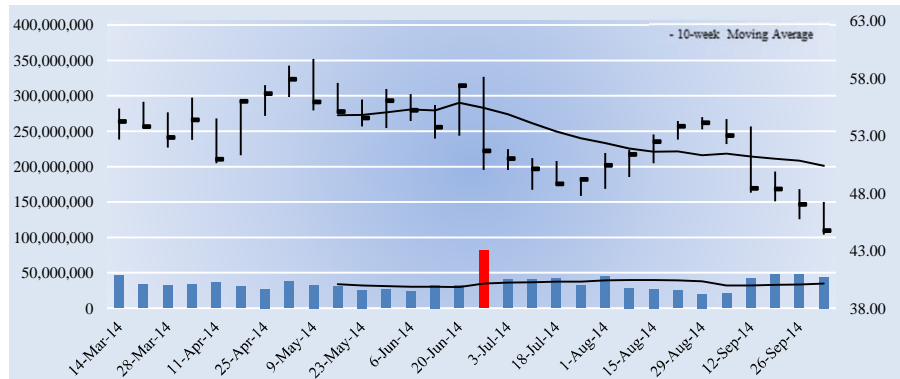


Valero Energy VLO FAIRLY VALUED**Buying Index™ 3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
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Valero is the world's largest independent refiner.**Stock Chart (weekly)**

The week with the highest trading volume out of the last 13 weeks was a week of heavy selling, or distribution (red bar).

Company Vitals

Market Cap (USD)	\$24,518
Avg Weekly Vol (30 wks)	35,460
30-week Range (USD)	44.4 - 59.69
Valuentum Sector	Energy
5-week Return	-17.4%
13-week Return	-11.9%
30-week Return	-15.6%
Dividend Yield %	2.5%
Dividends per Share	1.10
Forward Dividend Payout Ratio	20.2%
Est. Normal Diluted EPS	5.32
P/E on Est. Normal Diluted EPS	8.4
Est. Normal EBITDA	5,942
Forward EV/EBITDA	4.3
EV/Est. Normal EBITDA	4.5
Forward Revenue Growth (5-yr)	-4.2%
Forward EPS Growth (5-yr)	-1.7%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Returns Summary

3-year Historical Average

Return on Equity	13.3%
Return on Assets	5.3%
ROIC, with goodwill	11.0%
ROIC, without goodwill	11.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,564
Net Debt	2,272
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.4
EBITDA/Interest	15.6
Current Ratio	1.5
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• Valero Energy scores fairly well on our business quality matrix. The firm has put up solid economic returns for shareholders during the past few years with relatively low volatility in its operating results. Return on invested capital (excluding goodwill) has averaged 11% during the past three years.

• Valero's petroleum refineries are located in the US, Canada, and the UK, and produce conventional gasoline and other refined products. The company's performance remains heavily tied to refining margins, which remain highly volatile.

• Valero Energy's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 1.8% during the past three years, lower than the mid-single-digit range we'd expect for cash cows. However, the firm's cash flow should be sufficient to handle its low financial leverage.

• Valero is quite busy these days. The company spun off assets into publicly-traded CST Brands (CST). It created Valero Energy Partners LP (VLP) to grow its large portfolio of logistics assets -- all the while its core strategy remains supplying incremental volumes on cost-advantaged crude oil.

• Valero retains ~69% ownership of Valero Energy Partners LP, which is expected to achieve a 20%+ average annual distribution growth rate over the next three years. We prefer ideas in the Dividend Growth portfolio, however.

Structure of the Refining Industry

Results of firms in the refining industry are primarily affected by the relationship, or margin, between refined product prices and the prices for crude oil and other feedstocks. The cost to acquire feedstocks and the price at which refiners can sell refined products depends upon several factors beyond their control, including the supply/demand of crude oil and other refined products—which in turn depends on the availability of imports, production, inventories, political affairs and economic considerations. Refining margins are difficult to predict, and we expect them to continue to be volatile in the future.

Investment Considerations

DCF Valuation	FAIRLY VALUED
Relative Valuation	NEUTRAL
ValueCreation™	GOOD
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	MEDIUM
Financial Leverage	LOW
Growth	DECLINING
Technical Evaluation	BEARISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	50.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Business Quality

ValueCreation™

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Firms that generate economic profits with little operating variability score near the top right of the matrix.

Relative Valuation

Forward P/E PEG Price / FV

HollyFrontier	12.3	3.0	92.8%
Murphy USA	15.6	1.3	96.6%
Phillips 66	12.6	2.1	91.3%
Tesoro	11.7	1.3	96.3%
Peer Median	12.5	1.7	94.5%
Valero Energy	8.2	NMF	93.2%

Price / FV = Current Stock Price divided by Estimated Fair Value

Financial Summary

	Fiscal Year End:		
	Actual	Actual	Projected
Revenue	139,250	138,074	128,685
Revenue, YoY%	10.5%	-0.8%	-6.8%
Operating Income	5,024	3,963	4,685
Operating Margin %	3.6%	2.9%	3.6%
Net Income	2,083	2,720	2,952
Net Income Margin %	1.5%	2.0%	2.3%
Diluted EPS	3.75	4.96	5.45
Diluted EPS, YoY %	1.7%	32.5%	9.9%
Free Cash Flow (CFO-capex)	2,339	3,443	2,863
Free Cash Flow Margin %	1.7%	2.5%	2.2%

In Millions of USD (except for per share items)

Valero Energy VLO FAIRLY VALUED

Buying Index™ 3

Value Rating 
Economic Castle
Attractive

Estimated Fair Value
\$48.00

Fair Value Range
\$36.00 - \$60.00

Investment Style
LARGE-CAP VALUE

Sector
Energy

Industry
Refiners
Economic Profit Analysis**ValueCreation™****GOOD**

The best measure of a firm's ability to create value for shareholders is expressed by comparing its return on invested capital (ROIC) with its weighted average cost of capital (WACC). The gap or difference between ROIC and WACC is called the firm's economic profit spread. Valero Energy's 3-year historical return on invested capital (without goodwill) is 11%, which is above the estimate of its cost of capital of 10.3%. As such, we assign the firm a ValueCreation™ rating of GOOD. In the chart to the right, we show the probable path of ROIC in the years ahead based on the estimated volatility of key drivers behind the measure. The solid grey line reflects the most likely outcome, in our opinion, and represents the scenario that results in our fair value estimate.

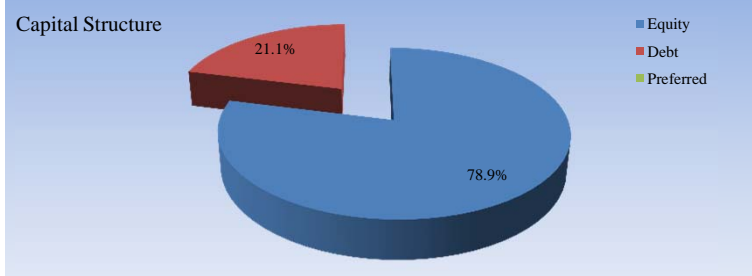
ROIC - WACC Spread, 3-year historical average 0.7%

ROIC - WACC Spread, 5-year projected average 0.7%

These spreads equal the firm's annual average ROIC (excluding goodwill) less its WACC.

ValueTrend™**NEGATIVE**

Valero Energy receives a ValueTrend™ rating of NEGATIVE, which is based on the company's trailing three-year performance. The firm's ROIC (excluding goodwill) fell to 8.2% last year from its trailing 3-year average of 11%. We expect ROIC (excluding goodwill) to be in the ballpark of about 9% by the end of our discrete forecast period, with downside risk to about 4% over that time period.

Weighted Average Cost of Capital (WACC)**Cost of Equity**

Risk Free Rate Assumption	4.3%
Fundamental Beta (ERP multiplier)	1.2
Estimated Equity Risk Premium	6.5%
Cost of Equity Assumption	11.8%

After-tax Cost of Debt

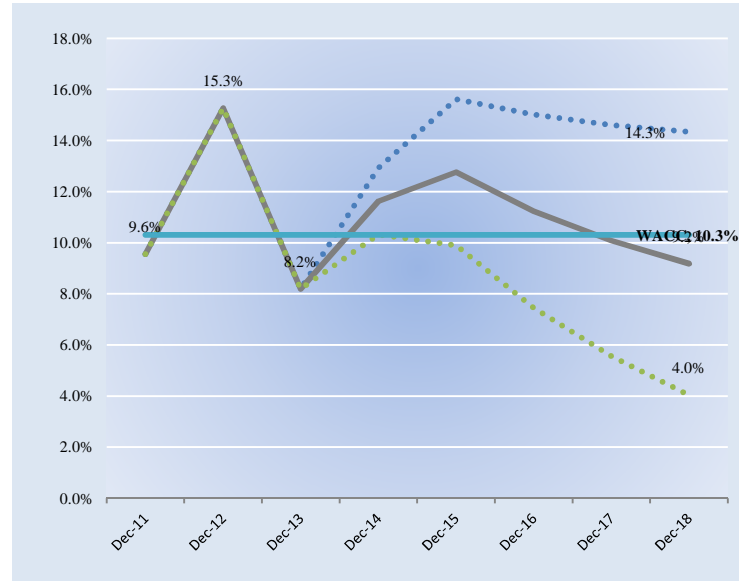
Risk Free Rate Assumption	4.3%
Synthetic Credit Spread	2.67%
Cost of Debt Assumption	7.0%
Cash Tax Rate Assumption	31.5%
After-tax Cost of Debt Assumption	4.8%

Cost of Preferred Stock

Preferred Dividends	0
Value of Preferred Stock	0
Cost of Preferred Assumption	NA

Weighted Average Cost of Capital (WACC) 10.3%

ERP = Equity Risk Premium

Return on Invested Capital (ROIC)

The graph above shows the firm's ROIC (excluding goodwill) compared with historical averages and its WACC.

