

EARNINGS BUSTERS

A SABRIENT PORTFOLIO

November 22, 2017

PORTFOLIO REVIEW

We are replacing AMAG Pharmaceuticals, Inc. (AMAG) with NMI Holdings, Inc. (NMIH).

NMI Holdings is a private mortgage insurer that competes in a heavily regulated industry with only a small number of firms approved to provide policies. These companies, along with the Federal Housing Association, service the entire mortgage insurance market that is set to expand due to a strong housing market. NMIH is currently included in Sabrient's Small Cap Growth, Rising Rate, Defensive Equity, and Baker's Dozen UIT portfolios.

NMIH is well positioned to benefit from the strong housing market that is expected to continue over the next year. Home builder sentiment, as reported by the National Association of Home Builders, continues to rise—the housing market index increased 7 points, to 70, over the last year. Many analysts believe that any value over 50 should be perceived as a bullish indicator. In addition to a bullish market for newly built houses, NMIH also benefits from sales of existing houses and mortgage refinancing. All of these factors have allowed NMIH to increase revenues 47% so far this year.

NMIH is currently undervalued based on its expected growth over the next year. The stock is also undervalued when compared to the average mortgage insurance company, while providing more bottom line growth. When compared to the S&P 500, NMIH has a price-to-earnings ratio of 16.3 compared to an average of 21.5 for the S&P 500. The industry is currently priced at an average of 17.3x next 12 months' earnings. NMIH's projected EPS growth rate of 101.0% over the next year is greater than the S&P 500's projected growth rate of 25.8% and the -4.3% for the mortgage insurance industry over the same period.

EXIT (SELL)

AMAG Pharmaceuticals, Inc. (AMAG)

BUY

NMI Holdings, Inc. (NMIH)

Market Cap: Small

Sector: Financials

Industry: Mortgage Insurance

Dividend Yield: 0%

Forward P/E Ratio (Next 12 months): 16.3

Price When Picked: \$16.45 (closing price on 11/22/17)

BUSINESS SUMMARY

NMI Holdings, Inc., through its subsidiaries, provides private mortgage guaranty insurance services in the United States. It offers mortgage and pool insurance; reinsurance on loans; and outsourced loan review services to mortgage loan originators. The company was founded in 2011 and is headquartered in Emeryville, California.

Full disclosure: Sabrient produces portfolios for UITs and indices that are tracked by ETFs. At any given time, we may have 800 of our top-ranked stocks in one or more of these portfolios. Some of the stocks selected for the Earnings Busters portfolio may also be in one or more of our UITs or indices portfolios. We will try to point out when a recommended stock is in one of our UITs or indices.

Editor's Note: The *Sabrient Earnings Busters* newsletter is written by Daniel Vickers, analyst at Sabrient. Daniel also assists in the selection of stocks and maintenance of the portfolio. He can be reached at Daniel@Sabrient.com

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