Motorola Solutions is the world's leading provider of first-responder devices, networks and solutions for civil agencies. MSI sold its enterprise business in October 2014 and is using proceeds to enhance shareholder return. Going forward, we expect more-solvent government agencies to resume spending on civil safety and security. Motorola Solutions' bottom line should also benefit from efficiency initiatives related to collapsing management layers. The formerly staid civil first-responder space has become more dynamic with the introduction of 4G LTE-based options for secure civil networks. We believe Motorola Solutions has a competitive advantage in the 4G space based on its legacy relationships in a niche where trusted relationships are a high priority. Given signs of increased operating efficiency and the cleaner balance sheet, we have raised our 2015 non-GAAP EPS forecast for MSI, and we are modeling strong growth on a preliminary basis for 2016.
and deeply discounted price offer compelling value in a more-moderate MAU growth environment. We believe Twitter will be better able to monetize its user base, leading to operating leverage and margin expansion. In our view, Twitter retains strong competitive advantages based on key differentiators. Twitter’s limit of 140 characters of text is perfectly designed for the sound-bite era. Additionally, each Tweet is ideally sized to fit on a smartphone screen. This not only eases the transition from compute screen to mobile device, it simplifies the format transition for advertisers. TWTR shares, which now trade close to their 52-week low, have been hurt by slowing growth in monthly active users (MAUs) and speculation about a CEO transition. Going forward, we believe Twitter will be better able to monetize its core user base, leading to operating leverage and margin expansion in a more-moderate MAU growth environment. Any social media site risks being displaced and losing users to the next great platform. We believe Twitter’s competitive differentiators mitigate that risk, while its growth potential and deeply discounted price offer compelling value.

**MONSTER BEVERAGE CORP. (NGS: MNST)**

Monster Beverage markets and distributes energy drinks and other alternative beverages. The company has an impressive history of growth, with five-year compound annual sales and EPS growth rates in the 13%-15% range. Looking ahead, we expect Monster to sustain its growth in the U.S. and to increase international sales and margins. Coca-Cola has agreed to pay $2.15 billion in cash for a one-sixth ownership stake in Monster. Coca-Cola will transfer its $2 billion energy drink business to Monster, which will transfer its non-energy drinks to Coca-Cola. Coca-Cola will become Monster’s North American and international distributor; Coca-Cola’s distribution network is among the most robust in the package goods industry. We expect the transaction to result in faster growth and higher margins for Monster.

**TWITTER INC. (NYSE: TWTR)**

Twitter, which calls itself “a platform for public self-expression and conversation in real time,” is a leading social media site. In our view, Twitter retains strong competitive advantages based on key differentiators. Twitter’s limit of 140 characters of text is perfectly designed for the sound-bite era. Additionally, each Tweet is ideally sized to fit on a smartphone screen. This not only eases the transition from compute screen to mobile device, it simplifies the format transition for advertisers. TWTR shares, which now trade close to their 52-week low, have been hurt by slowing growth in monthly active users (MAUs) and speculation about a CEO transition. Going forward, we believe Twitter will be better able to monetize its core user base, leading to operating leverage and margin expansion in a more-moderate MAU growth environment. Any social media site risks being displaced and losing users to the next great platform. We believe Twitter’s competitive differentiators mitigate that risk, while its growth potential and deeply discounted price offer compelling value.
Recent 12-mo. Stock Current Current * 5-Yr. PEG Div. Annual Fin.
Price ($) Target ($) Company Name Industry Symbol EPS PE Growth % Ratio Rate Yield % Strength Beta

This list of common stocks include equities that Argus believes are relatively attractive for diversified investors. Stocks recommended are naturally subject to day-to-day swings in the market, but inclusion in this report indicates that these stocks are believed to be currently suitable for purchase up to the stated prices. 12-month target prices are set by individual analysts. Once a stock approaches its target price, Argus either reaffirms the rating and adjusts the target price, or changes the rating. Stocks listed for the first time are in bold. Prices as of 12/31/14.

* - Argus’ estimate of compound annual EPS growth during the next five years.