ROIC Calculation

	Actual	Actual	Actual
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Earnings before Interest			
Operating Income after Depreciation	3,680	5,024	3,963
- Adjusted Taxes (at 31.5% of EBIT)	1,159	1,582	1,248
+ Amortization	0	0	0
+ Non-cash Operating Items	70	1,072	-307
- Minority Interest	-1	-3	8
Earnings before Interest	2,592	4,517	2,400

Invested Capital

Inventories	5,623	5,973	5,758
+ Receivables	8,918	8,336	8,823
+ Current Deferred Income Taxes	283	274	266
+ Other Current Assets	124	154	138
+ Property, Plant and Equipment, Net	25,177	26,300	25,707
+ Goodwill, Net (Cost in Excess)	0	0	0
+ Intangibles	227	213	156
+ Non Current Deferred Income Taxes	0	0	0
- Accounts Payable	9,472	9,348	9,931
- Other Current Liabilities	595	590	504
Invested Capital, with goodwill	30,285	31,312	30,413
Invested Capital, without goodwill	30,285	31,312	30,413

Return on Invested Capital, with goodwill	9.6%	15.3%	8.2%
Return on Invested Capital, without goodwill	9.6%	15.3%	8.2%

In Millions of USD

Valero Energy VLO FAIRLY VALUED

VALUENTUM
Buying Index™ 3

VALUENTUM
Value Rating 

Economic Castle
Attractive

Estimated Fair Value
\$48.00

Fair Value Range
\$36.00 - \$60.00

Investment Style
LARGE-CAP VALUE

Sector
Energy

Industry
Refiners

Growth Analysis

Revenue Growth DECLINING

		Last Fiscal Year Revenue	3-year Historical CAGR	5-year Projected CAGR
Valero Energy	USD	138,074	18.9%	-4.2%
HollyFrontier	USD	20,161	34.3%	-1.9%
Murphy USA	USD	18,083	-1.5%	4.8%
Phillips 66	USD	174,809	-1.5%	1.6%
Tesoro	USD	37,601	22.2%	0.1%
Peer Median			10.4%	0.9%
Industry Median			11.6%	0.9%

Valero Energy's revenue expansion has been greater than the median of both its peer group and industry group during the past three years. We expect the firm's pace of revenue growth to fall below the median of both its peer group and industry group during the next five years. Our growth assessment of each firm is based on the firm's 5-year forward revenue CAGR. Valero Energy's future pace of revenue growth is DECLINING, in our opinion.

EBITDA Growth

		Last Fiscal Year EBITDA	3-year Historical CAGR	5-year Projected CAGR
Valero Energy	USD	5,683	19.3%	-1.8%
HollyFrontier	USD	1,550	54.2%	0.5%
Murphy USA	USD	339	-3.4%	11.1%
Phillips 66	USD	6,382	-3.7%	5.8%
Tesoro	USD	1,850	42.9%	0.9%
Peer Median			19.7%	3.3%
Industry Median			14.1%	3.5%

Valero Energy's EBITDA expansion has trailed that of its peer group but has been greater than that of its industry group during the past three years. We expect the firm's pace of EBITDA growth to fall below that of both its peer group and industry group during the next five years. Murphy USA sports the highest expected EBITDA growth rate among peers.

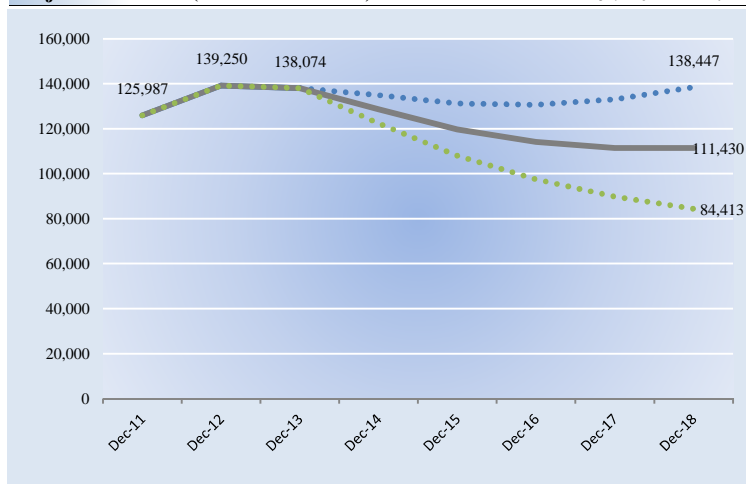
Net Income Growth

		Last Fiscal Year Net Income	3-year Historical CAGR	5-year Projected CAGR
Valero Energy	USD	2,720	43.4%	-2.9%
HollyFrontier	USD	736	93.0%	1.5%
Murphy USA	USD	156	7.8%	3.8%
Phillips 66	USD	3,545	-14.2%	6.5%
Tesoro	USD	392	-338.2%	14.8%
Peer Median			-3.2%	5.1%
Industry Median			16.4%	2.6%

Valero Energy's net income expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of net income growth to fall below that of both its peer group and industry group during the next five years. Tesoro sports the highest net income growth rate among peers.

Projected Revenue (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for revenue as well as potential upside and downside cases.

Projected EBITDA (in millions of USD)

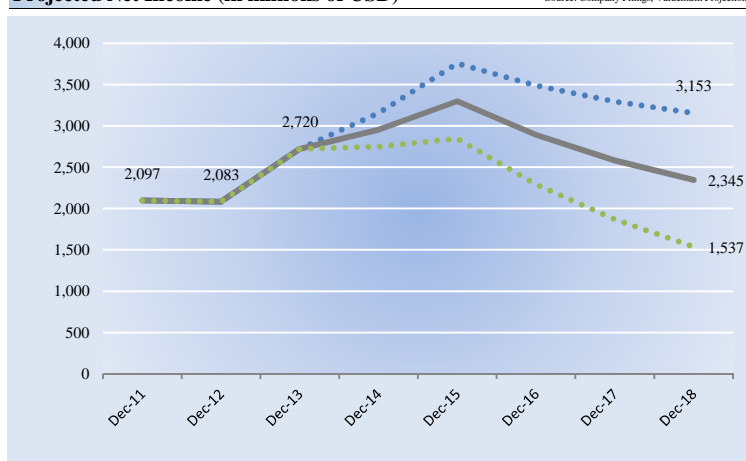
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for EBITDA as well as potential upside and downside cases.

Projected Net Income (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for net income as well as potential upside and downside cases.

Valero Energy VLO FAIRLY VALUED

Valuentum **Buying Index™ 3**

Valuentum **Value Rating** 

Economic Castle
Attractive

Estimated Fair Value
\$48.00

Fair Value Range
\$36.00 - \$60.00

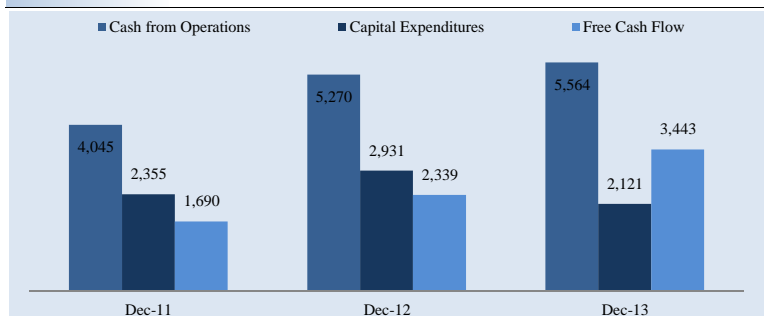
Investment Style
LARGE-CAP VALUE

Sector
Energy

Industry
Refiners

Cash Flow and Financial Leverage Analysis

Cash Flow Generation MEDIUM



The bars above show the firms operating cash flow, capital expenditures, and free cash flow, respectively.

