

Markets at a glance

Trendspotter

Signals (click on links to obtain up to-date signal)

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

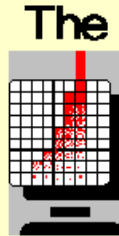
[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

Insider



Trader

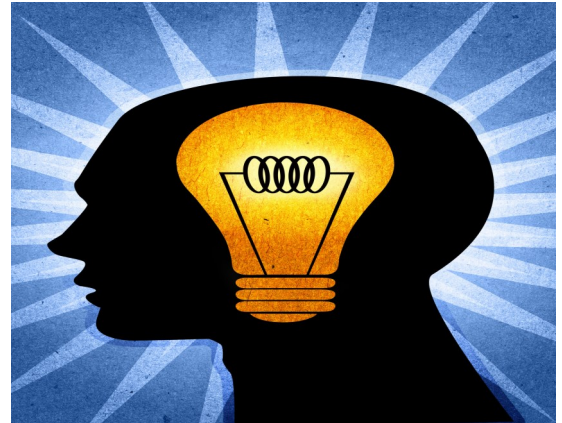
Issue 98

December 2014

Ideas for 2015

As we come to the end of another successful year with major indices sitting at new all-time highs and a string of successful mergers, takeovers and stock splits under our belt let's be grateful for what we have achieved. I started 2014 stating it would be a "pick and mix year" and unlike 2013 where the S&P500 roared 30% we would make our gains in special situations and individual stocks. 2014 has been a more modest year for the S&P, but still up a very respectable 13% and we could still get a little more before the year is over.

Those that have not been invested in stocks have missed out again; overall private investors remain bearish or just not interested in stocks which are a good contra indicator. The US has been the right place to be invested in and has done better than Europe and all other



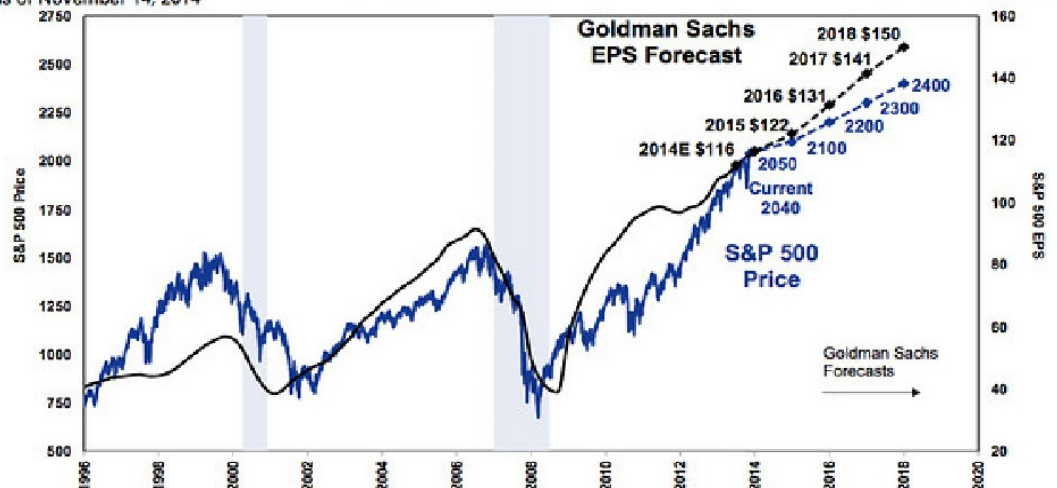
markets except India.

