bounce a bit heading into this weekend, I am afraid that the fact that it tumbled into new 52-week low territory in response to a recent "analysts day" event does not bode well for the performance of the stock between now and the end of the year for the simple reason that it is clearly becoming a candidate for tax-loss selling, especially after spending the last two years trading higher in hopes of the eventual buyout by Qualcomm that never came. Though I did start nibbling at the stock again last month, I am not doing so this month (but will continue to watch the story closely). **NXPI is now considered a strong buy under $82 and a buy under $90.**

| PowerShares DB Agriculture • DBA | Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Net Assets (millions) |
|---|---|---|---|---|---|---|
| | $36.90 | $17.05 | $19.68 | $16.81 | ETF | $663.4 |



Not much new to say about either DBA or DBC this month, other than to point out yet again that, at some point, I do expect commodities to "catch a bid" across the board… and once they do, you can rest assured that I will become much more aggressive about adding to our positions in these two ETFs. However, in the meantime, I believe both of these ETFs can be included on the list of situations that are being impacted by an artificial "friction" that is making it difficult for investors to know what a "fair" price to pay for something is going to turn out to be, and, consequently, I do not think we need to be in any rush to get involved beyond the very small positions that we have *(continued under "DBC" below)* **DBA is a buy under $18.**

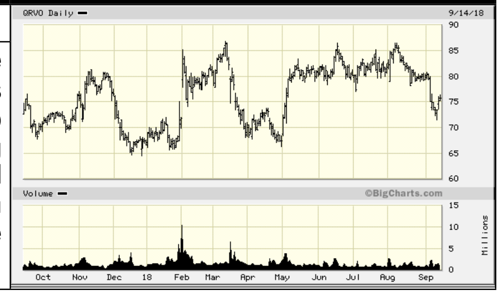
| PowerShares DB Commodities • DBC | Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Net Assets (millions) |
|---|---|---|---|---|---|---|
| | $35.30 | $17.20 | $17.94 | $16.56 | ETF | $2,500.0 |

*(continuing from "DBA" above)* already sold down to in both Portfolios. That being said, it is always easier (at least in my experience) to buy something that has gone up in price if you already own some from a lower price, so those of you who do not yet have a position of any sort in either of these two ETFs but do have an interest in being involved in commodities at some point may want to think about starting a small position at current prices "just in case" (and it's ok you're not one of those folks and you would rather stick with just owning stocks – like HDGE, DBA and DBC are also "optional" ideas for those subscribers interested in them). I am lowering the buy limit a bit this month, and **DBC is now a buy under $18.**

Core Stocks shown in orange • Charts courtesy of BigCharts.com • All prices shown are as of the publication date

## Qorvo • QRVO

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $8.29 | $75.74 | $86.84 | $64.53 | 129.5 | $9,808.3 |




As mentioned above, though the SOX semiconductor index is still trading above its one eyebrow level, I am getting a little concerned about the fact that so many of our chip stocks appear to be "rolling over," and, as you can see in the chart to the right, after managing to hold above $80 for an extended period of time, I am afraid that Qorvo's stock may be joining the move to the downside as well. To be sure, it is not hitting new 52-week lows yet… and the whole group could turn around tomorrow if something definitive happens to finally put an end to the trade wars… but I am selling a few shares this month in order to redeploy the capital elsewhere. **QRVO is considered a strong buy under $65 and a buy under $80.**

## Skyworks Solutions • SWKS

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $29.63 | $87.73 | $117.65 | $83.05 | 185.7 | $16,291.5 |


And, if you know I am concerned about the price action we have been seeing in Qorvo's stock lately, then you know I am even more concerned about what's going on with Skyworks', as it is a situation where the stock IS already starting to hit new 52-week lows… and, as much as I still like the company's long-term prospects, I will be the first to admit that the chart to left is clearly becoming a very bearish-looking one! That being said, please note that I am sticking to the game plan and simply selling off another small piece of our position in both Portfolios this month rather than simply exiting "in one fell swoop," and you are encouraged to take this same disciplined approach as well. **SWKS is a strong buy under $84 and a buy under $92.**

## SPDR Gold Trust • GLD

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Net Assets (millions) |
|---|---|---|---|---|---|
| $93.39 | $113.02 | $129.51 | $111.06 | ETF | $36,370.0 |