Firms that generate a free cash flow margin (free cash flow divided by total revenue) above 5% are usually considered cash cows. Valero Energy's free cash flow margin has averaged about 1.8% during the past 3 years. As such, we think the firm's cash flow generation is relatively MEDIUM. The free cash flow measure shown above is derived by taking cash flow from operations less capital expenditures and differs from enterprise free cash flow (FCFF), which we use in deriving our fair value estimate for the company. For more information on the differences between these two measures, please visit our website at Valuentum.com. At Valero Energy, cash flow from operations increased about 38% from levels registered two years ago, while capital expenditures fell about 10% over the same time period.

Cash Flow from Operations

		Last Fiscal Year CFO	3-year Historical CAGR	5-year Projected CAGR
Valero Energy	USD	5,564	15.2%	-7.3%
HollyFrontier	USD	869	28.1%	5.1%
Murphy USA	USD	295	-14.1%	3.9%
Phillips 66	USD	5,846	-2.2%	-0.2%
Tesoro	USD	839	29.6%	10.4%
Peer Median			13.0%	4.5%
Industry Median			6.5%	4.5%

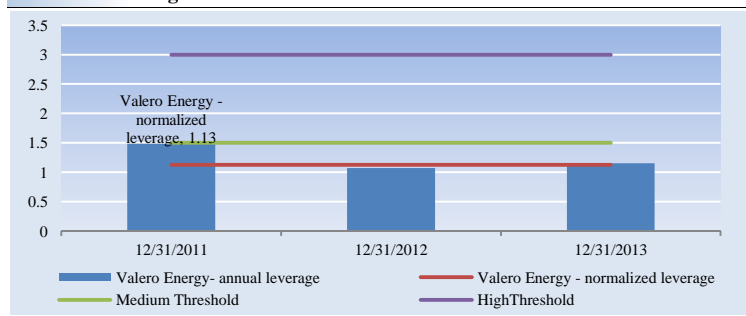
Valero Energy's cash flow from operations expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of cash flow from operations growth to fall below that of both its peer group and industry group during the next five years. Tesoro sports the highest expected cash flow from operations growth rate among peers.

Free Cash Flow (CFO-capital expenditures)

		Last Fiscal Year FCF	3-year Historical CAGR	5-year Projected CAGR
Valero Energy	USD	3,443	21.6%	-9.0%
HollyFrontier	USD	444	30.4%	12.8%
Murphy USA	USD	131	-29.1%	15.1%
Phillips 66	USD	4,824	8.4%	-0.9%
Tesoro	USD	269	45.1%	26.4%
Peer Median			19.4%	14.0%
Industry Median			17.2%	3.6%

Valero Energy's free cash flow expansion has been greater than that of both its peer group and industry group during the past three years. We expect the firm's pace of free cash flow growth to fall below that of both its peer group and industry group during the next five years. Tesoro sports the highest expected free cash flow growth rate among peers.

Financial Leverage LOW

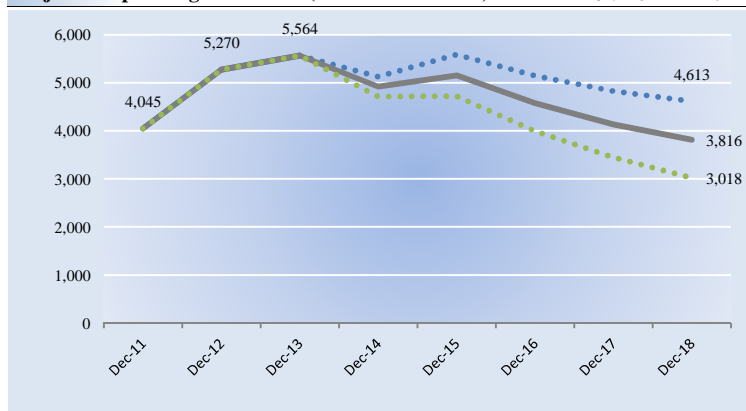


The bars above show the firm's annual debt-to-EBITDA. The red line shows the firm's normalized measure.

Firms that exhibit high leverage tend to be more risky than firms with relatively low debt loads, all else equal. We measure financial leverage by taking a firm's current total debt load and dividing it by the firm's trailing average 3-year annual EBITDA. Firms that are over 3 for this metric, we rate as having high leverage. Companies that have less than 1.5 turns of leverage (or a measure below 1.5), we rate as having low leverage. Valero Energy's normalized debt-to-EBITDA measure of about 1.13 puts it in the LOW camp.

Projected Operating Cash Flow (in millions of USD)

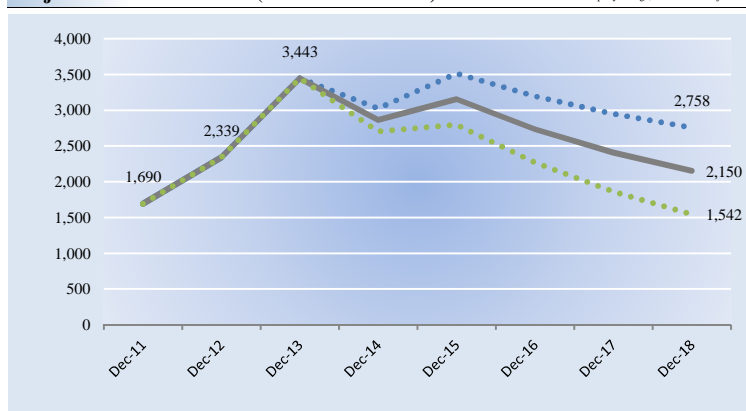
Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for CFO as well as potential upside and downside cases.

Projected Free Cash Flow (in millions of USD)

Source: Company Filings, Valuentum Projections



In the chart above, we show our baseline forecast for free cash flow as well as potential upside and downside cases.

Valero Energy VLO FAIRLY VALUED

Buying Index™ 3

Value Rating 
Economic Castle
Attractive

Estimated Fair Value
\$48.00

Fair Value Range
\$36.00 - \$60.00

Investment Style
LARGE-CAP VALUE

Sector
Energy

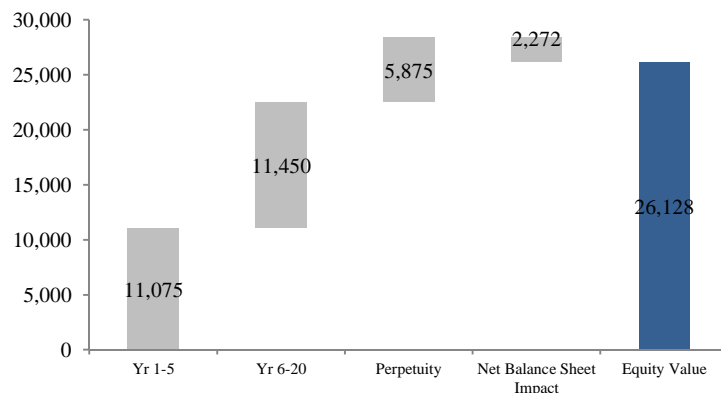
Industry
Refiners
Valuation Analysis**Valuation Assumptions**

In Millions of USD (except for per share items)

	5-year Projections	
Revenue CAGR %	-4.2%	
Avg. EBIT Margin %	3.8%	
Avg. Cash Tax Rate %	31.5%	
Earnings Before Interest CAGR %	2.4%	
Earnings Per Share CAGR %	-1.7%	
Free Cash Flow to the Firm CAGR %	1.4%	
Earnings before interest = Net operating profits less adjusted taxes		
	Long-term Projections	
Phase II --> III FCFE CAGR %	1.4% (II)	3% (III)
Cost of Equity %	11.8%	
After-tax Cost of Debt %	4.8%	
Discount Rate (WACC) %	10.3%	
Synthetic credit spread = 2.667%		
	Results	
Phase I Present Value	11,075	
Phase II Present Value	11,450	
Phase III Present Value	5,875	
Total Firm Value	28,400	
Net Balance Sheet Impact	-2,272	
Total Equity Value	26,128	
Diluted Shares Outstanding	548.0	
Fair Value per Share	\$48.00	

Valuation Breakdown

In the chart below, we show the build up to our estimate of total enterprise value for Valero Energy and the break down to the firm's total equity value, which we estimate to be about 26.13USD billion. The present value of the enterprise free cash flows generated during each phase of our model and the net balance sheet impact is displayed. We divide total equity value by diluted shares outstanding to arrive at our \$48 per share fair value estimate.



In Millions of USD

DCF Valuation Summary

Our discounted cash flow model indicates that Valero Energy's shares are worth between \$36.00 - \$60.00 each. The margin of safety around our fair value estimate is driven by the firm's MEDIUM ValueRisk™ rating, which is derived from the historical volatility of key valuation drivers. The estimated fair value of \$48 per share represents a price-to-earnings (P/E) ratio of about 9.7 times last year's earnings and an implied EV/EBITDA multiple of about 5 times last year's EBITDA. Our model reflects a compound annual revenue growth rate of -4.2% during the next five years, a pace that is lower than the firm's 3-year historical compound annual growth rate of 18.9%. Our model reflects a 5-year projected average operating margin of 3.8%, which is above Valero Energy's trailing 3-year average. Beyond year 5, we assume free cash flow will grow at an annual rate of 1.4% for the next 15 years and 3% in perpetuity. For Valero Energy, we use a 10.3% weighted average cost of capital to discount future free cash flows.