Let's take a look at 2015

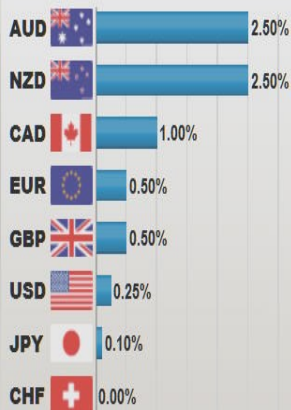
Regular readers will know I am not a fan for crystal ball gazing and one thing I have learnt in my 29 years of doing this is when everyone is certain that something will happen, you are normally better off doing the opposite. Many at the start of 2014 were expecting US and UK interest rates to go up, well we know that has not been the case and my view is that interest rates are going to remain low. Any US rate rise will be towards the end of 2015 and nothing shocking maybe 0.25% which is hardly going to make you want to put your money

Goldman Sachs S&P500 projections for 2015 and beyond

Exhibit 2: Our S&P 500 year-end 2015 target equals 2100; our multi-year index targets follow the trajectory of earnings as of November 14, 2014



Source: Compustat, IDC via FactSet, and Goldman Sachs Global Investment Research.



in a saving account.

The good news is 2015 is a non-election year and historically years with no elections have done better, now I know the UK has an election in 2015 but our main focus is on the US. I don't expect a 30% year in the S&P500 but overall I still see a 10%+ year. I see the US dollar remaining strong and I will keep most of my wealth in US\$. At some stage Europe will have to start doing something to kick-start its economy and that means a lower Euro.

So where will we make our money in 2015?

I believe like 2014 it's going to be a pick and mix year again and once we get over the Christmas break takeovers and mergers will be back in the news.

Spin offs will continue to offer opportunities and some recently spun off companies could become takeover targets. Biotech and Pharmaceuticals still remain a very active area and we will see a string of deals in 2015.

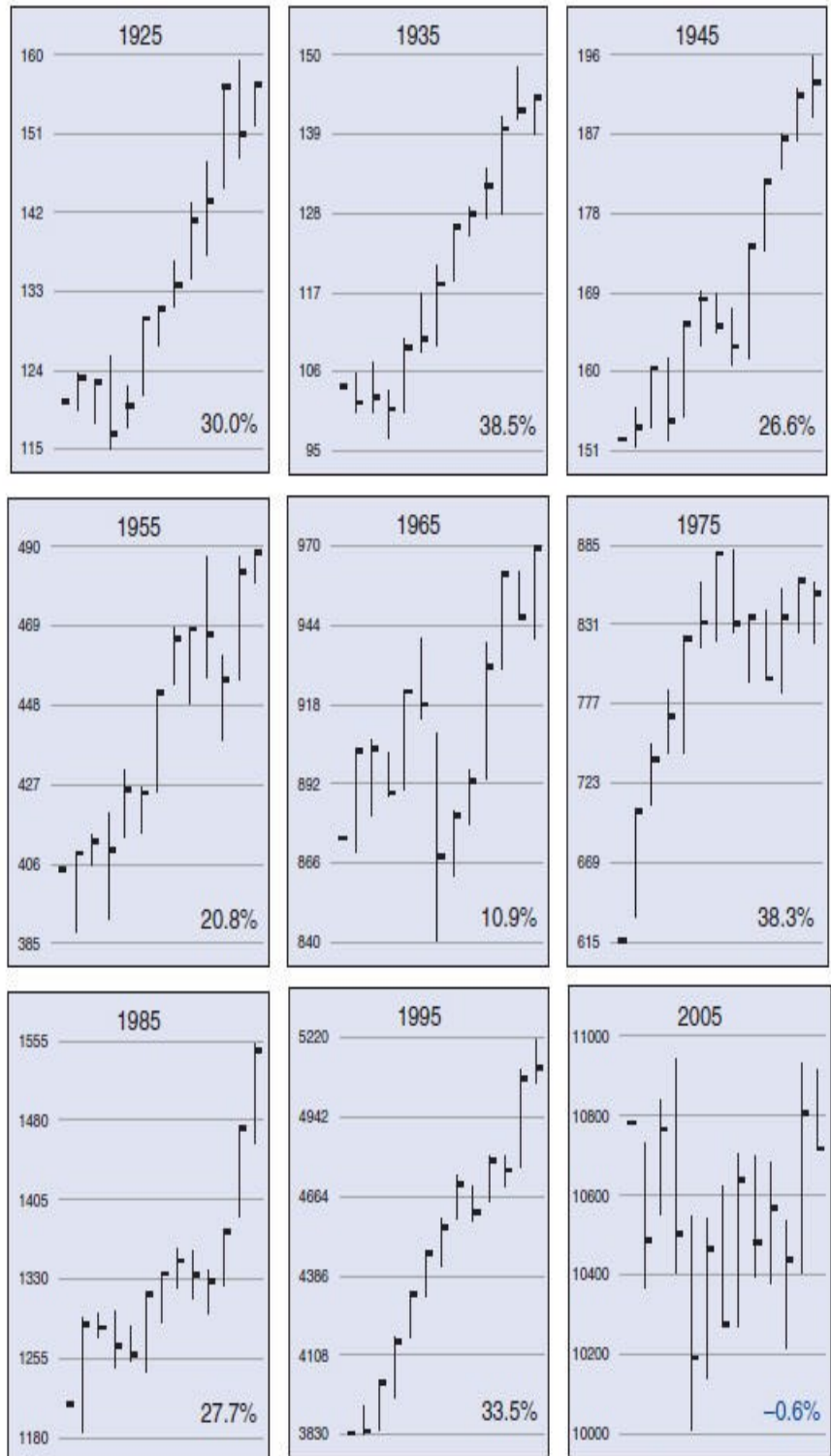
I think the low volatility we have enjoyed the last few months is likely going to end once we get into January so we will need to look at closing out short Volatility bets such as XIV.

