

Monthly Performance Update

GME, GNC, AFL, NVDA – Hold, MDT – Take Profit

11 May 2017

USA | | TRADING NOTE APRIL 2017 MONTHLY REVIEW

Investment Summary

We issued 1 Buy Trade in April 2017, GameStop Corp., the company has since surpassed our target price since the call. We also updated our current positions by closing our MDT trade and increasing our Target Price for GME and NVDA. By the end of April, the US Trading Note Portfolio has generated a 5.4% return (assuming an equal weight in all positions).

Medtronic PLC (MDT): MDT fell a little in mid to late April but has recovered strongly at the end of the month. At the start of May, MDT hit our Target price of USD 84.28 and we have decided to take profit and close our position in MDT on 2nd May. The Affordable Healthcare Act, the Republican healthcare bill, managed to pass Congress in the USA and is up for a vote in their Senate. It is estimated that millions of Americans will no longer have medical insurance coverage if the bill passes. As such, in light of the likely volatility of the situation, we have decided to close the position.

GNC Holdings Inc (GNC): GNC saw a massive jump in price when they reported their latest earnings, going up almost 24% to above USD 9 a share as they reported better than expected results. However subsequent to the gap up, the share price continued to tumble down as recent news regarding their failed renegotiation of their debt burden has come out. While the recent earnings showed that the company's turnaround strategy was gaining traction, there is concern if the company would be able to cover the new terms for their debt. We continue to hold the position as we believe the turnaround plan instituted by the company has merit. It should be able to generate the Free Cash Flow required to cover and reduce their debt.

Aflac Inc. (AFL): AFL came close to hitting our target price at the end of April after reporting better than expected results; however, it ultimately was not able to maintain that momentum and since stabilized around USD 74. We believe the fundamental story is unchanged for AFL and continue to hold the share.

NVIDIA Corporation (NVDA): Despite falling close to our Stop Loss of USD 95.07 on negative reports of slowdown in Gaming hardware, overvaluation and their competitor AMD reporting worse than expected results, which led to a more than 20% fall in AMD's share price, NVDA managed to recover above USD 104 for the end of April. They also reported much better than expected in their latest earnings, with revenue up 48% YoY, and GAAP EPS up 126% YoY. On the back of the strong earnings, NVDA managed to surpass our previous Target Price of USD 120. Given the better than expected performance and improving fundamentals, we have decided to moderately increase our Target Price to USD 127.50.

GameStop Corp (GME): Following our buy call on GME on 7 April, GME has managed to hit our Target Price of USD 23.96. Subsequently, GME has continued its bullish momentum and closed at USD 24.95. As GME continues to play out the same pattern as detailed in our previous report, we have decided to increase our Target price to the USD 26.50 resistance level seen in the previous patterns. GME will report the latest quarter earnings at the end of May and we will continue to monitor the stock for changes in their fundamentals.

Ho Kang Wei (+65 6212 1855)
hokw@phillip.com.sg

Jeremy Ng (+65 6212 1857)
jeremyngch@phillip.com.sg

GME daily chart



Red line = 20 period moving average, blue line = 60 period moving average,
 Green line = 200 period moving average
 Source: Bloomberg, PSR

Figure 2: Summary of Open Positions

Name	Trade Position	Entry	Price at 28/04/17	Last Done	Target Price	Stop Loss	Performance At 28/04/17
GNC Holdings Inc	Open	8.47	7.78	6.76	14.00	7.62	-8.15%
Aflac Inc	Open	71.44	74.88	74.43	77.00	66.4	4.82%
NVIDIA Corporation	Open	106.22	104.30	121.29	127.50	95.07	-1.81%
GameStop Corporation	Open	21.84	22.69	24.95	26.50	19.95	3.89%

Source: PSR, Bloomberg

Figure 3: Summary of Closed Positions

Name	Trade Position	Entry	Target Price	Take Profit Price	Stop Loss	Performance
Alibaba Group Holdings Ltd	Closed(29/03/17)	94.91	109.00	109.00	85.9	14.85%
Facebook Inc	Closed(03/02/17)	124.9	140.00	130.98	113.45	12.09%
Medtronic plc	Closed(02/05/17)	75.09	84.28	84.28	69.25	12.24%

Source: PSR, Bloomberg

Figure 4: Index Monthly Performance

Name	Price at 28/04/17	Performance
S&P500 INDEX	2,384.20	0.91%
DOW JONES INDEX	20,940.51	1.34%
NASDAQ INDEX	6,047.61	2.30%

Source: PSR, Bloomberg

Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Operations Officer

Mohamed Amiruddin - amiruddin@phillip.com.sg

Consumer | Healthcare

Soh Lin Sin - sohls@phillip.com.sg

Property | Infrastructure

Peter Ng - peterngmc@phillip.com.sg

Macro

Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)

Richard Leow, CFTe, FRM -
richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property

Dehong Tan - tandh@phillip.com.sg

Technical Analysis

Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance

Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity

Ho Kang Wei - hokw@phillip.com.sg

Oil & Gas | Energy

Chen Guangzhi - chengz@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.

4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd

No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd

15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited

3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited

6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Capital Inc

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited

Level 10 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapi.com.au

SRI LANKA

Asha Phillip Securities Limited

2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA

PhillipCapital (India) Private Limited

No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapi.in

TURKEY

PhillipCapital Menkul Degerler

Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapi.com.tr

DUBAI

Phillip Futures DMCC

Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA

Phillip Bank Plc

Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

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