Volanti started the month of December with $168,780 in the account.

During the month, we entered two new positions and closed one position.

On December 11th, we sold 1,600 shares of Home Capital Group (TSE:HCG) for $17.17 per share. The stock price had appreciated sharply as the situation discussed in our September summary has moved toward normalization. The stock price corrected quickly to our price target as the market realized the value of its book and we realized a 26% gain in a little over 3 months.

On December 18th, we bought 2,200 shares of New Senior Investment Group (NYSE:SNR) for $7.81 per share. We believe this stock is simply being overlooked by the market. It is a small cap stock which was spun out of a larger company a couple years ago and lacks a lengthy track record of independent financial reporting. We have been patiently waiting for the chart to stabilize / build support and begin to establish an equilibrium between buyers and sellers to enter the position near what we believe is a 'price floor' for this portfolio. With the stock price moving up on higher volume in mid December, we believe the probability is trending up that the downward momentum has turned.

Fundamentally, we see SNR as well positioned to capitalize on the growing senior demographic in the US creating a bigger pie to eat from. SNR has the experience and relationships to manage its assets to continue to produce positive stable free cash flow. We then discount that cashflow stream of roughly $70 million per year at a rate of 10% with a growth rate of 4%, we get a fair value estimate of $14.80 per share or an 89% valuation gap. If rates rise and push the interest expense up 10 to 15 million and FCF down accordingly, we see upside of about 40 to 60%. Although a dividend cut perhaps is on the horizon, it is likely necessary and the underlying cashflow warrants a higher valuation than the market is giving. The market, in our opinion, is overly focused on the dividend yield of 13.75%, which likely is not sustainable at current levels and ignoring, or overly discounting, the strong stable free cash flow of 11%. The FCF and strong demand for its asset portfolio point to a discernible floor which in our opinion is near with the stock trading at 9x FCF and 1.3 times book, while rates will largely dictate how much upside potential or where the ceiling lies over the next couple of years.

On December 19th, we borrowed and then sold 100 shares of Netflix (NASDAQ:NFLX) for $186.99 per share. For a long time now, the valuation Netflix has received from the market has flown in the face of traditional finance theory. In an effort to maintain its subscribership growth the company is now accelerating the rate at which it burns through capital as it invests heavily in original content. And now, with long standing film and television studios like Disney, Fox and Viacom making more aggressive pushes into the digital media space it's more than likely that the competitive pressures that have faced Netflix up to this point will only become more intense.

Moreover, with the recent announcement by the FCC to rollback Obama-era Net Neutrality regulations, and a desirable chart set-up, we felt that Netflix shares set up as an asymmetrical risk reward opportunity in combination with a tight stop loss not far above where the trade was entered, limiting the risk of the stocks momentum working against our favour.

At the end of December our account balance is $173,175 USD

Since Inception 26 Month Return: 15.45% Annualized Since Inception Return: 6.7%