Source: Company Filings, Valuentum Projections

Company Metrics versus Peer and Industry Medians

Company Name	Valuentum Buying Index™	Forward Price-to-Earnings	P/E on Est. Normal Diluted EPS	Price/Earnings-to-Growth (PEG), 5-year	Forward EV/EBITDA	EV/Est. Normal EBITDA	5-year Forward Earnings per Share CAGR	3-year Hist Avg ROIC, without goodwill	Dividend Yield %	Stock Price / Fair Value Estimate
Valero Energy	3	8.2	8.4	NMF	4.3	4.5	-1.7%	11.0%	2.5%	93.2%
HollyFrontier	3	12.3	11.0	3.0	5.4	5.0	1.5%	33.1%	3.1%	92.8%
Murphy USA	6	15.6	12.5	1.3	7.8	6.4	12.5%	20.9%	0.0%	96.6%
Phillips 66	3	12.6	10.6	2.1	7.2	6.1	6.5%	21.1%	2.6%	91.3%
Tesoro	4	11.7	10.4	1.3	5.4	5.2	16.4%	12.3%	2.0%	96.3%
Peer Median	3.5	12.5	10.8	1.7	6.3	5.7	9.5%	21.0%	2.3%	94.5%
Industry Median	3.0	12.4	10.4	1.3	5.4	5.7	6.3%	16.2%	2.2%	94.7%

View back of report for a full list of industry constituents covered by Valuentum. VBI: Valuentum's ranking for the attractiveness of this investment at the date of the report.

Valero Energy VLO FAIRLY VALUED

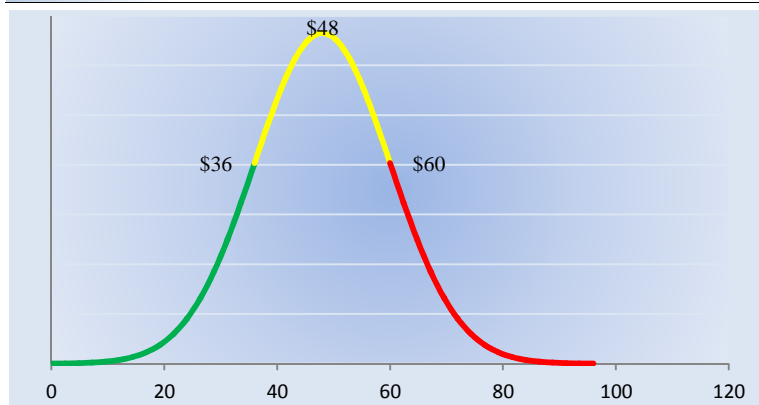
Buying Index™ 3

Value Rating 

Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
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Margin of Safety Analysis

Range of Potential Outcomes



Our discounted cash flow process values each firm on the basis of the present value of all future free cash flows. Although we estimate the firm's fair value at about \$48 per share, every company has a range of probable fair values that's created by the uncertainty of key valuation drivers (like future revenue or earnings, for example). After all, if the future was known with certainty, we wouldn't see much volatility in the markets as stocks would trade precisely at their known fair values. Our ValueRisk™ rating sets the margin of safety or the fair value range we assign to each stock. In the graph above, we show this probable range of fair values for Valero Energy. We think the firm is attractive below \$36 per share (the green line), but quite expensive above \$60 per share (the red line). The prices that fall along the yellow line, which includes our fair value estimate, represent a reasonable valuation for the firm, in our opinion.

ValueRisk™

MEDIUM

Valero Energy receives a ValueRisk™ rating of MEDIUM based of the historical volatility of key drivers of economic value creation. The fair value range sets the margin of safety around our fair value estimate of the firm's shares.

Revenue Volatility	19.4%
Gross Margin Volatility	23.0%
Earnings (EBI) Volatility	44.9%
Cash Flow (FCFF) Volatility	Greater than 50%
Fair Value Range	24.3%

The Fair Value Range sets the premium or discount on our estimate of the firm's fair value.

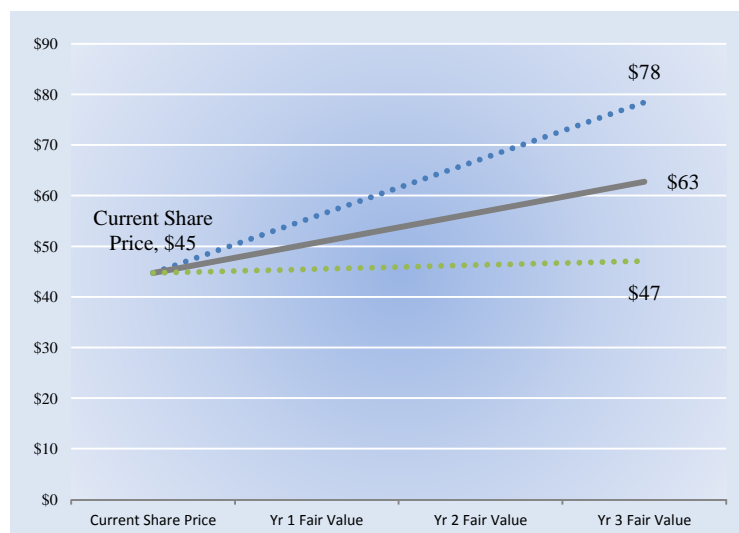
Upside and Downside Probabilities

Probability (fair value < \$0)	Less than 0.1%
Probability (fair value > 2x current share price)	0.03%

We strive to answer a few questions that investors often ask: 1) What are the chances of a total loss of investment in this company? and 2) What is the chance that the company is really worth twice what I paid for it? The probability (fair value < 0) strives to answer the first question. It indicates the chance that the firm may encounter insolvency based on the characteristics of its cash flow stream, capital structure, and risk profile. The probability (fair value > 2x current share price) strives to answer the second question. It is our best estimate of whether investors are participating in a half-off sale by buying the company's shares at current prices.

Future Path of Fair Value

We estimate Valero Energy's fair value at this point in time to be about \$48 per share. As time passes, however, companies generate cash flow and pay out cash to shareholders in the form of dividends. The chart to the right compares the firm's current share price with the path of Valero Energy's expected equity value per share over the next three years, assuming our long-term projections prove accurate. The range between the resulting downside fair value and upside fair value in Year 3 represents our best estimate of the value of the firm's shares three years hence. This range of potential outcomes is also subject to change over time, should our views on the firm's future cash flow potential change. The expected fair value of \$63 per share in Year 3 represents our existing fair value per share of \$48 increased at an annual rate of the firm's cost of equity less its dividend yield. The upside and downside ranges are derived in the same way, but from the upper and lower bounds of our fair value estimate range.



The graph above shows the expected future fair value of the firm's shares relative to its current stock price.

Valero Energy VLO FAIRLY VALUED

Buying Index™ 3

Value Rating

Economic Castle Attractive
Estimated Fair Value \$48.00
Fair Value Range \$36.00 - \$60.00

Investment Style LARGE-CAP VALUE

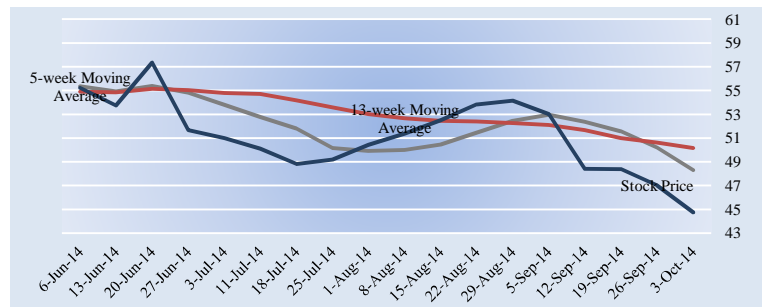
Sector Energy

Industry Refiners

Technical Analysis

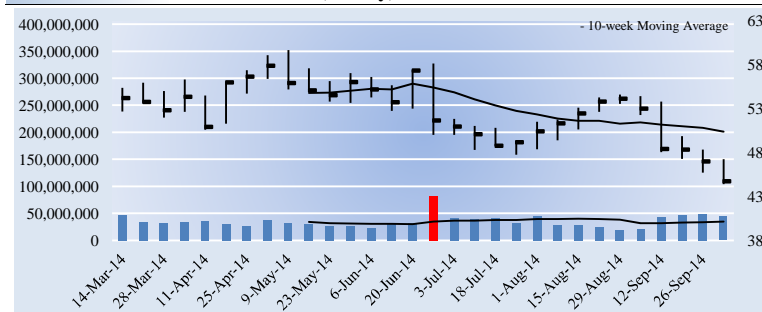
Technical Evaluation

BEARISH



The firm's near-term moving average (5-week, grey line) and medium-term moving average (13-week, red line) are shown in the chart above. Typically, when a shorter-term moving average crosses a medium- or longer-term moving average from below, it represents a bullish signal. If the short-term moving average crosses from above, traders often view this as bearish. Valero Energy's 5-week moving average is below its 13-week measure, indicating a BEARISH trend. This activity further confirms the company's 30-week downtrend.