Though it is still far too early to declare the downtrend that has been underway since last April "over," I do find it somewhat encouraging that the price of gold has at least paused to catch its breath rather than sliding on an almost daily basis. As mentioned in previous issues, I am surprised by how gold has been acting for the past twelve months (or longer), and though we already own "enough" gold in both Portfolios, I can tell you that I remain confident that the price of the precious metal is eventually going to start heading north again… and once it does, I will be looking at it as a reason to start buying more aggressively rather than an opportunity be "lightening up" (just to help you with your own game plan). **GLD is a buy under $116.**

## Tekla Life Sciences Investors • HQL

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $21.17 | $19.52 | $22.24 | $18.01 | 20.1 | $392.8 |


No, there's not much to glean from the chart to the left, other than to point out that if shares of this closed-end fund happen to climb back over $20.50 in the days or weeks ahead, we will be able to count it as a small but useful clue about the direction of the biotech sector as a whole. In the meantime, for new subscribers who are not yet familiar with the story, please note that this fund represents a somewhat conservative way to participate in biotech stocks with a single purchase; however, please note that if you can stomach the volatility, you will likely get more bang for your buck by owning individual biotech stocks, especially given where we are at in the current market cycle. **HQL remains a strong buy under $18 and buy under $21.**

## Walt Disney • DIS

| Originally Rec'd. | Current Price | 52-Wk High | 52-Wk Low | Shares Out (millions) | Market Cap (millions) |
|---|---|---|---|---|---|
| $13.00 | $109.26 | $117.90 | $96.80 | 1,512.0 | $165,201.1 |


After making a great run for us in the two months leading up to last month's issue, Disney's stock has pulled back a bit in response to what, at least for now, appears to be the sort of healthy profit-taking we would expect to see during this phase of the market cycle. That being said, however, it is hard to not be at least a little concerned that the stock actually registered its lowest close since last month's issue as this issue is going to press, and so we have to be on the lookout for signs that perhaps something more serious is starting to unfold (especially since the chip sector is already forcing us to wonder if perhaps the market is actually less healthy than it appears). **DIS remains a strong buy under $106 and a buy under $115.**

Top Picks (for new money this month)

All else being equal (i.e. you already own "pretty much everything" in the newsletter), my top picks for you this month are:

**Cleveland-Cliffs (CLF) –** Though they are both exhibiting great relative strength these days, I decided to go with Cleveland-Cliffs as my first "top pick" this month instead of Apple… but you can certainly include Apple on the list if you want four top picks to choose from this time around!

**Illumina (ILMN) –** Illumina's stock is continuing to trace out a "text book" example of exactly the sort of chart pattern we like to see on a long-term basis, and the great relative strength should be looked at as an excuse to buy rather than sell!

**MannKind (MNKD) –** As discussed elsewhere, I think it is fair to say that a new era has, in fact, officially gotten underway for the company… and yet the stock has barely budged!

Outstanding Orders

For the reasons discussed above and below, the Model (Aggressive) Portfolio will **sell** 75 (500) Electronic Arts, 200 (1,000) First Solar, 50 (500) Qorvo, and 50 (500) Skyworks Solutions and will **purchase** 5,000 (25,000) Catasys, 100 (500) Celgene, 500 (5,000) Cleveland-Cliffs, and 10,000 (100,000) MannKind. We will use the closing prices on Monday, September 17th, for all transactions.