According to the Stock Traders Almanac, years ending in '5' have only had one down year in the last 13 decades. The average gain is 28.3% for the Dow and 25.3% for the S&P, I would be half with 50% of that. Another interesting fact Pre-Presidential Election years have seen ZERO losers in 76 years, 2015 is a Pre-Presidential year.

Two recent new issues have caught my eye and I believe will do well in 2015

THE FIFTH YEAR OF DECADES

Fifth years have by far and away the best record, averaging 28.3% for the Dow and its predecessors in the past 130 years (see page 129). There has only been one losing "5" year in 13 decades. 2005 was a post-election year, the weakest of that more influential 4-year cycle, and the Dow was off a mere 0.6%, S&P 500 was up 3.0%. 2015 is a pre-election year, the strongest of the 4-year cycle (page 130), but it is also the seventh year of the president's term, which has not been as strong (page 40).



Based on Dow Jones Industrial Average monthly ranges and closing

Diplomat Pharmacy (NYSE:DPLO) \$27

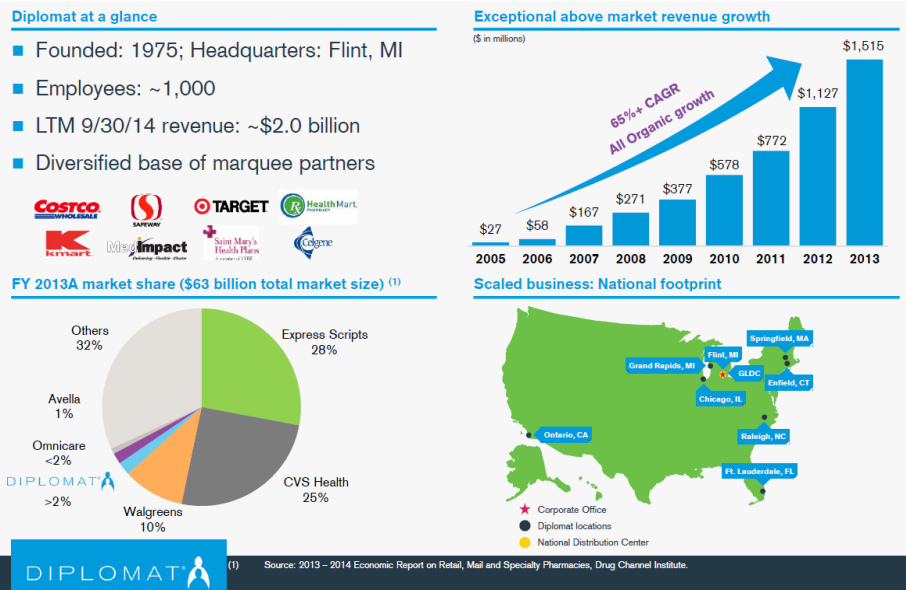
Diplomat operates as an independent specialty pharmacy in the United States. The company stocks, dispenses, and distributes prescriptions for various biotech and specialty pharmaceuticals. It also provides specialty infusion pharmacy, patient care coordination, clinical, compliance and persistence program, patient financial assistance, specialty pharmacy training/consulting, benefits investigation and medication strategy, retail specialty, and hub services, as well as clinical and administrative support services to hospitals and health systems. The company offers its solutions in range of specialty therapeutic categories, including oncology, immunology, hepatitis, multiple sclerosis, HIV, and infusion therapy. Diplomat Pharmacy, Inc. has seven pharmacy locations in Michigan, Illinois, Florida, California, Connecticut, and Massachusetts. The company was founded in 1975 and is headquartered in Flint, Michigan.