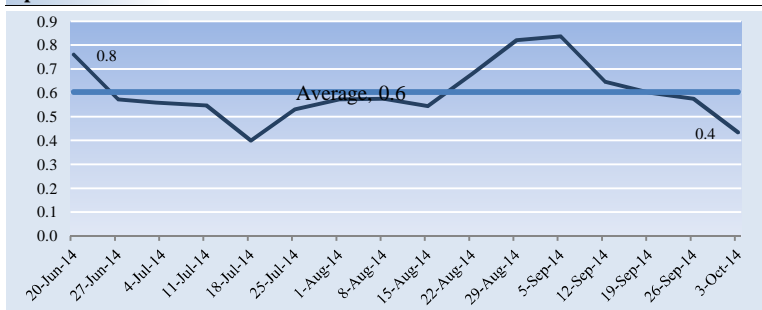
30-week Price and Volume Chart (weekly)



In the chart above, we pinpoint the heaviest accumulation or distribution week of the firm, determined by the week with the highest trading volume during the past 30 weeks. A heavy accumulation (buying) or distribution (selling) week often determines the future near-term direction of the firm's share price, as money managers continue to move in or out of the stock in the days and weeks ahead driving the stock up or down, respectively. For Valero Energy, the week with the highest trading volume out of the last 30 weeks was a week of heavy selling, or distribution (red bar). Such market activity could indicate a reversal of an uptrend or further confirmation of a downtrend.

Upside/Downside Volume

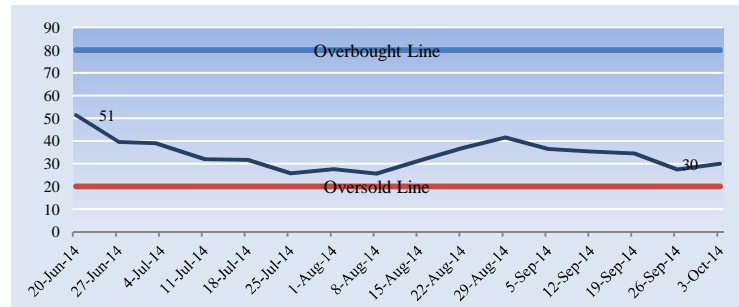
BEARISH



The level and trend of the Upside/Downside (U/D) volume ratio reveals whether institutional participation has been bullish or bearish as of late. Valero Energy's U/D volume ratio of 0.4 is not only less than 1 but also is lower than its trailing average, indicating BEARISH institutional interest during the past several weeks.

Money Flow Index (MFI)

NEUTRAL



The Money Flow Index (MFI) is an oscillator that uses price and volume to measure buying and selling pressure. Chartists often look for overbought (above 80) and oversold (below 20) levels to warn of unsustainable near-term price extremes. Valero Energy's MFI of 30 (green line) is neutral, suggesting the firm's stock is neither overbought nor oversold at this time. However, a score below 50 tends to favor bears. The MFI can also be used to gauge the strength or weakness of a firm's price trend. In Valero Energy's case, its stock price and money flow neither reveals a bullish nor bearish divergence, further supporting our neutral view on its money flow action.

Relative Price Strength

WEAK

A firm's relative price strength can be assessed over any number of time horizons. We show the firm's performance over the past 5 weeks, 13 weeks, and 30 weeks below. In arriving at our relative strength rating for each company, we assess the past 13 weeks, which includes the market's reaction to the firm's most recently reported quarter, where applicable, and other more recent economic events. During the past 13 weeks, Valero Energy's shares returned -11.9%, while the market benchmark returned 4.9%. We think Valero Energy's 13-week relative price performance is WEAK.

5-week Company Performance	-17.4%
5-week Market Benchmark Performance	4.4%
5-week Relative Performance vs. Market Benchmark	-21.8%
13-week Company Performance	-11.9%
13-week Market Benchmark Performance	4.9%
13-week Relative Performance vs. Market Benchmark	-16.8%
30-week Company Performance	-15.6%
30-week Market Benchmark Performance	8.2%
30-week Relative Performance vs. Market Benchmark	-23.7%

Timeliness Matrix™

Equity Valuation

Relative Strength	Overvalued	Fairly Valued	Undervalued
Strong			
Neutral			
Weak			

Firms that are undervalued and currently showing near-term pricing strength score near the top right of the matrix.

Companies that are undervalued and showing near-term relative price strength could represent timely buys, as the stock may be attractive to both value and momentum investors. Valero Energy's recent relative stock performance and valuation aren't much to get excited about. We'd stay on the sidelines until its valuation and technicals become more attractive.

Valero Energy VLO FAIRLY VALUED**Valuentum**
Buying Index™ 3**Valuentum**
Value Rating

Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
--------------------------------------	--	--	--	-------------------------	-----------------------------

Pro Forma Income Statement

	----- Historical -----			----- Projected -----	
In Millions of USD (except for per share items)	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Total Revenue	125,987	139,250	138,074	128,685	119,677
Cost of Goods Sold	120,202	131,954	131,633	121,709	112,370
Selling, General and Administrative Expenses	571	698	758	701	647
Other Operating Expenses	1,534	1,574	1,720	1,590	1,468
Operating Income	3,680	5,024	3,963	4,685	5,191
Unusual items	0	0	0	0	0
Operating Income, including unusual items	3,680	5,024	3,963	4,685	5,191
Interest Expense	(401)	(313)	(365)	(365)	(365)
Other Non-operating Income	43	(1,005)	384	0	0
Pre-tax Income	3,322	3,706	3,982	4,320	4,826
Income Taxes	1,226	1,626	1,254	1,361	1,520
Income after tax	2,096	2,080	2,728	2,960	3,306
Minority Interest and Equity Income	1	3	(8)	(8)	(8)
Net Income, excluding extra items	2,097	2,083	2,720	2,952	3,298
Income Available to Common, excluding extra items	2,097	2,083	2,720	2,952	3,298
Diluted Earnings per Share, excluding extra items	3.69	3.75	4.96	5.45	6.17
Diluted Weighted Shares Outstanding	569.0	556.0	548.0	541.2	534.5

Source: Company Filings, Xignite, Valuentum Projections

Valero Energy VLO FAIRLY VALUED**Buying Index™ 3****Value Rating**

Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
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Pro Forma Balance Sheet

----- Historical -----

----- Projected -----

In Millions of USD (except for per share items)

	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Assets					
Total Cash (including marketable securities)	1,024	1,723	4,292	6,006	8,195
Inventory	5,623	5,973	5,758	5,397	5,050
Accounts Receivable	8,918	8,336	8,823	8,219	7,641
Other Current Assets	407	428	404	404	404
Total Current Assets	15,972	16,460	19,277	20,026	21,289
Gross Fixed Assets	32,253	34,132	33,933	35,990	37,986
(Accumulated Depreciation)	(7,076)	(7,832)	(8,226)	(9,829)	(11,320)
Net Property, Plant, and Equipment	25,177	26,300	25,707	26,161	26,666
Goodwill, Net	0	0	0	0	0
Intangibles, Net	227	213	156	156	156
Other Long-term Assets	1,407	1,504	2,120	2,120	2,120
Total Assets	42,783	44,477	47,260	48,463	50,231
Liabilities					
Accounts Payable	9,472	9,348	9,931	9,172	8,482
Other Current Liabilities	1,978	1,617	2,640	2,695	2,713
Current Portion of Long-term Debt	1,009	586	303	303	303
Total Current Liabilities	12,459	11,551	12,874	12,170	11,499
Long-term Debt	6,732	6,463	6,261	6,261	6,261
Other Long-term Liabilities	6,920	8,053	8,416	8,416	8,416
Total Liabilities	26,111	26,067	27,551	26,847	26,176
Preferred Stock	0	0	0	0	0
Shareholders' Equity					
Common Stock and Additional Paid in Capital	7,493	7,329	7,194	7,194	7,194
Retained Earnings	15,309	17,032	18,970	21,334	23,975
Other Equity	(6,379)	(6,329)	(6,704)	(6,912)	(7,114)
Total Shareholders' Equity	16,423	18,032	19,460	21,616	24,056
Total Liabilities and Shareholders' Equity	42,534	44,099	47,011	48,463	50,231

Source: Company Filings, Xignite, Valuentum Projections

Valero Energy VLO FAIRLY VALUED

Buying Index™ 3

Value Rating


Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
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Pro Forma Cash Flow Statement

