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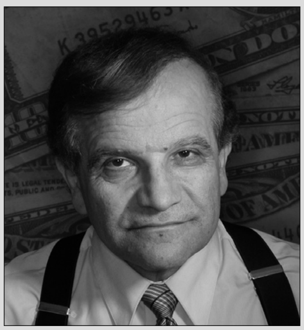
THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

A Customized Investment Strategy Focused on Growth Companies



JOSEPH PARNES founded Technomart Investment Advisors in 1979, and he is the President of the firm, directing all research, analysis and corporate strategy. Mr. Parnes is responsible for supplying the firm's private and institutional clients with practical investment advice. He has experience across a broad array of industries, with a special focus on growth companies and on short-selling strategies. He is also the Executive Editor of the *Shortex Market Letter*, a triweekly publication providing specific market insight and recommendations on seven long and seven short positions. Mr. Parnes has been featured regularly in *Barron*'s, *Forbes* and *Investor's Business Daily*, and his investment predictions have been showcased in a the media, including Bloomberg TV, CNBC and First Business News. He earned a B.S. in engineering from the University of Louisiana at Lafayette and a Ph.D. in economics from the Societe Francaise des etudes Parapsi Cologiques in Paris.

SECTOR — GENERAL INVESTING

TWST: Can you begin with a brief introduction to Technomart Investors, including some highlights from its history and a bit about your role at the firm?

Mr. Parnes: Technomart Investment Advisors is a registered — RIA — independent, family-operated, highly rated firm specializing in separately managed accounts. The firm has been in business since 1979. I serve as President and also the Editor of the *Shortex Market Letter*, which is published by Technomart.

Technomart enjoys an in-depth knowledge of various market segments and an unprecedented understanding of evolving global market conditions. Our strategy is based on being customized and highly scalable based on a disciplined and effective approach to market valuations. In doing so, we initiate segments for our established portfolios. Generally speaking, it is divided into four segments. Depending on the objectives of the client, up to 30% would be based on growth-oriented companies and 30% in anchors — the likes of **3M** (MMM), **Johnson & Johnson** (JNJ), **IBM** (IBM), etc. — which of course are subject to change. Up to 20% can be allocated to fixed income, the likes of U.S. treasury bills, corporate and municipal bonds and reverse convertible bonds. Up to 20% allocated to short positions as a hedge account.

The short positions are typically in the form of borrowed issues. These short positions are held and covered for not performing according to the objectives set. The proceeds from these short positions are used to purchase long positions in the portfolios. The short positions serve to provide a hedge for unforeseen market declines such as today, the government shutdown or other event-driven effects.

TWST: For the growth and the anchor companies, can you elaborate about what your criteria is for a stock to get that label from you?

Mr. Parnes: Being an investment adviser, RIA, we are fee-based, and are not under pressure to churn or do excessive trading in accounts. We select growth companies for achievements of companies' performance growth rate for four to eight forward quarters, where expected earnings growth is within 20% to 35% or higher. Any fluctuation, corrections or retractions of the issues selected is reviewed for their technical support and resistance.

In a volatile market, the hallmark of trading has changed dramatically. Today it is the high-frequency traders, HFT, and institutions that hold the trading vehicles. The average traders are in a dilemma: Once a position is traded, thinking of coming back into it is not justifiable for the objective set, void of tax burdens. Consistency of retaining back the positions is difficult to repeat — volatile/choppy market, inviting wider bid/ask spreads with less liquidity. Investors have to review and select their portfolios with acceptable risks to weather today's volatile market, normally topping — and the slowdown of "dumb money" selling augmented by the large-size accumulation of "smart money," where some of the selections of high-growth companies managed in various portfolios may include the likes of **Core Lab** (CLB), **Visa** (V), **Ford** (F), **Triple-D Printers** (DDD), **Google** (GOOG). Not to forget the latest entry into long positions portfolios: **Amazon.com** (AMZN), **Lululemon** (LULU) and **LinkedIn** (LNKD).

Highlights

Joseph Parnes discusses his investment philosophy, which is a customized strategy with initiated segments for portfolios. Mr. Parnes says that in the volatile market, the hallmark of trading has changed dramatically. He talks about his own emphasis on growth companies, and provides an optimistic view of the economy, where he says the significant amount of noise is the time to add positions.

Companies include: 3M Company (MMM); Johnson & Johnson (JNJ); International Business Machines Corporation (IBM); Core Laboratories NV (CLB); Ford Motor Co. (F); 3D Systems Corp. (DDD); Google (GOOG); Amazon.com (AMZN); Lululemon Athletica (LULU); LinkedIn Corporation (LNKD); Alcoa (AA); Bank of America Corporation (BAC); Hewlett-Packard Company (HPQ); The Goldman Sachs Group (GS); Nike (NKE) and Visa (V).

TWST: What is your outlook for both the economy and the global market, and how do those views inform your investment strategy?

Mr. Parnes: In the past six to seven years, the global economy has had a tremendous influence in the equities market as a whole. Definitely since the depression of 2007 to 2008, augmented by the European recession, as well as the slowdown in emerging markets such as China, Brazil, India, to name a few. Emphasis on growth companies is a reason to increase the appetite for the appreciation of the portfolio performance. Of course, the geopolitical and event-driven criteria have had a tremendous effect for the selection of these issues. These were augmented by the problems in European markets or recessions in the emerging markets.