Diplomat priced shares at \$13, started trading at \$16 and are now near \$27 but I still see value here. Don't confuse the word pharmacy with Boots or Walgreens type of prescriptions, Diplomat deal in very specialized drugs with many of the prescriptions costing \$100,000 a year.

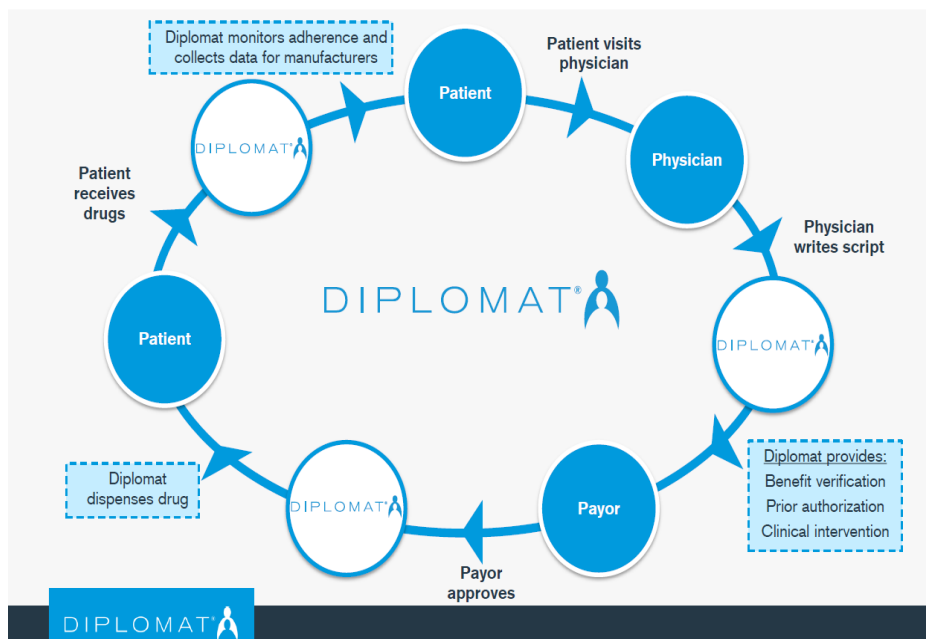
The company has been around since 1975, has a strong management team and is in a high margin business which has room to expand. With more complex and higher priced drugs coming to the market Diplomat is the final link in the distribution chain.

You can read more here is a recent presentation in PDF. http://ir.diplomat.is/files/doc_presentations/DPLO-Investor-Presentation-Credit-Suisse-Nov-14.pdf

Diplomat: Largest independent specialty pharmacy



Journey of a specialty patient



I think this stock can go up 50 to 70% in the next 12 to 18 months and is a fairly defensive business.

On a side note stocks in a related area include **WAG, ABC (which WAG owns a stake in), CVS, MCK, ESRX.**

Have a look at the Health care plans area for other ideas, you can use this link:

http://finviz.com/screener.ashx?v=110&f=ind_healthcareplans&o=pe

AAC Holdings (NYSE:AAC) \$30

AAC Holdings, Inc. provides substance abuse treatment services. It offers treatment services for behavioral health disorders. The company also provides detoxification, residential treatment, partial hospitalization, and intensive outpatient care services. AAC Holdings, Inc. was incorporated in 2014 and is headquartered in Brentwood, Tennessee.