**INDUSTRY LEGEND:** B, Basic Materials; C, Consumer Cyclical; E, Energy; F, Financial Services; H, Healthcare; I, Industrial; S, Consumer Staples; T, Telecom; U, Utility/Income; X, Technology.
EQUITY MARKETS POSITIONED FOR FURTHER GAINS IN 2015

Argus believes the stock market is positioned for further gains in 2015, in line with the historical average though likely more moderate than the gains of recent years. Our 2015 market outlook builds on developments in 2014 that should remain relevant in 2015. In our view, a fairly transparent central bank is set to raise short-term interest rates in 2015. The U.S. economy has proven resilient, even as other countries falter. Amid slow top-line growth, corporate operating profits are benefiting from global leverage and P&L efficiency; earnings are rising as balance-sheet strength reduces debt service and supports stock buybacks.

We are forecasting a gradual slowdown in U.S. GDP growth over the course of 2015. Average 5% GDP growth for the 2014 mid-year quarters has been driven by consumer strength, falling oil prices & imports and recovery in government spending. Argus believes that by the second half of 2015, GDP growth will be closer to 2% than to 5%. Expectations for rising rates could potentially curb investment and restrain the housing sector by late 2015. Given accelerating jobs trends, we think the risk of a recession is low in 2015.

Beginning around mid-year 2015, the Fed could enact one or more quarter-point hikes in the fed funds and discount rates. Following the December FOMC meeting, the Fed as anticipated dropped the language of keeping rates low for “a considerable time.” We interpret FOMC language as suggesting that interest rates could begin to rise as early as spring 2015. But the Fed’s latest communication also stated that the central bank would be “patient” before raising rates. We anticipate the first hike in the fed funds rate at the Fed’s June 16-17 FOMC meeting.

During 2014, long-term rates sank from 3% at the beginning of the year to the 2% level, reflecting concerns about recession and deflation in Europe and Asia and geo-political events. With the deficit narrowing, sharply reduced Treasury issuance amid rising global concerns combined to drive a safe-haven rally in U.S. Treasury bonds in 2014.

During 2015, as the U.S. workforce approaches full employment and unemployment continues to shrink, wage pressures could begin to push up on domestic inflation and concurrently on interest rates. Simultaneously we could be “importing deflation” from oversea, as European and Japanese quantitative easing potentially mutes global inflationary pressures.

Consequently, we are not forecasting a spike higher in interest rates, but rather a gradual move upward to the 3% range — still low on an historical basis.

At about six years old, the current bull market is not young. But stocks don’t fall just because of the calendar. We believe earnings are the most important stock-market driver, and Argus is forecasting earnings growth of 9.6% for 2015 — higher than 2014 growth. Accelerating EPS growth could receive a further boost from the plunge in oil prices. Lower energy inputs reduce Cost of Goods Sold for industrial companies and reduce operating costs for every business with a thermometer in the office. Although energy sector earnings will be a headwind, lower costs for most companies and higher consumer spending represent a net tailwind.

Turning to valuations, we calculate that stocks are currently just a few percentage points below fair value. That compares to valuations back in 2011 and 2012 that were 25% and 30% below fair value, respectively. On that basis, we are not anticipating significantly higher P/E multiples this year. But the fair-value bogey moves higher as long as earnings continue to grow. We forecast potential upside of 8%-10% for the stock market for 2015, roughly in line with our EPS growth forecast. Total return on the S&P 500 averaged just over 20% annually for 2012-14. Our 2015 return forecast represents a step-down from the past few years — but would still represent a year of solid gains.

Risks to our stock-market forecast for 2015 include potential negative impacts from the plunge in petroleum prices on capital spending and jobs creation in the oil patch; a worsening decline in the already-weak euro; and possible stock-market overvaluation, particularly if earnings growth stalls while stocks continue to rise. We think the stock market can move to a 10% valuation premium fairly easily. But at that point, gains could become more difficult to achieve — or maintain.

No investor can claim to get everything right; few called interest rates correctly in 2014, and even fewer saw the collapse in oil prices. On balance, however (and given the outlook for earnings, interest rates, inflation and global macro-economic and geo-political trends), U.S. stocks seem to be positioned for additional advance in 2015.

John Eade, President, & Jim Kelleher, CFA, Director of Research

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