In today's marketplace, that's one reason we really put emphasis on growth companies, because those are the ones that will increase the appreciation of the portfolios for each wealth manager's accounts. Of course, geopolitical and global issues will have a tremendous effect for us in selecting issues. The U.S. slow recovery is being enhanced with Europeans, who have managed to bring their economy to par to some extent from the recession that they have been experiencing in the past three years.

The emerging countries are in the downtrend, and the Chinese have managed to stabilize their growth to some extent from a tremendous growth rate from 10% to 15% down to 7% to 9%. These emerging countries are being hit because many of them were faced with the purchase of the raw materials, and as such they were dependent heavily to the Chinese. They will continue this downturn until they stabilize some their economy. I'm of the opinion that the economy of the United States, even with the rough patches that we have today, including the shutdown of the government and the debt ceiling, will just pass over all that. You can see from the stock market movement that the expectancy of the collapse is not being met, and that the market seems to be thinking that these patches will survive in the coming days.

TWST: Which sectors and/or asset classes are you avoiding right now and why?

Mr. Parnes: I would stay away, as I indicated before, from basic materials, industrials or any segments that have some dealings to do with the global purchases of any kind. And of course, whenever you see the markets movement going through a tremendous rebound such as the one that we have right now, you will see excessive operations or abundant trading that will come into the picture. I try to stay away from these or at least the ones that are coming into the market as IPOs. For the past five or six months we have been noticing that the market is embracing IPOs much better than it did before, but traders/investors for that matter have to be very careful to stay away from them until they get more legitimacy.

TWST: What are the most common questions or concerns you're fielding from clients right now, and how do you respond to those questions?

Mr. Parnes: Well, most of the clients today have weathered the downturn of 2007 to 2008, and many of them are concerned about the future, and these questions do return when we have some type of geopolitical or economic dilemma such as a segment bubble or a retraction in the market. Of course, today's market is much more transparent than it was before, so therefore you have commentators and "gurus" on television as well as the Internet writers, who keep on casting negativity to the viewers/investors.

I try to provide an optimistic point of view regarding the economy. When you see enormous amounts of noise and fear, that's actually the time to really start adding to positions. One thing that I wanted to emphasize is that we have seen this fear in the market and usually view it as a very important product linked to CBOE Volatility Index, which we're calling the fear index, VIX. Studies show it's been down 13% for 2012, nearly 23% for 2011 and 18% for 2010. Investors

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expect relatively low volatility with a tendency to offer sloping of VIX. If you look into this, it's rather strange. The volatility that we had prior to around 2001 was enormous, and we even saw that the fear index jumped to something in the neighborhood of 45. Today with all the movement of the market as a whole, we don't seem to see too much of the movement for the VIX, averaging between 13 to 17 the most. In fact, the high of 50.5 was set on August 8, 2011.

The thinking of the average client has changed dramatically, and that fear that we had in 2007 and 2008 is not as intense, although technical people are always apprehensive of the fear index, and they normally get this way whenever the index is in the 13 to 19 area. This gives them the feeling that the market should be on a downturn. However, lately the market's momentum has really been based on what I call triple Es — earnings, earnings, earnings — and for that basis, the average consensus of the Dow Jones has been hovering between $1,107.00, applying a p/e ratio of 15.5. The Dow Jones could even visit 17,158. The S&P 500 is being pegged at $110 this year with a p/e ratio of 16.5 and could reach 1,815.

Granted that these numbers would change because of the omission of **Aluminum of America** (AA), **Bank of America** (BAC) and **Hewlett-Packard** (HPQ) are being replaced now with **Goldman-Sachs** (GS), **Nike** (NKE) and **Visa** (V). That may change the consensus of the earnings in coming months, but I still feel like those numbers would be an achievable number to visit. And for this reason, I keep on telling my clients that all these gyrations and retractions that we see in the market are truly positive for investing.

TWST: What is your overall guidance to investors for the fourth quarter and into 2014?

Mr. Parnes: In 2014, I see that the market continuing to build a base, even though the market is the only vehicle that we have that runs itself on expectation. If you look into the economic sectors of today in the marketplace, even real estate is coming back. However, the tendency of investor/traders to make money or to see a performance in the portfolio of their real estate is not what it used to be. Secondly, many of the materials and other commodities that have the power of inflation behind them such as gold, precious metal, oil and basic commodities are not in demand as much.

Geopolitical concerns have also brought down lot of expectancy of the inflation into those sectors that I just indicated. If you look back in 2007 to 2008, for example the price of oil was shooting up to $145-plus, and of course much of it was because the United States was not really a player. Now things have changed dramatically where the United States has initiated energy systems, specifically fracking, which increased its production from 3.5 million barrels a day to something in the neighborhood of almost 8 million and climbing.

That has created a tremendous change into the marketplace, whereby for the first time the United States is not exporting its dollars; rather the dollar has remained and it has regained its reserve currency, and that has given the investor/traders a way to invest and increase performance and the stock market as a whole. It is my belief that 2014 will push the United States GDP into areas of 3% or possibly 3.5%.

Granted, there is a lot of fear regarding our budget system including the debt ceiling, but I believe that these are more concepts being played out by the two parties in Congress and eventually it will be resolved. I will be aiming that the Dow Jones will visit 17,158, the S&P 500 will visit 1,815 and the Nasdaq Composite, IXIC, would challenge its record of the high of 5,048.62 that was set on March 10, 2000. Let's just see what happens.

TWST: Thank you. (MES)

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