AAC stands for American Addictions Centre, 105 people die and another 6,748 are treated in emergency departments every day in the US as a result of drug overdose or for the misuse or abuse of drugs. A sad fact but substance abuse which includes prescription drugs and alcohol continues to grow.

AAC currently have 493 beds in their facilities and are looking to grow this to 807 by 2016

The shares priced at \$15 and are now trading at \$30 so have already had a good run but I see this as a business that can really grow and share price could double again in the next 2 years.

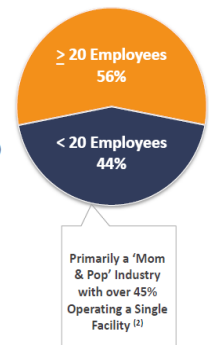
That's it for this month and this year, may I take this opportunity to wish a very happy Christmas and looking forward to a healthy, happy and prosperous 2015.

THE OPPORTUNITY

The substance abuse treatment industry is a fast growing and highly fragmented industry ripe for consolidation

- Estimated \$35B market opportunity ⁽¹⁾
- 16,700 treatment clinics and centers operated by over 8,100 enterprises ⁽²⁾
 - 67% not-for-profits
 - 74% outpatient only
- The largest pure play provider represents only 1.4% market share (CRC Health Corporation: \$452MM 2012 revenues ⁽³⁾)

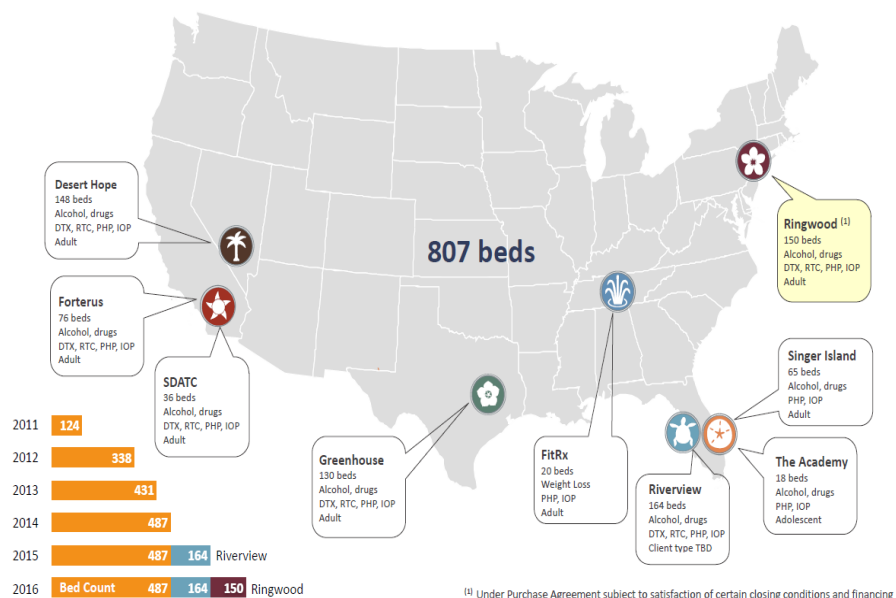
Substance Abuse Enterprises by Number of Employees ⁽²⁾



BUSINESS OBJECTIVE: BECOME THE FIRST NATIONALLY RECOGNIZED BRAND IN QUALITY ADDICTION TREATMENT SERVICES FOCUSING ON CO-OCCURRING DISORDERS

⁽¹⁾ 2008 report by Substance Abuse and Mental Health Services Administration ⁽²⁾ Management estimate based on IBISWorld estimates ⁽³⁾ CRC Health Corporation 2012 10-K

PROJECTED 2016 RESIDENTIAL FOOTPRINT



Merry Christmas
& HAPPY NEW YEAR

Risk Warning All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.