Nate Pile, Editor

| POSITION | PORTFOLIO #1: MODEL | | | | PORTFOLIO #2: AGGRESSIVE | | | |
|---|---|---|---|---|---|---|---|---|
| Company | Shares owned | Total Cost | Today's Value | Total % Change | Shares owned | Total Cost | Today's Value | Total % Change |
| AS Ranger Equity Bear | 3,000 | $31,271 | $22,020 | -29.6% | 10,000 | $103,263 | $73,400 | -28.9% |
| Apple | 625 | $47,903 | $139,900 | +192.0% | 3,700 | $252,616 | $828,208 | +227.9% |
| Celgene | 1,000 | $97,126 | $87,170 | -10.3% | 5,000 | $484,118 | $435,850 | -10.0% |
| Cirrus Logic | 550 | $21,426 | $21,841 | +1.9% | 3,500 | $136,149 | $138,985 | +2.1% |
| Cleveland-Cliffs | 11,000 | $94,425 | $126,610 | +34.1% | 60,000 | $505,320 | $690,600 | +36.7% |
| Electronic Arts | 800 | $34,916 | $91,416 | +161.8% | 5,500 | $229,886 | $628,485 | +173.4% |
| First Solar | 1,800 | $83,248 | $86,778 | +4.2% | 10,000 | $493,968 | $482,100 | -2.4% |
| Illumina | 625 | $88,319 | $220,700 | +149.9% | 3,300 | $477,780 | $1,165,296 | +143.9% |
| Luminex | 4,500 | $87,368 | $134,010 | +53.4% | 29,000 | $564,346 | $863,620 | +53.0% |
| MannKind | 110,000 | $316,892 | $181,500 | -42.7% | 1,600,000 | $5,322,219 | $2,640,000 | -50.4% |
| NVIDIA Corp. | 625 | $10,854 | $172,769 | +1,491.8% | 3,250 | $55,172 | $898,398 | +1,528.4% |
| NXP Semiconductors | 400 | $27,272 | $37,104 | +36.1% | 2,000 | $132,014 | $185,520 | +40.5% |
| PowerShares DB Ag. | 2,250 | $48,945 | $38,363 | -21.6% | 7,000 | $155,896 | $119,350 | -23.4% |
| PowerShares DB Cmdties. | 4,750 | $76,185 | $81,700 | +7.2% | 20,000 | $331,507 | $344,000 | +3.8% |
| Qorvo | 1,050 | $57,470 | $79,527 | +38.4% | 8,000 | $407,267 | $605,920 | +48.8% |
| Skyworks Solutions | 600 | $43,118 | $52,638 | +22.1% | 4,500 | $334,081 | $394,785 | +18.2% |
| SPDR Gold Trust ETF | 1,025 | $123,267 | $115,835 | -6.0% | 6,400 | $776,393 | $723,264 | -6.8% |
| Tekla Life Sciences Investors | 4,083.2 | $36,240 | $79,704 | +119.9% | 15,311.8 | $141,136 | $298,886 | +111.8% |
| Walt Disney Co. | 1,200 | $97,290 | $131,112 | +34.8% | 6,250 | $514,189 | $682,875 | +32.8% |
| | | Stocks: | $1,900,696 | | | Stocks: | $12,199,542 | |
| | | Cash (Debit): | $232,074 | | | Cash (Debit): | ($5,805,882) | |
| | | **Total Value:** | **$2,132,770** | **+2,032.8%** | | **Total Value:** | **$6,393,660** | **+6,293.7%** |

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| **Orders Filled 8/20/18** |
|---|
| **(Aggressive Portfolio in parentheses)** |
| Sold 50 (300) AAPL @ $215.46 |
| Sold 100 (500) EA @ $127.71 |
| Sold 400 (3,500) FSLR @ $52.32 |
| Sold 50 (300) ILMN @ $325.99 |
| Sold 500 (2,500) LMNX @ $27.24 |
| Sold 75 (350) NVDA @ $247.84 |
| Sold 500 (2,500) PERY @ $27.56 |
| Sold 250 (1,000) DBA @ $17.27 |
| Sold 500 (1,000) DBC @ $16.84 |
| Sold 100 (500) SWKS @ $90.98 |
| Bought 1,000 (5,000) CLF @ $9.73 |
| Bought 10,000 (100,000) MNKD @ $1.11 |
| Bought 150 (750) NXPI @ $90.13 |
| credited $266 ($1,900) from SWKS dividend 8/28/18 |

The Model and Aggressive Portfolios are designed to hypothetically track the results of our recommendations over time. The Model Portfolio was started with $100K in February 1995. The Aggressive Portfolio was started with $100K in October 1997 and is designed for investors with a shorter time horizon and higher tolerance for risk (due to regular use of margin). For the purposes of tracking performance, a commission of 1% is charged on all stock transactions. All realized gains (and any dividends paid on existing positions) are reinvested in their respective Portfolios. As is standard in the newsletter industry, due to the variability of tax rates and margin rates depending on an individual's situation, no effort is made to factor either of them into the returns reported.