	----- Historical -----			----- Projected -----	
In Millions of USD (except for per share items)	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Cash from Operations					
Net Income	2,096	2,080	2,728	2,960	3,306
Depreciation and Amortization	1,534	1,574	1,720	1,603	1,491
Deferred Income Taxes	461	963	501	0	0
Operating Gains Or Losses	70	1,072	(307)	96	99
Changes in Working Capital	(116)	(419)	922	261	254
Cash Flow from Operations	4,045	5,270	5,564	4,920	5,151
Cash from Investing					
Purchase of Property, Plant, Equipment	(2,355)	(2,931)	(2,121)	(2,057)	(1,996)
Other Investing Cash Flows	(2,943)	(420)	(691)	0	0
Cash Flow from Investing	(5,298)	(3,351)	(2,812)	(2,057)	(1,996)
Cash from Financing					
Issuance (Retirement) of Stock	(300)	(222)	(500)	(304)	(301)
Issuance (Retirement) of Debt	(778)	(562)	537	0	0
Dividends Paid	(169)	(316)	(462)	(595)	(665)
Other Financing Cash Flows	181	(133)	262	0	0
Cash Flow from Financing	(1,066)	(1,233)	(163)	(900)	(966)
Foreign Exchange	16	13	(20)	0	0
Net Change in Cash	(2,303)	699	2,569	1,963	2,189

Source: Company Filings, Xignite, Valuentum Projections

Valero Energy VLO FAIRLY VALUED

Buying Index™ 3

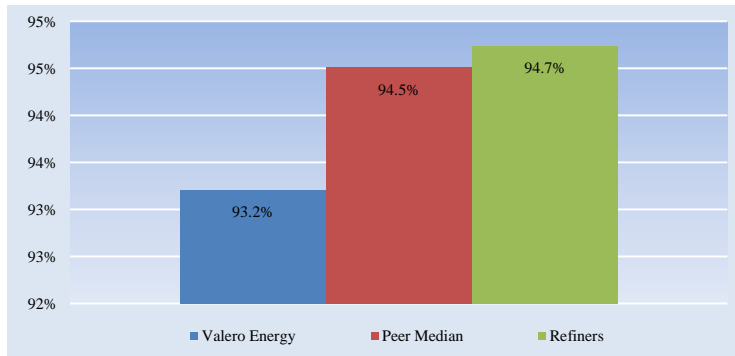
Value Rating 

Economic Castle Attractive	Estimated Fair Value \$48.00	Fair Value Range \$36.00 - \$60.00	Investment Style LARGE-CAP VALUE	Sector Energy	Industry Refiners
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Refiners

Refiners FAIRLY VALUED

We think the Refiners industry is fairly valued at this time. The industry's market cap is trading between 80% and 120% of our estimate of its fair value based on our DCF process. Although we use a firm-specific ValueRisk™ measure to determine whether a firm is undervalued or overvalued based on our DCF process, we consider an industry to be undervalued if it is trading below 80% of our estimate of its fair value and overvalued if it is trading at over 120% of our estimate of its fair value. We think these fair value ranges are appropriate given the diversification benefits of holding a basket of stocks. Although there may be individual opportunities within the Refiners industry, we don't find the industry as a whole attractive based solely on valuation.



The above bar chart reveals the price/fair value of the company, its peers, and the industry as a whole.

Companies below are sorted alphabetically. Shaded blue denotes that the firm has earned the highest rating for that respective category.

Company Name	Ticker	Market Cap (USD-mil)	Investment Style	DCF Valuation	Relative Valuation	ValueCreation™	ValueRisk™	ValueTrend™	Technicals	Relative Strength
Hess	HES	30,926	LARGE-CAP CORE	FAIRLY VALUED	UNATTRACTIVE	GOOD	HIGH	NEGATIVE	BEARISH	WEAK
HollyFrontier	HFC	8,400	MID-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	HIGH	NEGATIVE	BEARISH	WEAK
Marathon Petroleum	MPC	25,620	LARGE-CAP VALUE	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	NEGATIVE	VERY BEARISH	WEAK
Murphy Oil	MUR	10,419	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	POSITIVE	BEARISH	WEAK
Murphy USA	MUSA	2,446	MID-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	NEGATIVE	BULLISH	NEUTRAL
Phillips 66	PSX	48,673	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	NEGATIVE	VERY BEARISH	WEAK
Solazyme	SZYM	468	SMALL-CAP GROWTH	FAIRLY VALUED	NEUTRAL	VERY POOR	VERY HIGH	POSITIVE	NEUTRAL	WEAK
Tesoro	TSO	8,327	MID-CAP VALUE	FAIRLY VALUED	ATTRACTIVE	GOOD	HIGH	NEGATIVE	VERY BEARISH	WEAK
Valero Energy	VLO	24,518	LARGE-CAP VALUE	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	NEGATIVE	BEARISH	WEAK
World Fuel	INT	2,807	MID-CAP VALUE	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	NEGATIVE	BEARISH	WEAK

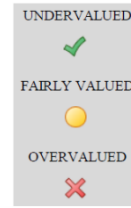
Valuentum's Full Page Stock Report

A DCF Valuation
Shows whether the firm is undervalued, fairly valued, or overvalued based on our DCF process and by how much.

B Valuentum Buying Index (VBI)
Provides insight into the timeliness of an investment opportunity. We rank firms from 1 to 10 based on rigorous financial, valuation, and technical analysis. A 10 represents one of our top picks.

VBI Score	Action
10	Top Pick
9	We'd Buy
6 to 8	Constructive
4 to 6	Less Exciting
1 to 3	We'd Pass

C Valuentum Value Rating (VVR)
Indicates whether we think a firm is undervalued, fairly valued, or overvalued on the basis of our DCF process.



D Investment Considerations
Evaluates firms on 12 different measures, from the firm's growth and cash flow generation to the stock's money flow index and upside/downside volume. We reveal technical support and resistance levels.

E 30-week Price and Volume Action
Displays the last accumulation or distribution week of the stock and historical price and volume action.

Valuentum Retail Equity Research Visit us at www.valuentum.com (10-Bar) Data as of 29-Jul-2011

United Technologies UTX OVERVALUED **Buying Index™** **Value Rating**

Last Close \$82.84 Estimated Fair Value \$66.00 Fair Value Range \$53.00 - \$79.00 Investment Style LARGE-CAP CORE Sector Industrials Industry Conglomerates

Despite United Technologies's solid business performance, we think there may be a better time to initiate a position in its shares based on valuation.

Stock Chart (weekly)

Investment Considerations

DCF Valuation	OVERVALUED
Relative Valuation	UNATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	LOW
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	VERY BEARISH
Relative Strength	NEUTRAL
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	BEARISH
Near-term Technical Resistance, 10-wk MA	\$6.00

DCF = Discounted Cash Flow, MFI, U/D = Please see glossary, MA = Moving Average

Business Quality

ValueRisk™	Very Poor	Poor	Good	Excellent
Low				
Medium				
High				
Very High				

Company Vitals

Market Cap (USD)	\$76,436
Avg Weekly Vol (30 wks)	18,719
30-week Range (USD)	77.05 - 91.83
Valuentum Sector	Industrials
5-week Return	-1.4%
13-week Return	-8.0%
30-week Return	4.6%
Dividend Yield %	2.1%
Dividends per Share	1.70
Forward Dividend Payout Ratio	8%
Est. Normal Diluted EPS	6.59
P/E on Est. Normal Diluted EPS	12.6
Est. Normal EBITDA	10,620
Forward EV/EBITDA	8.7
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	9.2%

Investment Highlights

- United Technologies's business quality (an evaluation of our ValueCreation™ and ValueRisk™ ratings) ranks among the best of the firms in our coverage universe. The firm has been generating economic value for shareholders with relatively stable operating results for the past 3 years, a combination we view very positively.
- Although we don't think the firm's valuation indicates an attractive investment opportunity at this time, we'd take a closer look if the firm's share price fell below \$53. The market seems to be pricing greater long-term revenue growth and profit expansion than we think is achievable.
- United Technologies has an excellent combination of strong free cash flow generation and low financial leverage. We expect the firm's free cash flow margin to average about 8.4% in coming years. Total debt-to-EBITDA was 1.2 last year, while debt-to-book capitalization stood at 32.5%.

Returns Summary

Return on Equity	24.4%
Return on Assets	8.3%
ROIC, with goodwill	12.1%
ROIC, without goodwill	25.3%

Leverage, Coverage, and Liquidity

Total Debt	10,289
Net Debt	6,206
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.7
EBITDA/Interest	11.3
Current Ratio	1.3
Quick Ratio	0.7

Relative Valuation

Relative Valuation	Forward P/E	PEG	Price / FV
3M	13.8	1.9	106.3%
Danaher	17.2	1.8	96.3%
Honeywell	13.3	1.5	81.7%
Tyco Int'l	14.2	1.7	82.0%
Peer Median	14.0	1.8	89.2%
United Technologies	15.0	1.9	125.5%

Financial Summary

Revenue	Fiscal Year End:		
	Dec-09	Dec-10	Dec-11
Revenue	52,425	54,326	58,726
Revenue, YoY%	-10.7%	3.6%	8.1%
Operating Income	5,970	7,142	8,006
Operating Margin %	11.4%	13.1%	13.6%
Net Income	3,829	4,373	4,996
Net Income Margin %	7.3%	8.0%	8.5%
Diluted EPS	4.12	4.74	5.52
Diluted EPS, YoY %	-15.9%	15.0%	16.6%
Free Cash Flow (CFO-capex)	4,527	5,041	4,947
Free Cash Flow Margin %	8.6%	9.3%	8.4%

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G Company Vitals
Shows sector, industry and other relevant company information.

I Normalized EPS and EBITDA
Estimation of the firm's normalized earnings measures and the corresponding valuation multiples.

L Returns Summary
3-year averages of the firm's key return measures, including return on invested capital, with and without goodwill.

M Leverage, Coverage, and Liquidity
A snapshot of the company's financial health.

H Business Quality
Summary of the firm's ability to create value for shareholders compared with the underlying risk of its operations.

J Investment Highlights
Our opinion of the company, including analysis of its financial and technical strengths and weaknesses.

K Relative Valuation
Comparison of the firm's PE, PEG, and Price/FV ratios versus peers.

N Financial Summary
A summary of the proforma financial statements found in the extended report.

About Valuentum

@ Valuentum, we strive to stand out from the crowd.

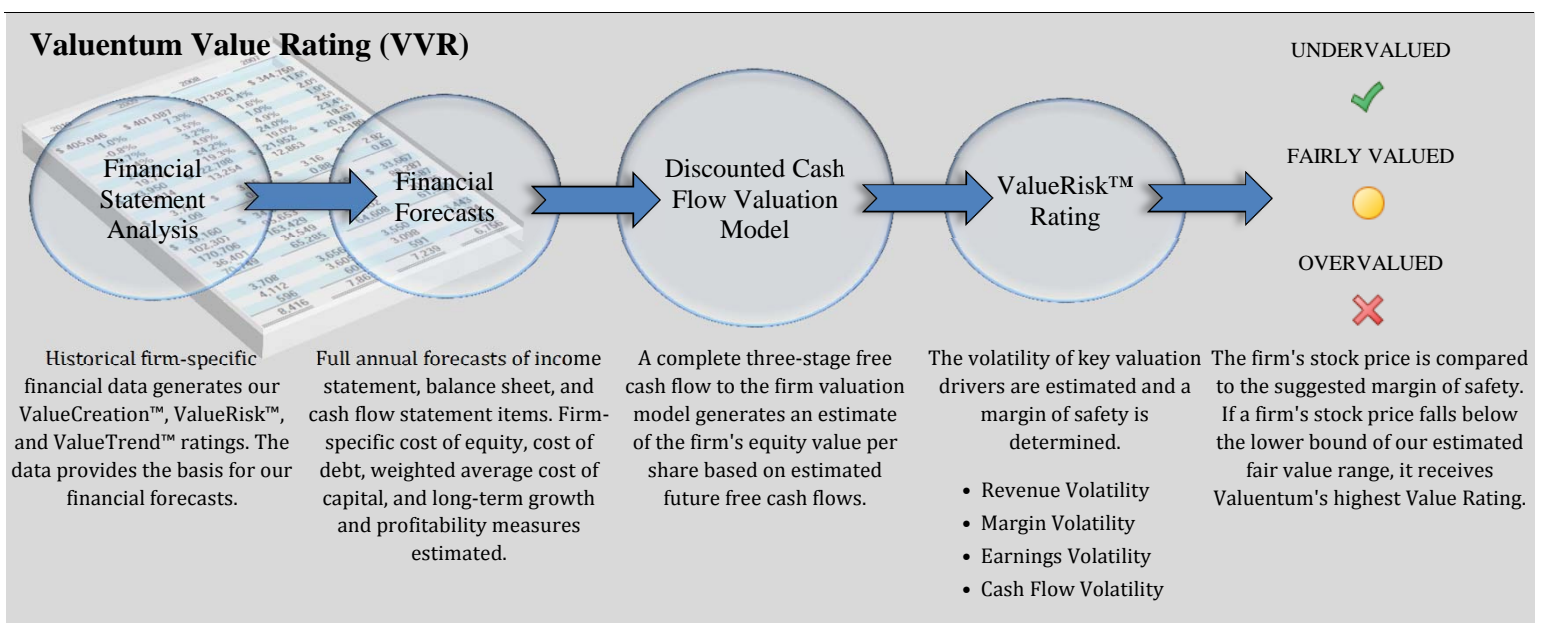
Most investment research firms fall into a few camps, whether it be value, growth, income, momentum, chartist or some variant of the aforementioned. We think each in its own right holds merit, but we think the combination of these approaches is even more powerful. After all, stock price movements aren't just driven by investors of the value or growth variety, but by all market participants. Therefore, **we look at stocks from a variety of investment perspectives in order to better understand and capitalize on opportunities.** We want to arm our clients with relevant, actionable information.

Although **the breadth of our analysis is unmatched in the industry**, the core of our process is grounded in rigorous discounted cash flow analysis and incorporates the concept of a margin of safety. We offer a fair value estimate for each company and opine on the valuation of a company based on this DCF process, but we also provide a relative valuation assessment in the context of the firm's industry and peers. A cross section of our ValueCreation™ and ValueRisk™ ratings provides a financial assessment of a company's business quality, while our ValueTrend™ rating offers insight into the trajectory of a firm's economic profit creation.

Our analysis doesn't stop there. We offer a technical evaluation of the firm as well as other momentum indicators. We not only want to reveal to investors which firms are undervalued, but we also want to arm investors with the information to anticipate entry and exit points. Most research firms focus on arriving at a target price or fair value estimate, but fall short of providing a technical assessment to bolster buy and sell disciplines. **We go the distance and provide investors with answers--not half the story.**

An explanation of our approach would not be complete if we didn't describe our ideal stock investment. We're looking for companies that are undervalued--both on a DCF basis and versus peers--have strong growth potential, have a solid track record of creating economic profits for shareholders with reasonable risk, are strong cash flow generators, have manageable financial leverage, and are currently showing bullish technical and momentum indicators.

Can such stock investments exist? **Subscribe to Valuentum to receive our best investment ideas and analysis on over 1,000 companies.**



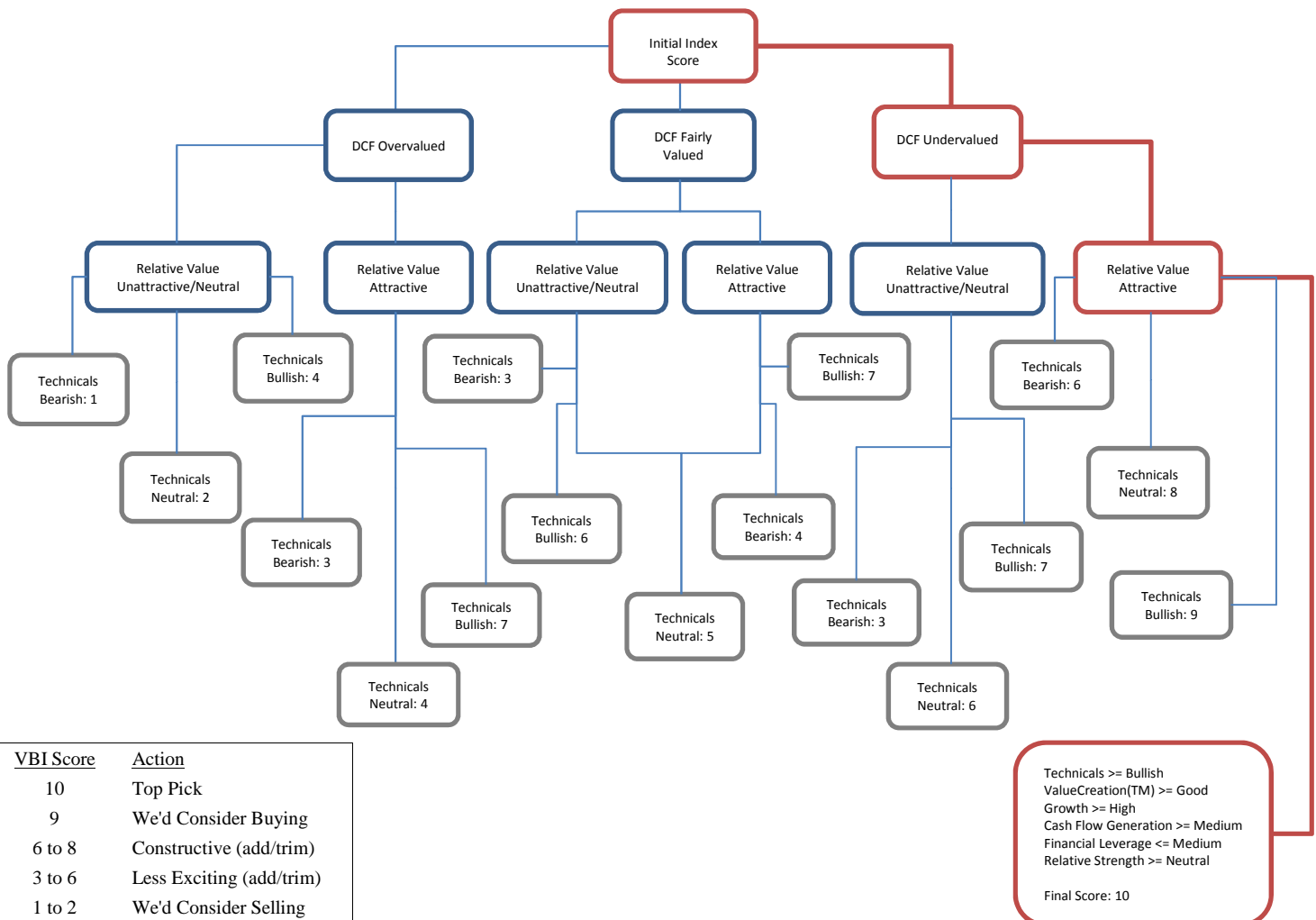
Methodology for Picking Stocks - Valuentum Buying Index™ (VBI)

@ Valuentum, we like to look at stocks from a number of different perspectives to identify the most attractive investments at any given time. The Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals to derive a score between 1 and 10 for each company. **The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks.**

Let's follow the red line on the flow chart below to see how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'undervalued' on a DCF basis and 'attractive' on a relative

value basis. The stock would also have to be exhibiting 'bullish' technicals. The firm would need a ValueCreation™ rating of 'good' or 'excellent', exhibit 'high' or 'aggressive' growth prospects, and generate at least a 'medium' or 'neutral' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.



Glossary

Estimated Fair Value. This measure is an output of our DCF valuation model and represents our opinion of the fair equity value per share of the company. We would expect a firm's stock price to converge to this value within the next 3 years.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

DCF Valuation. We opine on the firm's valuation based on our DCF process. Firms that are trading with an appropriate discount to our fair value estimate receive an UNDERVALUED rating. Firms that are trading within our fair value range receive a FAIRLY VALUED rating, while firms that are trading above the upper bound of our fair value range receive an OVERVALUED rating.

Relative Value. We compare the firm's forward price-to earnings (PE) ratio and its price/earnings-to-growth (PEG) ratio to that of its peers. If both measures fall below the peer median, the firm receives an ATTRACTIVE rating. If both are above the peer median, the firm receives an UNATTRACTIVE rating. Any other combination results in a NEUTRAL rating.

ValueCreation™. This is a proprietary Valuentum measure. ValueCreation™ indicates the firm's historical track record in creating economic value for shareholders, taking the average difference between ROIC (without goodwill) and the firm's estimated WACC during the past three years. The firm's performance is measured along the scale of EXCELLENT, GOOD, POOR, and VERY POOR. Those firms with EXCELLENT ratings have a demonstrated track record of creating economic value, while those that register a VERY POOR mark have been destroying economic value.

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

ValueTrend™. This is a proprietary Valuentum measure. ValueTrend™ indicates the trajectory of the firm's return on invested capital (ROIC). Firms that earned an ROIC last year that was greater than the 3-year average of the measure earn a POSITIVE rating. Firms that earned an ROIC last year that was less than the 3-year average of the measure earn a NEGATIVE rating.

Cash Flow Generation. Firms' cash flow generation capacity are measured along the scale of STRONG, MEDIUM, and WEAK. A firm with a 3-year historical free cash flow margin (free cash flow divided by sales) greater than 5% receives a STRONG rating, while firms earning less than 1% of sales as free cash flow receive a WEAK rating.

Financial Leverage. Based on the firm's normalized debt-to-EBITDA metric, we rank firms on the following scale: LOW, MEDIUM, and HIGH. Companies with a normalized debt-to-EBITDA ratio below 1.5 receive a LOW score, while those with a measure above 3 receive a HIGH score.

Upside/Downside Volume. Heavy volume on up days and lower volume on down days suggests that institutions are heavily participating in a stock's upward advance. We use the trailing 14-week average of upside and downside volume to calculate an informative ratio. We rank each firm's U/D volume ratio along the following scale: BULLISH, IMPROVING, DETERIORATING, and BEARISH.

Investment Style. Valuentum uses its own proprietary stock-classification system. Nano-cap: Less than \$50 million; Micro-cap: Between \$50 million and \$200 million; Small-cap: Between \$200 million and \$2 billion; Mid-cap: Between \$2 billion and \$10 billion; Large-cap: Between \$10 billion and \$200 billion; Mega-cap: Over \$200 billion. Blend: Firm's that we think are undervalued and exhibit high growth prospects (growth in excess of three times the rate of assumed inflation). Value: Firm's that we believe are undervalued, but do not exhibit high growth prospects. Growth: Firms that are not undervalued, in our opinion, but exhibit high growth prospects. Core: Firms that are neither undervalued nor exhibit high growth prospects.

Company Vitals. In this section, we list key financial information and the sector and industry that Valuentum assigns to the stock. The P/E-Growth (5-yr), or PEG ratio, divides the current share price by last year's earnings (EPS) and then divides that quotient by our estimate of the firm's 5-year EPS growth rate. The estimated normalized diluted EPS and estimated normalized EBITDA represent the five-year forward average of these measures used in our discounted cash flow model. The P/E on estimated normalized EPS divides the current share price by estimated normalized diluted EPS. The EV/estimated normalized EBITDA considers the current enterprise value of the company and divides it by estimated normalized EBITDA. EV is defined as the firm's market capitalization plus total debt, minority interest, preferred stock less cash and cash equivalents.

Business Quality Matrix. We compare the firm's ValueCreation™ and ValueRisk™ ratings. The box is an easy way for investors to quickly assess the business quality of a company. Firms that generate economic profits with little operating variability score near the top right of the matrix.

Timeliness Matrix. We compare the company's recent stock performance relative to the market benchmark with our assessment of its valuation. Firms that are experiencing near-term stock price outperformance and are undervalued by our estimate may represent timely buys.

Range of Potential Outcomes. The firm's margin of safety is shown in the graphic of a normal distribution. We consider a firm to be undervalued if its stock price falls along the green line and overvalued if the stock price falls along the red line. We consider the firm to be fairly valued if its stock price falls along the yellow line.

Return on Invested Capital. At Valuentum, we place considerable emphasis on return on invested capital (both with and without goodwill). The measure focuses on the return (earnings) the company is generating on its operating assets and is superior to return on equity and return on assets, which can be skewed by a firm's leverage or excess cash balance, respectively.

Technical Evaluation. We evaluate a firm's near-term and medium-term moving averages and money flow index (MFI) to assign each firm a rating along the following scale: VERY BULLISH, BULLISH, NEUTRAL, BEARISH, and VERY BEARISH.

Stock Price Relative Strength. We assess the performance of the company's stock during the past quarter, 13 weeks, relative to an ETF that mirrors the aggregate performance of constituents of the stock market. Firms are measured along the scale of STRONG, NEUTRAL, and WEAK. Companies that have outperformed the market index by more than 2.5% during this 13-week period receive a STRONG rating, while firms that trailed the market index by more than 2.5% during this 13-week period receive a WEAK rating.

Money Flow Index (MFI). The MFI is a technical indicator that measures buying and selling pressure based on both price and volume. Traders typically use this measure to identify potential reversals with overbought and oversold levels. We use a 14-week measure to rank firms along the following scale: EXTREMELY OVERBOUGHT (>90), OVERBOUGHT (80-90), NEUTRAL (20-80), OVERSOLD (10-20), EXTREMELY OVERSOLD (0-10).

Disclosures, Disclaimers & Additional Sources

To send us feedback or if you have any questions, please contact us at valuentum@valuentum.com. We're always looking for ways to better serve your investment needs and improve our research.

VLO Rating History	Price	Fair Value	VBI
3-Oct-14	\$44.74	\$48.00	3
9-May-14	\$55.93	\$59.00	6
24-Jan-14	\$49.04	\$43.00	6
11-Oct-13	\$36.54	\$39.00	6
17-May-13	\$41.20	\$40.00	3
18-Jan-13	\$36.76	\$38.00	6
14-Sep-12	\$33.75	\$34.00	5
4-Jun-12	\$20.37	\$40.00	3
6-Jan-12	\$20.37	\$38.00	6
30-Sep-11	\$17.78	\$46.00	6

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